Shakti Pumps (India) Ltd.

Buy

BP WEALTH

Company Overview

Buoyed by over 30 years of proven prowess in manufacturing electric motors and five years of manufacturing power electronics equipment, Shakti Pumps India Ltd. has been a pioneer in the manufacturing of energy-efficient pumps and motors since 1982. Having a product portfolio of over 1,200 indigenously developed products, the company is at the forefront of providing a variety of renewable energy solutions, primarily for the agricultural sector. Shakti Pumps has been on a steady growth trajectory over the years and has now become one of the leading pump exporters in India by exporting its products to over 120 countries. The products of the company find their application largely in agriculture, irrigation, industrial applications, and processes, pressure boosting in high-rise buildings, rural/urban community water supply schemes, waste and sewage water treatments, fire-fighting, and so on. Having decades of experience in the pumping industry and fetching a dominant position in the domestic solar pumping industry, the company also holds a 40% market share in the PM-KUSUM scheme, the Government of India's visionary program to embrace solar power for the agriculture sector. In its commitment to the visionary project of the Government of India, the company has committed itself to various research and development programs, leading to the development and creation of new-age energy-efficient pumping products and solutions.

Investment Rationale

Healthy order book and increasing revenues ensure robust growth in the near future

Shakti Pumps (India) Ltd. has an outstanding order book of Rs. 22.5 billion. Out of such orders, the company has a major order of Rs. 15.5 billion from the Maharashtra State Electricity Distribution Company Limited which is estimated to be completed within two years. Other remaining order book consists of Off-Grid Solar Photovoltaic Water Pumping Systems and Grid Connected Solar Water Pumping Systems which have an execution timeline of three months to nine months. Also, the management expects an order growth of a minimum 25% in the coming financial year. Due to such optimistic macro conditions and a growing order book, the company expects to record a revenue of around Rs. 900 crores for H2FY24 compared to Rs. 497 crores in H2FY23. Therefore, with over 69,000 pumps to be installed over the next two year period and healthy revenue guidance, the top line and order book of the company looks promising for the coming period.

PM KUSUM Scheme - a potential for earnings and growth

Under the PM KUSUM Scheme, it is estimated that there are over 20 lakh solar pumps to be installed under Component B (Off-grid pumps) till FY28. Additionally, under Component C (on grid pumps), a total of 15 lakh solar pumps are to be installed. With an average minimum rate of around Rs. 3 lakh per pump, the total opportunity amounts to around Rs. 1,050 billion. Out of such targets notified by the government, the total sanctioned capacity of pumps as of January 2024 stands at 12.9 lakh units, of which only 2.9 lakh units have been successfully installed. Hence, a larger opportunity exists for solar pump manufacturers in the coming period. Therefore, as a market leader in the industry, Shakti Pumps India Ltd. is poised for substantial growth in the upcoming period.

Valuation and Outlook

Shakti Pumps (India) Ltd. is primarily engaged in the manufacturing of pumps and motors of various kinds. The company also offers advanced water pumping solutions for a wide range of applications such as irrigation, horticulture, domestic water supply, and commercial and industrial applications. With over three decades of experience in the pumping industry, Shakti Pumps is one of the most quality-driven pump manufacturers in the world. Considering the long-term scenario, the high solar

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook — **Positive**

Stock

CMP (INR)	1,482
Target Price (INR)	1,753
NSE Symbol	SHAKTIPUMP
BSE Code	531431
Bloomberg	SKPI IN
Reuters	SHPU.BO

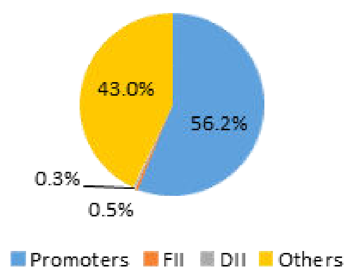
Key Data

Nifty	22,040
52WeekH/L(INR)	1,599 / 389
O/s Shares (Mn)	18.4
Market Cap (INR bn)	27.57
Face Value (INR)	10

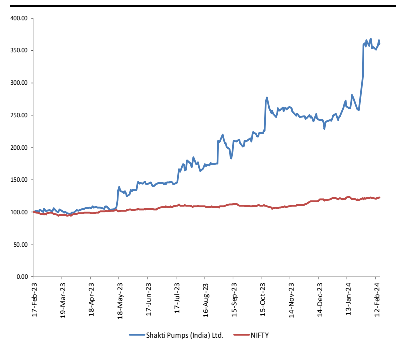
Average volume

3 months	1,54,370
6 months	3,83,150
1 year	2,87,200

Share Holding Pattern (%)



Relative Price Chart



power targets set by the country coupled with the ease of installation of these products are expected to drive the market for the coming years. Also, the volatile diesel and petrol prices associated with fuel-based pumping systems create ample opportunities for the demand of solar-powered water pumps in the coming years. Taking advantage of the current macro situation, the company has shown an annual growth in its key metrics in the third-quarter earnings. Therefore, the current macro situation, a healthy order book, and rising government support towards the sector makes us constructive on the company and **assign a buy rating with an investment horizon of 12 months. On the valuation front, we have arrived at a target price of Rs 1,753 (16% upside from CMP) based on P/E of 43x of FY24E earnings.**

Key Financials						
YE March (Rs. millions)	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**
Revenue	**5,440**	**3,830**	**9,300**	**11,790**	**9,680**	**14,440**
Revenue Growth (Y-oY)	*(86.5%)*	*(29.6%)*	*142.8%*	*26.8%*	*(17.9%)*	*49.2%*
EBIDTA	**890**	**120**	**1,420**	**1,110**	**670**	**1,412**
EBIDTA Growth (Y-o-Y)	*(74.9%)*	*(86.5%)*	*1083.3%*	*(21.8%)*	*(39.6%)*	*110.7%*
Net Profit	**450**	**(140)**	**760**	**650**	**240**	**750**
Net Profit Growth (Y-o-Y)	*(89.0%)*	*(131.1%)*	*(642.9%)*	*(14.5%)*	*(63.1%)*	*212.5%*
Diluted EPS	**24.5**	**(7.6)**	**41.3**	**35.3**	**13.1**	**40.8**
Diluted EPS Growth (Y-o-Y)	*29.3%*	*(131.0%)*	*(643.4%)*	*(14.5%)*	*(62.8%)*	*210.4%*
Key Ratios						
EBIDTA margin (%)	**16.4%**	**3.1%**	**15.3%**	**9.4%**	**6.9%**	**9.8%**
NPM (%)	8.3%	(3.7)%	8.2%	5.5%	2.5%	5.0%
RoE (%)	**1.1%**	**(0.3)%**	**1.7%**	**1.4%**	**0.5%**	**1.3%**
RoCE (%)	2.2%	0.3%	3.2%	2.3%	1.3%	2.4%
Valuation Ratios						
P/E (x)	**61.6x**	**(198.7x)**	**36.6x**	**42.8x**	**115.0x**	**38.5x**
EV/EBITDA	35.7x	75.9x	7.2x	-3.8x	23.3x	20.4x
P/BV (x)	**0.7x**	**0.7x**	**0.6x**	**0.6x**	**0.5x**	**0.5x**
Market Cap. / Sales (x)	5.1x	7.3x	3.0x	2.4x	2.9x	1.9x

Source: Company, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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