



Farsight

## MORNING FARSIGHT

Monday, October 22, 2018

**ROTO PUMPS**

**CMP:RS 116**

**TRGT:RS 140**

**TIME HORIZON: 1 YEAR**

Roto Pumps, market leader in progressive cavity pumps in India, as also manufacturing varieties of other industrial pumps and single - and twin-screw pumps at its facilities at Noida and Greater Noida, serving diverse range of industries, such as sugar, agriculture and cattle, oil and gas, mining, chemicals, food, explosives, textiles, construction, FMCG, dye stuff, marine, waste water treatment, pharma, power plant, fertilizers and steel, is looking a good buy, with good Q1FY19 earnings, healthy demand trends indicating better workings from coming quarters and historic low valuations. Although company is operating on a small scale, it has a strong brand name and in fact even PSU tender's official documents refer the type of single screw pumps and twin screw pumps as "Roto Pump", rather than their actual specifications. In India, Roto Pumps has esteemed clientele of some of the most reputed companies across sectors such as Caim India, ONGC, RIL, IOC, Indian Navy & Coast Guard and Engineers India, while it is also having presence in over 40 countries in the world with selling more than 60% of its products to countries like US, UK, Germany, New Zealand & Australia. Roto Pumps Americas Inc., USA (RPA) undertakes the sales and marketing of pumps in the USA. Roto Overseas Pte Ltd, Singapore, undertakes the sales and marketing of pumps in Asia and South Africa (through Ecochem Pumps (Pty) Limited). For Q1FY19, Roto Pump has seen PAT rising by more than 10x to Rs 4.36 c from Rs 0.37 cr on a YoY (due to seasonal nature of business, YoY comparison is done), resulting in an EPS of Rs 2.28 for Q1FY19 itself, which was at Rs 5.54 for whole of FY18. A presence of over 5 decades in the high value-added industrial pumps industry with geographically diversified revenue profile and established relationship with customers has led to healthy operating profitability ranging between 14-21% over the last 5 years ended fiscal 2018, which is indicative of robust business model, capable of sailing through tough times. Stock is now trading at PE of 12x, which is not only at discount to listed peers like Shakti Pumps, KSB Pumps, Kirloskar Brothers etc, but also lower compared to historic valuations of Roto, while current industry dynamics are favourable. Current M Cap of Rs 180 cr and EV of Rs 205 cr are seen attractive as well, with FY18 EBITDA seen at Rs 23 cr and FY19e EBITDA of Rs 30 cr, giving an EV/EBITDA of 6.8x on current year's earnings. Share ruling at Rs 116 can move to Rs 140 in 1 year. Buy as an investor only in this volatility.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock / Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.