

## Strong operational performance...

**About the stock:** KSB Ltd (formerly KSB Pumps Ltd), the Indian subsidiary of Klein Schanzlin & Becker (KSB) Germany, is one of the largest manufacturers and sellers of pumps and valves in India.

- KSB Ltd manufactures a range of standard industrial end suction and high-pressure multistage pumps, submersible motor pumps and monoblock pumps and other value-added parts
- Its client portfolio includes Bhel, Thermax, Isgec, Patil Engineering, RK Engineering, L&T, Pooja Engineering, NTPC and ThyssenKrupp

**Q4CY22 Results:** KSB reported strong operational performance in Q4CY22

- Revenue increased 18.0% YoY (+21.6% QoQ) in Q4CY22 to ₹ 524.6 crore; led by 16.7% YoY (+25.1% QoQ) growth in pumps revenues and 25.4% YoY (+6.7% QoQ) growth in valves revenues
- Gross margin improved 318 bps YoY (+102 bps QoQ) to 47.1%
- EBITDA margin stood at 14.6% (+195 bps YoY, +210 bps QoQ) leading to EBITDA growth of 36.2% YoY (+42.0% QoQ) to ₹ 76.8 crore
- PAT increased by 41.9% YoY (+43.3% QoQ) to ₹ 55.9 crore

**What should investors do?** Revenue, EBITDA and PAT expected to grow at 18.1%, 22.1% and 21.6% CAGR over CY22-24E led by strong execution

- We continue to remain positive and retain our **BUY** rating on the stock

**Target Price and Valuation:** We value KSB at ₹ 2390 i.e. 30x PE on CY24E EPS

**Key triggers for future price performance:**

- Strong traction from nuclear, petrochemical and mechanical seal segment. Focus on increasing share in services & spares through BP&CL
- Launch of new products in domestic standard pumps segment

**Alternate Stock Idea:** We also like Action Construction in our capital goods coverage.

- ACE continues to move on its growth path led by strong demand, focus on increasing share in exports, defence and improving product mix
- BUY with a target price of ₹ 435 i.e. 18x P/E on FY25E EPS



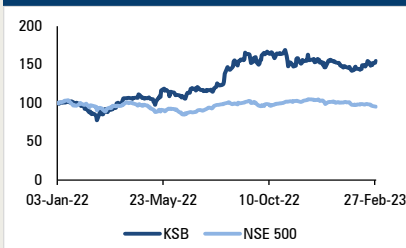
### Particulars

Particular	Amount
Market Capitalization	₹ 6687 crore
Total Debt (CY22)	₹ 0 crore
Cash & Inv. (CY22)	₹ 260.2 crore
EV	₹ 6426.8 crore
52 week H/L (₹)	2171 / 1023
Equity capital	₹ 34.8 crore
Face value	₹ 10

### Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	66.7	66.7	66.7	66.7
FII	2.5	2.9	3.2	3.2
DII	7.5	7.7	8.1	8.1
Others	23.3	22.7	22.1	22.0

### Price Chart



### Recent event & key risks

- Upcoming demand for pumps in range of ₹ 5000 crore
- **Key Risk:** (i) Rising input cost (ii) Launch of new series of pumps

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### Key Financial Summary

(Year-end December)	CY19	CY20	CY21	CY22	3 Year CAGR (CY19-22)	CY23E	CY24E	2 Year CAGR (CY22-CY24E)
Revenue	1,293.9	1,208.1	1,497.3	1,822.0	12.1	2,152.6	2,540.0	18.1
EBITDA	151.7	167.8	209.4	246.7	17.6	308.9	367.6	22.1
EBITDA margin (%)	11.7	13.9	14.0	13.5		14.4	14.5	
Net Profit	100.7	93.8	149.4	182.7	22.0	230.7	277.4	23.2
EPS (₹)	28.9	26.9	42.9	52.5		66.3	79.7	
P/E (x)	66.3	71.3	44.7	36.6		29.0	24.1	
EV/EBITDA (x)	42.5	37.8	30.2	26.0		20.6	17.1	
RoCE (%)	11.9	13.3	16.4	17.6		19.8	20.7	
RoE (%)	12.2	10.5	14.8	16.0		17.6	18.3	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter

### Q4CY22 Results: Strong operational performance...

- Revenue for the quarter came in at ₹ 524.6 crore, up 18.0% YoY & 21.6% QoQ. Revenue from Pump segment increased 16.7% YoY (+25.1% QoQ) to ₹ 439.5 crore. Valves segment revenue came in at ₹ 85.9 crore; up 25.4% YoY & 6.7% QoQ. Total revenue for CY22 is up by 21.7% YoY to ₹ 1822.1 crore as Pump and Valves segments grew by 20.6% YoY & 27.6% YoY respectively
- Gross margins improved 318 bps YoY & 102 bps QoQ to 47.1% in Q4CY22. The gross margin for CY22 stands at 45.8% vs 47.1% in CY21
- EBIDTA margin for the quarter stood at 12.0% vs 11% YoY & 11.7% QoQ. Thus, absolute EBIDTA increased by 36.2% YoY (+42.0% QoQ) to ₹ 76.8 crore led by healthy revenue growth and improvement in margins. CY22 EBITDA margin stands at 13.5% (vs 14% in CY21) leading to EBITDA growth of 17.8% YoY to ₹ 246.8 crore
- EBIT margin for Pump segment improved to 13.5% in Q4CY22 vs 11.8% YoY and 11.6% QoQ. Valves segment EBIT margin also improved to 11.2% during the quarter as against 7.3% YoY and 9.7% QoQ
- PAT for the quarter increased by 41.9% YoY (+43.3% QoQ) to ₹ 55.9 crore. CY22 PAT is up by 22.3% YoY to ₹ 182.8 crore

### Q4CY22 Highlights

- CY23 revenue guidance maintained at ₹ 2200 crore with some improvement in margins
- Domestic business is doing better with better demand of standard pumps (in Industrial segment) and engineered pumps (for projects)
- Order Intake stood at ₹ 2045.6 crore in CY22 for conventional business
- Sinner Plant crossed ₹ 600 crore sales & Coimbatore plant achieved nearly ₹ 300 crore sales
- Company received NPCIL order for 8 Reactor Coolant Pumps worth ₹ 501 crore during the year for Kaiga 5 & 6 reactors
- Company targets to dispatch 2 pumpsets (out of 8) by July 2023. Each pumpset values ₹ 50 crore
- Standard pumps contributes 45-48% to total turnover while engineered pumps contributes 25% to the turnover. Valves contribution is 18-20% while spare & services segment is ~10% of sales
- KSB acquired technology from BP&CL (Bharat Pumps & Compressors) during CY22. KSB is focusing on new product launches in niche segment (like reciprocating pumps) after this ToT
- Company is looking to increase in share of after market business through ToT acquisition of BP&CL. Management believe that there is a big opportunity in after market segment (which involves spares and repair)
- Target to achieve 20% of sales from SupremeServ (Services & Spares)
- In standard pumps segment, there has been some muted demand in agriculture which led to lose in market share to 5%
- Revenue growth from standard pumps stood at ~12% in CY22 led by ~8% growth in volumes
- There has been considerable progress in products and business of sunrise sectors Firefighting, Solar, Defense, Railways, Life Science applications
- Company sees strong opportunity of Industrial pumps from Vande Bharat trains & locomotives

Exhibit 1: Variance Analysis

(₹ Crore)	Q4CY22	Q4CY21	YoY (%)	Q3CY22	QoQ (%)	Comments
Revenue	524.6	444.6	18.0	431.3	21.6	Strong revenue growth in both the segments; Pumps and Valves
Raw Material Expenses	277.7	249.5	11.3	232.7	19.3	
Employee Cost	67.4	59.7	12.9	59.7	12.9	
Other operating expense	102.7	79.0	30.0	84.8	21.1	
Total Expenditure	447.8	388.2	15.4	377.2	18.7	
EBITDA	76.8	56.4	36.2	54.1	42.0	
EBITDA Margin (%)	14.6	12.7		12.5		Margin improved on lower RM cost and positive operating leverage
Other Income	8.7	8.2	6.1	10.6		
Depreciation	12.0	11.0	9.1	11.7	2.6	
Interest	2.5	1.9	31.6	1.3	92.3	
Share of profit from associate	2.2	2.0	10.0	1.7		
PBT	73.2	53.7	36.3	53.4	37.1	
Taxes	17.3	14.3	21.0	14.4	20.1	
PAT	55.9	39.4	41.9	39.0	43.3	

Key Metrics

Pumps Sales (₹ crore)	439.5	376.6	16.7	351.4	25.1
Valves Sales (₹ crore)	85.9	68.5	25.4	80.5	6.7

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	CY21	CY22	CY23E			CY24E
	Actual	Actual	Old	New	% Change	New
Revenue	1,497	1,822	2,019	2,153	6.6	2,540
EBITDA	209	247	301	309	2.7	368
EBITDA Margin (%)	14.0	13.5	14.9	14.4	-54 bps	14.5
PAT	149	183	217	231	6.5	277
EPS (₹)	42.9	52.5	62.2	66.3	6.5	79.7

Source: ICICI Direct Research

## Financial Summary

Exhibit 3: Profit and loss statement		₹ crore			
(Year-end Dec)	CY21	CY22	CY23E	CY24E	
<b>Net Sales</b>	<b>1497.3</b>	<b>1822.0</b>	<b>2152.6</b>	<b>2540.0</b>	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	1497.3	1822.0	2152.6	2540.0	
Growth (%)	23.9	21.7	18.1	18.0	
Raw Material Expenses	792.4	988.0	1,155.9	1,366.5	
Employee Expenses	215.4	243.9	275.6	311.4	
Other Operating Expense	280.1	343.4	412.1	494.5	
Total Operating Expenditure	1,287.9	1,575.3	1,843.6	2,172.5	
<b>EBITDA</b>	<b>209.4</b>	<b>246.7</b>	<b>308.9</b>	<b>367.6</b>	
Growth (%)	24.8	17.8	25.2	19.0	
Depreciation	43.5	45.3	50.0	55.0	
Interest	5.0	6.1	6.0	6.0	
Other Income	33.7	42.2	50.0	60.0	
<b>PBT</b>	<b>194.6</b>	<b>237.5</b>	<b>302.9</b>	<b>366.6</b>	
Exceptional Item	0.0	0.0	0.0	0.0	
Total Tax	51.6	62.6	80.3	97.1	
PAT	143.0	174.9	222.7	269.4	
Profit from Associates	6.4	7.8	8.0	8.0	
<b>Reported Net Profit</b>	<b>149.4</b>	<b>182.7</b>	<b>230.7</b>	<b>277.4</b>	
Growth (%)	61.6	22.3	27.3	21.0	
EPS (₹)	42.9	52.5	66.3	79.7	

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement		₹ crore			
(Year-end Dec)	CY21	CY22	CY23E	CY24E	
Profit after Tax	149.4	182.7	230.7	277.4	
Add: Depreciation	43.5	45.3	50.0	55.0	
(Inc)/dec in Current Assets	-77.8	-247.1	-217.0	-193.5	
Inc/(dec) in CL and Provisions	9.0	82.4	136.1	118.2	
Others	5.0	6.1	6.0	6.0	
<b>CF from Operations</b>	<b>129.1</b>	<b>69.4</b>	<b>205.8</b>	<b>263.1</b>	
(Inc)/dec in Investments	-3.5	-4.5	0.0	0.0	
(Inc)/dec in Fixed Assets	-49.8	-70.7	-85.0	-85.0	
Others	-30.4	-32.0	-50.0	-90.0	
<b>CF from Investing</b>	<b>-83.7</b>	<b>-107.2</b>	<b>-135.0</b>	<b>-175.0</b>	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-60.0	0.0	0.0	0.0	
Dividend paid & dividend tax	-29.6	-52.2	-62.7	-74.8	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	-4.6	-4.3	-7.8	-6.0	
<b>CF from Financing</b>	<b>-94.2</b>	<b>-56.5</b>	<b>-70.5</b>	<b>-80.8</b>	
Net Cash flow	-48.8	-94.3	0.4	7.3	
Opening Cash	403.4	354.5	260.2	260.6	
Closing Cash	354.5	260.2	260.6	267.9	

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet		₹ crore			
(Year-end Dec)	CY21	CY22	CY23E	CY24E	
<b>Liabilities</b>					
Equity Capital	34.8	34.8	34.8	34.8	
Reserve and Surplus	976.0	1,108.3	1,274.5	1,477.1	
Total Shareholders funds	1,010.8	1,143.1	1,309.3	1,511.9	
Total Debt	0.0	0.0	0.0	0.0	
<b>Total Liabilities</b>	<b>1,010.8</b>	<b>1,143.1</b>	<b>1,309.3</b>	<b>1,511.9</b>	
<b>Assets</b>					
Gross Block	728.6	813.4	898.5	983.5	
Less: Acc Depreciation	418.0	463.3	513.3	568.3	
Net Block	310.6	350.1	385.2	415.2	
Capital WIP	39.2	25.1	25.0	25.0	
<b>Total Fixed Assets</b>	<b>349.8</b>	<b>375.2</b>	<b>410.2</b>	<b>440.2</b>	
Liquid Investments	0.0	0.0	50.0	140.0	
Other Investments	69.7	74.2	74.2	74.2	
Inventory	423.1	561.1	660.5	765.5	
Debtors	278.0	403.7	483.6	556.7	
Loans and Advances	12.8	12.9	18.5	21.8	
Other Current Assets	51.8	35.1	67.2	79.3	
Cash	354.5	260.2	260.6	267.9	
<b>Total Current Assets</b>	<b>1,120.2</b>	<b>1,273.0</b>	<b>1,490.3</b>	<b>1,691.2</b>	
Creditors	279.2	314.3	383.3	452.3	
Provisions	105.7	93.6	132.5	154.1	
Other Current Liabilities	213.6	273.0	301.2	328.8	
Total Current Liabilities	598.5	680.9	817.0	935.2	
<b>Net Current Assets</b>	<b>521.7</b>	<b>592.1</b>	<b>673.3</b>	<b>755.9</b>	
Others Assets	69.6	101.6	101.6	101.6	
<b>Application of Funds</b>	<b>1010.8</b>	<b>1143.1</b>	<b>1309.3</b>	<b>1511.9</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios		₹ crore			
(Year-end Dec)	CY21	CY22	CY23E	CY24E	
<b>Per share data (₹)</b>					
EPS	42.9	52.5	66.3	79.7	
Cash EPS	55.4	65.5	80.6	95.5	
BV	290.4	328.4	376.1	434.3	
DPS	8.5	15.0	18.0	21.5	
Cash Per Share (Incl Invst)	101.9	74.8	89.2	117.2	
<b>Operating Ratios (%)</b>					
EBITDA Margin	14.0	13.5	14.4	14.5	
PBT / Total Op. income	13.0	13.0	14.1	14.4	
PAT Margin	10.0	10.0	10.7	10.9	
Inventory days	103	112	112	110	
Debtor days	68	81	82	80	
Creditor days	68	63	65	65	
<b>Return Ratios (%)</b>					
RoE	14.8	16.0	17.6	18.3	
RoCE	16.4	17.6	19.8	20.7	
RoIC	26.2	24.3	27.4	29.7	
<b>Valuation Ratios (x)</b>					
P/E	44.7	36.6	29.0	24.1	
EV / EBITDA	30.2	26.0	20.6	17.1	
EV / Net Sales	4.2	3.5	3.0	2.5	
Market Cap / Sales	4.5	3.7	3.1	2.6	
Price to Book Value	6.6	5.8	5.1	4.4	
<b>Solvency Ratios</b>					
Debt/EBITDA	0.0	0.0	0.0	0.0	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	1.5	1.7	1.7	1.7	
Quick Ratio	0.7	0.7	0.8	0.8	

Source: Company, ICICI Direct Research

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Buy: >15%

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Reduce: -15% to -5%;

Sell: <-15%



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