

### Snapshot

DATE	NOV 9, 2017
NSE CODE	INDIANHUME
BSE CODE	504741
SECTOR	INFRASTRUCTURE
CMP	Rs.485
MARKET CAP	Rs.2,347 Cr
52 WK H/L	572/334
FV	Rs.2/-
BV	Rs.82.5
EQUITY	Rs.9.69 Cr
EPS	Rs.19
PE	25

Shareholding	(Sep 30, 2017)
PROMOTERS	69.92%
FII	0.42%
DII	5.28%
OTHERS	24.38%

### Financial Information **Rs. Crores**

<i>For FY Ended 31st</i>	<i>Mar-17</i>
Gross Sales	1817.81
Total Income	1802.51
Total Expenditure	1591.96
PBIDT	210.54
PBIT	200.02
PBT	152.30
PAT	98.78
<i>Debt to Equity(x)</i>	<i>0.67</i>
<i>Current Ratio(x)</i>	<i>1.30</i>
<i>ROCE (%)</i>	<i>30.95</i>
<i>RONW (%)</i>	<i>27.97</i>
<i>PBIDTM (%)</i>	<i>11.58</i>
<i>PATM (%)</i>	<i>5.43</i>

### Background

The Indian Hume Pipe Co. Ltd. (IHP) was established in 1926 with the object of manufacturing, popularizing and marketing Hume Pipes and allied products. The Company is a recognized project executor in the infrastructure sector, especially in Water Supply, Irrigation, Drainage, Power Generation and Railways by executing numerous turnkey pipeline projects for Water Supply, Sewerage and Hydroelectric Power Generation and supplying millions of Concrete Sleepers for the track modernization of Railways in India. IHP has also executed projects in Nepal, Srilanka, Burma, Malaysia and Republic of Iraq.

### Investment Rationale

In India, proper management of our limited water resources will be inevitable to ensure food security for growing population and to eliminate poverty. (Water Policy and Action Plan for India 2020: An Alternative). India has more than 18% of the world's population, but has only 4% of world's renewable water resources and 2.4% of world's land area. This leaves vast scope for improvement in water supply, drainage and sewerage schemes. During the last eight decades, IHP has completed number of prestigious turnkey projects involving various components such as intake wells, electrical transmission lines, pumping stations with pumping machineries, water treatment plants, water transmission mains, ground level reservoirs, elevated service reservoirs along with supplying, laying, jointing, testing, commissioning of various pipe materials along with allied civil works. Apart from cities, demand in rural areas is expected to increase on account of development programmes of State Govts. to improve economic conditions of the rural mass. IHP has a healthy order book position of over Rs.30 billion. In the July-August period alone, it has secured orders worth Rs. 6 billion.

### Valuation

At Rs. 485, the stock is trading at 25X FY2017 EPS and at 5.9X FY2017 BV. Earnings momentum has continued in Q1 FY2018 also, adjusting for one-off items. Considering the strong business prospects, order book position, execution track record and healthy return ratios, *investors can accumulate the stock.*



#### **Prestressed Concrete Pipe (PSC)**

The core of the pipe is made of high performance, dense concrete by the spinning process. Winding of H T steel wire with accurate pitch and at controlled tension is an important feature of the process.

#### **Prestressed Concrete Cylinder Pipe (PCCP)**

It consists of a hydraulically tested steel cylinder with steel joint rings, centrifugally cast concrete core, high strength prestressing wire wrapped around the core and thereafter cement rich mortar coating.

#### **Bar Wrapped Steel Cylinder Pipe (BWSC)**

It is essentially a thin steel pipe cylinder; Welded with thicker steel joint rings at the ends, hydraulically tested and centrifugally lined with cement mortar. The M.S bar / wire is helically wrapped on the cylinder with controlled tension and is then coated with cement mortar.

#### **Re-inforced Cement Concrete Pipes (RCC)**

These high quality concrete pipes, popularly known as HUME PIPE, is an important product of IHP. The Pipes are made to Indian Standard Specification (I.S. 458-1988), and which compare favorably with the Australian, British or American Standards.

## **About Company**

The Indian Hume Pipe Co. Ltd. (IHP) was established in 1926 with the object of manufacturing, popularizing and marketing Hume Pipes and allied products. The company was founded by Shri. Walchand Hirachand, hailed as the pioneering architect of modern Industrial India. **Over a period of time the company has developed Prestressed Concrete Pipes, Prestressed Concrete Cylinder Pipes, Bar Wrapped Steel Cylinder Pipes, Hume Steel Pipes, Welded Steel Penstocks, etc and specialized in execution of Turnkey Water Supply and Sewerage Projects.** Today the Company has wide network of over twenty factories and over 100 projects under execution in the country.

The Company is a recognized project executor in the infrastructure sector, especially in Water Supply, Irrigation, Drainage, Power Generation and Railways by executing numerous turnkey pipeline projects for Water Supply, Sewerage and Hydroelectric Power Generation and supplying millions of Concrete Sleepers for the track modernization of Railways in India. IHP has also executed projects in Nepal, Srilanka, Burma, Malaysia and Republic of Iraq. In turnkey projects, the company undertake the complete job of water supply from source to distribution centers which apart from manufacturing, laying and jointing of pipelines included construction of intake wells, water sumps, water treatment plants, water pumping stations, installation of pumping machineries, electro-mechanical works, branch mains, ground level reservoirs, elevated reservoirs, leading to executions of complete systems for water supply to various towns and villages. Being a pipe manufacturer, IHP has the advantage of not having to rely on other suppliers for commonly used pipe materials, thus giving us greater control on the quality of execution of a project.

The first major contract for the supply and installation of prestressed concrete pipe line was completed by IHP in the year 1965. **Today over 5000 Km of prestressed concrete pipe lines are in service in all major cities in India. The Company is involved in several important projects for Water supply, Lift irrigation and Drainage Schemes all over the country.**

### **Some of the Major Water Supply and Drainage Projects Completed by the Co.**

*Providing Drinking Water to Balkonda, Armoor, Nizamabad, Kamareddy and part of Yellareddy Constituencies from SRSP Reservoir, Nizamabad District in Telangana including operation and maintenance for 10 years of the value of Rs. 81,530.80 Lakhs for TDWSP Circle, Nirmal.*

*Tillari Water Supply project for 43.73 Km of the value of Rs. 21,806.24 Lakhs for Maharashtra Jeevan Pradhikaran in Maharashtra.*

*TWAD Board, Thanjavur for CWSS to 1003 rural habitations in Pattukottai, Madhukkur Peruvaram and Sedhubavachathiram unions in Tamilnadu of the value of Rs.36,114.78 Lakhs.*

### **Out-standing Order Book Position**

*The company has a healthy order book position of over Rs.3,000 Crores. In the July-August period alone, it has secured orders worth RS.600 Crores comprising Rs 183.64 crore from the Tamil Nadu supply and drainage board, Coimbatore in June & 163.5 crore order from Raipur Municipal corporation in July. It has also bagged an order of Rs 257.44 crore from Madhya Pradesh Urban Development Company for improvement of water supply in Jabalpur and Damoh district in Madhya Pradesh including operation and maintenance for the period 10 years.*

## **Business Prospects**

In our country, proper management of our limited water resources will be essential to ensure food security for growing population and to eliminate poverty. (Water Policy and Action Plan for India 2020: An Alternative). The population is expected to reach a level of around 139 Crores by year 2025 (Source:- National Water Policy 2002) which will further aggravate the scarcity of water to the people of India. **India has more than 18% of the world's population, but has only 4% of world's renewable water resources and 2.4% of world's land area.** In addition, there are challenges of frequent floods and droughts in one or the other part of the country. Thus there is a vast scope for improvement in infrastructural developmental activities in water supply, drainage and sewerage schemes in sanitation segments.

**During the last eight decades, IHP has completed number of prestigious projects in India for various central, state and local government bodies.** It has completed a number of prestigious turnkey projects involving various components such as intake wells, electrical transmission lines, pumping stations with pumping machineries, water treatment plants, water transmission mains, ground level reservoirs, elevated service reservoirs along with supplying, laying, jointing, testing, commissioning of various pipe materials along with allied civil works. **Being a pipe manufacturer, IHP has the advantage of not having to rely on other suppliers for commonly used pipe materials, thus giving us greater control on the quality of execution of a project.**

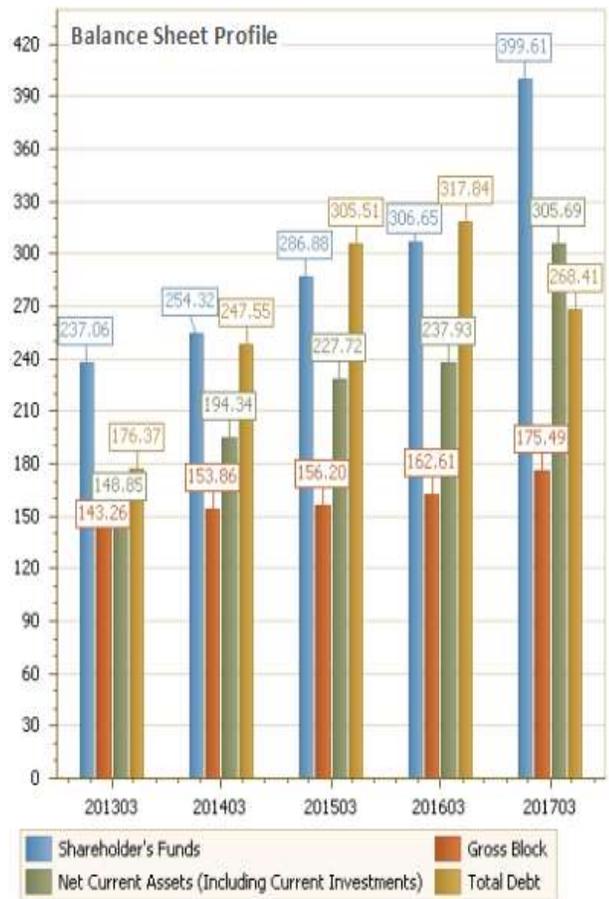
Growth of population and the expansion of economic activities inevitably lead to increasing demands for water for diverse purposes i.e. domestic, industrial, agricultural, hydro-power, thermal power, navigation, recreation etc. **Domestic and Industrial water needs have been largely concentrated in or around major cities, however the demand in rural areas is expected to increase sharply as the development programmes of State Governments to improve the economic conditions of the rural mass.** Demand for water for hydro and thermal power generation and for other industrial uses is also increasing substantially. As a result water which is already scarce will become even scarcer in future. This underscores the need for the utmost efficiency in water utilization and its distribution.

## Key Financial Highlights (Rs. Crores)

For FY Ended 31 <sup>st</sup>	Mar-17	Mar-16	Mar-15	Mar-14	Mar-13
Gross Sales	1817.81	953.79	1022.26	829.91	695.07
Total Income	1802.51	941.90	1019.42	827.46	689.89
Total Expenditure	1591.96	841.98	900.15	746.92	623.71
PBIDT	210.54	99.92	119.27	80.53	66.18
PBIT	200.02	90.12	110.26	72.71	58.78
PBT	152.30	44.85	61.97	38.01	33.41
PAT	98.78	29.10	41.57	24.06	22.85

### Key Ratios

Debt to Equity(x)	0.67	1.04	1.06	0.97	0.74
Current Ratio(x)	1.30	1.30	1.32	1.32	1.29
ROCE (%)	30.95	14.81	20.15	15.89	15.02
RONW (%)	27.97	9.81	15.36	9.79	9.99
PBIDTM (%)	11.58	10.48	11.67	9.70	9.52
PATM (%)	5.43	3.05	4.07	2.90	3.29
Net Sales Growth (%)	91.66	-7.02	22.7	20.27	25.17
EBITDA Growth (%)	110.71	-16.23	48.1	21.7	49.82
Asset Turnover (x)	1.42	0.87	1.03	0.97	0.91
Inv. Turnover (x)	3.52	2.35	2.8	2.54	2.36
Debtors Turnover (x)	4.93	2.84	3.63	3.93	4.19



**Note:** In Q1 FY2018, the company reported 23% decline in net profit due to impact of one-off item. The company has made a provision of Rs.30 Crores related to works contract executed in Rajasthan in earlier years. The amount is still under dispute. Meanwhile revenue grew 27% to 5.76 bln rupees compared to Q1 FY2017.

## One Year Price chart



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