

Shakti Pumps – Q2FY20 Result Highlights

Shakti Pumps came out with dismal set of numbers in Q2FY20; way below our estimate. Consolidated revenue fell 33.7% YoY/13.8% QoQ to Rs 912 mn, below our estimate of Rs 1,575 mn, while EBITDA witnessed a decline of 78.7% YoY/58.3% QoQ to Rs 44 mn, below our estimate of Rs 157 mn. EBITDA margin contracted 1030bps YoY/521bps QoQ to 4.9% below our estimate of 10%. The company reported a loss for the quarter at Rs 17 mn, against our estimate of a PAT of Rs 47 mn.

Rs Mn (Consolidated)	Q2FY20	Q1FY20	Q2FY19	Q-o-Q	Y-o-Y	H1FY20	H1FY19	Y-o-Y
Net Revenue	912	1,058	1,376	-13.8%	-33.7%	1,970	2,335	-15.6%
Material Cost	573	653	849	-12.3%	-32.5%	1,226	1,412	-13.2%
Employee cost	138	135	131	2.4%	5.2%	273	252	8.4%
Other Expenses	156	163	186	-4.1%	-16.1%	319	330	-3.3%
EBITDA	44	107	209	-58.3%	-78.7%	151	340	-55.6%
EBITDA margin %	4.9%	10.1%	15.2%	-521bps	-1030bps	7.7%	14.6%	-691bps
Other Income	6	11	4	-49.9%	52.1%	17	25	-30.5%
Depreciation	43	41	37	4.9%	15.2%	84	73	15.3%
EBIT	7	77	175	-90.7%	-95.9%	84	292	-71.2%
Finance cost	51	46	47	10.5%	7.8%	96	79	22.0%
Exceptional Item	-	-	-	-	-	-	-	-
PBT	-43	31	128	-	-	-12	213	-
Tax Expense	-26	7	35	-	-	-20	54	-
Effective tax rate %	-60.8%	20.8%	27.7%	-	-	-162.7%	25.3%	-
Reported Net Profit	-17	25	93	-	-	8	159	-95.2%
Adj Net Profit	-17	25	93	-	-	8	159	-95.2%
<i>Adj Net margin %</i>	<i>-1.9%</i>	<i>2.3%</i>	<i>6.7%</i>	<i>-417bps</i>	<i>-858bps</i>	<i>0.4%</i>	<i>6.7%</i>	<i>-636bps</i>
<i>Reported EPS (Rs)</i>	<i>-0.9</i>	<i>1.3</i>	<i>5.0</i>	<i>-</i>	<i>-</i>	<i>0.4</i>	<i>8.7</i>	<i>-95.2%</i>
Adj EPS (Rs)	-0.9	1.3	5.0	-	-	0.4	8.7	-95.2%

Source: Company, Arihant Research

Suspension of Coverage

Shakti Pump's management in its Q2FY20 post result conference call, have acknowledged that the current industry scenario is challenging, and hence order visibility for next quarter is bleak. Despite rollout of Kusum project, the orders will take time to come on Shakti's book. Also liquidity crunch in the system continues to put pressure on the WC cycle of the company. Also its long awaited Africa order is yet to come in its books. Succumbing to this challenging environment, Shakti Pumps has posted a loss of Rs 17 mn in Q2FY20 despite tax write-back. Margins also nose-dived to below 5% level for the quarter against its usual margin of 15-16%. **Keeping in mind all the above factors, we have taken a stance to discontinue our coverage on the company. This note should be taken as intimation for suspension of our coverage on Shakti Pumps; as earnings visibility is weak for next two quarters. We will take a call on re-initiating our coverage after two quarters, once some stability comes in its reported numbers.**