

StockWatch

Garware Wall Ropes
Climbing up

With not much capital expenditure and reducing debt, focus on higher margin and faster-growing new businesses augur well

Established in 1976 by B D Garware in collaboration with Wall Industries, Garware-Wall Ropes (GWRL) is India's leading player in technical textiles. The manufacturer of synthetic yarns, twines, ropes, webbings, nets, net-related products, coated fabrics and geo-synthetic products provides innovative and application focused solutions to diversified consumers including fishing, aquaculture, agriculture, sports, geo-synthetic, coated fabrics, yarn and thread.

The advanced solutions and products including cages and predator systems are responsible for the dominant market share in the aquaculture space in developed markets of Canada, the US, Scandinavia and the UK.

The sports segment provides nets for tennis, cricket, golf, soccer, hockey, basket ball, volleyball, badminton, ski and beach volleyball. Over the years, GRW has become no 1 sports net manufacturer in India and has captured 25% share in the US sports net market.

Besides these two segments, agriculture will be another growth driver. Here, offerings include bird nets and crop protection solutions. Unlike traditional businesses, all these segments are poised to grow at more than 15-20% rate, going forward.

Garware Wall Ropes : Result

	1412(03)	VAR.(%)	1412(09)	VAR. (%)
Sales	185.17	9%	587.33	18%
OPM (%)	9.80%		10.00%	
OP	18.1	17%	58.72	14%
Other inc.	0.12	-48%	1.29	55%
PBIDT	18.22	16%	60.01	15%
Interest	1.76	-52%	6.99	-50%
PBDT	16.46	37%	53.02	38%
Dep.	3.1	-5%	9.41	-14%
PBT	13.36	53%	43.61	59%
Total Tax	3.18	89%	12.81	58%
PAT	10.18	45%	30.8	60%
EPS (Rs) *	#		#	

*Annualised on diluted equity post-buyback of Rs 21.88 crore of face value of Rs 10 each. Figures in crore. Variation (%) is over corresponding previous period. Source: Capitaline Databases

Exports driving growth

About 50% of GWRL's total turnover came from exports in the nine months ended December 2014 compared with 48% in FY 2014 and 42% in FY 2013



Fishing, ropes and the geo-synthetic business dominated sales, with about 65% share, between the fiscal ended March 2011 (FY 2011) and FY 2013. Fishing products contributed about 20% of the turnover, geo-synthetics 7%, aquaculture 15-20%, agriculture 15-20%, ropes 13%, sports 10%, and rest by other segments such as coated fabrics, jute bags, woven sack and reinforcements in the nine months ended December 2014.

Exports constituted about 50% of the turnover in the nine months ended Decem-

Capita Telefolio
average return
crosses 100%
see page 85

ber 2014. Exports comprised around 48% of the turnover in FY 2014 and 42% in FY 2013 sales. The contribution of exports as percentage of total sales is expected to rise to around 65% in the next couple of years, driven by more customers and increased applications within the aquaculture and sports segments.

The focus is on improving the share of the new businesses by leveraging the international presence by providing high-end solutions. Also, the endeavor is to increase the number of clients and customers, thus grabbing volume and value growth in the new businesses.

The geo-synthetic segment caters to the requirement of infrastructure projects on hills and mountains and rocky and damped regions. Assistance and solutions are provided with reinforced soil structures, landfills, rock protection, gabion gravity retaining walls, geosynthetic lining, coastal and river protection and erosion control and embankment protection solutions. Once infrastructure development picks up in India, this product line has excellent growth potential.

The plants are more than 25 year old and fully depreciated. For future growth, there is need to add additional lines within the same plant. Thus, there hardly any capital expenditure is required for future growth. PP and HDPE are the major raw materials. As these are derivatives of crude oil, fall in crude oil prices will lower raw material cost.

Net sales recorded CAGR of about 10%, with profit after tax (PAT) almost flat in the three to FY 2013. However, net sales grew 18% to Rs 587.33 crore and PAT 60% to Rs 30.80 crore in the nine months ended December 2014.

We expect GWRL to report net sales of Rs 800.81 crore and PAT of Rs 41.39 crore in the current fiscal. We expect the company to register net sales of Rs 920.94 crore and PAT of Rs 49.89 crore in FY 2016. This gives an EPS of Rs 18.9 for FY 2015 and Rs 22.8 for next fiscal. The scrip was trading around Rs 205 on 9 February 2015.

Garware Wall Ropes: Financials

	1303(12)	1403(12)	1503(12P)	1603(12P)
Net Sales	603.73	687.65	800.81	920.94
OPM %	10.40%	10.00%	9.90%	10.20%
OP	62.84	68.71	79.64	93.94
Other income	1.36	0.88	1.39	1.74
PBIDT	64.2	69.59	81.03	95.67
Interest	14.48	16.12	8.08	7.27
PBDT	49.72	53.47	72.96	88.41
Depreciation	16.32	14.39	12.67	13.94
PBT	33.4	39.08	60.29	74.47
Total Tax	8.73	12.41	18.9	24.58
PAT	24.67	26.67	41.39	49.89
EPS*	11.3	12.2	18.9	22.8

*Annualised on diluted equity post-buyback of Rs 21.88 crore of face value of Rs 10 each. (P) Projection. Figures in crore. Source: Capitaline Databases