

Garware-Wall Ropes

BSE CODE 509557

Face Value ₹10

CMP ₹162

HERE IS WHY

- 1 Transformation of commodity to higher value-added business for different market segments.
- 2 Acceptance of its new products in the aquaculture as well as agriculture markets.
- 3 Aiming to grow its technical textile business, particularly in the defense sector.

Garware-Wall Ropes (GWRL) is one of India's leading players in technical textiles with a widespread global presence. The company deploys its expertise in the engineering of polymers and its in-depth knowledge of customers' needs. It provides application-focused solutions for various sectors, including deep sea fishing, aquaculture, shipping, agriculture, sports, infrastructure and transportation. The company is the largest producer of synthetic polymer cordage in the world, supplying to about 75 countries.

The aquaculture and agriculture sectors are major growth drivers for the company, contributing nearly 50 per cent of its total exports. Its sales are across several verticals and geographies, providing stability and hedging against business and economic trends along with a steady stream of revenue and profitability. The fishing industry is more of its traditional business, forming for about 30 per cent of the

company's total turnover. Aquaculture constitutes 15 per cent; agriculture 15-20 per cent; ropes 13 per cent; sports 10 per cent; geosynthetics 7 per cent; and the rest comprises segments such as coated fabrics, jute bags, woven sacks and reinforcements.

GWRL's exports stand between 45-55 per cent of its revenue. While the domestic business is also growing, going forward its exports is expected to grow to 60-65 per cent of the turnover. During H1 FY15, the company's net sales grew by 23.4 per cent to ₹400.80 crore compared to ₹324.71 crore in H1 FY14 while its PBT grew by 61.9 per cent to ₹30.23 crore in H1 FY15 in comparison with ₹18.68 crore in the same period last year due to lower depreciation and interest cost. Even in terms of bottomline, its net profit has grown by 68.3 per cent to ₹20.61 crore in H1 FY15 as against ₹12.24 crore in H1 FY14.

The company is expecting this positive trend to continue in the second half of the current financial year with significant gain



FINANCIAL HIGHLIGHTS (TTM)	
Particulars	Amount (₹/Cr.)
Sales	764.80
% Change	23.44
EBITDA	74.71
% Change	13.01
NP	35.03
% Change	40.69
Equity	21.88
EPS	15.17
P/E	10.75

in business from the agriculture, aquaculture and defense verticals. Its exports grew by 27 per cent in H1 FY15 over H1 FY14 due to the strong performance of its new products for the aquaculture and shipping segments. We expect the company to clock a turnover of almost ₹800 crore in FY15E and ₹925 crore in FY16E. With growing acceptance of its new products in the overseas' aquaculture industry as well as in the domestic agriculture market, GWRL is poised to grow faster in the coming years.

The company is aiming to grow its technical textile business by focusing on import substitutes, particularly in the defense sector. Recently the company bagged an order on a pilot basis to supply specialised sheets to the army to cover radars. The market size of technical textiles in the Indian defense sector is estimated at ₹1,300 crore. The company expects about ₹100 crore from this sector over the next four years. Meanwhile, GWRL is restructuring its product mix to be margin-accretive through transformation of a low-value commodity into higher value-added business for different market segments. Hence, though the revenue may not witness sharp growth, its bottomline is set to show significant growth.

Going forward, we expect the EPS earning to be ₹18 in FY15E and ₹22 in FY16E. Currently GWRL is trading at 10.54x its TTM EPS of ₹15.17 per share and in terms of its price-to-book value it trades at 1.2x its book value of ₹134 per share, which looks quite attractive and will be re-rated in view of the strong portfolio, improving product mix, improving return ratios, and favourable balance-sheet. Therefore our recommendation is to buy this stock with a target price of ₹300 in the next one year. ■