

Garware Wall Ropes

Performance Highlights

Quarterly Data

(₹ cr)	2QFY16	2QFY15	% yoy	1QFY16	% qoq
Revenue	214	203	5.7	239	(10.5)
EBITDA	26	21	24.7	26	2.1
Margin (%)	12.4	10.5	188bp	10.8	152bp
Adj. PAT	15	11	41.5	15	5.1

Source: Company, Angel Research

Garware Wall Ropes (GWRL)'s 2QFY2016 results outperformed our estimates on the bottom-line front. The company's top-line for the quarter grew by a subdued 6% yoy. On the operating front, the company reported margin improvement, primarily on account of lower raw material costs. Further, on the bottom-line front, the company reported strong growth on account of a favorable operating performance and lower interest costs.

Subdued top-line growth: The company's top-line grew by ~6% yoy to ~₹214cr (which is below our estimates of ~₹232cr), mainly due to lower growth in the Synthetic Cordage segment (of ~3% to ₹180cr). The Fibre & Industrial Products segment reported a strong growth of ~14% to ₹39cr.

PAT grew ~42% yoy: The reported net profit grew by ~42% yoy to ~₹15.4cr (our estimate was of ~₹12.7cr) on account of falling material prices and lower interest costs with the company having repaid a significant amount of its debt in FY2015.

Outlook and valuation: Going ahead, we expect GWRL to report a top-line CAGR of ~11% over FY2015-17E to ~₹967cr owing to strong domestic as well as export sales. On the bottom-line front, we expect the company to report ~20% CAGR over FY2015-17E on account of expansion in operating margin (due to lower material prices and higher exports, which is a high margin business). Further, the company has reduced its debt significantly which will lead to cost savings. **Hence, we recommend a Buy rating on the stock with a target price of ₹423.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
Net sales	688	784	861	967
% chg	13.9	14.0	9.7	12.3
Net profit	27	43	52	62
% chg	8.1	61.5	21.9	17.7
EBITDA margin (%)	9.5	10.4	10.9	10.9
EPS (₹)	12.2	19.7	24.0	28.2
P/E (x)	28.3	17.5	14.4	12.2
P/BV (x)	2.7	2.4	2.1	1.8
RoE (%)	9.7	13.8	14.6	14.9
RoCE (%)	14.7	19.3	20.6	21.1
EV/Sales (x)	1.2	1.0	0.9	0.8
EV/EBITDA (x)	12.4	9.6	8.1	6.9

Source: Company, Angel Research, Note: CMP as of November 5, 2015

BUY

CMP	₹345
Target Price	₹423

Investment Period	12 months
-------------------	-----------

Stock Info

Sector	Textiles
Market Cap (₹ cr)	818
Net Debt (₹ cr)	24
Beta	1.0
52 Week High / Low	387/145
Avg. Daily Volume	29,812
Face Value (₹)	10
BSE Sensex	26,304
Nifty	7,955
Reuters Code	GRWL.BO
Bloomberg Code	GWWR@IN

Shareholding Pattern (%)

Promoters	50.6
MF / Banks / Indian FIs	2.3
FII / NRIs / OCBs	1.2
Indian Public / Others	45.9

Abs. (%)	3m	1yr	3yr
Sensex	(6.8)	(5.8)	40.2
GWRL	17.7	118.4	571.9

3-year price chart



Source: Company, Angel Research

Amarjeet S Maurya

022-39357800 Ext: 6831

amarjeet.maurya@angelbroking.com

Exhibit 1: Quarterly performance

Y/E March (₹ cr)	2QFY16	2QFY15	% yoy	1QFY16	% qoq	FY2015	FY2014	% chg
Net Sales	214	203	5.7	239	(10.5)	784	688	14.0
Consumption of RM	83	94	(12.1)	118	(29.8)	363	316	14.9
(% of Sales)	38.6	46.4		49.2		46.3	46.0	
Staff Costs	22	26	(16.7)	23	(4.5)	84	64	31.9
(% of Sales)	10.2	13.0		9.6		10.7	9.3	
Operating Expense	83	61.08	36.2	73	14.6	255	242	5.4
(% of Sales)	38.8	30.1		30.3		32.5	35.2	
Total Expenditure	188	182	3.5	213	(12.0)	703	622	12.9
Operating Profit	26	21	24.7	26	2.1	81	65	24.5
OPM (%)	12.4	10.5		10.8		10.4	9.5	
Interest	2	3	(27.4)	2	18.4	10	13	
Depreciation	3	3	15.3	3	1.8	12	14	(13.9)
Other Income	0.339	0.450	(24.8)	0.716	(52.7)	2	1	94.3
PBT	21	16	34.6	22	(1.1)	61	39	54.8
(% of Sales)	10.0	7.9		9.1		7.7	5.7	
Provision for Taxation	6	5	19.8	7	(13.8)	17	12	40.1
(% of PBT)	28.3	31.8		32.5		28.9	31.9	
Minority Interest								
Reported PAT	15.4	11	41.5	15	5.1	43	27	61.7
PATM	7.2	5.4		6.1		5.5	3.9	

Source: Company, Angel Research

Top-line grows 6% yoy

The company's top-line grew by a subdued ~6% yoy to ~₹214cr (which is below our estimates of ~₹232cr), mainly due to lower growth in the Synthetic Cordage segment (of ~3% to ₹180cr). However, the Fibre & Industrial Products segment reported a strong growth of ~14% to ₹39cr.

Going forward, we expect the company to continue reporting strong numbers on back of higher anticipated demand for aquaculture and sports products globally and also with the company tapping new geographies.

Exhibit 2: Top-line growth trend

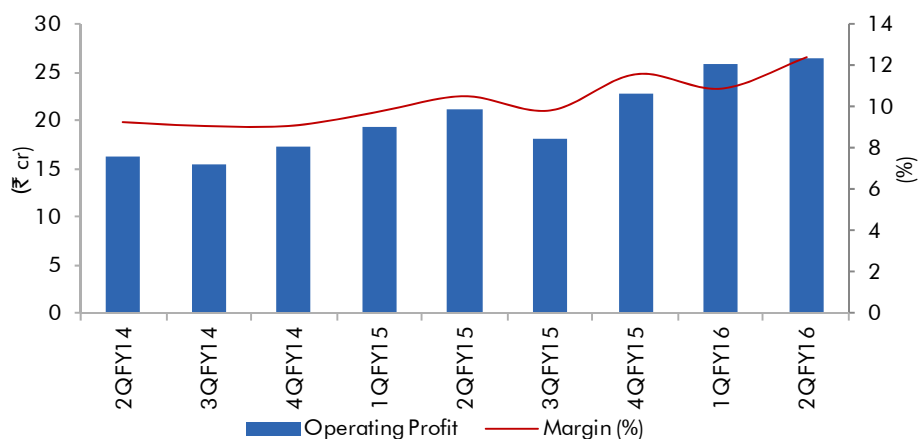


Source: Company, Angel Research

Operating margin expansion due to falling material prices

On the operating front, the company reported margin improvement by 188bp yoy to 12.4%, primarily on account of lower raw material costs (key raw materials for GWRL are high density polyethylene, polyethylene etc; raw material costs as a % of sales corrected by 783bp yoy) and employee expenses.

Exhibit 3: Operating profit and margin trend

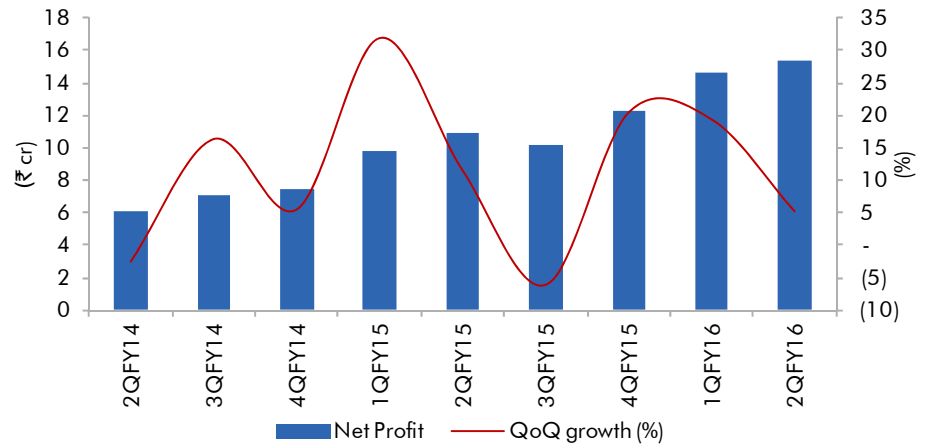


Source: Company, Angel Research

PAT grew ~42% yoy

The reported net profit grew by ~42% yoy to ~₹15.4cr (our estimates was of ~₹12.7cr) on account of falling material prices and lower interest costs with the company having repaid a significant amount of its debt in FY2015.

Exhibit 4: Net Profit and growth trend



Source: Company, Angel Research

Investment rationale

Higher exports to accelerate top-line growth

We expect GWRL to report a healthy top-line CAGR of ~11% over FY2015-17E, on the back of higher growth in exports. Over the last seven years, the company has reported a CAGR of ~20% in export sales to ₹391cr. The percentage of exports to total sales has increased from 32.5% to 50% over the same period. Exports predominately comprise of fishing and aquaculture offerings and of sports goods. Going forward, we expect the company to continue to report strong numbers on the export front on back of higher demand for aquaculture and sports products globally. The company has export presence in 72 countries, mainly in the US, Canada and across Europe. GWRL is now planning to strengthen its presence in Africa through agricultural offerings. Thus, we expect the company to report export sales CAGR of ~17% over FY2015-17E. The Management is targeting to increase export business' contribution to about 65% of turnover in the next couple of years.

Lower raw material prices and higher export contribution to enhance margins

In the last six years, despite of volatility in raw material prices, the company has maintained its operating margin in the range of 10-11%. In FY2015, the company increased its operating margin by 90bp. Going forward, we believe that the company would be able to increase its margins owing to (a) easing raw material prices including that of high density polyethylene, polyethylene, nylon etc. which are crude based raw materials, and (b) higher contribution of exports which is a high margin business.

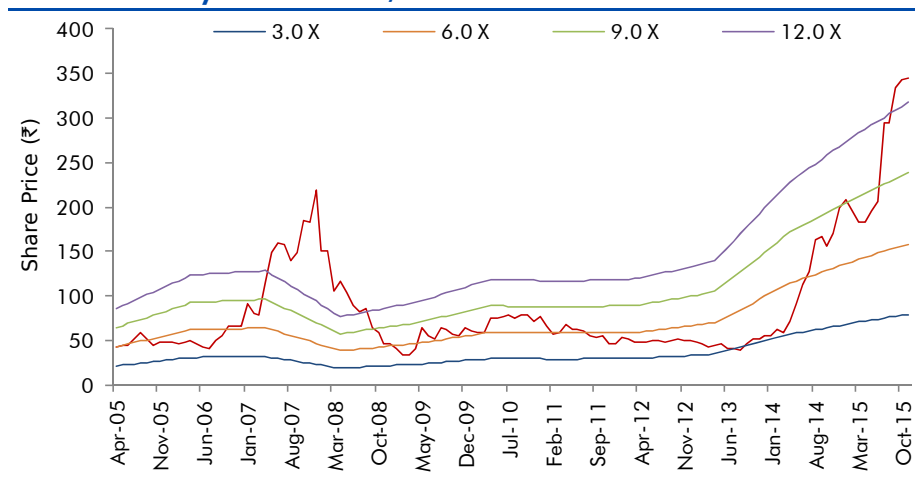
Continuous debt repayment and improving return ratios

The company is continuously generating higher cash flows, which has resulted in debt reduction and improvement in its ROE. The company has been consistently repaying debt over the past four years, resulting in debt having come down from ~₹140cr in FY2012 to ₹45cr in FY2015. Going forward, we believe the company will continue repaying debt with strong cash flows, which in turn will lead to reduction in interest cost (interest cost has reduced from ~₹17cr in FY2010 to ~₹10cr in FY2015). A lower interest expense in turn will lead to higher profitability for the company. Further, the company's ROE has improved from 9.6% in FY2012 to 13.8% in FY2015.

Outlook and valuation

Going ahead, we expect GWRL to report a top-line CAGR of ~11% over FY2015-17E to ~₹967cr owing to strong domestic as well as export sales. On the bottom-line front, we expect the company to report ~20% CAGR over FY2015-17E on account of expansion in operating margin (due to lower material prices and higher exports which is a high margin business). Further, the company has reduced its debt significantly which will lead to cost savings. **Hence, we recommend a Buy rating on the stock with a target price of ₹423.**

Exhibit 5: One-year forward P/E band



Source: Company, Angel Research

Company Background

Garware Wall Ropes Ltd (GWRL) is an ISO 9001:2008 certified company. Established in 1976, the company is a leading player in technical textiles, specializing in providing customized solutions to the cordage and infrastructure industry worldwide. The company is a global player and known for its innovation in the field of fisheries, aquaculture, shipping, sports, agriculture, coated fabrics and geosynthetics. GWRL's products are manufactured in state-of-art facilities at Wai and Pune (both in Maharashtra, India) and are marketed in more than 75 countries worldwide.

Profit & Loss Statement

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
Total operating income	580	604	688	784	861	967
% chg	15.9	4.0	13.9	14.0	9.7	12.3
Total Expenditure	517	541	622	703	767	861
Cost of Materials	250	263	316	363	396	450
Personnel Expenses	79	81	64	84	95	108
Others Expenses	187	197	242	255	277	304
EBITDA	64	63	65	81	93	105
% chg	15.7	(1.1)	3.9	24.6	14.8	12.9
(% of Net Sales)	11.0	10.4	9.5	10.4	10.9	10.9
Depreciation & Amortisation	16	16	14	12	13	14
EBIT	48	47	51	69	80	92
% chg	18.6	(2.2)	9.4	35.5	16.6	14.1
(% of Net Sales)	8.2	7.7	7.4	8.8	9.3	9.5
Interest & other Charges	17	14	13	10	7	6
Other Income	1	1	1	2	2	2
(% of PBT)	3.5	4.1	2.6	3.0	2.7	2.3
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	32	33	39	61	75	88
% chg	2.8	4.2	17.0	54.9	23.9	17.7
Prior Period & Extraord. Exps./ (Inc.)	-	-	-	-	-	-
PBT (reported)	32	33	39	61	75	88
Tax	8	9	12	17	22	26
(% of PBT)	25.1	26.1	31.8	28.9	30.0	30.0
PAT (reported)	24	25	27	43	52	62
Add: Share of earnings of asso.	-	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-	-
PAT after MI (reported)	24	25	27	43	52	62
ADJ. PAT	24	25	27	43	52	62
% chg	(1.7)	2.7	8.1	61.5	21.9	17.7
(% of Net Sales)	4.1	4.1	3.9	5.5	6.1	6.4
Basic EPS (₹)	11.0	11.3	12.2	19.7	24.0	28.2
Fully Diluted EPS (₹)	11.0	11.3	12.2	19.7	24.0	28.2
% chg	(1.7)	2.7	8.1	61.5	21.9	17.7

Balance Sheet

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
SOURCES OF FUNDS						
Equity Share Capital	24	24	22	22	22	22
Reserves & Surplus	227	243	254	291	338	393
Shareholders Funds	250	267	276	313	360	415
Minority Interest	-	-	-	-	-	-
Total Loans	140	110	71	45	30	20
Deferred Tax Liability	18	19	21	21	21	21
Total Liabilities	409	397	368	379	411	456
APPLICATION OF FUNDS						
Gross Block	336	339	351	371	391	411
Less: Acc. Depreciation	170	185	198	211	224	237
Net Block	167	154	153	160	167	174
Capital Work-in-Progress	3	0	7	7	7	7
Investments	9	9	9	9	9	9
Current Assets	394	399	430	519	591	680
Inventories	123	122	127	137	151	167
Sundry Debtors	150	140	143	182	198	220
Cash	24	20	9	11	15	36
Loans & Advances	87	104	138	175	213	242
Other Assets	10	13	13	13	15	15
Current liabilities	164	167	232	318	365	415
Net Current Assets	230	232	198	201	226	265
Deferred Tax Asset	-	1	1	1	1	1
Total Assets	409	397	368	379	411	456

Cashflow Statement

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
Profit before tax	32	33	39	61	75	88
Depreciation	16	16	14	12	13	14
Change in Working Capital	(6)	(21)	19	(1)	(21)	(18)
Interest / Dividend (Net)	16	13	15	10	7	6
Direct taxes paid	(6)	(8)	(5)	(17)	(22)	(26)
Others	0	(0)	-	-	-	-
Cash Flow from Operations	52	34	82	64	52	63
(Inc.)/ Dec. in Fixed Assets	(30)	1	(20)	(20)	(20)	(20)
(Inc.)/ Dec. in Investments	(0)	(0)	(0)	0	-	-
Cash Flow from Investing	(29)	2	(20)	(20)	(20)	(20)
Issue of Equity	-	-	-	-	-	-
Inc./ (Dec.) in loans	23	(17)	(51)	(27)	(15)	(10)
Dividend Paid (Incl. Tax)	(7)	(7)	(7)	(6)	(6)	(6)
Interest / Dividend (Net)	(16)	(15)	(16)	(10)	(7)	(6)
Cash Flow from Financing	(1)	(39)	(74)	(43)	(28)	(21)
Inc./ (Dec.) in Cash	22	(3)	(11)	2	4	21
Opening Cash balances	2	24	20	9	11	15
Closing Cash balances	24	20	9	11	15	36

Key Ratios

Y/E March	FY12	FY13	FY14	FY15	FY16E	FY17E
Valuation Ratio (x)						
P/E (on FDEPS)	31.4	30.6	28.3	17.5	14.4	12.2
P/CEPS	18.9	18.4	18.4	13.6	11.5	10.0
P/BV	3.0	2.8	2.7	2.4	2.1	1.8
Dividend yield (%)	0.8	0.8	0.8	0.8	0.8	0.8
EV/Sales	1.5	1.4	1.2	1.0	0.9	0.8
EV/EBITDA	13.6	13.3	12.4	9.6	8.1	6.9
EV / Total Assets	1.5	1.5	1.3	1.1	1.0	0.8
Per Share Data (₹)						
EPS (Basic & fully diluted)	11.0	11.3	12.2	19.7	24.0	28.2
EPS (Adjusted)	11.0	11.3	12.2	19.7	24.0	28.2
Cash EPS	18.3	18.7	18.8	25.3	29.9	34.5
DPS	2.7	2.7	2.7	2.7	2.7	2.7
Book Value	114.5	122.1	126.1	143.0	164.3	189.8
Returns (%)						
ROCE	12.2	12.3	14.7	19.3	20.6	21.1
Angel ROIC (Pre-tax)	13.3	13.4	15.5	20.4	22.0	23.5
ROE	9.6	9.2	9.7	13.8	14.6	14.9
Turnover ratios (x)						
Asset Turnover (Gross Block)	1.7	1.8	2.0	2.1	2.2	2.4
Inventory / Sales (days)	78	74	67	64	64	63
Receivables (days)	94	85	76	85	84	83
Payables (days)	34	35	34	36	38	40
WC cycle (ex-cash) (days)	138	124	109	113	110	106

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

DISCLAIMER

Angel Broking Private Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange of India Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Private Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates including its relatives/analyst do not hold any financial interest/beneficial ownership of more than 1% in the company covered by Analyst. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. Angel/analyst has not served as an officer, director or employee of company covered by Analyst and has not been engaged in market making activity of the company covered by Analyst.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Pvt. Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Pvt. Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Pvt. Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Pvt. Limited and its affiliates may have investment positions in the stocks recommended in this report.

Disclosure of Interest Statement	Garware Wall Ropes
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15%)
--	-------------	--	-------------------------------------