

GARWARE WALL ROPES

Good Grip

Thanks to low input costs, a demand slowdown has not affected it

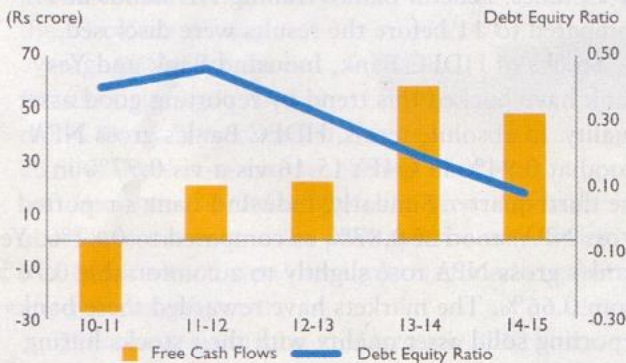
Garware Wall Ropes (GWR) is into yarn and thread used in fisheries, shipping, industries, sports, coated fabrics, agriculture and geosynthetics. Cambridge-educated promoter, Ramesh Garware, is the man behind the company's strong product portfolio and market share. He expanded capacity, implemented forward integration of



operations, set up a dedicated netting plant and launched new and fabricated products.

Like most manufacturing businesses, GWR is facing a slowdown. In the December 2015 quarter, revenues were Rs185.60 crore (Rs185.18 crore), up just 0.23%; but, thanks to low input costs, quarterly net profit was Rs14.60 crore (Rs10.19 crore), up 43.28%. For the nine months ended December 2015, revenues were Rs639 crore (Rs587 crore), up 9%, and net profit was

Falling Debt Equity Ratio with Healthy Free Cash Flows



Looking Up



Key Financials

Stand-alone (Rs Cr)	Jun-15	Sep-15	Dec-15
Revenue	239.32	214.30	185.60
OP	25.93	26.47	24.56
OPM	11%	12%	13%
Y-o-Y Revenue Growth	20%	6%	0%
Y-o-Y OP Growth	34%	25%	36%
March Ending	FY13	FY14	FY15
RoNW	9%	10%	14%

OP: operating profit, OPM: operating profit margin, RoNW: return on net worth

Rs44.59 crore (Rs31 crore), up 43.84%.

Over the past five quarters, the average growth in revenues was 8% and that of operating profit was 29%. The average operating margin is an unexciting 12%. However, GWR earns a return on net worth of around 18% computed on trailing four quarters of net profit. Debt is low. It has a debt-equity ratio of 0.13 and, therefore, return on capital employed (RoCE) was 25% on four-quarter trailing EBIT (earnings before Interest & taxes). Valuation is reasonable. The market-capitalisation of the company was 0.93 times sales and 7.82 times operating profit or a P/E (price-to-earnings ratio) of 13.71. Almost 50.64% shareholding is with the promoters, 4.33% with non-promoter, non-public shareholders and 45.04% with the general public.

Given that profit growth is high and revenue growth slow, the company distributed 30% dividend for FY15-16 against 27% and 25% for the two previous financial years. The share price of the company rose from a 52-week low of Rs172 on 25 May 2015 to a 52-week high of Rs438.00 on 5 January 2016. The share was trading at around Rs341.20 on 5 May 2016. ■