



Sunidhi

GARWARE-WALL ROPES

Equity Research Desk

3rd August, 2007

Key Data

BSE Code	509557
NSE Code	GARWALROP
Reuters Code	GRWL.BO
Bloomberg Code	GWWRIN
Sensex	14985
Nifty	4356
CMP, Rs	151
No. of Shares, cr (Diluted)	2.4
Face Value	10.0
Mcap, Rs cr	358
Mcap, USD mn @ 41	87.3
52 week H/L	168/38
Avg. Daily Vol. BSE	20667

Share holding, June'07	% Holding
Promoters	43.5%
Institutions	11.9%
FII's	1.8%
PCB's	6.8%
Public & Others	36.0%
Total	100%

Holding >1% (Non Promoter)	
LIC	6.6%
GIC	2.9%
New India Assurance CO.	1.5%
Garware Polyster	1.9%
Gujarat Florochemicals	1.4%
Morgan Stanely & co int.Ltd	1.6%
Rakesh Jhunjhnuwala	2.4%
Total	18.4%

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Result Update

Q1 results FY 2008

For the first quarter ended June 2007 Garware Wall Ropes Ltd (GWRL) reported a 25% increase in top line at Rs 95 crore. Cordage business contributed 74% of the total revenues while the balance was contributed by Fibre and industrial products & projects (i.e. Geosynthetic business). Operating profit margins improved by 70 basis points at 10.5% resulting in the operating profit going up by 35% at Rs 10.05 crore. The PBIT margins in the synthetic and cordage stood at 10.6% as compared to 8.4% in the corresponding period of previous year. The PBIT margins in the Fibre and industrial products stood at 12.4% as against 16.1% in the corresponding period of previous year. Interest cost for the quarter increased 39% while depreciation cost was up 16% at Rs 2.6 crore. The PBT of the company was up 41% at Rs 4.54 crore while PAT was up 22% at Rs 4.09 crore.

Investment Rationale

- Garware –Wall Ropes (GWRL) with its diverse product portfolio has integrated manufacturing facilities and strong R&D, which continuously brings out new products making itself a one-stop shop for the customers.
- GWRL's strong brand equity allows the company to counter competition, particularly from the unorganized sector and also fetch a 15-20% pricing premium
- GRWL has more than 80% market share (market size of Rs 120 crore) in the mechanized fishing sector in India & 5% share (market size \$500mn) in the international market. GWRL's name is considered a synonym for quality and service across every mechanized fishing base in the country.
- The company provides wide variety of services, which includes from preliminary design suggestion product specifications, cost estimates to execution of turnkey projects.
- Geosynthetic products provide cost effective application in Roads, Railways, costal protection, and ground improvement. They provide increased safety and better productivity. With the user industry expected to post a robust growth, GWRL will be one of the direct beneficiaries. Currently this business contributes 16% of the total sales, which is expected to reach 25% in the next one year.

Brief Financials	Revenues	growth	EBITDA	Profit	growth	EPS	P.E	EV /	ROE
Rs.(crore)		%			%	Rs.	x	EBITDA	%
FY05A	224.7	21.0%	24.8	13.1	34.0%	6.6	23.6	15.2	10.3%
FY06A	261.1	16.2%	29.5	14.8	13.5%	7.5	20.8	12.2	10.9%
FY07A	335.2	28.4%	40.4	22.2	49.4%	10.7	14.5	9.4	13.9%
FY08E	439.5	31.1%	55.6	31.7	42.8%	13.4	11.6	6.8	17.1%
FY09E	549.9	25.1%	72.0	43.6	37.9%	18.4	8.4	5.1	19.2%

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**Result at Glance
Q1 results FY 2008**

	0706(3)	0606(3)	Var. (%)
Sales	95.27	76.43	25
OPM (%)	10.5	9.8	
OP	10.05	7.47	35
Other Income	0.12	0.17	-29
PBIDT	10.17	7.64	33
Interest (Net)	3.03	2.18	39
PBDT	7.14	5.46	31
Depreciation	2.60	2.24	16
PBT	4.54	3.22	41
Provision for tax	(0.45)	0.13	
PAT	4.09	3.35	22
EPS*	2.0	1.7	
Equity Capital (in Crore)	20.7	19.96	

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