

# Shree Steel Wire Ropes ₹ 14

## As strong as Steel!

## Buy



Nov 04, 2016

### Company Background

Shree Steel Wire Ropes Ltd (SSWRL) is an India-based company. The Company is engaged in manufacturing and marketing of steel wire ropes. The Company's manufacturing plant is located in Khopoli, Maharashtra, India. The Company's steel wire ropes are used in general engineering, shipping, fishing, mining, oil well exploration, construction, aerial application and deep sea exploration, among others. The Company can produce engineering components and parts ranging from 50 grams to 10 kilo grams per piece as per the customer's drawings and specifications. The Company supplies its products to railways, port trusts, defense, steel plants, cold fields, ONGC, Oil India, Department of Atomic Energy and other projects.

### Key Highlights

- ➔ The Company is one of the major suppliers for products such as Stainless Steel Wire Ropes, Regulating Equipment, Traction Bond and Anticreep Wire Rope to the Indian Railways. These items are required by the Indian Railways for Electrification of various railway routes throughout India. The demand for such items is expected to increase as these items are not only used for new installations but also for replacement of the old installations. However, the demand for these products is surely going to remain continuous. With the unprecedented expansion planned by the Indian Railways the Company envisages huge and continuous demand for its products viz Stainless Steel Wires Ropes, Traction Bond, Traction Mast, Anticreep Wire Rope and Regulating Equipments required by the Indian Railways.
- ➔ Sales Income for the year ended March, 2016 amounted to 12.79 Cr as against 10.58 Cr for the same period previous year, registering a growth of 20.90%. The Management is also optimistic of growth at a faster rate in coming years.
- ➔ Marine wire rope cables have played a major role in the engineering and architecture of many large and are widely used on Projects involving bridges, with the Infra Sector poised to develop and with many projects like Coastal Traffic, Marine Traffic Ports and City Metros coming up the demand for Steel Wire Ropes is bound to increase.

### Key Financials

Year Ended 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	104.3	109.2	131.6
Rev. growth (%)	36.70	4.70	20.51
EBITDA (INR mn)	8.1	14.6	10.9
Net profit (INR mn)	10.0	6.7	9.9
Shares outstanding (mn)	3.3	3.3	3.3
EPS (INR)	3.0	2.0	3.0
EPS growth (%)	235.56	(33.11)	49.01
P/E (x)	2.04	4.45	4.96
RONW (%)	14.29	10.37	12.43
ROCE (%)	17.52	14.80	18.90

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### Info Codes

Reuters	: SHSW.BO
Bloomberg	: SRSW:IN
NSE	: -
BSE	: 513488

### Market Data

52 Wk Range (₹)	: 18 / 11
Shares in Issue (mn)	: 3.3
Mkt. Cap (₹ mn)	: 46.4
BSE 2 Wk Avg Vol	: 381

### Share Holding Pattern (%)

Promoters Holding	: 27.54
Corporate Holding	: 00.00
Domestic Institution	: 00.00
Foreign Institution	: 00.00
Public & Others	: 72.46

### Investment Theme

Shree Steel Wire Ropes Ltd. is a 40 year plus company which has been manufacturing Steel Wire Ropes, Pulley Assemblies and other items especially for Cranes, Industrial Use, Elevators, Oil and Gas Sector, Fishing and Marine Sector, Indian Railways and Defense sector. The company has the latest technology and is one of the renowned companies in India in its own Segment. It is also the Domestic market leader in Steel Wire Ropes. The company has been showing impressive growth rates for the past few years. With large upheaval and expansions planned in the Indian Railways, Defense Segment and the overall Infra segment in India by the Government, plus with signs that the overall Industrial Scenario developing out we expect the demand of the company's products to rise which may generate some good returns for the company in the years to come.

**Strong as Steel**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	89.9	95.2	5.9	114.9	20.7
Other Income	4.4	3.4	(22.7)	3.7	8.8
Change in Stocks	(2.3)	4.4	(291.3)	2.7	(38.6)
Raw Material Con.	54.3	65.3	20.3	72.7	11.3
Employee Exp.	1.0	1.4	40.0	2.2	57.1
Indirect Taxes	10.0	10.6	6.0	13.0	22.6
Other Exp.	12.1	14.8	22.3	17.0	14.9
Operating Exp.	77.4	92.1	19.0	104.9	13.9
Operating Profit	14.6	10.9	(25.3)	16.4	50.5
Total Interest	0.1	0.0	(100.0)	0.1	-
Gross Profit	14.5	10.9	(24.8)	16.3	49.5
Net Dep.	1.6	1.2	(25.0)	1.1	(8.3)
Total Taxation	2.9	3.0	3.4	5.3	76.7
Net Profit/Loss	10.0	6.7	(33.0)	9.9	47.8

### 4 Years Balance Sheet

(₹ mn)

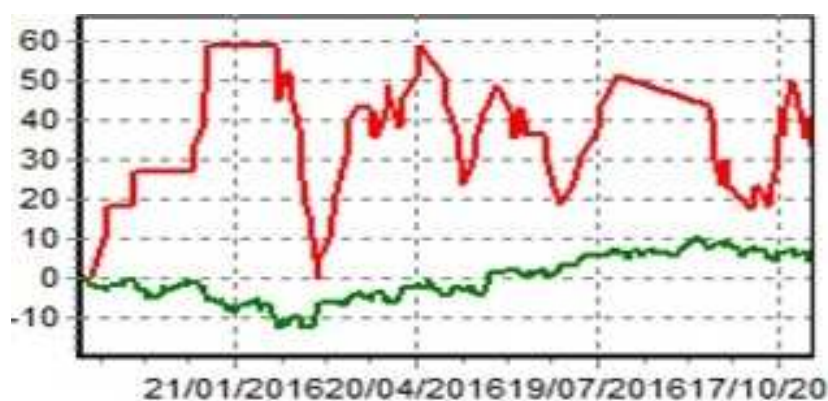
Balance Sheet as on 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15	Mar 16
<b>SOURCES OF FUNDS</b>	<b>63.3</b>	<b>69.1</b>	<b>75.5</b>	<b>86.4</b>
Equity Share capital	33.0	33.0	33.0	33.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	25.0	35.0	41.7	51.6
Secured Loans	0.0	0.0	0.0	0.0
Unsecured Loans	5.3	1.1	0.8	1.8
<b>USES OF FUNDS</b>	<b>63.3</b>	<b>69.1</b>	<b>75.5</b>	<b>86.4</b>
Gross Block	82.8	82.7	83.5	84.8
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	66.7	68.0	69.2	70.3
Net Block	16.1	14.7	14.3	14.5
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Current Assets	34.3	34.6	40.3	52.8
Less : Current Liabilities	17.6	14.1	15.8	17.5
Total Net Current Assets	16.7	20.5	24.5	35.3
Misc. Expenses not writtenoff	30.5	33.9	36.7	36.6
<b>NOTE</b>				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	16.0	3.2	1.2	1.4
Dividend (%)	0.0	0.0	0.0	0.0

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 15	Dec 15	Mar 16	Jun 16
Net Sales	25.9	23.4	21.9	18.0
Cost Of Sales	23.0	20.7	19.6	18.3
Operating Profit	2.9	2.7	2.3	(0.3)
Other Income	0.8	1.0	0.9	0.9
Adjusted PBDIT	3.7	3.7	3.2	0.6
Financial Expenses	0.0	0.0	0.0	0.0
Depreciation	0.3	0.3	0.3	0.3
Other Write Offs	0.0	0.8	0.0	0.0
Adjusted PBT	3.4	2.6	2.9	0.3
Tax Charges	0.0	5.3	0.0	0.0
Reported Profit	3.4	(2.7)	2.9	0.3
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	3.4	(2.7)	2.9	0.3

## 52 Week Index Relative Percentage Appreciation



SSWRL vs SENSEX

## Risks Associated

- The competition for the products manufactured by the Company has increased due to new entrants in the market for similar products. This may reduce the market share of the Company and also result into lower margins than the current level due to competition.
- Steel is the major raw material for the company and any fluctuations in steel prices can damage the profitability of the company any reduction in steel supply can also be deterrent for the company.
- Infra and Railways are major supply sectors for the company any reduction in the overall economy of the country may also dampen the growth prospects of the company.
- Chinese manufacturers dump in steel at lower costs which can be beneficial for the company however even steel ropes are supplied from China at very cheap rates this will introduce severe competition for SSWRL
- With the Government rolling out the Make in India campaign it will be easier for new entrants to setup factories quickly and therefor may introduce new competition sooner.
- The company is also into exports and any fluctuation in the currency can result in deterioration of the topline or bottomline of the company if hedging is not proper.
- Though the company boasts of a up-to-date technology any technology breakthrough which can make production cheaper, faster may be troublesome as the production line for this new technology will either need to be purchased raising capex or the older one if continued will eat into profits.

**In a Nutshell**

Shree Steel Wire Ropes Ltd. established in 1972 is today a renowned Company and a leader in Steel wire ropes. Operating from its modern sophisticated - state - of - art plant at Khopoli. Keeping pace with the modern latest technology it has supplied to many clients and projects in India and abroad. This is one of the main reason that it has won the Export Excellence Award from Govt. of India many times. It has the technology to produce any kind of wire ropes from steel catering to all International Standards including including BS/DIN/GOST/API/FEDERAL. Its Wire ropes are approved by internationally acclaimed inspection agencies like Lloyd's, American Bureau of Shipping, Bureau Veritas, SGS India Ltd., etc., on several occasions. SSWRL is playing a key role and one of the major supplier to Railways, Port Trusts, ONGC, Oil India, Defence, Steel Plants, Dept. of Atomic Energy, Cold Fields and other major projects. Its ropes are in extensive use in general Engineering, Shipping, Fishing, Mining, Oil Well Exploration, Construction, Aerial Application, Deep Sea Exploration and so on. It has also introduced a fully equipped Modern Foundry Division, which produces specially the following items:- a. Non-ferrous castings b. Aluminium Alloys. c. Aluminium Bronze d. Brass. It caters to a production on over 1000 kgs a day and improving. With many new projects in India coming up in the infra, marine segment etc. the demand for steel wire ropes is bound to grow. We therefore recommend the stock.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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