

Bedmutha Industries : Average Issue IPO Note: Huge Expansion Programme Rating**

Issue details

Price band (Rs)	Rs.95-102
IPO Opening Date	28/09/10
IPO Closing Date	01/10/10
Issue Size	Rs.92 Crore

Valuations & Recommendation

The issue has been offered in a price band of Rs 95-102 per equity share. It is planning to raise Rs 92 crore through the issue. **In FY 2010, consolidated sales were higher by 12% to Rs 164.37 crore and the growth in the bottom line was 73% to Rs 12.19 crore. On post-issue equity of Rs 21.03 crore the EPS for FY10 works out to Rs 5.8. At the offer price band of Rs 95-102, the stock quotes at 16.4-17.6 times its FY 2010 EPS. In comparison, peer Usha Martin quotes at a PE of 16.5 times its FY 2010 consolidated earning and Rajratan Global Wire at 14.3 times. Over the years, the company has enhanced capacities from 3,600MTPA to 26,050MTPA by setting up three more Galvanizing lines at the existing location while Wire Drawing capacities has increased from 16,800MTPA to 60,000MTPA. **The valuations are not so much attractive but looking to its future expansion plan, investors with high-risk appetite can subscribe to this issue.****

Highlights

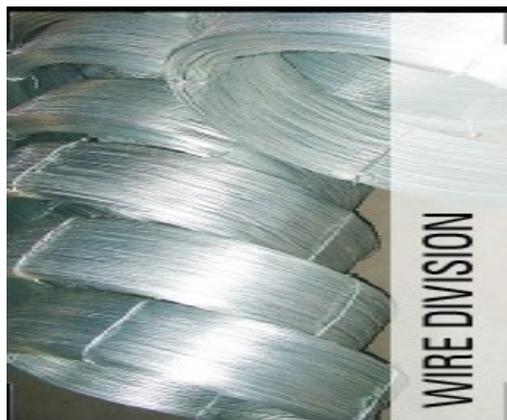
- ◆ Established clientele comprises Sterlite Industries, Apar Industries, Finolex Cables, RPG Cables, Universal Cable, Ravin Cable, Suprajit Industries, Godrej, GTL Infrastructure, and Ashoka Buildcon.
- ◆ Enjoys package scheme of incentives (PSI) awarded by the government of Maharashtra as it is located in run-down area.
- ◆ Set up a new plant at Nashik for manufacturing new product low relaxation pre-stress concrete (LRPC) wire with manufacturing capacity of 36,000 mtpa and spring steel wire with manufacturing capacity of 18,000 mtpa.
- ◆ The sales tax benefits are applicable to the company up to 2015. With the expansion, BIL will have extended benefit on sales tax up to 2017.

Company Introduction Product Portfolio & Promoters

Bedmutha Industries (formerly Bedmutha Wire Company (BIL)) is one of the leading steel wire manufacturers in western India. The company's product portfolio is wide comprising galvanized wires, cable armor wires, ACSR wires, wire nails, earth wires, stay Wires, spring steel wires, barbed wires, etc. Its products are used in various areas such as roads, bridges, flyovers, power, automobile, engineering, agriculture, railways and defence. The company was promoted by K R Bedmutha, Vijay K Vedmutha and Ajay K Vedmutha.

Capacity

The company started its commercial production in 1992 by setting up its first galvanized wire plant at Sinnar, Nashik, and has over the years expanded and the company's current wire drawing production capacity aggregate to 60,000 mtpa. Today, BIL operates four manufacturing units in Nashik, all of them strategically located in proximity to the



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Financial Summary

Particulars	1003 (12)	0903 (12)	0803 (12)
Sales	149.50	146.79	114.54
OPM (%)	16.5	14.8	9.3
Net Profit	9.96	7.03	3.61
EPS* (Rs)	4.7	3.3	1.7

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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source of raw materials and markets, ensuring cost savings and logistic benefits.

Clientele

Is one of the leading manufacturers of galvanized wires in the western part of India and has strong marketing setup as well as established relationship with clients. Established clientele comprises Sterlite Industries, Apar Industries, Finolex Cables, RPG Cables, Universal Cable, Ravin Cable, Suprajit Industries, Godrej, GTL Infrastructure, and Ashoka Buildcon.

Industry Outlook

Steel wire industry is closely linked to the infrastructural development of any country. The major consumers of steel wires and wire products are railways, electricity boards, construction sector and automobile industry. Globally, the industry is much unorganized, with big players concentrating on the wire rods segment and the smaller players involved with the manufacture of wires and wire products. Globally steel wires consumption account for about 65 mn tones i.e. 5% of the total steel production of 1.3 bn tones. North America, Europe and South East Asia each account for approximately 25% of the global demand for the steel wires. The global steel wire market is expected to grow to approximately 54 MnT of wires by 2010, valued at US\$ 25 billion. North America, Europe and South East Asia each account for approximately 25% of the global demand for steel wires. India's steel wire industry growth is driven mainly by the infrastructure and automobile sectors.

Expansion Plan

BIL proposes to set up a new plant at Nashik for manufacturing new product low relaxation pre-stress concrete (LRPC) wire with manufacturing capacity of 36,000 mtpa and spring steel wire with manufacturing capacity of 18,000 mtpa. This project has been awarded the status of mega project under the package scheme of incentives by the government of Maharashtra. The company is also pursuing initiatives for setting up a galvanizing plant, using latest technology, with capacity of 48,000 tpa and manufacturing aluminum rods and conductors, with capacity of about 42,000 tpa.