

Bharat Wire Ropes Ltd: Average Issue

IPO Note:Offering shares at a PE of 67.0, Expensive Issue :Ranking**



Issue details

Price band (Rs)	Rs. 40-45
IPO Opening Date	18-03-2016
IPO Closing Date	22-03-2016
Issue Size	Rs. 70.00 Cr.

Recommendation

For the eight months ended 30.11.15 of the current fiscal, the company has reported net profit of Rs.1.08 crore on the revenue of Rs 43.74 cr. Revenue are in declining mode. In the last five fiscal revenues are stagnant. It generates very thin margin of average 2% in last 5 years. On the upper price band of issue price of Rs.45 and on FY15 EPS of Rs.0.67, P/E ratio work out to be 67.0, which looks very much expensive for such small size company. Also there is no listed peer to check whether the issue is highly priced or reasonable priced. We believe one should avoid.

Highlights

- Bharat Wire Ropes Ltd (BWR) is a wire rope and wires manufacturing company.
- BWR's existing steel wire ropes manufacturing facility with an installed capacity of 12,000 MTPA
- The company is now planning enhancement in the manufacturing capacities by setting up a fully integrated manufacturing facility with an installed capacity of 66,000 MTPA at Chalisgaon, Maharashtra.
- To set up a proposed project of 66,000 MTPA wire ropes at MIDC Zone, at Chalisgaon, Dist: Jalgaon, Maharashtra
- As per RHP company has no listed peer to compare with.
- Its restated EPS for FY15 is Rs.0.67 and last 3 years average EPS 0.59.
- Its total debt stood at Rs.98.98 as on 30 Nov 2015
- Long term Debt/Equity ratio 1.09 as on 30 Nov 2015 as per RHP

Company Introduction Company Profile

Bharat Wire Ropes Ltd (BWR) is a wire rope and wires manufacturing company. Products of the company i.e. wire ropes, structural strands, slings and wires finds its application in general engineering, fishing, elevators, cranes, material handling, power transmission, suspension bridges, onshore / offshore oil exploration, ports and shipping, mining, defence, railways etc. BWR is also engaged in the business of trading of the steel related products.

BWR's existing steel wire ropes manufacturing facility with an



www.bharatwireropes.com

Financial Summary (Rs. In Crore)

Particulars	Eight month ended 30 Nov. 2015	FY2015	FY2014	FY2013
Total Income	43.74	76.72	82.29	74.39
Net Profit	1.08	1.97	1.50	1.14
EPS (Rs)	0.37	0.67	0.51	0.50

Source:RHP

RANKING METHODOLOGY

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

installed capacity of 12,000 MTPA is located at Atgaon, and a Pyrolysis plant with an installed capacity of 1,260 MTPA at Chalisgaon, Maharashtra for production of oil, which is used as fuel in its current manufacturing process. The company is now planning enhancement in the manufacturing capacities by setting up a fully integrated manufacturing facility with an installed capacity of 66,000 MTPA at Chalisgaon, Maharashtra.

To part finance this proposed plans and meet general corpus fund needs, the company is coming out with a maiden IPO of about 1.55 cr. or 1.70 cr. (based on lower and upper price band) equity shares of Rs. 10 each via book building route in a price band of Rs. 40-45. Issue opens for subscription on 18.03.16 and will close on 22.03.16. Minimum application is to be made for 300 shares and in multiples thereon, thereafter.

IPO Issue Proceed

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