



## Garware-Wall Ropes Limited

### Basel II

Facility	Amount	Rating Action
Long Term - Fund Based Limit	Rs. 145.39 crore	[ICRA] A+ reaffirmed; outlook revised to Positive from Stable
Long Term - Term Loan	Rs. 12.20 crore reduced from Rs. 19.61 crore	[ICRA] A+ reaffirmed; outlook revised to Positive from Stable
Long Term - Non Fund Based Limit*	Rs. 135.00 crore	[ICRA] A+ reaffirmed; outlook revised to Positive from Stable
Long Term – Unallocated	Rs. 7.41 crore enhanced from nil	[ICRA] A+ reaffirmed; outlook revised to Positive from Stable
Short Term - Non Fund Based Limit*	Rs. 135.00 crore	[ICRA] A1+ reaffirmed

\* The Non Fund Based Limits under long term and short term tenure are interchangeable and as such the combined utilization should not exceed Rs 135.00 crore.

### Debt

Facility	Amount	Rating Action
Commercial Paper	Rs. 15.00 crore	[ICRA] A1+ reaffirmed

ICRA has reaffirmed the long-term rating assigned to the bank facilities of Garware-Wall Ropes Limited (GWRL)<sup>†</sup> at [ICRA]A+ (pronounced ICRA A plus) for Rs. 145.39 crore<sup>‡</sup> Fund based limit, Rs. 12.20 crore term loan (reduced from Rs. 19.61 crore), Rs. 135.00 crore Non Fund based limits and Rs. 7.41 crore unallocated amount (enhanced from nil). The outlook on the long-term rating has been revised to Positive from Stable. ICRA has also reaffirmed [ICRA]A1+ (pronounced ICRA A one plus) short-term rating to the Rs 135.00 crore Non Fund based limit of GWRL. The Non Fund Based Limits under the long-term and the short-term tenure are interchangeable and as such the combined utilization should not exceed Rs 135.00 crore. ICRA has also reaffirmed the short term rating of [ICRA]A1+ (pronounced ICRA A one plus) assigned to the Rs. 15.00 crore Commercial Paper program of GWRL.

The revision in outlook takes into consideration improved financial risk profile of the company on account of favourable changes in product mix with increased share of value added products, expanding reach in export markets, improvement in working capital cycle and resultant reduction in debt levels. All these factors translated into healthy accruals, strong liquidity position and improved capital structure and coverage indicators.

The ratings derive comfort from increasing share of premium products in the portfolio, especially in export markets, as a result of increased focus on research & development and customer centric approach adopted by the company. The company has established its presence in export markets which insulates the revenue profile from fluctuations in the domestic market. GWRL is dominant player in the domestic fishnet, ropes and twines business and enjoys sizeable market share. However, domestic volumes have been stagnant over last few years due to subdued economic activity, fishing industry and industrial scenario. Nevertheless, increasing market share in key export geographies and enhanced value proposition have supported the overall revenue growth. During FY15, GWRL has also benefitted to some extent from rupee depreciation and decline in prices of raw materials as it was able

<sup>†</sup> For complete rating definition please refer to ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications.

<sup>‡</sup> 100 lakh = 1 crore = 10 million



to maintained prices in many of its product segments. The ratings continue to factor in diversified business as well as geographic profile with growing share of revenues from new business segments such as Agri-tech and Coated Fabrics. ICRA takes note of highly price sensitive domestic market and competition from unorganized segment which limits the pricing flexibility and results into moderate margins; however premium product portfolio in export market provides some comfort to the profitability. The working capital intensity remains high on account of diversified product profile and inherent nature of business, though has been gradually improving with tight management control and lean practices followed by the company. ICRA also notes that currently domestic demand in key product segments remains stagnant and pickup in economic activity and end user industries will remain crucial for driving the growth. The company, in the recent past, has developed and supplied products for defence segment. The revenue from defence segment is currently minimal; though the segment remains one of the growth areas for the company in medium to long term. Going forward, further improving share of value added products in the revenue stream in order to improve overall profitability, continuing growth in export markets and adequately managing working capital cycle will remain key rating sensitivities.

GWRL is the largest domestic manufacturer of high-density polyethylene (HDPE) fishnets, twines and ropes. The company holds a dominant share of the domestic market with its fishnet brands Garfil and Sapphire, mainly on the strength of its brand image, product quality, and wide dealer network, which ensures ready availability of its products. These factors, in turn, have enabled GWRL command price premium over competing products. The fishing industry has been experiencing muted growth over the past few years and it being a major user of GWRL's products, the company has experienced pressure on domestic volumes. However GWRL's sales growth has been driven by increasing share of value added products (such as aquaculture net, sports net, braided nets) primarily in export markets, geo-synthetics and new business segments – agri-tech and coated fabrics to some extent. During FY15, the company registered sales growth of ~14% with nearly equal contribution of volume and realization growth. The overall volume growth was supported by healthy growth in export volumes while the domestic volumes continued to remain under pressure. The profitability had improved due to increased share of value added products, depreciation of rupee and decline in prices of raw materials as company was able to maintained prices in many of its product segments. The domestic volume growth remained nearly stagnant in FY15 on account of slowdown in industrial activities along with subdued fishing scenario. However with increased focus on new product development, the company has been able to increase share of value added products (variants of X2 and Plateena ropes which command premium) which had resulted in improvement in domestic realization. The company has been carrying out knowledge sharing activities across the states to educate fishermen and other retail customers about the value proposition offered by its products which has resulted in product acceptance in new geographies as well as increase in overall market share in the organized segment. In the industrial products division as well, the company had introduced value added products to curb the pressure from muted industrial activity which had resulted in improvement in segment's contribution margin.

On the other hand, in line with dynamic growth in global economy and increased demand for company's product in Europe, Canada and USA, the export market continued healthy volume growth performance. The export revenues have steadily grown backed by innovative product portfolio and customer centric approach adopted by the company which has enabled it to grab decent market share across various geographies including USA/Canada and Europe. Currently export contributes to ~50% of the total revenues and given its premium product profile; the operating margins of the company remain fairly stable despite pressure on domestic margins. GWRL has been selectively expanding to new export geographies while maintaining its premium product profile and offering customized solutions to new customers. Owing to healthy demand for its products (primarily in aquaculture, braided nets and sports nets) the export volumes registered healthy growth of ~13% in FY15. The revenues, to some extent, were also supported by rupee depreciation. The company also benefits from intersegment sales wherein ropes and coated fabrics which have lower margin (as compared to net assembly) form a part of net assembly and as a result, blended contribution margin increases. In the exports geographies, the European and USA/Canada market continued to register healthy volume growth and are expected to remain key contributor, going forward as well.

With constant pressure on volumes during last few years, the company has shifted its focus on value added products such as aquaculture and sports net and new business segments like agri-tech and coated fabrics to diversify its revenue stream. Products like aquaculture cages, predator nets and



sports nets have much better realization and higher profitability than regular nets and ropes. Further, with increased focus on research & development, the company has designed several innovative products across the segments such as ropes, predator nets and agri-tech among others which command premium and hence fetch better margins. GWRL over the years has gained high expertise in extrusion technology which has helped the company to replace nylon based products in the market with HDPE products. Owing to several advantages of HDPE over Nylon such as high tolerance, non-hygroscopic nature, immunity to algae and lower cost, the company has been able to deliver customized solution to its customers based on HDPE products. All these efforts have started reaping benefits for the company which is reflected in improved profitability in H1 FY16.

Further, the revenue from other business segments such as geo synthetics, agri-tech and coated fabrics has been growing gradually. Considering high share of agriculture in the Indian economy, the potential of agri-tech business remains huge, however due to unorganized nature of agriculture, the growth has followed a slower pace. The company has undertaken a project named “Udaan” as part of which the company appointed representatives have covered villages in various districts of Maharashtra to educate farmers about the advantages of protective farming and its product applications. The government provides 50% capital subsidy for the protective farming projects and the same has provided boost to the segment revenues. The coated fabrics division has also gained foothold in the domestic market within a short span of time given good product quality, large distribution reach and competitive pricing. Geo synthetics business is closely related to infrastructure segment and being project based nature of business the revenues remain volatile. The segment registered healthy growth in FY15 and management has been selective in bidding for projects with major focus on private projects in view of timely debtor recovery. In the recent past, the company has developed and supplied products for defence segment as well which includes aerostat balloons, flexi-helipads, multi-spectral camouflage net, standard camouflage nets and inflated structures for housing radars and have been well accepted by defence authorities. In the near to medium term, the management is positive of gaining further orders from defence sector.

During H1 FY16, the company has reported healthy performance with OI of Rs. 449.5 crore which is ~12% growth over the corresponding period last year. The profitability and capital structure of the company have also improved during H1 FY16 and are expected to remain favourable for the complete year.

The operating margins of the company improved from 8.4% in FY14 to 10.2% in FY15 given higher share of value added products, softening of raw material prices and rupee depreciation. With reduced debt levels and resulting low interest expenses, the net margins had also improved.

The capital structure of the company has improved during FY15 in line with reduced debt levels and healthy cash accruals. The gearing stood low at 0.20x as on Mar'15. The company doesn't have any major capex plans in near to medium term and working capital borrowings have also reduced which is expected to keep capital structure at comfortable level going forward. The interest coverage and debt protection metrics of the company remain strong in line with low interest expenses and debt levels. The working capital intensity of the company had reduced to ~27% in FY15 from ~33% in FY14 which along with increase in operating income and contribution margin resulted in sizeable free cash flows.

### **Company Profile**

GWRL is engaged in manufacture of High-density polyethylene (HDPE), polypropylene (PP) and nylon twines, ropes and nets, which find application in fishing, shipping, industrial and transportation sector. Additionally, the company also manufactures polypropylene monofilament (PPMF) yarn, a niche segment. Besides manufacture of some of the geo-synthetic products, the company also trades in geo-synthetic products that it imports from leading geo synthetic players in UK, Germany, and USA. The company has started new business segments like coated fabrics and agri-tech in order to diversify domestic revenue streams. GWRL has three manufacturing plants, out of which two are near Pune and another manufacturing unit is near Silvassa. It has an established presence in the export market with about 50% of the sales (FY15) being generated from exports. The company is listed at the BSE and NSE and the promoters hold 50.59% stake in the company (Sep 2015).



### Recent Results

As per the first half ended September 2015, GWRL has reported a net profit of Rs 29.99 crore on OI of Rs 449.48 crore.

**December 2015**

*For further details, please contact:*

Analyst Contacts:

**Mr. Subrata Ray** (Tel. No. +91 22 6114 3408)  
subrata@icraindia.com

Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

© Copyright, 2015, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500