BANSAL WIRE INDUSTRIES LIMITED

July 02, 2024

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Steel
Fresh Issue (Shares)	29,101,563
Net Offer to the Public	**29,101,563**
Issue Size (Rs. Cr.)	707-745
Price Band (Rs.)	243-256
Offer Date	3-Jul-24
Close Date	5-Jul-24
Face Value	5
Lot Size	58

Issue Composition

	In shares
Total Issue for Sale	29,101,563
QIB	14,550,781
NIB	4,365,234
Retail	10,185,547

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	95.78%	77.97%
QIB	0.00%	9.29%
NIB	4.22%	6.23%
Retail	0.00%	6.51%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

Repayment or prepayment of all or a portion of certain outstanding borrowings availed by the Company

Investment in the Subsidiary for repayment or prepayment of all or a portion of certain of its outstanding borrowings;

Funding the working capital requirements of our Company; and

General corporate purposes

Book Running Lead Manager

- SBI Capital Markets Limited
- DAM Capital Advisors Limited

Name of the registrar

- KFin Technologies Limited

About the company

Incorporated in December 1985, Bansal Wire Industries Limited is a stainless steel wire manufacturing company. The company operates in three main segments: high carbon steel wire, low carbon steel wire (mild steel wire), and stainless steel wire. The company makes over 3,000 different types of steel wire products, ranging in size from very thin to very thick. They have more than 5,000 customers in different industries, which helps the company grow. To reduce risk, the company doesn't rely too much on one customer or one type of customer. The company also use a pricing model that helps them deal with changes in material costs. The company has a presence across India and operates in over 50 countries through product exports, solidifying its position as a key player in the global market. The company exports products to over 50 countries. It has 14 global representatives covering Bangladesh, Brazil, France, Germany, Israel, Italy, Netherlands, South Korea, South Africa, Sri Lanka, Turkey, the United Kingdom, the United States, and Vietnam. Its export turnover has grown at a CAGR of 47.15% in the last three fiscal years. The company has four manufacturing units in Mohan Nagar, Ghaziabad, Loni Industrial Area, Ghaziabad and Bahadurgarh, Jhajjar, Haryana. Out of four units two are located in Loni Industrial Area, Ghaziabad.

Segment	Revenue from operations					
	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	(in ₹ million)	in %	(in ₹ million)	in %	(in ₹ million)	in %
High carbon steel wires	5,458.84	22.14%	4,646.56	19.26%	4,212.04	19.16
Mild steel wires (Low carbon steel wires)	2,025.28	8.21%	822.32	3.41%	763.43	3.47
Stainless steel wires	12,803.49	51.92%	13,782.75	57.12%	13,043.03	59.33
Total	**20,287.61**	**82.27%**	**19,251.63**	**79.78%**	**18,018.50**	**81.96**

Strength

Steel wire manufacturers with revenue of Rs. 2444.72 crore in Fiscal 2024 with established market position and strong brand equity: The company holds a significant market share of the stainless steel wire (20%) and overall steel wire market (around 4%) in India, with a revenue of Rs. 24,447.19 crore in Fiscal 2024. The Indian steel wire industry has experienced steady growth at a CAGR of 6.90% between Fiscals 2019-23, driven by factors like infrastructure development and automobile production. This growth is expected to continue at 8-10% CAGR in the coming years. The company's strong brand image allows them to benefit in several ways, including securing raw materials at competitive prices, attracting and retaining skilled workers, and expanding their customer base through referrals and high retention rates. This brand recognition also helps them attract a wider range of companies as clients.

The details of the revenue, percentage of revenue, EBITDA and percentage of EBITDA in all three segments for Fiscal 2024 is given in the table below:

Segment	Fiscal 2024			
	Revenue	Revenue %	EBITDA	EBITDA %
High Carbon Steel Wires	5,458.84	22.14	762.53	51.06
Mild Steel Wires (Low Carbon Steel Wires)	2,025.28	8.21	127.63	8.55
Stainless Steel Wires	12,803.49	51.92	574.06	38.44
Total	**20,287.61**	**82.27**	**1,464.22**	**98.05**
Others (includes trading sales and other miscellaneous sales)	4,372.70	17.73	29.12	1.95
Grand Total	**24,660.31**	**100.00**	**1,493.35**	**100.00**

More than 5,000 customer base with presence across various sectors: The company has a customer base exceeding 5,000 customers, spreading across various industrial sectors. It has a customer base exceeding 5,000 customers, spreading across various industrial sectors. Except Bansal High Carbons Private Limited, one of its group companies, which contributed 7.30% and S. S. Pranav Steels Private Limited, one of its

distributor/dealer companies, which contributed 6.05% of the total sales of the company for Fiscal 2024, none of its customer contributed to more than 5.00% of its sales and no individual sector or segment constituted more than 25.00% of its sales in Fiscal 2024, Fiscal 2023 and Fiscal 2022, which is a testament to its diverse portfolio. Some of the major sectors that it serves include automotive, cables, fencing, infrastructure and agriculture out of which automotive and consumer durables sectors give the company the highest EBITDA margins. The company maintained an average customer retention ratio of 89.56% of its top 300 customers contributing 78.22%, 78.20% and 77.84% of its sales for Fiscals 2022, 2023 and 2024, respectively.

Economies of Scale: Over the last 38 years, the company has established a well-integrated ecosystem for manufacturing the products, storage and transportation of raw materials and finished goods. The company for expansion and cost effectiveness has also entered into industrial lease agreements dated January 8, 2024, with two of its Group Companies, Bansal High Carbons Private Limited and Balaji Wires Private Limited, respectively, to use the premises and equipment installed in its manufacturing facilities. The company is also in process of setting up a manufacturing facility which spreads across 32 acres approx. at Dadri. This facility will be one of the largest in Asia and largest steel wire plant in India and is strategically located.

Product Portfolio with over 3,000 stock keeping units across the steel wire industry with good mix of high volume and better margin products: Bansal, along with its subsidiary Bansal Steel & Power Limited, boasts one of India's most comprehensive steel wire product portfolios. This includes over 3,000 SKUs categorized into three main segments:

- **High Carbon Steel Wire**
- **Mild Steel Wire (Low Carbon Steel Wire)**
- **Stainless Steel Wire**

The breakdown is roughly 2,000 SKUs offered directly by Bansal and 1,500 from the subsidiary, with about 500 overlapping SKUs available from both entities. This diverse product range is supported by global certifications and accreditations. Bansal is committed to continuous innovation, adding new SKUs based on customer needs. In Fiscal 2024 alone, they launched 27 new products and have 6 more under development. This commitment to customization ensures they can provide solutions for a wide range of applications.

Business model with stable and consistent margin profile: Its products are offered at various price points and the pricing risk is suitably mitigated as majority of its sales are directly to customers. Its sales and marketing team takes into consideration various factors such as landing costs, discounts, and applicable taxes to arrive at the list price of its offerings. To counter the volatility in the cost of its raw materials, the company adjusts and revise the prices for its products on a monthly basis. Furthermore, when the fluctuation in the price of raw materials go beyond a certain level during the period concerned, the list prices of products are revised as and when required. Additionally, the company sources raw materials from a diversified base of suppliers. Its top 10 key raw material suppliers for mild steel wires and stainless-steel wires include Steel Authority of India Limited, Rashtriya Ispat Nigam Limited, Mukand Ltd., Rathi Steel and Power Limited and JSW Steel Limited. The company sources raw materials from a diversified base of suppliers which not only offers it competitive prices but also the quality and quantity assurance.

Strategies

Expansion of its customer base in north India and increase penetration in other geographies: The company boasts a strong dealer network covering all 22 states and 6 union territories of India, allowing it to serve vast customer base. Despite nationwide presence, a significant portion of its revenue (over 60%) comes from the northern states, particularly Delhi, Haryana, Maharashtra, and Uttar Pradesh. Recognizing untapped potential, Bansal Wire Industries aims to expand into western, eastern, and southern regions. Specific states mentioned for expansion include Maharashtra, Gujarat, Madhya Pradesh, Tamil Nadu, Karnataka, and Andhra Pradesh. This expansion strategy should contribute to their overall growth in the coming years.

Focus on increasing its exports sales and growing sectors like automotive and infrastructure:

The company believes that Indian steel wire industry is well-positioned to benefit from the global shift from China-based manufacturing to China plus one strategy resulting in new opportunities for Indian manufacturers in the global market. It has been focused on the export markets for its steel wire manufacturing business. As of Fiscal 2024, the company is exporting its products to several countries, with Europe and U.S. markets accounting to more than 70% of the total exports in Fiscal 2024. The company intends to leverage its suite of globally accredited products to grow its exports business and further increase its overseas presence by increasing the customers base and global representatives and setting up warehouses, as and when required. The company will also introduce new products like wire for elevator ropes and springs which it believes has a high potential in export markets.

Entering into B2C segment steel products and establishing retail distribution network: The company is currently into the business-to-business segment and more than 80% of its operating revenue in Fiscal 2024 is contributed from the end users of its products which consist of customers in various sectors including power and transmission, automotive, fencing, infrastructure, agriculture, consumer durables and general engineering. As a part of its growth strategy, the company is strategically expanding into the retail segment in the agriculture sector across India that enjoy higher profit margins with the galvanised wires products such as fencing, barbed wire, farming wire, etc. ensuring its presence across both business-to-business and business-to-consumer segments. In Fiscal 2021, it successfully entered in retail segment of agriculture sector in Gujarat and received a positive response by selling its products in business-to-consumer segment. After the success of its model in Gujarat, the company intends to replicate this model in other states of India. It believes that its strong market presence, pan India presence, competitive prices and wide product portfolio position it to capture market share in business-to-consumer segment in India.

Increase in margin profile by focusing on high margin products and adding speciality wire segment: The company has four manufacturing facilities including the facility owned by BSPL which is already working at optimum utilization and to meet the industry demand, the company is taking various steps including (i) setting up India's largest steel wire manufacturing capacity, which will include new infrastructure and equipment which will positively impact on its cost of production and start a new segment, i.e., specialty wires which will have positive impact on its overall EBITDA margins; and (ii) entered industrial lease agreements dated January 8, 2024 with Bansal High Carbons Private Limited and Balaji Wires Private Limited, respectively, to use the premises and equipment installed in the manufacturing facilities which will help the company to increase the market share and customer shift towards the company with effective cost of production which may positively impact on its sales, EBITDA and profits. The Bansal Group also has established network of wholesalers / retailers including OEMs under tyre / automobile segments which would facilitate the Company to market specialty wires.

Technological advancement of manufacturing facilities: In its commitment to continuous improvement, it has strategically implemented technological advancements in its manufacturing facilities. These innovations focus on enhancing productivity, ensuring operational efficiency, and maintaining high product quality. The key initiatives include: Use of straight line machines, higher speed of furnace and drawing machine, higher efficiencies for machines, efficient cooling of capstans, cost efficient & sustainable operations, automation in packaging, reduction in acid consumption.

Risk factor

- The company has had negative cash flows in prior periods and may continue to have negative cash flows in the future.
- It relies substantially on its top 10 suppliers of the raw materials and work-in-progress goods used in its manufacturing processes.
- The costs of the raw materials that it uses in its manufacturing process are subject to volatility.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Rajratan Global Wire Limited*	890.45	71.83	14.15	41.53	6.11	96.21	2	587.6	2983.3
DP Wires Limited*	1000.7	36.31	23.43	19.47	3.13	145.93	10	456.15	707.05
Bedmutha Industries Limited*	812.02	20.94	6.49	36.64	6.37	37.34	10	237.8	767.24
Bansal Wire Industries Limited***	2466.03	78.80	5.03	50.86	3.32	77.04	5	256.00	4007.83

***Peer companies financials are TTM based**
*****Bansal Wire Industries Limited is based on FY24**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.256, the stock is priced at pre issue P/E of 41.41x on FY24 EPS of Rs. 6.18. Post issue, the stock is priced at a P/E of 50.86x on its EPS of Rs.5.03. Looking at the P/B ratio at Rs.256 pre issue, book value of Rs. 36.18 of P/BVx 7.08x. Post issue, book value of Rs. 77.04 of P/BVx 3.32x.

Considering the P/E valuation, on the lower end of the price band of Rs.243, the stock is priced at pre issue P/E of 39.30x on FY24 EPS of Rs. 6.18. Post issue, the stock is priced at a P/E of 48.28x on its EPS of Rs.5.03. Looking at the P/B ratio at Rs. 243 pre issue, book value of Rs. 36.18 of P/BVx 6.72x. Post issue, book value of Rs. 77.04 of P/Bvx 3.15x.

Industry Outlook

India has been the second largest global steel producer since calendar year 2018. The steel wire industry has witnessed a significant growth at a compounded annual growth rate of 6.90% over Fiscals 2019-23, growing to 5.6 million tonnes, primarily owing to increasing infrastructure development activities across the country and growing production in the automobile industry. Demand is expected to log 8-10% at the compounded annual growth rate between Fiscals 2023 and 2028, growing to 8-9 million tonnes, due to increasing budget allocation of central and state governments for infrastructure development and expansion of the automobile industry.

Outlook

Bansal manufactures and sells over 3,000 SKUs of various metal wires. The company offers 2,000 SKUs directly, with its subsidiary contributing another 1,500. To expand its reach, Bansal plans to introduce specialty wires through a new plant in Dadri. The funding will be used for debt repayment, operational needs, and general business purposes. However, the company relies heavily on a small group of suppliers for raw materials.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	03-July-24
BID/ISSUE CLOSES ON	05-July-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	08-July-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	09-July-24
Credit of Equity Shares to Demat Accounts of Allottees	09-July-24
Commencement of trading of the Equity Shares on the Stock Exchanges	10-July-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	2466.03	2413.01	2198.36
Total expenditure	2321.58	2307.86	2091.93
Operating Profit	**144.46**	**105.14**	**106.43**
OPM%	0.59	0.44	0.48
Other Income	4.86	9.56	6.71
Total Net Income	**149.31**	**114.70**	**113.15**
Interest	28.81	24.04	26.58
PBDT	**120.50**	**90.66**	**86.57**
Depreciation	13.45	9.11	8.44
Restated Profit/ (loss) before exceptional items and tax	**107.05**	**81.55**	**78.13**
Exceptional Items Profit/(Loss)	**3.16**	**0.00**	**0.00**
Restated Profit after Share of Profit of associates before Tax	**110.21**	**81.55**	**78.13**
Tax	31.41	21.62	20.85
PAT	**78.80**	**59.93**	**57.29**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-24	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	229.31	115.51	115.58
Capital work-in-progress	211.86	37.87	0.43
Intangible assets	0.09	0.00	0.00
Financial Assets	0.00	0.00	0.00
Investments	1.08	0.00	22.53
Other Bank balances	1.23	2.46	2.32
Other financial assets	8.62	7.17	3.04
Other non-current assets	39.66	40.73	0.11
Total non-current assets	**491.85**	**203.74**	**144.00**
Current asset			
Inventories	313.62	243.88	264.67
Financial Assets			
Investments	0.00	22.53	0.00
Trade receivables	357.93	252.38	248.82
Cash and cash equivalents	1.81	0.71	0.44
Bank balances other than (ii) above	2.62	0.13	0.00
Other financial assets	3.12	0.04	0.16
Other current assets	93.07	25.65	37.39
Total current assets	**772.16**	**545.32**	**551.48**
Total Assets	**1264.01**	**749.05**	**695.48**
Non-current liabilities			
Borrowings	304.12	197.07	122.72
Provisions	5.11	2.69	2.40
Deferred Tax Liabilities (Net)	12.17	6.24	6.86
Total Non- Financial liabilities	**321.40**	**206.00**	**131.98**
Current liabilities			
Financial Liabilities			
Borrowings	377.03	225.12	290.43
Trades Payable - MSME	5.92	2.24	3.13
Trades Payable - MESE	53.22	10.49	17.44
Other financial liabilities	31.61	9.13	6.95
Provisions	1.10	0.50	0.00
Current tax liabilities (net)	3.67	4.71	13.67
Other current liabilities	8.92	8.37	8.88
Total Financial liabilities	**481.47**	**260.55**	**340.49**
Total	**802.87**	**466.54**	**472.47**
Net worth represented by:			
Equity Share Capital	63.73	9.10	9.10
Other equity	358.64	273.41	213.91
Non-Controlling Interest	38.77	0.00	0.00
Net Worth	**461.14**	**282.51**	**223.01**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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