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Micro-Cap Multibagger

D P WIRES Limited.

Market-Leading Manufacturer of Steel Wires & More.

Date: 19th May'22 | CMP: ₹ 318.00

Inside the Report

Industry Outlook

- **Global steel wire market Outlook:** Steel wire are used in a various of end-use industries, including construction, automotive, energy, agriculture, industrial, and others. It possesses high strength, scrub resistance, and good conductivity, which makes it useful in applications such as wire for tires, hoses, galvanized wires and strands, ACSR strands, and armoring of conductor cables, springs, fasteners, clips, staples, mesh, fencing, screws, nails, barbed wires, chains, etc.

- **The global steel wire market size is expected to grow from USD 93.2 billion in 2020 to USD 124.7 billion by 2025, projecting a CAGR of 6.0 % during the forecast period between 2020 and 2025.**

- **Indian steel wire market outlook:** It is highly famous in the market due to its high quality and hassle free range, at very low prices. **The Indian steel wire industry has an annual capacity of 2.5 million tonnes (value: Rs 8,000 crore) approximately.** About 70% of the total production comes from the organised producers and the remaining is from the unorganised sector.

- **Indian HDPE pipes industry outlook:** The India HDPE Pipes Market size for FTTx Industry was valued at $99.9 million in 2018, and is **expected to reach $233.5 million by 2026, registering a CAGR of 11.2% from 2019 to 2026.** High density polyethylene (HDPE) pipes are made from raw materials such as PE 63, PE 80, and PE 100.

- One of the significant advantages of utilizing **HDPE pipes is that they are 6-8 times lighter than cast iron and galvanized iron pipes.** HDPE pipes can be easily molded and welded together because of its high chemical resistance property. In addition, they are non-corrosive in nature, which makes them an ideal choice for many applications.

Steel Wire

Demand : Past and Future

Year	(In Million Metric Tonne)
1990-91	0.85
2000-01	1.62
2001-02	1.73
2002-03	1.82
2003-04	1.94
2004-05	2.06
2005-06	2.19
2006-07	2.33
2007-08	2.49
2008-09	2.65
2009-10	2.83
2010-11	3.02
2011-12	3.21
2012-13	3.40
2013-14	3.60
2014-15	3.80
2015-16	4.00
2016-17	4.25
2017-18	4.45
2018-19	4.75
2019-20	5.03
2024-25	6.50

Indian steel wire market: Increasing trend in demand

Source:www.entreprenuerindia.com, www.marketsandmarkets.com

Company Snapshot

- ***Single Phase Buying Strategy* = *Buy between INR 318-335 (CMP = 318)***
- ***Price Target* = *INR 500+ in next 12 months & INR 1500+ in next 5 years. It can deliver 35-40% CAGR over the period of next 5-10 years.***
- ***IPO came during Sept 2017 @ 75rs per share, as on today stock has delivered ~ 40% CAGR during last 4.5 years.***

- Incorporated in the Year 1971 at Ratlam in Madhya Pradesh been **promoted by "Kataria" group of companies** and has emerged as an eminent Exporter, Manufacturer and supplier of premium quality Steel wire and Plastic products.
- **Primarily engaged in manufacturing and supply of Steel wires, plastic pipes and plastic films** which find its application in industry of oil & gas, power, environment, plastic, wind power generation, civil, energy, infrastructure etc.
- The Products are **used in Lining of Canals, Landfills, Highways & Road Constructions, Ponds, Tanks, Water Reservoirs, Mining,** and Solution Ponds and for corrosion Resistant on Steel tanks etc.

Market Cap: ₹430 Cr.	**Current Price: ₹318 (18th May'22)**	**High/low: ₹424/129**
NSE: DPWIRES	**ROE: 21.8%**	**ROCE: 28.9%**
Sales Growth (3Y): 31%	**Profit Growth (3Y): 35%**	**PEG Ratio: 0.23**
Promoter Holding: 70.4 %	**Debt to Equity: 0.15**	**Book Value: 100**
Gross Block : ₹28.6	**Gross Block PY: ₹26.5**	**Pledged percentage: 0.00 %**

DPWL : The next multibagger in the making?

Dear Investors,

Did you know there are some financial metrics that can provide clues of a potential multi-bagger? In a perfect world, we'd like to see a company investing more capital into its business and ideally the returns earned from that capital are also increasing. Put simply, these types of businesses are compounding machines, meaning they are continually reinvesting their earnings at ever-higher rates of return. With that in mind, the ROCE of **D.P. Wires** looks great, so lets see what the trend can tell us.

What is Return On Capital Employed (ROCE)? - ROCE measures the amount of pre-tax profits a company can generate from the capital employed in its business.

Return on Capital Employed = Earnings Before Interest and Tax (EBIT) ÷ (Total Assets - Current Liabilities)

Using this formula, **D.P. Wires has an ROCE of 28.6% as on today.** That's a fantastic return and not only that, it outpaces the average of 14% earned by companies in a similar industry.

What The Trend Of ROCE Can Tell Us - The trends we've noticed at D.P. Wires are quite reassuring. The data shows that returns on capital have increased substantially over the last five years. The company is effectively making more money per rupees of capital used, and it's worth noting that the amount of capital has increased too, by 249%. This can indicate that there's plenty of opportunities to invest capital internally and at ever higher rates, a combination that's common among multi-baggers. We have also noticed that the **company's ratio of current liabilities to total assets decreased to 18%, which broadly means the business is relying less on its suppliers or short-term creditors to fund its operations.** So shareholders would be pleased that the growth in returns has mostly come from underlying business performance.

Our Take On D.P. Wires' ROCE - All in all, it's terrific to see that D.P. Wires is reaping the rewards from prior investments and is growing its capital base. And with the stock having performed exceptionally well over the last three years, these patterns are being accounted for by investors.

Corporate Overview

- The company is engaged in manufacturing and supply of Steel wires, plastic pipes and plastic films which find its application in industries like oil & gas, power, environment, civil, energy, automobile, infrastructure etc. All their manufacturing divisions are situated in a single premise at Industrial Estate, Ratlam.

- They **are also engaged in power generation through 2 wind farms of 0.80 MW each in village Okha-Madhi and Jodhpur in District Jamnagar.** They entered into PPA with Gujarat Urja Vikas Nigam Limited for sale of electricity generated through these wind farms for a period of 20 years. Both these wind farms were installed on turnkey basis by Eneron India Pvt. Ltd. in the year 2006-07.

- They have developed a renowned name in the field of steel wire and plastic industry having **ISO 9001- 2008 certification** that highlights their capability and facilities requisite for the development of the best in class PE Film, Plastic Films, Pond Lining Film, HDPE Film, Cap Covers, Wires, and others. In 2003, It started production of LRPC strands which is used in pre-stressed concrete girders for river, railway bridges, roads, highways and buildings.

- Company has adequate production capacity to meet the increased demand of the Customers. The Company has wide basket of products which caters to customers across the globe with **presence in countries like Nepal, Oman, Doha, Muscat, Srilanka etc.**

Basic data on DPWL

Nature of Business	Manufacturer, Exporter and Supplier
Year of Establishment	1971
No. of Employees	200
No. of Production Units	01
Production Type	Automatic and Semi-Automatic
Warehousing Facility	Yes
Annual Turnover	INR 467 Crores (FY21)
Niche Market	India
Bankers	Axis Bank, ICICI Bank and HDFC Bank

Locations

- **Head Office** 16-18A,Industrial Estate, Ratlam- 457001, Madhya Pradesh.
- **Mumbai Branch** 72,Gandhi Nagar, Drainage Channel Road Opp Municipal Industries Estate,Worli,Mumbai 400018.
- **Kolkata Branch** 75/6/15 PP Road,PO FingaparaDistrict -24 Parganas(North). West Bengal 743129.
- **Delhi Branch** F 1/13,First Floor, Sector 15, Rohini, Delhi 110049.

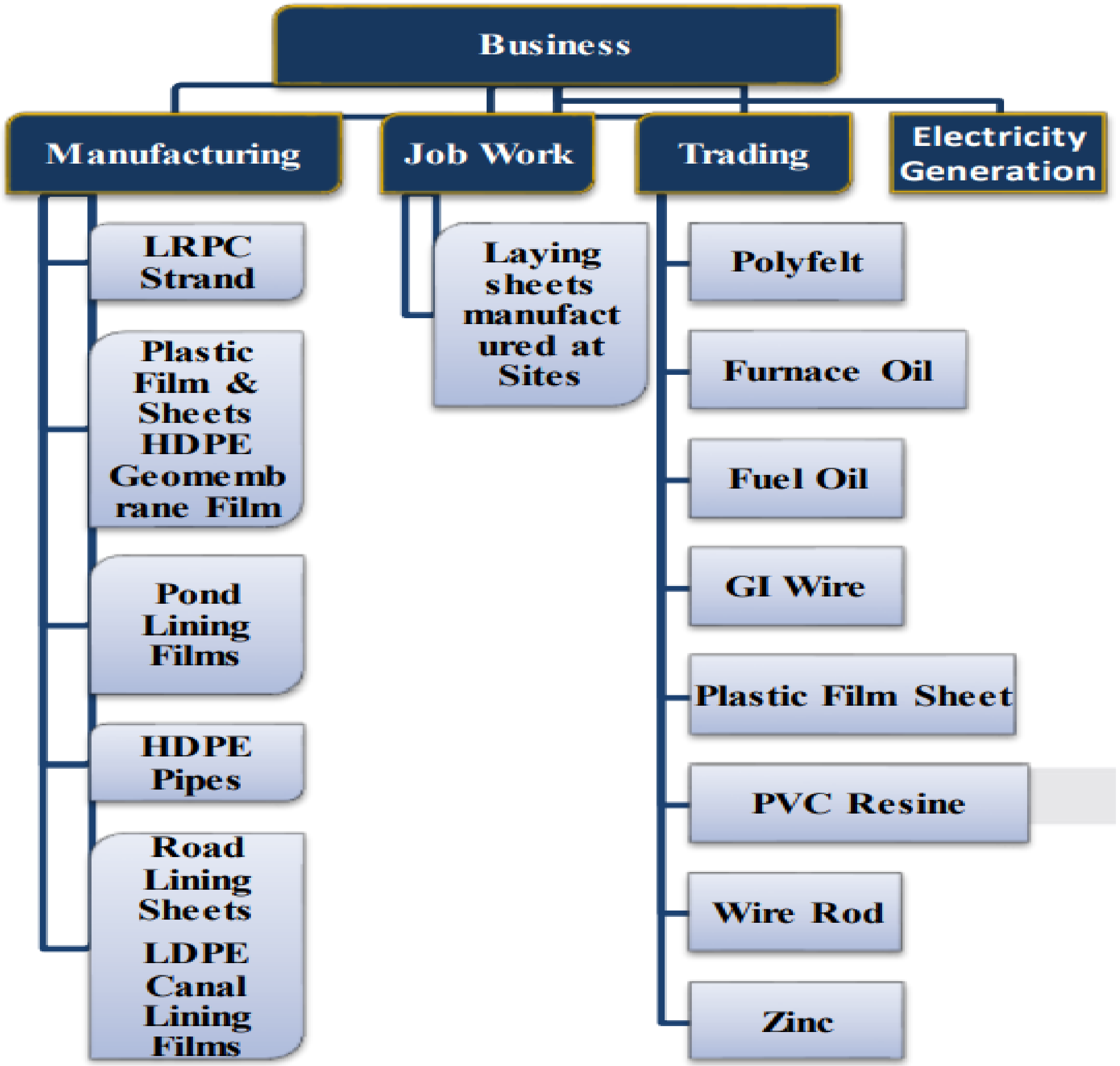
Business Model

- **Manufacturing:** company's manufacturing facilities are located at Ratlam in M.P for both wires and plastic products. ISO 9001-2008 certified company that depicts the strength of the company in providing good quality Steel Wire, Plastic Product, and others in compliance with the market norms. Wire products include steel wires like prestressing wire, concrete compressed steel wire, concrete poles steel wire, spring wires, etc. Plastic products includes leak proofing plastic sheets, geomembrane, etc.

- **Job Work:** Apart from manufacturing of above plastic sheets, the Company is also engaged in fixing of sheets at required sites.

- **Trading:** Company purchases raw materials in bulk quantity which include materials not compatible to their products and such raw materials are sold to other businesses.

- **Electricity Generation:** Company is engaged in power generation for Gujarat Urja Vikas Nigam Limited. They have set up wind energy based 2 wind farms of 0.80 MW each in village Okha-Madhi and Jodhpur in District Jamnagar, Gujarat. These wind farms are connected by 33kV grid capacity Eneron Site, sub-station at Bhogat.



Key Milestones

1997-98

Incorporated as D P Wires Private Limited

2001-02

Commencement of production of Wire drawing of Stainless Steel, Alloy Steel, Gas Cylinders, Polyethene and polyethene layflat tubing

2003-04

Commencement of production of LRPC Strands

2012-13

Clocked Turnover above Rs 90 cr

2015-16

Turnover crossed Rs. 160 Crore

2017-18

Got Listed on NSE Emerge

2020-21

Expanded production capacity by 10,000 MT.

Key Customers

GAMMON
Builders to the Nation

भारतीय रेल • INDIAN RAILWAYS

LARSEN & TOUBRO

एनटीपीसी
NTPC
NATIONAL THERMAL POWER CORPN. LTD.

Border Roads Organisation
श्रमेण सर्वम् साध्यम

CPWD
Central Public Works Department

AN ISO 9001 COMPANY
MILLENNIUM
ENGINEERS & CONTRACTORS P

ADITYA BIRLA
HINDALCO

भारतीय राष्ट्रीय राजमार्ग प्राधिकरण
National Highways Authority of India

VSL

NUCLEAR POWER CORPORATION OF INDIA LIMITED
A Government of India Enterprise

RELIANCE
Energy

UP State Bridge Corporation Ltd

Jhajjar Power Plant
1320 MW power plant with supercritical technology

Competitive Strenghts

Experienced Management

- Company believes that the skills, industry and operating experience of the senior personnel provides it with a significant competitive advantage as it is set to expand the existing businessto newer geographicmarkets.
- Also, Senior management team has a diversified experience in service industry, including areas ofregulatory affairs,research,marketing and finance

Established Player in the Indian Wire Industry

- Company has more than 18 years of experience in wire business with an established client base
- Owing to the timeliness and consistency in product quality as well as industry expertise, It has been awarded rate contracts by certain customers.

Product Diversification

- Company enjoys a wide product range with diverse applications. It possesses large manufacturing facilities with the ability to address customer orders with shrinking turnaround time
- Innovativeness and refining of processes is a major strength of the research team along with the fully equipped research laboratory has always helped in producing innovative products that can outperform the market.

Diversified Client Base

- Company caters to needs of different users which includes government and private sectors. Among the government sector It has clients in central, state and local bodies and are not restricted to Indian boundaries but client base is spread across sea in various foreign countries. Outperform the market. awarded rate contracts by certain customers

Swot Analysis

Strengths

- In depth knowledge and experience of promoters in steel wire and plastic industry.
- Track record of about of two decades
- Diversified customer base, varied product range and wide spread reach.

Weakness

Intense Competition from several unorganized players.

Threats

- Change in regulatory norms in our country & exporting countries.
- Malpractices by some players in industry affecting overall performance of emerging Companies.

Opportunities

- Growth in the economy has resulted creation of huge markets for real estate and infrastructure development.
- Capitalize unutilized capacity would further improve profitability of the company
- Marketing of products.

Product Portfolio (1/3)

Geomembrane

- Manufactures and supplies wide range of Geomembrane like HDPE geomembrane, Polymer Industrial Geomembrane, LDPE Geomembrane.
- The provided product is used for solid and liquid waste containment, lining, and capping applications.

Features :

- Perfect surface finish
- Available in single- or double-sided textured surface
- Superior shear strength
- Resistant to tear or abrasion

Agro HDPE Films

Widely demanded in agriculture sector, these films are used for production of fruits and vegetables. These Agro HDPE Films provide superior germination and faster plant growth.

Features :

- Excellent durability
- High resilience
- Maintains soil moisture

Product Portfolio (2/3)

LRPC Strand

It is used in pre-stressed concrete girders for river, railway bridges, roads, highways and buildings.

Features :

- Excellent strength
- Superb weather resistance
- Robust in construction

Gabion

Manufacturers and suppliers of a wide range of Gabion products that includes Gabion Wire Mesh, Gabion Mattress and Rock Fall Netting. Widely used in oil & gas, wind power generation, civil and construction industry, these are offered at economical prices

Features :

- Stringently tested for their tensile strength
- Resistant against harmful UV rays.
- Best known in market for their waterproof quality

Product Portfolio (3/3)

Pond Lining Films

As the highly stretchable in nature, this film is used for protecting the pond water from contamination of impurities

Features :
- Weather resistance
- Resistant to puncture

LDPE Canal Lining Films

LDPE Canal Lining Films are used for lining of canal and improve water availability over a longer period of time

Features :
- Easy to tear by means of cutting tools
- Optimum flexibility

Greenhouse Films

Highly resistant to UV and water, these films are demanded for use in green house

Features :
- Tear resistance
- Withstand diverse weather conditions
- Highly stretchable

State of the Art Machineries

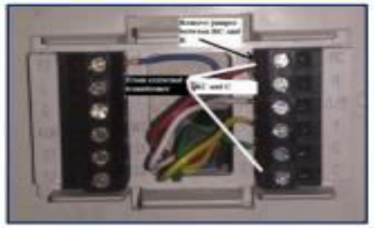
Wire Division


Wire Drawing Machine

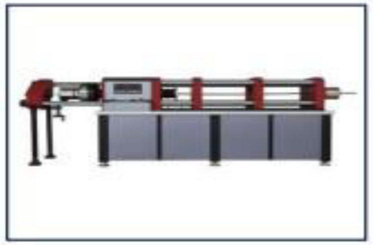

LRPC Plant


Lab Plant


Pickling Plant


Transformer


Material Handling Equipment

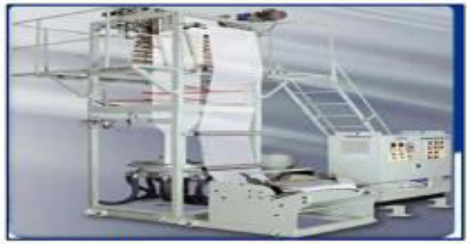

Relaxation Testing


Packing Machine


Oil Storage Tank

Plastic Division


Plastic Films/ Bags Manufacturing Plant


Blown Film Plant


Multilayer Plastic Film Plant


Welding Equipment


Blown Film Plant With Electric Installation


Plastic Pipe Plant

Fork Lift

Competition Analysis (1/2)

- The steel wires manufacturing industry is highly fragmented with the presence of many small, medium, and large players. This is due to limited entry barriers such as low capex and technology requirements.
- While most of the players in the unorganised sector have marginal capacities and do not meet any stringent quality standards, they continue to cater to small regional buyers in price sensitive markets. Therefore, the ability to command a premium for products is restricted for organised players such as DPWL. Also, with major demand coming from the construction and infrastructure sectors, sales remain exposed to any slowdown in demand from these sectors. Therefore **DPWL faces Intense Competition from several unorganized players and in the Wire division faces competition form big players like Tata Steel Limited and Usha Martin Limited.**
- **Detailed comparison with major competitor Usha Martin:**

	D P Wires	Usha Martin
Market Cap	357.52	2863.05
Current Price	263.50	93.95
ROCE	28.88	17.29
ROE	21.76	16.80
Promoter holding	70.38	49.73
Sales growth 3Years	31.10	2.61
Profit growth 3Years	34.76	71.74
PEG Ratio	0.20	0.70
Debt to equity	0.15	0.30
Return on assets	17.27	5.89
OPM % (September 2021)	6.51%	14%
Current ratio	4.06	1.92
Interest Coverage	8.22	22.34

Competition Analysis (2/2)

- D P Wires and Usha Martin compete with one another on the basis of product range, product quality, and product price including factors, based on reputation, regional needs, and customer convenience. While these factors are key parameters the in client's decisions matrix in purchasing goods; product range, product quality and product price is often the deciding factor in most deals.

- **Despite the huge gap in the market capital of both the companies, D P Wires seems to be performing better than Usha martin on many accounts.** DPWL has a higher ROCE of 28.88 than compared to the 17.29 ROCE of Usha Martin (UML), similarly DPWL has a higher ROE. DPWL even has a lower PEG ratio than UML. Sales growth of DPWL is a lot higher as well, at 31.10 for 3 years, UML has shown a poor sales growth of -7.09% over past five years.

- **UML's sales volumes reduced 11.3% YoY,** owing to lower demand on the back of the COVID-19-led disruptions. UML's consolidated revenue reduced to INR20.97 billion in FY21 (FY20: INR21.54 billion; FY19: INR24.88 billion), owing to the lower sales volumes. Whereas, **DPWL's revenue has been on the rise on account of increased capacity.**

- DPWL has a lower interest coverage ratio, UML's Interest coverage ratio has increased due to reduction in finance cost and increase in profits during Financial Year 2020-21.

- **D P Wires looks very impressive in terms of generating wealth for their shareholders.** And they are properly utilizing their resources over the years. The ROA also very lucrative having highly capital-intensive industry.

- D P Wires have outperformed in sales growth in FY21. The 3yrs sales growth is also dynamic. However, the profitability growth has outperformed in favor of Usha Martin. **The OPM and NPM is also higher than D P wires.**

- The **Asset Turnover is very effective in D P Wires** as compared to Usha Martin. The Debtors and cash conversion days is also very attractive.

- Usha Martin looks cheaper as compared to D P Wires. Since EV/EBITDA is a bit high but all the component is low if we compare to D P Wires. More or less both the company look at same stage. **From the perspective of return, we should go for D P Wires.**

Financial Analysis

Income statement Analysis

	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Sales -	**92**	**76**	**96**	**93**	**138**	**159**	**195**	**207**	**332**	**284**	**467**
Sales Growth %		-17%	26%	-4%	49%	16%	23%	6%	60%	-14%	64%
Expenses +	89	74	92	89	134	154	186	191	306	261	434
Operating Profit	**3**	**2**	**4**	**4**	**4**	**6**	**9**	**16**	**26**	**23**	**33**
OPM %	3%	2%	4%	4%	3%	4%	5%	8%	8%	8%	7%
Other Income	2	2	1	1	1	1	2	1	2	2	3
Interest	3	2	2	2	2	2	3	1	2	1	1
Depreciation	1	1	1	1	1	1	1	1	2	2	2
Profit before tax	**0**	**0**	**2**	**2**	**2**	**3**	**7**	**15**	**24**	**22**	**32**
Tax %	9%	8%	13%	26%	20%	24%	29%	34%	28%	25%	26%
Net Profit	**0**	**0**	**1**	**1**	**2**	**2**	**5**	**10**	**17**	**17**	**24**
NPM %	**0.00%**	**0.00%**	**1.04%**	**1.08%**	**1.45%**	**1.26%**	**2.56%**	**4.83%**	**5.12%**	**5.99%**	**5.14%**
EPS in Rs	0.32	-0.44	5.77	5.01	6.69	8.77	20.11	7.24	12.84	12.3	17.75

- **The sales for wires and other traded steel products have grown by 72% in FY2021, backed by 53% volumetric growth and 13% realization growth.** With continued healthy demand and favourable steel prices, company has achieved revenue of Rs.274.56 crore during Q1 FY22 as against Rs.139.10 crore during Q1 FY21.

- The operating margin and realizations are susceptible to volatility in steel prices. Operating margin has ranged between 7.1%-8.2% over the four fiscals ended 2021.

- The **net profit of the company is grown at 64.38%** and the EPS of the company is grown at a CAGR of 15.14% during the last 5 years.

- There is an improvement in the company's business risk profile and financial risk profile driven by the improvement in revenue on back of growth in volumes as well as better realization supported by increase in steel prices.

- **Company has reported an operating income of Rs.465.62 crore in fiscal 2021 - a 64.3% y-o-y growth.**

- The profit after tax increased by whopping ratio of 44.92%.

- During the current financial year, the company has already achieved good turnover and expects the same to be increased manifold.

- **Revenue Mix FY21** Wire Division - 87%, Trading Division - 8%, Plastic Product Division - 4%, Power Division - 1%

Balance Sheet Analysis

	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Sep 2021
Share Capital +	2	2	2	2	2	2	2	14	14	14	14	14
Reserves	14	14	15	16	18	20	25	51	68	85	109	123
Borrowings	22	13	20	7	8	24	30	6	23	3	8	20
Other Liabilities +	8	11	7	4	22	22	23	26	17	24	23	21
Total Liabilities	**46**	**40**	**45**	**31**	**50**	**68**	**81**	**96**	**122**	**125**	**154**	**178**
Fixed Assets +	7	6	5	5	6	8	8	8	16	23	23	23
CWIP	0	0	1	0	0	0	0	0	3	0	0	0
Investments	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets +	39	34	39	26	45	60	73	88	103	102	131	155
Total Assets	**46**	**40**	**45**	**31**	**50**	**68**	**81**	**96**	**122**	**125**	**154**	**178**

- Company does not have any dividend pay-out plans over medium term. **Company is virtually debt free**.
- Deferred Tax assets were reported to be Rs. 9.77 Lakh. They assessed the likelihood that their deferred tax assets will be recovered from future taxable income. Deferred Tax Liabilities were reported to be Nil as on 31 March, 2021 as compared to Rs. 13.18 Lakh during previous year.
- Unsecured loan of Rs 2.35 crore from friends and family also support the liquidity.
- At present, the Company has only one class of shares – equity shares of par value of Rs. 10/- each. The Company's authorized share capital is Rs. 1400 Lakh, divided into 140 Lakh equity shares of Rs. 10/- each. The issued, subscribed and paid up capital stood at Rs. 1357 Lakh as on March 31, 2021.
- The company has invested 19 Cr. during the last 10 years in its fixed assets and also it has bought investments worth 11.23 Cr. **Over the last 3 years. The company has raised 26.88 Cr. from the public through IPO,** the purpose of the funds to support the working capital of the company.

Cash Flow Analysis

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Total
Profit from operations	3.47	3.29	4.11	4.23	6.18	11.28	17.58	26.2	24.96	33.47	134.77
Cash from Operating Activity (CFO)	5	0	6	1	-2	2	-12	-5	38	-12	21
Working capital changes	4.25	-3.33	2.59	-3.34	-7.39	-7.4	-24.59	-21.21	17.58	-36.72	-79.56
Receivables	5.51	-8.38	9.48	-12.22	-2.64	-3.97	4.66	-19.92	-1.76	-16.23	-45.47
Inventory	-0.19	3.29	-2.71	-3.93	-5.55	-9.84	0.79	-4.85	5.27	-0.67	-18.39
Payables	-2.58	3.19	-11.15	14.14	7.25	-1.52	-8.52	2.59	0.97	-5.85	-1.48
Cash from Investing Activity (CFI)	0	0	1	-1	-3	0	-3	-9	-17	12	-20
Fixed assets purchased	-0.41	-0.92	-0.04	-1.59	-3.82	-1.4	-1.2	-3.67	-4.12	-1.67	-18.84
Investments purchased	0	0	0	0	0	0	0	-5.41	-5.31	-0.51	-11.23
Other investing items	0	0	0	0	0	1.7	-1.75	1.33	-13.25	11.38	-0.59
Cash from Financing Activity (CFF)	-5	-1	-6	1	6	-2	15	14	-21	4	5
Proceeds from shares	0	0	0	0	0	0	26.88	0	0	0	26.88
Proceeds from borrowings	0	0.46	0	3.29	8.53	0.63	0	16.29	0	4.62	33.82
Repayment of borrowings	-4.64	0	-4.07	0	0	0	-10.65	-0.15	-19.22	0	-38.73
Interest paid fin	0	-1.77	-2.37	-1.9	-2.41	-2.76	-1.31	-2.32	-1.33	-1.08	-17.25

- The company has converted just 15 .58% of its operating profit into cash in the last 10 years, its cumulative operating profit is 135 Cr. while its cumulative CFO is 21 Cr. only, this is mainly due to the rise in the working capital requirements.

- Company has negative cash flow from operations of -12.18.

- **Liquidity is adequate supported by low utilization in bank lines:** Fund based BLU averaged at 34% over the 12 months ended October 2021, while Non-fund based BLU averaged at 19% over the 12 months ended October 2021. Net cash accruals are expected in the range of Rs 27-32 crore which will be more than adequate against repayments of Rs 0.10-0.20 crore over the medium term. Cash and bank balance was Rs 3.51 crore as on March 31, 2021.

Key Ratio Analysis

	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Average
Returns Analysis							
ROCE	13.04%	15.79%	22.54%	24.76%	22.55%	25.19%	21%
ROE	9.09%	18.52%	15.38%	20.73%	17.17%	19.51%	17%
ROA	8.82%	11.11%	16.67%	21.31%	18.40%	21.43%	16%
Financial Stability							
Debt/Equity	1.09	1.11	0.09	0.28	0.03	0.07	
Current Ratio	2.73	3.17	3.38	6.06	4.43	5.70	
Interest Coverage Ratio (times)	3	3	16	13	23	33	
Efficiency Ratio							
Debtors Days	61	58	46	50	60	49	54
Inventory Days	47	61	58	43	42	24	46
Cash Conversion Cycle	59	84	89	81	84	69	78
Assets Turnover Ratio (times)	2.34	2.41	2.16	2.72	2.27	3.03	2.49

- On average, the company generates 2.5x of revenue on its total assets.
- D P Wires has **a healthy interest coverage ratio of 30.55**, as it earns more interest than it pays.
- DPWL has a moderate working capital cycle as reflected in GCAs of 97 days as on March 31, 2021, driven by receivables and inventory of 49 days and 21 days, respectively. This is supported by bank lines and creditors which stood at 4 days as on March 31, 2021. Working capital cycle is supported by the internal accruals leading to low dependence on creditors and bank lines.
- The company’s net debt to equity ratio (13.4%) is considerably satisfactory. The D/E ratio has reduced from 107% to 14.8% over the past 5 years.

- Company has been maintaining healthy ROE of 27.40% over the past 3 years. ROCE increased from 23% in the Mar’ 2020 to 29% in Mar’ 2021. They **have been maintaining a healthy ROCE of 27.40% over the past 3 years.**
- **Company’s PEG ratio is 0.21.**
- **The company has a healthy liquidity position with current ratio of 4.66.** Over the last 5 years, current ratio has been 330.86%, vs industry avg of 79.15%.
- The company’s ratio of current liabilities to total assets decreased to 18%, which broadly means that business is relying less on its suppliers or short term creditors to fund its operations, therefore**, the growth in returns has mostly come from underlying business activities.**

Q3FY22 Result Update

D.P. Wires Limited (NSE: DPWIRES) has reported jump of 21% in revenue and 41% in its net profit after tax for the third quarter ended on 31st December 2021 as compared to previous quarter of same financial year 2021-22.

- Mr. Praveen Kataria MD of the company has attributed this robust performance to the renewed demand surged in infrastructure sector in the country and government focus towards upgrading India's Infrastructure.

- The company has announced its financial results on Tuesday 25th January 2021. The revenue for quarter ended December 2021 was Rs. 160.95 crore as compared to 132.79 crore in quarter ended September 2021.

- Nine Months Revenue of FY 21-22 of Company stood at 436.37 crore as against Nine Months Revenue of FY 2021 Rs. 285.11 Crore. Thus, the Nine months top line growth for FY 2122 was 53%.

- Nine months EPS stood at Rs. 16.26 as against FY 2021 EPS Rs. 17.75. The management is looking forward towards strong demand of its products in upcoming fourth quarter of FY 2122.

Capacity Utilisation & Revenue Estimation

	2019-20	2020-21	2021-22 (Estimated)	22-23 (Estimated)
Manufacturing capacity	50,000 MT	60,000 MT	70,000 MT	80,000 MT
Utilised capacity	135%	120%	140%	150%
Revenue (₹ in lakhs)	28386.58	46672.22	60200.00	78400.00

- DPWL's manufacturing facility is located in Ratlam (Madhya Pradesh) with an installed capacity of 50000 tons per annum in 2019, in the present year they **grew in revenue and increased the current plant capacity by ten thousand metric tons. Along with that industrial land was also purchased for expansion.** Total revenue was at Rs. 46672.22 Lakhs for the year ended March 31, 2021, as against Rs. 28386.58 Lakhs for the corresponding previous period.
- Currently, the company isn't planning on future expansions. In the present year all of their capex was incurred towards the wire division. In the year 2020-21, the segmented capital expenditure on the wire division was 73.43 Crs.

Investment Rationale

Promoters' extensive industry experience, an established market position: Promoters' extensive experience of over 2 decades in the steel industry, which has enabled them to develop a strong understanding of market dynamics, and establish healthy relations with customers and suppliers.

A diversified end-user industry base & customer base: caters to a customer base of around 150-200 in a diversified end user industry base which includes oil & power industry, automotive industry, construction industry, infrastructure industry etc. A diversified end user industry base allows it in overcoming the risk of slowdown in a particular industry and achieving higher growth.

Moderate working capital requirements: DPWL has a moderate working capital cycle as reflected in GCAs of 97 days as on March 31, 2021. Working capital cycle is supported by the internal accruals leading to low dependence on creditors and bank lines.

Healthy financial risk profile: Company has a strong networth of Rs 122.66 crore as on March 31, 2021 owing to healthy revenue growth and comfortable operating profitability.

Management Overview

Mr. Praveen Kataria (Managing Director)

- He holds a degree Bachelor of Engineering (Production) from the College of Engineering and Technology, Akola. He has specialized in advanced Production Technology departments.
- Apart from this he is involved in implementing production processes, researching market demand, understanding and attaining worldwide quality standards, developing strategies, integrating innovative technology.
- He has experience of 22 years in the Production and Quality Control innovative technology, personally visiting abroad to improve technology and to reduce cost of production of steel wires and plastic division.

Mr. Arvind Kataria (Director)

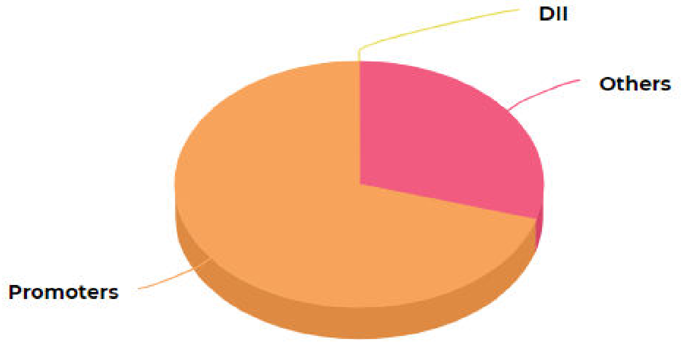
- An experienced individual who has graduated in chemical engineering from College of Engineering and Technology, Akola is adorning the chair of director at our organization with great perseverance and dedication. He has an experience of over seventeen years and currently he takes care of the promotion and quality control at the organization.
- Apart from that, the thirty nine year old is also involved in processes which ensure that the company gets known worldwide for the high quality products it is manufacturing.

Mr. Kantilal Kataria (Non Executive Director)

- At 69 years, this technical and managerial genius is working as the Non Executive Director of the company. He has an experience of more than 40 years in production of steel wires and plastic products which certifies his potential as a huge asset to the organization.
- It is because of his optimistic and can-do attitude that the company has reached the position it is at today.

Source: Company Disclosures

Shareholding Information

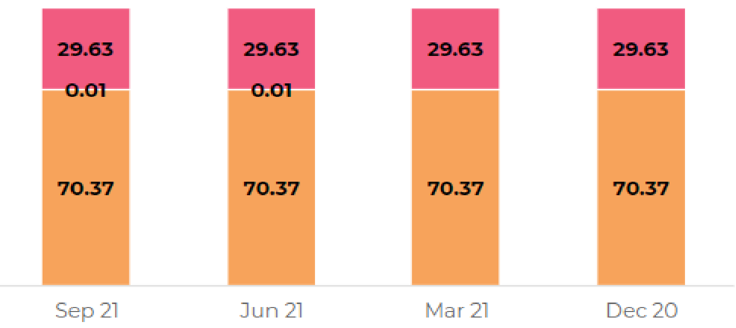


CATEGORY	NO. OF SHARES	PERCENTAGE	% CHANGE QOQ
Promoters	95,48,489	70.37 %	0.00
Pledge	0	0.00 %	0.00
DII	1,600	0.01 %	0.00
Others	40,17,911	29.63 %	0.00

Showing Shareholding as on 30 Sep 2021

Total shareholding

Q-o-Q Change in shareholding



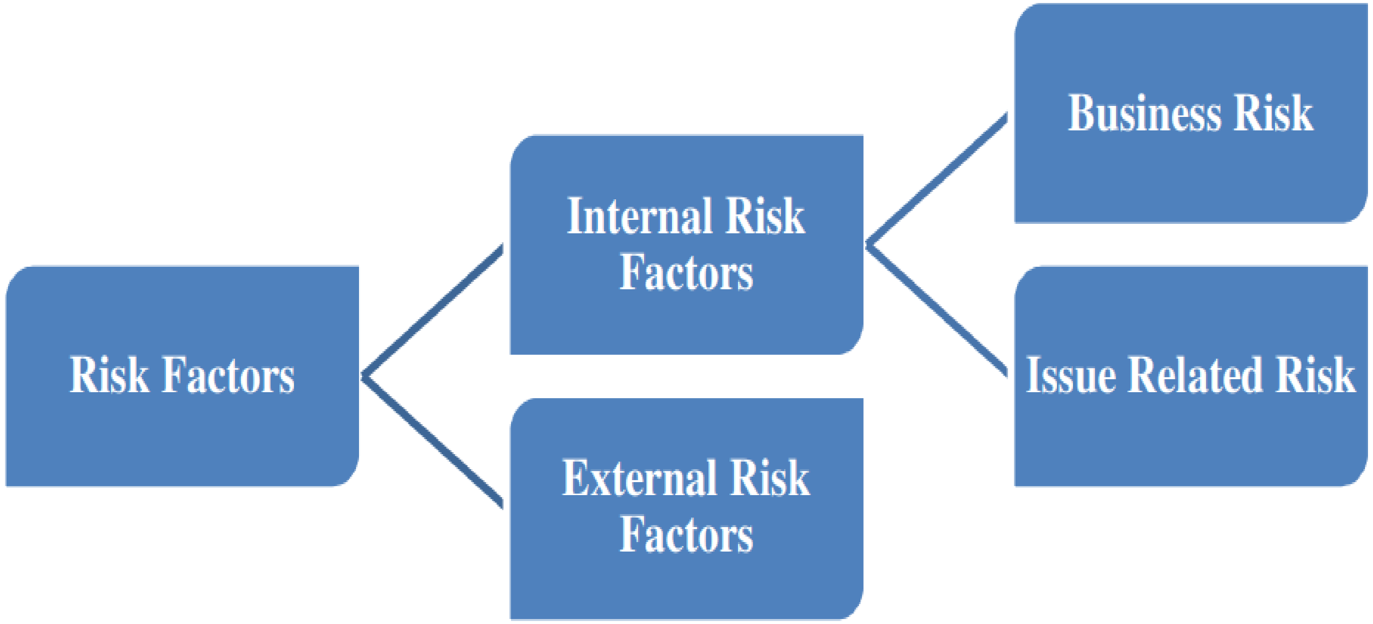
Showing Shareholding as on 30 Sep 2021

CATEGORY	30 SEP 2021	30 JUN 2021	31 MAR 2021	31 DEC 2020
Promoters	70.37	70.37	70.37	70.37
Pledge	0.00	0.00	0.00	0.00
FII	0.00	0.00	0.00	0.00
DII	0.00	0.00	0.00	0.00
Mutual Funds	0.00	0.00	0.00	0.00
Others	29.63	29.63	29.63	29.63

Risks & Threats

Business is subjected to various risks and uncertainties. Results of operations and financial conditions are affected by numerous factors including the following:

- Changes, if any, in the regulations / regulatory framework / economic policies in India and / or in foreign countries, which affect national & international finance.
- Company's results of operations and financial performance. Performance of Company's competitors.
- Trained manpower.
- Significant developments in India's economic and fiscal policies.
- Significant developments in India's environmental regulations.
- Evolving customer needs and market trends.
- Orders from significant customers.
- Volatility in the Indian and global capital market.



Classification of risks faced by the company

Source: Company Disclosures

Future Outlook

- Due to increased overseas demand and technological advancement the **Company has wide opportunities to expand its existing production capacity, business operations and product base across the Globe.**
- The development of a **country's infrastructure is vital to the growth of its sectors** and the overall economy. There is an opportunity for DP Wires Limited to become more organized, through growth and acquisitions. This would improve overall construction quality. Strong population growth and a growing economy is fueling demand for infrastructure.
- The government is looking to attract private companies to invest in infrastructure through public-private partnership (PPPs). With emphasis on **"Vocal for local", the company sees many opportunities in renewable power in India.**
- The company seems to be financially sound and also generate decent returns on its resources. It seems that the company may witness growth in the topline and the bottom line because of the government's focus on infrastructure. **The Asset Demonetization policy of the government may increase the revenue prospects of the company.**
- Also due to the covid, the household consumption has shrink thus to maintain the GDP, the government may increase its spending hence it is a wise decision to spend on infrastructure development of the country, which also attracts the foreign companies to start operations in India and also boost up the exports.
- CRISIL Ratings has upgraded its ratings on the bank loan facilities of D P Wires Limited (DPWL) to '**CRISIL A-/Stable/CRISIL A2+**' from 'CRISIL BBB+/Stable/CRISIL A2'. **CRISIL Ratings believes DPWL will continue to benefit from the extensive experience of its promoters, its established market position and healthy financial risk profile.**

Key Highlights

- **D P Wires Ltd will be our 4th stock idea from "Wires & Cables" segment,** other 3 were - Rajratan Global Wire (delivered 1300% returns), Polycab India (delivered 200% returns), V-Marc India Ltd (SME stock of Apr'22).
- **DP Wires stands among the India's top 3rd largest manufacturers of LRPC Strands**. LRPC strands are used in almost all types of heavy-duty industrial construction, high rise buildings and infrastructure projects.
- **Stock is trading at reasonable valuation i.e., PE ~ 14.** Return ratios are good (ROCE/ROE ~28.9%/21.8%), PEG ~ 0.23 & Debt/Equity ~ 0.15. **Historically, Sales growth (10Y): 18% & Profit growth (10Y): 59% speaks loud about the consistency of the company.**
- DPWL's manufacturing facility is located in Ratlam (Madhya Pradesh) with an installed capacity of 50000 tons per annum in 2019, in the present year they grew in revenue and **increased the current plant capacity by 10,000 metric tons. Along with that industrial land was also purchased for expansion.**
- **At Present there are only 3 suppliers who are dealing in Stranded Wires and they are an approved supplier of various Government authorities** like National Highway Authority in India (NHAI), National Thermal Power Corporation Limited (NTPC), Delhi Metro Rail Corporation Limited (DMRC), Public Works Department (PWD), Central Public Work Department (CPWD), Railways, large public and private sector industries etc.
- **D.P. Wires has grown EPS by 27% per year, compound, in the last three years.** If the company can sustain this growth, stock price will move accordingly.
- While D.P. Wires EBIT margins were flat (~7%) over the last year, revenue grew by a solid 70% to ₹619 Cr (TTM). **In the near future, margin expansion can't be ruled out once the economy of scale plays out.**
- **Promoters of DP Wire holds 70.40% stake & 29.60% held by public,** out of 29.60% around ~ 20% held by strong hands and rest 10% is with retail investors or free float. **Amitabh Harivansh Rai Bacchan holds 2.45% stake since IPO @ 75rs, sitting with 300% returns.** It seems, Amitabh Bachchan is better investor than most of us!
- All in all, it's good to see that D.P. Wires is reaping the rewards from prior investments and is growing its capital base. Stock having performed exceptionally well over the last 3 years. **DPWL will continue to benefit from the extensive experience of its promoters, its established market position and healthy financial risk profile. Consistent and Conservative Capex Strategy, re-investing retained profit at higher ROCE + margin expansion will help them grow consistently over a longer period of time.**

Statutory Disclosure

SEBI Research Analyst Registration No. INH200006451

1. At the time of writing this article, **the analyst has no position in the stock** covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
5. The research analyst or its associates has not managed or co-managed public offering of securities, has not received any compensation for investment banking or merchant banking or brokerage services nor received any third party compensation. The subject company was not a client during twelve months preceding the date of distribution of the research report.
6. The research analyst has not served as an officer, director or employee of the subject company.
7. The research analyst or research entity has not been engaged in market making activity for the subject company.
8. The research analyst or research entity or its associates or relatives does not have actual/beneficial ownership of one per cent or more in the securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
9. The analyst does not own more than 1% equity in the said company.

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