



MSEARCH

INITIAL PUBLIC OFFER (IPO)

04-07-2024

BANSAL WIRE INDUSTRIES LTD

03-07-2024 TO 05-07-2024

Industry: Iron & Steel Products

Price Band: ₹243 - 256

Recommendation: Subscribe for Long Term

Post Implied Market Cap: – ₹3,842 - ₹4,008 Cr

Key Data

Issue Size (₹ Cr)	745
Fresh (₹)	745
OFS (₹)	0
No. of shares offered	30,658,437 - 29,101,563
Face Value (₹ /share)	5
Bid Lot	58

About the Company

Bansal Wire Industries (Bansal Wire), along with its subsidiary Bansal Steel & Power Ltd, offers over 3,000 SKUs across three segments: high carbon steel wire, mild steel wire (low carbon steel wire), and stainless-steel wire. Their extensive product range includes sizes from 0.04 mm to 15.65 mm and covers various applications such as springs, ropes, cable armouring and galvanized steel. The company operates five manufacturing facilities with four units having a combined installed capacity of 259,000 MTPA for mild steel, high carbon, and stainless-steel wires.

Investment Rationales

- Steel wire manufacturers with established market position and strong brand equity:** Bansal Wire is a leading manufacturer of stainless-steel and steel wire in India, holding a market share of 20% and ~4% respectively, as of March 31, 2023. With a revenue of ₹ 2,444.72 Cr in FY 2024, the company benefits from the growing steel wire industry, which expanded at a CAGR of 6.90% from FY 2019-23 and is expected to grow at 8-10% CAGR between FY 2023-28 due to increased infrastructure spending and automobile industry expansion. The company has a Pan-India presence with over 50 experienced professionals, catering to 5,000+ customers across various sectors. Bansal Wire boasts high customer retention rates of 64.74% in FY 2022, 66.06% in FY 2023, and 68.49% in FY 2024.
- More than 5,000 customer base with presence across various sectors:** Company serves over 5,000 customers with a diversified sales portfolio, ensuring no single customer contributes more than 5% of sales and no sector more than 25% in FY 2024, FY 2023, and FY 2022. Key sectors include automotive, cables, fencing, infrastructure, and agriculture, with automotive and consumer durables offering the highest EBITDA margins. Notable domestic and international clients include S.S. White Technologies, Connecton Fasteners, NHK Automotive, and others. The company boasts a high average customer retention ratio of 89.56% among its top 300 customers, who accounted for approximately 78% of sales over the past three fiscal years.
- Focus on increasing the exports sales and growing sectors like automotive and infrastructure:** Bansal Wire is poised to benefit from the global shift towards a China plus one strategy, opening new opportunities for Indian manufacturers. The company has 14 global representatives and exports to several countries, with Europe and the U.S. accounting for over 70% of total exports in FY2024. Specifically, Europe contributed 52.58%, the U.S. 26.47%, Asia 15.72% and other regions 5% of overseas sales from April 2020 to March 2024. The company plans to expand its export business by leveraging its globally accredited products, increasing its customer base and global representatives and setting up warehouses as needed. New products like wire for elevator ropes and springs are expected to have high potential in export markets.
- Entering into B2C segment steel products and establishing retail distribution network:** Company is traditionally focused on the business-to-business segment, derived over 80% of its FY2024 operating revenue from end users. The company is now strategically expanding into the retail segment within the agriculture sector across India, targeting higher profit margins with galvanized wire products like fencing, barbed wire and farming wire. After successfully entering the retail agriculture sector in Gujarat in FY2021 and receiving a positive response, the company believes it is well-positioned to capture market share in the business-to-consumer segment nationwide, leveraging its strong pan-India presence, competitive prices and wide product portfolio.
- Increase in margin profile by focusing on high margin products and adding speciality wire segment:** Bansal Wire including its subsidiary BSPL, operates four manufacturing facilities that are already at optimum utilization. To meet industry demand, the company is establishing India's largest steel wire manufacturing capacity with new infrastructure and equipment, which will reduce production costs and positively impact EBITDA margins. The company plans to focus on high-margin speciality wires, including shaped wires in high carbon steel, mild steel (low carbon steel), and stainless steel. These products are used in growing sectors like automotive, power and transmission, and infrastructure.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	08-07-2024
Refunds/Unblocking ASBA Fund	09-07-2024
Credit of equity shares to DP A/c	09-07-2024
Trading commences	10-07-2024

Shareholding (No. of shares)

Pre-Issue	127,454,390
Post Issue (Lower price band)	158,112,826
Post Issue (Higher price band)	156,555,953

Shareholding Pattern

Promoter:	
Pre Issue	73.60%
Post Issue	59.92%
Promoter Group:	
Pre Issue	22.18%
Post Issue	18.05%
Public - Others:	
Pre Issue	4.22%
Post Issue	22.03%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: SBI Capital Markets, DAM Capital Advisors

Registrar: KFin Technologies Ltd

Listing: BSE & NSE

Research Analyst

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Risk

- Volatility in raw material prices.
- Delay in expansion plans.

MView

We believe Bansal Wire Industries Ltd IPO gives investors an opportunity to invest in the burgeoning steel wire manufacturing sector. The company boasts commanding market shares—20% in stainless steel wire and approximately 4% in steel wire as of March 31, 2023. We think company offers an extensive and diversified product portfolio with over 3000 SKUs, catering to various sectors and also robust client base with no single client higher dependency on sales demonstrates impressive revenue diversification and stability. We also believe company's strategic expansion into higher-margin retail segments within the agriculture sector further enhances its growth prospects. We also think company's ongoing investments in enhancing manufacturing capacity, particularly in high-margin speciality wires, align with the increasing demand from various sectors. By looking at the financials, the company has shown flat growth in revenue from operations and good increase in net profit by 31.5% in FY 2024 from 4.6% FY 2023. On valuation parse at the upper band of ₹ 256/-, the issue is asking for a market cap of ₹ 4008/- Cr. Based on FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking for a PE of 50.86x, which appears fully priced compared to its listed industry peers. However, we believe that company is currently in a consolidation phase, which may lead to healthy top-line growth in FY 2025. While the margin profile is expected to remain steady at 6-7%, we anticipate a significant increase in the bottom line, primarily driven by financial cost the repayment of outstanding borrowings from the IPO proceeds. Given the robust growth projections for the Indian steel wire industry, driven by multi segmental infrastructure growth and the expansion of the automotive industry, which is expected to grow at a CAGR of 8-10% from FY 2023-28, we believe Bansal Wire Industries Ltd is well-positioned for sustained growth. Hence, looking at all parameters we recommend our investors to "SUBSCRIBE" the Bansal wires industries Ltd IPO for a long term perspective. Additionally, we also expect Bansal can generate decent listing gains over and above 25% on the issue price.



CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at March' 31		
	2023	2023	2022
Equity Share Capital	63.73	9.1	9.1
Net Worth	422.37	282.51	223.01
Net Debt	681.14	422.19	413.15
Revenue from Operations	2,466.03	2,413.01	2,198.36
Revenue Growth (%) as stated	2.20%	9.76%	-
EBITDA	149.31	114.71	113.15
EBITDA Margin (%)	6.04%	4.73%	5.13%
Net Profit for the Year	78.80	59.93	57.29
Net Profit Margin (%)	3.19%	2.47%	2.60%
EPS - Basic & Diluted (₹)	6.18%	4.70%	4.58%
RoCE (%)	18.46%	17.34%	18.59%
RONW (%)	18.27%	21.21%	25.69%
NAV (₹)	33.14	22.17	17.50
ROE (%)	21.19%	23.71%	29.92%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Mcap (in Cr)	FV	Total Income FY 2024 (in Cr)	EPS	NAV	P/E	P/B	RoNW (%)
Bansal Wire Industries	4,008	5	2,470.89	5.03	26.98	50.9	9.5	18.46%
Rajratan Global Wire	2,977	2	898.68	14.15	97.03	41.4	6.0	15.41%
DP Wires	725	10	1,221.31	23.43	145.93	19.9	3.2	17.39%
Bedmutha Industries	781	10	748.15	6.28	37.23	37.23	6.5	19.04%

Date as on 31st March 2023, Cline Mcap, PE, calculated as on 03-07-2024

Bansal Wire Industries Ltd, Revenue EPS/PE, P/B, NAV calculated on annualised basis post money



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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