



SMC Ranking
 ★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Electirc Wires
Fresh Issue (Shares)	13,200,158
Net Offer to the Public	13,200,158
Issue Size (Rs. Cr.)	67-71.28
Price Band (Rs.)	51-54
Offer Date	29-Sep-23
Close Date	4-Oct-23
Face Value	10
Lot Size	277

Issue Composition

	In shares
Total Issue for Sale	13,200,158
QIB	9,900,119
NIB	1,980,024
Retail	1,320,016

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	69.83%
QIB	0.00%	22.63%
NIB	0.00%	4.53%
Retail	0.00%	3.02%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company intends to utilize the net proceeds from the issue towards the funding of the following objects:

Funding the capital expenditure towards setting up a new manufacturing unit for house wires, fire-resistant wires & cables, aluminum cables, and solar cables to expand the product portfolio.

Funding the working capital requirements of the company.

General corporate purposes.

About the company

Incorporated in 2006, Plaza Wires Limited is engaged in the business of manufacturing and selling wires, and selling and marketing LT aluminium cables and fastmoving electrical goods (FMEG) under its flagship brand "PLAZA CABLES" and home brands such as "Action Wires" and "PCG". Plaza Wires was originally incorporated as Navratna Wires. Its key products in the wires and cables segment include house wires, single & multicore round flexible industrial cables and industrial cables for submersible pumps & motors up to 1.1kv grade. The company also provides other wires and cable products such as LT power control cables, TV dish antenna co-axial cables, telephone & switchboard industrial cables, computer & LAN networking cables, close circuit television cables and solar cables, PVC insulated tape, and PVC conduit pipe & accessories, through third-party manufacturers. As part of after-sales service for electric fans, the company has tied up with more than 20 service centers in Uttar Pradesh, Uttarakhand, Jammu and Kashmir, Punjab, Haryana and Tamil Nadu. In 2021, Plaza Wires expanded its product portfolio by launching miniature circuit breakers and distribution boards (DB) in the north and south Indian regions. As of March 31, 2023, the company has over 1249 authorized dealers and distributors, 3 branch offices in Rajasthan, Uttarakhand, and Uttar Pradesh, 1 branch office cum godown at Maharashtra, 4 warehouses in Uttar Pradesh, Assam, Kerala and Delhi, and C&F agent in 1 state, viz. Punjab.

Strength

Product portfolio focused on various customer segments and markets: Its understanding of the domestic wire and cable industry complements its product development which has allowed it to develop a portfolio of a variety of products. Its product portfolio consists of various types of wires & cables, and of late, it diversifies and evolves in FMEG products. It engages in continuous marketing and selling of new varieties based on the orders of its customers to meet its customer requirements. It also propose to set up a new facility to manufacture fire proof / survival wires, LT aluminium cables and solar cables in addition to its existing products. Wider range of products in its business provides it with an opportunity to cater to diverse needs of different customer segment. Currently, it has product mix comprising (i) Wires and Cables, (ii) FMEG products such as electric fans, water heaters, Switch and switch gears, PVC insulated tape and PVC conduit pipe & accessories. Key wires and cables products include building wires also known as house wires, flexible cables and flexible/single multi core cables and submersible cables, flexible & control cables, LT power control cable, TV dish antenna coaxial cables, telephone & switch board industrial cable, computer & LAN networking cable, close circuit television cables and solar cables.

Distribution network: One of its key strengths to enhance its customer reach and increase its retail presence is its dealer and distribution network. Its distribution network in India comprised over 1249 authorized dealers and distributors, 3 branch offices in Rajasthan, Uttarakhand and Uttar Pradesh, 1 branch office cum godown at Maharashtra, 4 warehouses in Uttar Pradesh, Assam, Kerala and Delhi and C&F agent in 1 state, viz. Punjab for financial year ended on March 31, 2023. It has repeat relationships with most of its key distributors & dealers. The market knowledge, financial resources and time required to develop such distribution network may present entry barrier for competition. It has billed 1249 dealers and distributors as of the year ended March 31, 2023.

Book Running Lead Manager

- Pantomath Capital Advisors Private Limited

Name of the registrar

- Kfin Technologies Limited

Strategy

Setting up the Proposed Manufacturing Unit to widen its product portfolio and increase its capacity: To cater to the growing demand from its existing customers and to

meet requirements of new customers, it intends to, and are in the process of, expanding its manufacturing capacities for existing products and also intend to add manufacturing capacities for new product line such as fire proof / survival wires, LT aluminium cables and solar cables that it is in the process of developing and commercializing. To achieve these expanded capacities, from M/s Jass Enterprise, it purchased, on September 15, 2021, land and building at Revenue Village, Damowala, Tehsil-Baddi, District-Solan, Himachal Pradesh, India, having composite sale value / sales consideration value of Rs. 2,65,00,000 (Rupee Two Crore Sixty Five Lakhs Only) admeasuring to 7902.30 sq.mt. from various parties. This new facility is proposed to have additional installed capacity of 8,37,000 coils per annum and 8700 km per annum.

Enhance its position in Wires and Cables Industry: In value terms, Resurgent India Limited expects the Indian wires and cables market to grow at a CAGR of approximately 15% to reach an estimated Rs.1,033 billion by Fiscal 2023, due largely to government initiatives in power and infrastructure such as increased infrastructure expenditure by the Government which will boost demand for wires and cables, growth in fire survival cables supported by metro, airport and commercial real estate projects and Smart Cities Missions investment in underground cables, an increase in industrial investment, a rise in consumer spending and an increase in exports of wires and cables from India. It intends to enhance, maintain and strengthen its brand position in the wires and cables market by growing its share of business with existing customers, adding new customer, geographical expansion and manufacturing new and customized products. It intends to expand its market share by targeting key growth sectors such as mining, oil and gas, shipping, power, infrastructure, construction, automotive, telecommunication and agriculture. It seeks to expand its customer base and utilize its new proposed additional capacity to develop new products for these sectors. Affordable housing scheme, growing nuclearization of families and investments in commercial and residential infrastructure is driving factors for a growing demand for building wires. It will continue its efforts to increase revenue from its existing customers and new customers by expanding its range of products and developing new products aligned with their needs.

Expand its dealer network in existing markets and enter new geographical markets: It aims to focus on deepen its penetration in its existing markets and thereby increase its domestic presence by expanding its distributors and dealers network. As a business strategy, it intends to expand its dealer's network in different cities as there are untapped opportunities in these cities for it to capitalise to grow its business operations. Further it is yet to fully penetrate domestic markets in the southern India such as Karnataka, Telangana, Puducherry and other states in Central and Eastern India including states of Odisha, Jharkhand, Arunachal Pradesh, Mizoram, Sikkim and Nagaland. In the states and union territories, where it has a dealer network and presence like in Delhi, Uttar Pradesh, Haryana, Kerala, Rajasthan, Uttarakhand, Himachal Pradesh and Punjab, Rajasthan, Assam and Jammu & Kashmir, it aims to deepen its penetration by engaging more dealers and distributor partners. It will therefore continue to grow its dealers and distributors network in line with the growth of its business operations.

Strengthen its brand value: It intends to make consistent efforts to popularise its brands "Plaza Cables", "Action Wires" and "PCG" and enhance its brand visibility by undertaking various marketing initiatives and gradually increasing its advertising and publicity expenses in line with the growth in its business operations. It has made restricted spends in the past on advertisement activities and focused on generating revenue through its channel partners. However, going forward, it plans to make a broader effort by partaking in 'Below the line' marketing activities such as conducting electrician meets more frequently, and in-shop branding and "Above the Line' marketing activities such as putting up hoardings in strategic locations, displaying its product in exhibitions at high visibility locations of its channel partners. Going forward, it also plans to have more frequent one-to-one interactions with its authorized distributors, authorized dealers and end-customers by holding dealer-distributor meets at regular intervals.

Maintain and expand valued relationships with its dealers and distributors: Over the period, the Company has built relationships with dealers and distributor a across the segments through offering products matching to their requirements and specifications. This is the result of its continued efforts that it has been able to supply its products to the various industries such as telecom, IT, power, residential project, real estate, governments. It wishes to further develop new relationships to expand its product offerings which would help it in improving its working capital management from existing levels and enhance its margins.

To use technology to further optimise its sales & marketing operations: The wire and cable industry is rapidly evolving, and it has mobile application technology driven loyalty program for "Electricians & Retailers". This mobile application for the electrician and retailers would enable the registered electrician and retailers to stay updated with all the products of its brand, with its digital catalogue. Through the application, the registered user will be updated of launch of new products, reward history, incentive/gift status etc. This application provides rewards and offers to the registered electricians & retailers among other benefits. These technological initiatives implemented by its will continue to assist in increasing efficiency and productivity. It assess that this will allow it to further increase its sales fill rate, reduce sales loss and thereby improving customer satisfaction and grow sales.

Risk factor

- It success depends on its ability to build the Proposed Manufacturing Unit and expand its product portfolio, both of which are subject to risks and uncertainties.
- It has not yet placed orders in relation to the capital expenditure to be incurred for the Proposed Manufacturing Unit.
- The company requires significant amounts of working capital and significant portion of its working capital is consumed in trade receivables and inventories.
- The significant portion of its working capital is consumed in inventories.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Paramount Comm.	843.28	55.27	2.48	26.08	4.90	13.21	2.00	64.68	1443.55
Cords Cable	538.34	7.33	5.67	18.70	0.86	123.15	10.00	106.05	137.10
Dynamic Cables	691.91	35.22	16.00	29.09	5.77	80.60	10.00	465.40	1024.53
Ultracab India	106.80	5.76	0.61	26.43	4.81	3.35	2.00	16.12	153.82
Plaza Wires Limited	182.49	7.51	1.72	31.46	1.90	28.42	10.00	54.00	236.26

*Peer companies financials are TTM based.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.54, the stock is priced at pre issue P/E of 21.97x on FY23 EPS of Rs.2.46. Post issue, the stock is priced at a P/E of 31.46x on its EPS of Rs.1.72. Looking at the P/B ratio at Rs.54, pre issue, book value of Rs. 17.37 of P/Bvx 3.11x. Post issue, book value of Rs. 28.42 of P/Bvx 1.90x.

Considering the P/E valuation, on the lower end of the price band of Rs.51, the stock is priced at pre issue P/E of 20.75x on FY23 EPS of Rs.2.46. Post issue, the stock is priced at a P/E of 29.71x on its EPS of Rs.1.72. Looking at the P/B ratio at Rs.51, pre issue, book value of Rs. 17.37 of P/Bvx 2.94x. Post issue, book value of Rs. 28.42 of P/Bvx 1.79x.

Industry Outlook

Global Economic growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024. While the forecast for May 2023 is modestly higher than predicted in the April 2023 World Economic Outlook (WEO), it remains weak by historical standards. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. Global headline inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024. Underlying (core) inflation is projected to decline more gradually, and forecasts for inflation in 2024 have been revised upward. The C&W industry is expected to grow to ₹1,033bn in FY23, boosted by increased infra spends by the government. Demand for building wires and power cables would be spurred by government schemes such as Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya scheme) and Power for All, focusing on electrification of rural households and Transmission & Distribution efficiencies, as well as an increase in cabling demand from commercial establishments and public utilities. Growth in Renewable energy capacities will drive demand for solar cables and elastomeric cables used in windmill applications. In Tier I cities, increase in demand and the lack of open spaces to setup towers, coupled with rising demand from infra projects like metro has swelled the demand for Extra High Voltage (EHV) underground cables.

Outlook

The company is engaged in the manufacture and sale of wires as well as the sale and marketing of LT aluminium cables and fast-moving electrical equipment ("FMEG") under the main brand "PLAZA CABLES" and private brands such as "Action Wires" and "PCG". The company has established itself as a significant presence in the industry. However, The Company requires significant amounts of working capital and significant portion of its working capital is consumed in trade receivables and inventories. A long term and high risk appetite investor may opt the issue.

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

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	29-September-23
BID/ISSUE CLOSES ON	04-October-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	09-October-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	10-October-23
Credit of Equity Shares to demat accounts of Allottees	11-October-23
Commencement of trading of the Equity Shares on the Stock Exchanges	12-October-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)	Period ended 31-Mar-21 (12 Months)
Revenue from operations	182.49	176.77	145.38
Total expenditure	166.79	163.59	134.52
Operating Profit	15.70	13.19	10.86
OPM%	8.60	7.46	7.47
Other Income	0.10	0.16	0.22
PBDIT	15.80	13.35	11.08
Depreciation	1.25	1.29	1.24
PBIT	14.55	12.06	9.84
Interest	4.22	3.43	3.74
Profit before tax	10.33	8.64	6.09
Tax	2.82	2.68	1.85
Profit & Loss before Share of Post-acquisition Profit of Associate	7.51	5.95	4.24

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-23	As on 31-Mar-22	As on 31-Mar-21
Non-current assets			
Property, plant and equipment	22.84	22.81	19.55
Capital work-in-progress	2.78	0.00	0.00
Right -Of- Use Assets	0.05	0.13	0.25
Other Intangible Assets	0.17	0.20	0.19
Financial Assets			
Other financial assets	0.88	1.17	0.87
Total non-current assets	26.72	24.31	20.86
Current assets			
Inventories	29.95	30.92	28.61
Financial Assets			
Trade Receivables	52.13	44.33	46.60
Cash and Cash Equivalents	0.01	0.01	0.01
Bank Balances other than (ii) above	0.29	0.00	0.00
Other Financial Assets	0.10	0.30	0.45
Other Current Assets	2.91	4.31	2.76
Total current assets	85.38	79.86	78.42
Total Assets	112.10	104.17	99.28
Non-current liabilities			
Financial liabilities			
Borrowings	5.68	5.23	8.76
Lease Liabilities	0.01	0.05	0.18
Other Financial Liabilities	0.75	0.65	0.63
Provisions	0.64	0.59	0.51
Deferred Tax liabilities (Net)	0.48	0.49	0.10
Total non-current liabilities	7.55	7.00	10.19
Current liabilities			
Financial Liabilities			
Borrowings	34.00	34.86	34.55
Lease Liabilities	0.04	0.09	0.10
Trades Payable - MSME	0.00	0.00	0.00
Trade Payables - other than MSME	10.49	10.92	10.29
Other Current Liabilities	4.07	3.49	3.46
Provisions	0.08	0.05	0.11
Current tax Liabilities (Net)	2.80	2.23	1.11
Total current liabilities	51.47	51.65	49.61
Total	59.03	58.65	59.80
NET Worth	53.08	45.52	39.48
Net worth represented by:			
Equity Share Capital	30.55	30.55	3.82
Other Equity	22.53	14.96	35.66
Net Worth	53.08	45.52	39.48

RANKING METHODOLOGY

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

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