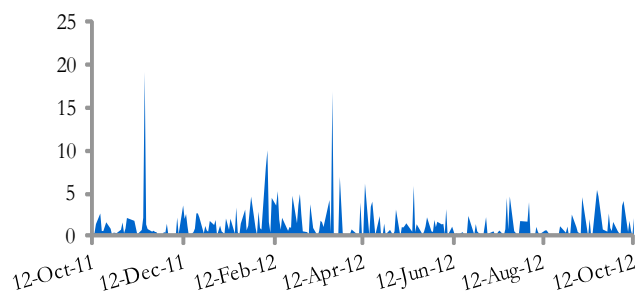


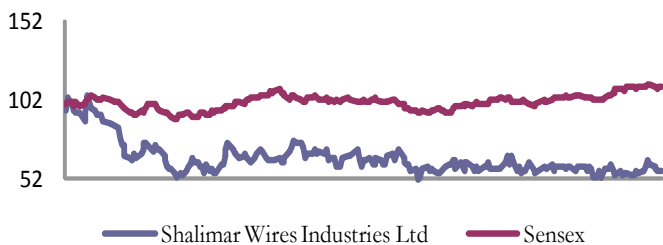
Equity Statistics

Current Market Price	Rs.	7.61
52 Week High/Low	Rs.	14.00/6.72
Market Capitalisation	Rs. Crores	5.06
Free Float	Rs. Crores	2.89
Dividend Yield	%	0.00
One Year Regression Beta	Times	0.48

BSE Volumes Trend - Average = 1.52 Thousand

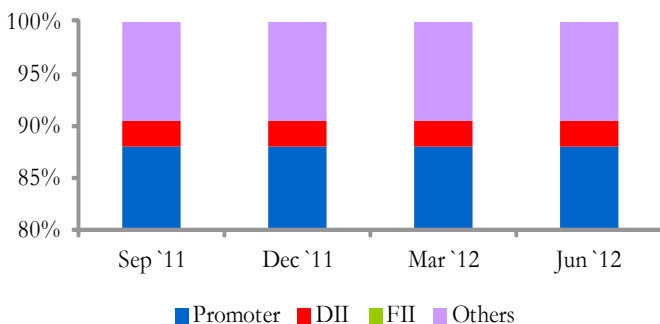


Relative Returns



Returns	1M	3M	6M	1 Yr
Absolute	2%	-8%	-12%	-40%
Rel. to Sensex	-1%	-15%	-19%	-46%

Shareholding Pattern



Source: BSE, Capitaline and CARE Research

Company Summary

Shalimar Wires Industries Ltd (SWIL) is the flagship company of the Satya group and into the manufacturing of paper machine clothing, EDM wires for the tool room industry and EMD strips. The company's manufacturing facilities are located at Uttarpara (West Bengal) in Kolkata. The company operates two divisions i.e. Paper Mills Products (PMP) and EDM/ Non-Ferrous Wires (NF):

- PMP division provides products such as synthetic wire cloth, metallic wire cloth, pulp mill wire cloth, endless seam covers, dryer fabric, dandy rolls and other accessories to paper mills in India and overseas.
- EDM/ NF division of the company manufactures coated and plain EDM wires.

The Rehabilitation Scheme of the company, under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985, was sanctioned by BIFR order dated June 10, 2010. The Scheme envisaged comprehensive financial restructuring of the company which is still under implementation. The company has discontinued its Nasik Unit from July 2003 onwards.

SWIL is currently trading at 2.0 times FY12 EPS.

Board of Directors

Person	Role	Qualification
Mr. Sunil Khaitan	Chairman & MD	B.Com
Mr. Manash Chakraborty	Nominee director (ARCIL)	-
Mr. B. Dasgupta	Nominee director (IDBI)	-
Mr. P.K Sarkar	ID	-
Mr. Dipak Rudra	ID	Retd.IAS
Mr. Probir Roy	ID	M.B.A
Mr. Dipak Dasgupta	ID	-

Source: Company Annual Report and CARE Research

Note: ID: Independent Director ARCIL (Asset Reconstruction Company (India) Limited)

Background

The company was founded in the year 1962 and a part of the Satya group. It is into the manufacturing of paper machine clothing, such as synthetic wire cloth, metallic wire cloth, pulp mill wire cloth, endless seam covers, dryer fabric, dandy rolls and accessories and non-ferrous wires like coated and plain EDM wires. The Paper Mills Products division is an ISO 9001-2008 certified company. In 1980, the company ventured into the manufacturing of EMD wires for the tool room industry. In 1990, the company set up facilities at its unit for the manufacture / reconditioning of Dandy Rolls (an import substitute item used in paper machines for improving the quality of paper and for water marking). The company has completed a onetime settlement with all its secured lenders except for two insurance companies who have not agreed for one time settlement, and the company is making provision for these debts as per the rehabilitation Scheme sanctioned by BIFR. The company is also exploring various options for restructuring its high cost debts.

Business overview

The company's revenue from operations includes income from Paper Mill products and Strips & Wires, which accounted for 86% and 14% of the total operating revenues in FY12 (Financial Year (FY) refers to period from April, 1 to March, 31). In terms of geography, India accounted for 80% of the revenues in FY12. The company's export turnover was Rs.18.82 crore during FY12, as compared with Rs.17.09 crore in FY11.

Strengths and growth drivers

- Growing demand for spirally linked canvas which is used in the dryer section of the industry.
- Growth prospects for Paper Machine Clothing's (PMC) in India.

Risk and concerns

- The company's profitability depends largely on settlements of debts and restructuring.
- Up-gradation of technology is required to improve the quality and reduce the cost of product.
- Tough competition from domestic as well as foreign markets.

Future strategy and expansion plans

- The company plans to grow in the paper industry and plans to upgrade and modernize their plants and equipments. The company's profitability is largely dependent on the settlements of the company's debts.

Industry outlook

India is the 15th largest paper manufacturer in the world, accounting for ~2.5% of the world's output. The growth in the industry is expected to driven by positive demand outlook, expectation of improvement in industry utilization due to few capacity additions in the coming years and high entry barriers. However, fragmented industry structure, poor supply of good quality pulp fibre, poor economies of scale due to use of obsolete technology, import threat in certain categories of paper products and increased environment regulations are negatively impacting the industry profitability. The demand is constrained by the influence of cost/ price elasticity due to fragmented nature of Indian paper industry. On an average, domestic paper prices of various grades have grown in the range 2.5%-4% CAGR in the past 7 years. Domestic paper demand is closely linked to economic activity as demand has grown at an average 0.9x multiple of GDP in the past 5 years. The Indian paper industry can be broadly characterized as (1) capital, energy and water intensive, (2) highly fragmented structure and (3) poor economies of scale due to use of obsolete technology. To compete with large efficient international players, domestic producers need to focus on improving the quality of finished product and reducing the cost of product.

Peer comparison	Year ended March 31, 2012		
	SWIL	WFL	VPFL
Income statement (Rs. crore)			
Total income	85.3	84.1	61.4
Net sales	86.5	82.9	54.4
EBITDA	18.4	64.2	12.5
Ordinary PAT	12.0	5.1	11.5
Adjusted PAT	11.9	5.1	11.5
Per share data (Rs.)			
Adjusted BVPS	-	141.1	240.6
Diluted EPS	3.8	16.6	26.2
Growth (Y-o-Y) (%)			
Growth in total income	(46.1)	11.0	12.1
Growth in net sales	4.7	13.0	6.0
Growth in EBITDA	(21.6)	380.2	10.5
Growth in adjusted PAT	(71.8)	40.2	34.4
Growth in EPS*	(94.1)	40.2	34.4
Profitability ratio (%)			
EBITDA margin	21.3	77.5	22.9
Adjusted PAT margin	14.0	6.0	18.8
Valuation ratios (Times)			
Price/EPS (P/E)	2.0	4.5	11.4
Price/Book value (P/BV)	NM	0.5	1.2
Enterprise value (EV)/EBITDA	4.7	1.0	5.1

Source: BSE, Capitaline and CARE Research

Note: WFL: Wires & Fabriks Ltd., VPFL: Voith Paper Fabrics Ltd.

NM: Non Meaningful

Quarterly financials					
Income statement (Rs. crore)	Q1FY13	Q4FY12	Q3FY12	Q2FY12	Q1FY12
Total income	22.8	22.2	22.8	21.7	20.9
Net sales	22.8	22.2	22.8	21.7	20.8
EBITDA	5.1	5.4	5.6	3.7	5.0
Ordinary PAT	3.0	3.3	3.4	1.5	2.9
Adjusted PAT	3.0	3.3	3.4	1.5	2.9
Growth (Q-o-Q) (%)					
Growth in net sales	2.9	(2.4)	5.0	4.1	-
Profitability ratio (%)					
EBITDA margin	22.5	24.4	24.7	16.8	24.1
Adjusted PAT margin	13.2	14.8	15.1	6.8	13.7

Source: BSE, Capitaline and CARE Research

Financial analysis

- The company has accounted for relief and concession (exceptional and extra-ordinary items) of Rs.53.06 crore in the FY11, in terms of the Rehabilitation Scheme sanctioned by BIFR.
- The company has discontinued its Nasik Unit from July 2003 onwards. It has incurred a loss of Rs.1.13 crore in FY12 from its discontinuing operations as against profit of Rs.21.15 crore in FY11.
- The net profit from continuing operations during the year was Rs.11.95 crores as compared with Rs.88.54 crore (post-adjustment of discontinuing operations) in FY11. The management expects improvement in performance with the stabilization in the business sentiments going forward.

Annual financial statistics	FY08	FY09	FY10	FY11	FY12
Income statement (Rs. crore)					
Total income	76.6	100.8	98.1	158.2	85.3
Net sales	68.1	73.1	77.6	82.6	86.5
EBITDA	20.0	22.1	16.3	23.5	18.4
Depreciation and amortisation	9.9	8.6	6.4	5.4	5.3
EBIT	10.0	13.5	9.9	18.0	13.1
Interest	46.4	37.1	10.4	4.6	3.4
PBT	(29.9)	2.9	20.5	88.5	11.0
Ordinary PAT	(30.1)	2.6	20.5	88.5	12.0
Adjusted PAT	(35.1)	(22.0)	5.9	42.2	11.9
Balance sheet (Rs. crore)					
Adjusted networth	(255.8)	(253.2)	(232.7)	(172.9)	(159.8)
Total debt	309.1	333.0	300.0	96.2	66.0
Cash and bank	4.0	8.6	6.8	9.0	4.0
Investments	0.5	0.3	0.4	0.3	0.3
Net fixed assets (incl. CWIP)	61.9	55.8	45.1	40.4	41.2
Net current assets (excl. cash, cash equivalents)	(12.1)	16.0	16.0	(124.0)	(140.0)
Per share data (Rs.)					
Adjusted BVPS	-	-	-	-	-
Diluted EPS*	-	-	8.9	63.4	3.8
DPS	-	-	-	-	-
Growth (Y-o-Y) (%)					
Growth in total income		31.6	(2.7)	61.3	(46.1)
Growth in net sales		7.4	6.2	6.4	4.7
Growth in EBITDA		10.7	(26.3)	44.3	(21.6)
Growth in adjusted PAT		NM	NM	614.2	(71.8)
Growth in EPS*		NM	NM	614.2	(94.1)
Key financial ratio					
EBITDA margin (%)	29.3	30.2	21.0	28.4	21.3
Adjusted PAT margin (%)	NM	NM	6.0	26.7	14.0
RoCE (%)		NM	NM	NM	NM
RoE (%)		NM	NM	NM	NM
Gross debt - equity (times)	NM	NM	NM	NM	NM
Net debt - equity (times)	NM	NM	NM	NM	NM
Interest coverage (times)	0.2	0.4	1.0	4.0	3.9
Current ratio (times)	0.9	1.6	1.5	0.4	0.3
Inventory days		250.1	212.4	202.6	173.4
Receivable days		105.4	99.5	100.8	110.0

Source: BSE, Capitaline and CARE Research

Note: Financial Year (FY) refers to period from April 1 to March 31

NM: Non Meaningful

DISCLOSURES

- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
- This report has been sponsored by the BSE Investors' Protection Fund.

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