

Steel Strips Wheel limited – A case study of Promoter buying and subsequent rerating of the stock

Delhi Investors Association Meetup
November 27th, 2016

Saket Lohia

Saketlohia5@gmail.com

+919838010627

About the Company

- Steel Strips Wheel limited (SSWL) is, as the name sounds a steel wheel rim manufacturer.
- It has a product portfolio of 2 wheeler, CAR, OTR, LCV/HCV and Tractor wheel Rims.

2014 to 2016: 2 years and a perspective

- On 1st April 2014, SSWL was trading at Rs. 145/- with a market capitalisation of 225 Crores.
- On 16th September 2016, It was trading at Rs. 580/- with a Market capitalisation of 900 Crores.
- In 2.5 years, the returns from the stock are more than 65% CAGR, beating all the Mutual funds/PMS schemes in the country.
- Here is how one could have initiated buying in this stock, without knowing too much about financial wizardry.

Mid June 2014: Promoter Starts Buying

- On 1st April 2014, Ms. Priya Garg (part of promoter group) held 0.25% (37500 shares) of the company worth ~50 Lakhs.
- By Mid June 2014, she started buying shares from open market.
- Ms. Garg acquired shares almost in every month for the year
- **By the end of the 31st March, 2015, she bought 1,77,000 Shares(1.16%) from the open market for Rs. 4.5 Crore roughly. Her average buying was roughly ~250 scattered throughout the year.**

2014-2015: shareholding increases from 0.25% to 1.41%

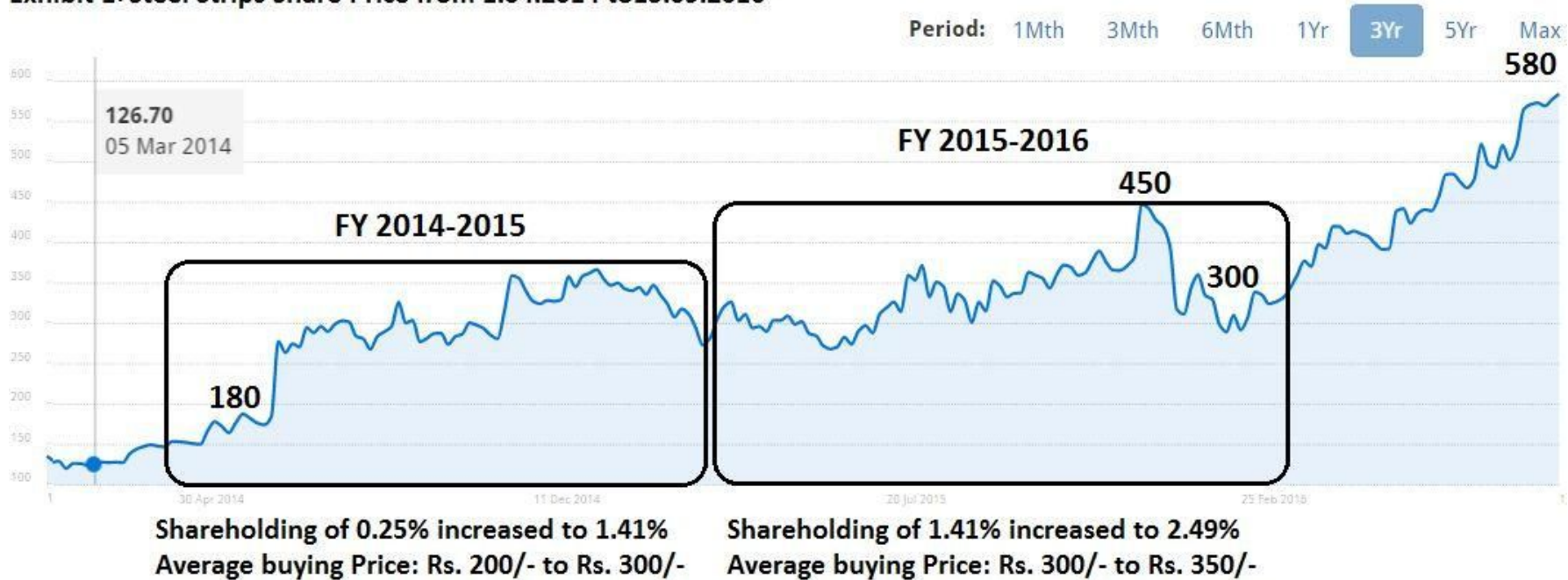
- Her total shareholding in the company increased from 0.25% to 1.41% by the end of March 2015
- On 31st March 2015, Share price was Rs. 300/-.

2015-2016

- On 1st April 2015, her shareholding stood at 1.41%. Share Price stands at
- By the end of the 31st March, 2016, she bought **1,65,000 (1.08%)** Shares from the open market for Rs. 5.5 Crore roughly. Her average buying was in the range of 300 to 350 scattered from April 2015 to November 2015.

SSWL Share Price: from 2014-2016

Exhibit 1: Steel Strips Share Price from 1.04.2014 to 15.09.2016



In 20 Months, i.e. from 1st April 2014 to 30 November 2015 Ms. Garg increased her holding from 0.25% to 2.49%.
For this she bought 3,41,762 Shares @ Average price of ~300/-, totalling roughly for Rs. 10 Crores. At Current Price, its value is 20 Crore.

2014 to 2016: SSWL Quarterly Results showing improving Financials

Exhibit 2: SSWL Quarterly Results showing improving financials.

Quarterly Results Figures in Rs. Crores

	Sep 2013	Dec 2013	Mar 2014	June 2014	Sep 2014	Dec 2014	Mar 2015	June 2015	Sep 2015	Dec 2015	Mar 2016	June 2016
Sales	265.66	249.76	302.69	276.34	315.78	266.67	293.99	292.54	299.27	281.19	308.88	325.40
Expenses	236.73	224.79	281.46	252.79	288.29	242.82	261.34	259.99	265.14	243.91	267.57	282.26
Operating Profit	28.93	24.97	21.23	23.55	27.49	23.85	32.65	32.55	34.13	37.28	41.31	43.14
OPM	10.89%	10.00%	7.01%	8.52%	8.71%	8.94%	11.11%	11.13%	11.40%	13.26%	13.37%	13.26%
Other Income	0.82	5.23	10.56	7.30	3.22	6.29	3.85	3.44	4.50	5.40	5.51	4.23
Depreciation	12.39	13.62	14.04	13.76	5.27	8.56	10.57	9.79	10.07	11.09	11.11	12.70
Interest	7.74	10.44	14.73	10.72	10.47	9.82	10.34	10.87	10.12	10.39	11.66	10.62
Profit before tax	9.62	6.14	3.03	6.36	14.97	11.77	15.58	15.34	18.45	21.20	24.05	24.05
Tax	2.33	-0.43	-1.24	0.12	3.26	2.22	3.66	3.19	3.42	5.69	5.57	5.45
Net Profit	7.29	6.57	4.27	6.23	11.72	9.56	11.92	12.15	15.03	15.51	18.49	18.60

Promoter Bought for the first time. OPM @ 7-8% : Meaning that Performance has not improved yet.

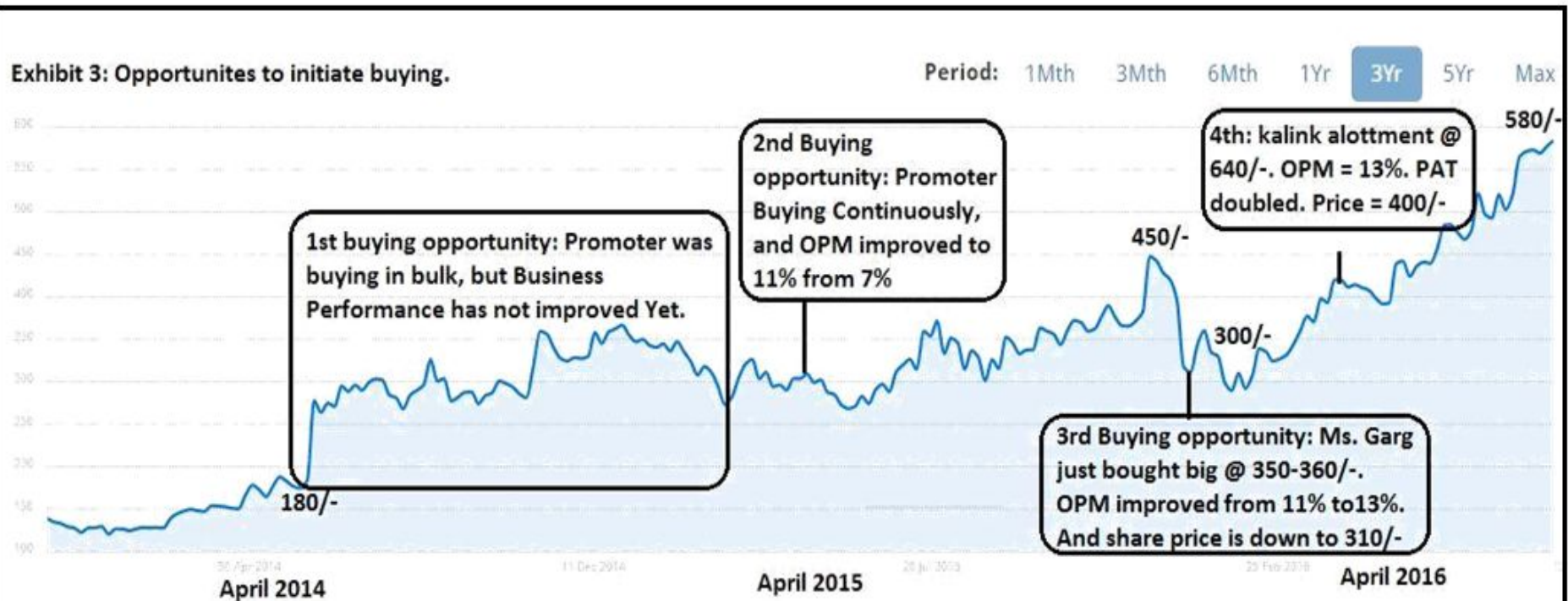
OPM improved for the first time. Share price @300/-

OPM improved for the second time. Share price @ Rs. 310/-

Share price 16.09.2016 Rs. ~600/-

On 28th April 2016, SSWI approved to allot 2 Lakh shares on preferential basis to kalink Co. Ltd. It is one of the top 7 alloy wheel manufacturer in the world. The Prevailing share price at the time of allotment was Rs. 400/-. So, the company allotted at 60% premium to its Current Market Price back then.

2014-2016: Four Opportunities To Initiate Buying.



As one may see from the above Chart, the best time was 3rd.

At that time the OPM improved from 11% to 13%. And the price was at Rs. 300/-, it was even below 360/- At which Ms. Garg just bought 2 months before, for Rs. 4 Crore.

So, did the Promoter knew about the Improving fundamentals. How?

- **In this particular case, it can be seen that Ms. Garg bought first time in June 2014, But the performance only improved in 2-3 Quarters after her buying. So technically she somehow knew that the performance will improve from current position.**
- **One Question arises here, “So how did she know...?”**
- **Let me try to answer this question by showing you a table of capacity utilisation -:**

Average Realisation of Product Segments

SSWL: Average Realisation of Different Product Categories

	Average Realisation
SEGMENT	Rs
2-3 WHEELER	250-330
CAR	650-730
OTR	3500-4000
LCV/HCV	3000-3500
TRACTOR	3300-3500

Segment Sales for last 7 Years

Segment Wise Sales

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015- 2016 For 9 months
SEGMENT	Qty (lacs)	Qty (lacs)	Qty (lacs)	Qty (lacs)	Qty (lacs)	Qty (lacs)	Qty (lacs)
2-3 WHEELER	7.66	13.42	11.96	19.75	23.35	31.64	20.88
CAR	57.34	73.23	72.16	64.76	68.60	74.26	59.14
OTR	0.03	0.05	0.41	0.53	0.36	0.24	0.08
LCV/HCV	0.95	2.48	6.65	6.68	6.8	9.0	12.8 (Approx.)
TRACTOR	5.75	7.23	10.22	9.42	11.74	9.55	6.57
Grand Total	71.73	96.41	101.40	101.14	110.35	124.69	96.33

Increasing Capacity Utilisation leading To Better Operating Margins

S. no.		2013-14	2014-15	2015-16
1.	Company's Average Capacity Utilisation	66%	75%	80%
2.	Company's OPM	9.8%	9.3%	12.3%

The above table shows that the overall capacity utilisation at the company Level improved from 66% to 80%. And during the same period, Company's Operating Margins improved from 9% to 12.3%. And currently at stands at 13%.

As Part of Promoter group, Ms. Garg knew this better than any one of us.

So, Does that mean, we should blindly trust the Promoter buying...?

- No, not exactly that. Promoter buying in itself is not a good indicator. Promoter buying from Open Market, amongst other things, shows the confidence of the promoter at current prevailing prices.
- While as Analysts, our confidence comes from the numbers.
- **So, combine Promoter buying and selling data with several fundamental parameters that you use and it will help you in improving your conviction level.**

Simplifying Tracking Promoter Buying & Selling Data:

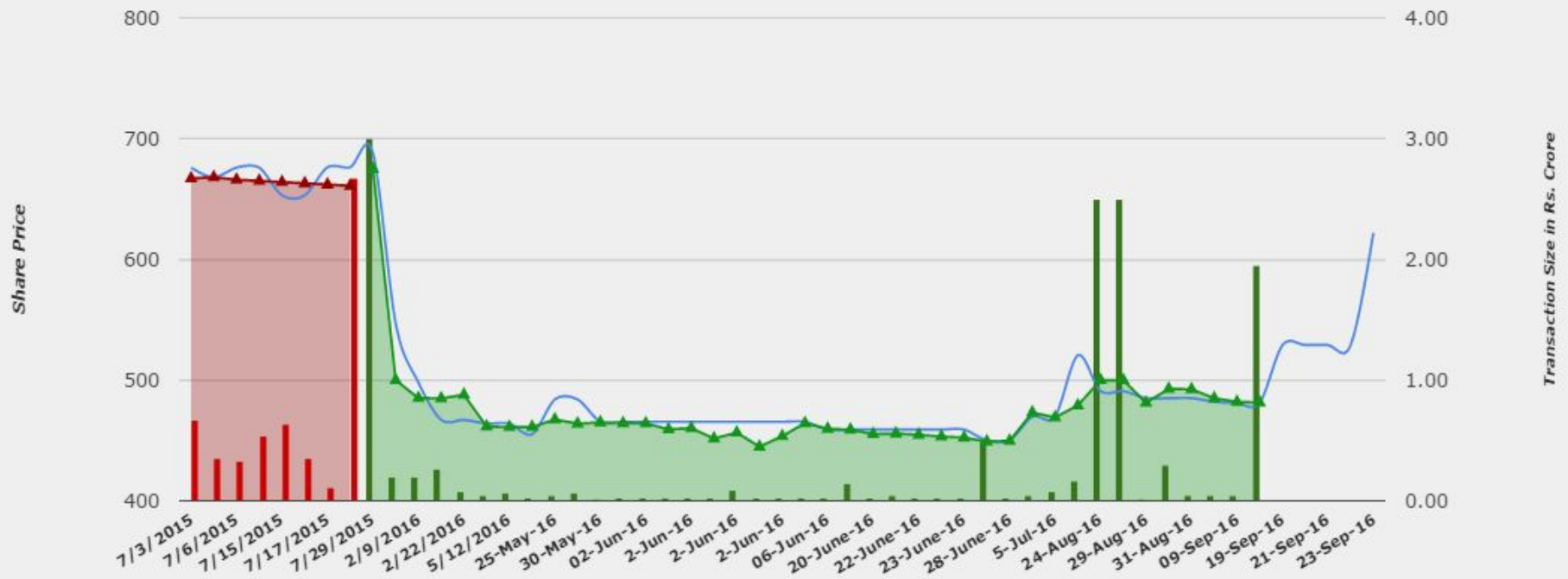
Link to the Google Sheet: goo.gl/1yWivT

Date and BSE link	Name and Fiancials from Screener.in	Bought/Sold	Current Market Cap	No. of shares	Value in Rs. Crore	Avg price	Current Price	Change %
19-Nov-16	Envair Electrodyne Ltd.	Bought	7	300	0.001	22	23	5%
19-Nov-16	Piramal Enterprises Ltd.	Bought	28637	294740	42.788	1452	1,660	14%
19-Nov-16	K.Z.Leasing & Finance Ltd.	Bought	3	1405	0.001	9	10	4%
19-Nov-16	Bhagyanagar India Ltd.	Bought	118	11944	0.021	18	19	4%
19-Nov-16	R.S.Software India Ltd.	Bought	212	77000	0.537	70	82	18%
19-Nov-16	Eldeco Housing & Industrie	Bought	80	257	0.011	416	406	-2%
19-Nov-16	Premier Explosives Ltd.	Bought	292	4880	0.160	328	330	0%
19-Nov-16	Bhageria Industries Ltd	Bought	506	51983	1.638	315	331	5%
19-Nov-16	Ruchira Papers Ltd.	Bought	239	25840	0.250	97	107	10%
19-Nov-16	D B Realty Ltd	Bought	950	89005	0.348	39	39	0%
19-Nov-16	Surana Solar Limited	Sold	107	13796	0.030	22	22	-1%

Company Specific Data & Chart for Last One Year

Aarti Drugs Promoter transactions July 2015 to Sep 2016

Buy Value Sell Value Share Price Buy Price Sell price



Thank You!

This research is not a recommendation.

Saket Lohia

Saketlohia5@gmail.com

+919838010627