

**Initiating Coverage**
**Buy**

<b>Industry</b>	<b>Cables</b>
<b>Close Price (Rs)</b>	<b>285.5</b>
<b>FY19E Target Price (Rs)</b>	<b>476</b>
<b>52 Week H/L (Rs)</b>	<b>307.6/158.0</b>
<b>Volumes (BSE+NSE)*</b>	<b>151,000</b>
<b>Shares O/S (mn)</b>	<b>15.0</b>
<b>Market Cap (Rs mn)</b>	<b>4,290</b>
<b>Free Float (%)</b>	<b>56.4</b>
<b>Bloomberg</b>	<b>CMI IN</b>
<b>Reuters</b>	<b>CMI.BO</b>
<b>*Three month average</b>	

**Share Holding Pattern as on December 31, 2017**

Particulars	Shares (mn)	Holding
<b>Promoters</b>	6.5	43.6%
<b>Institutions</b>	2.1	13.7%
<b>Public &amp; Others</b>	6.4	42.7%
<b>Total</b>	<b>15.0</b>	<b>100.0%</b>

Source: BSE

**Financial Highlights**

(Rs mn)	FY18E	FY19E	FY20E
<b>Sales</b>	<b>6,073</b>	<b>9,658</b>	<b>11,244</b>
<b>EBITDA</b>	<b>771</b>	<b>1,333</b>	<b>1,580</b>
<b>EBITDA Margin</b>	<b>12.7%</b>	<b>13.8%</b>	<b>14.1%</b>
<b>PAT</b>	<b>283</b>	<b>586</b>	<b>715</b>
<b>EPS (Rs)</b>	<b>18.8</b>	<b>39.0</b>	<b>47.6</b>
<b>P/E (x)</b>	<b>15.2</b>	<b>7.3</b>	<b>6.0</b>
<b>EV/EBITDA (x)</b>	<b>6.7</b>	<b>4.4</b>	<b>3.7</b>
<b>RoCE</b>	<b>11.8%</b>	<b>16.3%</b>	<b>16.0%</b>
<b>RoE</b>	<b>11.1%</b>	<b>17.7%</b>	<b>18.2%</b>

**Daily Closing Share Price Chart**


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CMI Ltd is one of the most diversified Cable manufacturers in India, with large product portfolio comprising of Electric Cables for Railways, Metro projects, Utilities, Buildings, Data Transmission, Instrumentation, Submarine Cables, Control Cables, Special Cables and Extra High Voltage Cables which conform to several domestic and international specifications. The company started its operations in 1967 and gradually diversified into Telecom Railways, Refineries, Energy, Industrial, Power, Petrochemicals, Capital Goods etc with Telecom Cables' contribution to sales reduced to a mere 5-10%, which earlier accounted for highest share. CMI has a Cable manufacturing capacity at Faridabad. In March 2016, the company acquired state of the art Baddi plant of GCE (currently under a wholly owned subsidiary, CMI Energy).

**Investment Rationale...**
**A well diversified player in the fast growing Indian Cable Industry...**

CMI Ltd is one of the most diversified players, with presence across all the sub-segments of the Indian Cables. The company started its operations as a Telecom Cable supplier and gradually enriched its product offering to Quad and Signaling Cables for Railways, Specialty Cables for Metro, ISRO etc, C&I Cables for Refineries, Jelly Filled Cables for Indian Railways, Fire Survival Cables for various industries etc.

**Capacity Ramp-up of Baddi Plant to aid stupendous growth in revenues in the coming years...**

CMI acquired GCE's Baddi plant in FY16 and restarted the plant by the end of Q1FY17 and achieved a capacity utilization of 22.5% by the end of FY17. **The facility achieved a gross turnover of Rs 900mn in FY17 and the management expects to achieve turnover of Rs 2.5bn and Rs 6bn in FY18E and FY19E respectively.**

**Huge Opportunities for Specialty and C&I Cables in the Hydrocarbon, Freight Corridor, Metros, Railways, Power T&D, Smart Cities and Telecom Sectors:-**

The Indian Railways remains the largest customer of CMI Ltd, accounting for 40-50% of the revenues. The Indian Railways is expected to invest Rs 8.56 Trillion over the next five years for decongestion, safety, high speed Railways and network expansion. Further, Metros and Oil & Gas sector are expected to spend Rs 2.5 Trillion and Rs 6 Trillion respectively in the next few years. About 10% of the capex on Metros goes to Signaling, C&I and Electrification Cables, leading to huge opportunity for a diversified player like CMI.

**Significantly Diversified Client Mix...**

CMI has highly diversified business model, both in terms of client concentration as well as the sectors it services. Indian Railways remains the largest client and it accounts for 40-50% of the revenues, while no other client accounts for over 20-25% of revenues.

## Outlook and Valuations

On the back of ramp-up of Baddi plant, we expect CMI's revenues to grow at a CAGR of 43.2% over the next three years. Balancing of equipments at a small cost of Rs 200mn, will enable the new plant to produce varieties of Cables, instead of Power Cables leading to margin expansion. We expect its EPS to grow at a CAGR of 33.4% over the next three years. At the CMP of Rs 285.5, CMI trades at a P/E of 7.3X FY19E and 6.0x FY20E. We assign a P/E multiple of 10XFY20E earnings, giving a FY20E target price of Rs 476, an annualized upside of 30%. On the back of robust earnings visibility, we initiate coverage on **CMI Ltd** with a 'Buy' rating.

## Risks and Concerns

### **Highly dependent of Domestic Economy and Investment on Infrastructure...**

CMI's performance has a very high correlation with the GDP growth of India and the private and government spending on infrastructure. In case of muted investment and recession in the economy, the company's performance will be severely impacted.

### **High dependence on Copper as key raw material...**

Copper is the key raw material for manufacturing of Specialty Cables and accounts for 60% of the raw materials. Significant fluctuation in the Copper prices can affect the performance of the company.

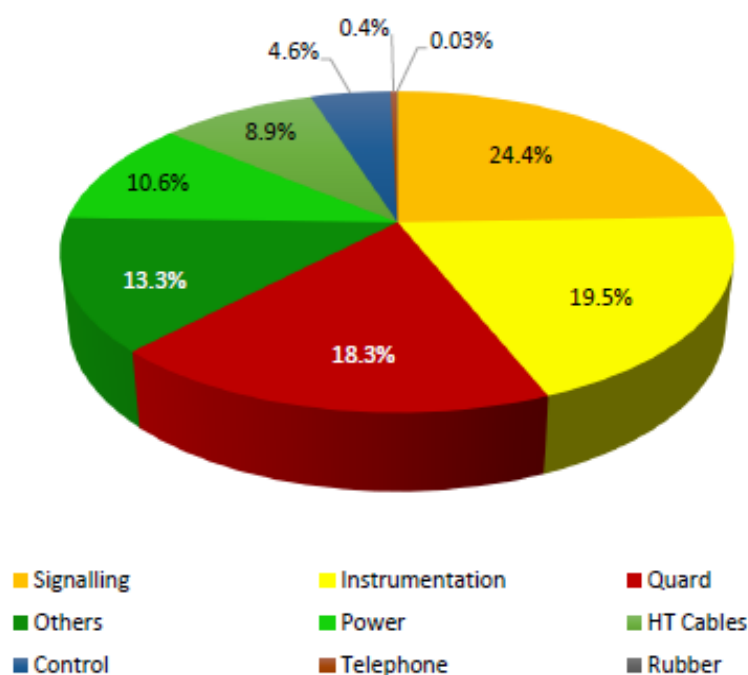
## Investment Analysis...

### One of the most diversified player in the Indian Cable Industry...

CMI is one of the most diversified players, with presence across all the sub-segments of the Indian Cable Industry. The company started its operations as a Telecom Cable supplier and gradually enriched its product offering to Quad and Signaling Cables for Railways, Specialty Cables for Metro, ISRO etc, C&I Cables for Refineries, Jelly Filled Cables for Indian Railways, Fire Survival Cables for various industries etc.

Over the years, the company has been able to diversify its revenue mix away from Telecom Cables, which now accounts for a mere 5-10% of the total revenues.

**Chart 1: Product-wise Revenue Mix (FY17)**



Source: The Management, QS Research

### Acquisition of Baddi Plant of GCE to be a Game Changer:

GCE (General Cables Energy), a wholly owned subsidiary of GCC (General Cables Corporation) invested Rs 3bn to establish a world class highly automated Power Cable manufacturing facility at Baddi. However, the parent company decided to exit from Asia Pacific and closed 17 Cable manufacturing facilities across the region. The Baddi facility was bought by CMI Ltd by the end of FY16 at a cash consideration of Rs 960mn, while the balance Rs 540mn through debt (total consideration of Rs 1.5bn). **The plant has a capacity to generate Power Cables worth Rs 10bn and Household Cables worth Rs 2.4bn.**

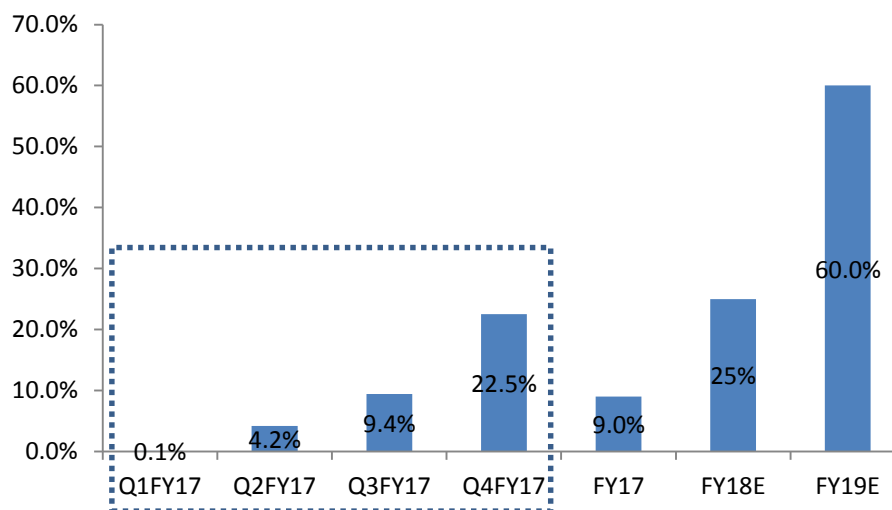
The plant currently operates under a Wholly Owned subsidiary, CMI Energy and is expected to be merged in FY18, leading to significant tax savings on account of unabsorbed depreciation.

### Capacity Ramp-up of Baddi Plant to aid stupendous growth in revenues in the coming years...

CMI acquired GCE's Baddi plant in FY16 and restarted the plant by the end of Q1FY17 and achieved a capacity utilization of 22.5% at the end of FY17. The company expects to achieve a capacity utilization of 60% in Q4FY18.

**The facility achieved a gross turnover of Rs 900mn in FY17 and the management expects to achieve turnover of Rs 2.5bn and Rs 6bn in FY18E and FY19E respectively.**

**Chart 2: Capacity Ramp-up of Baddi Plant**



Source: The Management, QS Research

### A small capex at Baddi plant will enable the plant to supply to CMI's existing clients and will lead to margin expansion...

Baddi plant is meant for producing Power Cables upto 132KV, which is usually a low margin business. CMI is investing Rs 200mn to enable the plant to produce varieties of Specialty Cables as produced at its Faridabad plant. This will enable the Baddi plant to supply Signaling and Quad Axle Counter Cables to the Indian Railways and C&I Cables to various companies in different sectors. This coupled with 20-30% more efficiency due to its ability to produce more complex Cables, will lead to significant expansion in the profitability of the Baddi plant. The management expects the plant to operate at 12.5% EBITDA margin in Q4FY18, compared to the current 11%. Further, the plant will witness further rise in the EBITDA margin to 14-14.5%, once it reaches capacity utilizations of 60-65%. This will lead to significant jump in the net profit of the company in the coming years.

### Huge Opportunities for Specialty and C&I Cables in the Hydrocarbon, Freight Corridor, Metros, Railways, Power T&D, Smart Cities and Telecom Sectors:-

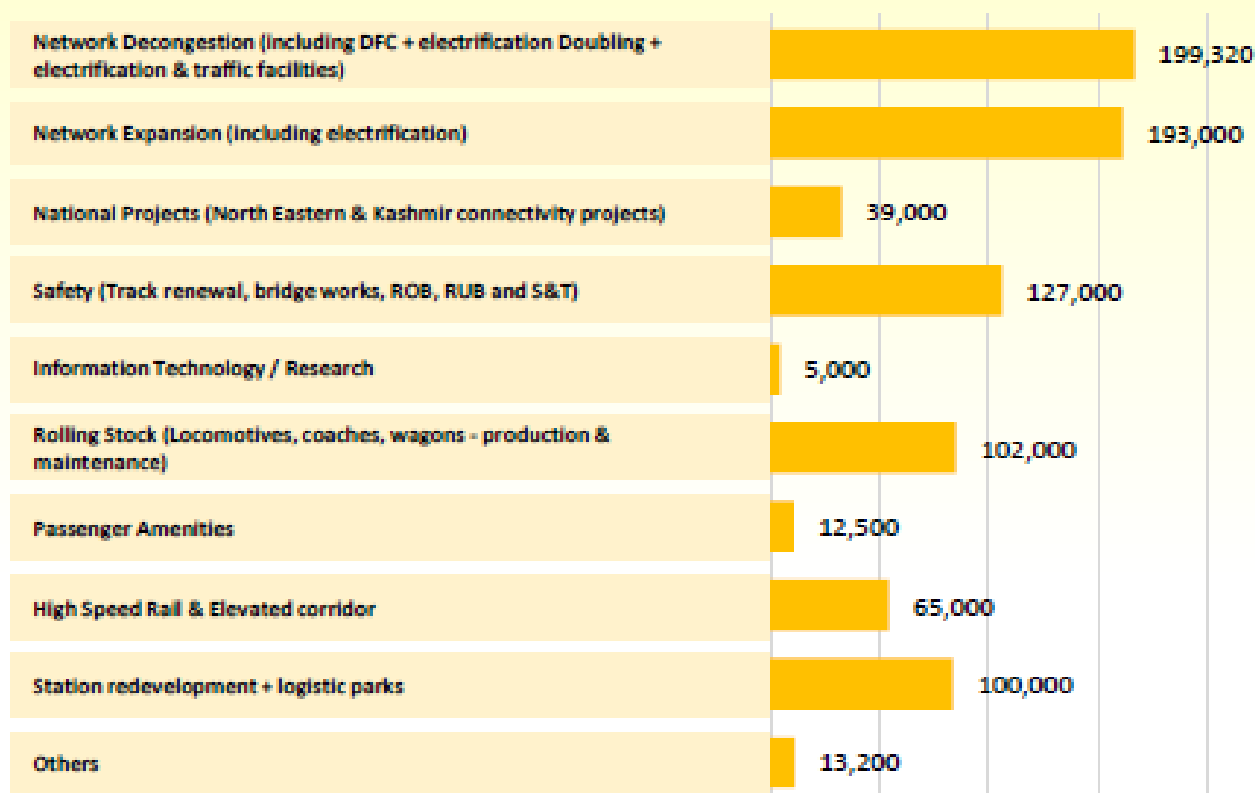
#### Indian Railways:

The Indian Railways remains the largest customer of CMI Ltd, accounting for 40-50% of the revenues. CMI supplies high margin Quad Axle Counter Cables (used for locating the train) and Signaling Cables to the Indian Railways. Also, the company supplies Catenaries Cables for Track Electrification. The Indian Railways is expected to invest Rs 8.56 Trillion over the

next five years for decongestion, safety, high speed Railways and network expansion. CMI Ltd being an approved vendor and with many of its products already approved, is likely to be a key beneficiary of ongoing capex in the Indian Railways.

**Table 1: Huge Capex in the Indian Railways Underway**

**Capex in Key Segments FY15-19 - Total = Rs. 8,56,020 crores**



Source: Indian Railways - Three Year Performance Report

Note: DFC - Dedicated Freight Corridor; ROB - Rail Overbridge; RUB - Rail Underbridge; S&T- Signal & Transmission

**Robust demand from the Indian Refineries due to Compliance to BS-VI by April 2020...**

Indian refineries have been asked by the government to comply with BS-VI by April 2020, leading to huge spending by the downstream companies on IT infrastructure. The company has already started supplying C&I Cables to these companies.

In the 12th Five year plan period, 50 million tonnes will be added to the total refining capacity of India, through capacity expansion projects of existing units. While new refinery units, which are expected to come up in the near future, will add up to 90.5 million tonnes to India's total refining capacity. This coupled with fresh impetus on IT infrastructure development to comply with BS-VI, presents a new opportunity for C&I/Signaling and other Specialty Cable manufacturers.

**Metro Projects...**

Metro projects worth Rs 2.5 Trillion are under expansion and implementation. About 10% of total capital expenditure on the metro projects goes to Signaling/Telecom and Electrification Cables. This is creating a huge opportunity for companies like CMI, which supplies variety of Cables to Metros.

**Table 2: Ongoing and Upcoming Metro Projects****Metro Projects Pipeline - Ordering Expected Over FY17-19**

Project Name	Length (Km)	Cost (Rs. crores)
Bengaluru - Phase II	72	26,405
Ahmedabad - Phase I	38	10,773
Delhi - Phase IV	103	50,000
Chennai - Phase II	60	36,000
Visakhapatnam	45	13,488
Pune - Phase 1	32	11,420
Indore	32	7,522
Vijaywada	26	6,823
Bhopal	28	6,963
Thiruvananthapuram	21	4,219
Gurgaon - Phase II	7	2,423

Source: Various News Articles

**Metro projects worth another Rs 2 Trillion are at various stages of approvals and like to come for bidding over the next five years.**

**Power T&D:**

The sector is expected to witness a capex to the tune of Rs 2.6 Trillion by 2022, with nearly Rs 300bn to be spent in the transmission systems of 220kv or below.

**Renewable Energy, Smart Cities, Flue-Gas Desulfurization (FGD), Telecom are other major of areas which will require large volumes of Power, C&I and Specialty Cables.**

**Table 3: Segments Catered**

Industry	Segments catered
Hydrocarbon	Refineries, Petrochemicals, Oil, Terminal Automation, Pipelines
Transport	Metros, Railways, Freight Corridors
Power T&D	Nuclear, Hydel, Thermal, Renewables
Housing	Smart Cities etc
Telecom	Telecom Cables

Source: The Management, QS Research

**With Industry drivers such as growing investment in Railways, Metros, Oil & Gas and Telecom, the Indian Cable demand is expected to grow at a CAGR of 15% over the next 4-5 years to reach Rs 685.6bn.**

**Significantly Diversified Client Mix:-**

CMI has highly diversified business model, both in terms of client concentration as well as the sectors it services. Indian Railways remains the largest client and it accounts for 40-50% of revenues, while no other client accounts for over 20-25% of revenues. Further, it caters to a diverse set of industries ranging from Metros, Capital Goods to Refineries as well as end user companies like ISRO and Telecom companies.

**Table 4: Revenue Mix (as per Industry serviced) (FY17)**

Products	Clients	FY17
Railways	Indian Railways	45-50%
C&I Cables	IOC, BPCL, NTPC, HPCL, BHEL, Kalpataru Power, NPCIL etc	20-25%
Telecom	Telecom Companies	5-10%
Specialty Cables	ISRO, Siemens, Lurgi, Global Toyo	15-20%

Source: The Management, QS Research

**Well placed to capitalize on the growth opportunities due to no capacity constraints in the medium term:-**

By acquiring the Baddi plant, CMI can produce Cables worth Rs 4bn at its Faridabad plant and Rs 10bn worth at its Baddi plant. The Baddi plant has an idle Household Cable manufacturing facility and by adding additional wire drawing facility, the company can produce Household Cables worth Rs 2.4bn.

**Table 5: Stupendous Revenue growth in the coming years**

Particulars	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Revenue Capacities (Rs mn)</b>						
Faridabad Plant	4,000	4,000	4,000	4,000	4,000	4,000
Baddi Power Cable Plant	N.A.	10,000	10,000	10,000	10,000	10,000
Baddi Household Cable Plant	N.A.	2,400	2,400	2,400	2,400	2,400
<b>Net Revenues</b>						
Faridabad Revenues	1,358	2,402	3,072	3,520	3,600	3,680
Baddi Revenues	0	0	706	2,500	6,000	7,500
<b>Total Consolidated Revenues</b>	<b>1,358</b>	<b>2,402</b>	<b>3,779</b>	<b>6,020</b>	<b>9,600</b>	<b>11,180</b>
Other Operating Income	0	15	48	53	58	64
<b>Total Operating Income</b>	<b>1,358</b>	<b>2,417</b>	<b>3,827</b>	<b>6,073</b>	<b>9,658</b>	<b>11,244</b>
<b>Revenue Growth</b>	<b>29.1%</b>	<b>78.0%</b>	<b>58.3%</b>	<b>58.7%</b>	<b>59.0%</b>	<b>16.4%</b>

Source: The management, QS Research

## Outlook and Valuations

On the back of burgeoning spending on IT infrastructure by both, the government as well as private companies, domestic demand for Cables continues to remain strong. This coupled with new thrust on Railway Upgradation as well as new network addition, City Metros and BS-IV compliance by Indian Refineries, has led to huge incremental demand. CMI remains one of the very few players, present across the segments of Cables, spanning from Signaling Cable, Quad Cable, Telecom Cable and C&I Cables to high margin Specialty Cables for marquee clients like Siemens, Alstom, Global Toyo, Lurgi, NPCIL and ISRO. With adequate capacity and technical know-how, CMI is well placed to capitalize on the burgeoning domestic Cables demand.

Faridabad plant is operating at almost near maximum achievable capacity utilization, while the Baddi plant will ramp up its revenues from Rs 900mn in FY17 to Rs 2.5bn and Rs 6bn in FY18E and FY19E respectively. Consequently, we expect CMI's revenues to grow at a CAGR of 43.2% over the next three years. Balancing of equipments at a small cost of Rs 200mn, the new plant will enable the plant to produce varieties of Cables, instead of power Cables leading to margin expansion. We expect its EPS to grow at a CAGR of 33.2% over the next three years. At the CMP of Rs 285.5, CMI trades at a P/E of 7.3X FY19E and 6.0x FY20E. We assign a P/E multiple of 10XFY20E earnings, giving a FY20E target price of Rs 476, an annualized upside of 30%. On the back of robust earnings visibility, we initiate coverage on **CMI Ltd** with a 'Buy' rating.

**Table 6: Peer Comparison (FY19E)**

Companies	M CAP	Revenues	EBITDA	Net Profit	EBITDA Margin	NPM	RoCE	RoE	D/E	P/E	EV/ EBITDA
<b>KEI Industries</b>	<b>29,237</b>	<b>34,550</b>	<b>3,460</b>	<b>1,230</b>	<b>10.0%</b>	<b>3.6%</b>	<b>17.4%</b>	<b>20.5%</b>	<b>0.9</b>	<b>23.8</b>	<b>10.0</b>
<b>CMI Ltd</b>	<b>4,290</b>	<b>9,658</b>	<b>1,333</b>	<b>586</b>	<b>13.8%</b>	<b>6.1%</b>	<b>16.3%</b>	<b>17.7%</b>	<b>0.7</b>	<b>7.3</b>	<b>4.4</b>

CMI has superior growth and margin profile, while return ratios a tad lower than its peer, KEI Industries. Further, the company has a much diversified product portfolio, compared to that of most of its peers. However, the company trades at a significant discount, compared to its peers. We feel that its superior performance metrics are not yet factored into its valuations, **and hence present a strong case of rerating.**



## CMI: Key Details

CMI Ltd is one of the most diversified Cable manufacturers in India, with large product portfolio comprising of Electric Cables for Railways, Metro projects, Utilities, Buildings, Data Transmission, Instrumentation, Submarine Cables, Control Cables, Special Cables and Extra High Voltage Cables which conform to several domestic and international specifications. The company started its operations in 1967 and gradually diversified into Telecom, Railways, Refineries, Energy, Industrial, Power, Petrochemicals, Capital Goods etc with Telecom Cables' contribution to sales reduced to a mere 5-10%, which earlier accounted for highest share.

### Product Profile:

**Table 7: Product Basket**

Types of Cables	Application
Quad Cables	Specialised safety cables used by Railways for counting incoming & outgoing axles / coaches at any particular section to ensure no coach is left behind.
Railway Signalling Cables	Used for transmitting signals to signal posts for smooth movement of trains.
Fire Survival Cables	Used to maintain circuit integrity in case of fire for 3 hours up to 950° C, to ensure transmission of signals to safety equipment.
Fire Retardant Low Smoke Zero Halogen (LSZH) Cables	Ensures better visibility and low toxicity in case of fire.
Highly Flexible Multi-core Copper Shielded Abrasion Resistant Thermoplastic Polyurethanes (TPU) Sheathed Cables	Used for gas insulated substations.
EHV/MV/HV/LV Power Cables	Used for supplying power.
LV Control Cables	Used for special purposes in various sectors.
Polythene Insulated Jelly Filled ( PIJF) Telecom Cables	Used for last mile connectivity.
Fire Alarm & Communication Cables	Used for fire detection & alert equipment.
Ethylene Propylene Rubber (EPR)-Chloro-Sulfonated Polyethylene (CSP)-Polychloroprene (PCP)-Silicon Cables	Used at high temperature in mines, steel, ship building & wind energy generation industry.

*Source: Company's Annual Report*

CMI is one of the few approved vendors to supply Signaling Cables to the Indian Railways. CMI has a Cable manufacturing capacity at Faridabad. In March 2016, the company acquired state of the art Baddi plant of GCE (currently under a wholly owned subsidiary,

CMI Energy). Apart from its capability to serve clients across several industries, the Baddi plant is equipped to manufacture Cables used in the Solar Power projects.

### Geographical Presence:

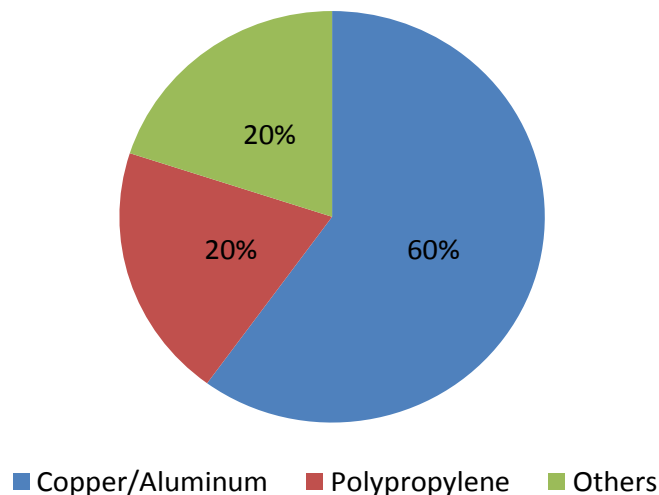
CMI is largely a domestic player and exports account for a mere Rs 30-40mn or ~1-2% of the total revenues. With the company's renewed focus at a comparatively more profitable export market especially the Middle East and African markets, the company expects pick-up in exports. However, we are conservatively not taking into account any significant pick-up in exports in the next few years.

### Raw Materials:

Total raw materials account for ~75% of the revenues. Copper and Aluminum are major raw materials in value terms and accounts for ~60% of Raw materials costs, while Poly Propylene accounts for 20%. Domestic Copper/Aluminum price is pegged to daily spot price of Copper/Aluminum on London Metal Exchange (Domestic Copper/Aluminum price = LME Spot price + \$140 per tonne).

Product pricing is based on monthly average of Copper/Aluminum prices (for previous month) and price changes are accordingly passed on to the customer. This keeps the company largely insulated from the fluctuations in the metal prices. The company does not enter into hedging/forward contracts for the same.

**Chart 3: Raw Materials Mix**



*Source: The management, QS Research*

**Working Capital Intensity:**

Cable industry is a highly working capital intensive sector as Copper purchases are made in cash. Further, customers of Cables are mostly large conglomerates and large public sector/government enterprises with high bargaining power, leading to very high debtor days. Cash conversion cycle is typically of about four months.

**Table 8: Working Capital Cycle**

<b>Working Capital</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>
Inventory Days	105	114	94	68	96	95	95	95
Debtors Days	91	81	98	99	135	135	135	135
Creditors Days	72	49	50	61	113	110	110	110
<b>Cash Conversion Cycle-Days</b>	<b>125</b>	<b>146</b>	<b>142</b>	<b>105</b>	<b>117</b>	<b>120</b>	<b>120</b>	<b>120</b>
Working Capital Requirement (Rs mn)	337	471	585	783	1,365	1,997	3,175	3,697
<b>Fund Based Working Capital Debt (Rs mn)</b>	<b>185</b>	<b>249</b>	<b>301</b>	<b>473</b>	<b>799</b>	<b>1,169</b>	<b>1,859</b>	<b>2,165</b>
Non Fund Based WC Utilization (Rs mn)	153	222	284	310	566	828	1,316	1,532
<b>Term Loan (Rs mn)</b>	<b>126</b>	<b>116</b>	<b>28</b>	<b>626</b>	<b>507</b>	<b>507</b>	<b>507</b>	<b>507</b>

*Source: CMI' Annual Reports, The Management Guidance, QS Research*

**Seasonality of the Business:**

Cable Industry, in-line with Infrastructure/Capital Goods sector, shows high seasonality in its performance and Q4 of a financial year is typically a strong quarter.

## Consolidated Income Statement

Y/E March (Rs mn)	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Net Sales</b>	<b>1,051</b>	<b>1,358</b>	<b>2,417</b>	<b>3,827</b>	<b>6,073</b>	<b>9,658</b>	<b>11,244</b>
<i>Net Sales Growth</i>	18.7%	29.1%	78.0%	58.3%	58.7%	59.0%	16.4%
<b>Expenditures:</b>							
Raw Materials' Expenses	925	1,077	1,968	3,239	4,555	7,244	8,433
Personnel Expenses	19	21	33	115	182	290	337
Other Expenses	99	128	133	313	565	792	894
<b>Total Expenditure</b>	<b>972</b>	<b>1,214</b>	<b>2,080</b>	<b>3,293</b>	<b>5,302</b>	<b>8,325</b>	<b>9,664</b>
<b>EBITDA</b>	<b>79</b>	<b>144</b>	<b>337</b>	<b>534</b>	<b>771</b>	<b>1,333</b>	<b>1,580</b>
Depreciation	8	9	13	101	109	116	124
<b>EBIT</b>	<b>71</b>	<b>135</b>	<b>324</b>	<b>432</b>	<b>663</b>	<b>1,217</b>	<b>1,456</b>
Financial Charges	56	59	92	206	250	368	420
Other Income	13	15	113	0	0	0	0
<b>PBT</b>	<b>28</b>	<b>91</b>	<b>1,135</b>	<b>227</b>	<b>412</b>	<b>849</b>	<b>1,036</b>
Provision of Tax	10	28	75	-74	130	263	321
<b>PAT</b>	<b>18</b>	<b>63</b>	<b>1,060</b>	<b>301</b>	<b>283</b>	<b>586</b>	<b>715</b>

## Consolidated Balance Sheet Summary

Y/E March (Rs mn)	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Sources of Funds</b>							
Equity Capital	35	115	141	148	150	150	150
Reserves & Surplus	106	256	1,613	1,898	2,878	3,441	4,133
<b>Total Networkth</b>	<b>141</b>	<b>370</b>	<b>1,753</b>	<b>2,046</b>	<b>3,028</b>	<b>3,591</b>	<b>4,283</b>
<b>Total Loans</b>	<b>366</b>	<b>330</b>	<b>1,099</b>	<b>1,306</b>	<b>1,676</b>	<b>2,366</b>	<b>2,672</b>
<b>Deferred Tax Liabilities</b>	<b>-2</b>	<b>-9</b>	<b>-20</b>	<b>-179</b>	<b>-179</b>	<b>-179</b>	<b>-179</b>
<b>Total Capital</b>	<b>505</b>	<b>691</b>	<b>2,833</b>	<b>3,173</b>	<b>4,525</b>	<b>5,778</b>	<b>6,776</b>
<b>Application of Funds</b>							
<b>Gross Block</b>	<b>195</b>	<b>237</b>	<b>2,015</b>	<b>2,090</b>	<b>2,251</b>	<b>2,401</b>	<b>2,551</b>
Accumulated Depreciation	142	155	352	453	561	677	801
<b>Net Block</b>	<b>53</b>	<b>82</b>	<b>1,662</b>	<b>1,637</b>	<b>1,690</b>	<b>1,724</b>	<b>1,750</b>
Capital Work-in-Progress	0	0	73	49	38	38	38
Investments	0	0	0	0	0	0	0
<b>Current Assets:</b>							
Inventories	328	348	451	1,004	1,581	2,514	2,927
Sundry Debtors	235	366	653	1,410	2,246	3,572	4,159
Cash and Bank	6	31	72	88	768	748	1,171
Loans and Advances	60	113	417	399	425	676	787
<b>Total Current Assets</b>	<b>642</b>	<b>858</b>	<b>1,614</b>	<b>2,904</b>	<b>5,023</b>	<b>7,513</b>	<b>9,047</b>
<b>Current Liabilities &amp; Provisions</b>	<b>190</b>	<b>249</b>	<b>516</b>	<b>1,418</b>	<b>2,226</b>	<b>3,496</b>	<b>4,059</b>
<b>Net Current Assets</b>	<b>452</b>	<b>609</b>	<b>1,098</b>	<b>1,487</b>	<b>2,798</b>	<b>4,017</b>	<b>4,988</b>
<b>Capital Employed</b>	<b>505</b>	<b>691</b>	<b>2,833</b>	<b>3,173</b>	<b>4,525</b>	<b>5,778</b>	<b>6,776</b>

## Consolidated Cash Flow Statement

Y/E March (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Net profit After Depreciation</b>	<b>17</b>	<b>18</b>	<b>63</b>	<b>1,060</b>	<b>301</b>	<b>283</b>	<b>586</b>	<b>715</b>
Adjustments for:								
Depreciation	10	8	9	13	101	109	116	124
Interest Expenses	47	56	59	92	206	250	368	420
Other Adjustment/ Exceptional Items	-10	-3	-8	-793	-21	0	0	0
<b>Operating Profit before Working Capital Changes</b>	<b>64</b>	<b>79</b>	<b>123</b>	<b>372</b>	<b>586</b>	<b>641</b>	<b>1,070</b>	<b>1,259</b>
Change in Working Capital	-34	-114	-153	-411	-529	-631	-1,240	-548
<b>Net Cash from Operating Activities</b>	<b>30</b>	<b>-34</b>	<b>-30</b>	<b>-40</b>	<b>58</b>	<b>11</b>	<b>-169</b>	<b>711</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>								
Purchase of Fixed Assets	31	0	-42	-59	-51	-150	-150	-150
Purchase of Investments	0	0	0	-5	0	0	0	0
Interest/Dividend Received	3	3	8	3	21	0	0	0
Others	-47	-3	-5	-62	-188	0	0	0
<b>Net Cash used in Investing Activities</b>	<b>-13</b>	<b>0</b>	<b>-39</b>	<b>-123</b>	<b>-218</b>	<b>-150</b>	<b>-150</b>	<b>-150</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>								
Equity Share Capital Issued	2	0	164	265	34	718	0	0
Proceeds from Borrowings	37	55	-36	21	367	370	690	305
Interest Paid	-47	-56	-59	-92	-206	-250	-368	-420
Dividend Paid (including Dividend Tax)	0	0	0	-16	-18	-18	-23	-23
Other Adjustments	0	0	11	0	0	0	0	0
<b>Net Cash from / (used in) Financing Activities</b>	<b>-7</b>	<b>-1</b>	<b>80</b>	<b>178</b>	<b>177</b>	<b>819</b>	<b>299</b>	<b>-138</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b>10</b>	<b>-36</b>	<b>10</b>	<b>16</b>	<b>17</b>	<b>680</b>	<b>-20</b>	<b>423</b>
<b>Cash and Cash Equivalents as at the beginning of the year</b>	<b>31</b>	<b>41</b>	<b>20</b>	<b>30</b>	<b>72</b>	<b>88</b>	<b>768</b>	<b>748</b>
Adjustment due to Demerger/Amalgamation	0	0	0	26	-1	0	0	0
<b>Cash and Cash Equivalents as at the end of the year</b>	<b>42</b>	<b>6</b>	<b>31</b>	<b>72</b>	<b>88</b>	<b>768</b>	<b>748</b>	<b>1,171</b>

## Key Financial Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Liquidity Ratios</b>							
Current Ratio	3.4	3.4	3.1	2.0	2.3	2.1	2.2
Quick Ratio	1.7	2.1	2.3	1.3	1.5	1.4	1.5
<b>Leverage Ratios</b>							
Total Debt/Networth	2.6	0.9	0.6	0.6	0.6	0.7	0.6
Interest Coverage Ratio	1.3	2.3	3.5	2.1	2.6	3.3	3.5
Working Capital/Sales	0.4	0.4	0.5	0.4	0.5	0.4	0.4
<b>Activity Ratios</b>							
Inventory (Days)	114	94	68	96	95	95	95
Debtors (Days)	81	98	99	135	135	135	135
Creditors (Days)	49	50	61	113	110	110	110
<b>Profitability Ratios</b>							
Operating Profit Margin	7.5%	10.6%	13.9%	13.9%	12.7%	13.8%	14.1%
Net Profit Margin	1.7%	4.6%	43.8%	7.9%	4.7%	6.1%	6.4%
Return on Capital Employed	9.6%	15.6%	17.2%	19.1%	11.8%	16.3%	16.0%
Return on Equity	13.3%	24.6%	99.8%	15.8%	11.1%	17.7%	18.2%
<b>Valuation Ratios</b>							
No. of Shares (mn)	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Book Value (Rs)	9.4	24.6	116.7	136.1	201.5	239.0	285.0
EPS (Rs)	1.2	4.2	70.5	20.0	18.8	39.0	47.6
CEPS (Rs)	1.7	4.8	71.4	26.8	26.0	46.7	55.8
Dividend Payout	0.0%	0.0%	1.3%	4.9%	5.3%	3.2%	2.6%
Dividend Yield	0.0%	0.0%	0.4%	0.4%	0.4%	0.4%	0.4%
P/E	242.8	68.1	4.0	14.3	15.2	7.3	6.0
P/BV	30.3	11.6	2.4	2.1	1.4	1.2	1.0
M Cap/Sales	4.1	3.2	1.8	1.1	0.7	0.4	0.4
EV/Sales	4.4	3.4	2.2	1.4	0.9	0.6	0.5
EV/EBITDA	58.7	31.9	15.8	10.3	6.7	4.4	3.7

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