

Q3FY18 Result Update
Buy

Industry	Cables
Close Price (Rs)	258.1
FY20E Target Price (Rs)	477
52 Week H/L (Rs)	307.6/158.0
Volumes (BSE+NSE)*	160,000
Shares O/S (mn)	15.0
Market Cap (Rs bn)	3.9
Free Float (%)	56.4
Bloomberg	CMI IN
Reuters	CMI.BO
*Three month average	

Result Highlights

CMI reported a robust performance during the capacity ramp-up of its Baddi Plant (CMI Energy). Standalone revenues (Faridabad plant) reported a robust growth in revenues, though profitability was muted. However, Baddi plant reported a robust growth in both revenue as well as profitability, leading to better than expected consolidated EBITDA margin and net profit.

Key Result Highlights

1. CMI's standalone revenues jumped 64.5% Y-o-Y to Rs 869mn, largely because of low base in Q3FY17. Revenue from the Baddi plant grew by 117.4% Y-o-Y to Rs 476mn during the quarter.
2. Consolidated revenue during the quarter jumped 80% Y-o-Y to Rs 1,345mn, though still lower than our estimate of Rs 1,475mn.
3. Our estimates suggest that capacity utilization at the Baddi plant stood at 20%, a marginal sequential improvement of about 200bps on a Y-o-Y basis.
4. Standalone EBITDA margin stood at 12.3%, lower by 215bps Y-o-Y. However, robust profitability from CMI Energy led to a significant improvement of 205bps Y-o-Y in the consolidated EBITDA margin to 14.3%, higher than our estimate of 12.5%.
5. Consolidated EBITDA grew 110.1% Y-o-Y to Rs 192mn in Q3FY18, a tad higher than our estimate of Rs 184mn.
6. Net profit during the quarter stood at Rs 68mn, up 231.8% Y-o-Y. This was almost in-line with our estimate of Rs 69mn.

Share Holding Pattern as on December 31, 2017

Particulars	Shares (mn)	Holding
Promoters	6.5	43.6%
Institutions	2.1	13.7%
Public & Others	6.4	42.7%
Total	15.0	100.0%

Source: BSE

Financial Highlights

(Rs mn)	FY18E	FY19E	FY20E
Sales	6,073	9,158	10,744
EBITDA	843	1,301	1,566
EBITDA Margin	13.9%	14.2%	14.6%
PAT	314	570	716
EPS (Rs)	20.9	37.9	47.7
P/E (x)	12.3	6.8	5.4
EV/EBITDA (x)	5.7	4.1	3.3
RoCE	13.0%	15.9%	16.1%
RoE	12.3%	17.1%	18.1%

Daily Closing Share Price Chart

Outlook and Valuations

The baddi plant continued to ramp-up in Q3F18 in-line with our expectations to achieve revenue of Rs 2.5bn in FY18E and Rs 6bn in FY19E. Consequently, our revenue estimates for FY18E, FY19E and FY20E are largely unchanged at Rs 6,073mn, Rs 9,158mn and Rs 10,744mn respectively. Further, margin turnaround of the Baddi plant happened faster than our expectations. Consequently, we upgrade our EPS estimates for FY18E, FY19E and FY20E to Rs 20.9, Rs 37.9 and Rs 47.7 from Rs 19.8, Rs 39.2 and Rs 48.3 respectively.

At the CMP of Rs 258.1, CMI trades at a P/E of 6.8X FY19E and 5.4x FY20E. We assign a P/E multiple of 10XFY20E earnings, giving a FY20E target price of Rs 477, an annualized upside of 39.9%. On the back of robust earnings visibility, we continue to rate **CMI Ltd** as a 'Buy'.

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Consolidated Quarterly Result Highlights

Particulars (Rs mn)	Q3FY18	Q3FY17	Y-o-Y Change	Q2FY18	Q-o-Q Change	9MFY18	9MFY17	Y-o-Y Change
Income from Operations	1,345	747	80.0%	1,343	0.1%	4,003	2,436	64.3%
Raw Material Expenses	1,028	562	83.1%	1,030	-0.1%	3,072	1,908	61.0%
Personnel Expenses	38	31	24.2%	38	1.1%	115	75	52.8%
Other Expenses	86	64	35.6%	91	-5.5%	264	171	53.9%
Total Expenses	1,153	656	75.8%	1,158	-0.5%	3,450	2,154	60.1%
EBITDA	192	92	110.1%	185	4.0%	553	282	96.2%
EBITDA Margin	14.3%	12.3%	205 bps	13.8%	54 bps	13.8%	11.6%	225 bps
Depreciation	26	23	15.3%	26	-1.1%	78	76	3.2%
EBIT	166	69	141.1%	158	4.9%	475	206	130.4%
Interest	68	53	30.1%	70	-1.8%	201	138	45.7%
Other Income	6	14	-57.7%	6	-6.1%	16	33	-52.1%
Exceptional Items	0	0	N.A.	0	N.A.	0	0	N.A.
PBT	104	30	243.2%	95	9.1%	290	101	186.9%
Taxes	35	10	267.6%	33	5.2%	99	35	184.3%
Net Profit	68	21	231.8%	61	11.3%	190	66	188.3%
Net Profit Margin	5.1%	2.8%	233 bps	4.6%	51 bps	4.7%	2.7%	204 bps
EPS (Rs)	4.5	1.4	231.8%	4.1	11.3%	12.7	4.4	188.3%

Standalone Quarterly Result Summary

Particulars (Rs mn)	Q3FY18	Q3FY17	Y-o-Y Change	Q2FY18	Q-o-Q Change	9MFY18	9MFY17	Y-o-Y Change
Income from Operations	869	528	64.5%	900	-3.4%	2,703	2,123	27.3%
EBITDA	107	76	40.0%	129	-17.1%	366	299	22.4%
EBITDA Margin	12.3%	14.5%	-215 bps	14.4%	-204 bps	13.5%	14.1%	-54 bps
Net Profit	46	35	30.7%	54	-15.5%	165	161	2.5%
Net Profit Margin	5.2%	6.6%	-136 bps	6.0%	-75 bps	6.1%	7.6%	-148 bps
EPS (Rs)	3.0	2.3	30.7%	3.6	-15.5%	11.0	10.7	2.5%

Consolidated Income Statement

Y/E March (Rs mn)	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	1,051	1,358	2,417	3,827	6,073	9,158	10,744
<i>Net Sales Growth</i>	<i>18.7%</i>	<i>29.1%</i>	<i>78.0%</i>	<i>58.3%</i>	<i>58.7%</i>	<i>50.8%</i>	<i>17.3%</i>
Expenditures:							
Raw Materials' Expenses	925	1,077	1,968	3,239	4,555	6,869	8,058
Personnel Expenses	19	21	33	115	182	275	322
Other Expenses	99	128	133	313	493	714	798
Total Expenditure	972	1,214	2,080	3,293	5,230	7,857	9,178
EBITDA	79	144	337	534	843	1,301	1,566
Depreciation	8	9	13	101	109	116	124
EBIT	71	135	324	432	734	1,185	1,442
Financial Charges	56	59	92	206	275	359	404
Other Income	13	15	113	0	0	0	0
PBT	28	91	1,135	227	459	826	1,038
Provision of Tax	10	28	75	-74	145	256	322
PAT	18	63	1,060	301	314	570	716

Consolidated Balance Sheet Summary

Y/E March (Rs mn)	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Sources of Funds							
Equity Capital	35	115	141	148	150	150	150
Reserves & Surplus	106	256	1,613	1,898	2,910	3,457	4,151
Total Networkth	141	370	1,753	2,046	3,060	3,608	4,301
Total Loans	366	330	1,099	1,306	1,676	2,270	2,575
Deferred Tax Liabilities	-2	-9	-20	-179	-179	-179	-179
Total Capital	505	691	2,833	3,173	4,557	5,698	6,697
Application of Funds							
Gross Block	195	237	2,015	2,090	2,251	2,401	2,551
Accumulated Depreciation	142	155	352	453	561	677	801
Net Block	53	82	1,662	1,637	1,690	1,724	1,750
Capital Work-in-Progress	0	0	73	49	38	38	38
Investments	0	0	0	0	0	0	0
Current Assets:							
Inventories	328	348	451	1,004	1,581	2,384	2,796
Sundry Debtors	235	366	653	1,410	2,246	3,387	3,974
Cash and Bank	6	31	72	88	771	822	1,240
Loans and Advances	60	113	417	399	425	641	752
Total Current Assets	642	858	1,614	2,904	5,025	7,237	8,765
Current Liabilities & Provisions	190	249	516	1,418	2,196	3,300	3,856
Net Current Assets	452	609	1,098	1,487	2,829	3,937	4,910
Capital Employed	505	691	2,833	3,173	4,557	5,698	6,697

Consolidated Cash Flow Statement

Y/E March (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
CASH FLOW FROM OPERATING ACTIVITIES								
Net profit After Depreciation	17	18	63	1,060	301	314	570	716
Adjustments for:								
Depreciation	10	8	9	13	101	109	116	124
Interest Expenses	47	56	59	92	206	275	359	404
Other Adjustment/ Exceptional Items	-10	-3	-8	-793	-21	0	0	0
Operating Profit before Working Capital Changes	64	79	123	372	586	698	1,045	1,244
Change in Working Capital	-34	-114	-153	-411	-529	-660	-1,056	-555
Net Cash from Operating Activities	30	-34	-30	-40	58	38	-11	689
CASH FLOW FROM INVESTING ACTIVITIES								
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
Net Cash used in Investing Activities	-13	0	-39	-123	-218	-150	-150	-150
CASH FLOW FROM FINANCING ACTIVITIES								
Equity Share Capital Issued	2	0	164	265	34	718	0	0
Proceeds from Borrowings	37	55	-36	21	367	370	594	305
Interest Paid	-47	-56	-59	-92	-206	-275	-359	-404
Dividend Paid (including Dividend Tax)	0	0	0	-16	-18	-18	-23	-23
Other Adjustments	0	0	11	0	0	0	0	0
Net Cash from / (used in) Financing Activities	-7	-1	80	178	177	794	212	-121
Net increase in Cash and Cash Equivalents	10	-36	10	16	17	683	51	418
Cash and Cash Equivalents as at the beginning of the year	31	41	20	30	72	88	771	822
Adjustment due to Demerger/Amalgamation	0	0	0	26	-1	0	0	0
Cash and Cash Equivalents as at the end of the year	42	6	31	72	88	771	822	1,240

Key Financial Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Liquidity Ratios							
Current Ratio	3.4	3.4	3.1	2.0	2.3	2.2	2.3
Quick Ratio	1.7	2.1	2.3	1.3	1.6	1.5	1.5
Leverage Ratios							
Total Debt/Networth	2.6	0.9	0.6	0.6	0.5	0.6	0.6
Interest Coverage Ratio	1.3	2.3	3.5	2.1	2.7	3.3	3.6
Working Capital/Sales	0.4	0.4	0.5	0.4	0.5	0.4	0.5
Activity Ratios							
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
Profitability Ratios							
Operating Profit Margin	7.5%	10.6%	13.9%	13.9%	13.9%	14.2%	14.6%
Net Profit Margin	1.7%	4.6%	43.8%	7.9%	5.2%	6.2%	6.7%
Return on Capital Employed	9.6%	15.6%	17.2%	19.1%	13.0%	15.9%	16.1%
Return on Equity	13.3%	24.6%	99.8%	15.8%	12.3%	17.1%	18.1%
Valuation Ratios							
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	203.6	240.1	286.2
EPS (Rs)	1.2	4.2	70.5	20.0	20.9	37.9	47.7
CEPS (Rs)	1.7	4.8	71.4	26.8	28.1	45.7	55.9
Dividend Payout	0.0%	0.0%	1.3%	4.9%	4.8%	3.3%	2.6%
Dividend Yield	0.0%	0.0%	0.4%	0.4%	0.4%	0.5%	0.5%
P/E	219.5	61.5	3.7	12.9	12.3	6.8	5.4
P/BV	27.4	10.5	2.2	1.9	1.3	1.1	0.9
M Cap/Sales	3.7	2.9	1.6	1.0	0.6	0.4	0.4
EV/Sales	4.0	3.1	2.0	1.3	0.8	0.6	0.5
EV/EBITDA	53.5	29.0	14.6	9.6	5.7	4.1	3.3

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