

CMI Ltd. Result Update Q1FY18

September 18, 2017

CMI Limited (CMIL) incorporated in 1967 originally known as Choudhari Metal Industries was engaged in copper metal Trade, copper melting and rod casting. From Copper metal trade it diversified to manufacturing cables. CMIL started manufacturing PVC switch board cables, control cables, screened cables, FRLS cables, and data transmission cables etc. Since 1980 CMIL started manufacturing of Polyethylene Insulated Jelly Filled Telephone Cables. From 1986 it was supplying cables to various customers including DoT (Aerial cables, Drop wire, and switch Board Cables etc.) Defense, Railways and other projects both in private and public sectors. It is an approved vendor to supply signaling cables to railways and it constitutes primary source of the company's revenue. CMIL is a sole supplier for Indian Space Research Organization for specific cables used in Multi Object tracking system

Latest quarter analysis :

- CMIL's revenues increased by 70% to Rs.1315.2mn in Q1FY18 as against Rs. 770.8 Mn in Q1FY17.
- EBITDA increased by 112.9% to Rs.176.1 Mn in Q1FY18 as against Rs.82.7 Mn in Q1FY17. EBITDA margins also increased to 13.4% in Q1FY18 as against 11.8% in Q1FY17.
- PAT increased by 299.3% to Rs.60.3 Mn in Q1FY18 from Rs.15.6 Mn in Q1FY17. Net profit margin stood at 4.6% vs 2.0% in Q1FY17.
- Break up of key expenditures include cost of materials consumed at Rs.1122.40 Mn employee cost at Rs.39.0 Mn, finance cost 62.8 Mn and Depreciation & Amortization exp. at Rs.25.8 Mn and other expenses at Rs.86.6. Mn
- During Q1FY18, the company's operating income and EBITDA has increased backed by the increase in sales which is quite satisfactory considering the uncertainties in business due to implementation of GST in the current quarter.
- The benefits acquired by the acquisition of General cables energy India Pvt. Ltd subsidiary of General Cable Corporation in FY16 reflected strong financials both in terms of top line and PAT in Q1 FY18 as compared to Q1 FY 17.

Outlook :

CMIL is one of the leading manufacturers of wires and cables seeing the promising outlook of the wires and cables industry which is expected to grow at CAGR of 15% by FY22. Due to growing demand from the power infrastructure and communication sector, we expect new avenue for growth will open in future for the company. Railways and power sector are the major revenue contributors for CMIL. The gradual efforts of Indian railway to modernize the signaling system and huge investment of government in power sector to expand the generation capacity as well as to promote the transmission and distribution segment will help to boost the demand for railway signaling and power cables which will in turn help the company to increase its top line in the future. The boost in the Infrastructure sector will also benefit well for wires and cable Industry as well as the company. The benefits received by acquisition of General Cable Energy India Pvt Ltd will continue in coming quarters ensuring higher product capacity and wider client base. New orders received from East Central railways and BHEL in 2017 will help the top line to grow in coming quarters. At a CMP of Rs. 199.4, CMIL, is trading at a TTM P/E multiple of 8.7x, which is at a discount to the peer average of 16.4x. on the EV/EBITDA front too the Company is trading at a TTM of 5.5x which is at discount to the peer average of 10.0x. Anticipating the future growth potential of the various sectors to which the company caters along with CMIL diversified product portfolio and large customer base, we revise our rating to "Buy" from "Buy & add on dips".

Quarterly Snapshot :

Particular (Rs. Mn)	Q1FY18	Q1FY17	Change (YoY)	Q4FY17	Change (QoQ)
Total Revenue	1315.2	770.3	70.7%	1357.9	-3.1%
EBITDA (Excl OI)	176.1	82.7	112.9%	286.5	-38.5%
EBITDA Margin (%)	13.4%	10.7%	2.65%	21.1%	-7.71%
PAT	60.3	15.1	299.3%	234.7	-74.3%
NPM (%)	4.6%	2.0%	2.62%	17.3%	-13%

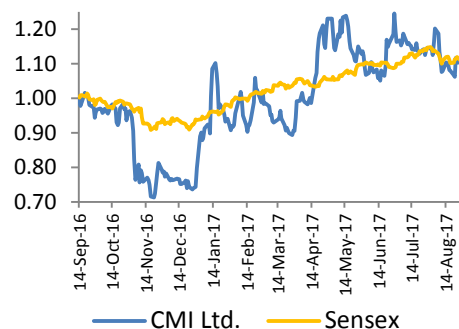
Rating Matrix

CMP	Rs. 199.4
Rating	Buy
Current Level	Investment
Upside Potential	30%
Target Period	12-18 Months
52 week H/L	Rs. 236.5/118.1
Face value	Rs. 10
Sector	Other Electrical Equip
Category	Small Cap
F&O Stock	No
Level of Risk at CMP	Safe Level - N/A Risky Level - N/A

Shareholding Pattern

Particulars	Jun'17	Mar'17	Dec'16
Promoter	43.5%	42.6%	42.6%
FPIs	10.0%	10.2%	10.2%
Insti.	10.3%	10.6%	10.4%
N. Insti.	36.2%	36.6%	36.8%

Relative Capital Market Strength



Report Update History

Date	Rating	CMP	Highest price since last update
August 18, 2016	Buy & add on dips	202.3	223.0
September 14, 2017	Buy	199.4	

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Financial Snapshot :

Particulars (Rs. Mn)	FY13	FY14	FY15	FY16	FY17
Revenue from operations	885.6	1051.3	1357.6	2402.1	3778.7
Gr (%)	21.6%	18.7%	29.1%	76.9%	57.3%
EBITDA (Excl OI)	75.3	79.2	143.9	336.8	533.5
EBITDA Margin (%)	8.5%	7.5%	10.6%	14.0%	14.1%
PAT	16.7	17.7	63.0	1059.8	300.7
NPM (%)	1.9%	1.7%	4.6%	44.1%	8.0%
Net Worth	123.7	141.4	370.2	1753.5	2044.3
Total Assets	631.1	697.3	948.7	3221.4	4768.3
Debt	310.7	365.8	329.9	867.1	1306.4
Cash flow from Operations	29.7	34.5	-30.2	-40.1	0.0
D/E (x)	2.5	2.6	0.9	0.5	0.6
Current Ratio (x)	1.5	1.45	1.5	1.7	1.3
Profitability ratios (%)					
ROCE (%)	14.9%	14.0%	19.3%	12.4%	12.9%
ROE (%)	13.5%	12.5%	17.0%	60.4%	14.7%
ROA (%)	2.6%	2.5%	6.6%	32.9%	6.3%
Efficiency ratios (x)					
Receivable days	72.6	70.8	60.8	68.9	92.6
Inventory days	85.0	90.4	51.4	54.0	70.0
Payable days	61.87	53.94	25.33	45.97	66

Peer Comparison :

Companies	CMP	ROE (TTM)	12MR(%)	M. Cap (Rs. Mn)	EPS (TTM)	BVPS	EBIDTA Margin (%)	NPM (%)
CMI Limited	199.4	16.9%	204.1	2996.4	23.0	136.2	13.5%	7.5%
Finolex Cables Limited	541.0	15.1%	537.8	82746.0	22.9	151.5	14.0%	12.5%
Precision wires India Limited	193.0	12.6%	199.1	4463.7	11.2	89.5	6.4%	2.7%
Ram Ratan Wires Limited	162.0	23.1%	165.3	3562.9	10.1	43.6	6.2%	2.6%
Average	273.8	16.9%	276.6	23442.2	16.8	105.2	10.0%	6.3%

Companies	P/E (x)	P/Bv (x)	P/Sales (x)	EV/EBIDTA (x)	D/E	PAT(Rs. Mn) (TTM)	EBIDTA(Rs. Mn) (TTM)	Sales (Rs. Mn) (TTM)
CMI Limited	8.7	1.5	0.7	5.5	0.2	345.67	620.40	4,595.24
Finolex Cables Limited	23.6	3.6	3.0	20.6	0.0	3,506.00	3,910.40	27,981.40
Precision wires India Limited	17.2	2.2	0.5	6.9	0.0	260.08	627.59	9,748.16
Ram Ratan Wires Limited	16.1	3.7	0.4	7.1	0.3	221.81	524.76	8,494.84
Average	16.4	2.7	1.1	10.0	0.1	1083.4	1420.8	12704.9

Choice's Rating Rationale

The price target for a large cap stock represents the value the analyst expects the stock to reach over next 12 months. For a stock to be classified as Outperform, the expected return must exceed the local risk free return by at least 5% over the next 12 months. For a stock to be classified as Underperform, the stock return must be below the local risk free return by at least 5% over the next 12 months. Stocks between these bands are classified as Neutral.

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- Opportunities to invest in fundamentally strong stocks at a low arise only 2-3 times in a full year cycle.
- Investors are advised to sell the stock if the recommended upside potential achieves.
- If recommended upside potential remains under-achieved, investors are advised to consider the update report on suggested stock.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report) Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.

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