

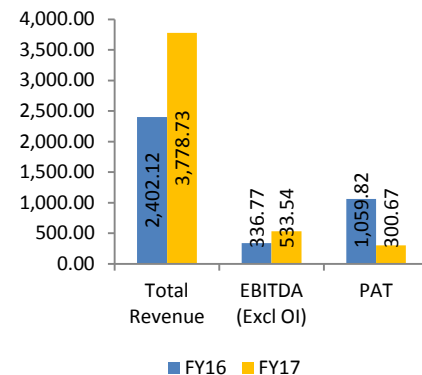
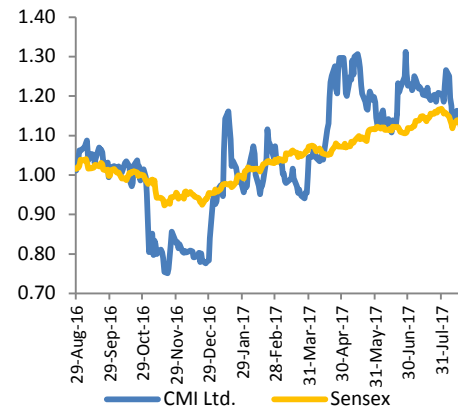
### Rating Matrix

CMP	Rs. 202.3
Rating	Buy & add on dips
Holding Period	12-18 Months
Current Level	Long Term Investment
52 week H/L	Rs. 236.5/118.1
Upside Potential	30%
Face value	RS. 10
Sector	Other Elect Equip
Category	Small Cap
F&O Stock	No
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



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.

**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 FY 22 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. CMIL, operating income and EBITDA grew at CAGR of 43.7% & 63.1% respectively. The Operating income margins and EBITDA margins constantly improved during FY13-17 backed by increase in top line and reduction in cost of material consumed, The benefits acquired by the acquisition of General cables energy India Pvt. Ltd in FY16 are expected to continue in the coming quarter and also new orders received from East Central railways and BHEL in 2017 will help the operating income to grow in coming quarter. At a CMP of Rs. 202.3, CMIL, is trading at a TTM P/E multiple of 9.9x, which is at a discount to the peer average of 28.0x. on the EV/EBITDA front too the Company is trading at a TTM of 6.4x which is at discount to the peer average of 16.8x. 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 feel that it has huge growth potential and thus we assign "Buy & add on dips" rating on this stock.

Particular (RS. Mn)	Q4FY17	Q4FY16	Change (YoY)	Q3FY17	Change (QoQ)
Total Revenue	1342.4	712.4	88.4%	747.3	79.6%
EBITDA (Excl OI)	218.8	94.4	131.7%	105.4	107.6%
EBITDA Margin (%)	16.3%	13.3%	3.05%	14.1%	2.19%
PAT	234.7	943.1	-75.1%	20.4	1050.8%
NPM (%)	17.5%	132.4%	-114.91%	2.7%	15%

## Industry Overview:

**Wires and Cables Industry:** The growing investment in power, infrastructure and communication projects has kept the growth engine for wires and cables industry running by strong demand from power, telecom, railway and petroleum sectors. This, coupled with the government's 'Make in India' programme, is expected to keep the growth momentum of the industry in a healthy trend going ahead also At present, wires and cables form about 25% - 30% of the electrical equipment industry, and is expected to maintain its share in the overall spend on electrical equipment. With the Indian electrical equipment industry growing at a CAGR of 15% through FY2021-22, the wires and cables industry is also estimated to grow at least at the same pace

**Railway Industry:** The Indian Railways is also gradually modernizing the signaling systems. The up-gradation of the old signaling system, maintenance of existing RRI system and new RRI deployment will create an enormous demand for cables in India. Supply of wires and cables to railways has seen a CAGR of 88 percent over FY 13-17 and it is expected to continue growing at a CAGR of 28-30 percent over the next few years (FY 17-19). With an impetus from the Government for electrification and modernization of signaling system, the demand for railway signaling cables will be robust for the foreseeable future. The outlook here is positive both in the near as well as long term.

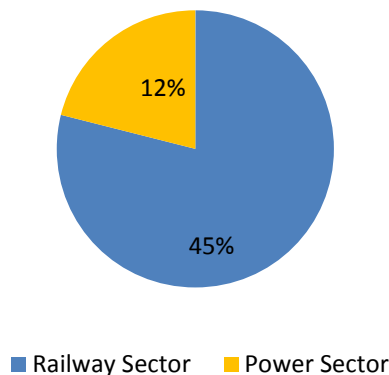
**Power Industry :** Power industry acts as a very important spoke in wheel of development for economy. The government has been prioritizing investment for developing power infrastructure in the country. During the 12<sup>th</sup> five year plan government of India crave to have ambitious growth plan for the power sector. It marked a huge investment in power sector to expand the power generation capacity as well as to promote the transmission distribution segment. The government plan is expected to boost the demand for power cable in the future.

## Major Highlights

**Order Bags:** CMI Limited has been awarded orders worth more than Rs 30 crore from East Central Railways and BHEL (Bharat Heavy Electricals Ltd) to provide railway signaling cables and HT XPLE cables, respectively .The order worth Rs 9.97 crores from BHEL to supply HT XPLE cables will be delivered within the next 4 months, while the order for the railway signaling cables for Rs 20.68 crores will be staggered over a period of 8 months. These orders are also revenue accretive and together with several other orders (received in May 2017), will add over Rs 151 core to the topline for FY 17-18.

**Acquisition of General Cables energy:** The merger with General Cables Energy India PVT Ltd. a fully-owned subsidiary of General Cable Corporation (GCC), effective from April 2016 has opened up revenue generation opportunity and helped in creating synergies, which has already been reflected in very strong financials for FY17 both in terms of topline and PAT and also ensuring a higher product capacity which will help it bid for bigger projects in future.

Major Revenue Segmentation



Particulars (Rs. Mn)	FY13	FY14	FY15	FY16	FY17
	Standalone			Consolidated	
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
<b>Profitability ratios (%)</b>					
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%
<b>Efficiency ratios (x)</b>					
Receivable days	73	71	73	69	93
Inventory days	85	90	82	54	70
Payable days	62	54	45	46	66

**Peer Comparison:**

Companies	CMP	ROE (TTM)	12MR(%)	M. Cap (Rs. Mn)	EPS (TTM)	BVPS	EBIDTA Margin (%)	NPM (%)
<b>CMI Limited</b>	202.3	14.7%	201.1	2989.5	20.3	138.3	12.7%	7.1%
Finolex Cables Limited	530.0	12.9%	526.7	81063.5	19.6	151.5	15.0%	11.3%
Havells India Limited	485.4	15.2%	482.8	303295.2	8.0	52.4	13.1%	7.9%
Ram Ratan Wires Limited	146.5	23.0%	142.0	3223.0	10.0	43.6	6.5%	2.8%
<b>Average</b>	341.0	16.5%	338.1	97642.8	14.5	96.5	11.8%	7.3%

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)
<b>CMI Limited</b>	9.9	1.5	0.7	6.4	0.2	300.70	533.50	4,207.30
Finolex Cables Limited	27.1	3.5	3.1	20.0	0.0	2,995.20	3,959.40	26,476.90
Havelles India Limited	60.8	9.3	4.8	34.2	0.0	4,988.80	8,301.10	63,304.20
Ram Ratan Wires Limited	14.6	3.4	0.4	6.5	0.3	220.20	517.90	7,956.60
<b>Average</b>	28.1	4.4	2.2	16.8	0.1	2126.3	3328.0	25486.3

\* PAT of FY 16 includes and extra ordinary item of Rs.792.3 Million



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### 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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