

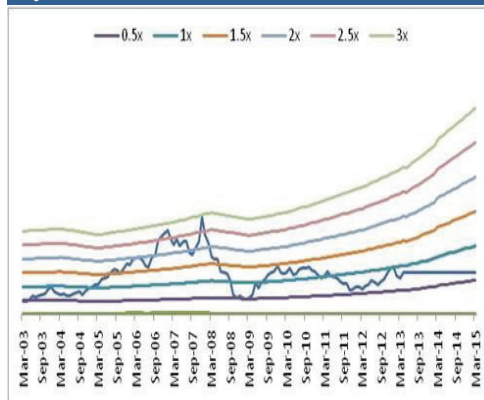
Result update	BUY
CMP	52
Target Price	73
Previous Target Price	NA
Upside	40%
Change from Previous	NA

Market Data	
BSE Code	500144
NSE Symbol	FINCABL
52wk Range H/L	64/32
Mkt Capital (Rs Crores)	796
Average Daily Volume	94300
Nifty	6049

Stock Performance-%	1M	1yr	YTD
Absolute	4	55	3
Rel. to Nifty	(4)	40	(3)

Share Holding Pattern-%	Current	4QFY13	3QFY13
Promoters	35.8	35.8	35.7
FII	1.0	1.0	0.9
DII	11.3	11.3	12.3
Others	52.0	52.0	51.2

1 yr Forward P/B



Finolex Cable reported its Q4FY13 results;

Finolex Cable reported its Q4FY13 results; Company topline were marginally below our estimates, however on bottom line front there is expansion in company EBITDA margin by 160 bps largely driven by robust performance of company Electrical cable segment where company get the direct advantage of sharp decline in copper prices. Derivative loss on account of hedging strategy of the company stands Rs. 8 cr against Rs. 10.1 cr during the corresponding period of previous year, however for FY13 it stands Rs. 23 cr against 36.4 cr for the same period.

Fluctuation in copper prices: Copper is the major raw material required for the manufacturing of electrical cables. The price of copper in India is a function of the LME price and the USD/INR. The recent sharp reduction in copper prices benefited Finolex Cables, and we assume that the prices of copper will flat from here now and the advantage of decrease in prices will continue to accrue to the company in current fiscal also. However If the rupee were to weaken, one can expect local copper prices to move up and leading to higher raw material costs for company.

Outlook: FCL being one of the leading players in the cable industry seems well placed to capture huge opportunities considering the strengths & the industry in which the Company is operating. Derivative losses coupled with bleak performance by communication cable segment were the major reasons for de-rating of the stock in past which in our view seems to have been overdone. The company's LT division is doing very well, they have recently entered into HT and Extra High Voltage (EHV) cable verticals. The company has market share of around 15-16 percent in both electrical and telecommunication verticals. Further the company has approved setting up a captive 5 MW solar power plant at its manufacturing facilities at Urse, Pune at an estimated cost of Rs 40 crore.

Derivative loss: Derivative losses coupled with bleak performance by communication cable segment were the major reasons for de-rating of the stock in past which in our view seems to have been overdone.

Company FY13 result on topline front were marginally below our expectation which led us to cut our revenue estimate for FY14E by 3 %. However improvement is seen in company EBITDA margin by 160 bps (YoY). We advised our readers to hold the stock and even one can also make a fresh buy at current market price. Looking at the current environment, operating performance and growth prospectus for the company the stock may post the EPS of Rs. 13.2 (Revised from Rs. 10.6) & Rs. 14.7 in FY14E & FY15 and RoE of 18.3% (Revised from 15.3%) & 17.2% in FY14E & FY15E. Even on valuation parameters it is trading at near four times its FY14 earnings & even less than four at FY15 earnings, which we believe is highly undervalued. Readers are advised to hold/buy the stock at current market price with a target price of Rs. 73.

Financials

	4QFY13	3QFY13	(QoQ)-%	4QFY12	(YoY)-%
Revenue	632.1	534.3	18.3	604.8	4.5
EBITDA	66.5	42.9	54.8	58.2	14.2
PAT	38.8	24.0	61.7	44.6	-13.0
EBITDA Margin	10.5	8.0	250 bps	9.6	90 bps
PAT Margin	6.1	4.5	160 bps	7.3	(120) bps

(Source: Company/Eastwind)

FINOLEX CABLES Ltd.

Capacity Expansion:

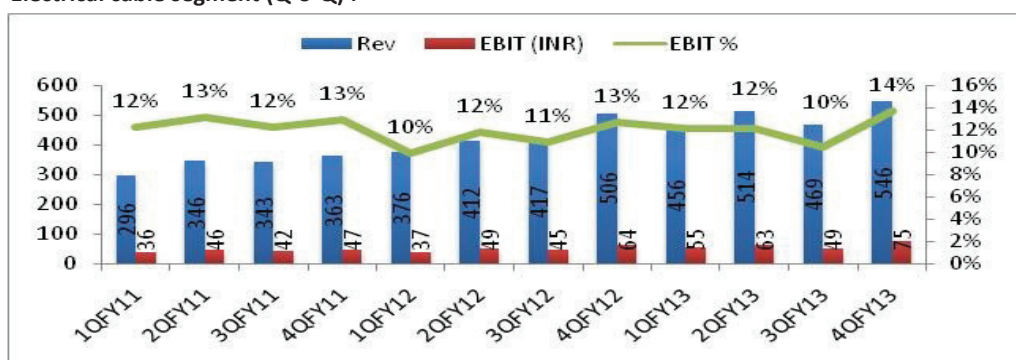
Looking forward, the Pune manufacturing operations would be consolidated at the Urse site. This will help further improve the costcompetitiveness in the Low Duty Electrical Cables offered by Company. The Roorkee facility will be expanded over the next 18 months at a cost of aproximately Rs.1,000 million. This expenditure will double the current capacity at Roorkee and will further help improve profitability in view of the fiscal benefits that will accrue.

Business overview:

Finolex Cables Ltd, the flagship company of the Finolex Group is one of the India's largest & leading manufacturer of electrical and telecommunication cables. Electrical Cables forms the major portion wherein the Company manufactures cables in the range of 1.1 Kv – 66 Kv having application across various industries. In case of Communication Cables, it manufactures Optic fibre cables, Coaxial cables, Jelly-filled cables etc. Copper Rods being one of the major inputs for Cables is produced in-house & is majorly used for captively.

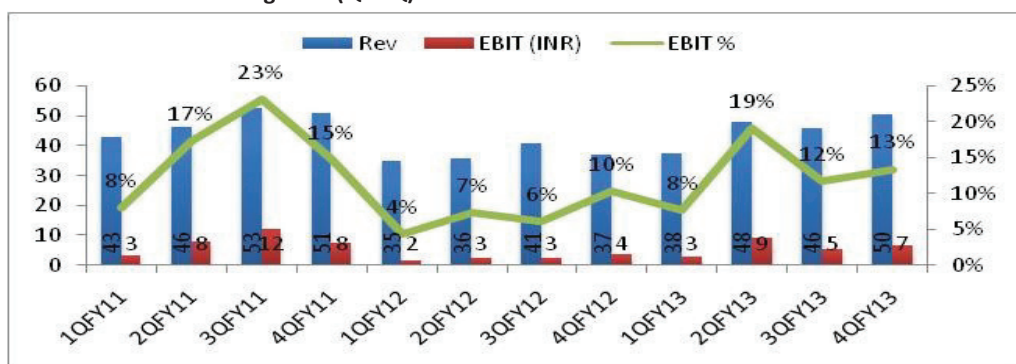
Story in graphs:

Electrical cable segment (Q-o-Q) :



(Source: Company/Eastwind)

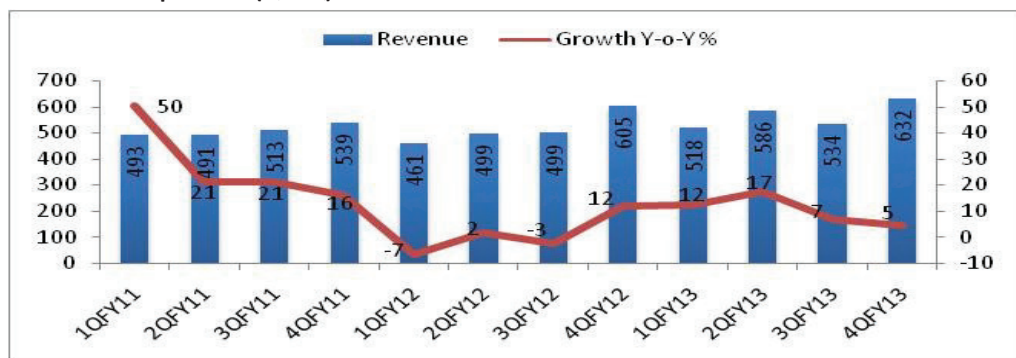
Communication cable segment (Q-o-Q) :



(Source: Company/Eastwind)

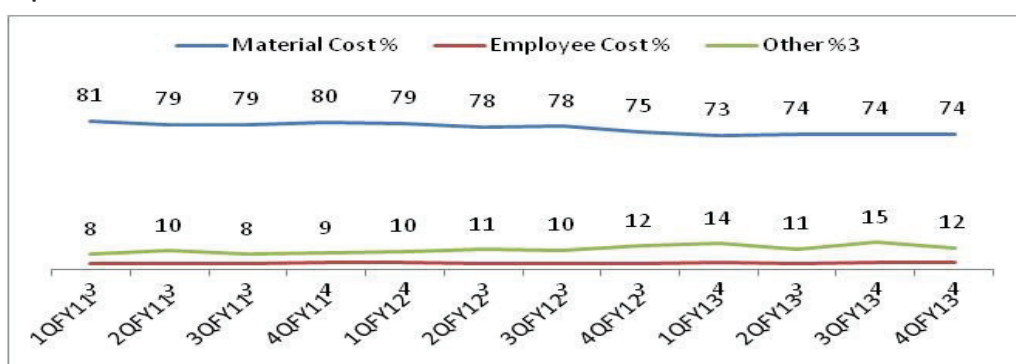
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Revenue from operation (Q-o-Q) :

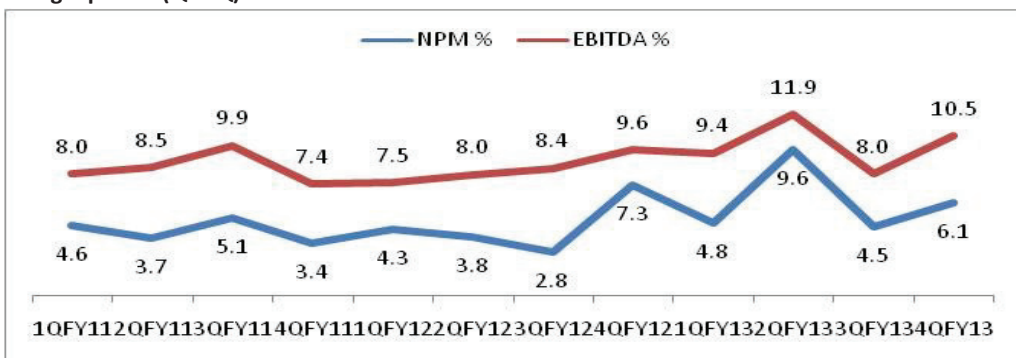


(Source: Company/Eastwind)

Expenditure to sales % :



Margin profile (Q-o-Q) :



(Source: Company/Eastwind)

FINOLEX CABLES Ltd.

Result highlights :

Consolidated	Quarterly					Yearly		
	4QFY13	3QFY13	Q-o-Q %	4QFY12	Y-o-Y %	FY13	FY12	Y-o-Y %
Net Revenue	632.1	534.3	18.3%	604.8	4.5%	2270.7	2064.0	10.0%
Operating Exp.	565.7	491.4	15.1%	546.5	3.5%	2041.9	1889.2	8.1%
EBITDA	66.5	42.9	54.8%	58.2	14.2%	228.7	174.8	30.9%
EBITDA (%)	10.5%	8.0%		9.6%		10.1%	8.5%	
Depreciation	14.7	10.8	36.7%	7.1	105.7%	46.6	39.5	18.1%
EBIT	51.8	32.2	60.9%	51.1	1.4%	182.1	135.3	34.6%
EBIT (%)	8.2%	6.0%		8.4%		8.0%	6.6%	
Interest	4.2	2.6	59.1%	7.5	-43.7%	12.5	26.1	-52.2%
Other Income	6.6	1.6	318.4%	9.4	-29.4%	24.2	36.4	-33.6%
Excep.l Items	(8.0)	(2.3)		(10.1)		(23.0)	(36.4)	
PBT	46.2	28.8	60.3%	42.9	7.7%	170.8	109.3	56.3%
Tax Provision	7.4	4.8	53.3%	-1.7	-541.7%	25.5	11.1	130.5%
Tax Rate (%)	16.1%	16.8%		-3.9%		15.0%	10.1%	
Reported PAT	38.8	24.0	61.7%	44.6	-13.0%	145.3	98.2	47.9%
PAT (%)	6.1%	4.5%		7.3%		6.3%	4.7%	
EPS	2.5	1.6	61.7%	2.9	-13.0%	9.5	6.4	47.9%

(Source: Company/Eastwind)

Segmental performance :

Consolidated	Quarterly					Yearly		
	4QFY13	3QFY13	Q-o-Q %	4QFY12	Y-o-Y %	FY13	FY12	Y-o-Y %
Segment Revenue								
Electrical Cables	546.2	468.6	16.6%	506.0	7.9%	1985.20	1711.50	16.0%
Communication Cables	50.4	46.0	9.5%	37.0	36.0%	181.9	148.2	22.7%
Copper Rods	196.8	135.6	45.2%	231.5	-15.0%	699.2	932.8	-25.0%
Other	54.5	38.3	42.4%	34.5	57.8%	176.7	151.3	16.8%
Segment EBIT (INR)								
Electrical Cables	74.9	49.2	52.2%	64.0	16.9%	242.0	195.1	24.0%
Communication Cables	6.8	5.4	24.5%	3.8	77.2%	24.3	10.5	131.0%
Copper Rods	2.1	0.8	163.0%	2.2	-4.9%	4.1	6.0	-32.1%
Other	-0.4	-0.4	-6.8%	-2.9	-85.8%	-2.5	-8.9	-71.6%
Segment EBIT (%)								
Electrical Cables	13.7%	10.5%		12.7%		12.2%	11.4%	
Communication Cables	13.4%	11.8%		10.3%		13.3%	7.1%	
Copper Rods	1.1%	0.6%		1.0%		0.6%	0.6%	
Other	-0.8%	-1.1%		-8.3%		-1.4%	-5.9%	

(Source: Company/Eastwind)

FINOLEX CABLES Ltd.

Business Verticals :

Wires and Cables:	Switches	CFLS	PVC-U Pipes & Fittings	Chemicals	Optic Fibre	Copper Rods	PVC Resin
1. Light Duty Cables: (a) Electrical Wires (b) Flexible Industrial Cables (c) Winding Wires & 3 Core Flat Cables (d) 3 Core Flat Cables (XLPE) (e) Battery Cables (f) Auto Cables	1. Premium Range 2. Classic Range 3. Mounting Boxes	1. Retrofit lamps 2. Non retrofit lamps	1. Agriculture Systems 2. Sanitation Systems 3. Plumbing Systems	1. Ethylene Di Chloride 2. Methanol	1. FinOptic LWPF 2. FinOptic LBLF 3. FinOptic NZDSF		
2. Power & Control Cables: (a) LV Power and Control Cables (b) HV Power Cables							
3. Communication Cables (a) Co-axial Cables (b) OFC (c) JFTC (d) Telephone and Switchboard Cables (e) LAN Cables (f) 25 Pair CAT-5 LAN Cables (g) Optinet Structured Cabling System							

(Source: Company/Eastwind)

Key financials :

PARTICULAR	2011A	2012A	2013E	2013A	2014E	2014E (Revised)	2015E
Revenue	2036	2064	2294	2271	2569	2498	2748
Other Income	26	36	22	24	22	51	51
Total Income	2062	2100	2316	2295	2591	2549	2798
EBITDA	174	175	197	229	364	250	275
EBIT	135	135	154	182	318	200	223
Depreciation	39	39	43	47	46	50	52
Intrest Cost	19	26	12	12	10	14	14
PBT	107	207	278	316	493	438	484
TAX	22	11	38	26	67	26476	33691
Extra Oridinary Items	(34)	(36)	(15)	(23)	0	0	0
Reported PAT	85	98	129	145	163	201	224
Adjusted PAT	93	98	122	144	141	150	174
EBITDA %	8.5%	8.5%	8.6%	10.1%	8.7%	10.0%	10.0%
NPM %	4.1%	4.7%	5.6%	6.3%	6.3%	7.9%	8.0%
Tax %	20.7%	10.1%	13.6%	15.0%	13.6%	15.0%	13.6%
ROE %	11.9%	12.3%	14.1%	15.7%	15.3%	18.3%	17.2%
ROCE%	8.7%	10.1%	12.2%	13.1%	13.7%	15.6%	15.1%
Dividend Yeild %	1.5%	2.6%	2.0%	2.6%	1.7%	2.9%	2.9%
Book Value	47	52	60	60	70	72	85
P/B	1	1	1	1	1	1	1
P/E	9	5	5	5	5	4	4
EPS	6	6	8	9	11	13	15
EV/EBITDA	6	4	4	4	4	4	4
Net Worth	717	800	915	924	1064	1103	1304
Capital Employed	978	972	1055	1109	1184	1287	1488
Total Debt	260	172	140	184	120	184	184
Debt/Equity	0.4	0.2	0.2	0.2	0.1	0.2	0.1
No of Share (Adj)	15	15	15	15	15	15	15

(Source: Company/Eastwind)