

Result update	Book Partial Profit
CMP	81
Target Price	90
Previous	73
Upside	11%
Change from	0%

Market Data

BSE Code	500144
NSE Symbol	FINCABLES
52wk Range	41/92
Mkt Capital	1,238
Average Daily	94,300
Nifty	6,084

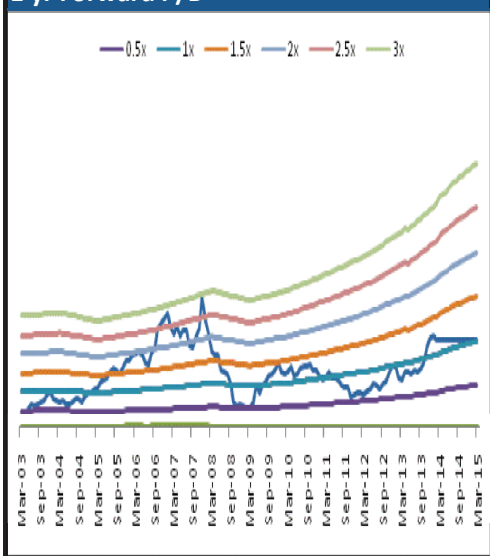
Stock Performance-%

	1M	1yr	YTD
Absolute	(4.1)	46.7	78.0
Rel. to Nifty	(2.7)	43.7	71.0

Share Holding Pattern-%

	3QFY14	2QFY14	1QFY14
Promoters	35.8	35.8	35.8
FII	1.8	1.1	1.0
DII	9.8	10.2	10.5
Others	52.5	52.9	52.8

1 yr Forward P/B



Finolex Cables' (FCL) Q3FY14 PAT of Rs. 24.5 crore was below our estimate owing to lower sales and EBITDA margin. Decline in communication cable segment segments as well as high raw material prices resulted in flat EBITDA growth of 3.2% yoy. Sales rose 5.58% to Rs. 557.55 crore in the quarter ended December 2013 as against Rs. 528.07 crore during the previous quarter ended December 2012. Third Quarter result were marginally below our expectation which led us to revise our estimate on stock, we cut our EPS forecast for FY14E-15E by 8.6%/4.1%. Even after posting marginally below result the stock is quite attractive at current market price of Rs. 81 and left a limited upside of 11%, however we advised our reader to book a part profit on stock

The copper rods segment was initially set up as backward integration for the cables segment. The excess production after captive consumption is sold off to third parties at market price. However, owing to thin and declining margins from third party transactions, FCL is gradually reducing its exposure to the segment. The contribution of the segment to the top-line has decreased from 21% in FY2010 to ~5% currently. This trend is expected to continue, thereby improving the overall EBIT margin of the 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.

Valuation :

We cut our earnings estimates to factor volume decline in electrical & communication cable segment, margin decline in copper rod segment and losses in the others segment. Consequently, we cut our earnings estimates by 8.6% for FY14E (Rs. 11.6/Share) and 4.1% for FY15E (Rs. 12.6/Share). At the CMP of Rs. 81 stock is trading at PE of 7.0/6.4 of FY14E/15E. We revised our rating on stock from "Buy" to "Hold". However owing to slower pace of economic growth further we advised our readers to book part profit on stock and hold the balance with a target price of Rs. 90

Financials

	3QFY14	2QFY14	(QoQ)-%	3QFY13	(YoY)-%
Revenue	563.1	593.1	-5.1%	534.3	5.4%
EBITDA	44.3	76.4	-42.0%	42.9	3.2%
PAT	24.5	80.0	-69.4%	24.0	2.1%
EBITDA Margin	7.9%	9.3%	(140) bps	8.0%	(10) bps
PAT Margin	4.3%	12.8%	(850) bps	4.5%	(20) bps

(Source: Company/ Eastwind Research)

(Standalone)

Finolex Cables Ltd.

Key financials :

PARTICULAR	2009A	2010A	2011A	2012A	2013A	2014E	2015E
Performance							
Revenue	1342	1619	2036	2064	2271	2315	2500
Other Income	51	24	26	36	24	47	42
Total Income	1392	1643	2062	2100	2295	2362	2542
EBITDA	100	195	174	175	229	241	258
EBIT	61	157	135	135	182	191	205
Depreciation	39	37	39	39	47	50	53
Interest Cost	32	19	19	26	12	14	14
PBT	-30	89	107	109	171	234	233
TAX	5	32	22	11	26	56	56
Derivative Loss	-109	-74	-34	-36	-23	10	0
Reported PAT	-35	58	85	98	145	178	185
Dividend	3	9	11	12	18	23	23
EPS	-2.3	3.8	5.6	6.4	9.5	11.6	13.1
DPS	0.2	0.6	0.7	0.8	1.2	1.5	1.5
Yield %							
EBITDA %	7.4%	12.0%	8.5%	8.5%	10.1%	10.4%	10.8%
NPM %	-2.5%	3.5%	4.1%	4.7%	6.3%	7.5%	7.3%
Earning Yield %	-12.0%	7.4%	11.7%	20.6%	20.9%	14.3%	16.2%
Dividend Yield %	1.0%	1.2%	1.5%	2.6%	2.6%	1.9%	1.9%
ROE %	-6.0%	9.0%	11.9%	12.3%	15.7%	16.5%	15.4%
ROCE%	-4.0%	6.3%	8.7%	10.1%	13.1%	14.3%	13.7%
Position							
Net Worth	596	643	717	800	924	1079	1249
Total Debt	296	275	260	172	184	160	160
Capital Employed	892	918	978	972	1109	1239	1409
No of Share	15	15	15	15	15	15	15
CMP	19	51	47	31	46	81	81
Valuation							
Book Value	39.0	42.0	46.9	52.3	60.4	70.6	81.7
P/B	0.5	1.2	1.0	0.6	0.8	1.1	1.0
Int/Coverage	1.9	8.4	7.0	5.2	14.6	13.6	14.6
P/E	-8.3	13.4	8.5	4.9	4.8	7.0	6.4

(Source: Company/ Eastwind Research)