

FINOLEX CABLES LTD.

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.

Result Highlights 3QFY13: (Quarterly Analysis)

Standalone	Q3FY13	Q2FY13	Q-o-Q	Q3FY12	Y-o-Y
Net Revenue	534.3	586.0	-8.8%	499.5	7%
Operating Exp.	491.4	516.0	-4.8%	457.5	7%
EBITDA	42.9	70.0	-38.7%	41.9	2%
EBITDA (%)	8.0%	11.9%	(391) bps	8.4%	(36) bps
Depreciation	10.8	10.7	0.9%	12.8	-16.1%
EBIT	32.2	59.4	-45.8%	29.1	10.5%
EBIT (%)	6.0%	10.1%	(411) bps	5.8%	19 bps
Interest	2.6	2.2	22.8%	8.1	-67.2%
Other Income	1.6	14.8	-89.3%	4.0	-60.3%
Excep.l Items	2.3	6.2	-62.6%	7.9	-70.6%
PBT	31.1	72.0	-56.8%	25.0	24.3%
Tax Provision	4.8	8.3	-41.8%	2.8	72.2%
Tax Rate (%)	16%	12%	401 bps	11%	433 bps
Reported PAT	26.3	63.7	-58.7%	22.2	18.2%
PAT (%)	4.9%	10.6%	(569) bps	4.4%	48 bps
EPS	1.6	3.8	-58.3%	0.9	67.2%

Result Highlights 3QFY13: (Year To Date Analysis)

Standalone	9MFY13	9MFY12	Gr %
Net Revenue	1638.3	1459.2	12.3%
Operating Exp.	1476.5	1343.0	9.9%
EBITDA	161.7	116.2	39.1%
EBITDA (%)	9.9%	8.0%	191 bps
Depreciation	31.9	32.3	-1.2%
EBIT	129.8	83.9	54.7%
EBIT (%)	7.9%	5.7%	217 bps
Interest	8.3	17.6	-53.2%
Other Income	18.1	27.0	-33.1%
Excep.l Items	15.2	26.3	-42.0%
PBT	139.6	93.3	49.7%
Tax Provision	18.1	12.8	42.0%
Tax Rate (%)	13%	14%	(69) bps
Reported PAT	121.5	80.5	50.9%
PAT (%)	7.3%	5.4%	192 bps
EPS	6.9	3.5	95.8%

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Revenue From operation :


Consolidated

(Source: Eastwind)

EBITDA (INR) & EBITDA % :

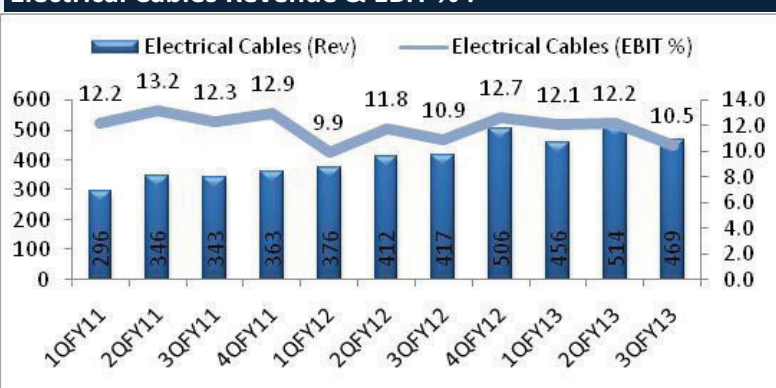

Consolidated

(Source: Eastwind)

PAT (INR) & PAT % :


Consolidated

(Source: Eastwind)

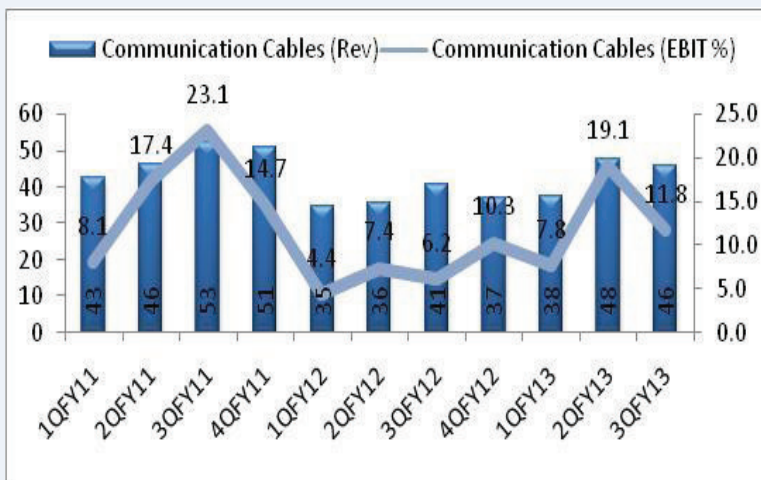
Electrical Cables Revenue & EBIT % :


Consolidated

(Source: Eastwind)

FINOLEX CABLES LTD.
Outlook:

Third Quarter result were marginally below our expectaton which led us to revise our estimate on stock, how ever even after posting marginally below result the stock is very attractive at current market price of Rs. 56 and 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 enviornment and operating performance and growth prospectus of the company the stock may post the EPS of Rs. 10 (Revised from Rs. 11) and ROE of 16.3% (Revised from 18.1%). Even on valuation parameters it is trading at less than six times its FY14 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 (Revised from Rs. 75).**

Communication Cables Revenue & EBIT % :


Consolidated

(Source: Eastwind)

Key Financials:

PARTICULAR	2008A	2009A	2010A	2011A	2012A	2013E	2013E (Revised)
Revenue	1384	1342	1619	2036	2064	2382	2280
Other Income	34	51	24	26	36	34	22
Total Income	1418	1392	1643	2062	2100	2415	2302
EBITDA	146	100	195	174	175	245	223
EBIT	119	61	157	135	135	206	181
Depreciation	26	39	37	39	39	39	42
Intrest Cost	20	32	19	19	26	20	12
Tax	31	5	32	22	11	12	16
PAT	89	(35)	58	85	98	174	153
Dividend	23	3	9	11	12	12	12
EBITDA %	10.5	7.4	12.0	8.5	8.5	10.3	9.8
NPM %	6.3	(2.5)	3.5	4.1	4.7	7.2	6.7
ROE %	13.9	(6.0)	9.0	11.9	12.3	18.1	16.3
ROCE%	9.6	(4.0)	6.3	8.7	10.1	15.6	14.1
Book Value	42	39	42	47	52	63	62
CMP	71	19	51	47	31	75	73
P/B	2	0.50	1.20	1.01	0.60	1.19	1.19
P/E	12		13	9	5	7	7
EPS	6	(2)	4	6	6	11	10
Dividend Per Share	1.5	0.2	0.6	0.7	0.8	0.8	0.8
Total Debt	288	296	275	260	172	150	145
Capital Employed	929	892	918	978	972	1112	1087
Net Worth	642	596	643	717	800	962	942
No of Share	15	15	15	15	15	15	15