

## Finolex Cables

### Performance highlights

| Y/E March (₹ cr) | 3QFY2012   | 2QFY2012   | % chg (qoq)   | 3QFY2011   | % chg (yoy)   |
|------------------|------------|------------|---------------|------------|---------------|
| <b>Net sales</b> | <b>499</b> | <b>499</b> | <b>0.1</b>    | <b>513</b> | <b>(2.6)</b>  |
| EBITDA           | 41         | 40         | 3.7           | 51         | (18.8)        |
| EBITDA (%)       | 8.3        | 8.0        | 29bp          | 9.9        | (165)bp       |
| <b>PAT</b>       | <b>14</b>  | <b>20</b>  | <b>(30.6)</b> | <b>26</b>  | <b>(47.7)</b> |

Source: Company, Angel Research

For 3QFY2012, Finolex Cables (Finolex) reported a 2.6% yoy decline in its top line to ₹499cr. The company's operating profit declined by 18.8% yoy to ₹41cr. OPM declined by 165bp yoy but improved by 29bp qoq to 8.3%. PAT came in at ₹14cr, down 47.7% yoy and 30.6% qoq. Going ahead, the business outlook remains positive, given the growth prospects in user industries and higher sales from the high-tension (HT) cables plant.

**Sales decline and margin dips:** Finolex reported a 2.6% yoy decline in its top line to ₹499cr. The main electrical cables segment reported strong growth of 21.6% yoy. However, the other two segments, communication cables and copper rods reported declines of 22.7% and 51.8%, respectively. Despite a yoy decline of 18.8% in operating profit, PAT declined by 47.7% yoy to ₹14cr (₹26cr), while margin declined by 237bp yoy to 2.7% (5.1%). The decline in PAT was largely on the back of higher interest, depreciation and forex losses. Depreciation increased by 30.4% yoy to ₹13cr (₹10cr), while interest cost increased by 60.9% yoy to ₹8.1cr. Exceptional items, which included forex losses, increased by 15.8% yoy to ₹8cr (₹7cr).

**Outlook and valuation:** We remain positive on the company's prospects going ahead, given strong growth in user industries, which are showing no signs of abating. Higher sales from the HT cables plant and start of production at the extra high voltage (EHV) plant would further boost the company's growth. However, in view of the company's limited ability to effectively pass on copper price fluctuations, we have revised our OPM estimates for FY2012E and FY2013E downwards to 8.0% and 8.5%, respectively. Overall, we expect sales to post a 7.2% CAGR over FY2011–13E, while PAT is expected to post a CAGR of 18.5% over the same period. At the CMP, the stock is trading at 4.3x its FY2013E EPS. **We maintain our Buy rating on the stock with a revised target price of ₹48 (₹51).**

### Key financials

| Y/E March (₹ cr)  | FY2010E      | FY2011E      | FY2012E      | FY2013E      |
|-------------------|--------------|--------------|--------------|--------------|
| <b>Net Sales</b>  | <b>1,619</b> | <b>2,036</b> | <b>2,081</b> | <b>2,341</b> |
| % chg             | 20.7         | 25.8         | 2.2          | 12.5         |
| <b>Net Profit</b> | <b>58</b>    | <b>87</b>    | <b>76</b>    | <b>122</b>   |
| % chg             | -            | 50.6         | (12.3)       | 60.1         |
| EBITDA Margin (%) | 12.2         | 8.4          | 8.0          | 8.5          |
| <b>FDEPS (₹)</b>  | <b>3.8</b>   | <b>5.7</b>   | <b>5.0</b>   | <b>8.0</b>   |
| P/E (x)           | 9.2          | 6.1          | 7.0          | 4.3          |
| P/BV (x)          | 0.8          | 0.7          | 0.7          | 0.6          |
| RoE (%)           | 9.3          | 12.8         | 10.2         | 14.8         |
| RoACE (%)         | 17.1         | 13.6         | 12.7         | 15.5         |
| EV/Sales (x)      | 0.3          | 0.3          | 0.2          | 0.2          |
| EV/EBITDA (x)     | 2.5          | 3.0          | 2.7          | 2.0          |

Source: Company, Angel Research

## BUY

|              |     |
|--------------|-----|
| CMP          | ₹35 |
| Target Price | ₹48 |

|                   |           |
|-------------------|-----------|
| Investment Period | 12 Months |
|-------------------|-----------|

| Stock Info         |              |
|--------------------|--------------|
| Sector             | Power Cables |
| Market Cap (₹cr)   | 530          |
| Beta               | 1.0          |
| 52 Week High / Low | 57/21        |
| Avg. Daily Volume  | 39,360       |
| Face Value (₹)     | 2            |
| BSE Sensex         | 17,707       |
| Nifty              | 5,362        |
| Reuters Code       | FNXC.BO      |
| Bloomberg Code     | FNXC@IN      |

| Shareholding Pattern (%) |      |
|--------------------------|------|
| Promoters                | 35.7 |
| MF / Banks / Indian Fls  | 11.7 |
| FII / NRIs / OCBs        | 5.1  |
| Indian Public / Others   | 47.5 |

| Abs.(%)        | 3m    | 1yr    | 3yr  |
|----------------|-------|--------|------|
| Sensex         | 0.7   | (1.8)  | 90.1 |
| Finolex Cables | (4.9) | (26.1) | 78.6 |

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**Exhibit 1: 3QFY2012 performance highlights**

| Y/E March (₹ cr)               | 3QFY2012     | 2QFY2012     | % chg (qoq)   | 3QFY2011     | % chg (yoy)   |
|--------------------------------|--------------|--------------|---------------|--------------|---------------|
| <b>Net Sales</b>               | <b>499.5</b> | <b>499.0</b> | <b>0.1</b>    | <b>513</b>   | <b>(2.6)</b>  |
| Consumption of RM              | 388.9        | 387.8        | 0.3           | 403.4        | (3.6)         |
| (% of Sales)                   | 77.9         | 77.7         |               | 78.7         |               |
| Staff Costs                    | 17.3         | 17.2         | 0.5           | 16.0         | 8.2           |
| (% of Sales)                   | 3.5          | 3.5          |               | 3.1          |               |
| Other Expenses                 | 52.0         | 54.2         | (4.1)         | 42.4         | 22.5          |
| (% of Sales)                   | 10.4         | 10.9         |               | 8.3          |               |
| <b>Total Expenditure</b>       | <b>458.2</b> | <b>459.2</b> | <b>(0.2)</b>  | <b>461.8</b> | <b>(0.8)</b>  |
| <b>Operating Profit</b>        | <b>41.3</b>  | <b>39.8</b>  | <b>3.7</b>    | <b>50.9</b>  | <b>(18.8)</b> |
| OPM                            | 8.3          | 8.0          | 29bp          | 9.9          | (165)bp       |
| Interest                       | 8.1          | 5.2          | 53.8          | 5.0          | 60.9          |
| Depreciation                   | 12.8         | 9.7          | 32.3          | 9.8          | 30.4          |
| Other Income                   | 4.0          | 16.6         | (76.1)        | 1.3          | 218.4         |
| PBT (excl. Extr. Items)        | 24.4         | 41.5         | (41.2)        | 37.3         | (34.5)        |
| Extr. Income/(Expense)         | (7.9)        | (16.4)       |               | (6.8)        | <b>15.8</b>   |
| <b>PBT (incl. Extr. Items)</b> | <b>16.5</b>  | <b>25.1</b>  | <b>(34.2)</b> | <b>30.4</b>  | <b>(45.8)</b> |
| (% of Sales)                   | 3.3          | 5.0          |               | 5.9          |               |
| Provision for Taxation         | 2.8          | 5.4          | (47.7)        | 4.3          | (33.9)        |
| (% of PBT)                     | 17.0         | 21.4         |               | 14.0         |               |
| <b>Reported PAT</b>            | <b>13.7</b>  | <b>19.7</b>  | <b>(30.6)</b> | <b>26.2</b>  | <b>(47.7)</b> |
| PATM                           | 2.7          | 4.0          | (121)bp       | 5.1          | (237)bp       |
| Equity shares (cr)             | 15.3         | 15.3         |               | 15.3         |               |
| <b>EPS (₹)</b>                 | <b>0.9</b>   | <b>1.3</b>   | <b>(30.6)</b> | <b>1.7</b>   | <b>(47.7)</b> |

Source: Company, Angel Research

**Segment-wise performance**

The electrical cables segment reported strong 21.6% yoy growth in sales, driven by higher realization and higher contribution from the HT cables plant. However, the segment's margin declined by 143bp yoy to 10.9% (12.3%), with EBIT coming in at ₹45cr (₹42cr).

The communication cables segment posted a decline of 22.7% yoy in the top line, with sales of ₹41cr (₹53cr), as there was a considerable reduction in the number of tenders invited for the segment. The situation is expected to remain this way for some time. As a consequence of lower sales, the segment's margin fell by 1,697bp yoy to 6.2% (23.1%).

The copper rods segment reported a 51.8% yoy decline in its top line to ₹153cr (₹317cr) during the quarter. EBIT came in at ₹0.7cr and margin stood at 0.5%.

The others segment registered a 23.0% yoy decline in sales to ₹31cr (₹41cr). A sizeable part of the decline was due to inter-segment sales. Management is considering closing down the PVC sheet manufacturing facility, owing to its low contribution to sales and the fact that there have been a number of technological improvements in the product in the industry, which will take some effort to catch up with. The others segment reported loss of ₹2cr at the EBIT level in 3QFY2012, compared to ₹1cr loss in 3QFY2011.

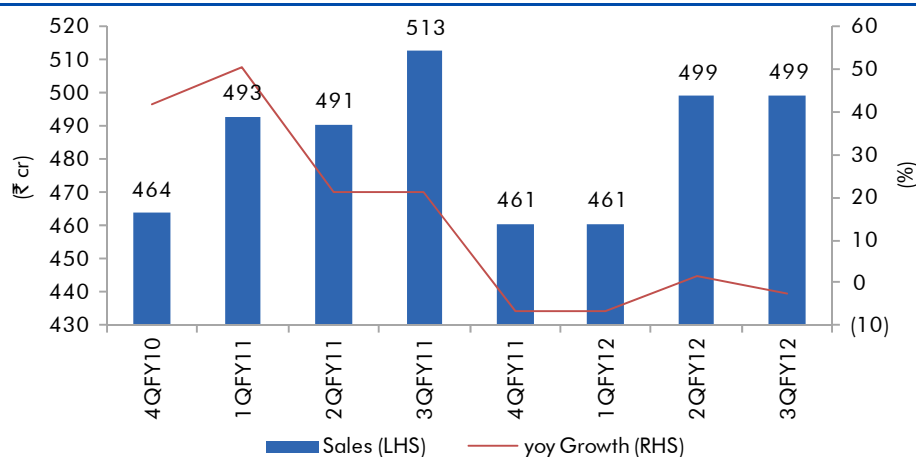
**Exhibit 2: Segment-wise performance**

| Y/E March (₹ cr)           | 3QFY2012 | 2QFY2012 | 3QFY2011 | % chg (qoq) | % chg (yoy) |
|----------------------------|----------|----------|----------|-------------|-------------|
| <b>Total Revenue</b>       |          |          |          |             |             |
| A) Electrical Cables       | 417      | 412      | 343      | 1.2         | 21.6        |
| B) Communications Cables   | 41       | 36       | 53       | 13.4        | (22.7)      |
| C) Copper Rods             | 153      | 263      | 317      | (42.0)      | (51.8)      |
| D) Others                  | 31       | 36       | 41       | (12.3)      | (23.0)      |
| Total                      | 642      | 747      | 753      | (14.1)      | (14.8)      |
| Less: Inter-Segmental Rev. | 142      | 248      | 241      | (42.6)      | (40.9)      |
| Net Sales                  | 499      | 499      | 513      | 0.1         | (2.6)       |
| <b>EBIT Margin (%)</b>     |          |          |          |             |             |
| A) Electrical Cables       | 10.9     | 11.8     | 12.3     | (89)bp      | (143) bp    |
| B) Communications Cables   | 6.2      | 7.4      | 23.1     | (124) bp    | (1,697) bp  |
| C) Copper Rods             | 0.5      | 0.3      | 0.1      | 14 bp       | 37 bp       |
| D) Others                  | (7.3)    | (7.3)    | (3.4)    | (0) bp      | (387) bp    |

Source: Company, Angel Research

**Sales decline by 2.6% yoy**

Finolex reported a 2.6% yoy decline in its top line to ₹499cr. Going ahead, we expect sales to grow, given the positive outlook in user industries and higher contribution to sales from the HT cables plant.

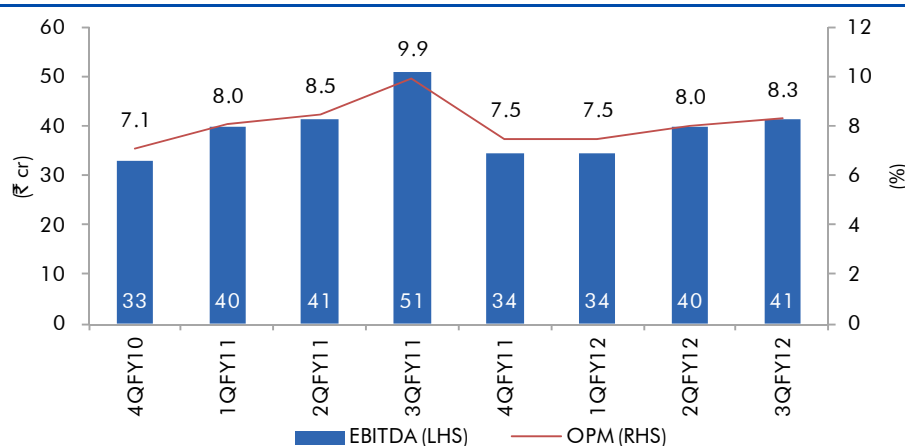
**Exhibit 3: Sales trend**


Source: Company, Angel Research

### OPM declines yoy to 8.3% but improves sequentially

The company's OPM declined to 8.3% in 3QFY2012 from 9.9% in 3QFY2011. However, OPM improved by 29bp on a qoq basis. This qoq improvement can be attributed to lower raw-material cost. Going ahead, however, we expect the company's margin to improve from current levels.

**Exhibit 4: OPM trend**

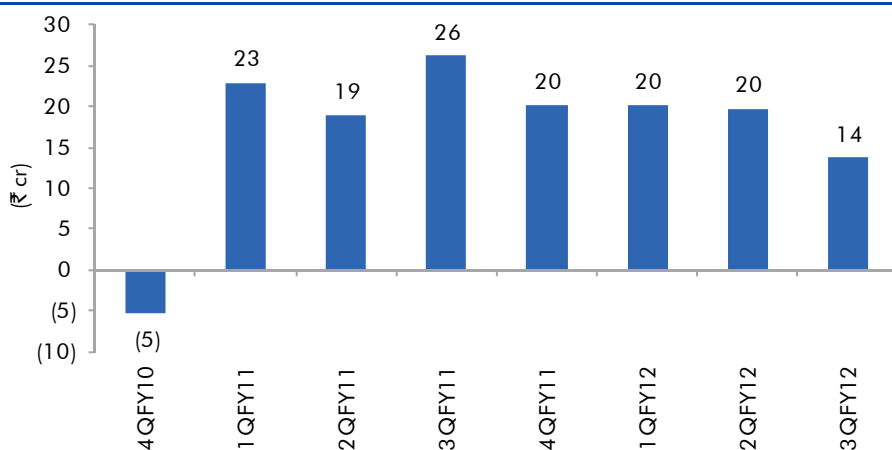


Source: Company, Angel Research

### PAT comes in at ₹14cr

Finolex had reported loss in 4QFY2010. Barring that, the company's PAT has been reasonably high, despite continuing forex losses. For 3QFY2012, the company's PAT came in at ₹14cr. Going ahead, as forex losses taper off and sales increase further, we expect the company's PAT to increase from current levels.

**Exhibit 5: PAT trend**



Source: Company, Angel Research

## Investment arguments

**LT and HT cables segments to drive growth:** Finolex is poised to register moderate growth over the next few years, owing to growth in the existing low-tension (LT) cables segment and entry into the HT and EHV cables verticals. In the LT cables segment, we expect organized players to gradually gain market share as their distribution reach expands and customers increasingly demand high-quality and branded wires. Entry into the HT cables segment gives accessibility to the generation and distribution segment, where the market opportunity is estimated at ₹37,000cr over the next 10 years.

**Tax benefits from Roorkee plant to help in the company's turnaround:** The company has shifted a major chunk of production to its Roorkee plant, which avails excise duty and income tax benefits. Owing to this, we expect excise duty and tax rates for the company to remain low at 12% and 22.0%, respectively, in FY2013E. The company has further increased the capacity of this plant by 50%. Proximity to the growing north Indian markets and tax benefits availed by this plant are expected to boost the company's turnaround.

**Major capex already undertaken:** Finolex has already incurred the major capex required to register growth over the next 4–5 years. The company plans to further spend ₹80cr towards increase/rebalancing of capacities for manufacturing various wire and cable products at its manufacturing units at Roorkee and Urse over FY2013-14. Thus, on account of high operating leverage and strong sales growth, we expect the company's net profit to increase to ₹122cr in FY2013E from ₹87cr in FY2011.

## Outlook and valuation

We remain positive on the company's prospects going ahead, given strong growth in user industries, which are showing no signs of abating. Higher sales from the HT cables plant and start of production at the EHV plant would further boost the company's growth. However, in view of the company's limited ability to effectively pass on copper price fluctuations, we have revised our OPM estimates for FY2012E and FY2013E downwards to 8.0% and 8.5%, respectively. Overall, we expect sales to post a 7.2% CAGR over FY2011–13E, while PAT is expected to post a CAGR of 18.5% over the same period. At the CMP, the stock is trading at 4.3x its FY2013E EPS. **We maintain our Buy rating on the stock with a revised target price of ₹48 (₹51).**

**Profit and loss statement**

| Y/E March (₹ cr)                    | FY09         | FY10         | FY11         | FY12E        | FY13E        |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Gross sales</b>                  | <b>1,502</b> | <b>1,727</b> | <b>2,211</b> | <b>2,287</b> | <b>2,660</b> |
| Less: Excise duty                   | 160          | 108          | 176          | 206          | 319          |
| <b>Net Sales</b>                    | <b>1,342</b> | <b>1,619</b> | <b>2,036</b> | <b>2,081</b> | <b>2,341</b> |
| Other operating income              |              |              |              |              |              |
| <b>Total operating income</b>       | <b>1,342</b> | <b>1,619</b> | <b>2,036</b> | <b>2,081</b> | <b>2,341</b> |
| % chg                               | (3.1)        | 20.7         | 25.8         | 2.2          | 12.5         |
| Total Expenditure                   | 1,240        | 1,422        | 1,864        | 1,914        | 2,141        |
| Net Raw Materials                   | 1,058        | 1,221        | 1,619        | 1,655        | 1,855        |
| Other Mfg costs                     | 24           | 28           | 34           | 38           | 39           |
| Personnel                           | 53           | 59           | 65           | 66           | 74           |
| Other                               | 103          | 113          | 147          | 154          | 173          |
| <b>EBITDA</b>                       | <b>102</b>   | <b>197</b>   | <b>172</b>   | <b>167</b>   | <b>200</b>   |
| % chg                               | (30.2)       | 93.5         | (12.7)       | (2.8)        | 19.5         |
| (% of Net Sales)                    | 7.6          | 12.2         | 8.4          | 8.0          | 8.5          |
| Depreciation & Amortisation         | 39           | 37           | 39           | 40           | 42           |
| <b>EBIT</b>                         | <b>63</b>    | <b>160</b>   | <b>133</b>   | <b>128</b>   | <b>158</b>   |
| % chg                               | (47.2)       | 153.5        | (16.7)       | (4.1)        | 24.0         |
| (% of Net Sales)                    | 4.7          | 9.9          | 6.5          | 6.1          | 6.8          |
| Interest & other Charges            | 32           | 19           | 17           | 19           | 15           |
| Other Income                        | 51           | 24           | 26           | 30           | 32           |
| (% of PBT)                          | 62.5         | 14.6         | 18.3         | 22.0         | 18.1         |
| Share in profit of Associates       | -            | -            | -            | -            | -            |
| <b>Recurring PBT</b>                | <b>82</b>    | <b>165</b>   | <b>142</b>   | <b>139</b>   | <b>175</b>   |
| % chg                               | (38.7)       | 102.5        | (14.3)       | (2.1)        | 26.2         |
| Extraordinary Expense/(Inc.)        | 112          | 76           | 34           | 41           | 19           |
| <b>PBT (reported)</b>               | <b>(30)</b>  | <b>89</b>    | <b>107</b>   | <b>98</b>    | <b>156</b>   |
| Tax                                 | 5            | 32           | 20           | 21           | 34           |
| (% of PBT)                          | -            | 35.4         | 19.0         | 22.0         | 22.0         |
| <b>PAT (reported)</b>               | <b>(35)</b>  | <b>58</b>    | <b>87</b>    | <b>76</b>    | <b>122</b>   |
| Add: Share of earnings of associate | -            | -            | -            | -            | -            |
| Less: Minority interest (MI)        | -            | -            | -            | -            | -            |
| Prior period items                  | -            | -            | -            | -            | -            |
| <b>PAT after MI (reported)</b>      | <b>(35)</b>  | <b>58</b>    | <b>87</b>    | <b>76</b>    | <b>122</b>   |
| <b>ADJ. PAT</b>                     | <b>82</b>    | <b>134</b>   | <b>121</b>   | <b>117</b>   | <b>141</b>   |
| % chg                               | -            | 63.8         | (9.3)        | (3.4)        | 20.0         |
| (% of Net Sales)                    | -            | -            | 4.3          | 3.7          | 5.2          |
| <b>Basic EPS (₹)</b>                | <b>(2.3)</b> | <b>3.8</b>   | <b>5.7</b>   | <b>5.0</b>   | <b>8.0</b>   |
| <b>Fully Diluted EPS (₹)</b>        | <b>(2.3)</b> | <b>3.8</b>   | <b>5.7</b>   | <b>5.0</b>   | <b>8.0</b>   |
| % chg                               | -            | -            | 50.6         | (12.3)       | 60.1         |

**Balance sheet**

| Y/E March                   | FY09       | FY10       | FY11         | FY12E        | FY13E        |
|-----------------------------|------------|------------|--------------|--------------|--------------|
| <b>SOURCES OF FUNDS</b>     |            |            |              |              |              |
| Equity Share Capital        | 31         | 31         | 31           | 31           | 31           |
| Preference Capital          | -          | -          | -            | -            | -            |
| Reserves & Surplus          | 566        | 613        | 687          | 745          | 842          |
| <b>Shareholders' Funds</b>  | <b>596</b> | <b>643</b> | <b>717</b>   | <b>776</b>   | <b>873</b>   |
| Minority Interest           | -          | -          | -            | -            | -            |
| Total Loans                 | 296        | 275        | 260          | 200          | 130          |
| Deferred Tax Liability      | 22         | 32         | 31           | 31           | 31           |
| <b>Total Liabilities</b>    | <b>914</b> | <b>950</b> | <b>1,009</b> | <b>1,007</b> | <b>1,034</b> |
| <b>APPLICATION OF FUNDS</b> |            |            |              |              |              |
| Gross Block                 | 762        | 802        | 839          | 860          | 903          |
| Less: Acc. Depreciation     | 346        | 384        | 422          | 462          | 504          |
| <b>Net Block</b>            | <b>416</b> | <b>419</b> | <b>417</b>   | <b>398</b>   | <b>400</b>   |
| Capital Work-in-Progress    | 40         | 29         | 17           | 17           | 18           |
| Goodwill                    | -          | -          | -            | -            | -            |
| <b>Investments</b>          | <b>314</b> | <b>280</b> | <b>245</b>   | <b>255</b>   | <b>255</b>   |
| Current Assets              | 316        | 415        | 536          | 551          | 607          |
| Cash                        | 28         | 37         | 21           | 23           | 13           |
| Loans & Advances            | 86         | 86         | 105          | 105          | 117          |
| Inventories                 | 144        | 221        | 281          | 289          | 325          |
| Debtors                     | 58         | 71         | 129          | 134          | 151          |
| Other                       | -          | -          | -            | -            | -            |
| Current liabilities         | 171        | 193        | 207          | 215          | 246          |
| <b>Net Current Assets</b>   | <b>144</b> | <b>222</b> | <b>329</b>   | <b>336</b>   | <b>361</b>   |
| Mis. Exp. not written off   | -          | -          | -            | -            | -            |
| <b>Total Assets</b>         | <b>914</b> | <b>950</b> | <b>1,009</b> | <b>1,007</b> | <b>1,034</b> |

**Cash flow statement**

| Y/E March                          | FY09        | FY10        | FY11        | FY12E       | FY13E       |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Profit before tax                  | (30)        | 89          | 107         | 98          | 156         |
| Depreciation                       | 39          | 37          | 39          | 40          | 42          |
| (Inc.)/ Dec. in Working Capital    | 141         | (81)        | (106)       | (11)        | (30)        |
| Less: Other income                 | 51          | 24          | 26          | 30          | 32          |
| Direct taxes paid                  | 5           | 32          | 20          | 21          | 34          |
| <b>Cash Flow from Operations</b>   | <b>93</b>   | <b>(10)</b> | <b>(7)</b>  | <b>74</b>   | <b>102</b>  |
| (Inc.)/ Dec. in Fixed Assets       | (125)       | (29)        | (25)        | (21)        | (44)        |
| (Inc.)/ Dec. in Investments        | 3           | 34          | 35          | (10)        | -           |
| (Inc.)/ Dec. in loans and advances | (4)         | 1           | (19)        | -           | (12)        |
| Other income                       | 51          | 24          | 26          | 30          | 32          |
| <b>Cash Flow from Investing</b>    | <b>(75)</b> | <b>30</b>   | <b>18</b>   | <b>(1)</b>  | <b>(25)</b> |
| Issue of Equity                    | -           | -           | -           | -           | -           |
| Inc./ (Dec.) in loans              | 8           | (21)        | (15)        | (60)        | (70)        |
| Dividend Paid (Incl. Tax)          | 4           | 11          | 13          | 18          | 25          |
| Others                             | (16)        | 21          | 1           | 7           | 8           |
| <b>Cash Flow from Financing</b>    | <b>(11)</b> | <b>(11)</b> | <b>(27)</b> | <b>(71)</b> | <b>(87)</b> |
| Inc./ (Dec.) in Cash               | 7           | 9           | (16)        | 2           | (10)        |
| <b>Opening Cash balances</b>       | <b>21</b>   | <b>28</b>   | <b>37</b>   | <b>21</b>   | <b>23</b>   |
| <b>Closing Cash balances</b>       | <b>28</b>   | <b>37</b>   | <b>21</b>   | <b>23</b>   | <b>13</b>   |

**Key ratios**

| Y/E March                           | FY09  | FY10 | FY11 | FY12E | FY13E |
|-------------------------------------|-------|------|------|-------|-------|
| <b>Valuation Ratio (x)</b>          |       |      |      |       |       |
| P/E (on FDEPS)                      | -     | 9.2  | 6.1  | 7.0   | 4.3   |
| P/E (on basic, reported EPS)        | -     | 9.2  | 6.1  | 7.0   | 4.3   |
| P/CEPS                              | -     | 5.6  | 4.2  | 4.6   | 3.2   |
| P/BV                                | 0.9   | 0.8  | 0.7  | 0.7   | 0.6   |
| Dividend yield (%)                  | 0.6   | 1.7  | 2.0  | 2.9   | 4.0   |
| Market cap. / Sales                 | 0.4   | 0.3  | 0.3  | 0.3   | 0.2   |
| EV/Sales                            | 0.4   | 0.3  | 0.3  | 0.2   | 0.2   |
| EV/EBITDA                           | 4.8   | 2.5  | 3.0  | 2.7   | 2.0   |
| EV / Total Assets                   | 0.5   | 0.5  | 0.5  | 0.4   | 0.4   |
| <b>Per Share Data (Rs)</b>          |       |      |      |       |       |
| EPS (Basic)                         | (2.3) | 3.8  | 5.7  | 5.0   | 8.0   |
| EPS (fully diluted)                 | (2.3) | 3.8  | 5.7  | 5.0   | 8.0   |
| Cash EPS                            | 0.2   | 6.2  | 8.2  | 7.6   | 10.7  |
| DPS                                 | 0.2   | 0.6  | 0.7  | 1.0   | 1.4   |
| Book Value                          | 39.0  | 42.0 | 46.9 | 50.7  | 57.1  |
| <b>DuPont Analysis (%)</b>          |       |      |      |       |       |
| EBIT margin                         | 4.7   | 9.9  | 6.5  | 6.1   | 6.8   |
| Tax retention ratio                 | 118.0 | 64.6 | 81.0 | 78.0  | 78.0  |
| Asset turnover (x)                  | 2.8   | 2.9  | 3.1  | 2.9   | 3.2   |
| ROCE (Post Tax)                     | 15.4  | 18.2 | 16.2 | 13.9  | 16.9  |
| Cost of Debt (Post Tax)             | 13.1  | 4.2  | 5.3  | 6.6   | 7.0   |
| Leverage (x)                        | 0.2   | 0.2  | 0.2  | 0.2   | 0.1   |
| Operating ROE                       | 15.9  | 21.4 | 18.9 | 15.4  | 18.1  |
| <b>Returns (%)</b>                  |       |      |      |       |       |
| ROCE (Pre-tax)                      | 6.8   | 17.1 | 13.6 | 12.7  | 15.5  |
| ROCE (Post-tax)                     | 8.0   | 11.1 | 11.0 | 9.9   | 12.1  |
| Angel ROIC                          | 15.4  | 18.2 | 16.2 | 13.9  | 16.9  |
| ROE                                 | (5.7) | 9.3  | 12.8 | 10.2  | 14.8  |
| <b>Turnover ratios (x)</b>          |       |      |      |       |       |
| Asset Turnover (Gross Block)        | 2.1   | 2.1  | 2.5  | 2.4   | 2.7   |
| Asset Turnover (Net Block)          | 4.3   | 3.9  | 4.9  | 5.1   | 5.9   |
| Asset Turnover (Total Assets)       | 1.4   | 1.7  | 2.1  | 2.1   | 2.3   |
| Operating Income / Invested Capital | 2.8   | 2.9  | 3.1  | 2.9   | 3.2   |
| Inventory / Sales (days)            | 52    | 41   | 45   | 50    | 48    |
| Receivables (days)                  | 22    | 15   | 18   | 23    | 22    |
| Payables (days)                     | 48    | 44   | 36   | 36    | 35    |
| WC cycle (ex-cash) (days)           | 46    | 41   | 56   | 56    | 58    |
| <b>Solvency ratios (x)</b>          |       |      |      |       |       |
| Gross debt to equity                | 0.5   | 0.4  | 0.4  | 0.3   | 0.1   |
| Net debt to equity                  | 0.2   | 0.2  | 0.3  | 0.2   | 0.1   |
| Net debt to EBITDA                  | 1.4   | 0.8  | 1.1  | 0.8   | 0.3   |
| Interest Coverage (EBIT / Interest) | 1.9   | 8.5  | 7.6  | 6.6   | 10.7  |

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| Disclosure of Interest Statement                                   | Finolex Cables |
|--|----------------|
| 1. Analyst ownership of the stock                                  | No             |
| 2. Angel and its Group companies ownership of the stock            | No             |
| 3. Angel and its Group companies' Directors ownership of the stock | No             |
| 4. Broking relationship with company covered                       | No             |

*Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors*

| Ratings (Returns): | Buy (> 15%)         | Accumulate (5% to 15%) | Neutral (-5 to 5%) |
|--------------------|---------------------|------------------------|--------------------|
|                    | Reduce (-5% to 15%) | Sell (< -15%)          |                    |