

30 May 2012

Buy | Rs.36

Stock Data

Market Cap (Rs. Cr.):	550
52-week high/low:	54/21
EPS:	6.5
P/E:	5.5
Book Value (Rs.):	52
P/BV:	0.7
Face Value (Rs.):	2

Shareholding Pattern

Promoters:	35.65%
Institutional:	12.69%
Public:	51.66%

Total Cable Solutions Company

Finolex Cables Ltd (FCL) is India's largest and leading manufacturer of electrical and telecommunication cables. FCL's products have application across residential, commercial and industrial sectors. In addition to electrical and communication cables business, it has copper rods, CFL and switches business. It is the only cable company to hold the *Consumer Superbrand* status. The company has a wide distribution network and backward integration which provides strong competitive advantages over its peers.

Finolex entered into a JV with J Power Systems Corporation of Japan in 2008 to offer complete turnkey solutions to Extra High Voltage (EHV) cables in India and abroad. FCL has invested Rs. 48 cr in the JV and it started manufacturing operations in Sept 2011. FCL has also established a **marketing JV with Corning Incorporated of USA**. The JV will market Optic Fibre cables to makers within India and is expected to commence operations in FY13.

FCL has ten manufacturing facilities located at four major locations – Pimpri (Pune), Urse (near Pune), Verna (Goa) and Roorkee (Uttarakhand). Over the last 4 years, the company has incurred a capex of Rs 225 cr which has gone primarily to upgradation of its High Voltage Cable plant and its CFL business. Also the company is expanding its plant in Roorkee over the next 2 years at a cost of Rs 100 Cr. This should double the Roorkee capacity, help avail fiscal benefits and improve profitability.

FCL's Electrical cables segment has been performing strongly, the last 4 years. **In FY12, sales stood at Rs. 2000 cr, and net profit was Rs. 100 cr.** At the current market price of Rs. 36, the **market cap is only Rs. 550 cr.** The company also has a 32% stake in Finolex Industries worth Rs. 235 cr.

The dull management hasn't been in the fancy of the investors and that is the reason for the highly attractive valuation. A strong business and a more aggressive management style should make this stock a good investment. Investors can expect 100% appreciation in the stock.