



Farsight

## MORNING FARSIGHT

Tuesday, September 11, 2018

**CMI LTD**

**CMP:RS 176**

**TRGT:RS 215**

**TIME HORIZON: 1 YEAR**

CMI Ltd, having remained under performer in last 1 year, with stock price having corrected from Rs 372 seen on 30th April, despite good rally seen in peer like Universal Cables, Sterlite Tech and Vindhya Telelinks, is likely to catch up, with company having received much awaited approval for its plant at Baddi, H.P., which has now been included in the list of "RDSO vendors for development order for signalling and Telecom items" for Indian Railways. Since CMI Ltd., having its plant at Faridabad is already on the forefront of supplying cables to the Indian Railways, and now with the RDSO approval for its Baddi plant too, with the increased capacity to manufacture Railway Cables, the company will start procuring fresh Railway business directly from its Baddi Plant One must note that the Baddi plant already has approvals of SEBs, BHEL and various solar EPC contractors for supply of power & solar cables and management was eagerly awaiting to bag approvals from railways, metros and other key clients, since last 6 months. The current plant occupies only 1/3rd of the 20 acre land, having potential turnover of Rs 1,000 cr. As space constraint caps the Faridabad plants revenue at Rs 350cr, we believe the Baddi plant will contribute to CMI's incremental growth with major approvals now seen in place. Currently, only 25% of the Baddi plant is being utilised. Hence, considering the demand scenario, Baddi plant utilisation can catapult to capacity utilisation of over 70% in FY20 from 25% currently. CMI Ltd is manufacturer of cables for various industries segments such as the railways, oil & gas, telecommunication, energy, industrial, power and petrochemical. The company is present in the entire value chain of the wire and cable industry, starting from design, development and manufacturing to marketing and distribution of cables. Faridabad plant manufactures all types of specialty cables while Baddi plant can manufacture power cables like HT, LT and solar cables. Company has ended FY18 with Revenue of Rs 574 cr (up 35%), EBITDA of Rs 76 cr (up 55%) with EBITDA margin of 13.2% and PBT of Rs 39.4 cr (up 74%YoY), leading to an EPS of Rs 17.17. In FY17 company had tax write back of Rs 17.8 cr and hence PAT of FY18 looks flat in comparison to FY17. Company is having M Cap of Rs 266 cr and EV of Rs 466 cr only, leading to an EV/Sales of 0.8x, EV/EBITDA of 6.1x and PE of 10.2x and RoE of 16%. Stock is lying low, as Q1FY19 earnings were flattish, inspite of Faridabad running at full capacity, but inability to ramp up Baddi plant, due to lack of approvals. Share ruling at Rs 176 is offering an opportunity in adversity and can move to Rs 215 in 1 year.

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