



Farsight

## MORNING FARSIGHT

Monday, August 20, 2018

**PRECISION WIRES**

**CMP:RS 248**

**TRGT:RS 295**

**TIME HORIZON: 1 YEAR**

Precision Wires, with an installed capacity of over 35,000 TPA (which is being increased to 45,000 TPA by 2019), is the largest producers of Winding Wires not only in India, but also in entire South Asia. Company has 3 manufacturing facilities at Silvassa, Dadra Nagar Haveli, and Palej (Gujarat) and manufactures a wide range of products, including Enamelled Round and Rectangular Copper Winding Wires, Continuously Transposed Conductors (CTC) and Paper/Mica/Nomex® Insulated Copper Conductors (PICC), which are used across the globe, by the electrical/electronics industry including fans, mixers, transformers, refrigeration (hermetic) motors, switchgears, coils, automotive etc. Company has clientele including some of the world's largest Auto Ancillary companies, which include Valeo, Varroc Engineering, ABB, BHEL, Bharat Bijlee, Bosch, Cummins, Denso, Emerson, Crompton Greaves, Godrej, Johnson & Johnson, Hindustan Electric Motors, IMP Powers, Igarashi Motors, Kanohar, Lucas TVS, Mitsubishi, Siemens etc. For Q1FY19, company has posted strong performance with EBTDA of Rs 25.8 cr against Rs 20.8 cr QoQ and Rs 22.8 cr YoY, a growth of 24% QoQ and 13%YoY. PAT is placed at Rs 11.8 cr against Rs 9.4 cr QoQ and Rs 7.7 cr YoY, leading to an EPS of Rs 5.12 for Q1FY19, which was at Rs 15.65 in FY18. Company has no LT debt, while WC Debt of Rs 33 cr is amply backed by Cash Equivalents of Rs 61 cr leaving Net Cash of Rs 28 cr or Rs 20 per share. On an estimated EPS of Rs 19 and EBITDA of Rs 95 cr (Rs 87 cr EBITDA in FY18), stock is trading at PE of 12.6x and EV/EBITDA of 5.5x only, which we find attractive. Company's listed peer Ram Ratna Wires is not only ruling at higher valuations, but also has leverage balance-sheet. Ram Ratna Wires is having total debt of Rs 250 cr on Net Worth of Rs 167 cr, D/E of 1.5x, while stock is having an EV of Rs 586 cr for FY18, EBITDA of Rs 71 cr, EV/EBITDA 8.3x. Share ruling at Rs 248 can move to Rs 295 in year timeframe.

**DISCLAIMER:** This is solely for information of clients of Farsight Securities Ltd. and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Farsight Securities Ltd. its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Farsight Securities Ltd. or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Farsight Securities Ltd. in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Farsight Securities Ltd. has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Farsight Securities Ltd. makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.