



Farsight

## MORNING FARSIGHT

Thursday, May 24, 2018

**UNIVERSAL CABLES**

**CMP:RS 155**

**TRGT:RS 180**

**TIME HORIZON: 3 MTHS**

Universal Cables, is giving buying opportunity, after good Q4 numbers. We believe that Universal Cables is ideally placed for swift re-rating in line with its peers, with single digit PE, coupled with investments held in Birla Corp and Vindhya Telelinks. Company had posted good earnings for Q4FY18, with an income of Rs 380 cr against Rs 300 cr QoQ, leading to PAT of Rs 18.47 cr against Rs 8.42 cr QoQ and Rs 5.07 cr YoY. Company has earned an EPS of Rs 5.32 in Q4FY18 and Rs 23.83 on consolidated basis for FY18. This implies consolidated PE of 6.40x, which are both at sharp discount to peers like Sterlite Tech, Tejas Networks, KEI Industries etc, which are all seen ruling at PE of 20x-22x. Additionally, company holds 34.54 lakh shares in Vindhya Telelinks (worth approx Rs 380 cr), 2.96 lakh shares in Birla Corporation (worth Rs 20 cr) and 39 lakh shares in Birla Cables (worth Rs 30 cr), which aggregates to approx Rs 400cr, while company's current M Cap is below Rs500 crores. Company has a technical collaboration with Furukawa Electric (Japan) in the EHV cable sector and adopts Vertical Continuous Vulcanization (VCV) and Pressurized Liquid Salt Bath Curing (PLCV) technology for manufacturing power and rubber cables respectively. This technology for EHV XLPE Cable manufacturing process is the only one of its kind in the Country. Company having installed two VCV lines has the maximum installed capacity in the country for this segment and is geared to increase its production volume for this market segment. Company's cable division has a very wide range of products including Low Voltage (LV), Medium Voltage (MV) and EHV Power Cables up to 400 kV grade and Poly Vinyl Chloride (PVC) and Rubber Insulated Power Cables up to 11 kV grade. Apart from manufacturing power cable for multifarious applications, company has a full-fledged EPC Division (similar to KEI Industries) to execute Turnkey Contracts for various Utilities/Projects in the EHV segment. Share ruling at Rs 155 can move to Rs 180 in the next 3 months. Buy

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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.