



## The Trick Is To Spot Them At The Larval Stage

BSE Code : 517330

Time Duration : 1 year

CMP : ₹262 (as on 25 January, 2018)

Target Price : ₹360

### CMI Limited (CMIL)

## RAILWAYS & METROS TO SPEED UP COMPANY'S TOP-LINE & PROFITABILITY

Our Tiny Treasure for the month of January 2018 is CMI Limited (CMIL). Formerly, it was known by the name Choudhari Metal Industries and was engaged in copper metal trade, copper melting and rod casting. CMIL has now diversified its business and is currently engaged in the manufacture of wires and cables. It has two manufacturing facilities in India located at Faridabad and Baddi (Himachal Pradesh). The company's topline has grown at a CAGR of 76.4% over FY13-17, while its net profit has grown at CAGR of 94.5% over FY13-17. Its robust increase in capacity utilisation and expansion of its product portfolio through a major acquisition has contributed to the company's exceptional growth. Currently, the company is trading at attractive valuations and has a huge growth potential going forward. Earlier, the company was listed on the BSE only, but post-2016, it has got listed on NSE too.

### Acquisition of CMIE triggered top-line

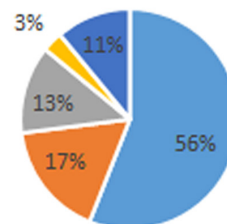
In 2016, CMIL acquired CMI Energy India Pvt. Ltd. (CMIE) and took over its Indian operations. This has enabled CMIL to be a leading manufacturer of specialised cables and has inherited the international processes. It enhanced its capacity utilisation at CMIE's plant at Baddi which triggered growth in its topline by 57.3% in FY17. This acquisition helped the company to add new clients across various sectors and geographies.

### Major revenue from government & PSU

CMIL manufactures signalling cables required by the railways. The company has by now become the approved vendor of these cables to the Indian Railways. It is one of the few approved vendors for the railways. This constitutes the primary source of company's revenue. It generates ~79% of its revenues from government and other PSU projects, while ~21% revenue comes from the private sector. Other than these cables, the company manufactures electric cables for metros, utility, buildings, data transmission, instrumentation, submarine cables, control cables, special cables and extra high voltage (EHV) cables. The company supplies these cables to other major sectors such as oil and gas, defence, telecommunications, energy, industrial, power, mining and petrochemicals. Strong backing from the public sector and the government has given the company a competitive edge over its peers.

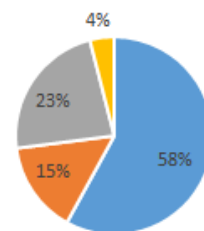
The company has a strong customer base, which includes Indian Railways, GAIL, Indian Oil, Tata Group, Siemens, SAIL, Bharat

#### Revenue by sector (FY17)



■ Railway ■ Power ■ Petrochemicals ■ Telecom ■ Others

#### Revenue by segment (FY17)



■ Railway Signalling ■ Instrumentation Cable  
 ■ Power, Control & Rubber Cable ■ PUF & Export Cable

Electronics, HP and many more. It also has clients in the international market and has projects across many countries, including UK, Switzerland, Dubai, Germany, Myanmar, Qatar, Bangladesh, Sri Lanka, among others.

### Topline target of Rs 1000 crore

The company has set a target to generate revenue of Rs 1,000 crore in the next few years. This target seems to be achievable as

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DSJ Pvt. Ltd. : C - 305, Trade Center, North Main Road, Near Axis Bank, Opp. Lane no. 6, Koregaon Park, Pune - 411001 | For Customer Service : 020-49072626 OR service@dsj.in

Registered Office Address: 419-A, 4th Floor, Arun Chambers, Tardeo, Next to AC Market, Mumbai - 400034

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it is getting huge new orders from railway signalling upgradation projects and metro projects. As at the end of FY17, the company had orders worth Rs 300 crore. The major orders were bagged from East-Central Railways and BHEL. Such strong order book will lead the company to generate higher revenue in the upcoming quarters.

### Growing investment in major sectors

The Indian wire and cable industry has grown over the years, especially due to the growing investment in sectors such as railways, power, telecom and metro projects. This industry is expected to grow at a CAGR of 15% over the next few years till FY20. The Indian government has increased its capex plan by four times over FY15-19 in the Indian Railways. Under the Smart Cities mission, the government is supporting and stimulating metro projects which will lead to growth in demand of electric cables. The robust demand in power cables is expected due to high penetration of power generation in India. As railways and power sectors are major revenue contributors for the company, it has high growth potential in the long run. Renewable energy resources are commercialising at a faster rate in India which will propel the demand for electric wires and cables.

### Financial Performance

The company's standalone revenue has grown almost 3x from Rs 135.76 cr in FY15 to Rs 377.87 cr in FY17. Its EBITDA has increased by 237.2% from Rs 14.39 cr to Rs 48.52 cr in FY17. Its EBITDA

margin has improved from 10.6% to 12.84% in FY17. Its PAT has jumped from Rs 6.3 cr to Rs 30.07 cr in FY17. The PAT margin has jumped from 4.18% in FY14 to 7.15% in FY17. Its debt-equity ratio has improved from 0.9x in FY14 to 0.7x in FY17. On a consolidated basis, the company's borrowings have increased from Rs 98.42 cr to Rs 139.30 cr as it has borrowed on a short term basis to manage its working capital cycle. For FY16 and FY17, the company has paid dividend at 10% to its shareholders.

The company has posed good numbers in H1FY18 too. Its revenue grew by 22% YoY to Rs 194.5 cr, operating profit increased by 24.7% YoY and net profit rose by 7.8% YoY in H1FY18.

### Valuation

The company is trading at TTM P/E of 10.9x with TTM EPS of Rs 25.07. It has delivered ROE and ROCE of 18.5% and 14% for FY17. As against its peers, we find that the company is trading at attractive valuations. The returns it has delivered is higher than its peers. The acquisition has led the company to expand its product portfolio and geographical base, which will trigger its growth. As major revenue comes from the government and PSUs, further investment and growth in these sectors will trigger demand for the company's products. Considering its robust financial performance and positive industrial and macro outlook, we see potential upside of 35% with a target price of Rs 360 over a period of one year.

### Inc/Exp Statement(Consolidated) (Rs in Crore)

Description	201703	201603	201503	201003	200903
Net Sales	377.87	240.22	135.76	48.26	51.39
Total Income	382.69	252.98	137.28	48.81	52.17
Total Expenditure	329.34	208.03	121.37	44.76	48.87
PBIDT	53.35	44.95	15.91	4.05	3.30
PAT	30.07	105.98	6.30	1.93	2.15
Dividend %	10.00	10.00			
Adj. EPS(Rs)	20.35	75.28	5.50	4.69	6.92

### Quarter On Quarter (Consolidated) (Rs in Crore)

Particulars	201709	201706	Q on Q Var%	201609	Y on Y Var%
Net Sales	134.32	143.92	-6.67	102.47	31.08
Total Expenditure	115.84	126.30	-8.28	91.72	26.30
PBIDT (Excl OI)	18.48	17.62	4.87	10.75	71.87
PAT	6.14	6.03	1.86	3.01	104.19
PBIDTM% (Excl OI)	13.76	12.24	12.42	10.49	31.17
PBIDTM%	14.22	12.49	13.85	11.71	21.43
PATM%	4.57	4.19	9.07	2.94	55.44
Adj. EPS(Rs)	4.09	4.01	2.00	2.04	100.49

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