

Precision Wires India Ltd.

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Price : Rs. 153.3
Recommendation: Hold
52-Week Range: Rs. 208.75 - 122

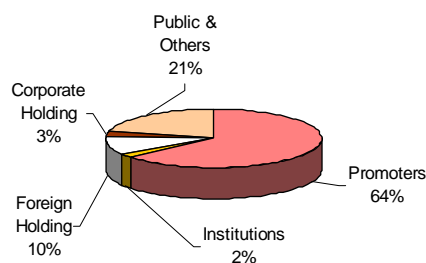
Key Highlights

Particulars(Rs. Mn.)	FY07	FY06	y-o-y%
Net Sales	5855.5	3391.5	72.7%
PAT	167.8	180.6	-7.1%
EPS	16.0	17.3	-7.1%

Key Share Data

Market Cap	Rs.1.6 BN / \$ 39.1 MN
EV/Sales (FY07)	0.34
EV/EBIDTA (FY07)	5.23
Volume	6,800
No.of Shares o/s	10.46
Book Value	105.0
BSE / NSE	523539 / PRECWIRE
Bloomberg	PWI@IN

Shareholding Pattern



The Q4FY07 results update

- The net sales of the company grew by 72.7% from Rs. 3.4 bn to Rs. 5.6 bn. This was on the back of a 17% growth in volumes from 15081 tonnes to around 17600 tonnes. Increase in copper prices contributed to balance growth in revenues.
- The lower growth in the operating profit at 16.1% from Rs. 331.6 mn to Rs. 385 mn, was due to the fluctuation in prices of copper in the third and fourth quarter of FY07, due to which the company has taken a hit of Rs. 80 mn. The other expenditure included start up cost of new plant of approximately Rs. 10 – 12.5 mn, bank charges of around Rs. 5.5 mn and consultancy charges to the tune of Rs. 2.5 mn.
- Interest cost stood at Rs. 52.6 mn. This was on account of term loan taken by the company to fund its expansion plans as well as fully convertible debentures issued by the company.
- The depreciation of the company also increased from Rs. 46.4 mn to Rs. 75.1 mn.
- Due to lower operating margins and higher interest and depreciation, net profits of the company showed a decline of 7.1% from Rs. 180.6 mn to Rs. 167.8 mn.



Other points to note

The company is expanding its capacities by 4000 tonnes in the next twelve months. Of this around 1200 tonnes capacity is for round wires which would be operational by the end of July 07, 1700 tonnes is for round wires which would be operational by March 08 and 1200 tonnes is for flat wire products which would be operational by the month March 08. The total capex required for the above expansion would be around Rs. 130 mn. The company will borrow Rs. 100 mn for the same and the balance would be funded through internal accruals.

The company is also planning to hedge its copper requirement on LME at an approximate cost of around Rs. 5 mn in FY08.

Currently the proportion of job work done by the company accounts to 21% of the total revenues. This is expected to increase to 25% in FY08 and to 33% in FY09.

We believe that the company will grow at 20% in volume terms for the next two years.

Conclusion

With a 20% growth in the volumes for the next two years, we believe that the company will be in the position to post a 20 – 25 % growth in the bottomline going forward. We expect the company to post net profit of around Rs. 210 mn in FY08. The EPS on diluted equity would be around Rs. 18. The stock currently trades at 8.4 x FY08 E earnings.

Particulars	FY07	FY06	y-o-y
Net Sales	5855.5	3391.5	72.7%
Other Income	7.6	9.1	-16.5%
Total Income	5863.1	3400.6	72.4%
Increase/ (Decrease) in stock in trade	(66.8)	110.4	-160.5%
Raw Materials	(5050.4)	(2872.0)	75.9%
Staff Cost	(68.8)	(55.6)	23.8%
other expenditure	(292.1)	(251.8)	16.0%
Expenditure	(5478.2)	(3069.0)	78.5%
Operating Profit	385.0	331.6	16.1%
Interest	(52.6)	(15.1)	248.0%
Gross Profit	332.4	316.5	5.0%
Depreciation	(75.1)	(46.4)	62.0%
Profit before Tax	257.3	270.2	-4.8%
Tax	(86.7)	(81.9)	5.9%
Profit after Tax	170.5	188.2	-9.4%
Extraordinary Items	(2.8)	(7.6)	-63.9%
Net Profit	167.8	180.6	-7.1%
Equity Capital	104.6	104.6	0.0%
EPS	16.0	17.3	-7.1%
OPM	6.4%	9.5%	-32.2%
NPM	2.9%	5.3%	-46.1%

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