

Universal Cables Ltd

Market Cap (Rs. Cr) **257.51**

52 Week-H/L(Rs)

132 / 80

CMP

Rs. 128.50

Target Price

Rs. 160/190

Bloomberg **UVC@IN**

Reuters

UNVR.BO

BSE 504212

NSE

UNIVCABLES

Investment Arguments

Company is **Market leader in Power cables[UNISTAR Brand]** of wide range with huge capacities, plus it also manufactures - Capacitors, Opticle Fibres and Cables. Company also caters to steel, cement, mining, shipbuilding and heavy engineering sectors, with **high value added speciality cables**. Recently company also made a breakthrough by developing speciality cables for Railways, this will open new area of growth. **The recent technology upgradation cum expansion plan**[completed & commissioned in May'07] **led to manufacture EHV [extra High Voltage] XLPE cables of up to 400 KV**. Company is only manufacturer of such cables, at present in country and will be able to secure orders in this category, where demand potential is significant from power transmission sector. Company also entered in to **technology tie up with Furukawa Electric Co Japan, for design manufacturing and installation of - Underground Power Cable Transmission system**. Demand for this type of cabling will grow faster in future.

The capacity expansion in power segment is meant to cater **tremendous opportunities in the power transmission segment, which is key consumer of HV/EHV class of cables**. Apart from this the traditional **LV/MV cables are also used for power distribution**, which also has equally high business potential. Company is also in to two smaller segments viz. **Capacitors and Optical Fibre**. **The Opticle cable fibre plant in Goa also undertook expansion, which was also completed during last month and led to raise in capacity by three times to 15 Lakh cable Kms.**

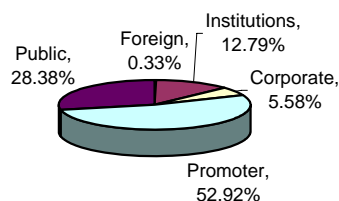
The demand potential for other cable products of the company viz. **Paper insulated power cables, bare overhead conductors, trolley wires, Traction cables, elastomeric cables** etc is also growing fast with rising growth in infrastructure. **Company's speciality cables for sectors like - Mining, Railways, shipbuilding, heavy engineering and non conventional energy segments also has significant potential** and company is looking for increasing market share in these segments also. Looking to latest expansion in Power cable capacity and Opticle fibre capacity, the topline and bottomline of company is likely to grow at faster pace in current and coming years. Further the long term demand and growth potential in Power, infrastructure and even Opticle fibre cable segment is sustainable. **Stock is looking underpriced looking to its valuations vis a vis growth potential & peer valuations. It is discounting '09 earnings by less than 6X and thus looks quite attractive. BUY.**

Financials for the year ended (in Rs. Crores)

Latest result update (in Rs. Crores)

PARTICULARS	FY 06	FY 07	FY 08 E	Mar 09 E	PARTICULARS	Q4 2007	Q4 2006	% change
Gross Sales	343.20	433.34	560.00	710.00	Gross sales	129.01	87.35	47.69
PBIDT	38.88	50.11	69.00	89.00	PBIDT	13.75	6.88	99.85
Interest	6.24	7.90	9.00	10.00	Net Profit	6.21	2.16	187.50
Depreciation	6.33	8.23	11.00	11.00	Equity	23.13	20.04	15.42
PAT	16.57	21.97	36.50	51.50	EPS	2.68	1.08	149.09
EPS (in Rs)	8.27	9.50	15.80	22.29	Technical Trend:-			
CEPS (in Rs)	11.43	13.06	20.56	27.06				
Book Value (in Rs)	69.21	67.99	79.00	96.00				
Face Value (in Rs)	10	10	10	10.00				
Dividend (in%)	20	24	30	40.00				
Deividend Yeild (%)	1.56	1.87	2.33	3.11				
Net Worth	138.69	157.26	193.07	243.64				
Debt	53.13	99.45	108.00	112.00				
Equity Capital	20.04	23.13	23.10	23.10				
P.E. (x)	15.5	13.53	8.13	5.76				
NPM %	4.83	5.07	6.52	7.25				
EBIDTA Margin %	11.33	11.56	12.32	12.54				
RoCE %	20.3%	19.52	22.9%	25.0%				

Shareholding Pattern



After making a high of Rs 153 in Sept'05, the stock went under a very long term correction and only very recently shown a breakout from this Tringle in weekly chart, supported by huge volumes.

This indicates a very positive and sustainable long term bull trend in counter after a very long time.

One can buy the stock around current price, with stop loss of Rs 115 and short term target of Rs 160/- and long term target of Rs 190.