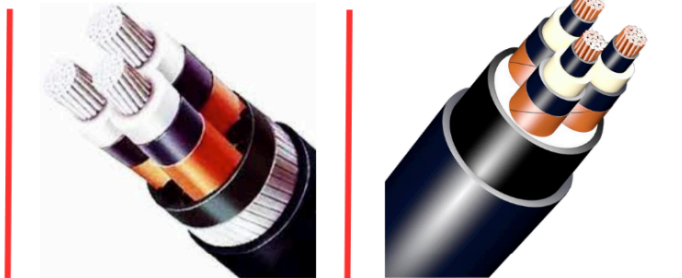


## Fast Cable post IPO results

Wednesday, 16 October 2024

# Fast Cables (FCL) Valuation



**Armoured v/s Un-armoured Cables**

## Fast Cable (FCL) better off in terms of EBITDA...

Wednesday, 16 October 2024

### FCL vs PCAL...FCL is riding ahead with better EBITDA, low PE...

We have compared Fast Cables (FCL) with peer company Pakistan Cables (PCAL). We found FCL is better off in terms of gross margins of 19% as well as EBITDA of PKR 4bn (which is better than 4 times). Also FCL is better off in terms of net margins of 5.2% (just after listing) & trailing PE of 8.5x. Hence we are compelled to project FCL as a 'value stock' in the electric cables sector which is undervalued as per our methodology as against PCAL in peer analysis.

### FY24 review...FCL passed on cash dividend soon after listing

FCL recorded a net profit of PKR 1.88 bn (EPS: PKR 3/sh) in FY24, reflecting a robust 9%YoY growth compared to PKR 1.73bn (EPS; PKR 2.76/sh) in the SPLY. The sales turnover surged by 10%YoY, reaching PKR 36bn from PKR 32.8bn in FY24. The gross profit increased by 14%YoY to PKR 6.73bn, while EBIT saw a 7%YoY rise, amounting to PKR 4.68bn. FCL passed on cash dividend of PKR 1.25/sh.

### FCL IPO amount utilization...

FCL is moving forward with plans as they recently raised an amount of PKR 3bn through IPO. FCL utilized the amount to settle long term loan, Installation of new plant.

### About FCL...not a new bloke

As per Fast Cable (FCL) they are only ones that got **Aluminum Alloy Plant in Pakistan** for manufacturing of alloy conductors & cables but it's also a source of raw material for many industries. It is preferred in transmission and distribution of cable due to their lighter weight and lower electricity losses.

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### FCL Snapshot

Price (PKR/sh)	25.5
Mkt Cap (PKR)	16.22bn
Avg Vol (12m)	1,503,700
Paid-up (PKR)	6288.5 mn
Beta	0.63
Par Value (PKR)	10
52 weeks low	20.46
52 weeks high	26.6
Exp PE (x)	2.48

Source: SCS Research

PKR mn	FY23	FY24	% Change
Revenue	32,859	36,024	9.6%
COS	26,965	29,291	8.6%
G.P	5,894	6,733	14.2%
Dist. Cost	1,113	1,404	26.1%
Admn Exp	405	650	60.3%
O.P	4,376	4,680	6.9%
OPEX	508	550	8.1%
Fin.Cost	1,043	1,365	30.9%
Other Income	72	357	395.3%
PBT (Before levy)	2,897	3,123	7.8%
Levy	3	7	143.6%
PBT	2,894	3,116	7.7%
Taxation	1,156	1,228	6.2%
PAT	1,738	1,888	8.6%
EPS	2.76	3.00	8.6%
DPS	-	1.25	

Source: SCS Research

## Comparison of Fast Cables (FCL) with Pakistan Cables (PCAL)...

Wednesday, 16 October 2024

### FCL is much more than PCAL...

Recently FCL became manufacturer of Greeley conductor, which save foreign exchange and promoting import substitution. FCL manufactures premium quality of cable via its two newly technologically based plant. These plants consist with polymer's laboratory to formulate material.

According to FCL, they introduced **CCV lines** for the 1<sup>st</sup> time in Pakistan. This technology increase the cable life more than 40 years, it also saved the cable from water treeing and irregularities. The quality of the cable checked through computerized quality control mechanism. FCL recently added 2<sup>nd</sup> CCV line which has now increased the production capacity as well as cut down the delivery time by halved.

### FCL posting better margins than PCAL...

The company reported gross and net profit margin of 18.7 & 5.2% respectively in the outgoing FY24. FCL reported effective tax rate of 39.4%.

### FCL debt decreases...Case for Sharia compliance vs PCAL

During FY24 FCL total long term debt has decreased by 57% as they utilized the IPO amount to payoff long-term debt.

FCL Debt to Equity Ratio is 0.38 (38%) in FY24. We expect it to trade below 0.33 (33%) in FY25 and then it could be a case of *Sharia* compliance as per our hunch. Other ratios such as long term debt to equity is in line with Sharia compliance indicators.

	UNIT	FCL	PCAL
Sales	bn	36	26
Sales/sh	PKR/sh	57.29	480.50
<b>Price/sales</b>	<b>PKR/sh</b>	<b>0.45</b>	<b>0.31</b>
Market Cap	bn	15.91	7.48
Sales Growth	YoY	9.6%	20.8%
<b>Gross Margin</b>	<b>%</b>	<b>19%</b>	<b>13%</b>
EBIT Margin	%	13.0%	7.4%
<b>EBITDA</b>	<b>bn</b>	<b>4.41</b>	<b>1.49</b>
<b>Price/EBITDA</b>		<b>3.61</b>	<b>5.02</b>
<b>Net Margin</b>	<b>%</b>	<b>5.2%</b>	<b>0.8%</b>
Effective Tax	%	39.6%	32.3%
Profit After Tax	bn	1.89	0.21
EPS	PKR/sh	3.00	3.84
<b>DPS</b>	<b>PKR/sh</b>	<b>1.25</b>	<b>-</b>
ROE	%	13.4%	2.2%
ROA	%	5.6%	0.7%
<b>P/E</b>	<b>PKR/sh</b>	<b>8.50</b>	<b>39.37</b>
PBV	PKR/sh	1.14	0.85
<b>Balance Sheet Valuation</b>			
Book Value	PKR/sh	22	178
Paid-up Capital	bn	6.29	0.495
Share holder Equity	bn	14.04	9.68
Total Assets	bn	33.42	31.67
Total Debt	bn	8.68	15.11
Total Long term Debt	bn	0.34	7.21
Total Debt to Equity	ratio	0.38	0.61
Total Debt to Assets	ratio	0.21	0.32
Long term Debt to Equity	ratio	0.02	0.43
Long term Debt to Assets	ratio	0.01	0.19

Source: SCS Research, Company Reports

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- (Target Price, if any/Current Price - 1) < 10% Hold
- (Target Price, if any/Current Price - 1) < -10% Negative

The time duration is the financial reporting period of Subject Company

### Valuation method

Following research techniques adopted to calculate target price/recommendation

- Price to earnings & Price to Book, EV-EBITDA multiple
- Discounted Cash flows or Dividend Discount Model or Enterprise Value