



## Shilpi Cable Technologies Limited (SCT)

INR 65-69 (FV 10)

Sector	cables
Website	www.shilpicables.com
Issue Opens	22 March 2011
Issue Closes	25 March 2011
Issue	80.98 Lakhs Shares
PriceBand (Rs.)	65-69
Aggregating	Rs. 55.88 Crore
Key Executives	Mukesh Gupta, Ghanshyam Pandey Manish Goyal, Sunil Kala
Registrar	Beetal Financial
BRLM	D&A Financial
Post Issue Equity	Rs. 33.1 Crore



Assuming Issue at Rs.69/Share Upper Band

### Company Background

Delhi based Shilpi Cable Technologies was a 50:50 joint venture between M/s Shilpi Communications Pvt. Ltd. (SCPL) and M/s Rosenberger Hochfrequenztechnik GmbH & Co. KG, Germany ( Rosenberger) in July 2006 The shares of Rosenberger were acquired by the Indian promoter in 2008 who are the present Promoters of the Company.

Its factory is located in Chopanki, Bhiwadi, Tehsil-Tijara, Dist. Alwar, Rajasthan. Main products of the company include:

1. RF Cables of various sizes for the Telecom Sector
2. Low Voltage Power cables
3. Cable Accessories.

Radio frequency (RF) cables are widely used in telecom, automobile and power sectors.

### Objectives of the Issue

Particulars (INR Crore)	Estimated Cost
Funds for capital expenditure on Cable/ wire Assembly shop	8.65
Funds for capital expenditure on Cable/ wire Assembly shop	4.47
Funds for capital expenditure on augmenting cable manufacturing capabilities	16.22
Funds towards margin for working capital for the proposed new businesses	15.54
Investment in the Subsidiary of the Company, M/s Shilpi Cabletronics Limited	5
General corporate purposes	3
Expenses of the issue	3
<b>Total Rupees Crore</b>	<b>55.88</b>



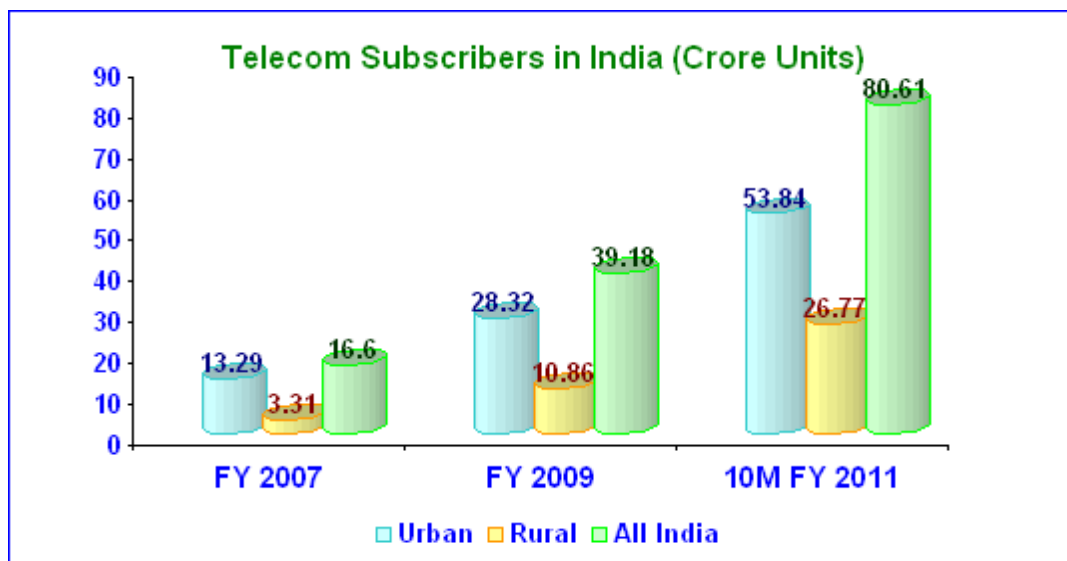
### Highlights

In mobile towers, feeders are the cables used as a high-frequency transmission medium to carry high-frequency or broadband signals between antenna and its base station. These feeder cables are vital for site's optimal performance.

The key components that will drive the demand of feeder cables in India in the next 3 years are as follows: -

- Strong subscriber base and healthy growth estimates based on expansion of mobile telephony in rural India.
- Demand for cell sites is expected to increase with each operator vying for geographical expansion of their network.
- Mobile Number Portability (MNP) expected to be implemented shortly and entry of new players, telecom operators will invest in network up gradation to improve Quality of Service (QoS).
- Launching of 3G services
- In-building solutions
- Replacement of existing cables

There is constant growth in Teledensity, with major contribution to growth coming from under penetrated Rural areas:



Growth in Rural areas has been about 76%, higher than 48% in Urban areas and 55% on all India basis.

### Growth in SCT

SCT is a small player RF Cables, mainly used in telecom sector. Its existing clients include BSNL (Bharat Sanchar Nigam Limited), Ericsson India Private Limited, Tata Teleservices Limited etc.

The company has shown good growth in financial performance in past 3 years. Its Total Sales have grown by 291% from Rs.11.43 Crore in FY 2008 to Rs.174.8 Crore in FY 2010. Its PAT has grown from a loss of (Rs.1.92) Crore to Rs.9.04 Crore profit in FY 2010.



### Financial Highlights

Crore	FY 10	6 M FY 2011	FY 11 E
Total Income	174.8	116.14	238.09
Operating Expenses	159.82	106.17	217.61
Operating Profits	14.98	9.97	20.48
Tax	5.94	3.01	6.05
PAT	9.04	6.96	14.43
Equity (FV 10)	24.2	24.2	33.1
EPS (Rs.)	3.74	2.88	4.36
PE @ Rs. 69	18.47	23.99	15.83

### Peerset Comparison

Crore (FY 10)	Shilpi	Diamond Power
FY 10 Total Sales	174.8	849
FY 10 PAT	9.04	61.52
Equity	24.2	37.21
Face Value	10	10
6M FY 2011 Total Sales	116.14	732
6 M FY 2011 PAT	6.96	30
6 M EPS	2.88	8.06
CMP	69	138
6 M PE (Annualized)	12.00	8.56
Market Cap	166.98	513.50
M Cap/FY 10 Sales	0.96	0.60
6 M FY 2011 PAT (%)	5.99	4.10

### Risks

- The issue looks over priced, given much bigger listed peer is at better valuations.
- The company is dependent on telecom sector and a few buyers, in case any of its customer stops buying, the business could be hampered.
- There is no control over supply or bargaining power with regard to its raw materials. A major part of raw material is imported, exposing it to forex risks.
- The technology change is rapid in the industry, in past it started with a German firm Rosenberger Hochfrequenztechnik GmbH, but later dispute led to German partner exiting the JV. SCT may find it hard to cope up with technological innovation.
- CARE has given the issue a low CARE-1 for its weak fundamentals.

### Valuation & Recommendation: Looks Risky

SCT looks risky, as there is nothing unique in business model and it lacks pricing power. There are risks with related to raw materials also. CARE has given it a low CARE 1 ratings. However, given the recent excitement in primary market, it may offer listing gains. Investors should wait till 25 March morning and after Institutional Data is available till 24 March, take a bet on the issue.



For Internal Private Circulation Only

**Disclaimer:** The information provided in the document is from publicly available data and other sources, which we believe are reliable. It also includes analysis and views expressed by our research team. The report is purely for information purposes and does not construe to be investment recommendation/advice. Investors should not solely rely on the information contained in this document and must make investment decisions based on their own investment objectives, risk profile and financial position. Efforts are made to try and ensure accuracy of data however, Shri Parasram Holdings Pvt. Ltd. and/or any of its affiliates and/or employees shall not be liable for loss or damage that may arise from any error in this document. This document is not for public distribution and should not be reproduced or redistributed without prior permission.

**Shri Parasram Holdings Pvt. Ltd.**

SEBI Regn. No. NSE: INB/INF/INE- 230814036, BSE INB/INF 010814037, USE:INE 270814036, MCX-SX No. INE 260814037, PMS-INP000002718, NSDL DP ID-IN302365, CDSL DP ID-58200. AMFI Regd No ARN 35616,

**Shri Parasram Commodities Pvt. Ltd.**

FMC Regn. No. -NCDEX/TCM/CORP/0572, MCX/TCM/CORP/0828,

For Further Information Please Contact at:

**Parasram House,  
B-7 Nimri Shopping Centre, Bharat Nagar,  
Ashok Vihar IV, Delhi – 110052 (India)  
+91.11.47000000  
Visit us @ [www.parasramindia.com](http://www.parasramindia.com)**