

### Fast Cables Limited

#### Fast Cables Limited - IPO

##### Plug In: Fast Cables' IPO Overview

Fast Cables is a local manufacturer within Pakistan's electrical cables and conductor's sector. It has Catenary Continuous Vulcanization (CCV) Line Technology and an Aluminum Alloy plant in the country, the company holds the International KEMA Gold type test certification, validating the quality of its product range. They are the first to produced Greeley Conductor in the cable manufacturing industry in Pakistan. With over 350 dealers, Fast Cables has ensured access to its products.

##### Fast Cables to raise funds from IPO

FCL intends to offer 128mn Ordinary Shares, equivalent to 20.35% of the total Post IPO Paid-up Capital, to the public through an Initial Public Offering (IPO) scheduled for May 15th and 16th, 2024. The IPO will be conducted via the Book Building method, with a Floor Price of PKR 23.5 per share and a maximum price band of up to 40% i.e.; PKR 32.9 per share. Of these 128mn shares, 25% (32mn) Ordinary Shares will be made available to Retail Investors at the strike price. From this IPO, Fast Cables Limited intends to raise a minimum PKR 3bn at the floor price.

The company aims to utilize the IPO proceeds primarily for Plant & Machinery (46%), Land & Buildings (40%), and Loan/Capex repayments and Others (14%), with any funds raised above the floor price allocated to address the Company's working capital needs. The total expansion cost amounts to PKR 3.59bn with the time of completion is 15 months (4QFY25), with PKR 3bn (83.7%) raised through the IPO and the remaining PKR 585mn (16.3%) sourced from Internal Cash Injection.

##### Fast Cables Prepares to Drive Growth with PSX Debut:

FCL posted a topline of PKR 17bn in 1HFY24, with a profit of PKR 818mn and an EPS of PKR 1.6 per share. Based on historical trends and the company's current growth trajectory, we anticipate FY24's EPS to be ~PKR 4 per share. The impending listing of FCL on the PSX is expected to expand its customer base, further enhancing its revenue potential. Additionally, strategic initiatives in the pipeline are poised to further boost earnings. While FCL faces significant finance costs and borrowings, it is noteworthy that a portion of the IPO proceeds will be utilized for loan repayments hence reducing their burden on the bottom-line.

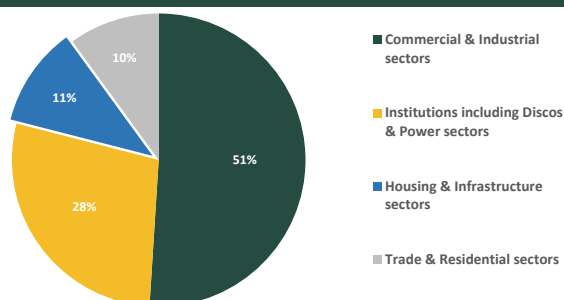
##### Revenue Radar: Fast Cables' Sector Analysis in Focus:

Fast Cables Limited has a diverse product portfolio encompassing Low Voltage Cables for building, industrial, telecom, and control instrumental wires, alongside Medium Voltage Cables including single core, three core, and three core bundled cables, as well as Bare Conductors such as Aluminum Conductors. Low Voltage Cables constituting 58%, Medium Voltage Cables 26%, and Bare Conductors 16% of the total revenue contribution for FY23.

IPO Details	
Issue Size	128,000,000
Face Value	PKR 10/- each.
Floor Price	PKR 23.5/- per share
Max. price band (up to 40%)	PKR 32.9 per share
Bidding Date	May 15th, 2024 to May 16th, 2024
Public Subscription Date	May 22nd, 2024 to May 23rd, 2024

Source: Prospectus, HMFS Research

Segment-Wise Revenue Distribution



Source: Prospectus & HMFS Research

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##### Copper, Aluminum, Power: Fast Cables Revs Up for Growth

As of June 30th, 2023, FCL had an annual production capacity of 8,400 metric tons (MT) for copper products and 13,800 MT for aluminum products. Following the planned expansion, copper product manufacturing is set to reach 12,000 MT annually and aluminum production to 17,400 MT, an increase of ~43% and 26%, respectively. We expect that this substantial capacity expansion will enable the company to cater to growing future market demands. FCL currently meets a portion of its electricity requirement from a 1.5MW solar power plant while plans are underway to enhance this capacity to 2.5MW.

##### FCL 17% Market Share and Growing:

In the dynamic landscape of the industry, a market size is of PKR 190bn, formal players command ~40-45% of the market share. Notably, Fast Cables emerges as a frontrunner, securing a ~17% market share, trailed closely by Newage Cables at ~14% and Pakistan Cables (PCAL) at ~11%. Fast Cables adds an allure to the equity market, where it presents an attractive FY24E P/E multiple of ~6.28x which is favorable compared to its major listed competitor PCAL's P/E of ~9.83x. Additionally, it is expected to witness growth in profitability based on the following factors:

- Enhanced focus on export growth by tapping into MENA markets.
- Pioneered production with new cable types to reduce import dependence.
- Broad offerings to cater to diverse construction needs.
- Exploring global expansion, including setting up offshore manufacturing.
- Pursuing strategic acquisitions or partnerships to bolster capabilities and market reach.
- Achieving vertical integration across all cable industry segments.
- Adopting sustainability through energy efficiency and renewable initiatives.

Financial Performance			
Amount in PKR 'mn'	FY2022	FY2023	1HFY2024*
Net Revenue	22,978.1	32,858.5	17,134.7
Cost of Goods Sold	(19,520.1)	(26,964.7)	(14,092.6)
Gross Profit	3,458.0	5,893.8	3,042.1
Operating Expenses	(1,052.1)	(1,518.1)	(929.2)
Other Income (Net of Other Expenses)	(266.4)	(436.2)	(202.9)
Operating Profit	2,405.9	4,375.7	2,112.9
Financial Charges	(528.0)	(1,042.5)	(506.2)
Profit/(Loss) before Taxation	1,611.5	2,897.0	1,403.8
Taxation	(572.3)	(1,159.1)	(585.5)
Profit/(Loss) after Taxation	1,039.2	1,737.9	818.3
Earnings per share	4.1	3.4	1.6
Book value per share (PKR) - Post IPO	11.38	15.3	
Gross Margin	15.0%	17.9%	17.6%
Net Margin	4.5%	5.3%	4.9%
Return on Equity (%)	18.2%	22.7%	
Return on Assets (%)	5.5%	6.7%	
Debt to Equity (Times)	1.2	0.7	0.93
Debt to Total Capital (Times)	0.5	0.4	0.5
Total Borrowings	6,708.5	5,135.3	7,878.4

Source: Prospectus, HMFS Research

\*Unaudited Accounts

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- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

#### HMFS RATING GUIDE

BUY	More than 15% Upside
HOLD	Between 15% Upside & 15% Downside
SELL	More than 15% Downside

*Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report  
Upside/Downside represents the difference between the stated "Fair Value" & the prevailing "Market Price"  
Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes*