Sector: Telecom Cables **RESULT UPDATE- Q4&FY2018** Declared on: 30 May, 2018

Aksh Optifibre Limited.

COMPANY SNAPSHOT					
CMP	**Initiation Price**	**Target**	**Potential Upside**	**Recommendation**	**MCap (Rsbn)**
Rs33	**Rs15**	**Rs45**	**34%**	**BUY**	**Rs5.5**

About the Company:

Established in 1986, Aksh Optifibre Limited (Aksh) is almost a three-decade old company which is involved in manufacturing of Optical Fibre and Optical Fibre Cables (OFC). Aksh is one of largest manufacturer of optical fibre and optical fibre cables in India. Apart from this, the company is one of largest producers of FRP rods with an annual capacity of 3 million km of FRP. The Company manufactures a wide array of Optical Fiber Cables which include single mode and multimode cables, duct cables, armoured FTTH (for aerial installations and fibre to home cables, indoor and outdoor cables and special application cables (which are hybrid in nature, all purpose and ceramic armoured cables). It has two manufacturing plants located at Bhiwadi, Rajasthan which focus on fibre and optical fibre cables and one plant at Reengus, Rajasthan which focuses on FRP rods.

Results Declared:

- The net sales for the quarter under review (standalone) came in at Rs1,693mn as compared to Rs1,346mn, growth of 25.8%. Ebitda margins for the quarter ending March 2018 came in at 14% as compared to 4.1% in the same quarter last year. The net profit recorded for the quarter came in at Rs90mn as compared to a loss of Rs6mn. Exceptional items include the forex gains and losses for the year.
- For the full year, the net sales (standalone) clocked a growth of 23.3% with revenues at Rs5,894mn as compared to Rs4,780mn in FY17. For the full year ending FY18, Net Profit came in at Rs228mn as compared to Rs137mn.
- Moreover, on a consolidated level, net sales came in at Rs6,248mn as compared to Rs5,098mn registering a growth of 22.6% and net profits at Rs208mn as compared to Rs97mn in FY17.
- The Board of Directors of the company at its meeting held on May 30, 2018 has recommended final dividend of 30 paisa per equity share of face value of Rs5 each for the FY2017-18 which is subject to approval of the shareholders. This dividend is declared after a lapse of nearly 4 years.

Other Highlights:

- In May 2016, the Board had approved an expansion plan of the company with overall capex of Rs950mn, which focused on capacity enhancement in Optical Fibre by 100%, Optical Fibre Cable by 50% and Fibre Reinforced Plastic by 200%. Moreover, the Board of Directors had approved capex of Rs850mn for the diversification of its product portfolio to manufacture 0.2mn pairs of ophthalmic lenses per day in phased manner to be funded by debt and internal accruals. This is evident from the increased fixed assets of the company as well as the increased Long term and short term loans. The company has been increasing E-Mitra Kiosks which is still having a legacy of loss making part of the segmental revenue.
- As per the latest commentary by the Management, the Silvassa and Mauritius's OFC capacity is coming on stream in June 2018, as a result of which the company's total OFC production capacity will stand at 10.7 Mn FKM. Optical fibre manufacturing facility at Dubai has commenced and construction activities have been initiated. Construction work at company's FRP production plant in China is expected to start the commercial production in September 2018. The company's Ophthalmic Lens division has successfully rolled out its first batch of its lenses into the market.

Financials (Standalone):

Result Update (Q4&FY2018)								
Q4&FY18 Result (Rs mn)	**Mar-18**	**Mar-17**	**y-o-y**	**Dec-17**	**q-o-q**	**FY18**	**FY17**	**y-o-y**
Total Income	1,693	1,346	25.8%	1,540	9.9%	5,894	4,780	23.3%
EBITDA	250	55	354.5%	171	46.2%	699	496	41.0%
Other Income	14	23	(39.1%)	13	7.7%	45	56	(19.9%)
Interest	60	37	62.4%	31	94.5%	179	134	33.6%
Depreciation	59	50	18.3%	56	5.5%	212	196	8.4%
Exceptional Items	7	3	133.3%	3	133.3%	5	1	249.0%
Tax	48	0	-	35	37.1%	120	86	39.1%
Net Profit	**90**	**-6**	**-**	**65**	**38.0%**	**228**	**137**	**66.2%**

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under review. The investment made by the company in the recent past has started bearing fruits which is evident from the growth numbers shown in the recent quarterly results. The recent capacity expansion provides a vision for incremental benefits and further growth with times to come. We maintain our revised target price of Rs45 over a horizon of 12 months.

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