

Ajmera x-change  
The Growth Catalyst



Mobile Application

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EQUITY, DERIVATIVES, CURRENCY, COMMODITY, DEPOSITORY, MUTUAL FUNDS, INSURANCE\* & NBFC\*

VOL. 01/25

COMPANY REPORT

03 March 2018

## Veto Switchgears & Cables

Price: Rs 217

Can vote for it

BSE Sensex: 34,047

Nifty-50: 10,458

### FINANCIALS

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	EO	PBT AFTER EO	Total TAX	PAT	EPS* (Rs)
1503 (12)	97.31	15.6	15.17	0.54	15.71	3.95	11.76	2.01	9.75	0.00	9.75	2.61	7.14	3.10
1603 (12)	176.74	12.3	21.66	0.24	21.90	4.55	17.35	1.97	15.38	0.00	15.38	2.29	13.09	5.70
1703 (12)	239.08	11.1	26.44	0.73	27.17	4.12	23.05	1.66	21.39	0.00	21.39	3.16	18.23	8.00
1803 (12P) &	258.32	15.6	40.41	0.83	41.24	2.45	38.79	1.60	37.19	0.00	37.19	8.86	28.32	12.40
1903 (12P) &	297.06	15.6	46.34	0.94	47.29	1.72	45.57	1.73	43.84	0.00	43.84	11.40	32.44	14.20

\*Annualised on fully diluted equity of Rs 22.83 crore (assuming full conversion of pending warrants). Face value of Rs 10 each. EO: Extraordinary items. EPS is adjusted after EO and relevant tax. (P): Projections. &: As per new accounting system. Figures in crore.

Source: Capitaline Databases

### STOCK DATA

BSE Code	:	539331
BSE Group	:	B
NSE Code	:	VETO
Bloomberg	:	VSCL IN
Reuters	:	N/A
Par Value	:	Rs 10
52-week High/Low(Rs)	:	265 / 135
Sector	:	CG - Elect Equip

Veto Switchgears & Cables (VETO) is an ISO 9001:2008 Certified Company. The company is engaged in manufacturing of Wires & Cables, Electrical Accessories, Industrial Cables, Fans, CFL Lamps, Pumps, Modular Switches, LED lights, Immersion Heater, MCB and distribution boards.

The company's state of art manufacturing plants in India are located at Haridwar and Mumbai. The company has a strong team of highly qualified professionals who strive to innovate the best products with the use of advanced high tech machinery. The group has also sustained the position as a leading supplier of electrical goods in the gulf countries for a time period of more than a decade.

Indian promoters hold 48.68% stake in the company and foreign promoters hold 8.07% stake in the company. Thus total promoters stake stands at 56.75%

### Good product range

The brand name VETO is since 1967.

The company's product portfolio ranges from industrial cables, stand cables to telephone & co-axial wires, from general switches to modular switches, from ceiling fans to rechargeable fans, compact fluorescent lamps, LED bulbs and other electrical accessories.

It deals in electrical accessories like switch socket, MCB, bell and all electrical accessories which are used for household purposes and manufacturing wires and cables. Cable starts from 0.75 mm to 10 mm.

The company supplies these products under the brands "VETO" and "VIMAL POWER" through large network of dealers to the customers in India as well as selected customers abroad.

VIMAL POWER is a part of the Veto group and continues to reinforce a successful

### SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	5.13
Institutions	0.28
Corp Holding	0.00
Promoters	45.94
Public & Others	48.66
Total	100

\* as on 31/12/2017.

Source: Capitaline Database

international presence and enhance its enviable reputation for innovation. A continuous programme of research and development ensures a world beating range of cables to satisfy or surpass requirements of Indian Standards.

### **Wires and cables business is projected to tread along a healthy growth path**

Wires and cables play an indispensable role in today's digitally-enriched life and find extensive usage across a number of applications in several industries. The continuously rising set of applications of wires and cables across the burgeoning power, automotive, telecommunication, and construction industries are expected to bode well for the global consumption of wire and cable materials in the next few years.

The market for wire and cable materials, thus, is projected to tread along a healthy growth path over the period between 2016 and 2024.

Over the years, the global cables and wires market also has been exhibiting strong growth momentum, supported by demand from power supply companies, telecom operators and other end-user industries such as building & construction and industrial segments.

Construction cables and wire sector anticipated to see steep growth in coming days owing to huge government's spending in infrastructure, smart cities, affordable housing.

Initiatives such as excise duty exemption for Ferro-silicon-magnesium and pig iron used for manufacturing components for wind-operated electric power generators and the target set by the Jawaharlal Nehru National Solar Mission to generate more than 1,00,000 MW of solar power by the end of 2022, will boost the demand for electrical wires and cables in this region.

### **Has recently launched new brand in LED lighting**

In FY 2017 the company launched LED panel Lights, LED Flood Light, Slim Panel Light, LED Flood Light under the brand name "Vyoma". Its major distribution in India covers more than 10 states including major sale in Rajasthan and Gujarat.

### **Spreading geographically**

The company has major earning in the state of Rajasthan and Gujarat. But now its focus is to widen and cover more and more states of India.

Almost 10 states have become a major part of its distribution Network. These states are Maharashtra, Punjab, Madhya Pradesh, Haryana, Uttar Pradesh, Jharkhand, Kerala, New Delhi and Assam. The company has broadened its network and distribution.

It has also had major success in some of the biggest cities of UAE. The company and its Board have started working towards making Veto a globally established brand. Its products are marketed in both domestic and international markets.

The company is also planning the launch of Retail outlet in its name for all electrical accessories, wires and cables in the coming fiscal.

### **Enough capacity to meet future growth**

For Wires & Cables business the company is operating at 32.9% of its installed capacity and for Electrical Accessories it is operating at 25.33% of its installed capacity. Thus the company can grow at decent pace without further capex.

### **Exceptional consolidated performance**

In quarter ended December 2017, consolidated sales jumped 27% to Rs 70.23 crore. OPM jumped 650 basis points to 15.1% which saw OP grow 122% to Rs 10.64 crore.

Other income grew 17% to Rs 41 lakh and interest cost fell 38% to Rs 67 lakh. As depreciation fell 5% to Rs 40 lakh, PBT jumped 174% to Rs 9.98 crore. Provision for tax soared 290% to Rs 2.23 crore (tax incidence jumped from 15.7% to 22.4%). Finally, net profit soared 152% to Rs 7.75 crore.

For the nine months, sales rose 7% to Rs 182.68 crore. OPM jumped 610 basis points to 16.6% which saw OP jump 69% to Rs 30.35 crore. PBT jumped 96% to Rs 28.57 crore. Even as provision for taxation jumped 215% to Rs 6.71 crore (tax incidence jumped from 14.6% to 23.5%), PAT rocketed 75% to Rs 21.86 crore.

During the quarter Wires & Cables business contributed 35% of the total revenue. Revenue fell 3% to Rs 24.32 crore. PBIT grew 65% to Rs 3.58 crore and accounted for 26% of total

During the quarter Lighting & Fittings business accounted for 24% of the total revenue. Revenue grew 51% to Rs 16.84 crore. PBIT went up 122% to Rs 4.44 crore and accounted for 32% of total

During the quarter Accessories & Others business accounted for 41% of the total revenue. Revenue grew 41% to Rs 29.07 crore. PBIT went up 33% to Rs 5.93 crore and accounted for 42% of total

For the nine months Wires & Cables business contributed 40% of the total revenue. Revenue grew 2% to Rs 73.71 crore. PBIT grew 19% to Rs 14.60 crore and accounted for 36% of total

For the nine months Lighting & Fittings business accounted for 30% of the total revenue. Revenue grew 42% to Rs 54.08 crore. PBIT went up 110% to Rs 11.72 crore and accounted for 29% of total

For the nine months Accessories & Others business accounted for 30% of the total revenue. Revenue fell 8% to Rs 55.45 crore. PBIT went up 29% to Rs 14.02 crore and accounted for 35% of total

### **Valuation**

In FY 2018 we expect the company to register sales and net profit of Rs 258.32 crore and Rs 28.32 crore respectively. EPS works out to Rs 12.4. This EPS is likely to rise to Rs 14.2 in FY 2019. The share price trades at Rs 217. P/E on FY 2019 projected EPS works out to 15.6.

### VETO SWITCHGEARS & CABLES: CONSOLIDATED RESULTS

	1712 (3) &	1612 (3) &	VAR. (%)	1712 (9) &	1612 (9) &	VAR. (%)	1703 (12)	1603 (12)	VAR. (%)
Sales	70.23	55.29	27	182.68	170.57	7	239.08	176.74	35
OPM (%)	15.1	8.7		16.6	10.6		11.1	12.3	
OP	10.64	4.79	122	30.35	18.00	69	26.44	21.66	22
Other inc.	0.41	0.35	17	1.21	1.07	13	0.73	0.24	204
PBIDT	11.05	5.14	115	31.56	19.07	65	27.17	21.90	24
Interest	0.67	1.08	-38	1.82	3.22	-43	4.12	4.55	-9
PBDT	10.38	4.06	155	29.74	15.85	88	23.05	17.35	33
Dep.	0.40	0.42	-5	1.17	1.24	-6	1.66	1.97	-16
PBT	9.98	3.64	174	28.57	14.61	96	21.39	15.38	39
EO	0.00	0.00	—	0.00	0.00	—	0.00	0.00	—
PBT after EO	9.98	3.64	174	28.57	14.61	96	21.39	15.38	39
Total Tax	2.23	0.57	290	6.71	2.13	215	3.16	2.29	38
PAT	7.75	3.07	152	21.86	12.48	75	18.23	13.09	39
EPS (Rs) *	13.6	5.4		12.8	7.3		8.0	5.7	

\*Annualised on fully diluted equity of Rs 22.83 crore (assuming full conversion of pending warrants). Face value of Rs 10 each.  
EO: Extraordinary items. EPS is adjusted after EO and relevant tax. (P): Projections. &: As per new accounting system. Figures in crore.  
Source: Capitaline Databases

### VETO SWITCHGEARS & CABLES: CONSOLIDATED SEGMENT RESULTS

SEGMENTS	1709(3) &	1609(3) &	VAR (%)	% TO TOTAL	1709(12) &	1609(12) &	VAR (%)	% TO TOTAL
Sales								
Wires & Cables	24.32	25.15	-3	35	73.71	72.51	2	40
Lighting & Fittings	16.84	11.14	51	24	54.08	37.97	42	30
Accessories & Others	29.07	19.00	53	41	55.45	60.10	-8	30
TOTAL	70.23	55.29	27	100	183.24	170.57	7	100
Less: intersegment sales								
Add: Unallocable sales								
Net Sales	70.23	55.29			183.24	170.57		
PBIT								
Wires & Cables	3.58	2.17	65	26	14.60	12.23	19	36
Lighting & Fittings	4.44	2.00	122	32	11.72	5.58	110	29
Accessories & Others	5.93	4.45	33	42	14.02	10.86	29	35
TOTAL	13.95	8.62	62	100	40.35	28.67	41	100
Less unallocable expenditure net of inc.	3.04	3.60			9.26	10.06		
Less: Depreciation	0.40	0.43			1.17	1.24		
PBT	10.52	4.59	129		29.92	17.38	72	
Less: Finance cost	0.67	1.08			1.82	3.22		
Add: Other income	0.13	0.12			0.44	0.43		
PBT	9.97	3.63			28.55	14.59		
Tax	3.60	0.73			4.49	1.57		
PAT	6.37	2.90	119		24.06	13.02	85	

&: As per new accounting system. Figures in crore,

Source: Capitaline Databases