

18 August 2025

## Finolex Cables

*Margins to recover on better product mix; retaining a Buy*

Finolex Cables delivered steady ~13.4%y/y Q1 revenue growth led by electrical volumes up 16% y/y, though margins were pressured by a weaker mix with higher project sales and subdued agri-wire demand. Communication cables were muted but backward integration through the new preform facility should aid profitability ahead. With wire demand expected to revive from Q3 on real-estate completions and Bharat Net Phase-3 providing near-term assurance, earnings recovery is likely as operating leverage and mix improve. We retain our Buy recommendation, with a 12-mth TP of Rs1,031.

**Steady Q1.** Q1 consolidated revenue rose 13.4% y/y to Rs13.95bn. Electric cable revenue grew 16.9% y/y to Rs12bn. Copper rods revenue was flat y/y at Rs4bn while communication cable revenue slid 8.7% y/y to Rs1.08bn. In Q1, peers Polycab/KEI/Havells saw 31/32/27% cable and wire growth y/y. The EBITDA margin dropped 53bps y/y to 9.8% owing to a 31bp dip in the gross margin and impacted by volatile commodity prices and a change in the product mix. PAT was 55% higher y/y to Rs1.36bn on the higher EBITDA; other income rose 17% y/y. The share of profit from Finolex Industries plunged 83% y/y to Rs262m, which led to net income also plunging 83% y/y.

**Optical-fibre cables.** Demand tailwinds from Bharat Net Phase-3, state-led fibre projects and 5G/FTTH rollouts would drive utilisation and margin expansions. Commissioning of the preform (key raw material for optical-fibre cables) plant reduces reliance on imports, enhances value-addition, and provides optionality to sell surplus preforms in the market.

**Outlook, estimate revision.** Post Q1, we tweak our FY26e/27e EBITDA 9/10% and PAT 11/9%. We model 12/11% revenue/net income CAGRs over FY25-28, which could result in the return ratio expanding. We introduce FY28e and roll over valuations to Sep'27. We retain a Buy, with a 12-mth TP of Rs1,031 (Rs1,293 earlier) on a sum-of-parts approach. We now assign 20x P/E to the core business. **Risks:** Fluctuation in RM prices could dent margins, a sharp compression in Finolex Industries' profitability could squeeze its net income. Timely capex commissioning and backward integration are critical to margin expansion in FY26/27.

Key financials (YE Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	50,144	53,189	58,677	65,276	73,934
PAT (Rs m)	5,056	4,687	5,609	6,219	7,184
Net income (Rs m)	6,517	7,008	7,659	8,519	9,584
EPS (Rs)	42.6	45.8	50.1	55.7	62.7
P/E (x)	19.4	18.0	16.5	14.8	13.2
EV / EBITDA (x)	17.6	18.6	16.2	13.8	11.4
P/BV (x)	2.6	2.3	2.1	1.9	1.7
RoE (%)	14.0	13.4	13.2	13.2	13.3
RoCE (%) (post-tax)	7.3	5.7	6.4	6.6	6.9
Dividend yield (%)	1.0	1.0	1.2	1.2	1.2

Source: Company, Anand Rathi Research

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Rating: **Buy**

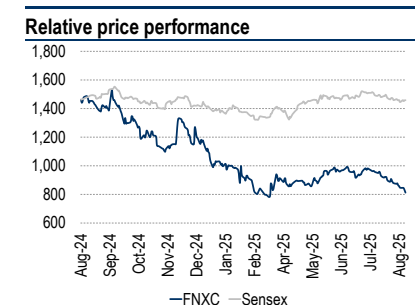
Target price: Rs.1,031

Share price: Rs.825

Key data	FNXC IN / FNXC.BO
52-week high / low	Rs.1,559 / 780
Sensex / Nifty	81,398 / 24,912
Market cap	Rs.124bn
Shares outstanding	153m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	35.9	35.9	35.9
- of which, Pledged			
Free Float	64.1	64.1	64.1
- Foreign Institutions	10.7	10.6	11.0
- Domestic Institutions	15.6	16.1	16.2
- Public	37.9	37.5	36.9

Estimates revision (%)	FY26e	FY27e
Sales	(0.8)	(1.6)
EBITDA	(8.9)	(9.9)
Net Income	(10.6)	(8.9)



Source: Bloomberg

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## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (Rs m)**

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenues	50,144	53,189	58,677	65,276	73,934
Growth (%)	11.9	6.1	10.3	11.2	13.3
Direct costs	39,483	42,921	46,648	51,568	58,038
SG&A	4,779	4,855	5,884	6,651	7,739
<b>EBITDA</b>	<b>5,882</b>	<b>5,413</b>	<b>6,144</b>	<b>7,056</b>	<b>8,157</b>
EBITDA margins (%)	11.7	10.2	10.5	10.8	11.0
- Depreciation	439	466	584	704	776
Other income	1,753	1,974	1,995	2,024	2,292
Interest expenses	20	17	17	17	17
PBT	7,177	6,904	7,539	8,359	9,656
Effective tax rates (%)	29.6	32.1	25.6	25.6	25.6
+ Associates / (Minorities)	1,461	2,320	2,050	2,300	2,400
Net income	5,056	4,687	5,609	6,219	7,184
Adj. income	6,517	7,008	7,659	8,519	9,584
WANS	153	153	153	153	153
FDEPS (Rs)	42.6	45.8	50.1	55.7	62.7
FDEPS growth (%)	29.2	7.5	9.3	11.2	12.5
Gross margins (%)	21.3	19.3	20.5	21.0	21.5

**Fig 3 – Cashflow statement (Rs m)**

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	8,638	9,224	9,589	10,659	12,056
+ Non-cash items	-1,209	-1,625	-1,394	-1,303	-1,499
Share of associates	-1,461	-2,320	-2,050	-2,300	-2,400
Oper. prof. before WC	5,968	5,279	6,144	7,056	8,157
- Incr. / (decr.) in WC	1,402	-1,797	-2,245	-2,886	-1,161
Others incl. taxes	-1,601	-1,409	-1,930	-2,140	-2,472
Operating cash-flow	5,769	2,072	1,969	2,030	4,524
- Capex (tang. + intang.)	-2,185	-2,351	-2,669	-1,562	-1,064
Free cash-flow	3,584	-278	-700	469	3,460
- Div. (incl. buyback & taxes)	-1,070	-1,220	-1,529	-1,529	-1,529
+ Equity raised	-	-	-	-	-
+ Debt raised	-	-	-	-	-
- Fin investments	-6,965	-764	-1,993	-2,588	-4,444
- Misc. (CFI + CFF)	-53	-60	2,050	2,300	2,400
Net cash-flow	257	(30)	(194)	658	2,162

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 2 – Balance sheet (Rs m)**

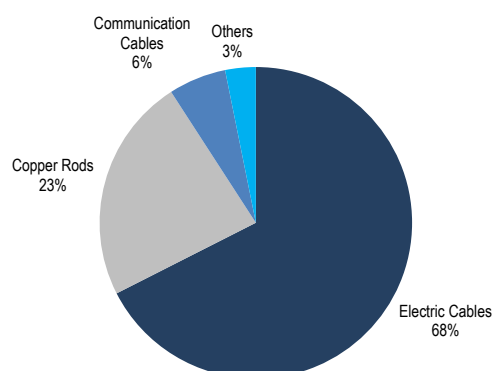
Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	306	306	306	306	306
Net worth	49,459	54,953	61,082	68,072	76,126
Debt	9	9	9	9	9
Minority interest	-	-	-	-	-
DTL / (Assets)	3,095	3,827	3,827	3,827	3,827
<b>Capital employed</b>	<b>52,563</b>	<b>58,788</b>	<b>64,917</b>	<b>71,907</b>	<b>79,962</b>
Net tangible assets	4,433	5,825	8,512	9,869	10,157
Net intangible assets	12	15	12	12	12
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	1,675	2,099	1,500	1,000	1,000
Investments (strategic)	14,041	15,717	16,503	17,823	19,605
Investments (financial)	21,796	24,144	25,351	26,619	29,280
Current assets (excl. cash)	27,283	29,137	32,766	37,474	41,067
Cash	980	1,455	1,261	1,919	4,081
Current liabilities	3,617	3,887	4,485	4,985	5,636
Working capital	23,667	25,250	28,282	32,488	35,432
<b>Capital deployed</b>	<b>52,563</b>	<b>58,788</b>	<b>64,917</b>	<b>71,907</b>	<b>79,962</b>
Contingent liabilities	2,493				

**Fig 4 – Ratio analysis**

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	19.4	18.0	16.5	14.8	13.2
EV / EBITDA (x)	17.6	18.6	16.2	13.8	11.4
EV / Sales (x)	2.1	1.9	1.7	1.5	1.3
P/B (x)	2.6	2.3	2.1	1.9	1.7
RoE (%)	14.0	13.4	13.2	13.2	13.3
RoCE (%) (post-tax)	7.3	5.7	6.4	6.6	6.9
RoIC (%) (post-tax)	15.8	11.9	12.6	13.1	14.0
DPS (Rs)	8.0	8.0	10.0	10.0	10.0
Dividend yield (%)	1.0	1.0	1.2	1.2	1.2
Dividend payout (%) - incl. DDT	18.8	17.5	20.0	18.0	16.0
Net debt / equity (x)	-0.5	-0.5	-0.4	-0.4	-0.4
Receivables (days)	13	17	17	17	17
Inventory (days)	42	49	48	48	48
Payables (days)	17	17	17	17	17
CFO : PAT %	88.5	29.6	25.7	23.8	47.2

Source: Company, Anand Rathi Research

**Fig 6 – Revenue break-up, Q1 FY26**



Source: Company

Fig 7 –Financial Summary

(Rs m)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	% Y/Y	% Q/Q
<b>Income</b>	<b>12,043</b>	<b>11,874</b>	<b>12,217</b>	<b>14,010</b>	<b>12,305</b>	<b>13,117</b>	<b>11,821</b>	<b>15,946</b>	<b>13,955</b>	<b>13.4</b>	<b>(12.5)</b>
Raw material costs	9,500	9,230	9,658	11,096	9,927	10,880	9,287	12,827	11,302	13.9	(11.9)
Employee costs	427	426	451	469	457	475	475	439	484	6.0	10.2
Other expenses	651	758	771	826	653	704	682	971	805	23.3	(17.1)
<b>EBITDA</b>	<b>1,465</b>	<b>1,461</b>	<b>1,337</b>	<b>1,619</b>	<b>1,268</b>	<b>1,059</b>	<b>1,377</b>	<b>1,708</b>	<b>1,364</b>	<b>7.5</b>	<b>(20.2)</b>
Depreciation	105	108	109	117	107	118	117	124	137	28.0	10.4
Finance costs	3	4	4	9	4	4	4	5	4	5.0	(16.0)
Other income	388	418	450	497	463	516	447	548	541	16.8	(1.2)
Exceptional items	-	-	-	-	-	-	-	-	-		
<b>PBT</b>	<b>1,745</b>	<b>1,767</b>	<b>1,675</b>	<b>1,991</b>	<b>1,620</b>	<b>1,453</b>	<b>1,704</b>	<b>2,127</b>	<b>1,764</b>	<b>8.8</b>	<b>(17.1)</b>
Tax	496	523	468	635	738	328	453	698	399	(45.9)	(42.8)
<b>PAT</b>	<b>1,249</b>	<b>1,244</b>	<b>1,207</b>	<b>1,356</b>	<b>882</b>	<b>1,126</b>	<b>1,251</b>	<b>1,429</b>	<b>1,364</b>	<b>54.7</b>	<b>(4.5)</b>
Share in JV	355	298	303	505	1,557	53	222	488	262	(83.2)	(46.3)
<b>Net income</b>	<b>1,604</b>	<b>1,542</b>	<b>1,510</b>	<b>1,861</b>	<b>2,439</b>	<b>1,179</b>	<b>1,473</b>	<b>1,917</b>	<b>1,626</b>	<b>(33.3)</b>	<b>(15.2)</b>
EPS (Rs)	10.5	10.1	9.9	12.2	15.9	7.7	9.6	12.5	10.6	(33.3)	(15.2)
<b>As % of Income</b>										<b>bps y/y</b>	<b>bps q/q</b>
<b>Gross margins</b>	<b>21.1</b>	<b>22.3</b>	<b>20.9</b>	<b>20.8</b>	<b>19.3</b>	<b>17.1</b>	<b>21.4</b>	<b>19.6</b>	<b>19.0</b>	<b>(31.4)</b>	<b>(54.7)</b>
Employee costs	3.5	3.6	3.7	3.4	3.7	3.6	4.0	2.8	3.5	(24.4)	71.5
Other expenses	5.4	6.4	6.3	5.9	5.3	5.4	5.8	6.1	5.8	46.4	(32.1)
<b>EBITDA margins</b>	<b>12.2</b>	<b>12.3</b>	<b>10.9</b>	<b>11.6</b>	<b>10.3</b>	<b>8.1</b>	<b>11.7</b>	<b>10.7</b>	<b>9.8</b>	<b>(53.4)</b>	<b>(94.1)</b>
Depreciation	0.9	0.9	0.9	0.8	0.9	0.9	1.0	0.8	1.0	11.2	20.4
Finance costs	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.1)
Other income	3.2	3.5	3.7	3.5	3.8	3.9	3.8	3.4	3.9	11.3	44.4
<b>PBT margins</b>	<b>14.5</b>	<b>14.9</b>	<b>13.7</b>	<b>14.2</b>	<b>13.2</b>	<b>11.1</b>	<b>14.4</b>	<b>13.3</b>	<b>12.6</b>	<b>(53.1)</b>	<b>(69.9)</b>
Effective tax rates	28.4	29.6	27.9	31.9	45.6	22.6	26.6	32.8	22.6	(2,292.3)	(1,015.6)
<b>PAT margins</b>	<b>10.4</b>	<b>10.5</b>	<b>9.9</b>	<b>9.7</b>	<b>7.2</b>	<b>8.6</b>	<b>10.6</b>	<b>9.0</b>	<b>9.8</b>	<b>260.8</b>	<b>81.4</b>
<b>Segment revenues (Rs m)</b>										<b>% y/y</b>	<b>% q/q</b>
Electric cables	10,115	9,885	10,209	12,007	10,318	11,041	9,722	13,910	12,057	16.9	(13.3)
Communication cables	1,365	1,365	1,303	1,280	1,192	1,354	1,303	1,229	1,088	(8.7)	(11.4)
Copper rods	3,831	4,473	4,334	4,805	4,028	3,489	4,510	4,815	4,034	0.2	(16.2)
Others	465	549	599	639	676	604	630	651	622	(7.9)	(4.5)
Less: Inter-segmental	3,733	4,397	4,228	4,721	3,907	3,370	4,343	4,660	3,846	(1.6)	(17.5)
<b>Mix (%)</b>											
Electric cables	64.1	60.8	62.1	64.1	63.6	67.0	60.1	67.5	67.7		
Communication cables	8.7	8.4	7.9	6.8	7.3	8.2	8.1	6.0	6.1		
Copper rods	24.3	27.5	26.4	25.7	24.8	21.2	27.9	23.4	22.7		
Others	2.9	3.4	3.6	3.4	4.2	3.7	3.9	3.2	3.5		
<b>Segment EBIT (%)</b>										<b>bps y/y</b>	<b>bps q/q</b>
Electric cables	13.1	14.2	11.7	12.1	11.2	8.3	11.9	11.0	9.7	(148.9)	(123.3)
Communication cables	2.0	2.0	2.1	2.4	2.5	1.6	1.1	1.3	1.2	(128.1)	(12.4)
Copper rods	0.2	0.2	0.2	0.3	0.3	0.2	0.3	0.3	0.2	(14.9)	(14.0)
Others	1.5	1.6	1.2	1.3	1.2	0.9	2.7	2.9	1.7	53.6	(116.6)

Source: Company

## Q1 FY26 call highlights

- Consolidated revenue grew ~13.4% y/y to Rs13.95bn, on 16% volume growth in electrical wires, and power cables rising 96% y/y. Power cables outshone wires, while wires for agri applications were weak due to unseasonal rains. Within communication cables, both metal-based products and optic-fibre cable volumes were lower y/y owing to contract delays and slow execution of government projects.
- Demand in the agricultural wires sub-segment sharply declined (~50%y/y) owing to unseasonal rains in mid-May, partially offset by stronger project volumes. Growth was skewed toward project sales, which come at deeper discounts than retail (box) sales. The retail mix dropped from ~75–80% earlier to ~60% now, cutting margins. The EBITDA margin declined 53bps to 9.8% due to a weaker product mix, higher share of lower-margin projects, and copper price volatility.
- Management is optimistic about recovery in wire demand from Q3 FY26, driven by the completion of post-Covid real-estate projects and housing demand momentum, supporting double-digit volume growth for 4–6 quarters. It is also leveraging its retail network expansion and FMEG portfolio synergies to push wire sales, aiming for a healthier mix of retail demand to return margins closer to past levels.
- With volumes and value pressured, communication cables was subdued. Orders were delayed as some key customer contracts, expected to close, spilled over to Jul or were being negotiated. The segment heavily depends on government programs such as Bharat Net, where execution timelines significantly lagged announcements.
- Margins were a low 1–2% due to limited operating leverage and pricing pressure (global oversupply, particularly large-scale fibre dumping by China. Anti-dumping duties have been some support, but previously imported surplus fibre still weighs on domestic pricing.
- To structurally improve profitability, Finolex invested in backward integration through a preform manufacturing plant, completed in March and being ramped up. This will reduce dependence on raw material, enhance in-house value addition and allow for potential sales of surplus preforms in the market. FY26-27 margins are expected to improve with better capacity utilisation, which would reduce imports, as part of backward integration. The pre-form plant has been completed (production trials begun) and is now expected to go on-stream by Q4FY26.
- Management expects demand to improve toward end-CY25, as BharatNet Phase-3 execution begins and private telecoms operators, (Bharti Airtel, Reliance Jio), make progress on network expansions.
- FMEG. Growth since FY17 has been slower than expected. Expansion of retail footprint and product launches are planned, but pricing pressure in lighting has hurt topline growth.
- ~Rs3bn FY26 planned capex: Rs600m–800m for electric cables (mainly productivity enhancements), the rest for backward integration in communication cables. Electric cable capacities now can support ~Rs65bn turnover at present copper prices, the gross block at ~Rs7.5bn.
- Management acknowledged underperformance vs peers in recent years, attributing it partly to limited participation in the high-growth power cable sub-segment and a cautious approach to utility/DISCOM orders. Pricing has been lower than competition, with more focus on margins than on volumes.

## Outlook Valuations

**Outlook, estimate revision.** Finolex cables' margins were pressured by a weaker mix with more project sales and subdued agri-wire demand. Management expects wire volumes to improve from Q3 FY26 as a large pipeline of housing and real-estate projects announced post-Covid near completion, driving sustained demand for 4–6 quarters. As Bharat Net Phase-3 orders begin to flow from end-CY25, rising utilisation in OFC and the preform plant will boost margins.

We are optimistic on Finolex Cables as greater participation in power cables and added opportunities from data-centre projects provide further growth avenues, volume boost from tenders floated by BharatNet and the opportunities expected from the 5G rollout, fibre-to-home infrastructure needs. Overall, the company is set to capture structural demand tailwinds in India's cables and wires sector, aided by its strong brand, retail network, and prudent balance sheet.

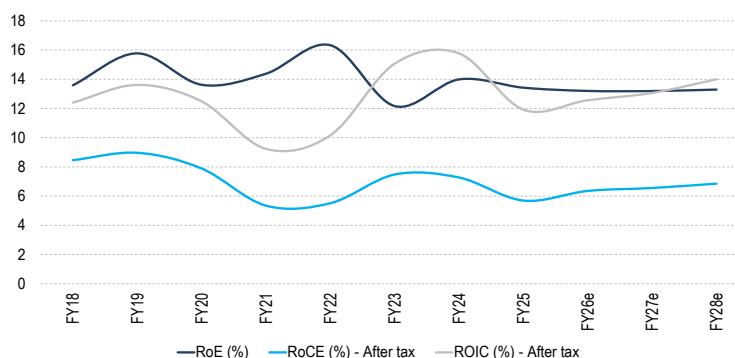
Post-Q1, we tweak our FY26e/27e EBITDA 9/10% and PAT 11/9%. We model 12/11% revenue/net income CAGRs over FY25-28, which could result in the return ratio expanding.

**Fig 8 – Estimate revision**

	New		Old		Variance (%)	
(Rs m)	FY26e	FY27e	FY26e	FY27e	FY26	FY27
Revenue	58,677	65,276	59,171	66,352	(0.8)	(1.6)
y/y (%)	10.3	11.2	11.2	12.1		
EBITDA	6,144	7,056	6,745	7,828	(8.9)	(9.9)
EBITDA (%)	10.5	10.8	11.4	11.8		
PBT	7,539	8,359	8,150	9,213	(7.5)	(9.3)
PAT	5,609	6,219	6,063	6,855	(7.5)	(9.3)
JV / Associate share	2,050	2,300	2,500	2,500	(18.0)	(8.0)
Net income	7,659	8,519	8,563	9,355	(10.6)	(8.9)

Source: Company

**Fig 9 – Finolex's return ratio to expand in FY27 and FY28**



Source: Company, Anand Rath Research

**Valuation and rating.** We introduce FY28e and roll over valuations to Sep'27. We retain a Buy, with a lower 12-mth TP of Rs1,031 (Rs1,293 earlier) on a sum-of-parts approach. To the company's core business, we now assign a P/E of 20x, much lower than those of Polycab (40x) and KEI Industries (38x).

**Fig 10 – Sum-of-parts valuation**

(Rs m)	Sep' FY27e
Core business	6,702
PE (x) assigned	20
Value of core business	1,34,033
Finolex Industries' M.Cap	1,22,047
Holding discount (%)	40
Value, post-discount	73,228
Value of the 32.39% stake	23,719
<b>Total value</b>	<b>1,57,751</b>
Finolex Cables' M.Cap	1,26,184
Difference (%)	25%
No. of shares (m)	153
<b>Derived value</b>	<b>1,031</b>
CMP (Rs)	825
Upside (%)	25

Source: Company, Anand Rathi Research

### Key risks

- Timely commissioning of capex and backward integration are critical to margin expansion in FY26/27. Major delays could pose a risk to our FY26e/27e.
- Any fluctuation in RM prices might impact the company's ability to supply products at competitive rates, which may hurt its market share and margins.
- A sharp compression in Finolex Industries' profitability could reduce Finolex Cables' net income. This is an important risk factor.



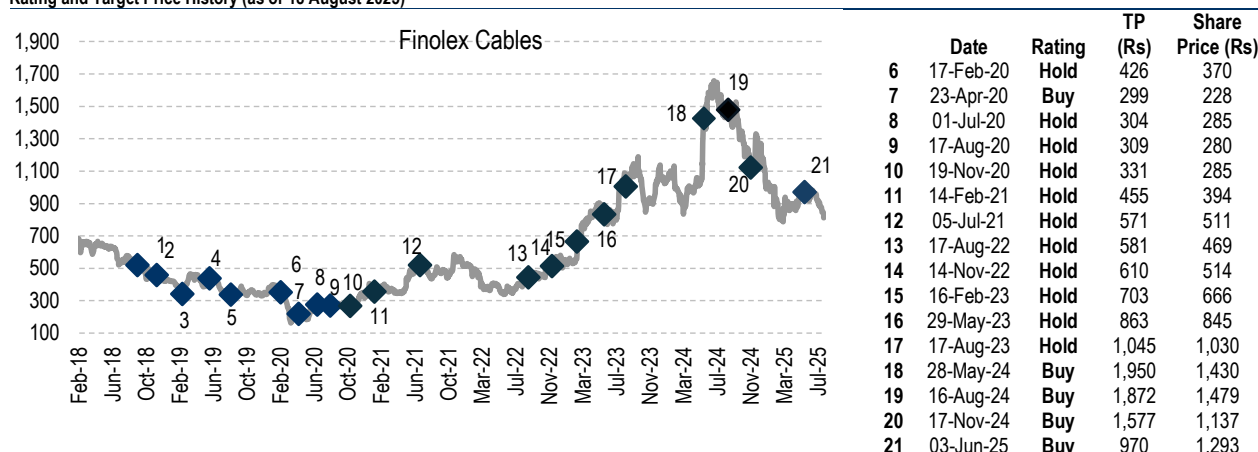
## Appendix

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