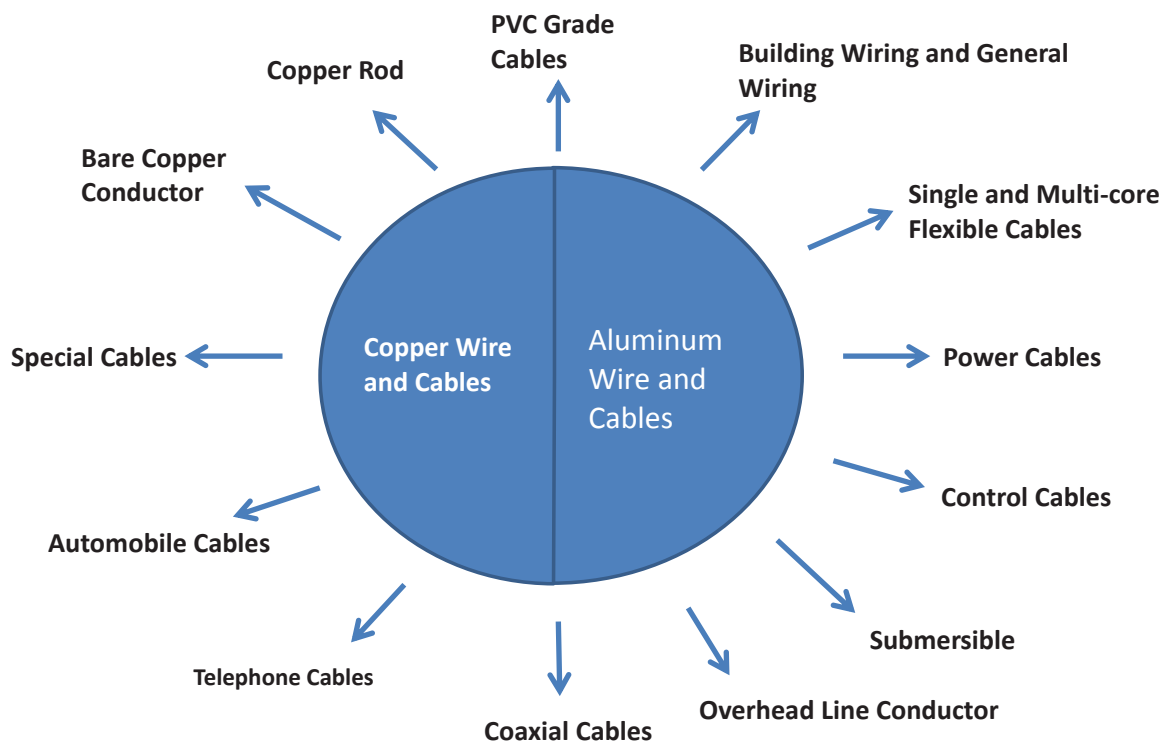


# Wires and Cables

August, 2019

Pakistani wiring & cable industry is characterized by significant competitive intensity with existence of few large players in the organized sector, and numerous small unorganized firms. Copper and aluminum are the two conductors used for manufacturing wires and cables.

## Types of Wires and Cables



## Advantages of different electricity conductors

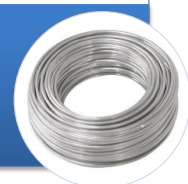
- Better conductor of electricity than aluminum
- Higher tensile strength than aluminum
- Higher heat resistance than aluminum
- Very malleable

Copper

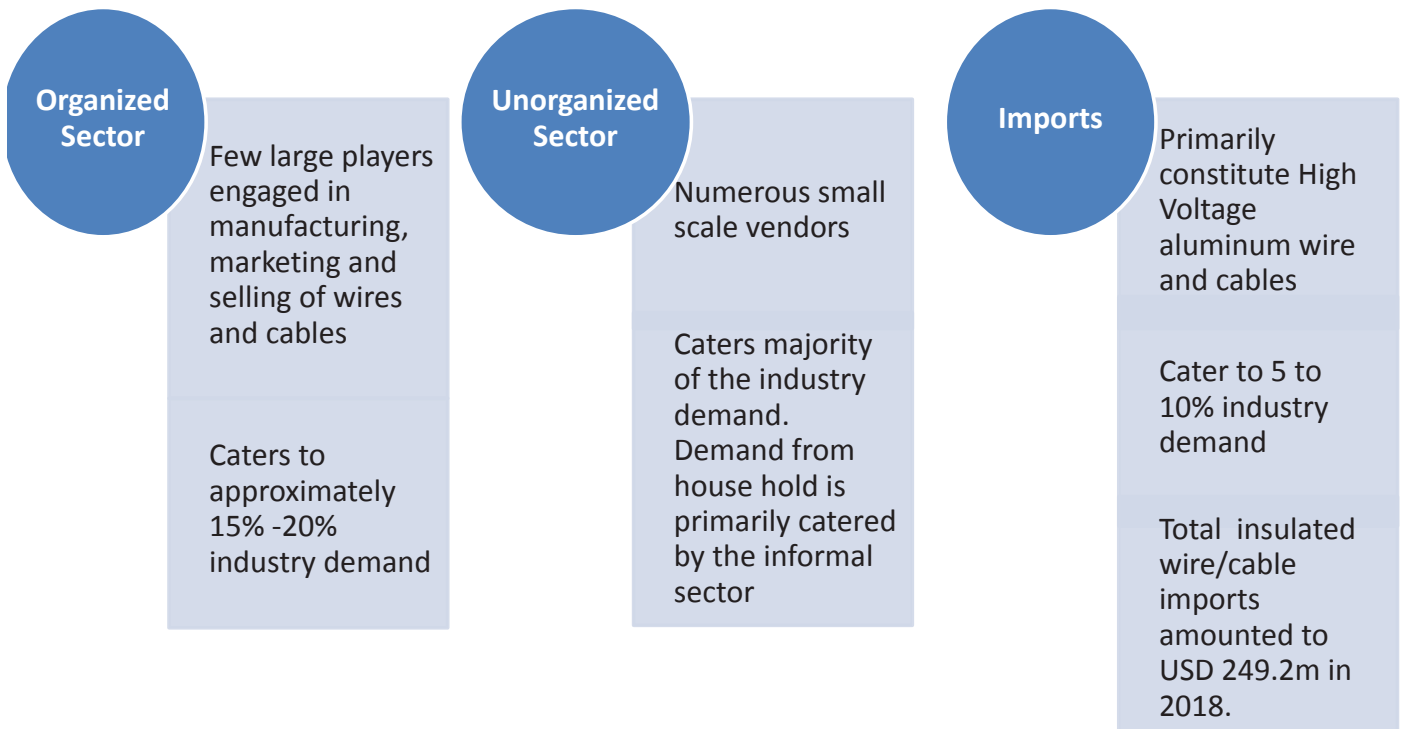


- Cheaper than copper
- Lighter than copper
- Highly Malleable

Aluminum



## Industry Segmentation



## Market dynamics of the organized sector

### Copper wires and cables

Annual Demand:  
 - 150,000 Metric Tons  
 - PKR 125.6 billion

Leading Players:  
 - Pakistan Cables Limited  
 - Allied Group

### Aluminum wires and cables

Annual Demand:  
 - 600,000 Metric Tons  
 - PKR 156.6 billion

Leading Players:  
 - Fast Cables Limited  
 - Newage Cables (Pvt.) Limited

## Business Risks

- Changing technology resulting in product obsolescence**  
 Given the changing product specifications of clients over time, the companies are susceptible to the risk of outdated products. Engaging in Research and Development (R&D) and product diversification are considered important to mitigate this risk.
- Volatility in metal prices**  
 The prices of rods, wires and cables are linked to prices of copper and aluminum in global markets. Both metals are actively traded on London Metal Exchange (LME) and prices are determined at LME based on demand and supply dynamics. Fluctuations in prices of both metals have a direct impact on prices of wires and cables products.
- Currency Depreciation risk**  
 As metals copper and aluminum are imported from foreign markets, the companies experience losses when Pakistani Rupee depreciates. Ability to translate the impact of currency depreciation to consumers in the form of higher prices determines the profit margins of the companies.
- Competition from the unorganized sector**  
 The industry is subjected to the threat of counterfeit and low quality products from the unorganized sector. Moreover, tax evasion is also prevalent within the unorganized sector as the sector is mostly undocumented; this practice results in cost advantage for the informal sector.
- Competition from imports**  
 Imports of insulated wire/cable products especially aluminum wires increased by 38.3% in FY18 vis-à-vis FY17 primarily on account imports from China for usage in CPEC projects. Chinese imports are a viable threat as they are cheaper because of extra incentives and lower priced raw materials that China offers its companies.

## Profitability indicators of Major Players in the Organized Sector

(Rs. in millions)	Pakistan Cables Limited		Fast Cables Limited		Newage Cables (Pvt.) Limited	
	FY18	FY17	FY18	FY17	FY18	FY17
<b>Net Sales</b>	9,561.0	8,083.5	5,431.9	3,188.8	12,939.7	11,063.7
<b>Gross Profit</b>	1,137.1	1,267.5	730.8	402.7	1,324.3	1,228.5
<b>Gross Margin (%)</b>	11.9%	15.7%	13.5%	12.6%	10.2%	11.1%
<b>Net Profit</b>	305.3	478.5	86.9	76.3	254.1	148.5
<b>Net Margin</b>	3.2%	5.9%	1.6%	2.4%	2.0%	1.3%

## Capitalization indicators of Major Players in the Organized Sector

(Rs. in millions)	Pakistan Cables Limited		Fast Cables Limited		Newage Cables (Pvt.) Limited	
	FY18	FY17	FY18	FY17	FY18	FY17
<b>Long Term Debt</b>	358.1	262.5	550.1	505.8	284.6	452.3
<b>Short Term Debt</b>	1,779.1	922.0	1,556.5	500.1	4,975.0	3,336.2
<b>Total Debt</b>	2,137.3	1,184.5	2,106.6	1,005.9	5,259.6	3,788.4
<b>Equity (excluding revaluation surplus)</b>	2,653.7	2,008.4	1,956.3	1,531.2	2,039.8	1,720.6
<b>Gearing (x)</b>	0.81	0.59	1.08	0.66	2.58	2.20
<b>Debt Leverage (x)</b>	1.29	1.33	1.95	1.48	3.91	3.07

## Liquidity indicators of Major Players in the Organized Sector

(Rs. in millions)	Pakistan Cables Limited		Fast Cables Limited		Newage Cables (Pvt.) Limited	
	FY18	FY17	FY18	FY17	FY18	FY17
<b>FFO</b>	458.9	628.6	248.0	170.9	492.3	302.6
<b>FFO/Total Debt (%)</b>	21.5%	53.1%	11.8%	17.0%	9.4%	8.0%
<b>FFO/Long Term Debt (%)</b>	128.1	239.5%	45.1%	33.8%	173.0%	66.9%
<b>Current Ratio (x)</b>	1.63	1.50	1.14	1.08	1.05	1.11
<b>(Stock in Trade + Trade Debts)/ Short Term Borrowings</b>	2.21	3.51	1.81	2.72	1.45	1.30

### Analysts Contacts

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