



ACL CABLES PLC [ACL.N0000]

DOWNGRADE TO SELL AND DISCONTINUE COVERAGE

FLASHNOTE

Fair Value [FY20E]: LKR 47.0 [-1%]

Previous Report in Aug 2019 - MAINTAIN BUY

First Capital Research maintained BUY on ACL with steady revenue growth mainly stemming from Ceylon Electricity Board (CEB) projects coupled with global copper prices crashing in the short to medium term. The crash in copper prices primarily contributed to lower cost of sales invariably boosting the bottom line. In Jul 2019, on the back of the crash in copper prices we UPGRADED TO BUY with a TP of LKR 37.0 and forecasted earnings of LKR 765.0Mn for FY20E. With our earnings update published on 16th Aug 2019, we upgraded our target price to LKR 42.0 from previous LKR 37.0 due to the upward re-rating of market multiples and lower risk-free rate.

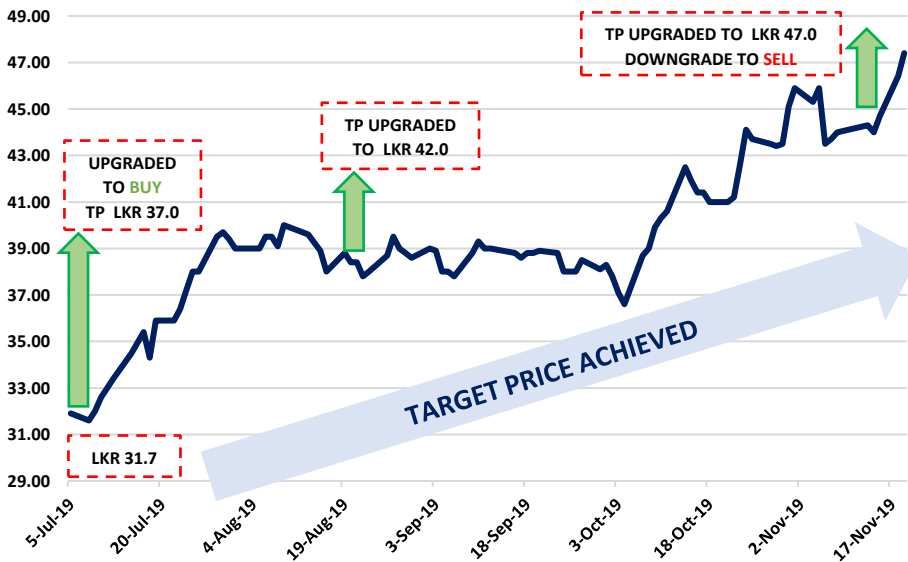
Flashback

- 27th Mar 2019: Copper price spikes by 7%, downgraded to HOLD with a TP of LKR 37.0 for FY20E
- 4th Jul 2019: Crash in copper prices. Upgraded to BUY with TP maintained at LKR 37.0 for FY20E. Notably, ACL has gained a total return of 53% from LKR 31.7 (capital gain of 50% and dividend yield of 3%).

ACL REACHES TP OF LKR 47.0; SELL

ACL's earnings for 2QFY20 performed better than expectation on the back of lower than expected cost of sales, thereby, we upgrade our earnings target to LKR 825.0Mn owing to the improved margins from relatively lower copper prices. We upgrade our TP for FY20E to LKR 47.0 from LKR 42.0, however, we maintain our revenue target of LKR 21.1Bn for FY20E on the back of streamline revenue generated from CEB projects. Since our last report published on 16th Aug 2019, ACL has gained +25% from LKR 38.0 while the benchmark index appreciated by a mere +4%. ACL has gained 50% since our buy recommendation on 4th Jul while the index rose by 12%. Similarly, ACL appreciated by +29% over a 52-week period while the index rose marginally by 3%. **DOWNGRADE TO SELL AND DISCONTINUE COVERAGE**

TO SELL AND DISCONTINUE COVERAGE



Source: CSE

FIRST CAPITAL RESEARCH

Nisansala Kuruppumudali +94 11 263 9866
nisansalat@firstcapital.lk

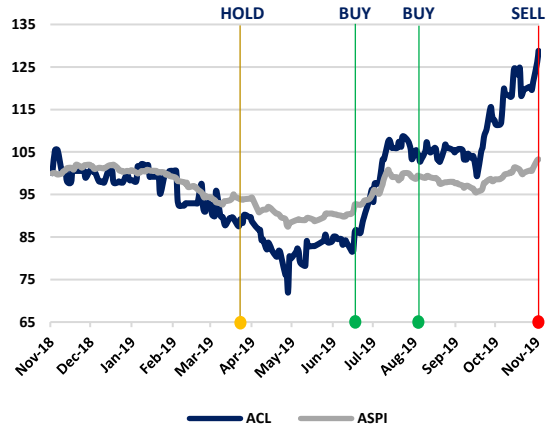
KEY DATA

CSE Ticker	ACL.N0000
Bloomberg Ticker	ACL SL
Share Price (LKR)	47.4
52w High (LKR)	47.4
52w Low (LKR)	26.5
Avg. Daily Volume (Shares)	31,602
Avg. Daily Turnover (LKR)	1,205,082
Issued Share Capital (Shares 'Mn)	119.8
Market Cap (LKR 'Mn)	5,678
Market Cap (USD 'Mn)	32

*1 USD = LKR 180

Price Performance (%)	1mth	3mths	12mths
ACL	16%	23%	29%
ASPI	5%	4%	3%

Price movement of ACL vs ASPI and past recommendations



Source: CSE

Disclosure on Shareholding:

First Capital Group does not hold shares in ACL. First Capital Group has not traded in the shares in the three trading days prior to this document and will not trade in the shares for three trading days following the issue of this document.



First Capital

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000

Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Nisansala Kuruppumudali	+94 11 2639 866
Atchuthan Srirangan	+94 11 2639 863		
Hiruni Perera	+94 11 2639 864		

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Neminda Jayawardena	+94 76 6644 080
Anushka Dissanayake	+94 77 2220 021	Arun Kandasamy	+94 75 4861 506
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Sewwandi Kathriarachchi	+94 77 3461 734	Mahesh Amarasinghe	+94 77 0073 684
Nethalie De Mel	+94 11 2639 854	Dharshanie Vasanthajothy	+94 77 9159 878

EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042	Negombo	
			Priyanka Anuruddha	+94 70 2910 035
Colombo			Priyantha Wijesiri	+94 70 2910 036
Nishantha Mudalige		+94 70 2910 041		
Isuru Jayawardana		+94 70 2910 034		
Ifadh Marikar		+94 77 9625 679		
Thushara Pathiraja		+94 70 2910 037		
Anushka Buddhika		+94 70 2910 030		

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Deepal Pathmaperuma	+94 77 9159 878
Imali Abeygunawardena	+94 77 1764 799		

BRANCHES

Kandy	Kurunegala	Matara	Negombo
2nd Floor, No.121 Kotugodella Veediya (E L Senanayake Veediya) Kandy 20000.	Ground Floor No. 42, Mihindu Mawatha, Kurunegala 60000.	2nd Floor, E.H. Cooray Building No: 24, 1/3, Anagarika Dharmapala Mawatha, Matara 81000.	1st Floor No: 163B, Colombo Road, Negombo 11500.
Manager: Salinda Samarakoon	Manager:	Manager: Rohana Jayakody	Manager:
Tel: +94 81 2236 010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 2233 299

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