

May 11, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	2,472		2,385	
Sales (Rs. m)	1,38,995	1,59,462	1,34,600	1,54,469
% Chng.	3.3	3.2		
EBITDA (Rs. m)	17,120	20,435	16,616	19,835
% Chng.	3.0	3.0		
EPS (Rs.)	78.3	93.9	75.1	90.7
% Chng.	4.3	3.6		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	87,922	1,22,037	1,38,995	1,59,462
EBITDA (Rs. m)	11,111	12,652	17,120	20,435
Margin (%)	12.6	10.4	12.3	12.8
PAT (Rs. m)	7,380	8,365	11,682	14,005
EPS (Rs.)	49.5	56.1	78.3	93.9
Gr. (%)	(2.9)	13.4	39.6	19.9
DPS (Rs.)	10.0	14.0	14.5	18.5
Yield (%)	0.4	0.6	0.6	0.8
RoE (%)	17.2	16.2	19.4	19.8
RoCE (%)	23.7	21.8	26.6	27.0
EV/Sales (x)	4.0	2.9	2.5	2.1
EV/EBITDA (x)	31.7	27.8	20.2	16.7
PE (x)	49.1	43.3	31.0	25.9
P/BV (x)	7.6	6.5	5.6	4.7

Key Data POLC.BO | POLYCAB IN

52-W High / Low	Rs.2,820 / Rs.1,468
Sensex / Nifty	54,088 / 16,167
Market Cap	Rs.363bn/ \$ 4,702m
Shares Outstanding	149m
3M Avg. Daily Value	Rs.997.54m

Shareholding Pattern (%)

Promoter's	-
Foreign	-
Domestic Institution	100.00
Public & Others	-
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.8)	(2.8)	56.8
Relative	(0.6)	7.7	42.5

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FMEG ramp-up key to further rerating

Quick pointers

- For FY23 management expects 20% growth in wires & cables.
- FMEG ramp-up remains a key driver for further re-rating.

We have increased FY23-24 EPS estimates by 4% each to mainly reflect higher top-line growth assumption, as management expects ~20% growth in W&C segment. We believe margins will gradually recover and remain structurally positive for long term given 1) sustained increase in B2C mix with focus on premiumization 2) pick up in infrastructure/renovation/construction activities 3) implementation of Project Leap (targeting Rs200bn revenue along with margin improvement and GTM expansion by FY26) and 4) consumer shift gains from unorganized to organized sector. We estimate Sales/ PAT CAGR of 14%/ 29% over FY22-24E and value the stock on SOTP based target price of Rs2,472 (derived PE of 26.3x FY24 EPS; W&C/ FMEG valued at 25x/ 30x). Maintain Hold.

Sales grew by 35%, PAT grew by 28%: Sales grew 35% YoY to ~Rs39.6bn, led by growth in Wires & Cables (+39% YoY). FMEG business grew by 9% YoY to Rs3.79bn. EBITDA grew 18% YoY to Rs4.76bn, while EBITDA margins contracted by 170bps YoY to 12.0%. Gross margin declined by 350bps YoY to 22.2%. In terms of segmental EBIT margin, W&C segment margin came at 11.6% (+130bps QoQ, -150bps YoY), whereas FMEG margin came at 2.8% (+100bps QoQ, -420bps YoY). PBT grew by 17% YoY to Rs4.3bn. Adj. PAT grew 28% YoY to Rs3.22bn. Demand environment continues to be encouraging. Distribution driven business saw strong traction whereas institutional business was subdued. Wires grew faster than cables. Exports was nearly 2x of last year in Q4. FMEG segment saw subdued growth due to continued inflation. Net Cash position stood at Rs11bn as of March 2022 end, as against Rs9.6bn last year despite one-off investment of Rs2bn in office space. Debt to Equity improved to 0.01x

Concall Takeaways: **1)** The four key initiatives to drive FMEG growth in FY23 will be i) aggressive market reach expansion ii) building right product portfolio across price spectrums iii) improved brand architecture for premiumization and iv) augmented influencer management program. The company is committed to achieve 12 % annualized EBITDA margin in this business by FY26 **2)** Management highlighted that rural demand is improving gradually. **3)** Price hike has been in single digit in Q4. **4)** ~20% growth expected in W&C in FY23 **5)** Distribution expansion continued with total retailers reach over ~2,00,000 now and Distributors at 4,600. **6)** In organized market, W&C market share is 24% **7)** Premium product is ~16% of total FMEG revenue now (Vs 7% last year) **8)** FMEG business also underwent realignment exercise to improve sales force efficacy and achieve distribution synergies. Switches saw a decline due to supply challenges. Transition to in-house manufacturing of switches is ongoing. Solar business was muted, however for the full year it achieved over 50% YoY growth.

Exhibit 1: Q4FY22 Result Overview (Rs mn): Sales grew by 35% YoY; PAT grew by 28% YoY

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Net Sales	39,699	29,427	34.9	33,720	1,22,037	87,922	38.8
Expenditure							
Operating & Manufacturing Expenses	30,893	21,857	41.3	26,095	94,657	65,171	45.2
<i>% of Net Sales</i>	<i>77.8</i>	<i>74.3</i>	<i>3.5</i>	<i>77.4</i>	<i>77.6</i>	<i>74.1</i>	<i>3.4</i>
Gross Profit	8,806	7,571	16.3	7,625	27,380	22,751	20.3
<i>% of Net Sales</i>	<i>22.2</i>	<i>25.7</i>	<i>-3.5</i>	<i>22.6</i>	<i>22.4</i>	<i>25.9</i>	<i>-3.4</i>
Personnel Cost	1,050	976	7.6	1,025	4,066	3,537	14.9
<i>% of Net Sales</i>	<i>2.6</i>	<i>3.3</i>	<i>-0.7</i>	<i>3.0</i>	<i>3.3</i>	<i>4.0</i>	<i>-0.7</i>
Other Expenses	2,994	2,554	17.2	2,983	10,662	8,102	31.6
<i>% of Net Sales</i>	<i>7.5</i>	<i>8.7</i>	<i>-1.1</i>	<i>8.8</i>	<i>8.7</i>	<i>9.2</i>	<i>-0.5</i>
Total Expenditure	34,937	25,387	37.6	30,103	1,09,385	76,811	42.4
EBITDA	4,762	4,040	17.9	3,617	12,652	11,111	13.9
<i>Margin (%)</i>	<i>12.0</i>	<i>13.7</i>	<i>-1.7</i>	<i>10.7</i>	<i>10.4</i>	<i>12.6</i>	<i>-2.3</i>
Other income	168	231	-27.3	216	899	1,193	-24.6
Depreciation	503	461	9.1	511	2,015	1,762	14.4
EBIT	4,428	3,811	16.2	3,322	11,536	10,543	9.4
Interest	125	132	-5.2	78	352	427	-17.6
PBT before exceptional item	4,303	3,679	17.0	3,244	11,184	10,116	10.6
Total Taxes	1,047	1,136	-7.9	763	2,706	2,703	0.1
<i>ETR (%)</i>	<i>24.3</i>	<i>30.9</i>	<i>(6.5)</i>	<i>23.5</i>	<i>24.2</i>	<i>26.7</i>	<i>(2.5)</i>
Profit before JV/Associates/Minority Interest	3,256	2,543	28.0	2,481	8,478	7,412	14.4
Share of JV/Associates	-4	7		3	-26	6	
Non-controlling Interest	32	38		16	87	38	
Adj. PAT	3,221	2,512	28.2	2,467	8,365	7,380	13.4
Exceptional item	0	160	-100.0	0	0	1,000	-100.0
PAT	3,221	2,672	20.5	2,467	8,365	8,380	-0.2

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn): W&C/FMEG revenues grew by 39%/ 9% YoY

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Revenues							
Wires & Cables	35,110	25,305	38.7	29,679	106,953	75,806	41.1
FMEG	3,792	3,468	9.3	3,404	12,543	10,341	21.3
Others	827	768	7.7	745	2,943	2,444	20.4
Total	39,729	29,541	34.5	33,827	122,439	88,591	38.2
EBIT							
Wires & Cables	4,064	3,266	24.4	3,044	10,405	9,060	14.8
<i>EBIT margin (%)</i>	<i>11.6</i>	<i>12.9</i>	<i>-1.3</i>	<i>10.3</i>	<i>9.7</i>	<i>12.0</i>	<i>-2.2</i>
FMEG	105	244	-57.0	63	196	566	-65.3
<i>EBIT margin (%)</i>	<i>2.8</i>	<i>7.0</i>	<i>-4.3</i>	<i>1.8</i>	<i>1.6</i>	<i>5.5</i>	<i>-3.9</i>
Others	122	146	-16.2	106	438	393	11.6
<i>EBIT margin (%)</i>	<i>14.8</i>	<i>19.0</i>	<i>-4.2</i>	<i>14.3</i>	<i>14.9</i>	<i>16.1</i>	<i>-1.2</i>
Total EBIT	4,291	3,655	17.4	3,213	11,039	10,018	10.2
<i>EBIT margin (%)</i>	<i>10.8</i>	<i>12.4</i>	<i>-1.6</i>	<i>9.5</i>	<i>9.0</i>	<i>11.3</i>	<i>-2.3</i>

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	87,922	1,22,037	1,38,995	1,59,462
YoY gr. (%)	(0.4)	38.8	13.9	14.7
Cost of Goods Sold	65,171	94,657	1,04,407	1,18,811
Gross Profit	22,751	27,872	34,588	40,650
Margin (%)	25.9	22.8	24.9	25.5
Employee Cost	3,537	4,066	5,004	5,741
Other Expenses	3,598	5,056	5,236	5,863
EBITDA	11,111	12,652	17,120	20,435
YoY gr. (%)	(2.1)	13.9	35.3	19.4
Margin (%)	12.6	10.4	12.3	12.8
Depreciation and Amortization	1,762	2,015	2,235	2,441
EBIT	9,350	10,637	14,885	17,994
Margin (%)	10.6	8.7	10.7	11.3
Net Interest	427	352	467	485
Other Income	1,193	899	1,315	1,335
Profit Before Tax	10,116	11,184	15,733	18,844
Margin (%)	11.5	9.2	11.3	11.8
Total Tax	2,703	2,706	3,965	4,749
Effective tax rate (%)	26.7	24.2	25.2	25.2
Profit after tax	7,412	8,478	11,768	14,095
Minority interest	38	87	91	96
Share Profit from Associate	6	(26)	5	6
Adjusted PAT	7,380	8,365	11,682	14,005
YoY gr. (%)	(2.8)	13.4	39.6	19.9
Margin (%)	8.4	6.9	8.4	8.8
Extra Ord. Income / (Exp)	1,000	-	-	-
Reported PAT	8,380	8,365	11,682	14,005
YoY gr. (%)	10.4	(0.2)	39.6	19.9
Margin (%)	9.5	6.9	8.4	8.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,380	8,365	11,682	14,005
Equity Shares O/s (m)	149	149	149	149
EPS (Rs)	49.5	56.1	78.3	93.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	30,944	33,563	36,678	39,810
Tangibles	30,712	33,300	36,385	39,487
Intangibles	233	263	293	323
Acc: Dep / Amortization	12,271	14,136	16,231	18,509
Tangibles	12,109	13,956	16,030	18,285
Intangibles	162	180	201	224
Net fixed assets	18,673	16,728	20,145	20,999
Tangibles	18,602	16,645	20,053	20,900
Intangibles	71	83	92	99
Capital Work In Progress	991	3,754	1,500	1,500
Goodwill	23	23	23	23
Non-Current Investments	2,017	1,058	1,935	1,698
Net Deferred tax assets	(418)	(272)	(429)	(617)
Other Non-Current Assets	717	1,143	1,015	1,023
Current Assets				
Investments	6,231	7,641	10,331	11,331
Inventories	19,879	21,997	30,084	34,514
Trade receivables	14,358	12,964	19,040	21,844
Cash & Bank Balance	5,313	4,071	6,551	11,659
Other Current Assets	1,563	4,189	2,085	2,392
Total Assets	70,147	74,118	93,582	1,07,961
Equity				
Equity Share Capital	1,491	1,491	1,491	1,491
Other Equity	46,048	53,943	63,236	75,079
Total Networkth	47,539	55,434	64,727	76,570
Non-Current Liabilities				
Long Term borrowings	1,037	30	-	-
Provisions	251	264	250	287
Other non current liabilities	341	207	207	207
Current Liabilities				
ST Debt / Current of LT Debt	890	802	834	957
Trade payables	13,480	12,175	20,309	21,484
Other current liabilities	5,776	4,439	6,136	7,003
Total Equity & Liabilities	70,147	74,118	93,582	1,07,961

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	10,122	11,879	15,738	18,849
Add. Depreciation	1,762	2,015	2,235	2,441
Add. Interest	427	352	467	485
Less Financial Other Income	1,193	899	1,315	1,335
Add. Other	23	(816)	(1,130)	(722)
Op. profit before WC changes	12,333	13,430	17,310	21,054
Net Changes-WC	2,458	(4,974)	(2,894)	(5,335)
Direct tax	(2,409)	(3,340)	(3,965)	(4,749)
Net cash from Op. activities	12,382	5,116	10,451	10,970
Capital expenditures	(1,911)	5,330	(3,700)	(3,295)
Interest / Dividend Income	181	232	996	958
Others	(8,391)	(9,831)	(3,716)	(4,000)
Net Cash from Invt. activities	(10,121)	(4,269)	(6,420)	(6,337)
Issue of share cap. / premium	84	133	-	-
Debt changes	(1,227)	(297)	3	123
Dividend paid	-	(1,491)	(2,088)	(2,162)
Interest paid	(463)	(352)	(467)	(485)
Others	-	-	-	-
Net cash from Fin. activities	(1,606)	(2,007)	(2,552)	(2,525)
Net change in cash	656	(1,160)	1,479	2,108
Free Cash Flow	10,471	10,446	6,752	7,675

Source: Company Data, PL Research

Key Financial Metrics

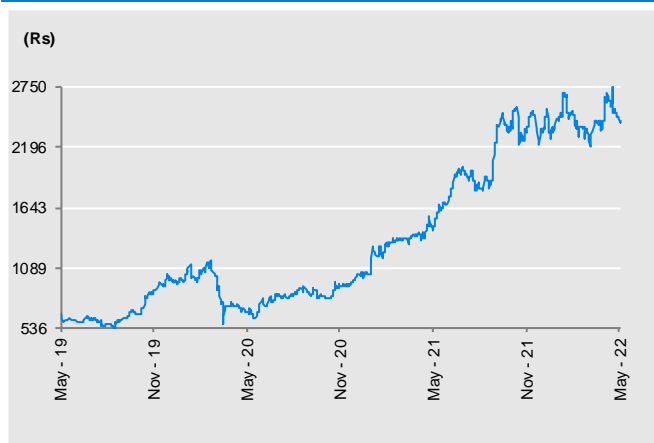
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	49.5	56.1	78.3	93.9
CEPS	61.3	69.6	93.3	110.3
BVPS	318.8	371.7	434.1	513.5
FCF	70.2	70.1	45.3	51.5
DPS	10.0	14.0	14.5	18.5
Return Ratio(%)				
RoCE	23.7	21.8	26.6	27.0
ROIC	20.8	19.6	25.3	27.7
RoE	17.2	16.2	19.4	19.8
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	86	68	76	80
Valuation(x)				
PER	49.1	43.3	31.0	25.9
P/B	7.6	6.5	5.6	4.7
P/CEPS	39.6	34.9	26.0	22.0
EV/EBITDA	31.7	27.8	20.2	16.7
EV/Sales	4.0	2.9	2.5	2.1
Dividend Yield (%)	0.4	0.6	0.6	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	18,552	30,066	33,720	39,699
YoY gr. (%)	90.0	42.2	22.8	30.7
Raw Material Expenses	14,196	23,474	26,095	30,893
Gross Profit	4,356	6,592	7,625	8,806
Margin (%)	23.5	21.9	22.6	22.2
EBITDA	1,342	2,930	3,617	4,762
YoY gr. (%)	133.5	(6.2)	3.4	13.1
Margin (%)	7.2	9.7	10.7	12.0
Depreciation / Depletion	493	509	511	503
EBIT	849	2,421	3,106	4,260
Margin (%)	4.6	8.1	9.2	10.7
Net Interest	98	51	78	125
Other Income	240	275	216	168
Profit before Tax	991	2,645	3,244	4,303
Margin (%)	5.3	8.8	9.6	10.8
Total Tax	233	664	763	1,047
Effective tax rate (%)	23.5	25.1	23.5	24.3
Profit after Tax	759	1,981	2,481	3,256
Minority interest	13	26	16	32
Share Profit from Associates	(21)	(3)	3	(4)
Adjusted PAT	724	1,952	2,467	3,221
YoY gr. (%)	202.7	(11.5)	1.2	14.4
Margin (%)	3.9	6.5	7.3	8.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	724	1,952	2,467	3,221
YoY gr. (%)	(38.4)	(11.5)	1.2	14.4
Margin (%)	3.9	6.5	7.3	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	724	1,952	2,467	3,221
Avg. Shares O/s (m)	149	149	149	-
EPS (Rs)	4.9	13.1	16.5	-

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	27-Apr-22	Hold	2,385	2,505
2	11-Apr-22	Hold	2,385	2,684
3	21-Jan-22	Hold	2,387	2,511
4	07-Jan-22	Hold	2,342	2,445
5	25-Oct-21	Hold	2,342	2,338
6	06-Oct-21	Hold	2,319	2,449
7	22-Jul-21	Hold	1,977	1,912
8	06-Jul-21	BUY	1,927	1,980
9	07-Jun-21	BUY	1,927	1,743

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Electricals	Accumulate	1,278	1,082
2	Crompton Greaves Consumer Electricals	BUY	531	374
3	Havells India	Accumulate	1,369	1,249
4	KEC International	Accumulate	451	367
5	KEI Industries	Accumulate	1,273	1,149
6	Polycab India	Hold	2,385	2,505
7	Voltas	Hold	1,071	1,047

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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