

Polycab India

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	POLYCAB IN
Equity Shares (m)	150
M.Cap.(INRb)/(USD\$)	924.9 / 11.1
52-Week Range (INR)	6364 / 3171
1, 6, 12 Rel. Per (%)	20/6/71
12M Avg Val (INR M)	3595
Free float (%)	34.8

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	180.4	207.4	239.1
EBITDA	24.9	27.4	32.8
Adj. PAT	17.8	19.7	23.6
EBITDA Margin (%)	13.8	13.2	13.7
Cons. Adj. EPS (INR)	118.8	130.9	157.1
EPS Gr. (%)	40.0	10.2	20.0
BV/Sh. (INR)	545.0	645.8	767.9

Ratios

Net D:E	(0.0)	(0.1)	(0.1)
RoE (%)	21.8	20.3	20.5
RoCE (%)	22.5	21.1	21.3
Payout (%)	16.8	22.9	22.3

Valuations

P/E (x)	51.8	47.0	39.2
P/BV (x)	11.3	9.5	8.0
EV/EBITDA (x)	37.0	33.5	27.8
Div Yield (%)	0.5	0.6	0.6
FCF Yield (%)	0.5	0.7	1.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	65.2	65.8	66.2
DII	7.2	7.6	9.3
FII	12.0	13.4	9.8
Others	15.6	13.2	14.7

FII Includes depository receipts

CMP: INR6,156 TP: INR7,850 (+28%) BUY

Strong delivery continues; gains market share further

Market share at ~25-26% of domestic organized cables & wires market

- Polycab India (Polycab)'s 4QFY24 performance was ahead of our estimates. It reported an EBITDA of INR7.6b (15% above our est.) led by higher revenue growth (12% above est.) and a better margin in the cables & wires segment (15.1% vs. estimated 14.3%). Profit stood at INR5.5b vs. est. of INR4.7b.
- Management believes that the company's market share stands at ~25-26% of the domestic organized cables & wires market (vs. 22-24% in FY23). Rural demand has improved, leading to higher sales for FMEG products, which, along with an increase in private sector capex, should boost growth.
- We recently [initiated coverage](#) on Polycab with a BUY rating. We like the company due to its strong performance in the cables & wires segment, where it has a leadership position as well as strong margin delivery. We raise our EPS estimates by 5% each for FY25 and FY26, considering higher growth in FY24. **Reiterate BUY with a TP of INR7,850 (premised on 50x FY26E EPS).**

Revenue/EBITDA up 29%/25% YoY; cables & wires' margin at 15.1%

- Polycab's revenue was up 29% YoY to INR55.9b led by strong growth in all business segments. EBITDA grew 25% YoY to INR7.6b, while OPM was at 13.6% vs. 14.1%/13.1% in 4QFY23/3QFY24. PAT rose 29% YoY to INR5.5b. Ad spending stood at 0.7% of revenue vs. 0.6%/2.0% in 4QFY23/3QFY24.
- Revenue for the cables segment was up 24% YoY to INR48.6b, while EBIT rose 25% YoY to INR7.4b. EBIT margin was 15.1% vs. 15.0%/14.0% in 4QFY23/3QFY24. International business contributed 7.7% to the revenue vs. 12.5%/6.2% in 4QFY23/3QFY24.
- Revenue for the ECD segment increased 19% YoY, while EBIT loss stood at INR459m vs. a loss of INR70m in 4QFY23. Management indicated that Fans' demand growth was better fueled by a new range of BLDC and premium fans. Revenue for the EPC business surged 4.6x YoY/2.2x QoQ due to improvements in government projects, while EBIT surged 7.1x YoY/5% QoQ.
- In FY24;** revenue was up 28% YoY, led by 26% growth in cables & wires. EBIT of the cables & wires segment improved 40% YoY, while margin expanded 1.6pp YoY to 14.7%. Overall, EBITDA was up 35% YoY to INR24.9b, while OPM improved 70bp YoY to 13.8%. Profit rose 41% YoY to INR18b.
- OCF declined 9% YoY to INR13b in FY24 due to an increase in working capital requirements. RoE improved to 21.8% from 19.1% in FY23. Working capital days increased to 65 from 63 days in FY23, while working capital days including acceptances increased to 103 days from 94 in FY23.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Key highlights from the management commentary

- There are encouraging signals for rural demand improvement, which boosted sales of FMEG products. The EHV plant will become operational by end-FY26, and asset turnover should be 5-6x for this plant.
- The domestic cables & wires business reported a volume growth of ~30-40% in 4QFY24/FY24. It will continue to deliver 12-13% EBIT margin on a sustainable basis in the cables & wires segment. The margin can see a positive bias sequentially based on the product mix.
- The decline in international business was due to a transition in the business model undertaken by the company in its largest demand geography, the US. This transition will take another three to five quarters to stabilize. Business from other geographies will continue to show robust growth in this period.

Valuation and view

- We estimate Polycab's EBITDA/profit CAGR at 15% each over FY24-26. We expect a cumulative FCF of INR16b during FY24-26, despite higher capex (INR10b each in FY25/26). RoE and RoIC are expected to be at 21% and 26%, respectively, in FY26 vs. an average of 16% and 17% over FY15-24.
- **We reiterate our BUY rating on Polycab with a TP of INR7,850 (based on 50x FY26E EPS),** considering a strong earnings CAGR, better return ratios, and a strong balance sheet (net cash of INR31b in FY26E).

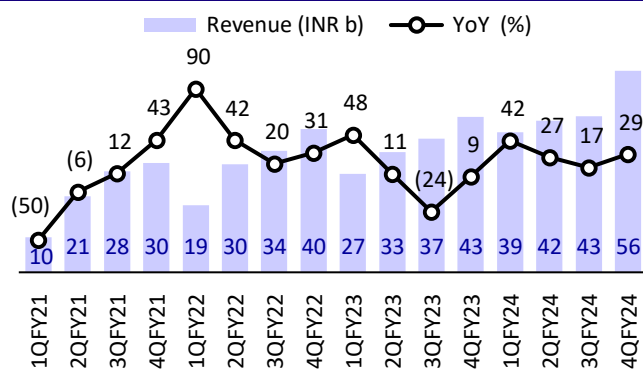
Quarterly Performance

Y/E March	FY23				FY24				FY23	FY24	MOSL	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q		(%)	(%)
Sales	27,366	33,324	37,152	43,237	38,894	42,177	43,405	55,919	1,41,078	1,80,394	49,917	12.0%	29.3%	28.8%
Change (%)	47.5	10.8	10.2	8.9	42.1	26.6	16.8	29.3	15.6	27.9	13.9			
EBITDA	3,111	4,276	5,038	6,095	5,486	6,089	5,695	7,615	18,521	24,918	6,639	14.7%	24.9%	33.7%
Change (%)	131.8	46.0	39.3	28.0	76.3	42.4	13.0	24.9	46.4	34.5	6.2			
EBITDA margin (%)	11.4	12.8	13.6	14.1	14.1	14.4	13.1	13.6	13.1	13.8	13.3		-48	50
Depreciation	510	523	525	535	571	603	619	657	2,092	2,450	651	0.9%	22.9%	6.2%
Interest	84	139	93	282	249	268	322	244	598	1,083	351	-30.5%	-13.3%	-24.3%
Other Income	443	-22	397	515	640	353	710	538	1,333	2,209	775	-30.5%	4.5%	-24.2%
Share of JV's loss	(13)	(8)	(8)	(64)	-	-	-	-	(93)	-	-			
PBT	2,947	3,585	4,810	5,731	5,305	5,572	5,464	7,253	17,073	23,593	6,412	13.1%	26.6%	32.7%
Tax	722	880	1,202	1,446	1,273	1,274	1,299	1,718	4,242	5,564	1,667			
Effective Tax Rate (%)	24.5	24.5	25.0	25.2	22.9	23.8	23.7	22.9	24.8	23.6	26.0			
MI	28	27	32	37	35	42	37	75	123	189	9			
Exceptional	-	-	-	-	-	-	-	-	0	0	-			
Reported PAT	2,198	2,678	3,576	4,248	3,996	4,256	4,129	5,460	12,708	17,841	4,736	15.3%	28.6%	32.3%
Change (%)	203.4	37.2	45.0	31.8	81.8	58.9	15.4	28.6	51.9	40.4	9.3			
Adj. PAT	2,198	2,678	3,576	4,248	3,996	4,256	4,129	5,460	12,708	17,841	4,736	15.3%	28.6%	32.3%
Change (%)	203.4	37.2	45.0	31.8	81.8	58.9	15.4	28.6	51.9	40.4	9.3			

Segmental Performance

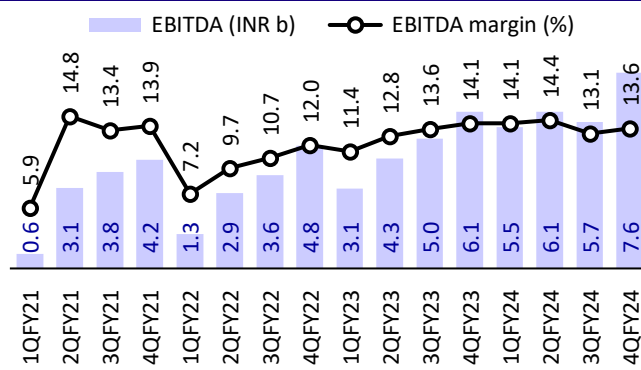
Segmental Performance											INR m			
	FY23				FY24				FY23	FY24	MOSL	Var.	YoY	QoQ
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q		(%)	(%)
Sales														
Cable and wires	23,511	29,259	32,878	39,347	35,338	38,047	39,041	48,647	1,27,775	1,61,073	45,687	6.5%	23.6%	24.6%
ECDs	3,024	3,032	3,399	3,023	3,145	3,300	2,962	3,581	12,607	12,988	3,245	10.4%	18.5%	20.9%
Others (incl. EPC)	830	1,033	875	866	411	830	1,774	3,902	1,082	7,331	985	296.1%	350.4%	119.9%
EBIT														
Cable and wires	2,773	3,463	4,593	5,896	5,223	5,547	5,474	7,363	16,724	23,607	6,535	12.7%	24.9%	34.5%
ECDs	64	(27)	(24)	(70)	(57)	(60)	(366)	(459)	(56)	(942)	(150)	N/A	N/A	25.4%
Others (incl. EPC)	86	111	64	(113)	85	110	340	265	148	801	178	49.0%	N/A	-22.1%
EBIT Margin (%)														
Cable and wires	11.8	11.8	14.0	15.0	14.8	14.6	14.0	15.1	13.1	14.7	14.3	83	15	111
ECDs	2.1	(0.9)	(0.7)	(2.3)	(1.8)	(1.8)	(12.4)	(12.8)	(0.4)	(7.3)	(4.6)	(820)	N/A	(46)
Others (incl. EPC)	10.3	10.8	7.3	(13.1)	20.6	13.3	19.2	6.8	13.7	10.9	18.1	(1,127)	N/A	(1,239)

Exhibit 1: Polycab's total revenue grew 29% YoY in 4QFY24



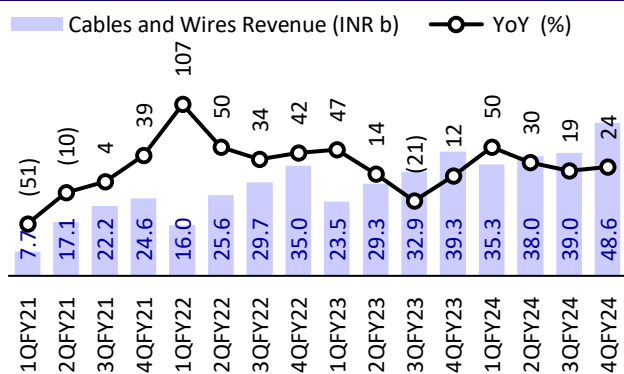
Source: MOFSL, Company

Exhibit 2: EBITDA rose 25% YoY, while OPM contracted 50bp



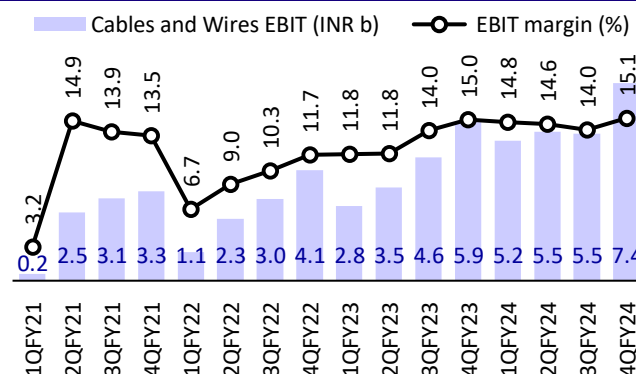
Source: MOFSL, Company

Exhibit 3: Cables & Wires' revenue grew 24% YoY

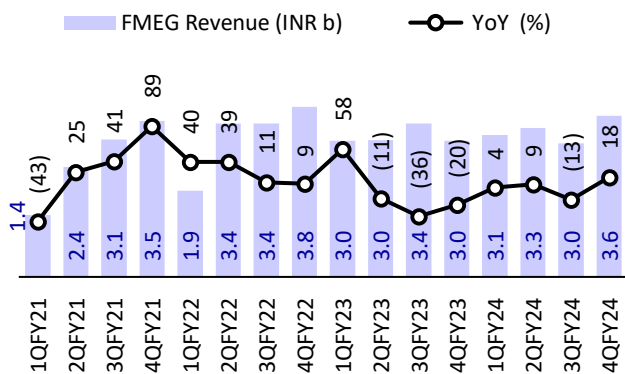


Source: MOFSL, Company

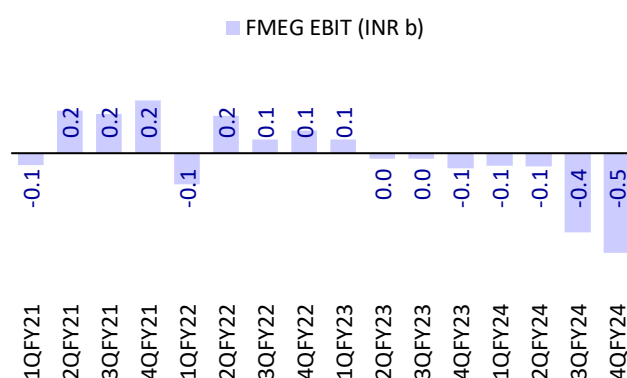
Exhibit 4: Cables and Wires' EBIT margin was at 15.1%



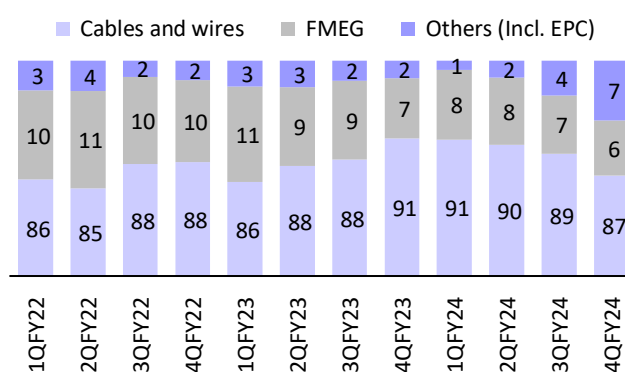
Source: MOFSL, Company

Exhibit 5: FMEG's revenue increased 18% YoY

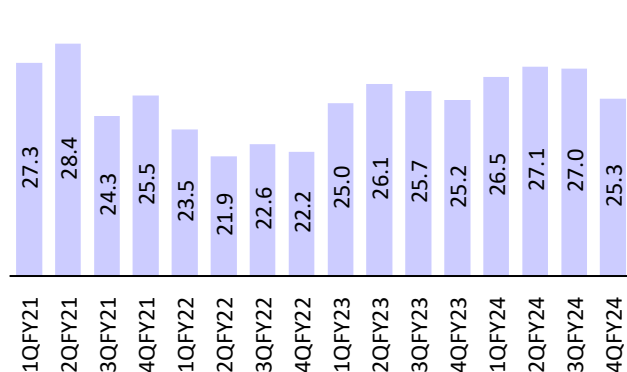
Source: MOFSL, Company

Exhibit 6: Loss in FMEG segment mounts

Source: MOFSL, Company

Exhibit 7: Revenue contribution from different segments

Source: MOFSL, Company

Exhibit 8: Gross margin contracts on lower profits in EPC

Source: MOFSL, Company



Conference call highlights

Revenue and margin guidance

- There are encouraging signals for rural demand improvement which helped higher sales for FMEG products. Going forward, positive economic indicators like declining inflation rates and expectations of a rate cut along with normal monsoons are likely to lead to higher sales for consumer products and improvement in private sector capex
- It will continue to deliver 12-13% EBIT margin on a sustainable basis in the cables & wires segment. The margin can see a positive bias sequentially based on the product mix.
- In the EPC business, growth in a few businesses until now led to better margins. However, new opportunities (RDSS orders, where the government is expanding on the power generation and distribution capacities as well as setting up new capacities in spaces where there is a need) in the government business will have lower margins (mid-to-high single digit). It has an order book of INR48b in this business that will be completed in the next 2-3 years.
- Margin in the FEMG segment is hurt as capacity utilization is on the lower side. The target is to achieve higher volumes in the next 2-3 years, which would also result in operating leverage/improvement in efficiencies. It is also trying to increase the share of switches/switchgear business which has better margins. The company has identified a few execution gaps in the FMEG business and has

allocated responsibilities to the new heads to close all the gaps over the next 2-3 quarters.

- The target of achieving export business contribution to ~10% of revenues will be achieved within the initial guidance of FY26.

Project Leap

- The company has been working on various streams clubbed into four key strategic themes, namely customer centricity, go-to-market excellence, winning with new products, and setup of organization leaders.
- A few examples include: a) improving key account management strategy to enhance its relationship with channel partners and service offerings; b) transformative initiatives to fortify its brand presence and market penetration; c) geography-specific GTM initiatives to drive growth as well as initiatives to unlock potential in untapped markets; and d) revamping of B2B CRM systems that resulted in 80% reduction in enquiry time, et al.
- The company is approaching towards its target of achieving INR200b revenues and will update on its new mid-term goal plan in FY25.

On income tax search matter

- The income tax department had asked to file certain details and provide explanations, which are being complied by the company. The company has not received any order or notice by the IT department, and it is confident of its compliances.

Operational performance

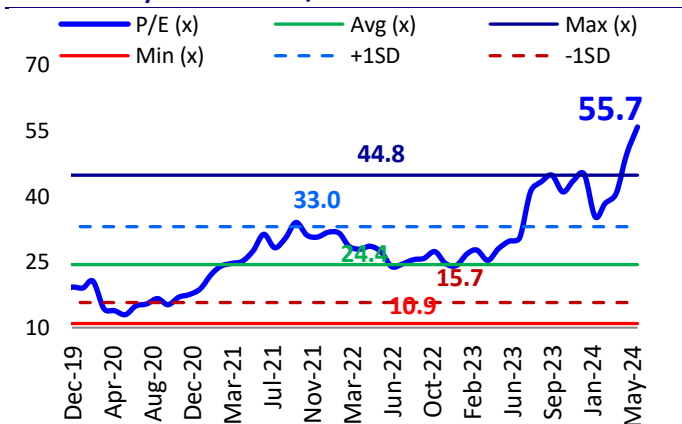
- Better operating leverage and lower ad spending helped sequential improvement in operating margin offsetting the impact of lower gross margins due to an increase in contribution from the lower-margin EPC business.
- The domestic cables & wires business reported a volume growth of ~30-40% in 4QFY24/FY24. The company has gained market share, which stands at ~25-26% of the domestic organized cables & wires market (vs. 22-24% in FY23). The market share at the industry level stands at ~18-19%. In FY24, cables contribution to the segment has increased, which earlier was 70% in FY23.
- International business contributed 7.7% to the revenue vs. 12.5%/6.2% in 4QFY23/3QFY24. The decline in international business was due to a transition in the business model undertaken by the company in its largest demand geography, the US. This transition will take another three to five quarters to stabilize. Business from other geographies will continue to show robust growth in this period and new geographies will also be added. In 4Q, the Middle East contributed 60% of international revenue. The company has expanded its global footprint to 79 countries, spread across all the six continents.
- It launched 90 SKUs of fans, mostly in BLDC and premium range in FY24. The premium range along with the BLDC range contributed to ~28% of the fan sales in 4QFY24.
- The switches and switchgear segments continued strong growth momentum in 4QFY24, riding on the back of an uptick in real estate. The ATR range, which was introduced in the beginning of FY24, contributed significantly to the sales in the year.

- There was a 7-8% QoQ decline in prices in the Lighting segment and the company is trying to increase the contribution from its premium offerings such as panel ceiling curve down lights. The company has written off its investments in JV, Techno Electro as the net worth has completely eroded due to pricing pressure in the Lighting segment. An impairment of INR105m was taken on this account in FY24.
- The EPC business registered a strong growth on the back of government orders and it has order books to drive growth for next 3-4 years. This business is estimated to contribute in single digit to the company's revenues and margin should be in high single digits in the mid-to-long term.
- New range of wires Etira, Optima and Green wires launched in last two years contributed ~30% of retail sales in FY24.
- Fans and lights contributed ~50% to the FMEG segment's revenues due to decline in lighting prices (earlier, it used to be ~60%). There was improvement in contribution margin from the switches and switchgear business leading to gross margin improvement in FMEG segment. It is amongst the top 8-10 players in the fans segment. The aim is to reach to the Top 5 position and thereafter, top 3 position in the long-run.

Capex and balance sheet

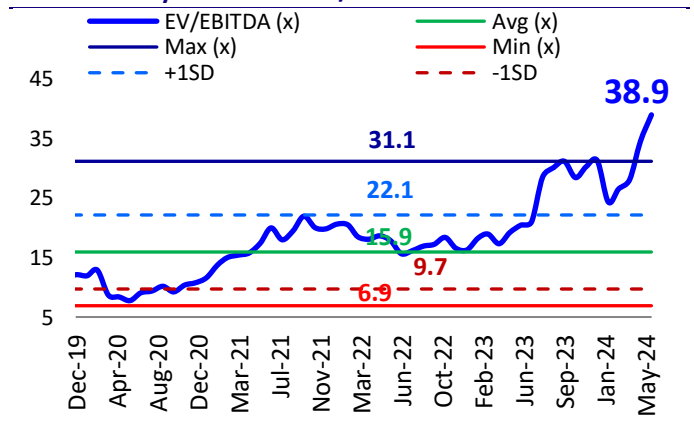
- Capex in FY24 was INR8.6b vs. INR4.6b in FY23. It will invest INR10-11b every year over the next 2-3 years for capacity expansion.
- The EHV plant will become operation by FY26-end and would start contributing to the revenue in FY27. Asset turnover should be 5-6x for this plant.
- Net cash stood at INR21.4b vs. INR18.9b in 4QFY23. Working capital cycle was at 48 days and improved compared to last year.

Exhibit 9: 1-year forward P/E chart



Source: MOFSL, Company

Exhibit 10: 1-year forward EV/EBITDA chart



Source: MOFSL, Company

Financials and valuations (Consolidated)

Income Statement							(INR M)	
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Net Sales	79,856	88,300	87,922	1,22,038	1,41,078	1,80,394	2,07,438	2,39,138
Change (%)	17.9	10.6	(0.4)	38.8	15.6	27.9	15.0	15.3
Raw Materials	59,660	63,686	65,171	94,657	1,05,109	1,32,803	1,53,919	1,75,408
Staff Cost	3,002	3,657	3,537	4,066	4,568	6,095	7,010	8,412
Other Expenses	7,666	9,606	8,102	10,663	12,880	16,578	19,136	22,477
EBITDA	9,528	11,350	11,111	12,652	18,521	24,918	27,373	32,841
% of Net Sales	11.9	12.9	12.6	10.4	13.1	13.8	13.2	13.7
Depreciation	1,414	1,609	1,762	2,015	2,092	2,450	2,590	3,148
Interest	1,167	495	427	352	598	1,083	1,391	1,586
Other Income	638	928	1,193	899	1,333	2,209	2,900	3,400
Profit of share of associates/JVs	(23)	(74)	6	(26)	(93)	-	-	-
PBT	7,561	10,100	10,122	11,159	17,073	23,593	26,292	31,507
Tax	2,558	2,444	2,703	2,706	4,242	5,564	6,442	7,719
Rate (%)	33.8	24.2	26.7	24.3	24.8	23.6	24.5	24.5
MI	6	66	38	87	123	189	189	189
Extra-ordinary Inc.(net)	-	-	(1,000)	-	-	-	-	-
Reported PAT	4,997	7,591	6,380	8,365	12,708	17,841	19,662	23,600
Change (%)	39.6	51.9	(16.0)	31.1	51.9	40.4	10.2	20.0
Adjusted PAT	4,997	7,591	7,380	8,365	12,708	17,841	19,662	23,600
Change (%)	39.6	51.9	(2.8)	13.4	51.9	40.4	10.2	20.0

Balance Sheet							(INR M)	
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Share Capital	1,412	1,489	1,491	1,494	1,498	1,502	1,502	1,502
Reserves	27,057	36,875	46,048	53,943	64,874	80,369	95,524	1,13,865
Net Worth	28,470	38,364	47,539	55,437	66,372	81,871	97,026	1,15,368
Loans	2,724	1,571	2,487	831	730	898	798	698
Deferred Tax Liability	231	165	418	272	409	415	415	415
Minority Interest	84	150	188	251	374	562	751	939
Capital Employed	31,509	40,250	50,633	56,791	67,885	83,746	98,990	1,17,420
Gross Fixed Assets	17,859	20,664	26,989	27,059	33,069	37,462	47,462	57,462
Less: Depreciation	5,103	6,444	8,293	10,308	12,400	14,850	17,440	20,588
Net Fixed Assets	12,756	14,220	18,696	16,751	20,669	22,612	30,022	36,874
Capital WIP	1,930	2,412	991	3,755	2,508	6,547	6,547	6,547
Investments	294	655	6,349	7,733	13,505	18,224	18,224	18,224
Current Assets	41,303	42,319	44,111	45,880	57,559	73,276	84,976	1,02,785
Inventory	19,958	19,250	19,879	21,996	29,514	36,751	42,261	48,719
Debtors	14,694	15,997	15,641	13,763	12,992	21,662	22,733	26,207
Cash & Bank Balance	3,176	2,813	5,313	4,071	6,952	4,024	7,518	13,490
Loans & Advances	178	298	123	127	103	106	122	141
Other Current Assets	3,297	3,962	3,155	5,922	7,997	10,733	12,343	14,229
Current Liab. & Prov.	24,774	19,356	19,514	17,328	26,356	36,914	40,780	47,012
Creditors	15,202	13,537	13,480	12,175	20,326	28,633	31,258	36,034
Other Liabilities	9,201	5,325	5,547	4,634	5,312	7,365	8,469	9,763
Provisions	371	494	487	518	717	916	1,053	1,214
Net Current Assets	16,529	22,963	24,597	28,552	31,203	36,362	44,196	55,774
Misc. Expenses								
P&L Account								
Application of Funds	31,509	40,250	50,633	56,791	67,885	83,746	98,990	1,17,420

Financials and valuations (Consolidated)

Ratios

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Basic (INR)								
Adjusted EPS	35.4	51	49.5	56	84.9	118.8	130.9	157.1
Growth (%)	39.6	44.1	-2.9	13.1	51.6	40	10.2	20
Cash EPS	45.4	61.8	61.3	69.5	98.8	135.1	148.1	178
Book Value	201.6	257.7	318.8	371	443.2	545	645.8	767.9
DPS	3	7	10	14	20	30	35	40
Payout (incl. Div. Tax.)	8.5	13.7	20.2	25	23.6	16.8	22.9	22.3
Valuation (x)								
P/Sales	10.9	10.4	10.4	7.5	6.5	5.1	4.5	3.9
P/E	174	120.7	124.4	110	72.6	51.8	47	39.2
Cash P/E	135.6	99.6	100.4	88.6	62.3	45.6	41.6	34.6
EV/EBITDA	91.2	80.6	82.4	72.5	49.4	37	33.5	27.8
EV/Sales	10.9	10.4	10.4	7.5	6.5	5.1	4.4	3.8
Price/Book Value	30.5	23.9	19.3	16.6	13.9	11.3	9.5	8
Dividend Yield (%)	0	0.1	0.2	0.2	0.3	0.5	0.6	0.6
Profitability Ratios (%)								
RoE	17.6	19.8	15.5	15.1	19.1	21.8	20.3	20.5
RoCE	18.4	20.1	15.3	15.4	19.7	22.5	21.1	21.3
RoIC	19.1	20.1	17.6	17.9	26	27.9	25.5	26.2
Turnover Ratios								
Debtors (Days)	67	66	65	41	34	44	40	40
Inventory (Days)	91	80	83	66	76	74	74	74
Creditors. (Days)	69	56	56	36	53	58	55	55
Asset Turnover (x)	2.5	2.2	1.7	2.1	2.1	2.2	2.1	2
Leverage Ratio								
Debt/Equity (x)	0	0	-0.1	-0.1	-0.1	0	-0.1	-0.1

Cash Flow Statement

(INR M)

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
PBT before EO Items	7,561	10,100	10,122	11,159	17,073	23,593	26,292	31,507
Add: Depreciation	1,414	1,609	1,866	2,088	2,092	2,450	2,590	3,148
Interest	1,167	495	531	352	598	1,083	1,391	1,586
Less: Direct Taxes Paid	1,814	3,012	2,409	3,340	3,704	5,743	6,442	7,719
(Inc)/Dec in WC	-3,052	6,221	-2,600	4,974	1,058	8,090	4,340	5,605
Others	1,036	-279	-325	-169	-725	-331	-2,900	-3,400
CF from Operations	12,417	2,692	12,385	5,116	14,275	12,962	16,592	19,517
(Inc)/Dec in FA	-2,814	-2,891	-1,935	-5,267	-4,795	-8,585	-10,000	-10,000
Free Cash Flow	9,603	-199	10,450	-151	9,481	4,377	6,592	9,517
(Pur)/Sale of Investments	-23	-35	-5,664	997	-7,232	1,066	2,900	3,400
Others								
CF from Investments	-2,836	-2,926	-7,599	-4,270	-12,026	-7,519	-7,100	-6,600
(Inc)/Dec in Net Worth	38	4,000	-	-	-	-	-	-
(Inc)/Dec in Debt	-5,651	-1,194	-1,217	-168	332	194	-100	-100
Less: Interest Paid	781	433	463	309	476	1,017	1,391	1,586
Dividend Paid	29	1,793	-	1,492	2,094	2,997	4,507	5,258
Others	-88	-709	-68	-38	-32	-32	-	-
CF from Fin. Activity	-6,511	-129	-1,748	-2,007	-2,271	-3,852	-5,998	-6,944
Inc/Dec of Cash	3,069	-363	3,038	-1,160	-22	1,592	3,494	5,973
Add: Beginning Balance	106	3,176	4,658	5,231	6,974	2,454	4,024	7,518
Closing Balance	3,176	2,813	7,696	4,071	6,952	4,024	7,518	13,490

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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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