



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive      = Neutral      - Negative			

## What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

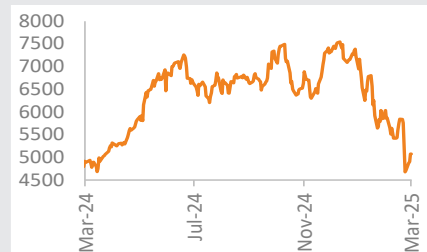
## Company details

Market cap:	Rs. 76,077 cr
52-week high/low:	Rs. 7,607/4,557
NSE volume: (No of shares)	5.35 lakh
BSE code:	542652
NSE code:	POLYCAB
Free float: (No of shares)	5.5 cr

## Shareholding (%)

Promoters	63.1
FII	12.8
DII	10.7
Others	13.5

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	-15.0	-30.9	-24.5	3.2
Relative to Sensex	-9.6	-21.8	-14.8	2.5

Source: Mirae Asset Sharekhan Research, Bloomberg

## Polycab India Ltd

## Long-term prospects remain intact; Maintain Buy

Capital Goods	Sharekhan code: POLYCAB		
Reco/View: Buy	↔	CMP: Rs. 5,071	Price Target: Rs. 7,300
↑ Upgrade	↔ Maintain	↓ Downgrade	

## Summary

- UltraTech's foray into cables & wires business with an Rs 1800 crore capex has passed jitters down in the C&W industry.
- Bourses reacted surprisingly negative to the UltraTech news extrapolating it to the valuation re-rating in the paints industry when UltraTech forayed into it.
- Polycab has pictured its next STRAP plan called SPRING project and targets to grow 1.5-2x higher than industry growth (expected to be 1.5-2x of GDP growth), clocking a CAGR of 15-20% in 5 years. Export sales are seen at 10% of total sales. C&W margins are guided at 11-13%, while FMEG are eyed at 8-10%. Capex guidance of Rs 6000-8000 crore for an asset turn of 4-5x.
- Strong government and private capex with a growing real estate sector augurs well for the company's growth. We expect revenue/PAT to post a CAGR of 20%/21%, respectively, from FY2024-FY2027, with a good RoCE of 32%. Hence, we maintain Buy with PT of Rs. 7,300.

**UltraTech Cement has revealed plans to enter the cables & wires sector, backed by a capital expenditure of Rs 1800 crore. The company seeks to broaden its portfolio within the building construction value chain and capitalise on its existing distribution network. A new manufacturing facility in Bharuch, Gujarat, is expected to begin operations by Dec-2026. UTCM anticipates achieving full capacity utilization by FY30-31, potentially generating revenues between Rs 7500 crore - Rs 9000 crore, based on the industry's asset turnover ratio of 5x. The company's major concentration would be towards the wires segment. Polycab is majorly a Cables driven business being the least impacted by the entry of UltraTech in the C&W segment.**

- Marginal impact:** Polycab is the market leader in the industry with a market share of 25-26%. UltraTech's focus is on house wires and LT cables and is not looking to manufacture HT and EHV cables where Polycab has a strong presence. We assume that UltraTech's capacity utilization of 60-70% over three years would account for 5% of the C&W market as on 2032. The cables & wires industry has been growing rapidly in recent years, fueled by strong government focus on infrastructure development, the rising trend of nuclear families, a rise in electrification in rural areas, an increase in exports of cables & wires, etc. The company's W&C segment has grown at a 18% CAGR over FY2019-FY2024. Polycab's current capex plans are to the tune of Rs 6000-8000 crore over 5 years for an asset turn of 4-5x. We expect foray of deep pocketed player would increase in the competitive intensity leading to pricing interruption among other existing players.
- Capacity expansion bodes well for growth:** Polycab plans to invest Rs. 6,000-8,000 crore in the coming 5 years with major allocation towards C&W capacity expansion. The company plans to have its EHV cable production facility in Halol up and running by FY2026-end. Once operational, the company expects to achieve an asset turnover ratio of 4-5x and anticipates operating margin in the mid-teens range for the EHV cable segment.
- Strong Q3:** Revenue growth was strong at 20% y-o-y led by robust performance of segments such as C&W (12%), FMEG (43%) and Others (101%). OPM rose 78 bps led by normalisation of C&W segment's margins and surprising improvement in FMEG segment margins. Operating profit of Rs. 726 crore was up 28% y-o-y; PAT stood at Rs. 471 crore (14% y-o-y). Company has pictured its next STRAP plan called as SPRING project and targets to grow 1.5-2x higher than industry growth (expected to be 1.5-2x of GDP growth), clocking a CAGR of 15-20% in 5 years. Export sales are seen at 10% of total sales. C&W margins are guided at 11-13%, while FMEG are eyed at 8-10%. Capex guidance of Rs 6000-8000 crore for an asset turn of 4-5x.

## Our Call

**Valuation – Retain Buy with a PT of Rs. 7,300:** Polycab has successfully consolidated its leading position in the C&W industry by performing consistently. However, with entry of deep pocketed player valuations is likely to be set lower with expectations of rising competition. We envisage a 20%/~21% revenue/PAT CAGR over FY2024-FY2027E, with a good RoCE of 32%. Hence, we maintain a Buy rating with a PT of Rs. 7,300.

## Key Risks

1) Fluctuating raw material prices; 2) Increasing competition in the C&W and FMEG segments; 3) Continuing losses in the FMEG segment.

## Valuation (Consolidated)

	Rs cr				
Valuations	FY23	FY24	FY25E	FY26E	FY27E
Revenue	14,108	18,039	22,187	26,564	31,355
OPM (%)	13.1	13.8	12.6	13.3	13.7
Adj. Net Profit	1,282	1,803	2,002	2,588	3,172
Growth (YoY) %	39.8	40.6	11.0	29.2	22.6
Adjusted EPS (Rs)	85.7	120.5	133.8	172.9	212.0
PER (x)	59.1	42.0	37.8	29.3	23.9
P/B (x)	11.4	9.3	7.7	6.3	5.1
EV/EBITDA (x)	37.3	27.2	24.0	18.7	15.1
RoCE (%)	28.6	32.8	30.6	32.2	32.1
RoE (%)	21.1	24.3	22.2	23.7	23.6

Source: Company; Mirae Asset Sharekhan estimates

## Outlook and Valuation

### ■ Sector Outlook – Ample scope for growth

The C&W industry contributes 40-45% to India's electrical equipment industry. The Indian C&W market is projected to grow to Rs. 90,000-95,000 crore by FY2026 from Rs. 68,000 crore in FY2023. Sectors such as power, railways, infrastructure, oil and gas, telecom, real estate, renewables, defence, and automobiles are the largest demand drivers for the industry. Organised players command a lion's share of the market, at roughly 70%, while unorganised players largely dominate rural geographies. The government has envisaged Rs. 111 lakh crore of capital expenditure in infrastructure sectors in India during FY2020 to FY2025. The continued thrust of the government on infrastructure investment is expected to improve demand for the C&W industry. The Indian FMEG industry has many growth opportunities, led by macro drivers such as evolving consumer aspirations, increasing awareness, rising income, rural electrification, urbanisation, and digital connectivity. Products such as energy-efficient fans, modular switches, building and home automation, and LED lights are riding on ever-increasing demand. Offtake of various electrical appliances is also on an upswing.

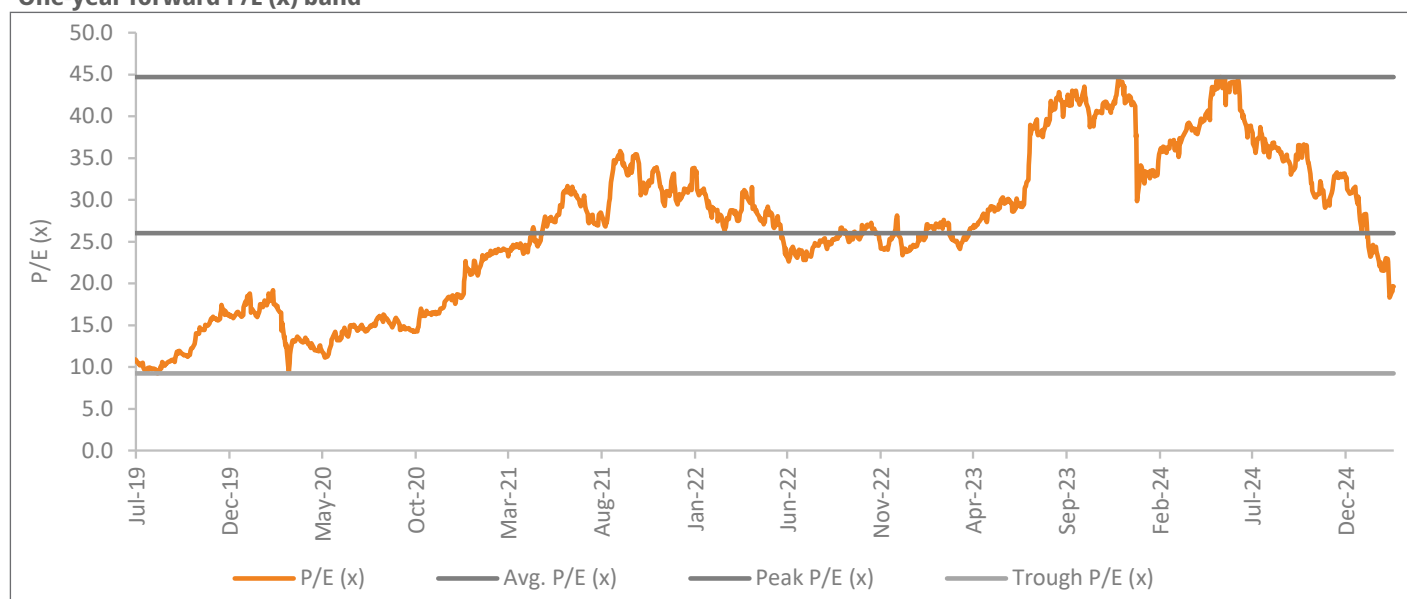
### ■ Company Outlook – Growth prospects bright

Overall, the outlook remains positive given the growth prospects in the infrastructure and real estate sector and through various initiatives taken by the company such as Project Udaan and Project Leap. Polycab has gained share in the organised market (25-26% from 18% in FY2020), auguring well for growth. The company has outlined its new initiative Project Leap through which it intends to achieve Rs. 20,000 crore in revenue by FY2026E on superior growth versus the industry in B2C segments (2x in FMEG and 1.5x in retail wires) and stronger position in B2B segments.

### ■ Valuation – Retain BUY with a PT of Rs. 7,300

Polycab has successfully consolidated its leading position in the C&W industry by performing consistently. However, with entry of deep pocketed player valuations is likely to be set lower with expectations of rising competition. We envisage a 20%/~21% revenue/PAT CAGR over FY2024-FY2027E, with a good RoCE of 32%. Hence, we maintain a Buy rating with a PT of Rs. 7,300.

#### One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

## About the company

Polycab manufactures and sells wires and cables and FMEGs besides executing a few EPC projects. The company is at the forefront of providing innovative, safe, and energy-efficient products to a diverse set of customers via a strong distribution network of 3,800+ authorised dealers and 205,000+ retail outlets. Polycab's business operations span across India through 28 manufacturing facilities, 13 offices, and 29 warehouses. The company has also served customers in 79 countries globally. The company has 4,800+ employees.

## Investment theme

Polycab is the market leader in the wires and cables space with an extensive product portfolio and distribution reach coupled with accelerated growth in the FMEG space, which augurs well for growth visibility. The company's market position and success are driven by its robust distribution network, wide range of product offerings, efficient supply chain management, and strong brand image. Polycab's five-year roadmap to achieve Rs. 20,000 crore in FY2026E with more focus towards brand positioning, operations, and business growth along with strong emphasis on governance and sustainability outpacing the industry's growth provide healthy visibility ahead. Revenue from the W&C segment has seen a decent 16.8% CAGR during FY2018-FY2024 and FMEG posted a ~17.8% CAGR during the same period. Further, increasing market share of organised players, which grew from 61% in FY2014 to 66% in FY2018, has touched 70% in FY2023, which bodes well for industry leaders.

## Key Risks

- ♦ **Fluctuations in raw-material prices pose a key challenge:** Any sharp increase or decrease in the prices of key raw material (copper and aluminium) could impact margins.
- ♦ **Increasing competition:** The C&W segment and FMEG industry are highly competitive. The C&W industry is witnessing increasing capacity addition from other players.
- ♦ **Continuing losses in FMEG:** Not being able to increase revenue materially in the segment will drag overall profitability.

## Additional Data

### Key management personnel

Inder T. Jaisinghani	Chairman and Managing Director
Bharat A. Jaisinghani	Executive Director
Nikhil R. Jaisinghani	Executive Director
Manoj Verma	Executive President and Chief Operating Officer (CE)
Gandharv Tongia	Chief Financial Officer

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Vanguard Group Inc/The	1.29
2	Blackrock Inc	1.21
3	DSP Investment Managers Pvt Ltd	1.15
4	UTI Asset Management Co Ltd	0.79
5	Kotak Mahindra Asset Management Co	0.78
6	Norges Bank	0.77
7	L&T Mutual Fund Trustee Ltd/India	0.48
8	ICICI Prudential Asset Management	0.30
9	PineBridge Investments LP	0.29
10	T Rowe Price Group Inc	0.29

Source: Bloomberg

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## Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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