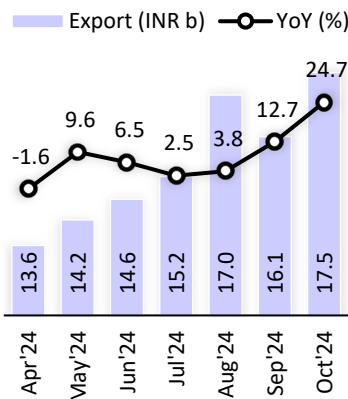
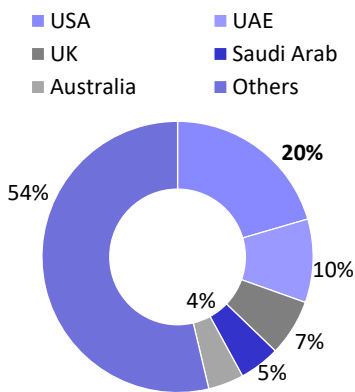


Cables and Wires

C&W exports (in INR b) and growth (%)



Export share of top five countries (Apr-Oct'24)



Domestic demand remains strong; exports gaining traction

C&W exports jump ~25% YoY in Oct'24, up ~8% YoY during Apr-Oct'24

- The Cables and Wires (C&W) exports jumped ~25% YoY to INR17.5b in Oct'24, followed by ~13% YoY growth in Sep'24. Overall exports during Apr-Oct'24 grew ~8% YoY as compared to a growth of ~5% YoY during Apr-Oct'23. Leading companies are expected to benefit the most with a significant rebound in C&W exports. We prefer POLYCAB and KEII among the C&W companies.
- We believe the market is apprehensive about the anticipated new import duties imposed by the US. However, we do not perceive any material threats to cable exports to the US, considering its dependence on cable imports (consumption in the US is estimated at USD47b, and 64% of that total is being imported).
- Further, domestic demand for C&W remained strong, fueled by healthy demand from the power T&D segment, infrastructure development (rail, roads, metro, port, and airport), electrification, real estate, et al. We estimate the domestic C&W market to clock around 11-13% CAGR over FY24-27.

C&W exports improving...

- India's EXIM data depicts that C&W exports grew ~25% YoY to INR17.5b in Oct'24, followed by ~13% growth in Sep'24. Overall exports grew ~8% YoY to INR108b during Apr-Oct'24. Within major export markets, the Middle Eastern countries witnessed higher growth (Saudi Arabia reported around 4.7x jump YoY, followed by Oman at ~+41% and the UAE at ~+17%), while Australia, the UK, and the US experienced a decline in the range of ~6-12%, during Apr-Oct'24.
- The Indian C&W export market is increasing and offering a diverse range of products to global markets. The country's strong production capabilities, adherence to international standards, cost advantage, and low pricing have made it a preferred supplier in this industry.
- The C&W export market posted ~19% CAGR over FY17-24 and is estimated to clock a CAGR of ~10-11% over FY24-29. Key demand drivers in the global markets are expansion in renewable energy, data centers, transition to electric vehicles, modernization of power grids, rising energy consumption in emerging economies, telecommunication, digitization, urbanization, and infrastructure development.

...and India is a net exporter of C&W

- India has been a net exporter of C&W since FY20. Government strategies such as PLI schemes, component manufacturing ecosystems, import substitution, and the China+1 plan help domestic companies improve production capacities and expand into new markets.
- Recent news flows indicated that the US is considering the imposition of new import duties, which could have an impact on global trade. However, we do not perceive any material threats to C&W exports from India as: 1) the US is a high-potential market with a market size of USD47b (net of exports), 2) the US remains a net importer of cables with ~64% of that total being imported, 3) other export opportunities are available across different geographies, and 4) global companies adopt the China+1 strategy.

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- India's C&W exports to the US clocked ~44% CAGR over FY17-24 to INR22.2b. Further, the US accounted for ~20% of total C&W exports of India (in FY24/Apr-Oct'24) vs. ~5% in FY17.

Leading C&W companies to benefit from high exports

- Export revenue of POLYCAB/RRKABEL/KEII recorded at a CAGR of 42%/27%/15% over FY19-24. In FY24, exports contributed ~8%, ~13%, and ~26% of POLYCAB, KEII, and RRKABEL's total revenue, respectively.
- However, most of the players' export revenue declined due to a slowdown in 1HFY25 and some logistics issues (the Red Sea crisis and higher freight costs). POLYCAB's export revenue declined ~21% YoY in 1HFY25 due to demand slowdown in 1QFY25 and moving to a distribution-based model in the US. Further, KEII's export revenue dipped ~15% YoY in 1HFY25 due to a substantial decline (~24%) in 1QFY25, amid logistics-related issues. However, exports for RRKABEL rose ~5% YoY in 1HFY25.
- We believe with a rebound in exports of C&W, the leading companies (POLYCAB, KEII, and RRKABEL) should also benefit in terms of higher revenue growth and margin improvement.

Valuation and view

- Among the consumer durable companies under our coverage (including C&W), we maintain a positive outlook on the C&W segment. We expect demand momentum to remain strong in power cables, driven by the power T&D sector and growth in private capex and the real estate sector. Further, strong traction in the real estate segment is estimated to drive robust demand for wires, switches, fans, and lighting in CY25.
- Further, in our 3QFY25 preview, we highlighted that the C&W segment is estimated to report mid-teens growth, led by continuing strong demand for cables. In wires, dealers stocked up on inventory in 2QFY25 due to a sudden spike in copper prices. However, with a drop in copper prices, wire demand slowed down during the quarter. We estimate the C&W EBIT margin will improve sequentially, led by moderating RM prices, a price hike in cables in Oct'24, and a better product mix.
- In the consumer durables space, POLYCAB remained our preferred pick, followed by KEII.

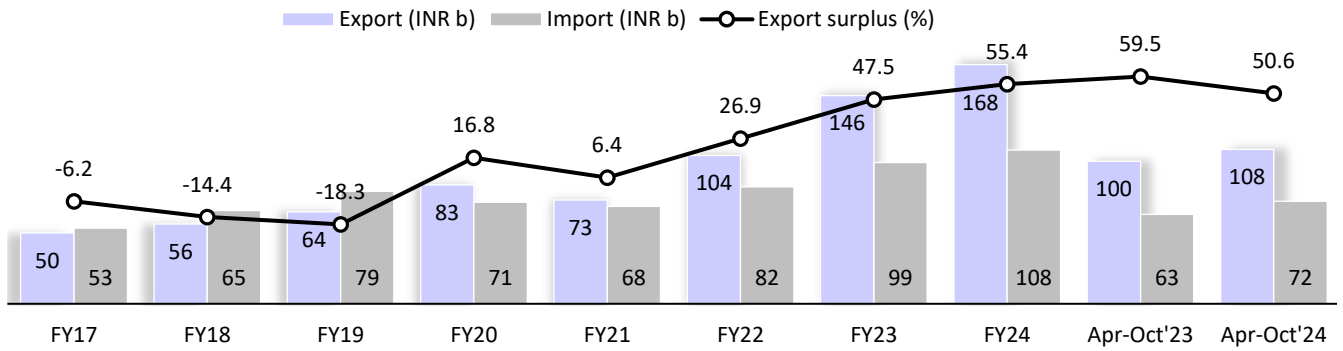
Exhibit 1: Valuation summary

Company	M-cap (INR b)	CMP (INR)	TP (INR)	Rating	EPS (INR)			EPS CAGR	P/E (x)			RoE (%)			RoIC (%)		
					FY25E	FY26E	FY27E	(FY25-27E)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
HAVL	961	1,533	1,830	Hold	24	30	37	24%	64	52	42	17.8	19.3	20.7	23.8	27.6	31.9
POLYCAB	939	6,250	8,810	BUY	129	153	184	20%	49	41	34	20.0	20.0	20.2	24.8	25.4	27.0
VOLT	527	1,593	2,070	BUY	27	35	44	28%	59	46	36	13.4	15.2	16.6	28.0	31.9	35.4
KEII	378	3,980	5,150	BUY	72	88	108	22%	55	45	37	15.4	13.6	14.5	20.7	18.7	19.3
RRKABEL	149	1,317	1,900	BUY	22	37	51	54%	61	36	26	12.7	19.2	22.8	12.1	17.7	21.8

Source: MOFSL, Company

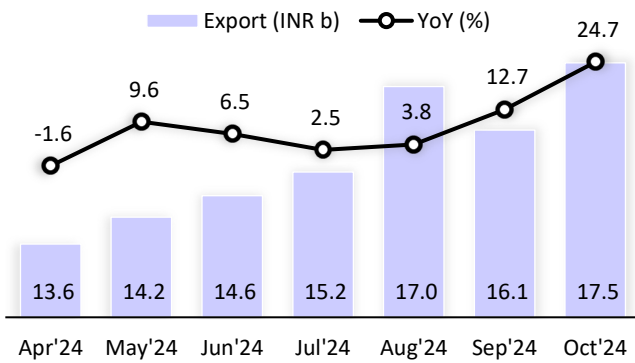
Story in charts

Exhibit 2: Exports and imports of C&W (in INR b)



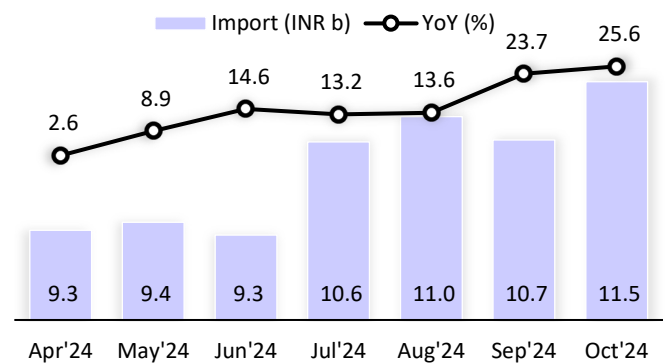
Source: MOFSL, Industry

Exhibit 3: Exports of C&W (in INR b) and growth (%)



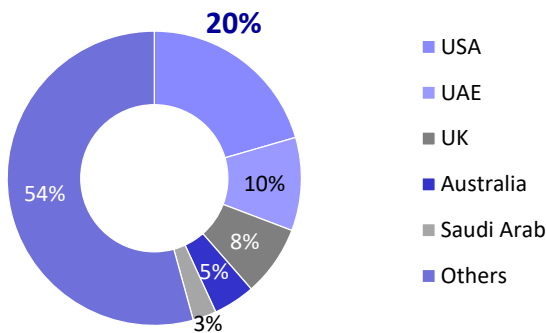
Source: MOFSL, Industry

Exhibit 4: Imports of C&W (in INR b) and growth (%)



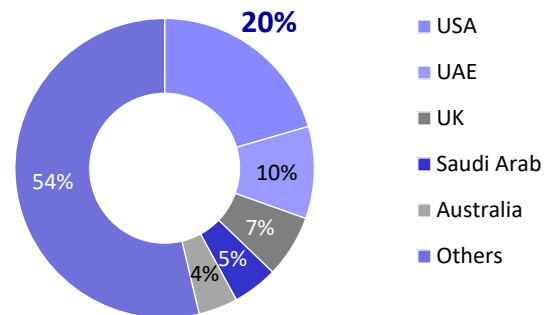
Source: MOFSL, Industry

Exhibit 5: Export share of top five countries (FY24)



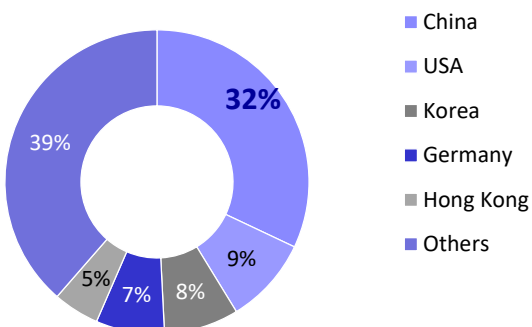
Source: MOFSL, Industry

Exhibit 6: Export share of top five countries (Apr-Oct'24)



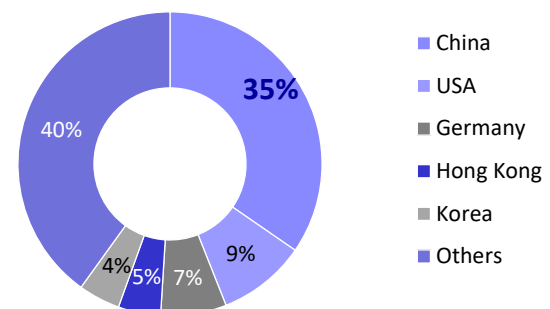
Source: MOFSL, Industry

Exhibit 7: Import share of top five countries (FY24)



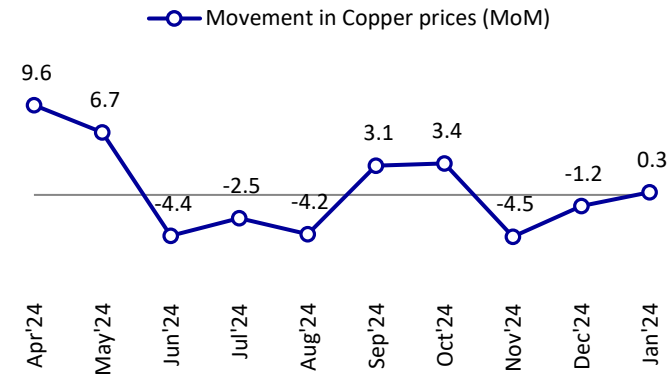
Source: MOFSL, Industry

Exhibit 8: Import share of top five countries (Apr-Oct'24)



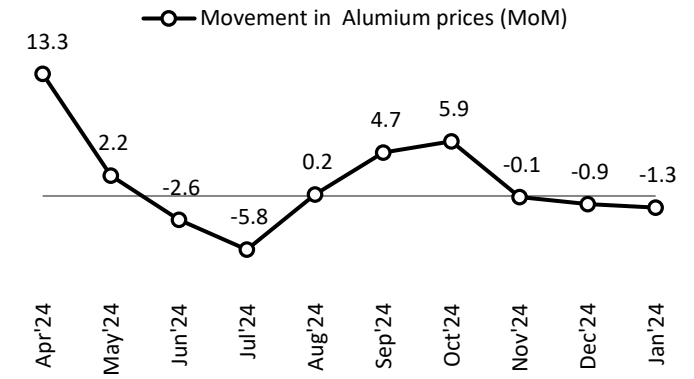
Source: MOFSL, Industry

Exhibit 9: Copper prices decreased MoM in recent past



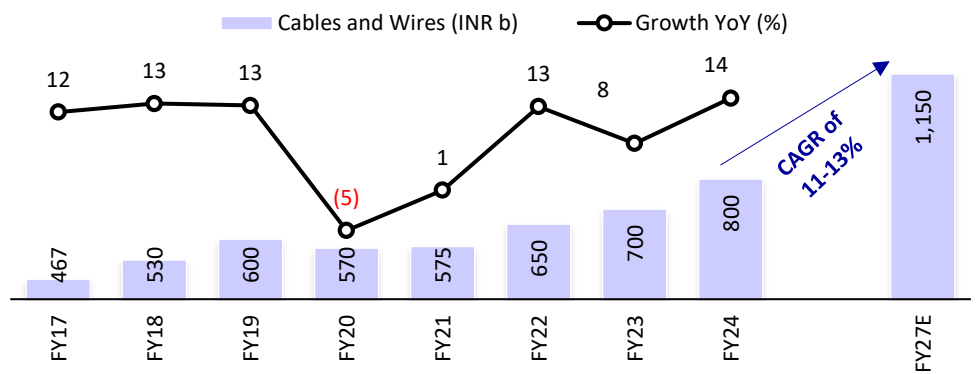
Source: Bloomberg, MOFSL, Note: Jan'24 data to date

Exhibit 10: Aluminum prices also declined MoM



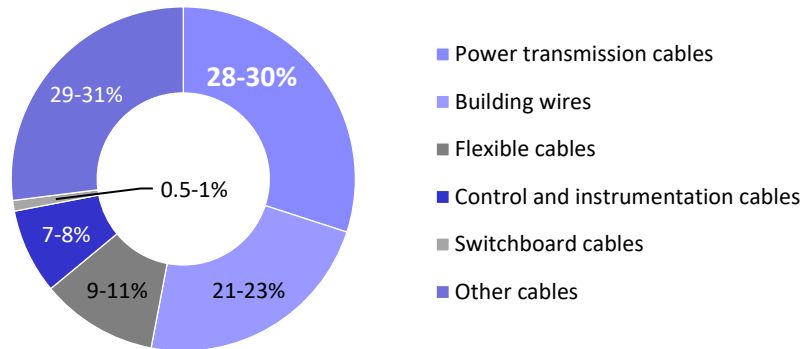
Source: Bloomberg, MOFSL; Note: Jan'24 data to date

Exhibit 11: Domestic C&W market to clock ~11-13% CAGR



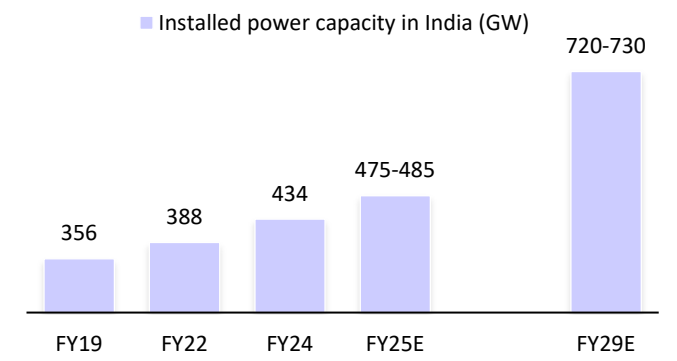
Source: MOFSL, Industry

Exhibit 12: Segment-wise split of the C&W market



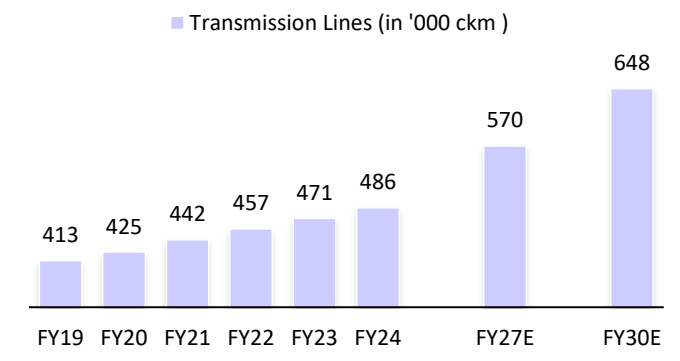
Source: MOFSL, Company

Exhibit 13: Power capacity growing rapidly in India



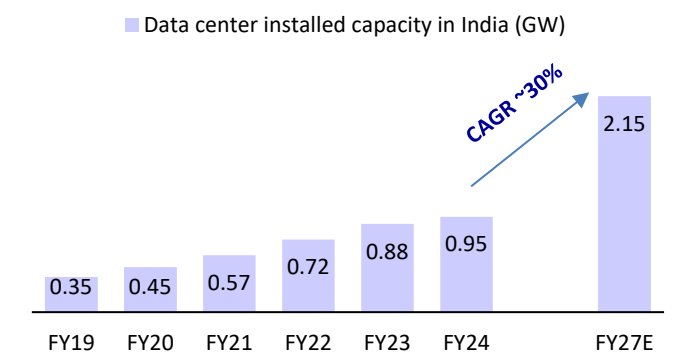
Source: CEA, MOFSL, Company

Exhibit 14: Growth of India's power transmission lines



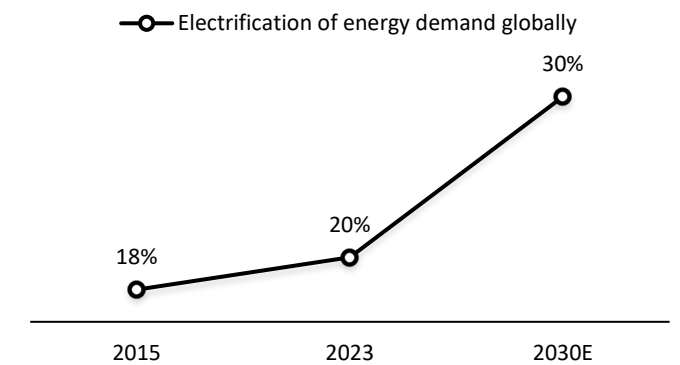
Source: CEA, MOFSL, Company

Exhibit 15: Data center capacity in India



Source: CareEdge Ratings, Company, MOFSL

Exhibit 16: Electrification of energy demand rising globally



Source: IEA, MOFSL

Exhibit 17: Data centers to account for ~15% of power consumption growth in a decade

Particulars	UoM	Value
India's CY34 data center power consumption	tWh	120.8
India's data center power consumption growth in CY35 (at 20% growth YoY)	tWh	24.2
India's CY34 power consumption (at 7% CAGR)	tWh	3,190.7
India's power consumption growth in CY35 (at 5% growth YoY)	tWh	159.5
India's CY34 total power consumption attributable to data centers	%	3.8
India's CY35 power consumption growth attributable to data centers	%	15.1

Source: MOFSL

Exhibit 18: EVs to account for ~17% of power consumption growth in FY35

Particulars	UoM	Value
EV-2 Wheelers FY35 total power consumption	tWh	14.1
EV-4 Wheelers PVs FY35 total power consumption	tWh	3.2
EV-4 Wheelers CVs FY35 total power consumption	tWh	5.8
EV-3 Wheelers FY35 total power consumption	tWh	4.1
India's power consumption growth in CY35 (at 5% growth YoY)	tWh	159.5
India's FY35 power consumption growth attributable to EVs	%	17.1

Source: MOFSL

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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.