

January 23, 2025

RESULT REPORT Q3 FY25 | Sector: Consumer Durables

Polycab India Ltd

Enhanced capacities and exports to drive industry leading growth; upgrade to BUY

Result Synopsis

Polycab performance has been mixed bag with revenue marginally missing the estimates by 3%, while margins were 178bps higher than estimates. Revenue grew 20% on yoy basis, with wires and cables, FMEG and EPC segment growing by 12%, 42% and 101% respectively. Margins expansion is on back of 1) mix becoming favorable with Cables proportion being northward of 75%; 2) lower losses in FMEG segment and 3) Steady margin in EPC segment. Growth in its key segment of wires and cables was muted as high channel inventory at the start of the quarter and volatility in copper prices during Q3 impacted wires growth. On the other hand, FMEG segment has seen strong performance aided by festive season and strategic initiatives undertaken by the company resulting in robust growth across product categories. EPC segment continues to see strong growth led from execution from government's RDSS scheme and has Rs48bn orders in hand to be executed in next couple of years. POLYCAB has initiated project spring where it is looking to grow at ~1.5x to that of wires and cables industry with stable margins, while on the FMEG side it is expected to grow ~1.5-2x of the industry with EBITDA margin of 8-10%. The company is confident of strong demand to continue given the buoyancy in the real-estate, with infrastructure spends (Both government and private capex) expected to pick up again as some key states' elections have been done with.

We expect strong growth momentum to continue especially in its core category of wires and cables as continued capex, increased in real-estate constriction and exports opportunity will benefit company immensely. Also, FMEG segment should start to pose double digit growth on sustainable basis as re-structuring is behind. We estimate the company to now deliver FY24-27E revenue of 19%. We have trimmed down the margin expectation given the change in business mix, increased competition, and volatility in copper prices. We continue to maintain our target multiple to 40x as we see strong demand for wires and cables to continue and margins continue to remain higher than the management guidance. We upgrade the stock to BUY with PT of Rs7,502. Current stock correction provides good entry point to enter the stock.

Result Highlights

- Quarter summary** - Polycab has marginally missed on revenue growth as wires growth was impacted on de-stocking owing to volatility in copper prices.
- Margins** - EBITDA margin at 13.8% was higher than estimates as business mix was favorable more towards cables, while company was able to bring down losses in the FMEG segment.
- Exports** - The Exports business delivered strong performance, registering 62% YoY growth, and contributing 8.3% to overall top-line. Company has guided that exports will continue to grow faster than the domestic growth.
- Project Spring** - The company has initiated project spring, where it aims at growing Domestic W&C revenue at 1.5x to that of industry growth. The company is envisaging FMEG growth to ~1.5x-2x of the industry with EBITDA margin of 8-10%.

Exhibit 1: Actual vs estimates

| Rs mn | Actual | Estimate | | % Variation | | Remarks |
|-------------------|--------|----------|-----------|-------------|-----------|---|
| | | YES Sec | Consensus | YES Sec | Consensus | |
| Sales | 52,261 | 53,827 | 53,400 | -2.9 | -2.1 | EBITDA margins have been better than estimates on favorable mix |
| EBITDA | 7,199 | 6,459 | 6,650 | 11.5 | 8.3 | |
| EBITDA Margin (%) | 13.8 | 12.0 | 12.5 | 177 bps | 132 bps | |
| Adjusted PAT | 4,643 | 4,471 | 4,710 | 3.9 | -1.4 | |

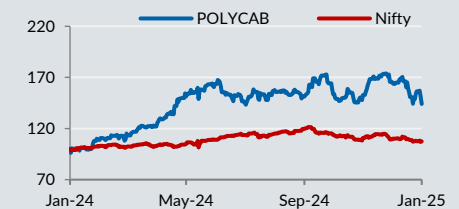
Source: Company, YES Sec

| | |
|------------------|------------|
| Reco | : BUY |
| CMP | : Rs 6,238 |
| Target Price | : Rs 7,502 |
| Potential Return | : +20.2% |

Stock data (as on Jan 23, 2025)

| | |
|-------------------------|----------------|
| Nifty | 23,205 |
| 52 Week h/l (Rs) | 7605 / 4050 |
| Market cap (Rs/USD mn) | 927239 / 10728 |
| Outstanding Shares (mn) | 150 |
| 6m Avg t/o (Rs mn): | 3,206 |
| Div yield (%): | 0.5 |
| Bloomberg code: | POLYCAB IN |
| NSE code: | POLYCAB |

Stock performance



| | 1M | 3M | 1Y |
|-----------------|--------|-------|-------|
| Absolute return | -12.3% | -6.3% | 49.7% |

Shareholding pattern (As of Mar'24 end)

| | |
|----------|-------|
| Promoter | 63.1% |
| FII+DII | 22.8% |
| Others | 14.1% |

Δ in stance

| (1-Yr) | New | Old |
|--------------|-------|---------|
| Rating | BUY | NEUTRAL |
| Target Price | 7,502 | 7,639 |

Δ in earnings estimates

| | FY26e | FY27e |
|-----------|-------|-------|
| EPS (New) | 151.2 | 187.5 |
| EPS (Old) | 157.6 | 191.0 |
| % change | -3.9% | -1.8% |

Financial Summary

| (Rs mn) | FY25E | FY26E | FY27E |
|------------|---------|---------|---------|
| Revenue | 222,649 | 257,147 | 302,080 |
| YoY Growth | 23.4% | 15.5% | 17.5% |
| EBIDTA | 27,854 | 32,685 | 40,390 |
| YoY Growth | 11.8% | 17.3% | 23.6% |
| PAT | 18,695 | 22,585 | 27,704 |
| YoY Growth | 3.7% | 20.8% | 22.7% |
| ROE | 21.0 | 21.6 | 22.5 |
| EPS | 124.4 | 150.3 | 184.4 |
| P/E | 50.1 | 41.5 | 33.8 |
| BV | 14.1 | 11.4 | 9.8 |
| EV/EBITDA | 33.6 | 28.5 | 22.8 |

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Exhibit 2: Quarterly snapshot (Consolidated)

| Particulars (Rs mn) | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | y/y % | q/q % | 9MFY25 | 9MFY24 | y/y % |
|------------------------|--------|--------|--------|--------|--------|-------|-------|---------|---------|-------|
| Sales | 43,405 | 55,919 | 46,980 | 54,984 | 52,261 | 20.4 | -5.0 | 154,225 | 124,475 | 23.9 |
| EBITDA | 5695 | 7615 | 5834 | 6316 | 7199 | 26.4 | 14.0 | 19,349 | 17,270 | 12.0 |
| EBITDA Margin % | 13.1 | 13.6 | 12.4 | 11.5 | 13.8 | | | 12.5 | 13.9 | -9.6 |
| Depreciation | 618.8 | 657.2 | 671.2 | 720.6 | 785.6 | 27.0 | 9.0 | 2,177 | 1,793 | 21.4 |
| EBIT | 5076 | 6958 | 5163 | 5595 | 6414 | 26.3 | 14.6 | 17,171 | 15,477 | 10.9 |
| EBIT Margin % | 11.7 | 12.4 | 11.0 | 10.2 | 12.3 | | | 11.1 | 12.4 | -10.5 |
| Interest charges | 322 | 244 | 413 | 453 | 498 | 54.5 | 9.9 | 1,364 | 839 | 62.5 |
| Other Income | 709.9 | 538.4 | 584.1 | 761.6 | 250.1 | -64.8 | -67.2 | 1,596 | 1,703 | -6.3 |
| PBT | 5464 | 7253 | 5334 | 5903 | 6166 | 12.8 | 4.4 | 17,403 | 16,340 | 6.5 |
| Tax | 1298.8 | 1717.8 | 1317.5 | 1451.4 | 1522.3 | 17.2 | 4.9 | 4,291 | 3,850 | 11.5 |
| Effective Tax Rate (%) | 23.8 | 23.7 | 24.7 | 24.6 | 24.7 | | | 24.7 | 23.6 | 4.7 |
| PAT | 4165 | 5535 | 4016 | 4452 | 4643 | 11.5 | 4.3 | 13,112 | 12,491 | 5.0 |
| PAT Margin % | 9.6 | 9.9 | 8.5 | 8.1 | 8.9 | | | 8.5 | 10.0 | -15 |
| EPS (Rs) | 27.9 | 37.0 | 26.9 | 29.8 | 31.1 | 11.5 | 4.3 | 88 | 84 | 5.0 |

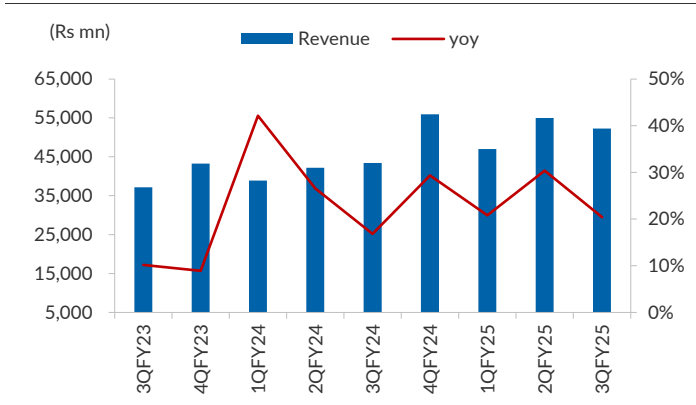
Source: Company, YES Sec

Exhibit 3: Segmental Performance

| Rs mn | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | y/y % | q/q % | 9MFY25 | 9MFY24 | y/y % |
|--------------------|--------|--------|--------|--------|--------|-------|-------|---------|---------|--------|
| Wires and Cables | 39,041 | 48,647 | 39,421 | 47,200 | 43,846 | 12.3 | -7.1 | 130,468 | 112,426 | 16.0 |
| FMEG | 2,962 | 3,581 | 3,855 | 3,975 | 4,232 | 42.9 | 6.5 | 12,062 | 9,407 | 28.2 |
| Others | 2,475 | 5,022 | 5,194 | 5,852 | 4,985 | 101.4 | -14.8 | 16,031 | 6,018 | 166.4 |
| Less: Intersegment | -701 | -1,121 | -1,289 | -1,591 | -993 | 41.7 | -37.6 | -3,873 | -2,556 | 51.5 |
| Total Sales | 43,777 | 56,130 | 47,182 | 55,436 | 52,070 | 18.9 | -6.1 | 154,688 | 125,295 | 23.5 |
| PBIT | | | | | | | | | | |
| Wires and Cables | 5474.2 | 7362.9 | 4966.8 | 5793.0 | 5903.8 | 7.8 | 1.9 | 16,664 | 16,244 | 2.6 |
| PBIT % | 14.0 | 15.1 | 12.6 | 12.3 | 13.5 | | | 12.8 | 14.4 | |
| FMEG | -366.0 | -459.1 | -28.1 | -252.5 | -127.8 | -65.1 | -49.4 | -408 | -483 | (15.4) |
| PBIT % | -12.4 | -12.8 | -0.7 | -6.4 | -3.0 | | | -3.4 | -5.1 | |
| Others | 394.3 | 445.7 | 572.5 | 691.2 | 555.7 | 41.0 | -19.6 | 1,819 | 802 | 126.7 |
| PBIT % | 15.9 | 8.9 | 11.0 | 11.8 | 11.1 | | | 11.3 | 13.3 | |
| Total PBIT | 5,502 | 7,350 | 5,511 | 6,232 | 6,332 | 15.1 | 1.6 | 18,075 | 16,563 | 9.1 |
| PBIT % | 12.6 | 13.1 | 11.7 | 11.2 | 12.2 | | | 11.7 | 13.2 | |
| Finance Costs | 322.3 | 244.0 | 413.0 | 453.0 | 497.9 | 54.5 | 9.9 | 1,364 | 839 | 62.5 |
| Other Income | 338 | 328 | 383 | 309 | 441 | 30.5 | 42.5 | 1,133 | 883 | 28.3 |
| as % of sales | 0.8 | 0.6 | 0.8 | 0.6 | 0.8 | | | 0.7 | 0.7 | |
| Less: Intersegment | -54 | -181 | -147 | -185 | -109 | 101.9 | -41.0 | -441 | -267 | |
| PBT | 5464 | 7253 | 5334 | 5903 | 6166 | 12.8 | 4.4 | 17,403 | 16,340 | 6.5 |

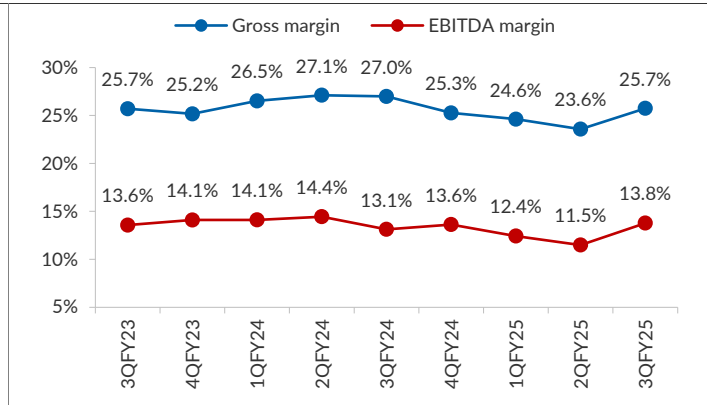
Source: Company, YES Sec

Exhibit 4: Revenue growth was driven by EPC segment



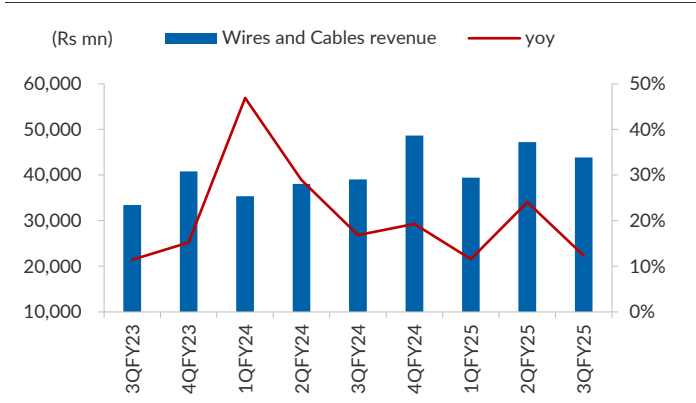
Source: Company, YES Sec

Exhibit 5: Margins expanded on back of change in mix and lower losses in the FMEG segment



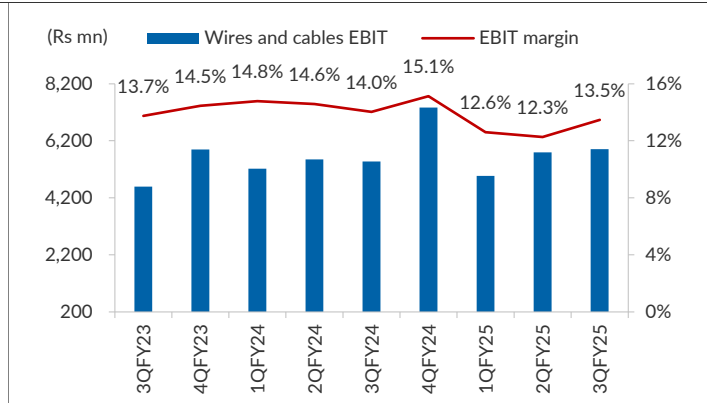
Source: Company, YES Sec

Exhibit 6: Volatility in copper prices and high channel inventory of wires led to muted growth



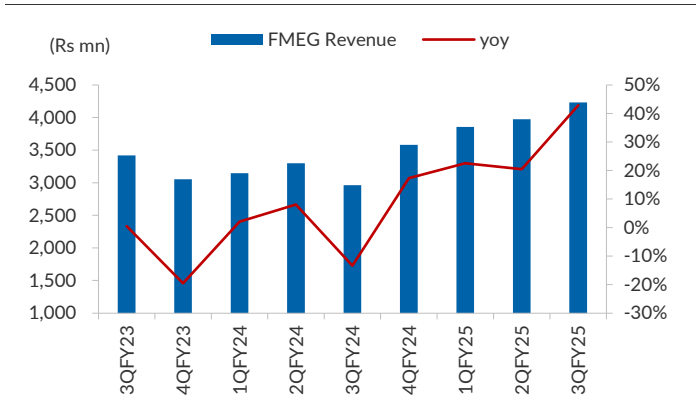
Source: Company, YES Sec

Exhibit 7: EBIT Margins saw expansion due to increased contribution from international business



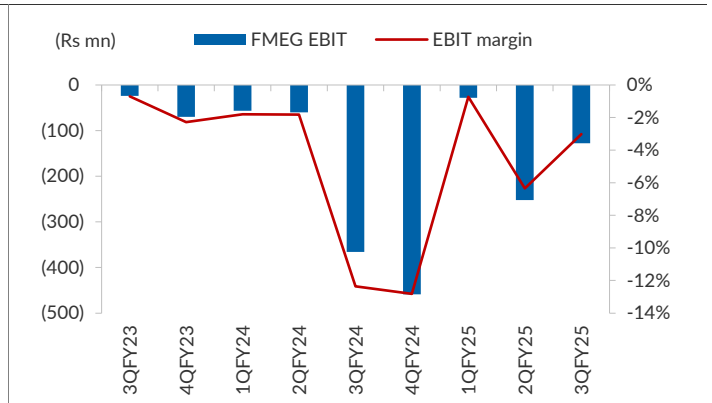
Source: Company, YES Sec

Exhibit 8: Festive season and strategic initiatives have resulted in strong growth



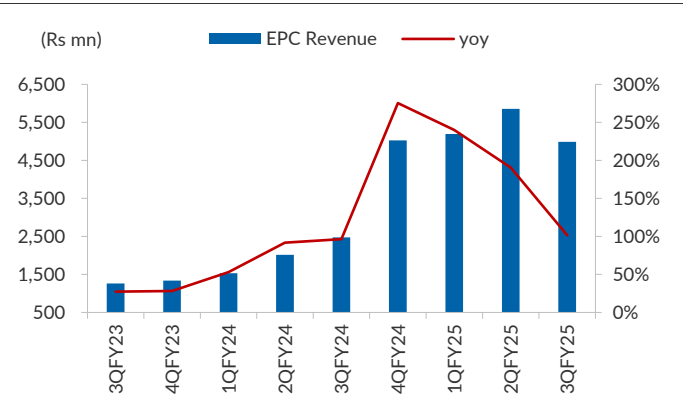
Source: Company, YES Sec

Exhibit 9: Gross margin expansion and improved operating leverage curtailed losses in this segment



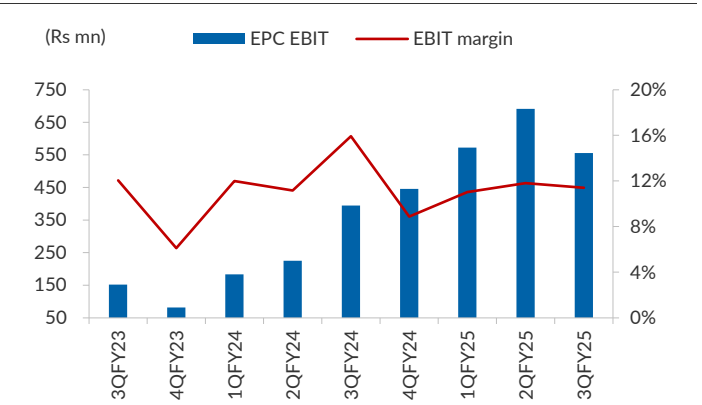
Source: Company, YES Sec

Exhibit 10: Robust execution of EPC order-book has resulted in strong revenue growth



Source: Company, YES Sec

Exhibit 11: Margins have been higher than the guided range



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Management commentary** – Have achieved Rs200bn revenue target year ahead of planned. Launch of next 5-year plan project spring which has 6 pillars which includes 1) maintaining market leadership; 2) Further expanding B2C; 3) ramping up international business; 4) Innovation and Automation; 5) nurturing talent and 6) growing ESG integration. The company is targeting to grow at 15-20% CAGR in next 5 years.
- **Project Spring** – Targeting to grow wires and cables at 1.5x to that of wires and cables industry. The company is looking to grow international business north of 10% of the total revenue. FMEG being the challenger brand the company is targeting to grow by 1.5-2x of industry growth. The company is looking to EBITDA margin in FMEG to be 8-10%, thereby improving cashflow. The company is looking to increasing dividend payout ratio to 30% from current levels of ~26%. The balance cashflow would be used for inorganic growth. The company is looking to become solutions provider rather than being product supplier.
- **Wires and Cables** – Wires and Cables growth was impacted primarily on back of high channel inventory at the start of the quarter and de-stocking of wires owing to copper price volatility.
- **Cable and wires mix** – Cables contribution in cables and wires revenue would be north of 75%. Volume growth for 9MFY25 for wires and cables is in double digits.
- **Demand** – Demand continues to be healthy, there has been some slowdown in government but that is on back of elections, the company believes this to be transient in nature and demand will start bouncing in ensuing quarters. **Secondary demand for wires continues to remain healthy and demand will bounce back in Q4.**
- **Export demand** – Export demand has been large; the company is setting up plant only for exports. Growth in exports will be higher as compared to domestic growth.
- **Capex** – The company will be doing capex of Rs6-8bn on annual basis and company does asset turn of 4-5x on the capex incurred. In Q3 the company has incurred Rs2.5bn and Rs8.3bn in 9MFY25. For FY25 capex will be in guided range to Rs8-10bn.
- **International business** – In next 5 years US will be one of the top 3 geographies. In current quarter 33% of the export continues to US. Export growth has been across
- **Capacity utilization** – The capacity utilization for cables stands to be ~80-85%. Expansion has been across the cables category be it LT cable, HT cable and fiber optic cable and so on
- **EHV cables expansion** – Capex outlay of EHV is around Rs6-7bn. The plant is expected to be operational in FY26 and revenue from EHV is expected to flow from FY27. Ramp up in EHV cable facility will be gradual.
- **Import duty in US** – Import duty in US for Indian cables is between 3-5%, while Mexico enjoys 0% import duty in US. If the import duty is levied on cables coming from Mexico than price will be favorable for Cables export to US
- **Others segment** – The company has strong order-book of Rs48bn on the EPC side which is to be executed in next 2 years. Over and above Bhart net orders will be executed.

FINANCIALS

Exhibit 12: Balance Sheet

| Y/e 31 Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------------------|--------|--------|--------|---------|---------|
| Equity capital | 1,498 | 1,502 | 1,502 | 1,502 | 1,502 |
| Reserves | 64,814 | 80,369 | 94,390 | 111,460 | 132,592 |
| Net worth | 66,311 | 81,871 | 95,893 | 112,962 | 134,094 |
| Debt | 1,551 | 898 | 1,165 | 1,293 | 1,461 |
| Deferred tax liab (net) | 423 | 544 | 544 | 544 | 544 |
| Other non current liabilities | 1,213 | 1,831 | 2,067 | 2,262 | 2,469 |
| Total liabilities | 69,499 | 85,144 | 99,668 | 117,061 | 138,567 |
| Fixed Asset | 22,815 | 27,668 | 34,830 | 41,358 | 43,503 |
| Investments | 13,505 | 18,987 | 18,987 | 18,987 | 18,987 |
| Other Non-current Assets | 2,352 | 5,218 | 6,424 | 7,398 | 8,537 |
| Net Working Capital | 29,299 | 30,200 | 37,271 | 42,890 | 50,207 |
| Inventories | 29,514 | 36,751 | 42,700 | 49,316 | 57,933 |
| Sundry debtors | 12,466 | 20,471 | 28,121 | 32,478 | 38,153 |
| Loans and Advances | 5,824 | 1,395 | 1,499 | 1,583 | 1,693 |
| Sundry creditors | 20,326 | 28,633 | 35,340 | 40,816 | 47,948 |
| Other current liabilities | 4,162 | 6,697 | 8,241 | 9,526 | 11,201 |
| Cash & equivalents | 1,528 | 3,070 | 2,155 | 6,429 | 17,332 |
| Total Assets | 69,499 | 85,144 | 99,668 | 117,061 | 138,567 |

Source: Company, YES Sec

Exhibit 13: Income statement

| Y/e 31 Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|----------------------|---------|---------|---------|---------|---------|
| Revenue | 141,078 | 180,394 | 222,649 | 257,147 | 302,080 |
| Operating profit | 18,521 | 24,918 | 27,854 | 32,685 | 40,390 |
| Depreciation | 2,092 | 2,450 | 3,178 | 3,905 | 4,381 |
| Interest expense | 598 | 1,083 | 1,840 | 1,631 | 1,423 |
| Other income | 1,333 | 2,209 | 2,146 | 3,265 | 3,067 |
| Profit before tax | 17,165 | 23,593 | 24,983 | 30,414 | 37,653 |
| Taxes | 4,250 | 5,564 | 6,288 | 7,655 | 9,477 |
| Minorities and other | 93 | - | - | - | - |
| Adj. profit | 12,823 | 18,029 | 18,695 | 22,759 | 28,176 |
| Exceptional items | - | - | - | - | - |
| Net profit | 12,823 | 18,029 | 18,695 | 22,759 | 28,176 |

Source: Company, YES Sec

Exhibit 14: Cashflow Statement

| Y/e 31 Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------------|---------|---------|----------|----------|---------|
| Profit before tax | 17,763 | 24,676 | 26,823 | 32,045 | 39,076 |
| Depreciation | 2,092 | 2,450 | 3,178 | 3,905 | 4,381 |
| Tax paid | (4,250) | (5,564) | (6,288) | (7,655) | (9,477) |
| Working capital Δ | (9,221) | (5,621) | (7,070) | (5,619) | (7,318) |
| Other operating items | | | | | |
| Operating cashflow | 6,383 | 15,942 | 16,642 | 22,676 | 26,661 |
| Capital expenditure | (4,753) | (7,304) | (10,340) | (10,432) | (6,525) |
| Free cash flow | 1,631 | 8,639 | 6,303 | 12,243 | 20,136 |
| Equity raised | 1,047 | 2,038 | - | - | - |
| Investments | 93 | (763) | - | - | - |
| Debt financing/disposal | 720 | (654) | 267 | 128 | 167 |
| Interest paid | (598) | (1,083) | (1,840) | (1,631) | (1,423) |
| Dividends paid | (2,995) | (4,507) | (4,673) | (5,690) | (7,044) |
| Net Δ in cash | 311 | 1,543 | (915) | 4,273 | 10,904 |

Source: Company, YES Sec

Exhibit 15: Du-pont analysis

| Y/e 31 Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|------------------------|------|------|-------|-------|-------|
| Tax burden (x) | 0.75 | 0.76 | 0.75 | 0.75 | 0.75 |
| Interest burden (x) | 0.97 | 0.96 | 0.93 | 0.95 | 0.96 |
| EBIT margin (x) | 0.13 | 0.14 | 0.12 | 0.12 | 0.13 |
| Asset turnover (x) | 1.68 | 1.68 | 1.68 | 1.65 | 1.65 |
| Financial leverage (x) | 1.38 | 1.45 | 1.49 | 1.49 | 1.48 |
| RoE (%) | 21.1 | 24.3 | 21.0 | 21.8 | 22.8 |

Source: Company, YES Sec

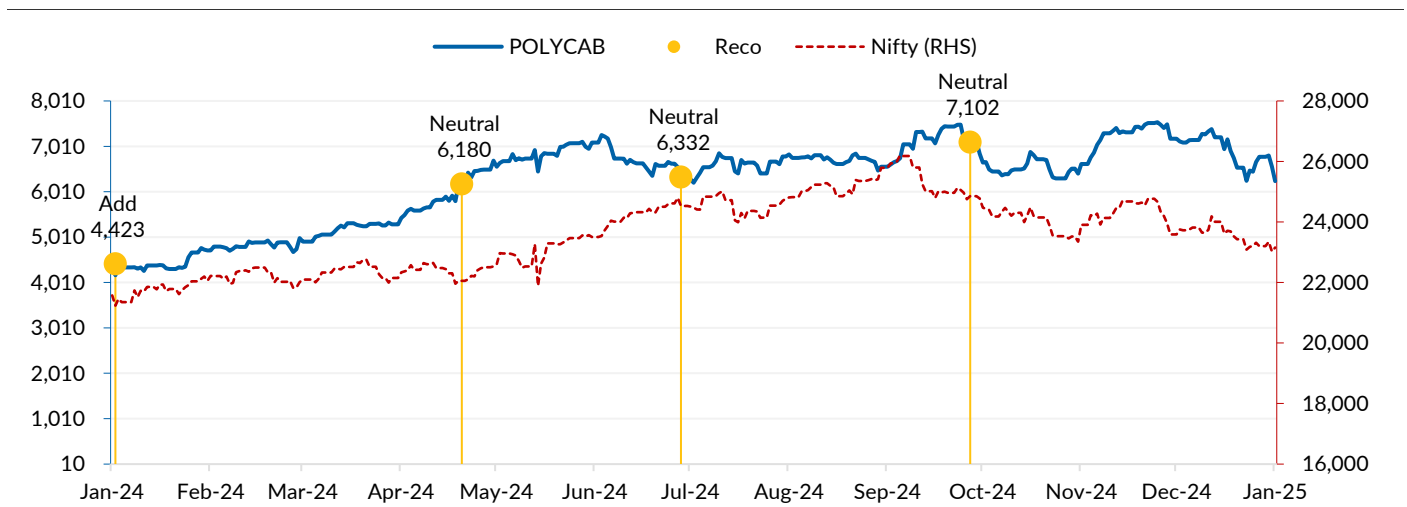
Exhibit 16: Ratio analysis

| Y/e 31 Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------------------|------|------|-------|-------|-------|
| Growth matrix (%) | | | | | |
| Revenue growth | 15.6 | 27.9 | 23.4 | 15.5 | 17.5 |
| Op profit growth | 46.4 | 34.5 | 11.8 | 17.3 | 23.6 |
| EBIT growth | 53.9 | 38.9 | 8.7 | 19.5 | 21.9 |
| Net profit growth | 51.6 | 40.6 | 3.7 | 21.7 | 23.8 |
| Profitability ratios (%) | | | | | |
| OPM | 13.1 | 13.8 | 12.5 | 12.7 | 13.4 |
| EBIT margin | 12.6 | 13.7 | 12.0 | 12.5 | 12.9 |
| Net profit margin | 9.1 | 10.0 | 8.4 | 8.9 | 9.3 |
| RoCE | 28.6 | 32.8 | 29.8 | 30.3 | 31.3 |
| RoNW | 21.1 | 24.3 | 21.0 | 21.8 | 22.8 |
| RoA | 15.2 | 16.8 | 14.1 | 14.6 | 15.4 |

| Y/e 31 Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------------|-------|-------|-------|-------|-------|
| Per share ratios | | | | | |
| EPS | 85.6 | 120.0 | 124.4 | 151.5 | 187.5 |
| Dividend per share | 20.0 | 30.0 | 31.1 | 37.9 | 46.9 |
| Cash EPS | 99.6 | 136.3 | 145.6 | 177.5 | 216.7 |
| Book value per share | 442.8 | 545.0 | 638.3 | 751.9 | 892.6 |
| Valuation ratios | | | | | |
| P/E | 72.9 | 52.0 | 50.1 | 41.2 | 33.3 |
| P/CEPS | 88.9 | 62.3 | 45.8 | 42.8 | 35.1 |
| P/B | 16.8 | 14.1 | 11.4 | 9.8 | 8.3 |
| EV/EBIDTA | 50.4 | 37.5 | 33.6 | 28.5 | 22.8 |
| Payout (%) | | | | | |
| Dividend payout | 23.4 | 25.0 | 25.0 | 25.0 | 25.0 |
| Tax payout | 24.8 | 23.6 | 25.2 | 25.2 | 25.2 |
| Liquidity ratios | | | | | |
| Debtor days | 32.3 | 41.4 | 46.1 | 46.1 | 46.1 |
| Inventory days | 76.4 | 74.4 | 70.0 | 70.0 | 70.0 |
| Creditor days | 52.6 | 57.9 | 57.9 | 57.9 | 57.9 |

Source: Company, YES Sec

Recommendation Tracker



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Details of Compliance Officer: Aditya Goenka | Email: compliance@ysil.in / Contact No.: 022-65078127 | **Grievances Redressal Cell:** customer.service@ysil.in / igc@ysil.in

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Analyst signature

Analyst signature

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