

14th May 2024

CMP – ₹6,296.0/-

View – ACCUMULATE

Q4FY24 Result Highlights

- **Strong Q4FY24 on the back of volume growth, institutional business, and demand momentum** – Polycab reported Revenue/EBITDA/PAT growth of 29.3%/24.9%/28.5% YoY to ₹55.92bn/₹7.62bn/₹5.46bn respectively due to strong performance in the wires and cables (W&C) division which grew 19.3%/24.6% YoY/QoQ led by strong volume growth of 30-40% in Q4FY24 & FY24, operating leverage, Lower A&P offsetting lower gross margin coming from EPC. FMEG business grew 17.3% YoY in Q4, largely due to seasonal demand for summer products along with base effect in the fans segment even as there was price erosion in the lighting segment ~6-8% as per the management. Overall EBITDA margin contracted by 48bps YoY but grew 50bps QoQ, largely due to lower promotional expenses and RM Cost. EBITDA margin has expanded by 68 bps YoY in FY24 to 13.8%, which can be attributed to a favourable product mix and strategic pricing revisions. A&P spend grew 60% YoY for FY24 to Rs2bn, which is within the guidance range of 3-5% of B2C sales previously provided by the company. Declared Dividend of Rs30 per share (F.V of Rs10/-).
- **No new statement on I-T search.** The company had received requests from the tax department for certain details and explanations. The management stated that it has complied with regulatory requirements and is awaiting further communications.
- **The Wires & Cables segment grew 19.3% YoY in Q4FY24 on the back of strong, broad-based domestic volume growth.** Domestic W&C volumes grew 30-40% YoY, with cables growing faster than wires. Cables & Wires Revenue Mix (%) at 71:29.88-80% of the business is done under distribution model. It has 25-26% share in the organised market and 18-19% overall. The growth in wires has slowed in some states due to elections. The management stated that the utilisation for the quarter stood at mid-70% for wires and cables. This can go up to 95% as and when demand arises. As per the management, 12-13% margin is on sustainable basis as sequentially the margin improved 111 bps QoQ to 15.1% on account of operating leverage and lower A&P spends.
- **Revenue from international business grew 60% QoQ to ₹3.75bn and contributed 7.7%/8% to consolidated revenue for Q4FY24/FY24.** The business was down YoY due to transition to distribution model in USA which is likely to see improvement in FY25. The management views Saudi Arabia and UAE to be the major markets in the Middle-east in coming years which contributed to 60% of exports in Q4FY24. The company expects exports to be in line with the 10% contribution target by FY26 under Project Leap. In FY21, Polycab had set a target of achieving ₹200bn in revenue by FY26 under Project Leap. The company has retained this target for now.
- **FMEG business grew 17.3%/20.9% YoY/QoQ to ₹3.58bn, primarily due to seasonal demand for summer products and low base effect.** Fans & Lighting contributed 50% of the business revenue with bit of improvement in the Switches & Switchgears. The company launched 90 new SKUs in the premium BLDC and exhaust fan range during the quarter with BLDC fans contributing to 20% of sales along with premium products in this category. It ranks within the top 8-10 players. The **lighting** category continued to witness price erosion close to 6-8% even as there was sequential growth. With demand for premium products like downlighters etc. rising. **Switches and switchgears** product category fared well during the

Important Statistics

Nifty	22.135
Sensex	72,871
MCAP (₹ bn)	945.4
52-week H/L (₹)	6,480/3,299
NSE Code	POLYCAB
BSE Code	542652
Bloomberg Code	POLYCAB:IN

Shareholding Pattern (%)

Mar'24

Promoter	65.2
DII	7.2
FII	12.0
Public & Others	15.6

Financials

(₹ mn)

Particulars	FY21	FY22	FY23
Revenue	87,922	122,038	141,078
Wires & Cables	75,911	107,938	127,775
% of Revenue	86.3	88.4	90.6
FMEG	10,341	12,544	12,607
% of Revenue	11.6	10.3	8.9
EBITDA	11,111	12,652	18,521
EBITDA Margin (%)	12.6	10.4	13.1
Net Profit	8,380	9,086	12,708
EPS (₹)	55.8	60.5	84.6
DPS (₹)	10.0	14.0	20.0
P/E (x)	112.9	104.1	74.4
EV/EBITDA (x)	85.0	74.6	50.7
P/BV (x)	19.7	17.0	14.1
RoE (%)	19.5	16.2	19.1
RoCE (%)	19.2	20.3	26.1

Particulars	FY24P	FY25E	FY26E
Revenue	180,394	216,009	249,113
Wires & Cables	161,073	192,248	221,711
% of Revenue	89.3	89.0	89.0
FMEG	15,985	18,683	15,985
% of Revenue	7.4	7.5	7.4
EBITDA	24,918	29,231	34,190
EBITDA Margin (%)	13.8	13.5	13.7
Net Profit	17,840	20,503	23,739
EPS (₹)	118.7	136.5	158.0
DPS (₹)	30.0	35.0	40.0
P/E (x)	53.0	46.1	39.8
EV/EBITDA (x)	37.8	32.2	27.4
P/BV (x)	11.5	9.8	8.3
RoE (%)	21.6	23.2	23.1
RoCE (%)	29.0	23.8	25.2

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
POLYCAB	87.4	297.8	907.3
Nifty 50	20.3	50.8	97.2
Sensex	16.9	49.5	95.3

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View – ACCUMULATE

quarter due to uptick in real estate and improvement in distribution. There was a one-off impairment cost of ₹105mn for the investment in joint-venture. Techno Electromech and provisioning on aged inventory. It manufactures switchgears in-house in collaboration with a small acquired start-up (Silvan Innovation Labs) in Bengaluru, which does the R&D.

- FMEG EBIT was at loss of ₹459mn v/s loss of ₹70mn/₹366mn YoY/QoQ. The management views that the business to be EBIT positive in next 2-3 quarters, as further improvement in distribution takes place along with new product development. The management intends to scale up its sales in atleast 3-4 categories of products especially in switchgears, as currently all the products are manufactured in-house and has merged all the B2C product heads under one head after identifying the execution gaps.
- **The others which primarily consist of EPC business grew 4x YoY and 2x QoQ to ₹5.022mn with margin at 8.9%.** Currently executing order book worth ₹48bn (also includes some supply of W&C) under the RDSS scheme with expected outlay of ₹1bn in future by the central government. The management expects steady high-single-digit revenue and margins over the medium to long-term.
- Polycab had a working capital cycle of 48 days in Q4, better than its normalised target of 50-60 days. The cycle has improved YoY by 2 days and by 11 days from FY22 largely due to improved payable days. Capex for the FY24 was at ₹8.5bn. Management expects to incur ₹10-11bn per year (from ₹6-7bn previously) starting FY25 for the next 2-3 yrs, with 20% of it towards the Halol plant (to manufacture EHV, special purpose, High tension and low tension cables) expected to start by end-FY26.

View

Polycab India reported strong Q4FY24 & FY24, considering the ongoing growth driven by continued strength in domestic demand for cables, amid the government's infrastructure spending push. The outlook for the W&C business remains positive due to continued public and private capex which it intends to derive benefits out of it. Further, with expectation of rate cut, normal monsoon and revival of consumption demand, the management views the benefits to percolate to the consumer electrical goods also. **Hence, we maintain our ACCUMULATE stance on the stock (P/E – 39.8x FY26E with EPS of ₹158.0).**

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FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue	55,919	43,237	29.3	43,405	28.8	180,394	141,078	27.9
Operating Exps	41,792	32,357	29.2	31,692	31.9	132,803	105,109	26.3
% of Sales	74.7	74.8	(10)	73.0	172	73.6	74.5	(89)
Gross Profit	14,127	10,880	29.8	11,713	20.6	47,591	35,969	32.3
% of Sales	25.3	25.2	10	27.0	(172)	26.4	25.5	89
Employee Cost	1,696	1,187	42.9	1,494	13.5	6,095	4,568	33.4
% of Sales	3.0	2.7	29	3.4	(41)	3.4	3.2	14
Other Expenses	4,816	3,598	33.9	4,524	6.4	16,578	12,880	28.7
% of Sales	8.6	8.3	29	10.4	(181)	9.2	9.1	6
EBITDA	7,615	6,095	24.9	5,695	33.7	24,918	18,521	34.5
% EBITDA Margin	13.6	14.1	(48)	13.1	50	13.8	13.1	68
Other Income	538	515	4.5	710	(24.2)	2,209	1,333	65.7
Depreciation	657	535	22.9	619	6.2	2,450	2,092	17.2
EBIT	7,497	6,076	23.4	5,786	29.6	24,676	17,763	38.9
Interest	244	282	(13.3)	322	(24.3)	1,083	598	81.3
PBT	7,253	5,794	25.2	5,464	32.7	23,593	17,165	37.4
Tax	1,718	1,444	19.0	1,299	32.3	5,564	4,242	31.2
JV/ Associates	-	(64)	(100.0)	-	-	-	(93)	(100.0)
Non-Controlling Interest	75	37	103.7	37	104.1	189	123	53.4
Net Profit	5,460	4,250	28.5	4,129	32.3	17,840	12,708	40.4
EPS (₹)	36.3	28.4	28.1	27.5	32.2	118.7	84.9	39.9

Source: Company, Way2Wealth

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SEGMENTAL PERFORMANCE

(₹ mn)								
Revenue	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Wires & Cables	48,647	40,783	19.3	39,041	24.6	161,073	127,775	26.1
FMEG	3,581	3,052	17.3	2,962	20.9	12,988	12,607	3.0
Others (EPC)	5,022	1338	275.4	2,475	102.9	11,008	4,647	136.9
Inter-segment	(1,121)	(1,784)	(37.2)	(701)	59.9	(3,677)	(3,565)	3.1
TOTAL	56,130	43,389	29.4	43,777	28.2	181,392	141,465	28.2
EBIT (₹ mn)								
Wires & Cables	7,363	5,896	24.9	5,474	34.5	23,607	16,724	41.2
<i>EBIT Margin (%)</i>	<i>15.1</i>	<i>14.5</i>	<i>68</i>	<i>14.0</i>	<i>111</i>	<i>14.7</i>	<i>13.1</i>	<i>157</i>
FMEG	(459)	(70)	558.4	(366)	25.4	(942)	(56)	1,580.6
<i>EBIT Margin (%)</i>	<i>(12.8)</i>	<i>(2.3)</i>	<i>(1,053)</i>	<i>(12.4)</i>	<i>(46)</i>	<i>(7.3)</i>	<i>(0.4)</i>	<i>(681)</i>
Others (EPC)	446	82	445	394	13.1	1,248	517	141
<i>EBIT Margin (%)</i>	<i>8.9</i>	<i>6.1</i>	<i>276</i>	<i>15.9</i>	<i>(705)</i>	<i>11.3</i>	<i>11.1</i>	<i>21</i>
Inter-segment	(181)	(195)	(7.3)	(54)	234.9	(447)	(369)	21.3
TOTAL	7,169	5,713	25.5	5,448	31.6	23,465	16,817	39.5
<i>EBIT Margin (%)</i>	<i>12.8</i>	<i>13.2</i>	<i>(39)</i>	<i>12.4</i>	<i>33</i>	<i>12.9</i>	<i>11.9</i>	<i>105</i>

Source: Company, Way2Wealth

(₹ mn)								
Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	YoY(%)
Revenue	67,703	79,856	88,300	87,922	122,038	141,078	180,394	27.9
Wires and Cables	62,423	69,295	75,192	75,911	107,938	127,775	161,073	26.1
<i>% of Revenue</i>	<i>92.2</i>	<i>86.8</i>	<i>85.2</i>	<i>86.3</i>	<i>88.4</i>	<i>90.6</i>	<i>89.3</i>	
FMEG	4,853	6,433	8,536	10,341	12,544	12,607	12,988	3.0
<i>% of Revenue</i>	<i>7.2</i>	<i>8.1</i>	<i>9.7</i>	<i>11.8</i>	<i>10.3</i>	<i>8.9</i>	<i>7.2</i>	
EBITDA	7,289	9,528	11,350	11,111	12,652	18,521	24,918	34.5
<i>EBITDA Margin (%)</i>	<i>10.8</i>	<i>11.9</i>	<i>12.9</i>	<i>12.6</i>	<i>10.4</i>	<i>13.1</i>	<i>13.8</i>	
Net Profit	3,586	5,003	7,656	8,380	9,086	12,708	17,840	40.4
EPS (₹)	23.9	33.3	51.0	55.8	60.5	84.6	118.7	

Source: Company, Way2Wealth

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FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24P	FY25E	FY26E
Revenue	79,856	88,300	87,922	122,038	141,078	180,394	216,009	249,113
% YoY Growth	18.0	10.6	(0.4)	38.8	15.6	27.9	19.7	15.3
Wires and Cables	69,295	75,192	75,911	107,938	127,775	161,073	192,248	221,711
% of Revenue	86.8	85.2	86.3	88.4	90.6	89.3	89.0	89.0
% YoY Growth	11.0	8.5	1.0	42.2	18.4	26.1	19.4	15.3
FMEG	6,433	8,536	10,341	12,544	12,607	12,988	15,985	18,683
% of Revenue	8.1	9.7	11.8	10.3	8.9	7.2	7.4	7.5
% YoY Growth	32.6	32.7	21.1	21.3	0.5	3.0	23.1	16.9
EBITDA	9,528	11,350	11,111	12,652	18,521	24,918	29,231	34,190
EBITDA Margin (%)	11.9	12.9	12.6	10.4	13.1	13.8	13.5	13.7
% YoY Growth	30.7	19.1	(2.1)	13.9	46.4	34.5	17.3	17.0
Net Profit	5,003	7,656	8,380	9,086	12,708	17,840	20,503	23,739
% YoY Growth	39.5	53.0	9.5	8.4	39.9	40.4	14.9	15.8
EPS (₹)	33.3	51.0	55.8	60.5	84.6	118.7	136.5	158.0
DPS (₹)	3.0	7.0	10.0	14.0	20.0	30.0	35.0	40.0
P/E (x)	189.1	123.5	112.9	104.1	74.4	53.0	46.1	39.8
EV/EBITDA (x)	99.3	83.3	85.0	74.6	50.7	37.8	32.2	27.4
P/BV (x)	31.2	24.4	19.7	17.0	14.1	11.5	9.8	8.3
RoE (%)	19.3	22.9	19.5	16.2	19.1	21.6	23.2	23.1
RoCE (%)	20.0	23.3	19.2	20.3	26.1	29.0	23.8	25.2
Debtor Days	67	60	59	41	32	41	42	40
Inventory Days	91	80	82	66	102	101	103	100
Creditors Days	69	56	56	63	85	94	96	91
Cash balances	3,176	2,813	5,313	4,071	6,952	4,024	9,189	12,889
FCF	8,658	(887)	9,981	(149)	9,501	4,433	8,021	9,984

Source: Company, Way2Wealth

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Disclosure of Interest Statement Polycab India Ltd. as on 14 May 2024

Name of the Security	Polycab India Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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