



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Consolidated revenue rose by 20.79% on YoY basis and down by 15.98% on QoQ basis to ₹4,698 cr.
- Operating EBITDA came in at ₹ 583 cr, up by 6.19% on a YoY basis and down by 23.49% on a QoQ basis.
- EBITDA margins stood at 12.4% down by 171 bps and by 122 bps on YoY and QoQ basis respectively.
- Net Profit stood at ₹ 402 cr. Flat YoY and down by 27.3% on QoQ basis.

2. MANAGEMENT COMMENTARY:

- EBITDA margins contracted by 170 bps mainly due to decline in contribution from international business. Exports are margin lucrative. Their contribution declined from 8.9% to 5.3% on a YoY basis. Additionally increase in domestic institutional sales compared to channel sales also dampened margins.
- Management aims to make international business 10% of the overall business by FY26.
- Management is confident of surpassing their leap project guidance of reaching ₹20,000 crore topline by FY26. They are in the process of calibrating their new mid-term guidance.
- Management aims to maintain 12-14% EBITDA margins in wire and cable business.
- FMEG business witnessed 21% revenue growth YoY driven by strong demand for fans due to heatwave across several parts of the country.

3. PRICE PERFORMANCE (%)

Particulars	3 M	1 Y
Polycab India Ltd	8.97%	36.08%
Nifty 500	5.41%	39.6%
Nifty 50	5.5%	31.2%

4. CONCALL SUMMARY:

- The first couple of months of Q1 witnessed sharp uptick in commodity prices which led to channel restocking but June month witnessed sharp decline in commodity prices which led channels to utilize the already stocked inventory. This ultimately led to lower channel sales in Q1.
- EPC business is expected to contribute between mid to high single digits to the overall topline along with high single digit margins in the long term.
- In the FMEG segment, share of switches and switchgears have increased which led to better margin profile.
- Capex planned for FY25 stands at ₹1000-1100 crores. Company has already spent ₹280 crores in Q1FY25.
- Capacity utilization in wires and cable segment stands at 75%.
- In EPC business, company mainly takes power and distribution orders as they contain high component of cable supply.
- In domestic B2C wires business, EBITDA margins stands in the range of 15-16%. Whereas, margins in domestic cable business stands at 9-11%.

5. VALUATION AND OUTLOOK:

We believe, company will continue to post robust numbers in the upcoming quarters on the back of rising demand led by real estate and infrastructure activities.

We give a "BUY" rating on the stock and value the stock at 53x of FY26E earnings to arrive at a target price of Rs. 8427

RECOMMENDATION – BUY

CMP – 7315

TARGET – 8427 (+15% UPSIDE)

Industry	Cable
NSE CODE	POLYCAB
BSE CODE	542652
Market Cap (₹ Cr)	104598.96
Shares outstanding (in Cr)	15.03
52 wk High/Low (₹)	7331.45 / 3801
P/E	58.75
P/BV	12.28
Face Value (₹)	10.00
Book Value (₹)	566.44
EPS (₹)	118.75
Dividend Yield (%)	0.59
Debt / Equity	0.01
Interest coverage	22.78

SHAREHOLDING PATTERN

	Jun 24	Mar 24	Dec 23
Promoters	65.02	65.24	65.78
FIIs	13.63	11.96	13.41
DIIIs	6.93	7.23	7.61
Public	14.42	15.58	13.18
Promoter Pledging	0.00	0.00	0.00

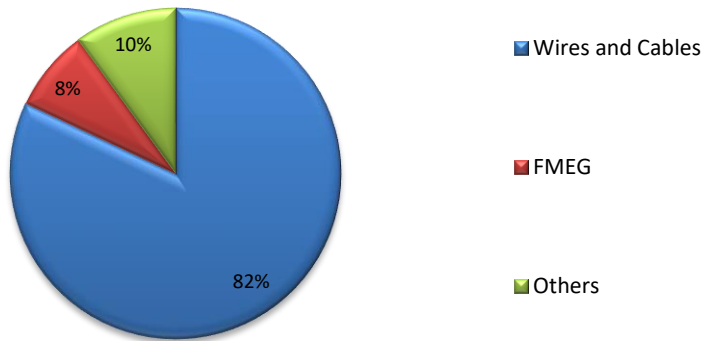
FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Core			
Sales	18,039	21105	24481
Sales Gr. (%)	27.87	17	16
EBITDA	2492	2955	3427
EBITDA mrg. (%)	15.04	14	14
PAT	1803	2070	2386
EPS (₹)	119	138	159
EPS Gr. (%)	39.95	16	15.2
Ratios			
RoE (%)	24.49	23.68	25.5
RoCE (%)	32.93	29.6	32.05
Valuation			
P/E (x)	62	53	46
Net Debt/ equity	0.01	0.01	0.01

Particulars	TTM	5 Yr Avg
Historical P/E :	58.7	30.67
Industry P/E :	57.2	
Historical P/B :	12.3	5.92
Industry P/B :	10.1	

Segmental Mix (Q1 FY25)

Segmental Split (%)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

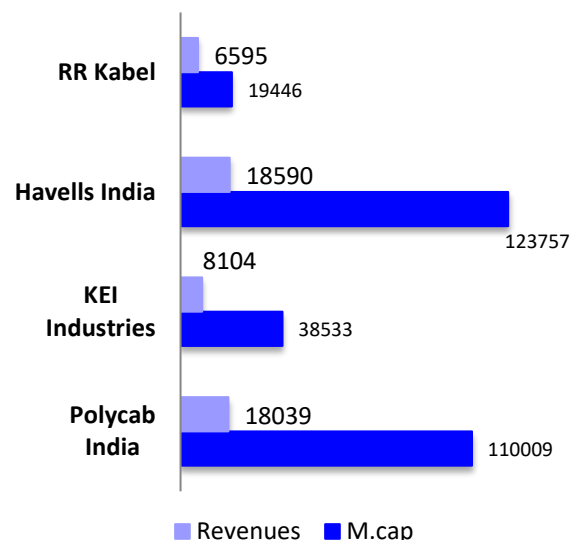
Y/E March	FY23			FY24				FY25		FY24	FY25E*
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2QE*		
Net sales	3,332	3,715	4,324	3,889	4,218	4,340	5,592	4,698	4900	18039	21105
YoY change (%)	10.84%	10.18%	8.91%	42.13%	26.57%	16.83%	29.33%	20.79%	16.16	27.87	17
Total Expenditure	2,906	3,212	3,721	3,341	3,609	3,771	4,830	4,115	4263	15547	18150
EBITDA	427	503	603	549	609	570	762	583	637	2492	2955
Margins (%)	13%	14%	14%	14%	14%	13%	14%	12%	13%	15	14
Depreciation	52	52	53	57	60	62	66	67	70	245	310
Interest	14	9	28	25	27	32	24	41	45	108	120
Other income	-2	40	52	64	35	71	54	58	60	221	235
PBT	358	481	573	530	557	546	725	533	582	2359	2760
Tax	87	120	144	127	127	129	172	131	145	556	690
Rate (%)	24%	25%	25%	24%	23%	24%	24%	25%	25%	24	25
Adjusted PAT	271	361	429	403	430	417	553	402	437	1803	2070
YoY change (%)	34.8%	14.2%	32.0%	80.7%	58.7%	15.5%	28.9%	-0.2%	1.62	40.5	14.87
Key Performance Indicator											
RM Cost (% of Sales)	73%	73%	74%	73%	72%	70%	69%	69%	70%	71%	72%
Staff Cost (% of Sales)	3%	3%	3%	3%	4%	3%	3%	3%	3%	3%	3%
EBITDA Margin (%)	13%	14%	14%	14%	14%	13%	14%	12%	13%	15%	14%
PAT Margin (%)	8%	10%	10%	10%	10%	10%	10%	9%	8.9%	10	9.80

Source: Company, Hem Securities Research.

INDUSTRY OVERVIEW

- The global wires and cables (W&C) industry has exhibited robust growth, with its market size surpassing US\$ 243 billion in 2023 and projected to grow at a CAGR of 9.1% from 2024 to 2032, reaching US\$ 547.1 billion by 2032. This growth is driven by increasing infrastructure development activities and a rising demand for consumer electronic products.
- The wires and cables (W&C) industry constitutes ~39% of the electrical industry in India. The industry offers huge growth potential and is estimated to grow at ~10% CAGR over the next few years, primarily driven by increased traction in the infrastructure and real estate sectors.
- According to industry estimates, branded players currently account for ~74% of the market, which is expected to rise to 80% by FY 2026-27
- The investment uptick in power generation, transmission, and distribution is poised to drive the demand for power cables and control cables. In addition, with India's ambitious goals for renewable energy expansion, with plans to add 500 GW of renewable energy capacity by 2030, encompassing various renewable sources such as solar, wind, hydro, and others, the demand for cables and wires will experience a notable upsurge
- Urbanization is fueling electricity demand, especially in urban areas, due to the higher concentration of industries, commercial establishments, and residential spaces.

KEY PLAYERS



PEER PERFORMANCE

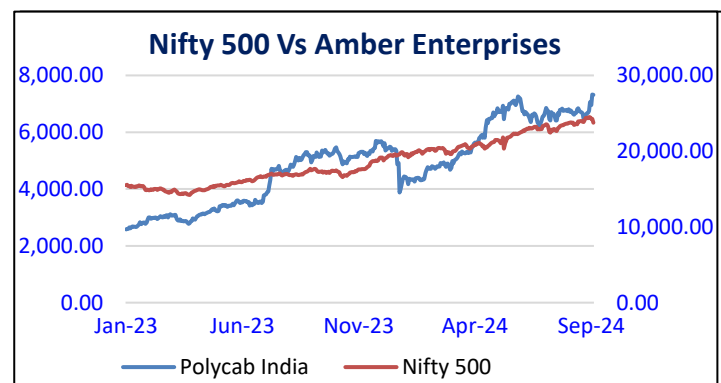
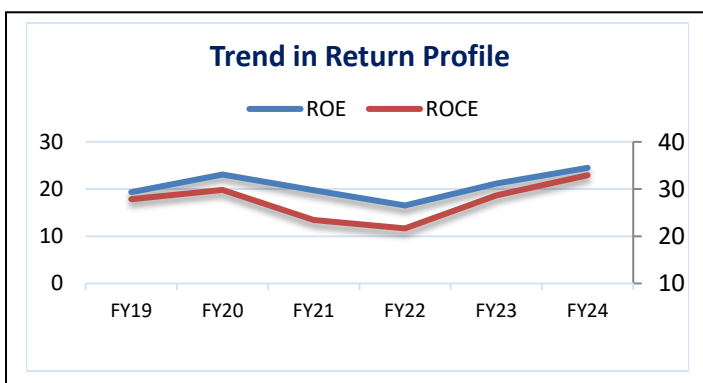
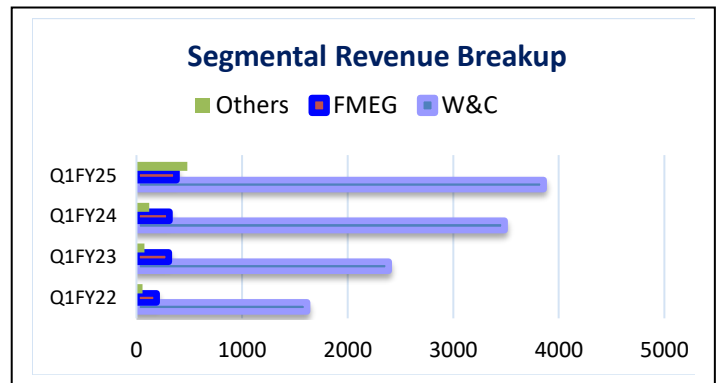
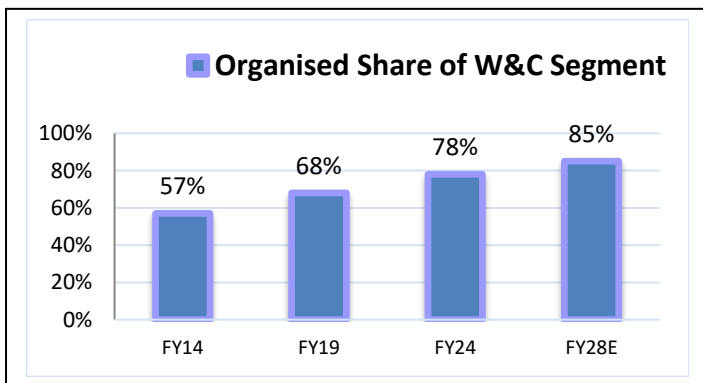
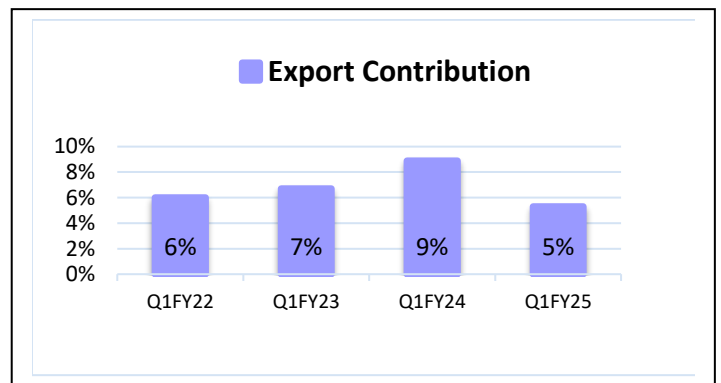
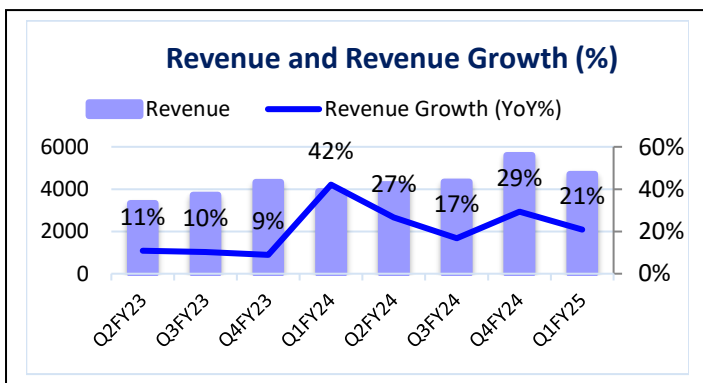
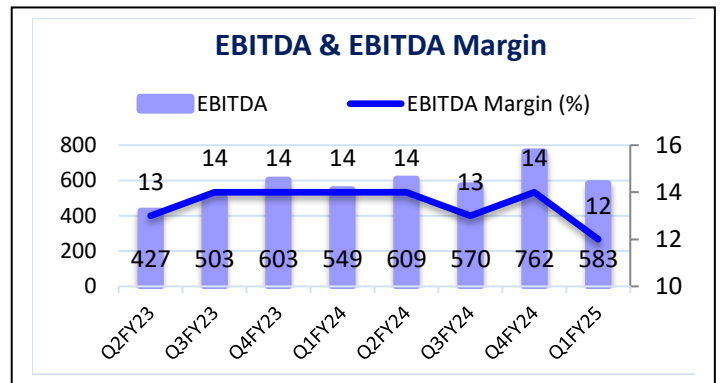
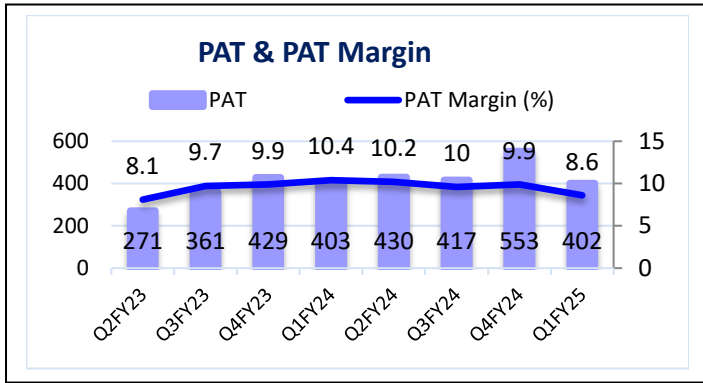
(₹ Cr)

Particulars	Polycab India	KEI Industries	Havells India	RR Kabel Ltd.
	Ltd	Ltd.	Ltd.	
Market Cap	1,10,391	38,533	1,23,757	19,446
Net Sales	18,039.4	8,104.1	18,590.0	6,594.6
EBITDA	2,491.8	837.5	1,881.1	461.9
PAT	1,784.0	580.7	1,270.8	298.1
EPS (Rs)	118.7	64.4	20.3	26.4
EBITDA MARGIN %	15.0	10.9	11.4	7.5
PAT MARGIN %	10.0	7.2	6.8	4.3
ROCE %	32.9	27.5	25.5	22.7
ROE %	24.5	20.3	18.1	21.1
P/E	61.9	63.2	89	68.0
P/B	13.5	12.3	16.6	10.6
EV/EBITDA	40.2	40.8	53.2	38.8
Dividend Yield	0.4	0.1	0.4	0.3
Mcap/Sales	5.86	4.6	6.33	2.9

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Company is on track to surpass their Project Leap guidance of ₹20,000 crores by FY26. New set of guidelines are expected in the coming months.
- Polycab is a market leader in domestic wires and cable business. They enjoy 25% market share in domestic organised market. It is expected that share of organized players is expected to rise in coming years due to premiumisation. Share of organized players is expected to rise from 78% in FY24 to 85% in FY28.
- Organised players like polycab are expected to remain in spotlight as India's share in global wire and cable industry is expected to rise. India was a net importer of wires and cables until FY20. Polycab has guided that exports will contribute 10% to the overall topline by FY26. They are starting distribution based model in US which can lead to significant revenue push in the upcoming years.
- Wires and cable industry is at a sweet spot in India, considering mega infrastructure push from Government of India. The transmission and distribution is a key catalyst in supporting the growth in W&C industry in India. The transmission network has been growing at a significant pace with the addition of transmission capacity at both interstate and intra-state levels. In FY 2023-24, a total of 14,203 ckm of transmission lines were added, compared to 14,625 ckm in FY 2022-23. Furthermore, there was an addition of 70,728 MVA in transformation capacity during FY 2023-24.
- Similarly, the persistent focus on digitalisation and the expansion of broadband connectivity is anticipated to bolster the demand for telecom cables, particularly optic fibre cables. The real estate and construction boom, encompassing both residential and commercial projects, continues to fuel the need for electrical wires

KEY RISKS:

- Slowdown in Real estate and infrastructure space.
- RM Price volatility

COMPANY RECAP

- The Company is engaged in the business of manufacturing and selling wires and cables and fast moving electrical goods ('FMEG') under the 'POLYCAB' brand. The company is the largest manufacturer in the wires and cables industry in India, in terms of revenue from the wires and cables segment and provide one of the most extensive range of wires and cables in India. Apart from wires and cables, manufacture and sell FMEG such as electric fans, LED lighting and luminaries, switches and switchgears, solar products and conduits and accessories.
- They have 28 advanced manufacturing plants located across seven key regions within the states of: Gujarat, Maharashtra, Karnataka, Uttarakhand, Tamil Nadu, and the Union Territory of Daman. Each facility is outfitted with the latest technology and testing equipment, ensuring compliance with both domestic and global standards.
- Polycab holds 25-26% market share in the organized domestic wires and cables segment. They have a strong Pan-India network of 3800+ dealers and distributors spread across India.
- Their international business has been a stellar performer, boasting a CAGR of over 40% over the last five years. They find themselves at a crucial juncture in their international endeavors as they transition to a distribution model mirroring their successful operations in India. This strategic shift holds the promise of unlocking manifold benefits for them.
- The company has a target to achieve Rs. 20,000 crs revenue by FY26 through its Project Leap.
- International business contributed 8% to the overall topline in FY24. Export business has been growing at a CAGR of 40% in the last 5 years. Key markets in exports include: North America (38%), Middle East (27%), Australia (16%), Europe (15%), South America (2%), Asia (1%) and Africa (1%).
- Key Personnel- Mr Inder T. Jaisinghani (Chairman & Managing director), Mr Nikhil T. Jaisinghani (Executive Director), Mr Gandharv Tongia (Executive Director and CFO), Mr Rakesh Talati (Executive Director).

ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)	
March	2019	2020	2021	2022	2023	2024	2025E	2026E
Revenue from operations	7986	8,829.96	8,792.23	12,203	14,107.78	18,039	21105	24481
Growth YoY (%)	17.95	10.57	-0.43	38.80	15.60	27.87	17	16
Total Expenditure	7035	7,694.93	7,686.12	10,953	12,258	15,547.6	18150	21053
(%) of sales	88.09	87.15	87.42	89.76	86.89	86.19	86	86
EBITDA	950	1,135.03	1,106.12	1,250	1,849.00	2,491.8	2955	3427
EBITDA Growth (%)	30.31	20.78	0.21	10.13	46.51	36.63	18.62	15.98
EBITDA Margin (%)	11.9	13.91	13.99	11.10	14.07	15.04	14	14
Depreciation	141	160.89	176.17	201.52	209.16	245.04	310	350
EBIT	809	1,059.52	1,054.84	1,151	1,767.01	2,467.64	2645	3077
Growth (%)	35.73	21.40	-0.44	9.12	53.51	39.65	7.21	16.3
Interest Expenses	117	49.54	42.69	35.19	59.76	108.34	120	135
Other Income	64	92.79	124.32	104.93	136.44	220.88	235	240
Earnings before Taxes	756	1,009.99	1,012.16	1,115.8	1,707.26	2,359.30	2760	3182
Growth (%)	33.33	34%	0%	10%	53%	38%	17	15.28
EBT Margin (%)	9.46	11.44	11.51	9.14	12.10	13.08	13.07	13
Tax-Total	256	244.37	170.34	270.63	424.17	556.38	690	796
Rate of tax (%)	33.86	24.20	16.83	24.25	24.85	23.58	25	25
Net Profit	500	765.62	841.81	845.23	1,283.09	1,802.92	2070	2386
Growth (%)	39.27	53.03	9.95	0.41	51.80	40.51	14.87	15.26
PAT Margin (%)	6.26	8.67	9.57	6.93	9.09	9.99	9.8	9.75
EPS	35.39	50.98	59.15	60.80	84.85	118.75	138	159
EPS Growth (%)	39.6	44.07	16.02	2.78	39.56	39.95	16	15.2

Balance Sheet

Y/E March	2019	2020	2021	2022	2023	2024
Equity Share Capital	141	149	149	149	150	150
Reserves & Surplus	2,706	3,688	4,605	5,394	6,487	8,037
Total Shareholder's Funds (A)	2,847	3,837	4,754	5,543	6,637	8,187
Borrowings	272	157	282	118	109	161
Non-Controlling Interest	8	15	19	25	37	56
Total Non-Current Liabilities (B)	280	172	301	143	146	217
Advance from customers	408	115	41	42	57	47
Trade Payables	1,520	1,354	1,348	1,218	2,033	2,863
Other Liability Items	573	483	571	466	550	751
Total Current Liabilities (C)	2,501	1,952	1,960	1,726	2,640	3,661
Total Equity and Liabilities (A+B+C)	5,628	5,961	7,015	7,412	9,423	12,065
Property, Plant & Equipment	1,276	1,422	1,870	1,675	2,067	2,338
Capital Work in progress	193	241	99	375	251	578
Investments	29	65	635	773	1,350	1,822
Total Non-Current Assets (A)	1,498	1,728	2,604	2,823	3,668	4,738
Inventory	1,996	1,925	1,988	2,200	2,951	3,675
Debtors	1,334	1,434	1,436	1,296	1,247	2,047
Cash and Bank Balance	317	281	531	407	695	402
Loans and advances	18	18	12	11	10	11
Other Current Assets	466	574	444	674	852	1,192
Total Current Assets (B)	4,131	4,232	4,411	4,588	5,755	7,327
Total Assets(A+B)	5,628	5,961	7,015	7,412	9,424	12,066

Source: Company, Hem Securities Research.



Ratios						
Y/E March (Basic (INR))	2019	2020	2021	2022	2023	2024
Profitability and return ratios						
Net profit margin (%)	6.27	8.67	9.57	6.93	9.09	9.99
EBITDA margin (%)	12.73	13.91	13.99	11.10	14.07	15.04
EBIT margin (%)	10.93	12.00	12.00	9.43	12.53	13.68
ROE (%)	19.32	23.06	19.73	16.52	21.18	24.49
ROCE (%)	27.85	29.79	23.45	21.66	28.65	32.93
Working Capital & liquidity ratios						
Payables (Days)	38.28	39.03	35.98	25.43	25.03	26.15
Inventory (Days)	76.82	81.03	81.22	62.62	66.63	67.04
Receivables (Days)	59.99	57.21	59.56	40.86	32.90	33.32
Current Ratio (x)	1.5	2.02	2.37	2.95	2.64	2.44
Valuations Ratios						
EV/sales (x)	0.01	1.24	2.31	2.87	3.01	4.20
EV/EBITDA (x)	0.1	8.89	16.50	25.84	21.40	27.94
P/E (x)	0.00	14.55	23.33	38.90	33.92	42.66
P/BV (x)	0.00	2.90	4.36	6.42	6.53	9.38
Dividend Yield (%)		0.94	0.72	0.59	0.69	0.59
Return on Assets (%)	9.93	13.21	12.98	11.72	15.24	16.78
Leverage Ratio						
Debt/Equity (x)	0.09	0.04	0.05	0.02	0.01	0.01

Cash Flow Statement						
Y/E March	2019	2020	2021	2022	2023	2024
CF from Operating activities (A)	-63.06	288.21	220.96	240.73	320.55	964.84
CF from Investing Activities (B)	-112.99	-326.6	-481	-689.61	-488.76	-1034.52
CF from Financing Activities (C)	93.17	63.4	369.99	555.49	192.81	-121.64
Net Cash Flow	-82.88	25.02	109.95	106.61	24.6	-191.32

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
03 rd October 2024	BUY	8427

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Name of the Research Analyst: Mudit Jain

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.