

December 13, 2024

Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	8,741		8,741	
Sales (Rs. m)	2,54,777	2,92,398	2,54,777	2,92,398
% Chng.	-	-	-	-
EBITDA (Rs. m)	34,609	40,025	34,609	40,025
% Chng.	-	-	-	-
EPS (Rs.)	158.5	182.7	158.5	182.7
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,80,394	2,17,061	2,54,777	2,92,398
EBITDA (Rs. m)	24,918	27,976	34,609	40,025
Margin (%)	13.8	12.9	13.6	13.7
PAT (Rs. m)	17,840	19,090	23,810	27,460
EPS (Rs.)	118.7	127.0	158.5	182.7
Gr. (%)	39.9	7.0	24.7	15.3
DPS (Rs.)	18.5	22.5	28.0	28.0
Yield (%)	0.2	0.3	0.4	0.4
RoE (%)	24.1	21.2	21.9	21.0
RoCE (%)	32.7	29.5	30.2	29.0
EV/Sales (x)	6.1	5.0	4.2	3.6
EV/EBITDA (x)	44.3	38.7	31.0	26.4
PE (x)	63.1	58.9	47.2	41.0
P/BV (x)	13.7	11.4	9.4	7.9

Key Data POLC.BO | POLYCAB IN

52-W High / Low	Rs.7,607 / Rs.3,801
Sensex / Nifty	81,290 / 24,549
Market Cap	Rs.1,126bn/ \$ 13,268m
Shares Outstanding	150m
3M Avg. Daily Value	Rs.3037.91m

Shareholding Pattern (%)

Promoter's	63.00
Foreign	13.00
Domestic Institution	10.00
Public & Others	14.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	15.1	6.9	33.4
Relative	11.4	0.8	14.2

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W&C volume growth driving revenue

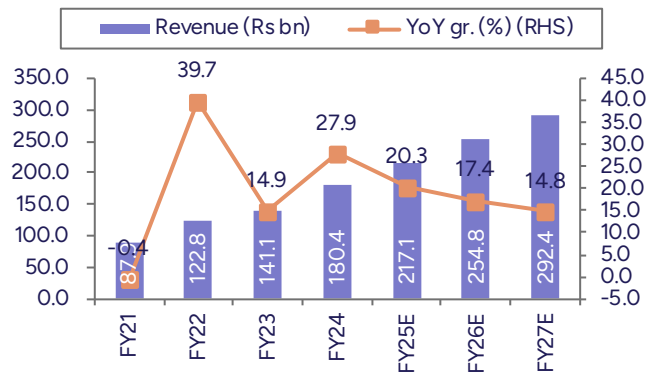
We met with the management of POLYCAB to discuss the company's performance, growth prospects, and strategic priorities. POLYCAB is witnessing healthy demand in cables and wires, with opportunities in EHV and OFC segments driven by growth in real estate, government capex and private infrastructure. Despite a slowdown in exports, recovery is anticipated from FY26, driven by growth in regions such as the US and Middle East. We expect revenue/EBITDA/ PAT CAGR of 17.5%/17.1%/15.5% over FY24-27E. We maintain our 'BUY' rating.

Key takeaways:

- **W&C segment expected healthy volume in coming quarters:** Primary growth drivers for POLYCAB's wires and cables (W&C) segment are private capex and the real estate sector, both of which have seen a pickup in demand, according to the management. The government project segment has also experienced a gradual rebound following the general elections in India. W&C is likely to see increased demand from the power and energy sectors, as well as mining, oil and gas. The wires segment reported approximately 15% volume growth in H1FY25 and is expected to see healthy growth in H2FY25 as well, driven by real estate-backed demand, the company's initiatives towards GTM and SKUs expansion, seasonality, and sequential rise in copper prices. In the coming years, cable demand is expected to largely stem from the transmission & distribution sector, data centers, and export markets.
- **Capacity expansion plans:** POLYCAB plans to invest Rs10-11bn each year in the coming 2-3 years, with 70% of this allocation focused on expanding its W&C capacities. The company is operating at 60% and 70% capacity utilization for wires and cables, respectively.
 - The EHV cable production facility in Halol is expected to be operational by the end of FY26, with an estimated capex of Rs6-7bn over FY24-26. The company anticipates an asset turnover of 4-5x and mid-teens operating margins in the EHV cable segment.
 - POLYCAB has sufficient capacity to meet the demands of the BharatNet project and currently holds the fourth-largest production capacity for optical fiber cable (OFC). The company has secured an order worth Rs41bn, excluding maintenance capex, from Bharat Sanchar Nigam Limited for the development of the middle mile network under the BharatNet project. The order follows the design, build, operate and maintain (DBOM) model (Package 4), covering Karnataka, Goa and Puducherry. The contract spans 3 years, followed by a 10-year maintenance period, with maintenance capex set at 5.5% for the first 5 years and 6.5% for the subsequent 5 years.

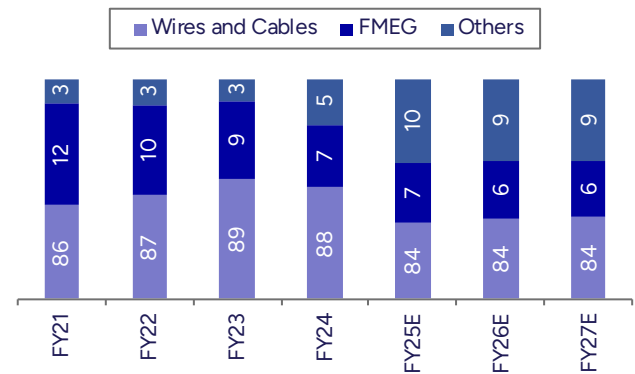
- **International business outlook:** POLYCAB anticipates a decline in international business in FY25 (revenue down 21% YoY in H1FY25). However, recovery is expected from FY26. The US accounts for 38% of POLYCAB's exports, while the Middle East holds a larger share at 45%, driven by the infrastructure boom in Saudi Arabia. POLYCAB expects its export revenue contribution to increase to 10-15% by FY27E.
- **FMEG segment to break even by Q3/Q4FY26E:** The fans segment, the majority contributor to POLYCAB's FMEG revenue, is facing intense pricing competition. FEMG is expected to break even by Q3/Q4FY26, driven by anticipated improvements in capacity utilization, reaching ~60% across verticals. Currently, the fans segment is operating at 30% capacity utilization due to significant expansion last year. The switchgear segment is EBIT positive and operating at 40% capacity utilization. POLYCAB has a market share of 2-2.5%, and aims to become one of the top 3 players in the FMEG space.

Exhibit 1: Estimated revenue CAGR of 17.5% over FY24-27E



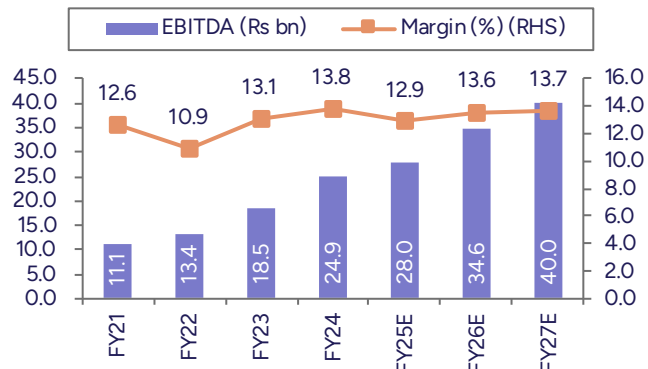
Source: Company, PL

Exhibit 2: W&C to grow at 15.8% CAGR over FY24-27E



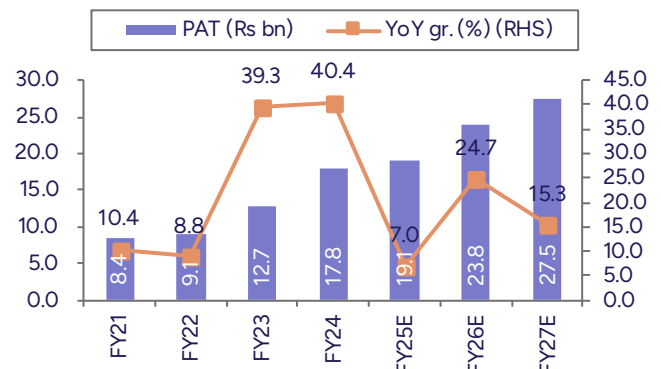
Source: Company, PL

Exhibit 3: EBITDA CAGR estimated at 17.1% over FY24-27E



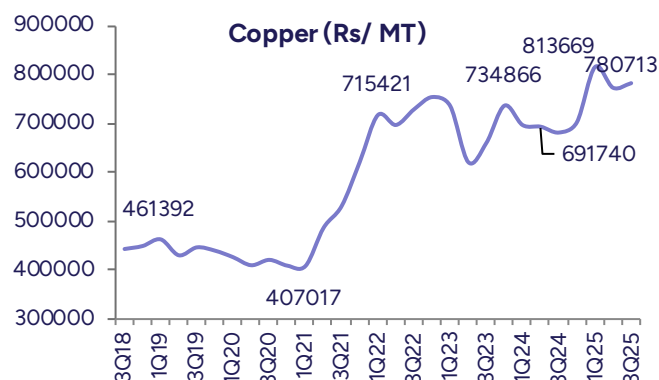
Source: Company, PL

Exhibit 4: PAT CAGR of 15.5% estimated over FY24-27E



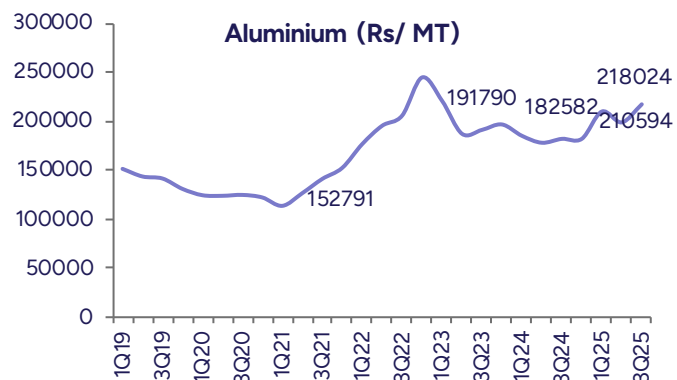
Source: Company, PL

Exhibit 5: Copper price up +1.2% QoQ/ +15.0% YoY (Q3FY25)



Source: Company, PL

Exhibit 6: Aluminum price up +9.3% QoQ / +19.4%YoY



Source: Company, PL

Exhibit 7: W&C company valuation

Company Names	M Cap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	PER (x)				RoCE (x)				Sales CAGR (%) FY24- FY27E	EPS CAGR (%) FY24- FY27E
					FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E		
KEI Industries	410	4,544	BUY	5,265	71	57	49	39	27	28	27	28	17.7%	22.0%
RR Kabel	164	1,458	BUY	2,151	55	49	29	24	23	22	31	30	21.8%	32.5%
Finolex Cable*	195	1,291	NA	NA	30	29	25	22	-	-	-	-	12.8%	11.6%
Polycab India	1,125	7,486	BUY	8,741	63	59	47	41	33	29	30	29	17.5%	15.5%
Havells India	1,102	1,758	Accumulate	2,036	87	71	56	47	25	27	29	30	16.1%	22.8%

Source: Company, PL; Note: *Bloomberg estimates

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,80,394	2,17,061	2,54,777	2,92,398
YoY gr. (%)	27.9	20.3	17.4	14.8
Cost of Goods Sold	1,32,803	1,60,473	1,86,585	2,13,831
Gross Profit	47,591	56,587	68,192	78,567
Margin (%)	26.4	26.1	26.8	26.9
Employee Cost	6,095	7,380	8,662	9,942
Other Expenses	7,030	8,967	10,526	12,080
EBITDA	24,918	27,976	34,609	40,025
YoY gr. (%)	34.5	12.3	23.7	15.6
Margin (%)	13.8	12.9	13.6	13.7
Depreciation and Amortization	2,450	3,017	3,674	4,262
EBIT	22,467	24,958	30,936	35,763
Margin (%)	12.5	11.5	12.1	12.2
Net Interest	1,083	1,440	1,516	1,749
Other Income	2,209	2,219	2,713	3,017
Profit Before Tax	23,592	25,737	32,133	37,031
Margin (%)	13.1	11.9	12.6	12.7
Total Tax	5,564	6,449	8,115	9,352
Effective tax rate (%)	23.6	25.1	25.3	25.3
Profit after tax	18,029	19,288	24,018	27,678
Minority interest	189	198	208	218
Share Profit from Associate	-	-	-	-
Adjusted PAT	17,840	19,090	23,810	27,460
YoY gr. (%)	40.4	7.0	24.7	15.3
Margin (%)	9.9	8.8	9.3	9.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	17,840	19,090	23,810	27,460
YoY gr. (%)	40.4	7.0	24.7	15.3
Margin (%)	9.9	8.8	9.3	9.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	17,840	19,090	23,810	27,460
Equity Shares O/s (m)	150	150	150	150
EPS (Rs)	118.7	127.0	158.5	182.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	37,394	45,119	52,838	60,556
Tangibles	36,943	44,833	52,522	60,210
Intangibles	451	286	316	346
Acc: Dep / Amortization	14,065	17,081	20,624	24,650
Tangibles	13,775	16,810	20,337	24,345
Intangibles	291	271	287	306
Net fixed assets	23,329	28,039	32,214	35,906
Tangibles	23,169	28,023	32,185	35,865
Intangibles	160	15	29	40
Capital Work In Progress	5,784	-	-	-
Goodwill	46	46	46	46
Non-Current Investments	1,502	1,516	1,041	1,162
Net Deferred tax assets	(415)	(687)	(1,026)	(1,417)
Other Non-Current Assets	2,859	601	617	633
Current Assets				
Investments	18,224	23,224	28,224	33,224
Inventories	36,751	39,867	46,794	53,704
Trade receivables	20,471	19,816	23,259	26,694
Cash & Bank Balance	4,024	20,290	27,538	37,783
Other Current Assets	7,227	6,512	7,643	8,772
Total Assets	1,20,789	1,40,799	1,68,380	1,99,041
Equity				
Equity Share Capital	1,503	1,503	1,503	1,503
Other Equity	80,369	97,138	1,17,567	1,40,819
Total Networth	81,872	98,640	1,19,069	1,42,322
Non-Current Liabilities				
Long Term borrowings	226	42	42	42
Provisions	601	391	459	526
Other non current liabilities	423	423	423	423
Current Liabilities				
ST Debt / Current of LT Debt	1,140	2,388	2,803	3,216
Trade payables	28,633	28,181	32,767	37,552
Other current liabilities	6,006	8,615	10,057	11,496
Total Equity & Liabilities	1,20,789	1,40,799	1,68,380	1,99,041

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	23,592	25,737	32,133	37,031
Add. Depreciation	2,450	3,017	3,674	4,262
Add. Interest	1,083	1,440	1,516	1,749
Less Financial Other Income	2,209	2,219	2,713	3,017
Add. Other	(1,078)	1,489	(295)	(245)
Op. profit before WC changes	26,049	31,684	37,028	42,797
Net Changes-WC	(7,042)	97	(5,098)	(5,467)
Direct tax	(5,564)	(6,449)	(8,115)	(9,352)
Net cash from Op. activities	13,443	25,332	23,814	27,977
Capital expenditures	(8,433)	(1,943)	(7,849)	(7,954)
Interest / Dividend Income	331	574	765	765
Others	(249)	(21,266)	(12,248)	(15,245)
Net Cash from Invst. activities	(8,351)	(22,635)	(19,332)	(22,434)
Issue of share cap. / premium	5	-	-	-
Debt changes	(185)	1,064	415	414
Dividend paid	(2,542)	(2,780)	(3,381)	(4,207)
Interest paid	(1,083)	(1,440)	(1,516)	(1,749)
Others	-	-	-	-
Net cash from Fin. activities	(3,806)	(3,156)	(4,482)	(5,543)
Net change in cash	1,286	(459)	-	-
Free Cash Flow	5,010	23,389	15,965	20,023

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	118.7	127.0	158.5	182.7
CEPS	135.0	147.1	182.9	211.1
BVPS	544.9	656.5	792.4	947.2
FCF	33.3	155.7	106.2	133.3
DPS	18.5	22.5	28.0	28.0
Return Ratio(%)				
RoCE	32.7	29.5	30.2	29.0
ROIC	32.2	38.5	41.5	42.6
RoE	24.1	21.2	21.9	21.0
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.5)
Net Working Capital (Days)	37	36	36	36
Valuation(x)				
PER	63.1	58.9	47.2	41.0
P/B	13.7	11.4	9.4	7.9
P/CEPS	55.4	50.9	40.9	35.5
EV/EBITDA	44.3	38.7	31.0	26.4
EV/Sales	6.1	5.0	4.2	3.6
Dividend Yield (%)	0.2	0.3	0.4	0.4

Source: Company Data, PL Research

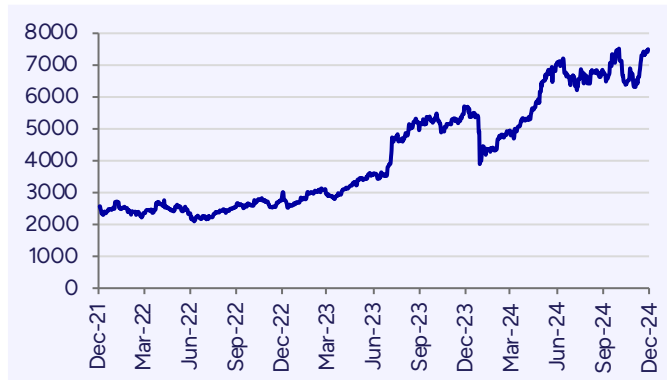
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	43,405	55,919	46,980	54,984
YoY gr. (%)	16.8	29.3	20.8	30.4
Raw Material Expenses	31,692	41,792	35,415	42,025
Gross Profit	11,713	14,127	11,565	12,960
Margin (%)	27.0	25.3	24.6	23.6
EBITDA	5,695	7,615	5,834	6,316
YoY gr. (%)	13.0	24.9	6.3	3.7
Margin (%)	13.1	13.6	12.4	11.5
Depreciation / Depletion	619	657	671	721
EBIT	5,076	6,958	5,163	5,595
Margin (%)	11.7	12.4	11.0	10.2
Net Interest	322	244	413	453
Other Income	710	538	584	762
Profit before Tax	5,464	7,253	5,334	5,903
Margin (%)	12.6	13.0	11.4	10.7
Total Tax	1,299	1,718	1,317	1,451
Effective tax rate (%)	23.8	23.7	24.7	24.6
Profit after Tax	4,165	5,535	4,016	4,452
Minority interest	37	75	57	54
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,129	5,460	3,960	4,398
YoY gr. (%)	15.4	28.5	(0.9)	3.3
Margin (%)	9.5	9.8	8.4	8.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,129	5,460	3,960	4,398
YoY gr. (%)	15.4	28.5	(0.9)	3.3
Margin (%)	9.5	9.8	8.4	8.0
Other Comprehensive Income	(23)	(20)	(92)	(9)
Total Comprehensive Income	4,105	5,440	3,868	4,389
Avg. Shares O/s (m)	149	149	149	149
EPS (Rs)	27.7	36.6	26.5	29.5

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	21-Oct-24	BUY	8,741	7,120
2	08-Oct-24	BUY	8,741	7,263
3	19-Jul-24	BUY	7,788	6,336
4	05-Jul-24	BUY	7,788	6,661
5	13-May-24	BUY	7,086	6,156
6	05-Apr-24	BUY	6,065	5,317
7	21-Jan-24	BUY	6,021	4,335
8	09-Jan-24	Accumulate	6,021	5,344

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Accumulate	1,929	1,789
2	Avalon Technologies	Hold	899	860
3	Bajaj Electricals	Hold	901	879
4	Century Plyboard (I)	Hold	784	749
5	Cera Sanitaryware	Accumulate	7,854	6,799
6	Crompton Greaves Consumer Electricals	BUY	536	371
7	Cyient DLM	BUY	831	664
8	Finolex Industries	Hold	302	284
9	Greenpanel Industries	Accumulate	450	376
10	Havells India	Accumulate	2,036	1,845
11	Kajaria Ceramics	Accumulate	1,604	1,259
12	Kaynes Technology India	Hold	6,085	6,295
13	KEI Industries	BUY	5,265	4,058
14	Polycab India	BUY	8,741	7,120
15	R R Kabel	BUY	2,151	1,505
16	Supreme Industries	BUY	5,752	4,593
17	Syrma SGS Technology	BUY	629	556
18	Voltas	Accumulate	1,980	1,698

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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