



COMPANY NAME	: Polycab India Ltd
BSE Code	: 542652
Time Duration	: 1 year
CMP	: ₹1,347.10 (as on 18 Feb., 2021)
Target Price	: ₹1751

Mid Bridge recommendation for this month is Polycab India Limited. Polycab is engaged in the business of manufacturing and selling wires & cables as well as fast-moving electrical goods (FMEG) under 'Polycab' brand. Apart from wires and cables, the company manufactures & sells FMEG products such as electric fans, LED lighting and luminaires, switches & switchgear, solar products, and conduits & accessories. The company is India's largest manufacturer in the cables and wires industry.

### Company profile:

The company was incorporated as 'Polycab Wires Private Limited' on January 10, 1996 in Mumbai under the Companies Act, 1956. The promoters of the company now have experience of more than four decades. The company manufactures and sells a diverse range of wires & cables while their key products in this segment are power cables, control cables, instrumentation cables, solar cables, building wires, flexible cables, flexible/single multi-core cables, communication cables, and others including welding cables, submersible flat and round cables, rubber cables, overhead conductors, railway signalling cables, speciality cables & green wires. In 2009, it diversified into the engineering, procurement & construction (EPC) business, which includes the design, engineering, supply, execution, and commissioning of power distribution & rural electrification projects. In 2014, the company diversified into the FMEG segment. Its key FMEG products include switches, switchgear, conduits, and accessories. The company has a strong market share ranging from 18-20 per cent in India's organised cables and wires industry.

### Global presence:

The company currently has 25 manufacturing facilities including two joint ventures with Techno and Trafigura, located across the states of Gujarat, Maharashtra, and Uttarakhand as well as the union territory of Daman & Diu. Three of these 25 manufacturing facilities are used for the production of FMEG, including a joint venture (50:5) with Techno, a Gujarat-based manufacturer of LED products. In 2016, they entered into a joint venture (50:50) with Trafigura, a commodity trading company to set up a manufactur-

ing facility in Halol (Gujarat) to produce copper wire rods (Ryker Plant). The company has almost 4,000 dealers and distributors, spread across different geographies. It supplies the products directly to its authorised dealers & distributors, who in turn, supply it forward to over 1,51,000 retail outlets in India. The company has exported its products to more than 40 countries in the past few years.

### Expansion plans:

The company believes that there is enough scope to grow domestically as well as internationally. It plans to further bring more and more technology in the products they offer thus, upgrading it to the latest technology and being ahead of the competition. Also, with the continuous upgradation of wires & cables, it is looking forward to exploring new regions for expansion, especially in the export markets. The company has launched premium brand 'Hohm' in top 10 cities of India. The IoT-based switches, fans, geysers, lighting products are inspirational products that would command a higher margin than the existing 5 per cent EBIT margin of the FMEG segment. The company is quite confident that this is going to be a game-changer innovation product as far as its FMEG business is concerned. This premium product is for those, who like to have a better experience in the digital era. The company has also received approval to supply its special cable to defence, railways, and electric vehicles.

### Financial performance:

The sales of the company grew by approximately 12 per cent YoY and were at Rs 2,798 crore on a consolidated basis for the quarter ended December 2020. EBITDA for December 2020 ending quarter stood at Rs 376.3 crore, which was 11 per cent greater than the EBITDA of Rs 338.9 crore, a year ago. PAT also grew by 19 per cent YOY and was at Rs 263.6 crore as against Rs 221.4 crore, a year ago. EBITDA margins were flattish on a YoY basis in Q3FY21 at 13.4 per cent. PAT margin improved by 59 bps and was at 9.4 per cent for Q3FY21 as against 8.8 per cent, a year ago. Despite the increase in the raw material prices, the company was able to maintain its EBIDTA and PAT margins due to cost-saving initia-

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tives. The company recovered well from the COVID-19 pandemic and posted strong QoQ numbers. The revenue increased by 32 per cent while EBIDTA and PAT increased by 21 per cent and 19 per cent, respectively in Q3FY21 on a QoQ basis. Around 85 per cent of the company's revenue is derived from the wires & cable segment, followed by 9.5 per cent from the FMEG sector while the remaining comes from other products.

### Ratio & outlook:

The company is trading at a P/E of 24.26. The average ROE of the company for the past 5 years is 16.52 per cent. Revenue is growing at 13.5 per cent CAGR over the past 5 years while PAT is growing at 37 per cent CAGR for the same period. With a continuous improvement in operating efficiency and better management, the company was able to increase its PAT margins from a mere 3.39 per cent in 2016 to 9.4 per cent currently. The current ratio has also improved over the past few years to 2.02 thus, improving the firm's liquidity position. Wires and cables play a vital role in every aspect of infrastructural growth and find extensive usage & applications across a number of industries. The growing demand

for power, light, and communication has kept a high demand for cables & wires, which constitute roughly 40 per cent of India's electrical industry. Favourable government initiatives and reforms to promote indigenous manufacturing, infrastructure development, foreign investments, renewable energy, electrification, and pan-India digital connectivity will provide a huge thrust to the demand for electrical products thereby, making India, a self-reliant nation. India's structural drivers like demographic dividend, rapid urbanisation, rising incomes, evolving aspirations, digital inclusion, and increasing consumer awareness will drive India's consumption growth story. The global cables market is estimated to be around USD 145 billion, with the Asia-Pacific region contributing about 40 per cent of the total, followed by Western Europe and North America. Of the total, about USD 38-40 billion of cables is currently imported from various countries. With the government's rejuvenated efforts to promote local manufacturing and exports, Indian companies with robust manufacturing and supply capabilities to serve the sizeable global demand could be the key beneficiaries. Owing to the above reasons, we recommend a BUY call on this particular scrip with a price target of Rs 1,751.

### Inc/Exp Statement (Consolidated)

Description	202003	201903	201803	201703	201603
Net Sales	8829.96	7985.55	6770.30	5500.12	5186.83
Total Income	8922.75	8049.33	6834.74	5575.33	5198.69
Total Expenditure	7694.93	7032.79	6041.42	5020.17	4700.85
PBIDT	1227.82	1016.54	793.32	555.16	497.84
PAT	773.03	502.63	358.46	233.08	187.96
Dividend %	70.00	30.00	10.00	10.00	17.50
Adj. EPS(Rs)	50.98	35.39	25.35	16.46	13.31

### Quarter On Quarter (Consolidated)

Particulars	202012	202009	Q on Q Var %	201912	Y on Y Var %
Net Sales	2798.83	2113.68	32.41	2507.31	11.63
Total Expenditure	2423.03	1801.21	34.52	2168.20	11.75
PBIDT (Excl OI)	375.80	312.48	20.26	339.11	10.82
PAT	263.13	221.81	18.62	221.63	18.72
PBIDTM% (Excl OI)	13.43	14.78	-9.13	13.52	-0.67
PBIDTM%	14.66	16.33	-10.23	13.54	8.27
PATM%	9.40	10.49	-10.39	8.84	6.33
Adj. EPS(Rs)	17.61	14.80	18.99	14.70	19.80



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- **Sell:** The intended audience is being informed that they can consider selling the shares of the said company
- **Hold:** The intended audience is being informed that they can consider to neither purchase or sell but continue to hold, if any, the shares of the said company