

RESEARCH REPORT

POLYCAB INDIA LTD



PREPARED BY:

PRATEEK ACHARYA
EQUITY RESEARCH ANALYST

About

Polycab is India's leading manufacturers of cables and wires and allied products such as uPVC conduits and lugs and glands. We have a range of cables and wires for practically every application. More recently Polycab has also launched a wide range of consumer electrical products like Fans, Switches, Switchgear, LED lights and Luminaries, Solar Inverters, and Pumps.

Revenue Breakup

Wires & Cables - 81%

FMEG - 8%

Others - 11%

Synopsis of Financials

- Q2 FY '25 consolidated revenue grew by 30% YoY, driven by strong performance across all business segments.
- EBITDA grew by 4% YoY, with EBITDA margin at 11.5%.
- Highest ever quarterly PAT of ₹4,452 million, with a PAT margin of 8.1%.
- Net cash position improved to ₹24.3 billion from ₹16.4 billion in Q1 FY25.
- Working capital cycle improved to 44 days, aided by clearance of finished goods inventory and improvement in payable days.
- Capex for Q2 FY25 stood at ₹2.9 billion, totaling ₹5.7 billion for H1 FY25, in line with guidance of ₹10 billion to ₹11 billion for the year

Stock data (as 27th Dec 2024)

Nifty Price	: 23,904
52 week High (in Rs.)	: 7,607
52 week Low (in Rs.)	: 3,801
Market Cap. (in Crore)	: ₹ 1,06,690 Cr.
NSE Code	: POLYCAB

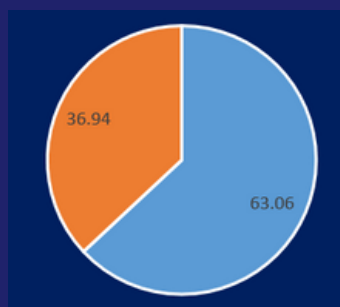
Stock data



-NIFTY50

-POLYCAB

Shareholding Pattern (March 2024)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	12,204	14,108	18,039
Sales Growth %	38.80%	15.60%	27.87%
Expenses	10,940	12,265	15,548
Operating Profit	1,264	1,843	2,492
OPM %	10%	13%	14%
Net Profit	917	1,283	1,803
EPS in Rs	60.80	84.85	118.75

Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	3,332	3,715	4,324	3,889	4,218	4,340	5,592
Expenses	2,906	3,212	3,721	3,341	3,609	3,771	4,830
Operating Profit	427	503	603	549	609	570	762
OPM %	13%	14%	14%	14%	14%	13%	14%
Other Income	-2	40	52	64	35	71	54
Interest	14	9	28	25	27	32	24
Depreciation	52	52	53	57	60	62	66
Profit before tax	358	481	573	530	557	546	725
Tax %	24%	25%	25%	24%	23%	24%	24%
Net Profit	271	361	429	403	430	417	553

Source: Screener

Key Ratios

	As on 31 March 2024	As on 31 March 2023	Change	Remark
Debtors' turnover ratio (Times)	10.57	11.10	-4.8%	Decrease due to rise in institutional sales
Inventory turnover ratio (Times)	4.01	4.08	-1.8%	Higher inventory maintained contemplating better near-term business opportunities led to decline in inventory turnover ratio
Interest coverage ratio (Times)	20.74	27.34	-6.60%	Lower due to increase in interest cost on letter of credit
Current ratio (Times)	2.44	2.64	-7.6%	Decrease largely on account of increase in usage of Letter of Credit partly offset by increase in inventory
Debt equity ratio (Times)	0.01	0.01	-0.4%	No material change from last year
Operating margin (EBITDA/Net sales)	13.81%	13.06%	0.8%	Improvement due to change in sales mix and judicious price revisions
Net profit margin (PAT/Net sales)	9.99%	9.09%	0.9%	Improvement due to change in sales mix and judicious price revisions
Return on equity	24.17%	20.96%	3.2%	Improved due to higher profitability during the current year

Source: Annual Report

Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	149	150	150
Reserves	5,394	6,487	8,037
Borrowings	118	109	161
Other Liabilities	1,750	2,678	3,718
Total Liabilities	7,412	9,424	12,066
Fixed Assets	1,675	2,067	2,338
CWIP	375	251	578
Investments	773	1,350	1,822
Other Assets	4,588	5,756	7,328
Total Assets	7,412	9,424	12,066

Synopsis Quarter Results

Key Highlights

Segment Performance:

- Wires & Cables segment recorded 23% YoY growth; domestic business saw 28% YoY growth.
- Institutional business showed strong growth, benefiting from robust demand.
- International business registered a 36% QoQ increase, improving its contribution to the top-line to 6.1%.

Market Dynamics:

- Positive macroeconomic indicators with India's GDP outlook revised upward to 7.2% by Moody's.
- GST collections above ₹1 lakh crore for 31 consecutive months, indicating sustained domestic demand.
- Recovery in rural demand and government spending expected to drive growth momentum.
- Anticipated interest rate cuts in H2 FY25 expected to further boost demand.

Challenges and Competitive Landscape:

- Sequential decline in EBITDA margins (~90 bps) attributed to increased advertising and promotional spends in the FMEG segment, heightened competitive intensity in retail wires, and a high growth in lower margin institutional business.
- Margin compression due to competitive pricing pressures in the wires segment, with competitors sacrificing pricing to gain market share amidst rising copper prices.

Future Outlook:

- Management is confident of achieving ₹200 billion revenue goal in FY25, ahead of the original target of FY26.
- Demand momentum expected to remain strong in the Wires & Cables business, with anticipated margin recovery in H2 FY25.
- Upcoming projects and continued focus on channel expansion and product architecture enhancements in the FMEG business.

New Developments:

- Focus on premiumization within the fans segment, with premium fans contributing significantly to overall sales.
- Expansion of product offerings, including 60-plus new SKUs in the Lights and Luminaires segment.
- Participation in BharatNet tenders worth ₹50,000 crores, with ongoing efforts to secure additional orders.

Capex:

- Capex for the year is expected to be in the range of ₹1,000 Cr to ₹1,100 Cr.
- Working towards optimizing inventory levels and maintaining a working capital cycle of 50 to 55 days.
- Finished goods inventory build-up in the Wires & Cables business due to sudden fall in demand towards the end of the quarter.
- Working on new mid-term guidance which will be released during the current financial year.

Market Outlook:

- Optimistic about sustained demand momentum throughout the remainder of the year.
- Expecting a pickup in demand for wires due to ongoing real estate projects.
- Anticipating improvement in sales performance in the forthcoming quarters.
- Focus on expanding distribution network to improve presence in all geographies.
- Working on improving reach, new product development, brand positioning, and influencer management in the FMEG business.

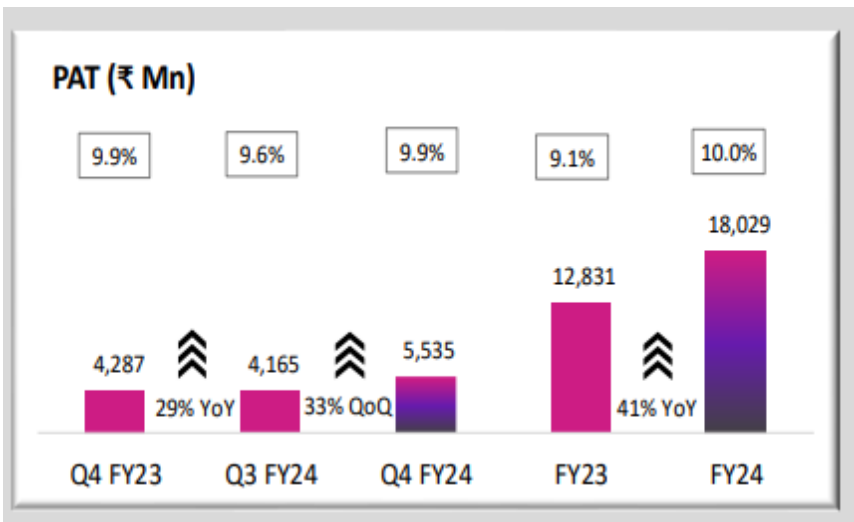
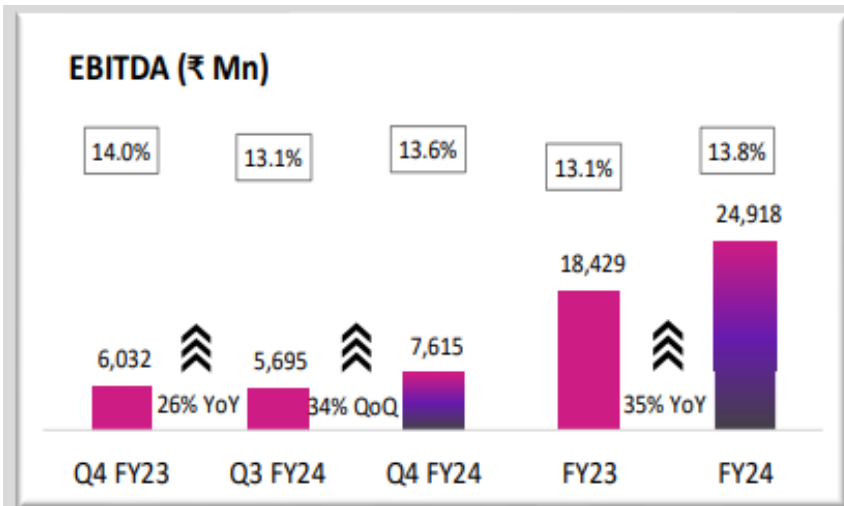
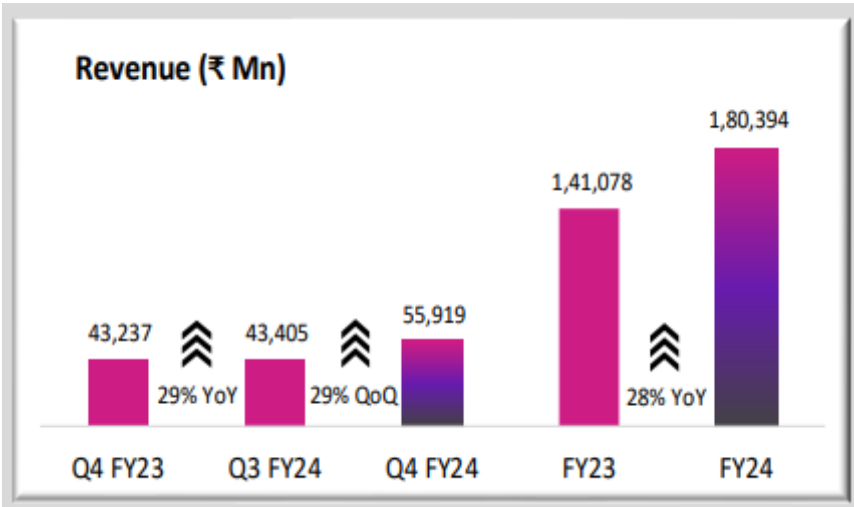
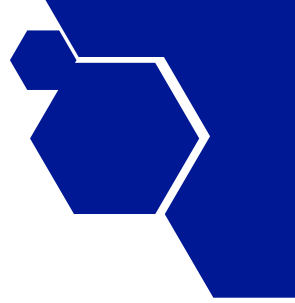
Margin Improvement:

- Management expects improvement in margin profile in the near future.
- Anticipates improvement due to cost optimization and price hikes.

Future Outlook:

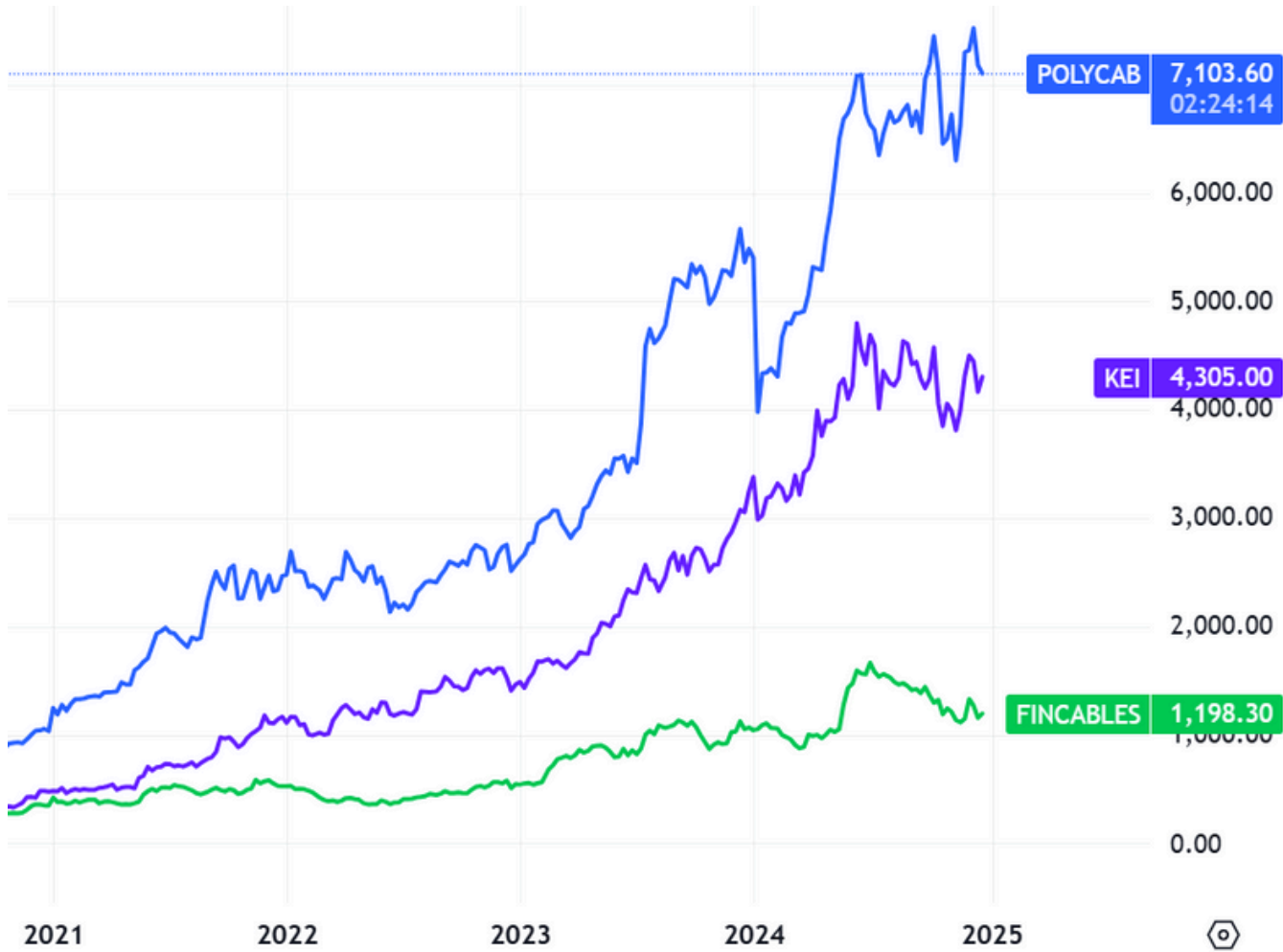
- Confident about showing improvement in the upcoming quarters.
- Expects continued support from investors.

Revenue Highlights



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Polycab India	7092.85	59.46	106690.37	0.42	445.21	3.35	5498.42	30.37	31.33
2.	KEI Industries	4331.30	66.27	41386.70	0.08	154.81	10.41	2279.65	17.21	27.21
3.	Finlex Cables	1188.85	33.51	18182.17	0.70	146.09	-11.67	1311.72	10.47	18.68

Source: Screener

Final Outlook



POLYCAB: BUY | LTP: 7093

Stock Market Metrics

Current Market Price (CMP): ₹7,418.15

Market Capitalization: ₹1.12 trillion, reflecting strong market confidence and growth

P/E Ratio: 62.54, indicating a high valuation, typical of growth-oriented companies

Profitability Metrics

Quarterly Net Profit: ₹445.21 crore, showing a modest growth of 3.35% year-on-year

Revenue (TTM): ₹201.29 billion, demonstrating robust operational performance

Return on Capital Employed (ROCE): 31.33%, highlighting the company's efficiency in generating returns from its investments

Polycab India demonstrates strong financial health and market confidence. The company's robust revenue growth, high ROCE, and consistent profitability underline its operational efficiency and leadership in the electrical equipment sector. With a market cap of ₹1.12 trillion and a 1-year stock price growth of nearly 37%, Polycab has positioned itself as a reliable growth stock.

However, the high P/E ratio (62.54) indicates that the stock is trading at a premium, suggesting that investors are optimistic about its future growth. The modest dividend yield (0.40%) reflects the company's reinvestment focus rather than immediate shareholder payouts. Polycab continues to outperform peers in key areas, making it a solid choice for long-term investors with a growth-oriented strategy.

I would give **Buy** recommendation for this stock

Disclaimer: The information provided on this blog is for general informational purposes only and is not intended as financial advice. While we aim to provide accurate information, please conduct your own research before making any investment decisions. This content is for informational purposes only and should not be construed as financial advice. Always consult with a financial advisor before investing.

This blog may contain links to external websites for your convenience. We do not endorse the content or views expressed in these external sites and are not responsible for their accuracy or reliability.

By using this blog, you acknowledge that you have read and understood this disclaimer and agree to its terms.