

HOLD

TP: Rs 7,100 | ▲ 5%

POLYCAB INDIA

Consumer Durables

01 July 2024

Annual report analysis: Maintained market leadership

- Remains market leader in core wires & cables business; market share expanded 2-3% to reach 25-26% of India’s organised market in FY24
- Project LEAP target of Rs 200bn revenue by FY26; to be achieved ahead of time
- We maintain our FY25E/26E EPS and value the stock at 45x FY26E P/E, and Rs 7,100 TP; downgrade to HOLD from BUY on run-up of valuation

Arshia Khosla

research@bobcaps.in

Maintains its stronghold in wires & cables: With 25-26% share of the organised market in FY24, POLYCAB remains the market leader in the Indian W&C industry. W&C revenue grew 26% YoY in FY24. Its international business achieved CAGR of 40% over the past 5 years, accounting for 8% of the total revenue in FY24. Its mass market brands Etira, Primma and Maxima+ contributed ~34% of retail wire revenue.

Tepid FMEG to make comeback; POLYCAB takes proactive measures: The FMEG segment was relatively flat during the year, primarily due to subdued demand caused by high inflation and internal restructuring of its FMEG distribution channel. To address these challenges, POLYCAB has implemented proactive measures, including expanding its distribution network, focusing on new product development, and increasing brand-building efforts through sponsorships and advertising. The company's A&P spends rose significantly, by 60%, during the fiscal year.

Project LEAP to be achieved ahead of time: In FY21, POLYCAB set a target of achieving Rs 200bn in revenue by FY26, 18% CAGR, under Project LEAP. Over FY21-FY24, it clocked 20% CAGR, reaching Rs 180bn revenue in FY24. Further, we believe this is easily achievable before time given the strong tailwinds for W&C as well as FMEG from rising demand, cost efficiencies, and a revamped distribution strategy. Management targeted exports reaching 10% of sales by FY26, and exports are at 8% of sales for FY24.

Robust balance sheet: Operating cash flow stood at Rs 13bn in FY24 and ROIC at 26.6%. The cash conversion cycle has consistently improved and net cash as at end-FY24 was at Rs 21bn vs. targeted capex of Rs 10bn-11bn for FY25, signifying a comfortable financial position.

Downgrade to HOLD: POLYCAB is a market leader in the wires and cables industry, and continues to gain market share. It has a strong topline and healthy margin, well above its industry peers. We maintain our EPS estimates and continue to value POLYCAB at FY26E P/E of 45x. Though POLYCAB offers strong fundamentals, we cut our rating to HOLD from BUY. Our TP remains at Rs 7,100.

Key changes

| Target | Rating |
|--------|--------|
| ◀▶ | ▼ |

| | |
|------------------|---------------------|
| Ticker/Price | POLYCAB IN/Rs 6,740 |
| Market cap | US\$ 12.3bn |
| Free float | 34% |
| 3M ADV | US\$ 50.0mn |
| 52wk high/low | Rs 7,331/Rs 3,491 |
| Promoter/FPI/DII | 63%/12%/8% |

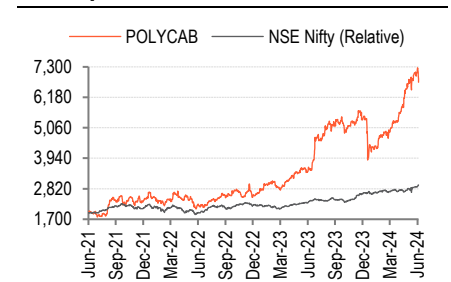
Source: NSE | Price as of 28 Jun 2024

Key financials

| Y/E 31 Mar | FY24A | FY25E | FY26E |
|-------------------------|---------|---------|---------|
| Total revenue (Rs mn) | 180,394 | 210,338 | 237,013 |
| EBITDA (Rs mn) | 24,918 | 29,683 | 33,221 |
| Adj. net profit (Rs mn) | 17,840 | 20,716 | 23,506 |
| Adj. EPS (Rs) | 118.9 | 138.0 | 156.6 |
| Consensus EPS (Rs) | 118.9 | 137.0 | 154.4 |
| Adj. ROAE (%) | 24.1 | 23.0 | 21.8 |
| Adj. P/E (x) | 56.7 | 48.8 | 43.0 |
| EV/EBITDA (x) | 40.5 | 34.0 | 30.4 |
| Adj. EPS growth (%) | 40.5 | 16.1 | 13.5 |

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

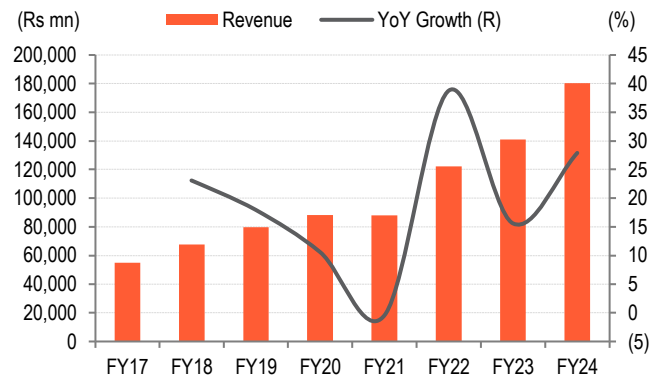


Source: NSE



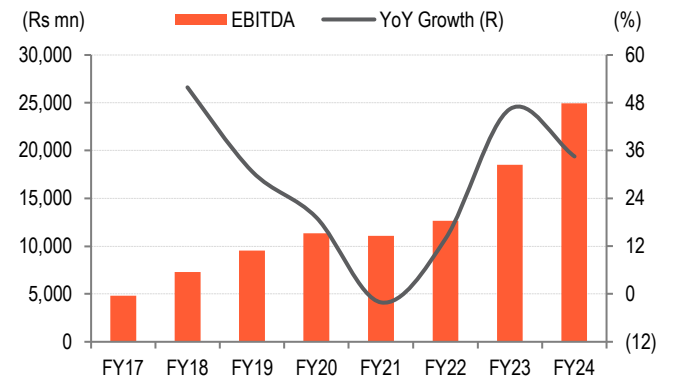
Growth and financial metrics

Fig 1 – Revenue growth



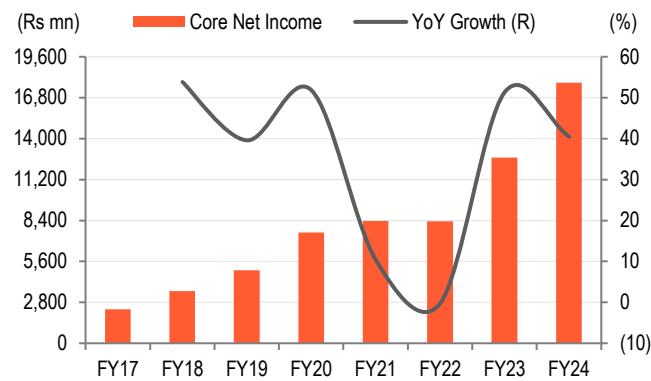
Source: Company, BOBCAPS Research

Fig 2 – EBITDA growth



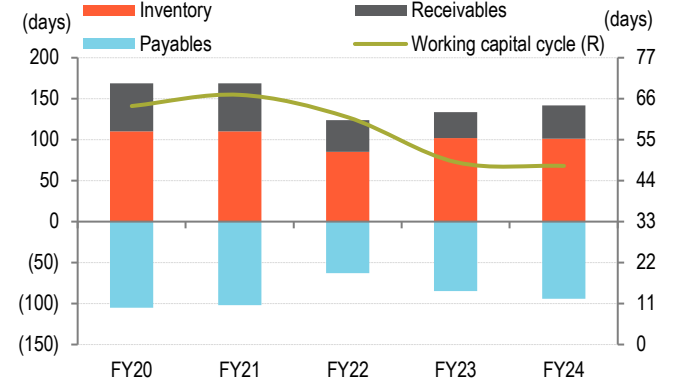
Source: Company, BOBCAPS Research

Fig 3 – PAT growth



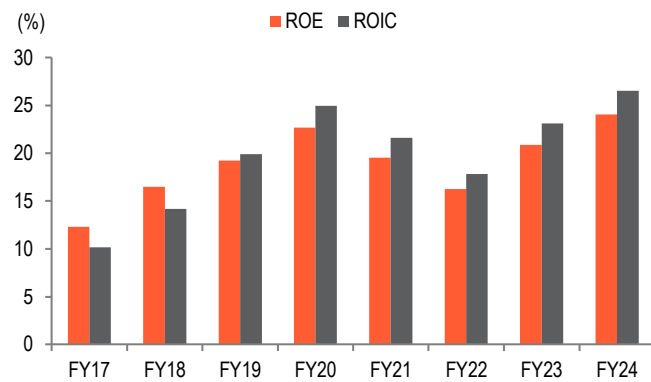
Source: Company, BOBCAPS Research

Fig 4 – Working capital cycle improving



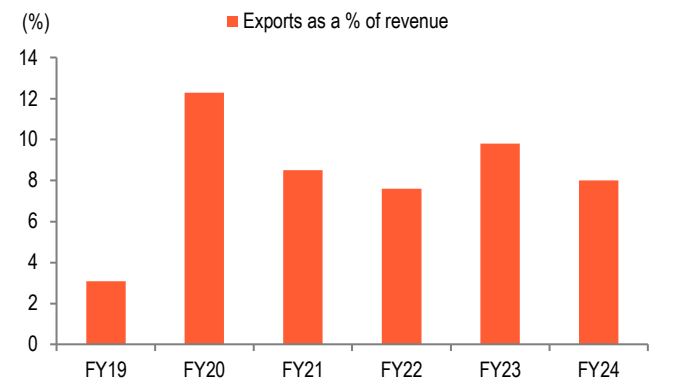
Source: Company, BOBCAPS Research

Fig 5 – Return ratios

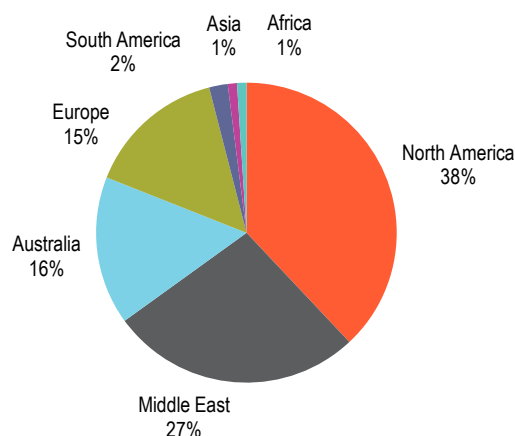


Source: Company, BOBCAPS Research

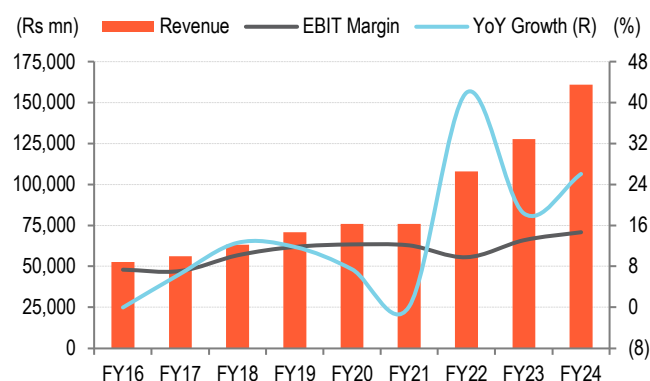
Fig 6 – Exports contribution



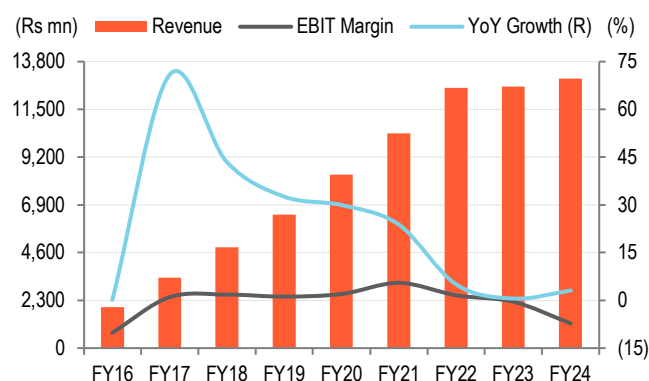
Source: Company, BOBCAPS Research

Fig 7 – International revenue breakdown

Source: Company, BOBCAPS Research

Fig 8 – Segmental growth: Wires and cables

Source: Company, BOBCAPS Research

Fig 9 – Segmental growth: FMEG

Source: Company, BOBCAPS Research

Fig 10 – Contingent liabilities

| Particulars (Rs mn) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1. Taxation matters | | | | | | | |
| Sales tax/ VAT demand | 359 | 371 | 9 | 4 | 2 | 1 | 1 |
| Service tax duty demand | - | - | - | 18 | 18 | 18 | 18 |
| Excise duty demand | 46 | 46 | 86 | 9 | 9 | 8 | 9 |
| Customs duty demand | 16 | 22 | 17 | 17 | 17 | 17 | 17 |
| 2. Customs duty on capital goods imported | | | | | | | |
| | - | 51 | 31 | 97 | 46 | 43 | 149 |
| 3. Customs duty on raw materials imported | | | | | | | |
| | - | 6 | 76 | 207 | 190 | 210 | 376 |
| 4. O/s corporate guarantees on behalf of subsidiaries | | | | | | | |
| | 4,849 | 1,300 | 1,244 | - | - | - | 4 |
| 5. Claims not acknowledged as debt | | | | | | | |
| | - | 634 | 634 | - | - | - | 10 |
| Total | 5,269 | 2,429 | 2,097 | 352 | 282 | 288 | 583 |
| Net worth | 23,476 | 28,470 | 38,364 | 47,539 | 55,437 | 66,311 | 81,871 |
| CL (ex-guarantees) as a % of net worth | 22.4 | 8.5 | 5.5 | 0.7 | 0.5 | 0.4 | 0.7 |

Source: Company, BOBCAPS Research

Fig 11 – Working capital management

| Particulars (Rs mn) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|
| Account receivables | 12,908 | 13,343 | 14,336 | 14,358 | 12,964 | 12,466 | 20,471 |
| Receivable days | 70 | 61 | 59 | 59 | 39 | 32 | 41 |
| Inventory | 13,657 | 19,958 | 19,250 | 19,879 | 21,996 | 29,514 | 36,751 |
| Inventory days | 74 | 91 | 110 | 110 | 85 | 102 | 101 |
| Account Payables | 9,221 | 15,202 | 13,537 | 13,480 | 12,175 | 20,326 | 28,633 |
| Payable days | 50 | 69 | 105 | 102 | 63 | 85 | 94 |
| Cash conversion cycle | 94 | 83 | 64 | 67 | 61 | 49 | 48 |

Source: Company, BOBCAPS Research

Fig 12 – Subsidiaries

| Subsidiary/JV | Nature | % Shareholding |
|---|---------------|----------------|
| Tirupati Reels Private Limited | Subsidiary | 55 |
| Dowells Cables Accessories Private Limited | Subsidiary | 60 |
| Silvan Innovation Labs Private Limited | Subsidiary | 100 |
| Polycab Australia Pty Limited | Subsidiary | 100 |
| Polycab Support Force Private Limited | Subsidiary | 100 |
| Uniglobus Electricals and Electronics Private Limited | Subsidiary | 100 |
| Polycab USA LLC | Subsidiary | 100 |
| Polycab Electricals and Electronics Private Limited | Subsidiary | 100 |
| Steel Matrix Private Limited | Subsidiary | 100 |
| Techno Electromech Private Limited | Joint Venture | 50 |

Source: Company, BOBCAPS Research

Fig 13 – Plant locations

| Plant Location | No. of plants |
|----------------------|---------------|
| Halol, Gujarat | 10 |
| Daman | 11 |
| Nashik, Maharashtra | 3 |
| Roorkee, Uttarakhand | 1 |
| Chennai, Tamil Nadu | 1 |
| Kalsar, Gujarat | 1 |
| Bengaluru | 1 |

Source: Company, BOBCAPS Research

Fig 14 – Annual manufacturing capacities in FY24

| Particulars | |
|--------------------|-------------|
| Wires & cables | 6mn km |
| Fans | 9mn units |
| Switches | 12mn units |
| Pipes and conduits | 28800 MT |
| Metal box | 3.6mn units |
| Switchgear | 24mn units |

Source: Company, BOBCAPS Research

Fig 15 – Auditor’s remuneration

| Particulars (Rs mn) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|-------------------------|------|------|-------|-------|-------|-------|-------|
| Auditor’s remunerations | 18.5 | 21.7 | 10.47 | 11.35 | 11.12 | 11.88 | 14.74 |
| as a % of EBITDA | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |

Source: Company, BOBCAPS Research

Fig 16 – Remuneration of key management personnel (KMP)

| Particulars (Rs mn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|---------------------------------|------------|------------|------------|------------|------------|------------|
| Executive Director | | | | | | |
| Mr. Inder T. Jaisinghani | 86 | 115 | 141 | 138 | 217 | 303 |
| Mr. Ramesh T. Jaisinghani | 28 | 31 | 32 | 4 | - | - |
| Mr. Ajay T. Jaisinghani | 28 | 31 | 32 | 4 | - | - |
| Mr. Bharat A. Jaisinghani | | | - | 19 | 21 | 24 |
| Mr. Nikhil R. Jaisinghani | | | - | 19 | 21 | 24 |
| Mr. Rakesh Talati | | | - | 18 | 25 | 28 |
| Mr. Shyam Lal Bajaj | 26 | 31 | 28 | 3 | - | - |
| Key Management Personnel | | | | | | |
| Mr. Gandharv Tongia | - | - | 15 | 22 | 8 | 8 |
| Mrs. Manita Gonsalves | - | - | 1 | 4 | | |
| Mr. Subramaniam Sai Narayana | 3 | 5 | 2 | - | - | - |
| Total | 172 | 213 | 252 | 230 | 292 | 388 |
| as a % of employee expense | 5.7 | 5.8 | 7.1 | 5.7 | 6.4 | 6.4 |

Source: Company, BOBCAPS Research

Annual report takeaways

Polycab India (Polycab) is a leading manufacturer of wires, cables, and allied products, and has a presence in the fast-moving electrical goods (FMEG) industry. The company views the increased demand from India as structural growth accelerators, as industries such as telecom and infrastructure, the real estate market's comeback, premiumisation, rural electrification, the drive towards renewable energy, and the diversification of international supply chains provide a robust demand scenario.

POLYCAB registered its highest-ever consolidated revenue at Rs 180bn and PAT at Rs 18bn in FY24, supported by healthy volume growth in the W&C business and increase in market share to 25-26% from 22-24%.

Key highlights

- **Market leadership in W&C:** POLYCAB held a 25-26% share of the organised W&C market in FY24. The company has a nationwide presence and is known for its top-tier products. POLYCAB harnesses the power of its robust R&D facilities and manufacturing prowess to maintain its market leadership. The company's W&C business revenue was Rs 161bn in FY24, up 26% from the previous year. Management estimates POLYCAB's market share in the total W&C market at 18-19% for FY24.
- **FMEG expansion strategy:** POLYCAB is leveraging its strong market position to expand into the FMEG segment. POLYCAB's expanded distribution network, brand-building efforts, and an eight-year revenue CAGR of 25% in the FMEG business have driven strong growth, resulting in a 6,000+ SKU portfolio. Anticipating the Indian FMEG industry's total addressable market (TAM) to reach Rs 1.2tn by 2030 (Source: Polycab Annual Report), POLYCAB is well-positioned for continued expansion as its FMEG revenues reached Rs 12bn in FY24.
- **Wide distribution:** POLYCAB's extensive distribution network, comprising over 3,800 authorised dealers and distributors and 29 warehouses, offers nationwide product availability and accessibility, catering to consumers in urban and rural areas. The company's competitive advantage comes from long-standing partnerships, highlighting its extensive market reach and loyal customer base, with a well-entrenched distribution featuring a vast network of over 100,000 retail outlets. POLYCAB's optimised supply chain, enabled by advanced inventory management systems, allows it to deliver products to any dealer or distributor across India, generally within 24 hours.
- **Backward integration playing out well:** POLYCAB's backward integration strategy allows it to respond swiftly to market demands while reinforcing its reputation for reliability and product superiority. The company has achieved full backward integration in the W&C business and aims to replicate this in its FMEG segment, ensuring better control over raw material quality, reduced supplier dependence, and timely availability of critical inputs through in-house manufacturing capabilities spanning the value chain.
- **Strong research and development capabilities:** POLYCAB has one of the most extensive innovation teams nationwide and has tie-ups with international research

houses. It is continuously broadening its range of SKUs across its cables & wires and FMEG businesses. POLYCAB's focus on innovation has enabled it to stay ahead of the curve, cater to evolving customer preferences, launch successful new products, improve operational efficiency, and maintain its position as a market leader in both the C&W and FMEG segments.

Segmental performance

Wires & Cables

- POLYCAB's sales grew 26% YoY to Rs 161bn in FY24, representing 87% of total sales. Demand was driven primarily by government capex, private capex and real estate sector growth.
- Both domestic distribution-driven business and institutional business showed strong growth.
- Growth was broad-based geographically, with North India accounting for the highest sales growth, and West India contributing the highest share of revenue.
- The segments' performance resulted in substantial market share gains by increasing POLYCAB's market share by 2-3% to reach 25-26% of the organised wire and cables market in FY24.
- Management strategically focused on obtaining certifications and approvals in additional countries and securing partnerships in the rest of the world.

FMEG

- FMEG business revenue was at Rs 12.9bn in FY24 vs Rs 12.6bn in FY23. It saw flattish growth due to a subdued demand environment from high inflation and the internal restructuring of its FMEG distribution channel.
- The company is taking proactive measures to boost business, such as expanding the distribution network and focusing on new product development, brand building efforts which include sponsoring International Cricket Council (ICC) events and increasing advertisements.
- A&P spends increased by 60% during the fiscal year.

International business

- Exports accounted for 8% of POLYCAB's annual sales in FY24. Of this, North America and Middle East were major contributors with 38% and 27% shares in international revenue respectively. Australia contributed 16%, Europe 15%, South America 2%, Asia 1% and Africa 1% (Fig 7).
- POLYCAB has a significant global footprint, exporting its products to 78 countries across the world, excluding North America. The company has established a strong presence across various end-user industries, including infrastructure, power distribution, railways, real estate, and renewable energy, both in the domestic and international markets.

- POLYCAB's strong customer relationships and high levels of customer satisfaction are reflected in the fact that over 50% of its business comes from repeat customers.
- POLYCAB grew double digits in targeted segments such as oil and gas, renewables, and infrastructure.

Balance sheet and cash flows

- **Net cash position:** POLYCAB ended the year with net cash of Rs 21.4bn.
- The cash conversion cycle stood at 48 days vs 50 in FY23; with receivables at 41 days, inventory at 101 days, and payables at 94 days (Fig 4).
- **Capex:** The company increased its capex significantly to Rs 8.6bn in FY24, double the amount spent in FY23, driven by the government's heightened focus on long-term infrastructure development, marked by rising budget allocations, extended planning by infrastructure ministries, and improved project execution. To sustain this growth momentum, POLYCAB plans to maintain an annual capex of Rs 10bn-11bn annually over the next three years to expand manufacturing capacities across product lines, including extra high voltage (EHV) cables, special purpose cables, and optical fiber cables.

Manufacturing, distribution, and reach

- POLYCAB owns 29 warehouses and depots and 28 manufacturing facilities across five states in India, namely Gujarat, Maharashtra, Uttarakhand, Tamil Nadu, and the Union Territory of Daman (Fig 13).
- As of FY24, the company has a reach of 3,800+ dealers and distributors, and more than 200,000 retail outlets.

Other highlights

- **Increasing A&P spends:** POLYCAB has committed to increasing its A&P expenditures, aiming to spend between 3% and 5% of its B2C top-line every year on brand-building initiatives. In FY24, the company spent 3.7% of its B2C top-line towards strengthening its brand presence and connecting with customers.
- **Future strategic outlook:** POLYCAB's strategic priorities for the near to mid term include optimising performance in domestic and international segments, leveraging demand momentum in cables and wires, and enhancing its foothold in FMEG. The domestic cables business focusses on outperforming competitors, while the wires segment focuses on brand enhancements, price laddering and capturing market share. The FMEG business aims to streamline execution processes and achieve market share gains.
- **Raw material prices:** Copper prices declined significantly from Apr'23 to Oct'23, followed by aluminum prices. PVC compound prices experienced notable fluctuations, with an 18% jump from June to September 2023, then a 16% drop and finally 6% rebound by the end of FY24. Steel prices exhibited minimal volatility, predominantly showing downward trend though the year.

- **Update on case with Income Tax department:** Following the Income Tax department's raid on POLYCAB's premises in Dec'23, the IT department has requested POLYCAB to provide explanations for queries raised by the department. Currently, the IT department has not issued the company an order or demand for tax penalty.

Fig 17 – Raw material consumption trend

| Particulars (Rs mn) | FY24 | FY23 | YoY (%) |
|--|--------|--------|---------|
| Copper | 78,273 | 57,058 | 37.2 |
| Aluminum | 20,663 | 17,202 | 20.1 |
| Steel | 4,178 | 3,460 | 20.8 |
| PVC compound/ HDPE / LDPE/XLPE / Resin | 14,947 | 12,884 | 16.0 |
| Packing materials | 1,879 | 2,540 | (26.0) |
| Others | 6,677 | 4,569 | 46.1 |

Source: Company, BOBCAPS Research

Valuation methodology

POLYCAB is a market leader in the wires and cables industry, and continues to gain market share. It has a strong topline and healthy margin, well above industry peers. The company is working hard to reap benefits soon from its exports and FMEG businesses. The company's EPC business has a robust order of Rs 48bn, which provides revenue visibility for the next three to four years.

We maintain our EPS estimates and continue to value it at an unchanged FY26 P/E of 45x. Though POLYCAB offers strong fundamentals, we cut our rating to HOLD from BUY on high valuations.

Fig 18 – Key assumptions

| Particulars (Rs mn) | FY23 | FY24 | FY25E | FY26E |
|---------------------|---------|---------|---------|---------|
| Revenue | 141,078 | 180,394 | 210,338 | 237,013 |
| EBITDA | 18,521 | 24,918 | 29,683 | 33,221 |
| EBITDA margins (%) | 13.1 | 13.8 | 14.1 | 14.0 |
| EPS (Rs) | 84.61 | 118.86 | 138.02 | 156.60 |

Source: Company, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- higher-than-anticipated demand, and
- faster growth in the FMEG business.

Key downside risks to our estimates are:

- commodity price volatility,
- sustained weak FMEG performance, and
- delays in EPC business execution.

Financials

Income Statement

| Y/E 31 Mar (Rs mn) | FY22A | FY23A | FY24A | FY25E | FY26E |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Total revenue | 122,038 | 141,078 | 180,394 | 210,338 | 237,013 |
| EBITDA | 12,652 | 18,521 | 24,918 | 29,683 | 33,221 |
| Depreciation | 2,015 | 2,092 | 2,451 | 3,099 | 3,470 |
| EBIT | 10,637 | 16,430 | 22,468 | 26,585 | 29,751 |
| Net interest inc./(exp.) | (352) | (598) | (1,083) | (1,142) | (1,191) |
| Other inc./(exp.) | 899 | 1,333 | 2,209 | 2,319 | 2,435 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | 11,184 | 17,165 | 23,593 | 27,762 | 30,995 |
| Income taxes | 2,706 | 4,250 | 5,564 | 6,996 | 7,439 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | (26) | (93) | 0 | 0 | 0 |
| Reported net profit | 8,365 | 12,700 | 17,840 | 20,716 | 23,506 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 8,365 | 12,700 | 17,840 | 20,716 | 23,506 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY22A | FY23A | FY24A | FY25E | FY26E |
|---------------------------------|---------------|---------------|----------------|----------------|----------------|
| Accounts payables | 12,175 | 20,326 | 28,633 | 34,576 | 38,961 |
| Other current liabilities | 4,436 | 4,430 | 6,474 | 7,549 | 8,506 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Debt funds | 831 | 1,551 | 898 | 2,283 | 2,383 |
| Other liabilities | 1,239 | 1,636 | 2,913 | 3,303 | 3,650 |
| Equity capital | 1,494 | 1,498 | 1,502 | 1,502 | 1,502 |
| Reserves & surplus | 53,943 | 64,814 | 80,369 | 96,582 | 115,585 |
| Shareholders' fund | 55,437 | 66,311 | 81,871 | 98,084 | 117,088 |
| Total liab. and equities | 74,119 | 94,255 | 120,789 | 145,795 | 170,587 |
| Cash and cash eq. | 4,071 | 6,952 | 4,024 | 14,970 | 25,995 |
| Accounts receivables | 12,964 | 12,466 | 20,471 | 21,228 | 25,408 |
| Inventories | 21,996 | 29,514 | 36,751 | 43,427 | 48,610 |
| Other current assets | 4,739 | 6,650 | 7,670 | 8,943 | 10,077 |
| Investments | 7,641 | 13,505 | 18,224 | 18,224 | 18,224 |
| Net fixed assets | 16,170 | 20,104 | 21,678 | 25,079 | 26,609 |
| CWIP | 3,755 | 2,508 | 5,784 | 6,745 | 7,600 |
| Intangible assets | 230 | 203 | 206 | 206 | 206 |
| Deferred tax assets, net | 0 | 0 | 0 | 0 | 0 |
| Other assets | 2,553 | 2,352 | 5,981 | 6,974 | 7,858 |
| Total assets | 74,119 | 94,255 | 120,789 | 145,795 | 170,587 |

Cash Flows

| Y/E 31 Mar (Rs mn) | FY22A | FY23A | FY24A | FY25E | FY26E |
|------------------------------------|----------------|-----------------|----------------|----------------|----------------|
| Cash flow from operations | 5,116 | 14,275 | 12,963 | 22,127 | 21,821 |
| Capital expenditures | (5,200) | (4,584) | (8,580) | (6,500) | (5,000) |
| Change in investments | 935 | (5,213) | (3,839) | 0 | 0 |
| Other investing cash flows | (4) | (2,229) | 4,900 | (1,563) | (1,392) |
| Cash flow from investing | (4,270) | (12,026) | (7,519) | (8,063) | (6,392) |
| Equities issued/Others | 0 | 0 | 0 | 0 | 0 |
| Debt raised/repaid | (168) | 332 | (1,071) | 1,385 | 99 |
| Interest expenses | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (1,839) | (2,570) | (2,803) | (4,503) | (4,503) |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from financing | (2,007) | (2,238) | (3,874) | (3,118) | (4,404) |
| Chg in cash & cash eq. | (1,160) | 11 | 1,570 | 10,947 | 11,025 |
| Closing cash & cash eq. | 4,071 | 6,952 | 4,024 | 14,970 | 25,995 |

Per Share

| Y/E 31 Mar (Rs) | FY22A | FY23A | FY24A | FY25E | FY26E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS | 55.9 | 84.6 | 118.9 | 138.0 | 156.6 |
| Adjusted EPS | 55.9 | 84.6 | 118.9 | 138.0 | 156.6 |
| Dividend per share | 14.0 | 20.0 | 30.0 | 30.0 | 30.0 |
| Book value per share | 370.6 | 441.8 | 545.4 | 653.5 | 780.1 |

Valuations Ratios

| Y/E 31 Mar (x) | FY22A | FY23A | FY24A | FY25E | FY26E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 8.3 | 7.1 | 5.6 | 4.8 | 4.3 |
| EV/EBITDA | 79.7 | 54.4 | 40.5 | 34.0 | 30.4 |
| Adjusted P/E | 120.5 | 79.7 | 56.7 | 48.8 | 43.0 |
| P/BV | 18.2 | 15.3 | 12.4 | 10.3 | 8.6 |

DuPont Analysis

| Y/E 31 Mar (%) | FY22A | FY23A | FY24A | FY25E | FY26E |
|------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT) | 74.8 | 74.0 | 75.6 | 74.6 | 75.8 |
| Interest burden (PBT/EBIT) | 105.1 | 104.5 | 105.0 | 104.4 | 104.2 |
| EBIT margin (EBIT/Revenue) | 8.7 | 11.6 | 12.5 | 12.6 | 12.6 |
| Asset turnover (Rev./Avg TA) | 7.5 | 7.0 | 8.3 | 8.4 | 8.9 |
| Leverage (Avg TA/Avg Equity) | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 |
| Adjusted ROAE | 16.2 | 20.9 | 24.1 | 23.0 | 21.8 |

Ratio Analysis

| Y/E 31 Mar | FY22A | FY23A | FY24A | FY25E | FY26E |
|--|-------|-------|-------|-------|-------|
| YoY growth (%) | | | | | |
| Revenue | 38.8 | 15.6 | 27.9 | 16.6 | 12.7 |
| EBITDA | 13.9 | 46.4 | 34.5 | 19.1 | 11.9 |
| Adjusted EPS | (0.2) | 51.3 | 40.5 | 16.1 | 13.5 |
| Profitability & Return ratios (%) | | | | | |
| EBITDA margin | 10.4 | 13.1 | 13.8 | 14.1 | 14.0 |
| EBIT margin | 8.7 | 11.6 | 12.5 | 12.6 | 12.6 |
| Adjusted profit margin | 6.9 | 9.0 | 9.9 | 9.8 | 9.9 |
| Adjusted ROAE | 16.2 | 20.9 | 24.1 | 23.0 | 21.8 |
| ROCE | 17.8 | 23.1 | 26.6 | 23.9 | 22.1 |
| Working capital days (days) | | | | | |
| Receivables | 39 | 32 | 41 | 37 | 39 |
| Inventory | 66 | 76 | 74 | 75 | 75 |
| Payables | 36 | 53 | 58 | 60 | 60 |
| Ratios (x) | | | | | |
| Gross asset turnover | 4.7 | 4.9 | 5.4 | 5.4 | 5.3 |
| Current ratio | 3.0 | 2.6 | 2.4 | 2.5 | 2.7 |
| Net interest coverage ratio | 30.2 | 27.5 | 20.7 | 23.3 | 25.0 |
| Adjusted debt/equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

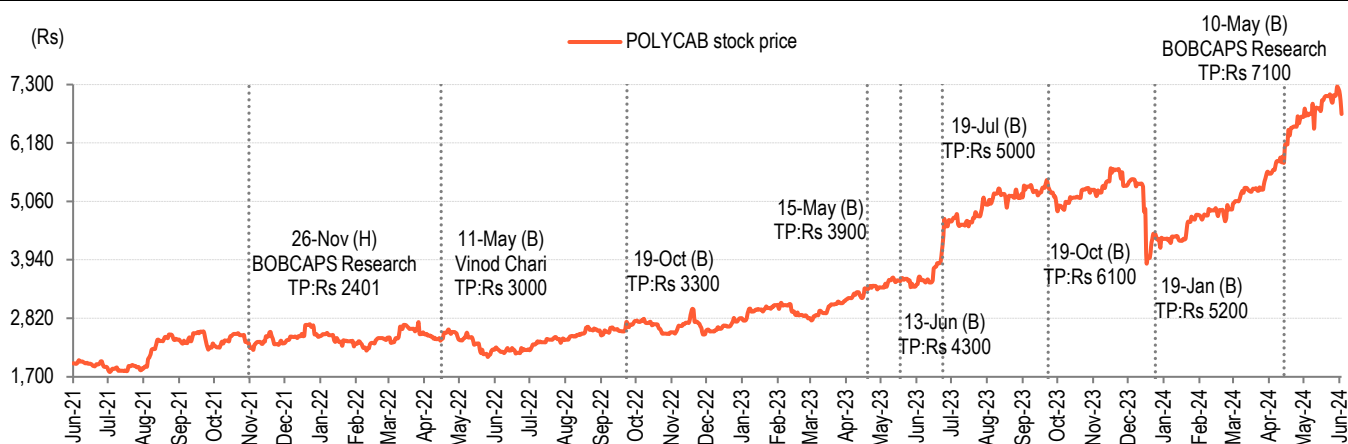
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): POLYCAB INDIA (POLYCAB IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS’s prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS’s associates may have financial interest in the subject company. BOBCAPS’s associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS’s judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom (“UK”):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK’s legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.