



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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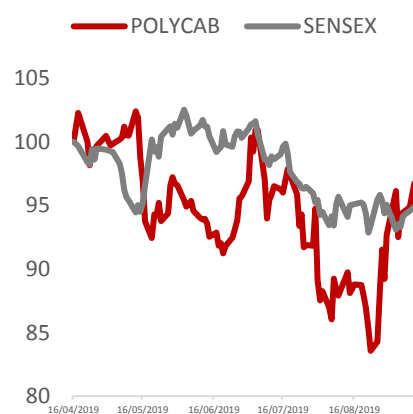
Not Rated

Current Price	623
52 Week Range	525/677

Key Share Data

Market Cap (Rs.bn)	92.60
Market Cap (US\$ mn)	1299
No of o/s shares (mn)	148.64
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos'000	63.50
BSE Code	542652
NSE Code	POLYCAB
Bloomberg	POLYCAB:IN

Price performance



% Shareholding	Jun-19	Apr-19
Promoters	68.69	68.69
DII	4.39	3.51
FII	12.83	12.73
Others	14.09	15.07
Total	100	100

Polycab India (PIL) is engaged in the business of wire & cable and FMEG (fast moving electrical goods; includes fans, lighting, switches and switchgears, etc.) under the "Polycab" brand. PIL has a value market share of ~18% in organized cable and wire industry. PIL is the largest manufacturer in the wires & cables industry in India having a capacity of 32,94,463 km of cables and wires. PIL has developed a strong distribution network of 3400 dealers and distributors across India. These dealers and distributors serve approx. 115,000 retail outlets.

Management Meeting key highlights –

- Polycab has three segments -
 - Cables and wires** (82% of Topline/11% EBIT Margins)
 - Cables : Wires Revenue mix – 55% : 45%
 - Cables sales is through B2B and B2C and Wires 70% sales is through B2C and 30% sales through B2B.
 - Wire margins are higher by 250bps-300bps, than of cables.
 - Polycab has a market share of 18% in the organized Cable and wire industry and generates 80% of the revenue from distributors.
 - FMEG** (12% of Topline/4% EBIT Margins)
 - The entire sales under this segment is B2C
 - 70% of the Goods offered are manufactured internally
 - The market size is INR 600 bn and Polycab is at INR 6.4bn
 - Others** (Solar Products etc) (6% of Topline/10% EBIT Margins)
 - This is largely EPC business and majorly much of it is government contracts
- Revenue Segmentation – B2B : B2C – 65% : 35%
- Top 100 dealers contribute 50% to the Topline.
- The company consumed 75,000 Tons of copper of which 80% were imported from Japan.
- Unorganized market in cable and wire industry has reduced from 40% in 2014 to 30% in 2019 and would reduce further to 20-25% in 2025.
- The industry has grown at 11% in the last 5 years and is expected to grow at 14% in the next 5 years
- The company would incur a CAPEX of INR 500 mn p.a, of which 2/3rd would be towards cables and wires and 1/3rd towards FMEG, without any additional debt.
- The management also guided that the EBITA margins of FMEG business would improve by 100 bps every year.
- The company receives 55% of the revenue through channel financing. Further, to encourage this the management provides discount of 3-5% to the dealer/distributor.

Outlook & Valuation

We believe Polycab is well placed in the current environment in terms of capacities and distribution network, and we expects huge traction from government initiatives such as rural electrification and housing for all investments in mass transit systems, and urbanization, to drive the growth ahead. At CMP, the stock is trading at 17x FY20 and 14x FY21E at an EPS of in Rs. 36.7 in FY20 and Rs. 43.7 FY21E

Key Financials (In INR mn)

Year	Net Sales	Growth	EBITDA	OPM%	PAT	% Growth	EPS	PE(x)	ROE(%)	ROCE(%)
FY 17	55001	6%	4799	9%	2325	26%	13.1	47.56	10%	16%
FY 18	67703	23%	7289	11%	3586	94%	25.35	24.58	12%	15%
FY 19	79560	18%	9232	12%	5003	171%	35.39	17.60	16%	21%
FY 20E	87850	10%	9455	11%	5499	198%	36.7	16.98	17%	17%
FY 21E	99006	13%	10918	11%	6492	252%	43.7	14.26	16%	18%

Based on Bloomberg estimates



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POLYCAB (IN Millions)	Q1FY20	Q1FY19	Q4FY19	% YoY	% QoQ
Net Revenue	19,330	16,826	24,448	-21%	15%
Raw Mat Consumed	13,214	12,310	14,799	-11%	7%
Purchases	1,017	653	1,014	0%	56%
Changes in Inventories	-725	-653	1,920	-138%	11%
Project Costs	771	336	1,283	-40%	130%
Gross Profit	5,052	4,181	5,431	-7%	21%
% Margins	26.13%	24.85%	22.22%		
Employee costs	920	712	644	43%	29%
Advertisement	386	415	356	8%	-7%
Freight	433	320	500	-13%	35%
Other Expenses	1,260	1,006	1,684	-25%	25%
EDIDTA	2,053	1,728	2,247	-9%	19%
EDIDTA Margins (%)	10.62%	10.27%	9.19%		
Depreciation	385	352	343	12%	10%
Finance Cost	123	372	262	-53%	-67%
Other income	519	231	361	44%	125%
Profit before tax	2,064	1,236	2,003	3%	67%
PBT Margins (%)	10.40%	7.25%	8.07%		
Exceptional Items	-	-	-		
Profit before tax after share of profit	2,064	1,236	2,003	3%	67%
PBT Margins (%)	10%	7%	8%		
Provision for tax	713	431	652		
Reported PAT	1,350	805	1,350	0%	68%
PAT Margins (%)	6.80%	4.72%	5.44%		
Share of Profit/loss	2.19	-34.5	22.8		
Adjusted PAT	1,353	770	1,373	-1%	76%
PAT Margins (%)	6.81%	4.51%	5.53%		
Equity	31812.11	22829.56	27057.49		
EPS	9.12	5.44	9.73		



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