

Company Details

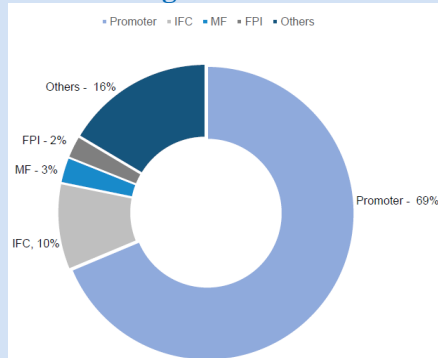
CMP:	Rs.604
Face value:	Rs.10
Market cap:	Rs.8,983.42Cr.
TTM EPS	Rs.35.59
52 week high:	Rs. 677.70
52 week low:	Rs.585.00
BSE Code:	542652
Sector	Other Elect.Equip./ Prod.

Consolidated

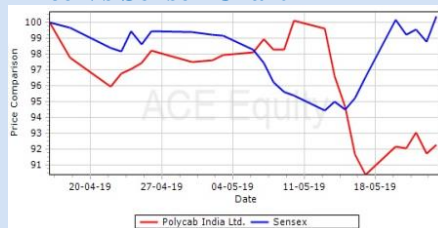
Financial Highlights (YoY)

Rs. in crores			
	FY19	FY18	% Var
Net Sales	7955.98	6914.95	15.1%
Total Expendit	7032.79	6186.07	13.7%
PBDIT	923.19	728.88	26.7%
Op.Profit	1016.54	793.32	28.1%
OPM (%)	12.8%	11.5%	11.4%
PBT	758.39	566.68	33.8%
PAT	502.63	358.46	40.2%
EPS (Rs.)	35.59	25.38	40.2%
Equity	141.21	141.21	0.0%

Shareholding Pattern



Price Vs Sensex Chart



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Company Background

Polycab India Ltd., incorporated in 1996, is engaged in the manufacturer of wire & cables and fast moving electrical goods (FMEG). It has market share of ~18% in organized industry and it is the largest manufacturer (in terms of revenue; CRISIL Research) in the wires and cables segment in India. Other than wires and cables (revenue contribution of 88% and revenue growth at CAGR of 14% over FY16-19) and FMEG (revenue contribution of 8% and revenue growth at CAGR of 44% over FY16-19) the company has been taking several EPC businesses (revenue contribution of 5.7%) since 2009. In FMEG segment, the company manufactures and sells electric fans, LED lighting, luminaires, switches and switch gears, solar products and accessories. With 24 manufacturing plants including 2 JVs with Techno Electromech Private Ltd. (Techno) (for LED products) and Trafigura Pte Ltd. (Trafigura) (for raw materials) located across Maharashtra, Gujarat, Uttarakhand and the union territory of Daman and Diu, the company has an established supply chain network in India comprising of over 2800+ authorized dealers and distributors and 29 warehouses through which it supplies its products to over 1, 00,000+ retail outlets in India.

The Wire and cables business grew by 11% to Rs. 6929.5 crores in FY19 (from Rs. 6242.3 crores in FY18) and the EBIT margin for FY19 went up from 10.2% in FY18 to 12.05% in FY19.

The FMEG business grew by 33% from Rs. 485.3 crores in FY18 to Rs. 643.3 crores in FY19. The EBIT margin of 1.16% for FY19 as against 1.81% for FY18.

The EPC business grew by 88% from Rs. 249.1 crores in FY18 to Rs. 463.7 crores in FY19. The EBIT margin improved from 3.2% in FY18 to 4.27% in FY19.



Source: Company

Financial Performance

The company has reported Net sales of Rs. 7955.98 crore during FY19 higher by 15.1% against Rs. 6914.95 crores during FY18 driven by growth in the wires and cables business. The PBDIT for FY19 grew by 26.7% YoY to Rs. 923.19 crores vis-à-vis to Rs. 728.88 crores in FY18. The operating margin increased by 28% to Rs.1016.5 crores on account of change in sales mix and expansion in contribution. The Net profit was at Rs.502.63 crores in FY19 up by 40.2% against that of Rs.358.46 crores in FY18. The EPS has improved from Rs. 25.38 in FY18 to Rs. 35.59 in FY19. The Company has recommended a final dividend of Re.3/- per equity share of face value Rs.10/- each (30%) for the FY19.

Investment Rationale

- The Net sales and PAT of the company have increased by about 56% and 200% respectively in 5 years (from FY15 to FY19).
- The Indian wires and cables industry is growing at CAGR of ~11% (as per CRISIL Research) on the back of rural electrification, investment in transition and distribution to increase efficiency and other government initiatives like Smart Cities. The domestic wires and cable industry are further likely to grow at a CAGR of ~ 15% in next 5 years. As the wires and cables industry gradually moves from unorganized to organized sector across categories, this opens up huge opportunities for the organized players like Polycab.
- Project Josh: The Company aims to strategically increase the market share in existing portfolio of products through expanding rural and retail reach undertaking promotion and distribution.
- Distribution management system; provides visibility on secondary sales and automates replenishment of inventories with distributors.

- Continuous improving in-house R&D capabilities to capitalize on industry trends in home automations and environmentally friendly products that save power.
- Strong focus on backward integration; JVs with Trafigura for raw material and Techno for LED products gives the space to expand capacity and better control on pricing the products.
- The company generated ROE of 17.5% and ROCE 27.90% in FY19 with Debt to Equity ratio under control of 1:0.10 for FY19.
- Q4FY19 Conference Call Update :
 - An export order of Rs. 400 crores is likely to be completed in the coming quarter and the current order book for EPC is at Rs. 200 crores. The company has recently received an export order of Rs.1000 crores which is expected to be executed 33% in FY20.
 - Current working capital days have come down from 70 days in FY18 to 50 days.
 - Advertisement and Promotion cost for FY18 and FY19 was Rs. 94 crores and Rs.115 crores (1.3% of aggregate sales) respectively and expected to increase going forward as per the need of the market.
 - The company has been able to pass on the increase in raw material prices to the customers.
 - FMEG margins are expected to expand 1.5% to 2% annually.
 - Other income is mainly from forex gain and government incentives for export.
 - Capex for FY19 was Rs. 279 crores and management has guidance for Capex of Rs. 175-200 crores for FY20, out of which 66% will be in wires and cables and rest 33% for FMEG business.
- The promoters hold 69% equity of the company whereas; FPI and Mutual funds holds 2% and 3% respectively and the balance 16% shares are held by public

Concerns

Increase in raw material prices, exchange rate fluctuation and competition from others market players are some of the concerns.

Valuation

The share of the company is trading at **P/E of 16.9x**. Keeping in view the positive outlook for organized wires and cables industry, diversified product basket of the company, sizeable expansion plans to gain market share, higher promoter and institutional holding and reasonable P/E ratio which looks attractive at its evolving electric equipment and products, **we expect the revenue to grow by 11% in FY20 and to report an EPS of about Rs. 43.5 for FY20E and with PE of 17.5x** and accordingly, we estimate the price of the scrip to appreciate to about Rs. 760 (an appreciation of about 25%) over the next 12 months.



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