

May 15, 2023

Q4FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	3,249		2,794	
Sales (Rs. m)	1,62,722	1,84,084	1,61,634	1,82,550
% Chng.	0.7	0.8		
EBITDA (Rs. m)	20,740	23,920	20,310	23,165
% Chng.	2.1	3.3		
EPS (Rs.)	96.0	112.3	93.5	108.2
% Chng.	2.7	3.8		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,22,037	1,41,078	1,62,722	1,84,084
EBITDA (Rs. m)	12,648	18,521	20,740	23,920
Margin (%)	10.4	13.1	12.7	13.0
PAT (Rs. m)	8,361	12,728	14,370	16,825
EPS (Rs.)	55.9	85.0	96.0	112.3
Gr. (%)	(0.4)	51.9	12.9	17.1
DPS (Rs.)	14.0	17.0	18.5	22.5
Yield (%)	0.4	0.5	0.5	0.7
RoE (%)	16.2	20.9	19.9	19.8
RoCE (%)	21.8	28.7	27.4	27.2
EV/Sales (x)	4.1	3.5	3.0	2.6
EV/EBITDA (x)	39.1	26.3	23.2	19.8
PE (x)	60.4	39.8	35.2	30.1
P/BV (x)	9.1	7.6	6.5	5.5

Key Data

POLC.BO | POLYCAB IN

52-W High / Low	Rs.3,423 / Rs.2,044
Sensex / Nifty	62,346 / 18,399
Market Cap	Rs.506bn/ \$ 6,153m
Shares Outstanding	150m
3M Avg. Daily Value	Rs.965.88m

Shareholding Pattern (%)

Promoter's	66.20
Foreign	9.78
Domestic Institution	9.34
Public & Others	14.67
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.6	28.8	33.1
Relative	6.3	27.8	12.7

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Polycab India (POLYCAB IN)

Rating: HOLD | CMP: Rs3,381 | TP: Rs3,249

Yet again strong performance, led by export

Quick Pointers:

- Reported all time high revenue of Rs43.2bn and PAT of Rs4.3bn in quarter.
- Cable & wire domestic distribution business reported 21% vol. growth in FY23.

Polycab reported healthy revenue growth of 16%/9% YoY in FY23/Q4FY23, despite high base and lower commodity prices on the back of healthy volume growth in cables business. Profitability (52%/32% in FY23/Q4FY23) was largely led by volume growth and improvement in margins by 270bps/200bps through judicious price revisions and favorable business mix. The company aims to achieve Rs 200bn revenue by FY26E under Project LEAP given 1) sustained growth from infrastructure/real estate/construction activities 2) focus on B2C through deepening reach and premiumization of product portfolio 3) continued GTM expansion and 4) gains from shift in consumer demand from unorganized to organized sector. We expect 14.1%/14.8% Sales/PAT CAGR over FY23-25, on back of healthy domestic demand environment supported by government measures & revival in private capex and strong traction in export revenue with increase in international coverage. Accordingly we increase our FY24/FY25 earnings estimate by 2.7%/3.8% to mainly reflect upward revision in top-line growth assumption and margin improvement with product mix. Maintain 'HOLD' at revised TP of Rs 3249 (Rs 2794 earlier).

Sales grew 8.9% and PAT grew 31.8%: Sales grew 8.9% YoY to Rs43.2bn (PLe:44.2bn). Wires and cable business grew 15.2% YoY with strong traction in international business which grew by 125% YoY, while domestic business grew by 8.7% vs Havells' cable/KEI 5.4%/8.2% YoY. Export revenue contribution was 12.5% to its total sales. Gross margin expanded 300 bps YoY to 25.2%. EBITDA grew 27.9% YoY to Rs 6.1bn (PLe:5.6bn). EBITDA margins expanded 210bps YoY to 14.1% (PLe:12.7%). PAT grew ~31.8% YoY to Rs4.25bn (PLe: Rs3.9bn). Wires & Cables revenues growth was on back of strong domestic volume growth (21% in FY23). EBIT grew 43.6% YoY to Rs5.9bn and margins expanded by 290bps YoY to 14.5%. FMEG revenues declined by 19.5% YoY to Rs3.1bn vs Havells/Orient ECD business decline of 14.1%/20.3% YoY and reported EBIT loss of Rs 70mn vs profit of Rs105mn in Q4FY23.

Concall Takeaways: 1) Cables segment growth was driven by export business and high single digit vol. growth in domestic business in Q4FY23, 2) C&W business has 70:30 mix of Cables:Wires, with wires business having a 400bps higher margin than cables, 3) Capacity utilization for C&W business is at 70% and switchgears at 67%, 4) Market share in C&W has grown to 22-24% in FY23 from 18% in FY19, 5) Export business is recurring in nature with 60% contribution from USA, 6) Growth in fans business was impacted, mainly due to new BEE rated norms and high channel inventory, 7) New fan plant at Halol is operational and will produce 6mn units, 7) Company will focus on brand building, tie up with Ogilvy and increase A&P spends for both ATL & BTL activities, 8) Capex is expected to be Rs6-7bn for CY23; 75:25 Cables & wires and FMEG, 9) Net cash position stood at 18.9bn vs 11bn FY22.

Exhibit 1: Q4FY23 Result Overview (Rs mn)

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Sales	43,237	39,699	8.9	37,151	16.4	1,41,077	1,22,038	15.6
Gross Profit	10,880	8,808	23.5	9,548	13.9	35,968	27,381	31.4
% of NS	25.2	22.2		25.7		25.5	22.4	
Other Expenses	4,784	4,044	18.3	4,510	6.1	17,448	14,729	18.5
% of NS	11.1	10.2		12.1		12.4	12.1	
EBITDA	6,095	4,764	27.9	5,038	21.0	18,520	12,652	46.4
Margins (%)	14.1	12.0		13.6		13.1	10.4	
Depreciation	535	503	6.4	525	1.9	2,092	2,015	3.8
Interest	282	125	125.0	93	204.0	597	352	69.7
Other Income	515	168	206.2	397	29.8	1,333	899	48.3
PBT	5,794	4,305	34.6	4,818	20.3	17,165	11,180	53.5
Tax	1,446	1,047	38.2	1,202	20.4	4,250	2,706	57.0
Tax rate (%)	25.0	24.3		24.9		24.8	24.2	
Adjusted PAT	4,248	3,222	31.8	3,576	18.8	12,699	8,361	51.9

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenues								
Wires & Cables	40,783	35,400	15.2	32,878	24.0	1,26,805	1,06,953	18.6
FMEG	3,052	3,792	-19.5	3,399	-10.2	12,535	12,544	-0.1
Others	1,338	1,044	28.1	994	34.6	3,909	2,942	32.9
Total	45,173	40,236	12.3	37,271	21.2	1,43,248	1,22,439	17.0
EBIT								
Wires & Cables	5,896	4,106	43.6	4,528	30.2	16,614	10,405	59.7
EBIT margin (%)	14.5	11.6		13.8		13.1	9.7	
FMEG	(70)	105	-166.5	-25	178.9	(61)	196	-130.9
EBIT margin (%)	-2.3	2.8		-0.7		-0.5	1.6	
Others	82	139	-41.2	131	-37.6	458	438	4.6
EBIT margin (%)	6.1	13.3		13.2		11.7	14.9	
Total EBIT	5,908	4,349	35.8	4,634	27.5	17,012	11,039	54.1
EBIT margin (%)	13.1	10.8		12.4		11.9	9.0	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	1,22,037	1,41,078	1,62,722	1,84,084
YoY gr. (%)	38.8	15.6	15.3	13.1
Cost of Goods Sold	94,657	1,05,109	1,21,135	1,36,949
Gross Profit	27,380	35,969	41,587	47,135
Margin (%)	22.4	25.5	25.6	25.6
Employee Cost	4,066	4,568	5,370	5,891
Other Expenses	4,844	5,570	6,364	7,200
EBITDA	12,648	18,521	20,740	23,920
YoY gr. (%)	13.8	46.4	12.0	15.3
Margin (%)	10.4	13.1	12.7	13.0
Depreciation and Amortization	2,015	2,092	2,261	2,611
EBIT	10,632	16,430	18,479	21,309
Margin (%)	8.7	11.6	11.4	11.6
Net Interest	352	598	616	685
Other Income	899	1,361	1,632	2,151
Profit Before Tax	11,180	17,194	19,496	22,775
Margin (%)	9.2	12.2	12.0	12.4
Total Tax	2,706	4,250	4,913	5,739
Effective tax rate (%)	24.2	24.7	25.2	25.2
Profit after tax	8,473	12,944	14,583	17,036
Minority interest	87	123	129	136
Share Profit from Associate	(26)	(93)	(83)	(75)
Adjusted PAT	8,361	12,728	14,370	16,825
YoY gr. (%)	(0.2)	52.2	12.9	17.1
Margin (%)	6.9	9.0	8.8	9.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,361	12,728	14,370	16,825
YoY gr. (%)	(0.2)	52.2	12.9	17.1
Margin (%)	6.9	9.0	8.8	9.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,361	12,728	14,370	16,825
Equity Shares O/s (m)	149	150	150	150
EPS (Rs)	55.9	85.0	96.0	112.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	26,640	32,472	37,798	42,943
Tangibles	26,264	32,104	37,400	42,514
Intangibles	375	369	399	429
Acc: Dep / Amortization	9,934	11,849	13,947	16,431
Tangibles	9,743	11,638	13,714	16,176
Intangibles	192	212	233	255
Net fixed assets	16,705	20,623	23,851	26,512
Tangibles	16,522	20,466	23,685	26,339
Intangibles	183	157	166	173
Capital Work In Progress	3,755	2,508	2,508	2,508
Goodwill	46	46	46	46
Non-Current Investments	1,058	597	966	1,086
Net Deferred tax assets	(272)	(409)	(604)	(832)
Other Non-Current Assets	1,143	1,380	1,142	1,155
Current Assets				
Investments	7,641	13,505	18,505	23,505
Inventories	21,996	29,514	37,894	42,869
Trade receivables	12,964	12,466	11,591	13,113
Cash & Bank Balance	4,071	6,952	7,267	10,544
Other Current Assets	4,203	6,251	4,882	5,523
Total Assets	74,119	94,255	1,09,259	1,27,534
Equity				
Equity Share Capital	1,494	1,498	1,498	1,498
Other Equity	53,943	64,814	76,644	90,699
Total Network	55,437	66,311	78,142	92,196
Non-Current Liabilities				
Long Term borrowings	30	42	42	42
Provisions	264	450	293	331
Other non current liabilities	207	165	165	165
Current Liabilities				
ST Debt / Current of LT Debt	802	1,509	976	1,105
Trade payables	12,175	20,326	21,572	24,388
Other current liabilities	4,437	4,291	6,541	7,362
Total Equity & Liabilities	74,119	94,255	1,09,259	1,27,534

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	11,875	17,073	19,412	22,700
Add. Depreciation	2,015	2,092	2,261	2,611
Add. Interest	352	598	616	685
Less Financial Other Income	899	1,361	1,632	2,151
Add. Other	(812)	(670)	(833)	(1,244)
Op. profit before WC changes	13,430	19,092	21,456	24,752
Net Changes-WC	(4,974)	(652)	(3,200)	(3,683)
Direct tax	(3,340)	(4,250)	(4,913)	(5,739)
Net cash from Op. activities	5,116	14,190	13,343	15,329
Capital expenditures	5,330	(4,763)	(5,489)	(5,272)
Interest / Dividend Income	232	929	1,150	1,547
Others	(9,831)	(8,342)	(5,315)	(8,277)
Net Cash from Invt. activities	(4,269)	(12,176)	(9,655)	(12,002)
Issue of share cap. / premium	133	3	-	-
Debt changes	(297)	720	(533)	128
Dividend paid	(1,491)	(2,092)	(2,540)	(2,771)
Interest paid	(352)	(598)	(616)	(685)
Others	-	-	-	-
Net cash from Fin. activities	(2,007)	(1,966)	(3,689)	(3,328)
Net change in cash	(1,160)	47	-	-
Free Cash Flow	10,446	9,427	7,854	10,057

Source: Company Data, PL Research

Key Financial Metrics

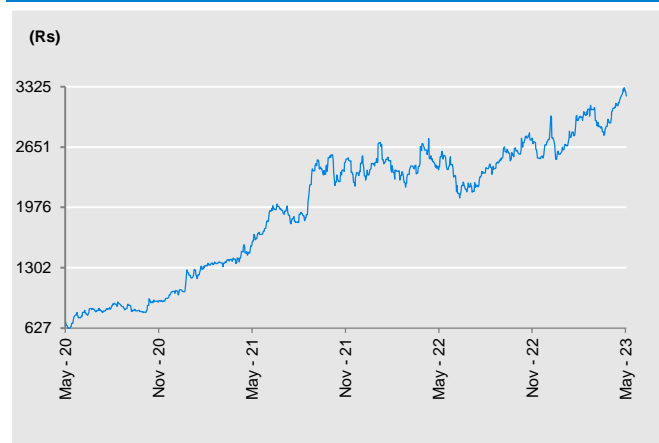
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	55.9	85.0	96.0	112.3
CEPS	69.4	99.0	111.1	129.8
BVPS	371.0	442.8	521.8	615.6
FCF	69.9	62.9	52.4	67.2
DPS	14.0	17.0	18.5	22.5
Return Ratio(%)				
RoCE	21.8	28.7	27.4	27.2
ROIC	19.6	29.7	29.0	30.5
RoE	16.2	20.9	19.9	19.8
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	58	38	46	46
Valuation(x)				
PER	60.4	39.8	35.2	30.1
P/B	9.1	7.6	6.5	5.5
P/CEPS	48.7	34.2	30.4	26.1
EV/EBITDA	39.1	26.3	23.2	19.8
EV/Sales	4.1	3.5	3.0	2.6
Dividend Yield (%)	0.4	0.5	0.5	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	27,366	33,323	37,151	43,237
YoY gr. (%)	47.5	10.8	10.2	8.9
Raw Material Expenses	20,524	24,625	27,603	32,357
Gross Profit	6,842	8,699	9,548	10,880
Margin (%)	25.0	26.1	25.7	25.2
EBITDA	3,111	4,276	5,038	6,095
YoY gr. (%)	131.8	46.0	39.3	28.1
Margin (%)	11.4	12.8	13.6	14.1
Depreciation / Depletion	510	523	525	535
EBIT	2,601	3,753	4,514	5,561
Margin (%)	9.5	11.3	12.1	12.9
Net Interest	84	139	93	282
Other Income	443	(22)	397	515
Profit before Tax	2,960	3,592	4,818	5,794
Margin (%)	10.8	10.8	13.0	13.4
Total Tax	722	880	1,202	1,446
Effective tax rate (%)	24.4	24.5	24.9	25.0
Profit after Tax	2,238	2,712	3,616	4,348
Minority interest	28	27	32	37
Share Profit from Associates	(13)	(8)	(8)	(64)
Adjusted PAT	2,198	2,677	3,576	4,248
YoY gr. (%)	203.4	37.2	44.9	32.0
Margin (%)	8.0	8.0	9.6	9.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,198	2,677	3,576	4,248
YoY gr. (%)	203.4	37.2	44.9	32.0
Margin (%)	8.0	8.0	9.6	9.8
Other Comprehensive Income	-	50	133	(66)
Total Comprehensive Income	2,198	2,728	3,709	4,182
Avg. Shares O/s (m)	149	149	149	149
EPS (Rs)	14.7	17.9	24.0	28.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	Hold	2,794	2,982
2	21-Jan-23	Hold	2,750	2,761
3	06-Jan-23	Hold	2,651	2,626
4	21-Jul-22	Hold	2,264	2,199
5	04-Jul-22	Hold	2,472	2,150

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	1,620	1,331
2	Bajaj Electricals	Accumulate	1,280	1,053
3	Cera Sanitaryware	BUY	7,706	6,690
4	Crompton Greaves Consumer Electricals	BUY	403	298
5	Finolex Industries	BUY	224	172
6	Havells India	BUY	1,447	1,245
7	Kajaria Ceramics	BUY	1,302	1,055
8	KEI Industries	Hold	1,811	1,836
9	Polycab India	Hold	2,794	2,982
10	Prince Pipes and Fittings	BUY	693	574
11	Supreme Industries	BUY	3,245	2,722
12	Voltas	Hold	848	808

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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