

India

ADD (no change)

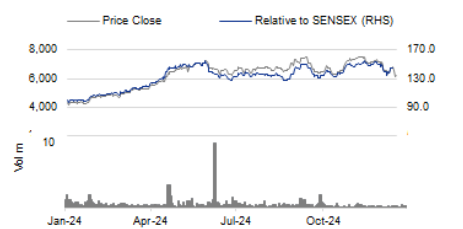
Consensus ratings*: Buy 21 Hold 7 Sell 4

Current price:	Rs6,251
Target price:	Rs8,440 ▲
Previous target:	Rs7,865
Up/downside:	35.0%
InCred Research / Consensus:	8.7%
Reuters:	POLC.NS
Bloomberg:	POLYCAB IN
Market cap:	US\$12,949m Rs940,258m
Average daily turnover:	US\$36.4m Rs2639.7m
Current shares o/s:	150.2m
Free float:	36.9%

*Source: Bloomberg

Key changes in this note

- For FY25F, we cut our revenue estimate by 1.2% and raise PAT estimate by 1.8% factoring in 3QFY25 results, while maintaining FY26F-27F estimates.

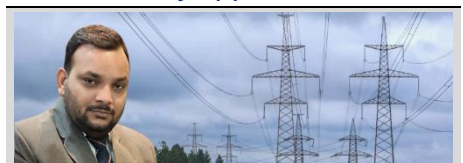


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(12.2)	(6.2)	49.9
Relative (%)	(9.9)	(1.8)	39.2

Major shareholders	% held
Promoter family	63.1
Motilal Oswal MF	3.8
DSP Flexi Cap Fund	1.2

Research Analyst(s)



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Polycab India

Project LEAP outperforms; launches SPRING

- 3Q EBITDA grew by 26% YoY (+14% QoQ) to Rs7.2bn, 7% above our estimate & 9% above consensus. The EBITDA margin rose by 65bp YoY to 13.8%.
- Launches project SPRING with an investment of Rs60-80bn till FY30F. The W&C segment to grow at 1.5x the industry with EBITDA margin of 11%-13%.
- For FY25F, we raise our PAT estimates by 1.8% while maintaining them for FY26F/27F. We maintain our ADD rating with a higher target price of Rs8,440.

Healthy revenue-led growth with margin expansion

Polycab India (Polycab) reported healthy 3QFY25 results, with consolidated revenue growing by 20% YoY (-5% QoQ) to ~Rs52bn, 2% below our/Bloomberg or BB consensus estimates. Revenue was driven by a 43% YoY growth in the FMEG segment, 12% growth in the wire and cable (W&C) segment and 101% YoY growth in the 'others' segment. EBITDA grew by 26% YoY (+14% QoQ) to Rs7.2bn while PAT was up 13% YoY (4% QoQ) at Rs4.6bn. EBITDA was 7% above our estimate and 9% above the BB consensus estimate while PAT was largely in line with our/BB consensus estimates. Gross margin dipped by 124bp YoY to 25.7%. The EBITDA margin improved by 65bp YoY and 230bp QoQ to 13.8%.

Project LEAP achieves target before time; launches project SPRING

Polycab had given its first five-year guidance for project LEAP, which was to garner Rs200bn revenue by FY26F, but it did so ahead of schedule with a revenue of Rs210bn in CY24 itself. It also launched project SPRING, with plans to invest Rs60-80bn by FY30F, primarily in the wire and cable segment (W&C), targeting an asset turnover of 4x-5x. It expects the W&C segment to grow at 1.5x the industry rate with a sustainable EBITDA margin of 11%-13%, while the FMEG segment aims at 1.5x-2x with an EBITDA margin of 8%-10% by FY30F. Also, the company expects its international revenue to contribute at least 10% to its sales, with a high single-digit margin over the medium- to long- term.

Outlook and valuation; retain ADD rating

The demand momentum, especially for the C&W segment, is likely to pick up and Polycab will be adding capacity to meet rising demand. Healthy capex, strong demand and improvement in the consumer sentiment, coupled with a revival in private capex, are likely to justify the premium valuation. For FY25F, we cut our revenue estimate by 1.2% and raise our PAT estimate by 1.8% factoring in 3QFY25 results, while maintaining FY26F/27F estimates. We retain our ADD rating on the stock with a higher target price of Rs8,440 (Rs7,865 earlier) valuing it at 45x FY27F EPS (from Sep 2026F EPS). Downside risks: Adverse outcome of the income-tax department's search operations, lower-than-expected C&W business growth/margin and volatile raw material prices.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	141,078	180,394	224,339	262,895	298,721
Operating EBITDA (Rsm)	18,521	24,885	29,026	32,860	38,933
Net Profit (Rsm)	12,315	17,837	19,985	24,361	28,175
Core EPS (Rs)	82.4	118.7	133.0	162.2	187.5
Core EPS Growth	49.8%	44.0%	12.0%	21.9%	15.7%
FD Core P/E (x)	76.26	52.65	46.99	38.55	33.33
DPS (Rs)	19.9	25.0	30.0	35.0	37.5
Dividend Yield	0.32%	0.40%	0.48%	0.56%	0.60%
EV/EBITDA (x)	49.70	36.90	31.43	27.57	22.99
P/FCFE (x)	341.09	175.12	96.14	171.85	68.58
Net Gearing	(28.4%)	(25.9%)	(27.9%)	(28.9%)	(32.2%)
P/BV (x)	14.16	11.47	9.65	8.06	6.76
ROE	20.3%	24.1%	22.3%	22.8%	22.1%
% Change In Core EPS Estimates			1.83%		0.04%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 conference-call highlights

- **Wires & cable segment:** The segment recorded a growth of 12% YoY for the quarter. Demand for cables was healthy; however, the downward trend in copper prices and high channel inventory of wires at the beginning of the quarter led to slowdown in the wire business. The international business delivered a healthy 62% YoY growth, contributing 8% to sales.
- **FMEG segment:** The segment registered a strong 45% YoY growth on a lower base. The fan business maintained its growth trajectory, as the premiumization strategy continued to deliver successful outcomes. After several quarters of decline, the lights and luminaires business achieved significant volume and value growth, despite the ongoing pricing pressure. The performance was supported by festive demand and the execution of various strategic initiatives. Additionally, the switchgear, conduit pipes & fittings and switches categories also posted healthy growth, driven by sustained demand from the real estate sector.
- **Projects LEAP and SPRING:** Polycab posted strong performance, underscoring strategic execution and unwavering commitment to excellence. It had given first five-year guidance under project LEAP of achieving Rs200bn revenue by FY26F, but it did so ahead of time with a revenue of Rs210bn in CY24 itself. Building on this success, it has launched project SPRING with a FY30F target.
- **Capex plan:** Capex in 3QFY25 stood at Rs2.5bn while for 9MFY25 it was Rs8.3bn, aligning with its annual guidance of Rs10-12bn. For FY26F–30F, the company is looking to incur Rs60-80bn, mainly for the wire and cable business, with an expected asset turn of 4x-5x.
- **Growth target for FY25F-30F**
 - **Wire and cable segment:** It expects to grow at 1.5x the industry growth rate with a sustainable EBITDA margin of 11%-13%.
 - **FMEG segment:** The FMEG industry growth is likely to post a CAGR of 8%-10%, where the company is likely to clock 1.5x-2x the market growth with an EBITDA margin of 8%-10% by FY30F.
 - **International business:** Expand international business revenue to contribute at least 10% to sales with its margin in high single digit in the medium- to long-term.
- **Inventory:** Polycab faced challenges with high channel inventory at the start of the quarter, which affected wire sales. This inventory build-up likely resulted from aggressive strategies to expand its geographical reach and onboard new distributors and retailers. However, the situation seems to have stabilized, as the channel inventory has now returned to the normal level, potentially making way for smoother sales and distribution in the future.
- **Order book:** The order book stands at ~Rs48bn, which will be executed over the next 24-36 months. The order book is particularly robust in the EPC segment, with additional growth potential from two significant opportunities linked to BharatNet and the EHV segment. Contribution to revenue from the BharatNet order is expected to commence in FY 27F, while the EHV order will enhance the EPC topline on execution, positioning the company for sustained performance and growth.

Figure 1: Results summary

Quarter snapshot (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net sales	52,261	43,405	20.4%	54,984	-5.0%	1,54,225	1,24,475	23.9%
Net raw material costs	38,807	31,692	22.5%	42,025	-7.7%	1,16,247	91,011	27.7%
Staff costs	1,989	1,494	33.2%	1,803	10.3%	5,331	4,400	21.2%
Other expenditure	4,265	4,524	-5.7%	4,841	-11.9%	13,299	11,795	12.7%
Total expenditure	45,062	37,710	19.5%	48,669	-7.4%	1,34,877	1,07,206	25.8%
EBITDA	7,199	5,695	26.4%	6,316	14.0%	19,348	17,270	12.0%
EBITDA margin (%)	13.8%	13.1%	65bp	11.5%	229bp	12.5%	13.9%	-133bp
Depreciation	786	619	27.0%	721	9.0%	2,177	1,793	21.4%
EBIT	6,413	5,076	26.3%	5,595	14.6%	17,171	15,477	10.9%
Finance costs	498	322	54.5%	453	9.9%	1,364	839	62.5%
Other income	250	710	-64.8%	762	-67.2%	1,596	1,703	-6.3%
PBT	6,166	5,464	12.8%	5,903	4.4%	17,403	16,340	6.5%
Tax	1,522	1,299	17.2%	1,451	4.9%	4,291	3,850	11.5%
PAT	4,643	4,165	11.5%	4,452	4.3%	13,112	12,491	5.0%
Reported PAT	4,643	4,129	12.5%	4,452	4.3%	13,055	12,377	5.5%
Adjusted PAT	4,643	4,129	12.5%	4,452	4.3%	13,055	12,377	5.5%
EPS (Rs)	30.9	27.5	12.5%	29.6	4.3%	86.9	82.4	5.5%

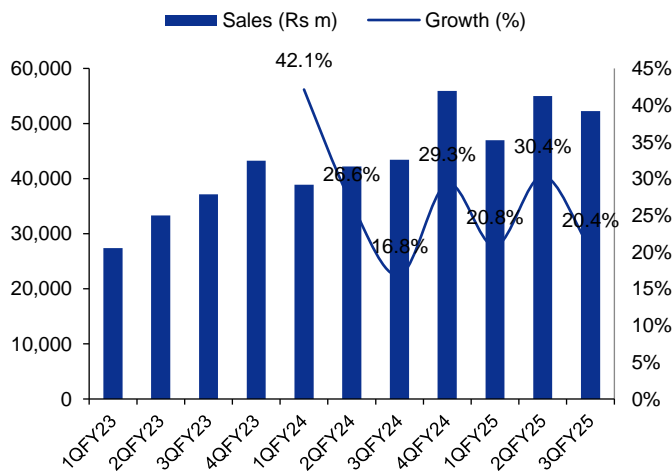
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

Margin (%)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Gross margin (%)	25.7%	27.0%	-124bp	23.6%	217bp	24.6%	26.9%	-226bp
EBITDA	13.8%	13.1%	65bp	11.5%	229bp	12.5%	13.9%	-133bp
Adjusted PAT	8.9%	9.5%	-63bp	8.1%	79bp	8.5%	9.9%	-148bp
Cost analysis (%)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Raw material costs	74.3%	73.0%	124bp	76.4%	-217bp	75.4%	73.1%	226bp
Staff costs	3.8%	3.4%	36bp	3.3%	53bp	3.5%	3.5%	-8bp
Other expenditure	8.2%	10.4%	-226bp	8.8%	-64bp	8.6%	9.5%	-85bp

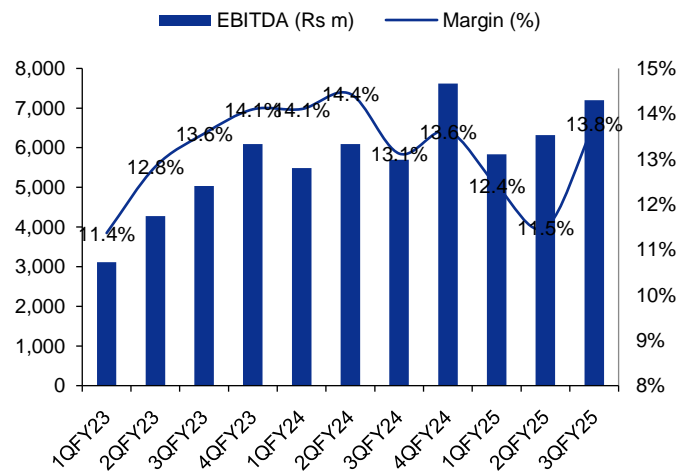
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 3: Revenue grew by 20% YoY



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: EBITDA margin expanded by 65bp to 13.8%



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: PAT grew by 13% YoY

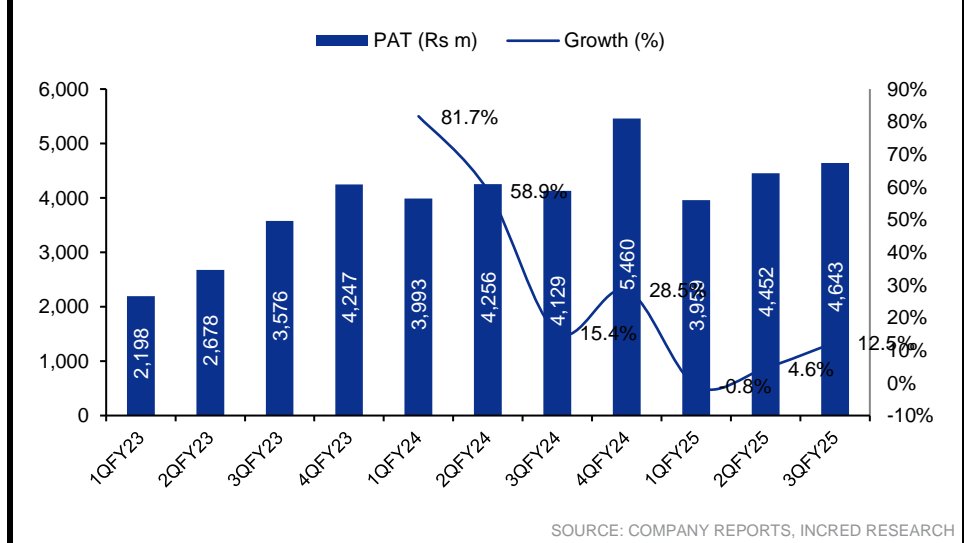


Figure 6: Project LEAP soars beyond expectations

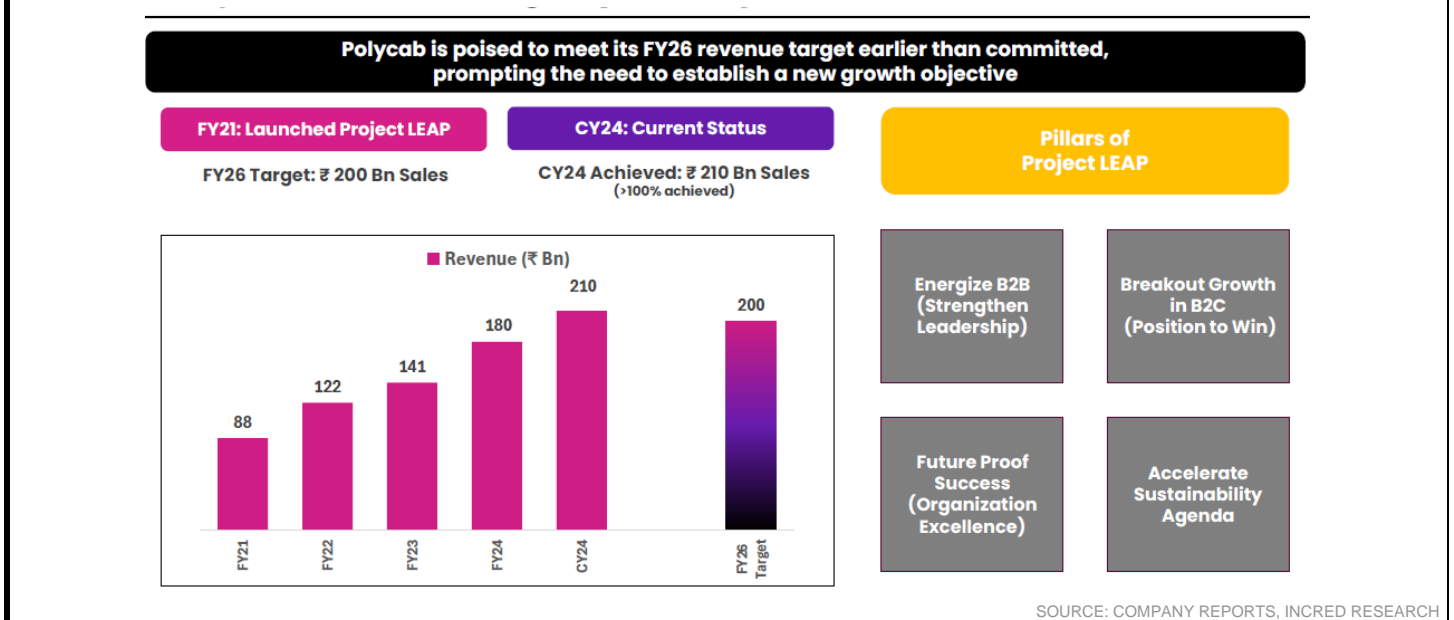


Figure 7: Massive growth opportunities for Polycab

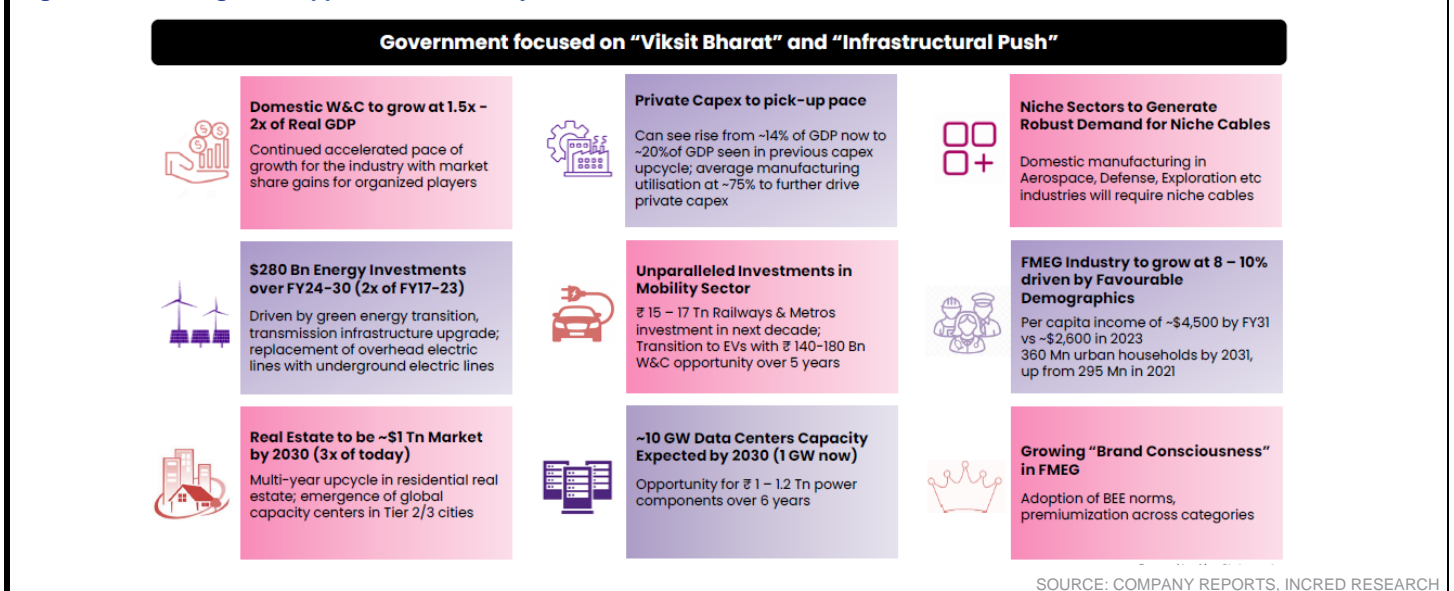
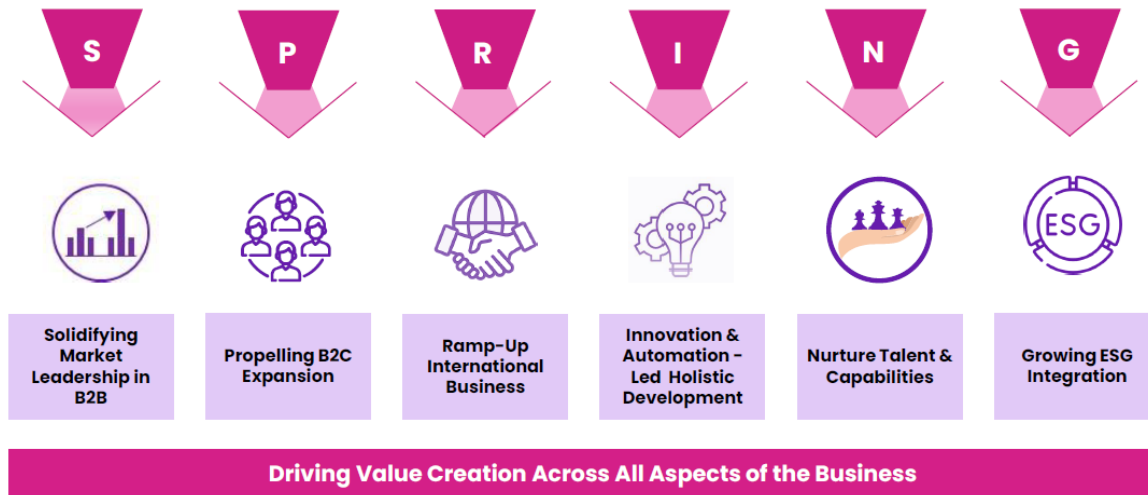


Figure 8: New beginning: Project SPRING



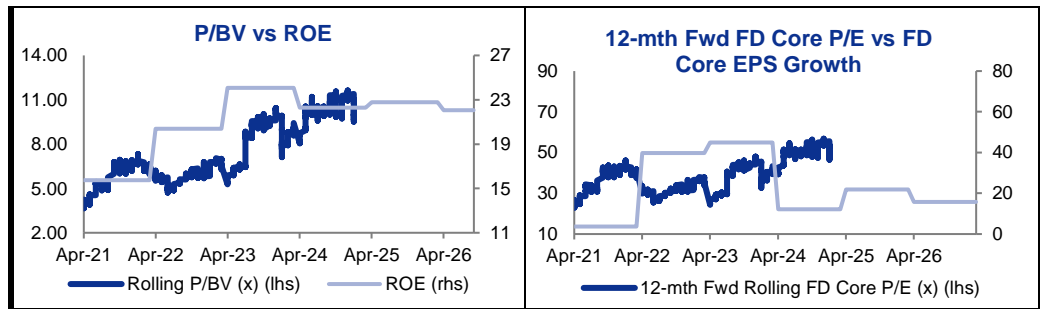
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 9: Our revised earnings estimates (Rs m)

	New Estimates			Old Estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	2,24,339	2,62,895	2,98,721	2,27,048	2,62,841	2,98,746	-1.2%	0.0%	0.0%
EBITDA	29,026	32,860	38,933	27,748	32,650	38,319	4.6%	0.6%	1.6%
Adjusted PAT	19,985	24,361	28,175	19,626	24,360	28,162	1.8%	0.0%	0.0%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	141,078	180,394	224,339	262,895	298,721
Gross Profit	35,969	47,591	55,993	64,827	73,661
Operating EBITDA	18,521	24,885	29,026	32,860	38,933
Depreciation And Amortisation	(2,092)	(2,450)	(2,987)	(3,599)	(5,008)
Operating EBIT	16,430	22,435	26,039	29,261	33,926
Financial Income/(Expense)	378	(1,083)	(1,872)	360	716
Pretax Income/(Loss) from Assoc.	(93)				
Non-Operating Income/(Expense)	65	2,241	1,878	2,160	2,182
Profit Before Tax (pre-EI)	16,781	23,593	26,046	31,781	36,823
Exceptional Items	(93)				
Pre-tax Profit	16,688	23,593	26,046	31,781	36,823
Taxation	(4,250)	(5,567)	(6,004)	(7,357)	(8,580)
Exceptional Income - post-tax					
Profit After Tax	12,438	18,026	20,042	24,424	28,243
Minority Interests	(123)	(189)	(57)	(62)	(69)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12,315	17,837	19,985	24,361	28,175
Recurring Net Profit	12,384	17,837	19,985	24,361	28,175
Fully Diluted Recurring Net Profit	12,384	17,837	19,985	24,361	28,175

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	18,521	24,885	29,026	32,860	38,933
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,058)	(8,090)	(3,532)	(6,858)	(6,479)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	213	1,158	6	2,520	2,897
Net Interest (Paid)/Received	303	752	1,872	(360)	(716)
Tax Paid	(3,704)	(5,743)	(6,004)	(7,357)	(8,580)
Cashflow From Operations	14,275	12,962	21,368	20,805	26,056
Capex	(4,965)	(8,530)	(9,000)	(9,500)	(10,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(6,762)	984	(2,500)	(5,741)	(2,262)
Cash Flow From Investing	(11,727)	(7,545)	(11,500)	(15,241)	(12,262)
Debt Raised/(repaid)	205	(54)	(100)	(100)	(100)
Proceeds From Issue Of Shares	128	194			
Shares Repurchased					
Dividends Paid	(2,094)	(2,997)	(4,507)	(5,258)	(5,634)
Preferred Dividends					
Other Financing Cashflow	(476)	(1,017)	(1,872)	(1,399)	(1,522)
Cash Flow From Financing	(2,238)	(3,874)	(6,479)	(6,757)	(7,256)
Total Cash Generated	311	1,543	3,389	(1,193)	6,538
Free Cashflow To Equity	2,753	5,363	9,768	5,465	13,694
Free Cashflow To Firm	1,951	4,334	7,996	4,166	12,272

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	20,457	22,248	28,817	35,152	46,218
Total Debtors	12,466	20,471	24,229	28,810	34,373
Inventories	29,514	36,751	46,097	54,740	63,018
Total Other Current Assets	6,650	7,670	9,406	11,524	14,731
Total Current Assets	69,087	87,140	108,548	130,226	158,341
Fixed Assets	20,104	21,838	27,386	37,536	42,529
Total Investments					
Intangible Assets	203	46	46	46	46
Total Other Non-Current Assets	4,846	11,637	12,307	8,270	8,492
Total Non-current Assets	25,154	33,521	39,739	45,853	51,067
Short-term Debt	1,509	672	1,086	1,011	936
Current Portion of Long-Term Debt					
Total Creditors	20,326	28,633	37,492	43,216	50,742
Other Current Liabilities	4,291	6,006	8,605	11,524	14,731
Total Current Liabilities	26,127	35,311	47,183	55,751	66,410
Total Long-term Debt	42	226	365	340	315
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,236	2,275	2,343	2,414	2,486
Total Non-current Liabilities	1,278	2,501	2,709	2,754	2,801
Total Provisions	152	415	427	440	454
Total Liabilities	27,556	38,227	50,319	58,945	69,664
Shareholders Equity	66,311	81,871	97,349	116,453	138,993
Minority Interests	374	562	619	681	750
Total Equity	66,685	82,433	97,968	117,134	139,743

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	15.6%	27.9%	24.4%	17.2%	13.6%
Operating EBITDA Growth	46.4%	34.4%	16.6%	13.2%	18.5%
Operating EBITDA Margin	13.1%	13.8%	12.9%	12.5%	13.0%
Net Cash Per Share (Rs)	125.84	142.11	182.15	224.98	299.30
BVPS (Rs)	441.38	544.95	647.98	775.13	925.17
Gross Interest Cover	27.49	20.71	13.91	20.92	22.29
Effective Tax Rate	25.5%	23.6%	23.1%	23.1%	23.3%
Net Dividend Payout Ratio	24.1%	21.1%	22.6%	21.6%	20.0%
Accounts Receivables Days	32.90	33.32	36.36	36.82	38.60
Inventory Days	89.44	91.06	89.81	92.91	95.49
Accounts Payables Days	56.43	67.28	71.68	74.36	76.19
ROIC (%)	35.9%	45.6%	40.8%	39.9%	39.4%
ROCE (%)	27.8%	29.5%	28.4%	28.4%	27.8%
Return On Average Assets	14.4%	17.8%	16.3%	14.8%	14.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.