

Polycab (India) Ltd

Sensex: 47410

CMP: INR 1182

Target Price: INR 1310



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Electrical Goods

Revenue rose 12% YoY to INR 27988 mn for the quarter with C&W revenue growing 11% to INR 24073 mn & FMEG revenue growing 41% to INR 3055mn. B2C businesses (Domestic wires & FMEG) witnessed encouraging growth reaching ~ 40% of total revenue whereas B2B business of cables continued to remain laggard. Exports contributed 10% to top line despite higher base of Dangote order in the base quarter. Receivable days reduced driven by the company resorting more & more to channel financing in FMEG business. Gross margins dipped 320bps to 24.3% due to unprecedented increase in input costs, primarily copper & aluminium (up 15% YoY). Though company undertook pricing action, the same was not enough to recoup input cost increase completely. However, EBITDA margin remained stable at 13.4% aided by very good control over operational overheads. A&SP spend remained stable at INR 372mn. Management is working on Vision 2025 & will share revenue as well as profitability targets by FY21 end with Investor fraternity. Net profit stood at INR 2638 mn, up 19% YoY led by substantial improvement in profitability of FMEG SBU to 6%, up 540bps and that of C&W SBU rising 90bps to 12.8%.

B2C businesses drives revenue

Revenue rose 12% YoY to INR 27988 mn for the quarter driven by B2C businesses. Domestic wires & FMEG businesses constituting B2C businesses witnessed encouraging growth with their contribution to revenue reaching ~ 40% of revenue compared to 30% a year ago. C&W rose 11% to INR 24073 mn & FMEG revenue rose 41% to INR 3055mn. Exports contributed 10% to topline despite higher base of Dangote order in the base quarter.

EBITDA margin stable despite 320 bps drop in Gross Margins

EBITDA margin remained stable at 13.4% despite fall in gross margins aided by very good control over operational overheads. Gross margins dipped 320bps to 24.3% due to unprecedented increase in input costs, primarily copper & aluminium (up 15% YoY). Though company undertook pricing action, the same was not enough to recoup input cost increase completely. A&SP spend remained stable at INR 372mn. Net profit stood at INR 2638 mn, up 19% YoY led by substantial improvement in profitability of FMEG SBU to 6%, up 540bps and that of C&W SBU rising 90bps to 12.8%.

Outlook & Valuation:

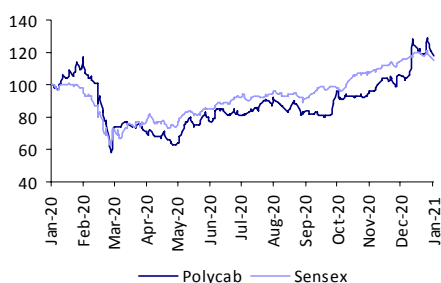
On the back of Company's operations returning to normalcy, we fine tune our earnings estimates for FY21 & 22 & introduce FY23 earnings. We retain BUY on the stock with revised PT of INR 1310 (18x FY22E EPS). Targeted increase in contribution to revenue from B2C business comprising of domestic wires & FMEG to nearly half of the company's revenue over the medium term from present ~ 40% of revenue with focussed marketing initiatives should result into re-rating of multiple to its earning. Polycab is the leader in domestic W&C market with 20% share of organised segments & a debt free company with surplus cash on BS that should enable inorganic growth. Management is working on Vision 2025 & will share revenue as well as profitability targets by FY21 end with Investor fraternity.

Key Risks:

- Volatility in raw material prices & FOREX
- Prolonged slowdown in new construction activities

Shareholding (%)	Dec-20
Promoters	69%
FII's	7%
DII's	4%
Others	20%

Relative Price Performance



Key Data	
BSE Code	542652
NSE Symbol	POLYCAB
Bloomberg Code	POLYCAB IN
Reuters Code	POLC.NS
Shares Outstanding (mn)	148.88
Face Value	10
Mcap (INR bn)	181.6
52 Week H/L	1325/572
2W Avg. Vol, NSE (000's)	576
Beta	0.93

(INR mn)	FY20	FY21E	FY22E	FY23E
Net Sales	88300	89777	109785	127282
Growth (%)	11	2	22	16
EBITDAM (%)	12.9	13.7	13.9	13.9
Adj. PAT	7657.0	9301.9	10881.5	13060.6
Growth (%)	53.1	21.5	17.0	20.0
Adj. EPS (INR)	51.4	62.5	73.0	87.6
P/E(x)	23.0	18.9	16.2	13.5
EV/EBITDA	15.3	13.6	10.7	8.9
EV/Sales	2.0	1.9	1.5	1.2
ROACE (%)	29.1	24.8	26.2	25.5
ROAE (%)	22.9	22.0	21.5	21.5



Quarterly performance

INR mn	Q3FY21	Q3FY20	Q2FY21	% Chg (YoY)	% Chg (QoQ)
Revenue	27988	25073	21137	11.6	32.4
RM cost	21196	18190	15128	16.5	40.1
Employee Cost	896.0	915	897	-2.1	-0.1
Other Expenses	2137	2578	1986	-17.1	7.6
Total Expenditure	24229	21683	18011	11.7	34.5
EBITDA	3759	3390	3126	10.9	20.2
Depreciation	478	407	456	17.4	4.8
Other Income	345	3	327.0	11400.0	5.5
EBIT	3626	2986	2997	21.4	21.0
Interest	88	86	114	2.3	-22.8
PBT	3543	2898	2880	22.3	23.0
Tax	905	686	664	31.9	36.3
Profit After Tax	2638	2212	2216	19.3	19.0
Equity	1491	1488	1490		
Face Value	10	10	10		
EPS	17.7	14.9	14.9	19.0	19.0
	25.5%	23.7%	23.1%		
% of Sales				bps	bps
RM Cost	75.7%	72.5%	71.6%	318.4	416.1
Employee Expenses	3.2%	3.6%	4.2%	-44.8	-104.2
Other Expenses	7.6%	10.3%	9.4%	-264.7	-176.0
EBITDAM Excl Other Income (%)	13.4%	13.5%	14.8%	-9.0	-135.8
PATM (%)	9.4%	8.8%	10.5%	60.3	-105.9



Financials

Income Statement

Y/E (INR mn)	FY20	FY21E	FY22E	FY23E
Net Sales	88300.0	89776.9	109784.6	127282.3
Net Sales Growth (%)	10.6	1.7	22.3	15.9
Cost of Goods Sold	63685.0	65997.7	79371.0	91516.0
Employee Cost	3658.0	3603.1	4251.7	5017.0
Other Optg. Exps.	9606.0	7885.5	10933.5	13050.3
Total Optg. Exps.	76949.0	77486.4	94556.1	109583.3
EBITDA (excl OI)	11351.0	12290.5	15228.5	17699.0
EBITDA Margin (%)	12.9	13.7	13.9	13.9
Dep./Amortisation	1608.9	1902.5	2023.8	2233.4
EBIT	9742.1	10388.0	13204.6	15465.6
EBIT Margin (%)	6.7	6.6	7.4	8.4
Interest Expense	495.4	491.3	532.8	569.2
Other Income	928.0	1068.7	1756.4	469.8
EBT	10100.7	10891.3	14354.2	15292.3
Tax Expenses	2443.7	1589.4	3472.8	2231.7
PAT	7657.0	9301.9	10881.5	13060.6
PAT Growth (%)	53.1	21.5	17.0	20.0
PAT Margins (%)	8.7	10.4	9.9	10.3

Key Ratios

Y/E	FY20	FY21E	FY22E	FY23E
Adj.EPS	51.4	62.5	73.0	87.6
CEPS	62.2	75.3	86.6	102.6
DPS	8.4	10.2	12.0	14.4
BVPS	257.7	309.9	370.5	443.7
Return Ratios(%)				
RoACE	29.1	24.8	26.2	25.5
ROAE	22.9	22.0	21.5	21.5
Liquidity Ratios				
Net Debt/Equity	-0.1	-0.2	-0.2	-0.3
Interest Coverage Ratio	19.7	21.1	24.8	27.2
Current Ratio	2.1	2.5	2.6	2.7
Quick Ratio	1.1	1.5	1.6	1.7
Efficiency Ratios				
Asset Turnover Ratio	2.3	2.0	2.0	1.9
Inventory Days	110	108	110	111
Debtor Days	59	59	59	59
Creditor Days	78	76	77	78
Valuation Ratios				
P/E(x)	23.0	18.9	16.2	13.5
P/BV(x)	4.6	3.8	3.2	2.7
P/CEPS(x)	19.0	15.7	13.7	11.5
Dividend Yield(%)	0.7	0.9	1.0	1.2
EV/Net Sales(x)	2.0	1.9	1.5	1.2
EV/EBIDTA(x)	15.3	13.6	10.7	8.9

Balance Sheet

Y/E (INR mn)	FY20	FY21E	FY22E	FY23E
Source of Funds				
Share Capital	1488.8	1488.8	1491.0	1491.0
Reserves & Surplus	36875.4	44651.5	53748.1	64666.3
Total Networth	38364.2	46140.3	55239.1	66157.3
Total Debt	1221.1	1221.1	1221.1	1222.1
Other Non current Liab	879.3	891.5	1056.7	1201.3
Deferred tax liab (net)	164.8	164.8	164.8	164.8
Total Liab	40629.4	48417.7	57681.7	68745.5
Application of Funds				
Net Block	14220.3	14317.8	14794.0	16059.6
CWIP	2412.0	2411.8	2411.8	2412.8
Goodwill/Intangible Assets	0.0	0.0	0.0	0.0
Investments	254.8	254.8	254.8	254.8
Other non-current assets	2220.0	2257.1	2760.2	3200.1
Current Assets	40499.0	48469.9	61054.5	74172.1
Current Liabilities	18976.3	19293.7	23593.5	27353.9
Net Current Assets	21522.7	29176.2	37461.0	46818.2
Total Assets	40629.8	48417.7	57681.7	68745.5

Cash Flow

Y/E	FY20	FY21E	FY22E	FY23E
EBT	10101	10891	14354	15292
Less: Other Income/Exceptionals	928	1069	1756	470
Add: Depreciation	1609	1903	2024	2233
Add: Interest Paid	495	491	533	569
Direct Tax Paid	-2444	-1589	-3473	-2232
Change in Working Capital	-7393	-306	-4149	-3628
Others	-225	-37	-503	-440
Cash Flow from Operations (a)	1215	10284	7030	11325
Change in Fixed Assets	-3287	-2000	-2500	-3500
Change in Investments	39	0	0	0
Other	-268	0	0	0
Cash Flow from Investing (b)	-3516	-2000	-2500	-3500
Change in Equity	3494	0	2	0
Debt Raised/(Repaid)	-323	12	165	146
Dividend Paid	-1256	-1526	-1785	-2142
Interest Paid	-495	-491	-533	-569
Others Paid	928	1069	1756	470
Cash Flow from Financing (c)	2347	-936	-394	-2096
Net Change in Cash (a+b+c)	46	7348	4136	5729
Opening Cash	3167	3213	10560	14696
Closing Cash	3213	10560	14696	20425



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