

## Polycab India Ltd

Polycab India Ltd (PIL) manufactures and sells a diverse range of wires & cables. The company's key products in the wires & cables segment include power cables, control cables, instrumentation cables, solar cables, building wires and flexible cables. In the year 2009, the company diversified into engineering, procurement and construction (EPC) business. Further, it also ventured into fast moving electrical goods (FMEG) segment in 2014 and started offering products such as electric fans, LED lighting & luminaires, switches & switchgears, solar products & conduits and accessories. The company has 24 manufacturing facilities, including two joint ventures.

**Market leader in wires and cables in India:** PIL is the largest wires & cables manufacturer in India in terms of segment revenues, with a market share of ~18% of the organized wires & cables industry and ~12% of the total wires & cables industry in FY2018 (Source: CRISIL Research).

**Strong distribution network:** PIL's strong distribution network across India enables it to roll out new products more quickly, which gives competitive advantage over competitors. Currently, PIL has over 2,800 authorized dealers and distributors. Further, the company supplies products directly to authorized dealers and distributors who in turn sell these products to over 100,000 retail outlets in India.

**Established brand in the electrical industry:** PIL is an established manufacturer of wires & cables and other electrical products, and the company sells products under the 'POLYCARB' brand. PIL intends to continue to advertise through social media, conventional media (television, print) and internet coupled with in-store promotions such as sales promotion, retail pop-ups and visual merchandising.

**Outlook & Valuation:** In terms of valuations, the pre-issue P/E works out to 16.7x its FY2019 annualized earnings (at the upper end of the issue price band), which is slightly lower compared to its peers like Finolex Cables (20.7x) & Kei Industries (20.x). Further, Polycab's market leadership position in wires & cables segment, diversified product portfolio, strong distribution network & brand recall and proven financial track record are the key positives. **Given the above favorable factors, we recommend Subscribe to issue.**

### Key Financials

Y/E March (Rs cr)	FY2017	FY2018E	FY2019E	FY2020E
<b>Net Sales</b>	<b>6,045</b>	<b>6,911</b>	<b>4,821</b>	<b>5,475</b>
% chg	5.8	14.3	(30.2)	13.6
<b>Net Profit</b>	<b>232</b>	<b>371</b>	<b>183</b>	<b>361</b>
% chg	24.6	59.6	(50.6)	97.3
OPM (%)	7.9	10.6	8.1	12.6
<b>EPS (Rs)</b>	<b>16.5</b>	<b>26.3</b>	<b>13.0</b>	<b>25.6</b>
P/E (x)	32.7	20.5	-	-
P/BV (x)	3.8	3.2	-	-
RoE (%)	11.6	15.8	-	-
RoCE (%)	12.5	19.7	-	-
EV/Sales (x)	1.4	1.2	-	-
EV/EBITDA (x)	17.5	11.2	-	-

Source: Company, Angel Research; Note: Valuation ratios based on pre-issue outstanding shares and at upper end of the price band

## Subscribe

Issue Open: April 05, 2019

Issue Close: April 09, 2019

### Issue Details

Face Value: ` 10

Present Eq. Paid up Capital: ` 141.2cr

Fresh issue: ` 400cr

Post Eq. Paid up Capital: ` 148.6cr

Issue size (amount): ` 1337cr - \*\* 1346cr

Price Band: ` 533-538

Lot Size: 27 shares and in multiple thereafter

Post-issue implied mkt. cap: \*\* 7923cr - \*\*\* 7997cr

Promoters holding Pre-Issue: 78.9%

Promoters holding Post-Issue: 63.2%

\* Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50% of issue
QIBs	15% of issue
QIBs	35% of issue

### Post Issue Shareholding Pattern

Promoters	78.9%
Others	21.1%

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## Company background

Polycab India Ltd (PIL) manufactures and sells a diverse range of wires & cables. The company's key products in the wires & cables segment include power cables, control cables, instrumentation cables, solar cables, building wires and flexible cables.

In the year 2009, the company diversified into engineering, procurement and construction (EPC) business. Further, it also ventured into fast moving electrical goods (FMEG) segment in 2014 and started offering products such as electric fans, LED lighting & luminaires, switches & switchgears, solar products & conduits and accessories.

The company has 24 manufacturing facilities, including two joint ventures with Techno Electromech and Trafigura, located across the states of Gujarat, Maharashtra and Uttarakhand and the union territory of Daman and Diu.

## Issue details

Polycab is raising ~`400cr through fresh issue and selling 1,75,82,000 equity shares through offer for sale in the price band of `533-538. The company will dilute ~12% (at upper price band) of its Post-offer paid-up equity share capital.

### Exhibit 1: Pre and Post IPO shareholding pattern

	No of shares (Pre-issue)	%	No of shares (Post-issue)	%
Promoters	111472029	78.9%	93890029	63.2%
Others	29733809	21.1%	54,750,753	36.8%
<b>Total</b>	<b>141205838</b>	<b>100.0%</b>	<b>148640782</b>	<b>100.00%</b>

Source: Source: RHP, Note: Calculated on upper price band

## Objectives of the Offer

- Repayment of debt (`80cr), working capital requirements (`240cr), and balance for general corporate purposes.

**Income Statement**

Y/E March ( ` cr)	FY2016	FY2017	FY2018	9MFY18	9MFY19
<b>Net Sales</b>	5715	6045	6911	4821	5475
% chg		5.8	14.3	(30.2)	13.6
<b>Total Expenditure</b>	<b>5,223</b>	<b>5,568</b>	<b>6,176</b>	<b>4,430</b>	<b>4,785</b>
Raw Material	4321	4682	5225	3747	3918
Personnel	204	227	256	188	234
Others Expenses	698	659	695	494	633
<b>EBITDA</b>	<b>492</b>	<b>477</b>	<b>736</b>	<b>392</b>	<b>690</b>
% chg		(3.0)	54.2	(46.8)	76.1
(% of Net Sales)	8.6	7.9	10.6	8.1	12.6
Depreciation & Amortisation	111	127	132	98	106
<b>EBIT</b>	<b>381</b>	<b>350</b>	<b>604</b>	<b>293</b>	<b>584</b>
% chg		(8.2)	72.6	(51.4)	99.0
(% of Net Sales)	6.7	5.8	8.7	6.1	10.7
Interest & other Charges	147	65	92	54	90
Other Income	34	75	65	47	54
(% of PBT)	12.6	21.0	11.3	16.3	9.9
<b>Recurring PBT</b>	<b>267</b>	<b>360</b>	<b>577</b>	<b>287</b>	<b>548</b>
% chg		34.7	60.2	(50.3)	91.4
Tax	81	128	206	104	187
(% of PBT)	30.2	35.5	35.7	36.1	34.1
<b>PAT (reported)</b>	<b>186.5</b>	<b>232.3</b>	<b>370.8</b>	<b>183.0</b>	<b>361.1</b>
Extraordinary Items			-	-	
<b>ADJ. PAT</b>	<b>186.5</b>	<b>232.3</b>	<b>370.8</b>	<b>183.0</b>	<b>361.1</b>
% chg		24.6	59.6	(50.6)	97.3
(% of Net Sales)	3.3	3.8	5.4	3.8	6.6
<b>Basic EPS ( ` )</b>	<b>13.2</b>	<b>16.5</b>	<b>26.3</b>	<b>13.0</b>	<b>25.6</b>

Source: Company, Angel Research

**Exhibit 2: Balance Sheet**

Y/E March ( ` cr)	FY2016	FY2017	FY2018	9MFY18	9MFY19
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	141	141	141	141	141
Reserves& Surplus	1638	1853	2209	2036	2579
<b>Shareholders Funds</b>	<b>1,779</b>	<b>1,994</b>	<b>2,350</b>	<b>2,177</b>	<b>2,720</b>
Total Loans	794	811	719	1176	531
Deferred Tax Liability	7	31	82	19	173
<b>Total Liabilities</b>	<b>2,581</b>	<b>2,836</b>	<b>3,151</b>	<b>3,371</b>	<b>3,424</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	984	1113	1180	1133	1251
Capital Work-in-Progress	40	37	39	37	39
Investments	4	37	39	37	40
Current Assets	2,742	3,190	3,035	3,198	3,900
Inventories	980	1517	1356	1659	2288
Sundry Debtors	1389	1247	1375	1166	1195
Cash	45	28	9	41	5
Other Assets	315	396	278	332	411
Current liabilities	1170	1512	1116	1058	1773
<b>Net Current Assets</b>	<b>1,572</b>	<b>1,678</b>	<b>1,919</b>	<b>2,140</b>	<b>2,127</b>
<b>Deferred Tax Asset</b>	<b>125</b>	<b>566</b>	<b>302</b>	<b>298</b>	<b>107</b>
Mis. Exp. not written off	-	-	-	-	-
<b>Total Assets</b>	<b>2,581</b>	<b>2,836</b>	<b>3,151</b>	<b>3,371</b>	<b>3,424</b>

Source: Company, Angel Research

**Exhibit 3: Cash Flow Statement**

Y/E March (Rs cr)	FY2016	FY2017	FY2018	9MFY18	9MFY19
Profit before tax	267	360	577	287	548
Depreciation	111	127	132	98	106
Change in Working Capital	-213	-185	-367	-605	-167
Interest / Dividend (Net)	147	65	92	54	90
Direct taxes paid	-119	-100	-139	-89	-79
Others	27	15	58	50	20
<b>Cash Flow from Operations</b>	<b>221</b>	<b>283</b>	<b>352</b>	<b>-205</b>	<b>518</b>
(Inc.)/ Dec. in Fixed Assets	-239.0	-269.0	-171.4	-127.5	-200.7
(Inc.)/ Dec. in Investments	(12)	0	(6)	10	(51)
<b>Cash Flow from Investing</b>	<b>-251</b>	<b>-269</b>	<b>-178</b>	<b>-117</b>	<b>-252</b>
Issue of Equity	-149	-66	-93	-53	-82
Inc./(Dec.) in loans	99	91	68	66	0
Dividend Paid (Incl. Tax)	0	0	0	0	0
Interest / Dividend (Net)	91	(44)	(164)	327	(186)
<b>Cash Flow from Financing</b>	<b>41</b>	<b>-19</b>	<b>-189</b>	<b>340</b>	<b>-268</b>
Inc./(Dec.) in Cash	10	(5)	(15)	17	(2)
<b>Opening Cash balances</b>	<b>16</b>	<b>26</b>	<b>21</b>	<b>21</b>	<b>7</b>
<b>Closing Cash balances</b>	<b>26</b>	<b>21</b>	<b>7</b>	<b>39</b>	<b>5</b>

Source: Company, Angel Research

**Exhibit 4: Key Ratios**

Y/E March	FY2016	FY2017	FY2018
<b>Valuation Ratio (x)</b>			
P/E (on FDEPS)	40.7	32.7	20.5
P/CEPS	25.5	21.1	15.1
P/BV	4.3	3.8	3.2
EV/Sales	1.5	1.4	1.2
EV/EBITDA	17.0	17.5	11.2
EV / Total Assets	3.2	2.9	2.6
<b>Per Share Data (₹)</b>			
EPS (Basic)	13.2	16.5	26.3
EPS (fully diluted)	13.2	16.5	26.3
Cash EPS	21.1	25.5	35.6
Book Value	126.0	141.2	166.4
<b>Returns (%)</b>			
ROCE	14.8	12.5	19.7
Angel ROIC (Pre-tax)	15.1	12.8	20.0
ROE	10.5	11.6	15.8
<b>Turnover ratios (x)</b>			
Asset Turnover (Gross Block)	2.2	2.1	2.2
Inventory / Sales (days)	63	92	72
Receivables (days)	89	75	73
Payables (days)	68	82	48
Working capital cycle (ex-cash) (days)	83	85	96

Source: Company, Angel Research

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