



### IPO DETAILS

Issue Date	05 <sup>th</sup> April-09 <sup>th</sup> Apr 2019
Price Band	533-538 per Share
Bid Lot	27 & in multiple thereof
Face Value	Rs 10/Share
Listing	BSE, NSE
Fresh Issue	Rs 400 Crores
Offer For Sale	17,582,000 Eq Shares
Pre Issue Eq Shares	141,205,838 Eq Shares
BRLM	Kotak Mahindra Capital Company Ltd, Axis Capital, Citigroup Global Markets, Edelweiss Financial Services, IIFL Holdings, Yes Securities (India) Ltd
Registrar	Karvy Computershare Private Ltd

Note\*: Rs 53/share discount to employee

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Company is engaged in the business of manufacturing and selling wires and cables and fast moving electrical goods (“FMEG”) under the “POLYCAB” brand. According to CRISIL Research, company is the largest manufacturer in the wires and cables industry in India, in terms of revenue from the wires and cables segment and provide one of the most extensive range of wires and cables in India. Apart from wires and cables, company manufacture and sell FMEG such as electric fans, LED lighting and luminaires, switches and switchgears, solar products and conduits and accessories

Company is an established manufacturer of wires and cables and other electrical products, and company sell its products under “POLYCAB” brand. As of Fiscal 2018, company have approximately 18% market share of the organized wires and cables industry, estimated at ₹346 billion, and approximately 12% market share of the total wires and cables industry, estimated at ₹525 billion. In the FMEG segment, company external sales, as per its segment reporting under Ind AS 108, have grown at a CAGR of 57.96% from Fiscals 2016 to 2018, and by 41.38% for the nine months period ended December 31, 2018 as compared to the nine months period ended December 31, 2017.

Company have a diverse customer base comprising governmental authorities, retailers, distributors, dealers and industrial and institutional customers in a range of industries including power, oil and gas, construction, IT parks, infrastructure, metal and non-metal, cement, agriculture and real estate industries. Although India remains company’s largest market, in Fiscal 2018 company’s products were exported to more than 40 countries in the world, with its sales to customers located outside India contributing to 5.14% and 3.41% of its total segment revenue for Fiscal 2018 and the nine months period ended December 31, 2018, respectively. Company’s diverse customer base across industries and customer profiles reduce its dependence on any one industry or customer and provides a natural hedge against market instability in a particular industry. Company’s customers include institutional clients such as L&T Construction and government clients such as Konkan Railway Corporation Ltd.

The Indian wires and cables industry has grown at a CAGR of approximately 23% from Fiscals 2014 to 2018, in terms of production volume (Source: CRISIL Research). In value terms, CRISIL Research expects the Indian wires and cables market to grow at a CAGR of approximately 15% to reach an estimated ₹1,033 billion by Fiscal 2023, largely due to government initiatives in power and infrastructure, an increase in industrial investment, a rise in consumer spending and an increase in exports of wires and cables from India. Company intend to capture such growth by leveraging on company’s brand, product quality and strong distribution network.

### Valuation

The co is bringing the issue at p/e multiple of approx. 20 on FY18 eps basis at price band of Rs 533-538/share. Company being market leader in wires and cables in India has diverse suite of electrical products with varied applications across a diverse customer base with strong distribution network. Looking after strong fundamentals of the company along with the healthy growth prospects of sector.

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## Company Overview

Company manufacture and sell a diverse range of wires and cables and its key products in the wires and cables segment are power cables, control cables, instrumentation cables, solar cables, building wires, flexible cables, flexible/single multi core cables, communication cables and others including welding cables, submersible flat and round cables, rubber cables, overhead conductors, railway signaling cables, specialty cables and green wires. In 2009, company diversified into the engineering, procurement and construction (“EPC”) business, which includes the design, engineering, supply, execution and commissioning of power distribution and rural electrification projects. In 2014, company diversified into the FMEG segment and its key FMEG are electric fans, LED lighting and luminaires, switches and switchgears, solar products and conduits and accessories. Company have 24 manufacturing facilities, including its two joint ventures with Techno Electromech Pvt Ltd. (“Techno”) and Trafigura Pte Ltd (“Trafigura”), located across the states of Gujarat, Maharashtra and Uttarakhand and the union territory of Daman and Diu. Four of these 24 manufacturing facilities are for the production of FMEG, including a 50:50 joint venture with Techno, a Gujarat-based manufacturer of LED products. Company have an established supply chain comprising network of authorized dealers, distributors and retailers. This network supplies company’s products across India. Company’s distribution network in India comprised over 2,800 authorized dealers and distributors and 30 warehouses as at and for the nine months period ended December 31, 2018. Company supply products directly to its authorized dealers and distributors who in turn supply company’s products to over 100,000 retail outlets in India. Company manage its sales and marketing activities through its corporate office, three regional offices and 20 local offices in various parts of India as at December 31, 2018. In addition, in Fiscal 2018, company exported its products to over 40 countries.

## Investment Rationale

### **Market leader in wires and cables in India**

Company is the largest wires and cables manufacturer in India, in terms of segment revenues, with a market share of approximately 18% of the organized wires and cables industry and approximately 12% of the total wires and cables industry in Fiscal 2018 (*Source: CRISIL Research*). Having grown at a CAGR of 14.2% from Fiscals 2014 to 2018 in terms of operating revenues, company was the one of the faster growing manufacturers in the organized wires and cables industry during the period from Fiscals 2014 to 2018 (*Source: CRISIL Research*).

### **Diverse suite of electrical products with varied applications across a diverse customer base**

Company manufacture and sell a diverse portfolio of wires and cables and FMEG, which also gives the opportunity to cross-sell its products to company’s diverse base of customers. Since incorporation as a business-to-business (“B2B”) manufacturer of wires and cables, company have diversified into the FMEG business and transformed from a pure B2B company into a B2B and business-to-customer (“B2C”) company. According to CRISIL Research, company have one of the most diversified product portfolio as compared to its competitors. Company’s FMEG external sales, as per its segment reporting under Ind AS 108, increased at a CAGR of 57.96% from Fiscals 2016 to 2018, and by 41.38% for the nine months period ended December 31, 2018 as compared to the nine months period ended December 31, 2017. Company have three business lines namely, (i) wires and cables, (ii) FMEG comprising electric fans, LED lighting and luminaire, switches and switchgears, solar products and conduits and accessories, and (iii) EPC. Key wires and cables products include light duty cables (“LDCs”), low voltage, medium voltage, extra-high voltage, instrumentation, building wires and electrical wiring accessories (“EWA”).

### **Strong distribution network**

Company’s distribution network across India also enables company to roll out new products more quickly, which gives company a competitive advantage over its competitors. For the nine months period ended December 31, 2018, company’s distribution network across India comprised over 2,800 authorized dealers and distributors. Company supply its products directly to company’s authorized dealers and distributors who in turn sell company’s products to over 100,000 retail outlets in India. Further, company supply its portfolio of products to its direct customers including EPC companies and government companies through direct sales. Company manage its sales and marketing activities through one corporate office, three regional offices and 20 local offices in India as at December 31, 2018. In Fiscal 2018 company also exported its products, including wires and cables and certain FMEG products such as electric fans, to more than 40 countries.



## Risk factors

Significant increases or fluctuations in prices of, or shortages of, or delay or disruption in supply of primary raw materials could affect company's estimated costs, expenditures and timelines which may have a material adverse effect on its business, financial condition, results of operations and cash flows.

## Objects of Offer

### Offer for Sale

Each of the Selling Shareholders will be entitled to the respective proportion of the proceeds of the Offer for Sale net of their proportion of Offer related expenses. Company shall not receive any proceeds from the Offer for Sale.

### Fresh Issue

The Net Proceeds from the Fresh Issue are proposed to be utilised towards the following objects:

1. Scheduled repayment of all or a portion of certain borrowings availed by company;
2. To fund incremental working capital requirements of the Company; and
3. General corporate purposes.

## Financial Statement

(Rs Cr)

Particulars	FY16	FY17	FY18	9MFY19
Total Income	5714.24	6047.01	6923.92	5506.7
Operating Exp	5223.47	5567.06	6183.10	4812.66
EBIDTA	490.78	479.95	740.82	694.04
EBIDTA Margin (%)	8.59	7.94	10.70	12.60
Other Income	33.11	75.53	62.22	54.35
Depreciation	111.12	127.88	132.95	107.138
EBIT	412.77	427.60	670.09	641.26
Interest	147.35	65.95	93.68	90.494
PBT	265.42	361.65	576.41	550.76
E/O Item	0.00	0.00	0.00	0
PBT After E/O Item	265.42	361.65	576.41	550.76
Sh of Profit in JV	0.00	-0.33	0.11	-4.61
PBT	265.42	361.32	576.51	546.16
Tax	80.71	128.36	205.60	187.933
PAT	184.70	232.96	370.92	358.22
Other Comp Inc	-1.76	-0.40	2.38	-0.866
Adjusted PAT	182.94	232.55	373.30	357.36
NPM(%)	3.20	3.85	5.39	6.49
Eq Capital	141.21	141.21	141.21	141.21
Res & Surplus	1,641.59	1,852.55	2,208.31	2,574.99
Non Con Int	2.80	3.05	4.05	6.68
Net Worth	1,785.59	1,996.81	2,353.56	2,722.88
Eq Shares ( In No)	14.12	14.12	14.12	14.12
EPS	13.08	16.50	26.27	25.37
ROE (%)	10.25	11.65	15.86	13.12
ROCE (%)	10.28	12.84	18.71	16.88
Book Value	126.45	141.41	166.68	192.83

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