



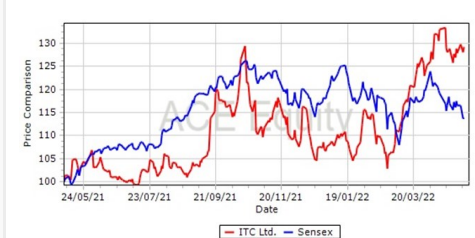
Script Details

BSE Group	A
BSE Code	542652
NSE Code	POLYCAB
Bloomberg Code	POLYCAB IN
Market Cap (INR Cr.)	38,020
Free Float (%)	29%
52wk High/Low	2820 / 1560
Avg. 20 Day Volume (Mn)	2,40,37,530
Face Value (INR)/ D. Yield (%)	1/ 4.03
Total Paid Up Eq. Shares (Mn.)	12,323

Share Holding Pattern (%)

Promoters	Public	Others
68.08	31.92	—

Share Price Relative Performance



POLYCAB LTD

Buy at CMP: Rs 2540 | Target: Rs 3231 (27%) | SL: Rs 2320

Sector

Cables-
Electricals

May 16, 2022

Polycab India Limited is primarily engaged in the business of manufacturing and selling Cables & Wires under the "POLYCAB" brand. Apart from electricals, the company also manufactures and sells select Appliances such as electric fans, LED lighting and luminaires, switches and switchgears, solar products and conduits and accessories. Polycab has 25 manufacturing facilities, including two JVs with Techno and Trafigura, located across Gujarat, Maharashtra, Uttarakhand, Daman and Diu.

Investment Rationale

- ◆ **Market Leader in Cable and Wires:** Company's key business is of cables and wires which contributes 81% of revenue mix. The company is a industry leader in cables & wires in India, with an organized market share of 20-22% in FY21. The company's overall cables & wires industry (sized at ~Rs450-500bn) market share was at 13-14% in FY21, The 30-35% industry is unorganized hence it has room to penetrate its market share further.
- ◆ **Transformation to FMEG Business:** Polycab started fast moving electrical goods (FMEG) business in 2014. it manufactures B2C Appliances such as Fans, Lighting, Heaters etc. This segment was ~11% of revenue mix in FY21, having grown sales at +37% CAGR over the past 5 years. FMEG includes the following categories - fans, lighting luminaires, IOT products, switches, switchgears, water heaters, pipes, conduits, agro pumps, solar etc. Within this category, Polycab's focus is to achieve pan-India distribution and in-house manufacturing.
- ◆ **Strong Network to distribute products:** Polycab operates with strong manufacturing presence and has 23 manufacturing plants across 7 locations and 52 warehouses in India. Polycab has network of distribution, encompassing 4,100+ dealers, 165,000+ retail outlets and 180,000+ electricians network. It has also embarked on a multi-format retail approach 'Polycab Galleria', 'Arena' and 'Shoppee'. The company's SKU count is ~16,000 SKUs, with ~99% sales emanating from domestic manufacturing.
- ◆ **Valuations:** Polycab has robust prospects (revival in capex, infra, housing) with its market leadership (~21% organized share), growing B2C FMEG (37% sales CAGR in 5yrs) and benefits from strategic initiatives, Polycab to deliver robust performance. Hence we recommend BUY on POLYCAB at CMP of Rs. 2540 with Target price of Rs. 3231 (27%) which is 30X of FY25E EPS.

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY22 Actual	12,204	1,263	909	41.2	28
FY23E	13,668	1,366	956	40	26
FY24E	15,582	1,869	1,402	27	19
FY25E	17,919	2,150	1,612	24	16

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- On the long term charts Polycab continuous to **Fi-** move with higher highs and higher lows formation maintaining its strong uptrend.
- The stock has shown relative outperformance as it did not corrected despite of the weakness in the markets. Broadly the stock has been trading in a range between 2150-2750 for the past 8-9 months.
- Currently the stock is down by just 10% from the life highs whereas Nifty is down by 15%
- In the current week the stock is bouncing off after taking support at the 20 week SMA (2471) and formed a bullish Engulfing pattern on the weekly charts which indicates a bullish reversal.
- The RSI indicator plotted on weekly scale is moving higher after forming a bullish hinge at the 45 mark.



Inference & Expectations

- Polycab is showing relative outperformance and signs of a reversal.
- Going ahead the stock has the potential to continue its outperformance and move higher.
- 2320-2340 zone will act as a major support on the downside.



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