



# BLAZING PICKS

FREQUENCY	ALLOCATION	DURATION	APPROX RETURNS	RISK	MAX OPEN CALLS
Every Monday	20% of capital on every call	3 months	15-20%	<10%	5

## SALIENT FEATURES:

- 👍 Allocation based product – 20% of capital on every call
- 👍 For Short to Medium term clients
- 👍 Mid Cap & Large Cap quality stocks
- 👍 Company with growth prospects and compliance free
- 👍 Moderate risk product

## POLYCAB INDIA LTD



Buy LTP: Rs 2466, Add on dips to Rs 2400 | TGT Rs 2795 (13%)

► **Company Profile (PIL):** Polycab is India's leading manufacturers of cables and wires and allied products such as uPVC conduits and lugs and glands. We have a range of cables and wires for practically every application. More recently Polycab has also launched a wide range of consumer electrical products like Fans, Switches, Switchgear, LED lights and Luminaries, Solar Inverters, and Pumps.

► **Shifting from Commodities Business:** "Polycab is a leader in cables and Wires segment with market share of ~18%. Now building strong presence in Fast Moving Electrical Goods (FMEG) with registering market leading 37% CAGR growth over last 5 years scale.

► **Focusing on Strong Brand recall:** Polycab enjoys strong brand recall across the ecosystem (Stockist, Distributor, Consumers) with 10-15% higher retail prices w.r.t competitors. In FY 22 Polycab started advertising aggressively on TV commercials, Digital Channels Etc. with Mr. ayushman Khurana as brand ambassador. We believe the advertising campaign to improve penetration of Polycab brand in Tier-2 and Tier-3 cities.

► **Industry Leading Parameters:** Polycab's major chunk of Business comes from wires and cables (~85%) with significant commodity utilization, however with its strong distributors networks and high operation efficiencies (Asset Turn 1.38X), ROCE (24.2%), ROE (20%) enjoy moat around the business.

► **Q1 FY22 Performance:** In Q2, PIL, registered 48% YoY sales growth to Rs 3128 Cr. The expenditure grew by 56.3% to Rs 2825 Cr. EBITDA rised by -3% to at Rs 1302.85 Cr. Company saw a decline of 500 bps in EBITDA margin on YoY basis. the PAT margin declined by 400 bps in same period. PAT rised to Rs 197.93 cr. From 73.99 cr in Q2FY21.

► **Digitalization a key trigger:** India to witness rollout of 5G services in 2022 across 20 cities. Digitalization will be the key drivers for Wires and Cables demand. Govt. of India focusing on renewable energy, which requires higher utilization of Wires and cables for infrastructures, thus provides ample revenue visibility for Polycab.

► **Recommendation:** PIL's stock is trading PE (x) of 45 TTM. We estimate 15% growth in PAT. Stock is trading at PE (x) of 27 for FY25E. We recommend a **BUY** on **POLYCAB** with the Price target of Rs.2795.

## KEY DATA

NSE   BSE Code	POLYCAB   542652
Sector	Cables & Wires
Industry	Manufacturing
Face value / Book Value (Rs per share)	10/ 327
Dividend yield (%)	0.41
52 H/L (Rs)	2648/1024
Market Cap. (Rs Cr)	36,844
No of Share Issued (Cr)	14.91
20 Day Avg Traded Volume	3,26,640

## KEY RATIOS

	Mar_18	Mar_19	Mar_20	Mar_21
P/E (x)	NA	NA	14.6	23.3
P/B (x)	NA	NA	2.9	4.4
EV/Sales	NA	NA	1.2	2.3
EV/EBITDA	NA	NA	8.9	15.7
ROCE	16.5	19.4	23.3	20.8
ROE	22.0	27.9	30.0	24.9

## EARNINGS SUMMARY

(In Rs Cr)	Mar_18	Mar_19	Mar_20	Mar_21
Net Sales	6770	7986	8830	8927
Sales Growth(%)	23%	18%	11%	1%
Operating Profit (Ex OI)	728.9	952.8	1135.0	1162.0
Operating Prof. Mar. (%)	11%	12%	13%	13%
PAT	358	500	759	882
PAT Margin (%)	5%	6%	9%	10%
EPS (Rs)	25.35	35.39	50.98	59.15

## QUARTER SUMMARY

(In Rs cr)	Q2FY22	Q2FY21	QoQ Var%	Q1FY22
Net Sales	3128.83	2113.68	66%	1880.52
Total Expenditure	2825.98	1801.21	62%	1741.17
PBIDT (Excl OI)	302.85	312.48	117%	139.34
PAT	197.93	220.55	168%	73.99
PBIDTM% (Excl OI)	9.68	14.78	+227 bps	7.41
PBIDTM%	10.52	16.33	+177 bps	8.75
PATM%	6.42	10.49	+230 bps	4.12
EPS (Annualized) (Rs)	53.04	59.22	168%	19.84

Source: Company, ACE Equity, Dealmoney Research

**DISCLAIMER**

For reports related support contact:

Research	+91-022-41842328
Institutional Dealing	+91-022-41842231/2278/2350
Centralised Dealing	+91-022-41842212/13/14/15/16/17

**Prepared by Research Associate****Mr. Harshad Gadekar**

Dealmoney Securities Private Limited (hereinafter referred to as "Dealmoney") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and MCX Stock Exchange Limited. Dealmoney is also registered as a Depository Participant with CDSL. Dealmoney is in the process of making an application with SEBI for registering it as a Research Entity in terms of SEBI (Research Analyst) Regulations, 2014. Dealmoney or its associates has not been debarred/suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market and no material disciplinary action has been taken by SEBI/other regulatory authorities impacting Dealmoney's Equity Research Analysis. Dealmoney or its associates/analyst including its relatives do not hold any actual/beneficial ownership of more than 1% in the company/ies covered by Analyst (hereinafter referred to as "Subject Company/ies"). Dealmoney or its associates/analyst including its relatives may hold financial interest in the company/ies covered by Analyst (hereinafter referred to as "Subject Company/ies"). Dealmoney or its associates/analysts or his/her relative does not receive any compensation or other benefits from the subject company/ies mentioned in this research report (hereinafter referred to as "Report") or from a third party in connection with preparation of the report. Accordingly, Dealmoney or its associates/analyst or his/her relative does not have any other material conflict of interest at the time of publication of the Report.

Research analyst/s engaged in preparation of the Report, has not received any compensation / managed or co-managed public offering of securities of the subject company/ies / has not received compensation for investment banking or merchant banking or brokerage services from the subject company/ies / has not received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company/ies / has not received compensation or other benefits from the subject company/ies or third party in connection with the Report of the subject company/ies during the past twelve months / has not served as an officer, director or employee of subject Company/ies and is not engaged in market making activity of the subject Company/ies.

Dealmoney group companies provides finance related product services like distribution of financial products and as such is a provider of many services like loans, mutual funds, tax & trust planning etc. mentioned in this brochure. And hence, Dealmoney do not warranty / guarantee about performance of any products and customer servicing w.r.t third party products per se.

Third party products are subject to code of conduct to be adhered to by the representatives of Dealmoney and Dealmoney is not responsible for the losses, whether actual or notional incurred by any investor. Services assured and expected may vary from actual service and Dealmoney does not guarantee about the quality of services. Investments in securities and commodities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the Investments/Schemes/product would be achieved. Past performances are only indicative and returns are not assured and guaranteed by Dealmoney group companies. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

Reports on technical and derivative analysis are based on studying charts of a stock's price movement, outstanding positions and trading volume as opposed to focussing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. The opinions expressed in the Report are our current opinions as of the date of this report and may be subject to change from time to time without notice. Dealmoney or any persons connected with it do not accept any liability arising from use of this material/document/Report.

Information/ opinion conveyed through this material/document/Report are strictly meant for the registered Clients of Dealmoney group of Companies of the respective segments. This information is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Dealmoney or its affiliates to any registration requirement within such jurisdiction or country. This information does not constitute an offer to sell or a solicitation of an offer to buy any financial products to any person in any jurisdiction where it is unlawful to make such an offer or solicitation. No part of this material may be duplicated in whole or in part in any form and / or redistributed without the prior written consent of Dealmoney. This material/document/Report is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on directly or indirectly.

Recipients of the Report shall always independently verify reliability and suitability of the Report and opinions before investing.

For Company details, please visit our website [www.dealmoneyonline.com](http://www.dealmoneyonline.com)

For research related query, write to us at [research@dealmoney.in](mailto:research@dealmoney.in)