



**IPO note: Polycab India Ltd. – Robust play on Wires and Cables + emerging Fast Moving Electrical Goods vertical –“SUBSCRIBE”**

Incorporated on January 10, 1996, Polycab India Limited (“Polycab”) 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, Polycab is the largest manufacturer in the Wires and Cables industry in India, in terms of revenue from the wires and cables segment. Polycab manufactures and sells a diverse range of wires and cables and their 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, they diversified into the Engineering, Procurement and Construction (“EPC”) business. In 2014, they diversified into the Fast Moving Electrical Goods (“FMEG”) segment and their key FMEG products are Electric Fans, LED Lighting and Luminaires, Switches and Switchgears, Solar Products and Conduits and Accessories.

For Fiscal 2018, they had a market share of approximately 18% of the organized wires and cables industry and approximately 12% of the total wires and cables industry in India, estimated at Rs.52,500 crore based on manufacturers realization (Source: CRISIL Research).

The company has 24 manufacturing facilities, including their 2 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. The Company’s Pan India Distribution Network comprises over 2,800 Authorized Dealers and Distributors and 30 Warehouses as at December 31, 2018. Polycab manages their sales and marketing activities through their Corporate Office, 3 Regional Offices and 20 Local Offices in various parts of India as at December 31, 2018.

The company strives to deliver customized and innovative products with speed and quality service. Examples of made-to-order products they have manufactured for their customers include low voltage cables with low smoke zero halogen properties and high tension (“HT”) cables with anti-rodent and anti-termite properties. Their production process is designed to ensure quality while delivering the ability to produce complex electrical products on short timeframes to meet their customers’ needs. Most of the manufacturing facilities are accredited with quality management system certificates for compliance with ISO 9001, ISO 14001 and OHSAS 18001 requirements. The central quality and test laboratory in Halol is accredited by NABL and the central test laboratory, also located in Halol, for all flexible wires and cables is approved by Underwriters Laboratories (“UL”). Certain of their products are also certified to be compliant with various national and international quality standards including Bureau of Indian Standards (“BIS”), British Approvals Service for Cables (“BASEC”), UL and international electrotechnical commission (“IEC”).

Polycab has one of the most extensive portfolio of wires and cables to cater to the needs of their institutional and retail customers in different industries (Source: CRISIL Research). Their products are either (i) made-to-stock, produced based on demand forecasts from customers and/or company sales team, or (ii) made-to-order, where they work closely with their customers to develop customized products that are in line with their needs. Company’s established customers include institutional clients such as L&T Construction and Konkan Railway Corporation Ltd. and other global leading brand companies. The Company exports to 40+ countries and intends to continue to focus on their existing international markets such as the United Kingdom, United States, European Union, United Arab Emirates and Australia.

<b>IPO note date</b>	<b>April 04, 2019</b>
<b>Issue date</b>	April 05 - 09, 2019
<b>Type of issue</b>	Fresh issue of equity shares aggregating upto Rs.400 crs. & Offer for sale of upto 17,582,000 Equity Shares.
<b>Issue structure</b>	QIB – 50% NIB – 35% Retail – 15%
<b>Price Band</b>	Rs. 533 – Rs. 538
<b>Face value</b>	Rs. 10
<b>Post Issue equity shares</b>	14.863 crores equity shares
<b>Post issue Market Cap</b>	Rs. 7,996 crores
<b>Pre/Post issue Promoter holding</b>	78.94%/68.66%
<b>Issue size</b>	Rs. 1,336.47 – 1345.26 crores
<b>Bid lot</b>	27 Equity shares and in multiple of 27 shares thereafter
<b>Topline - 9MFY19/FY18</b>	Rs. 5,507/Rs. 6,924 crores
<b>PAT - 9MFY19/FY18</b>	Rs. 357 crores/Rs. 373 crores
<b>Book Running Lead Managers</b>	Kotak, Axis Capital, Citigroup, Edelweiss, IIFL, Yes Securities
<b>Registrar to the issue</b>	Karvy Fintech Pvt. Ltd.

Y/e 31 Mar (Rs. crs)	FY18	FY17	FY16
<b>Total Income</b>	6,924	6,047	5,714
<b>EBITDA</b>	803	555	523
<b>EBITDA (%)</b>	11.74	9.96	10.01
<b>PAT</b>	371	233	185
<b>PAT (%)</b>	5.36	3.85	3.24
<b>Equity Share Capital</b>	141.2	141.2	141.2
<b>Networth</b>	2,350	1,994	1,783
<b>EPS (Rs.)</b>	26.23	16.48	13.09
<b>P/E (x)</b>	21	33	41
<b>P/BV (x)</b>	3.2	3.8	4.3
<b>RoE(%)</b>	15.76	11.67	10.37
<b>RoCE(%)</b>	21.25	14.98	15.99

Source: RHP

**Investment recommendation and rationale**

We believe increase in consumer spending, infrastructure growth, and industrial investments to drive electricals industry. At the upper end of the price band, Polycab IPO is valued at a P/E of 16x at 9MFY19 annualized EPS which is cheap as compared to listed peers like Havells, Bajaj Electricals and KEI Industries. With due consideration to factors like: a) well Positioned to capture Industry Potential across Wires and Cables and FMEG segments, b) huge market to be tapped, c) market leader in wires and cables in India, d) diverse suite of electrical products with varied applications across a diverse customer base, e) backward integration by manufacturing of essential raw materials in-house, f) strong distribution network (2,800+ Authorized Dealers and Distributors 100,000+ Retail Outlets), g) strong brand in the electrical industry, h) proven track record of financial performance (FY16 –18): Revenue CAGR: 14%, EBITDA CAGR: 24% and PAT CAGR: 42%, Leverage: 0.34x, decent ROE of 15.76%, we recommend “SUBSCRIBE” to the issue.



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## Objects of the issue

### Fresh issue

The gross proceeds of the Issue will be Rs. 400 crores and the Net Proceeds after meeting Issue expenses from the issue will be utilized towards the following objects:

Particulars	Rs. in crores
Scheduled repayment of all or a portion of certain borrowings availed by the Company	80
To fund incremental working capital requirements of the Company	240
General corporate purposes	-

### Offer for sale – Upto 17,582,000 equity shares

* Offer for sale by :	Shares upto:
Inder T. Jaisinghani – The Promoter	2,089,603 Equity Shares
Ajay T. Jaisinghani – The Promoter	2,071,965 Equity Shares
Ramesh T. Jaisinghani – The Promoter	2,071,963 Equity Shares
Girdhari T. Jaisinghani– The Promoter	2,079,313 Equity Shares
Bharat A. Jaisinghani – The Promoter Group	529,420 Equity Shares
Nikhil R Jaisinghani– The Promoter Group	529,420 Equity Shares
IFC – Public	7,060,292 Equity Shares
Anil H. Hariani - Public	513,030 Equity Shares
Ramakrishnan Ramamurthi - Public	636,994 Equity Shares

### Promoters and key management background

Each of their promoters has more than 4 decades of experience.

**Inder T. Jaisinghani** is the Promoter, Chairman and Managing Director of the company. He has been working with the company since its inception. He has worked in different areas of Sales, Marketing, Production and other support services and has played a major role in leadership of the company.

**Ajay T. Jaisinghani** is the Promoter and Whole-Time Director of the company. He has worked in different areas of Sales, Marketing, Production and other support services and has played a major role in leadership of the company.

**Ramesh T. Jaisinghani** is the Whole-Time Director of the company. He has been working with the company since its inception as a director. He has worked in different areas of Sales, Marketing, Production and other support services and has played a major role in leadership of the company.

**Shyam Lal Bajaj** is the Chief Financial Officer and Whole-Time Director of the company. Prior to joining the company, he served as the Director Finance at Vedanta Ltd (including at Sesasterlite Ltd now merged with Vedanta Limited). He has also served as the Chief Financial Officer of Hindustan Zinc Ltd, served as Chief Financial Officer and Vice President of Finance at Sterlite Technologies Ltd (formerly called 'Sterlite Optical Technologies Ltd') and Senior General Manager at Sterlite Industries (India) Ltd (now Vedanta Ltd).

**Radhey Shyam Sharma, Tilokchand Punamchand Ostwal, Pradeep N. Poddar and Hiroo Mirchandani** are the Independent Director of the company.

**Sai Subramaniam Narayana** is the Company Secretary of the company. He joined the company on December 8, 2010. He has significant work experience in the field of legal, secretarial and administration.

#### Senior Management Personnel

**Ramakrishnan Ramamurthi** is the Chief Executive of the company. He joined the company on March 12, 2012. He has significant work experience of 36 years in management and organizational leadership. Prior to joining the company he had worked for around 12 years in Bajaj Electricals Limited.

**Bharat A. Jaisinghani** is the Director - FMEG Business (non-board member) of the company since October 16, 2018. He has experience of working in different areas of sales, marketing, production and other support services and has played a key leadership role in the company.

**Nikhil R. Jaisinghani** is the Director - LDC Business (non-board member) of the company since October 16, 2018. He joined the company on January 1, 2012. He has worked in different areas of sales, marketing, production and other support services and has played a key leadership role in the company.

**Anil H. Hariani** is the Director - Commodities (non-board member) of the company since October 16, 2018. He has been working with the company since its inception. He has experience in Commodity Pricing, Forex, Purchase and Sales Support.



**Rakeshkumar Talati** is the Director (Non-Board Member), Division - Works (Projects, Administration and Investor Relations), since August 25, 2018. He has prior work experience in planning and designing of civil construction and interior designing work.

**Manoj Verma** is the Executive President and Chief Operating Officer (CE) of the company since October 16, 2018. He has significant work experience in sales, marketing and operations. Prior to joining the company, he has served as chief executive officer of Orient Paper and Industries Limited.

**Gandharv Tongia** is the Deputy Chief Financial Officer of the company. He joined the company on July 25, 2018. He has over 14 years of work experience in auditing and consulting.

### Backward integration

Polycab also has a strong focus on backward integration in their manufacturing process, where they seek to produce a substantial portion of their raw materials and source the remaining from third-party suppliers. In 2016, they entered into a 50:50 joint venture with Trafigura to set up the Ryker Plant that will, once fully operational, fulfil a substantial part of their demand for copper wire rods. Apart from the Ryker Plant, they also produce in their existing manufacturing facilities other key raw materials that they then use in the manufacturing of their wires and cables and FMEGs. These key raw materials include aluminium rods (for aluminium conductor), higher size of copper rods (for required size of copper conductors for manufacturing cables and wires), various grades of PVC, Rubber, XLPE compounds, GI wire and strip (for armouring). Producing their own raw materials reduces their reliance and risks of procuring raw materials from domestic and international markets by ensuring a consistent and reliable supply of quality raw materials. Such backward integration also helps them to maintain control of the supply chain, lower the costs of operations and sell the products at competitive prices.

### Competition mapping

Key Players in electrical products industry Players	Year of Commencement of business	Key product Segments	Distributors network*		Export market	No of plant locations
			No. of Distributor dealers	No. of Retail outlets		
Bajaj Electricals Ltd.	1938	ECD & EPC#	1,000	~1,60,000	Focus on Africa and ASEAN	2
Crompton Greaves Consumer Electricals Ltd.	1947	ECD & Power Solutions	3,000+	1,50,000+	20 countries with focus on Indian sub-continent, Middle east and Africa	8
Finolex Cables Ltd.	1945	Cables & ECD	3,500+	-	-	5
Gupta Power Infrastructure Ltd.	1961	Cables	-	5,000	NA	3
Havells India Ltd.	1983	Cables, ECD & Others	1,300	100,000+	Middle East, ASEAN, Africa	8
KEC International Ltd.	1945	Cables & EPC	-	-	100 countries -- focus on Saudi Arabia, SAARC, MENA	7
KEI Industries Ltd.	1968	Cables & EPC	~1,200	-	45 countries -- SAARC, Middle east & Africa	3
Orient Electric Ltd.	1936	ECD	4,000+	100,000	35+ countries: US, EU and Africa	5
Philips Lighting India Ltd.	1930	ECD	-	-	-	2
Polycab India Limited	1972	Cables, ECD and EPC	3,372	100,000+	Focus on European Union, UK, Africa	5
R R Kabel Ltd.	1999	Cables	-	-	-	2
Usha International Ltd	1934	ECD & Others	500	20,000	-	NA
V-Guard Industries Ltd.	1977	Cables, ECD & others	564	25,000-30,000	-	9

Source: RHP



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**Research report written by - Akash Jain, MBA (Financial Markets), Vice – President Research**



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### **For research related queries contact:**

Mr. Akash Jain – Vice President (Research) at [research@ajcon.net](mailto:research@ajcon.net), 022-67160431 (D)

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: [www.ajcononline.com](http://www.ajcononline.com)

### **Registered and Corporate office**

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062