



## ABOUT THE COMPANY



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.

For Fiscal 2018, they have 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 ₹525 billion based on manufacturers realization (Source: CRISIL Research).

They have an established supply chain comprising our network of authorized dealers, distributors and retailers. Their distribution network in India comprises over 3,300 authorized dealers and distributors and 29 warehouses as at March 31, 2018.

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 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-termites. The production process is designed such as to ensure quality while delivering the ability to produce complex electrical products on short timeframes to meet their customers' needs.

## Issue details

Price Band (in ₹ per share)	533-538
Fresh Issue (in ₹ Crore)	400.00
Offer for Sale (Shares in lakhs)	936.47-945.26
Total Issue Size (in ₹ Crore)	1336.47- 1345.26
Issue open date	05/04/2019
Issue close date	09/04/2019
Total number of shares (lakhs)	250.91-250.22
No. of shares for QIBs (50%) (lakhs)	124.58-124.24
No. of shares for NII (15%) (lakhs)	37.37-37.27
No. of shares for retail investors (35 %) (lakhs)	87.21-86.96
No. of shares for Employees (lakhs)	1.75
Minimum order quantity	27
Face value (in ₹)	10.00
Effective price band for Retail investors	533-538
Amount for retail investors (1 lot)	14391 - 14526
Maximum number of shares for Retail investors at lower Band	351(13 Lots)
Maximum number of shares for Retail investors at upper band	351(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	187083-188838
Exchanges to be listed on	BSE, NSE

## Promoters

- 1) Inder T.Jaisinghani
- 2) Ajay T .Jaisinghani
- 3) Ramesh T .Jaisinghani
- 4) Girdhari T .Jaisinghani

## Objects of the Offer

- Sale of up to 1,75,82,000 Equity shares by the Selling Shareholder in the Company
- 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 our Company (2) To fund incremental working capital requirements of the Company



## Brief Financials \*

Particulars (Rs. Crore)	9MFY19	FY18	FY17	FY16
Equity Share Capital	141.21	141.21	141.21	141.21
Net Worth	2716.20	2349.52	1993.76	1782.80
Revenue from operation	5506.70	6923.92	1993.76	1782.80
Profit before tax	546.16	576.52	361.32	265.42
Profit after tax	358.22	370.92	232.96	184.70
Basic EPS share (Rs)	25.31 <sup>^</sup>	26.23	16.48	13.09
NAV per Share (Rs)	192.36	166.39	141.19	126.25
P/E #	15.94	20.51	-	-
P/B #	2.80	3.23	-	-

\* Restated Consolidated (FV. Rs.10/-), ^ not annualized, # Calculated on upper price band (annualised)

## Industry Review

**Robust growth of Domestic cables and wires industry:** On the basis of the production data, CRISIL Research estimates the total domestic cables and wires industry to have grown by approximately 23% CAGR from 6.3 million kms to 14.5 million kms between fiscals 2014 and 2018. The domestic industry size consists of total production for domestic consumption and exports. The growth by volume was on account of factors such as the electrification of rural villages and households (Power for All); investments in transmission and distribution systems for modernization and increasing efficiencies; increased demand from renewable power generation, particularly solar and wind energy; infrastructure development initiatives taken by the Indian government such as Smart Cities Mission, and mass transit systems; and improved life-style and consumer spending.

**Shift towards Organized sector:** The shift from unorganized to organized is more significant in specific categories such as LV power cables and building wires. In categories like High Voltage ( “HV” ) and Extra High Voltage ( “EHV” ) power cables, where the manufacturing process is technology and capital intensive with strict regulation relating to the quality of products and an established relationship between B2B customers and incumbents, there are few unorganised players. At an overall level, the organised players accounted for an approximately 66% share of the cables and wires industry’s production in fiscal 2018. Going forward, CRISIL Research expects the share of organised players to increase to approximately 74% by fiscal 2023 on account of GST implementation, and improvement in efficiency and cost structure, thereby reducing the price gap between the organized and unorganised sectors and the economies of the pan-India distribution network.

**Huge potential to Indian switches, lighting and luminaire industry:** CRISIL Research expects the switches industry to grow to Rs 62 billion by fiscal 2023 at a CAGR of approximately 9%, driven by modular switches with higher realizations and Indian lighting and luminaire industry will experience approximately 7% CAGR, to reach an estimated market size of Rs 301 billion by fiscal 2023.



## Company Review

They manufacture and sell a diverse range of wires and cables and 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, which includes the design, engineering, supply, execution and commissioning of power distribution and rural electrification projects. In 2014, they diversified into the FMEG segment and key FMEG are electric fans, LED lighting and luminaires, switches and switchgears, solar products and conduits and accessories.

Company’s research and development ( “R&D” ) team, emphasis on upgrading the technology used in production process, customer-centric R&D efforts and R&D center located in Halol, assist sales and marketing team in understanding customers’ requirements. In addition, they have adopted automation systems in our manufacturing process such as the manufacturing execution system ( “MES” ), which is an automated sensor base system for recording the actual consumption of raw materials in production, as well as enterprise resource planning ( “ERP” ) systems. They have also adopted the Maynard Operation Sequence Technique ( “MOST” ) to drive productivity and optimize capacity utilization.

### **COMPETITIVE STRENGTHS:**

**Diverse product and customer base:** The Company manufactures and sells a diverse portfolio of wires and cables and FMEG, which also gives the opportunity to cross-sell products to diverse base of customers. Since incorporation as a business-to-business ( “B2B” ) manufacturer of wires and cables, they have diversified into the FMEG business and transformed company from a pure B2B company into a B2B and business-to-customer ( “B2C” ) company.

They 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” ).

They seek to continually improve in-house R&D capabilities to capitalize on industry trends including in particular, the move towards home automation and environmentally friendly products that consume less power. R&D efforts are critical to provide innovative product to customers to meet their changing needs and to differentiate products from competitors. They 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.

**Strong distribution network:** Distribution network across India enables to roll out new products more quickly, which gives them a competitive advantage over competitors. As of March 31, 2018, distribution network across India comprised 3,300 authorized dealers and distributors. They supply products directly to authorized dealers and distributors who in turn sell products to over 100,000 retail outlets in India.

Further, they supply portfolio of products to direct customers including EPC companies and government companies through direct sales. They manage sales and marketing activities through one corporate office, three regional offices and 20 local offices in India as at June 30, 2018. In Fiscal 2018 they also exported products, including wires and cables and certain FMEG products such as electric fans, to more than 40 countries. They have 29 warehouses located across 20 states and union territories in India. Warehouses are typically located in close proximity to authorized distributors, authorized dealers and direct customers to ensure timely supplies and faster deliveries and to avoid any unnecessary capital expenditure they may incur from setting up production facilities with sub-optimal capacities. The close proximity of warehouses to customers also enables them to mitigate the additional costs of transportation.

Further, they have implemented in two of warehouses in Halol an automatic storage and retrieval system ( “ASRS” ), which are computer-controlled warehouse management systems designed to automate the placing and retrieving of loads, thereby making order fulfillment and delivery more efficient and reducing costs of operation. They also plan to implement the ASRS in other warehouses.

## Risk Factors

**Operational Hazards:** Business requires individuals to work under potentially dangerous circumstances (such as being exposed to radiation) or with flammable materials. These hazards can cause personal injury and loss of life or destruction of property and equipment as well as environmental damage. They could also face claims and litigation filed on behalf of persons alleging injury predominantly due to occupational exposure to hazards at our facilities. If these claims and lawsuits, individually or in the aggregate, are resolved against them, our business, financial condition, results of operations and cash flows could be adversely affected.

**Concentration Risk:** The Company derives most of revenue from operations from the manufacture and supply of wires and cables. For Fiscals 2016, 2017 and 2018 and for the nine-month periods ended December 31, 2017 and December 31, 2018, wires and cables external sales accounted for 91.58%, 91.60%, 89.32%, 90.17% and 87.45%, respectively of total income. In the event of a decrease in demand for wires and cables in India or abroad due to changes in government policies, government initiatives, economic conditions, income levels and interest rates may affect the company business, results of operations, financial condition, cash flows and prospects.

**Significant competitive pressures in the business:** The industry and the products are facing rapid technological change. Moreover, the company is depending on huge distribution channel (distributors and dealers). Thus, any disruption in the end product or distribution channel by competitors may adversely affect the future prospects of the business and margins of the company.

## Peer Comparison

Name of the Company	Revenue (Rs Crores)	Face Value	Basic EPS	NAV	P/E ^	P/B^	RONW
POLYCAB INDIA	6984.14	10	26.23	166.39	20.51	3.23	15.76
HAVELLS INDIA	8386.91	1	10.57	59.65	72.9	12.92	17.76
BAJAJ ELECTRICALS	4769.58	2	8.23	91.78	66.74	5.98	8.93
CROMPTON GREAVES CONSUMER ELECTRICALS	4135.87	2	5.17	12.6	44.27	18.17	41.01
KEI INDUSTRIES	3512.42	2	18.54	77.17	22.55	5.42	23.94
V-GUARD INDUSTRIES	2346.3	1	3.16	17.61	70.22	12.6	17.91

\*Based on the Restated Consolidated Financial Statement for the year ended March 31, 2018, ^ At upper price band of IPO price and closing price as on 29 March, 2019.

## Our Views

Polycab India Limited is in fast growing wires and cables and FMEG Industry. The company is poised to witness higher growth amidst increasing urban needs, Industrial expansion and market share of organized companies.

The company enjoys a niche place among lead players in segment. We believe that the stock is fairly priced and available at attractive valuations in comparison to peers. As of 31st March, 2018, the company had an EPS of Rs 26.23 and trades at 20.51x P/E for FY18 earnings. One may subscribe to the IPO for listing gains as well as long term gains.

**Sources: (Company Website and Red Herring Prospectus)**



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