

Polycab India Ltd : Very Good Issue

IPO Note : The Largest Manufacturer in the wires and Cables Industry

Net Profit grew at a CAGR of 41.71%

: Ranking****



Issue details

Price band (Rs)	Rs.533-538
IPO Opening Date	05/04/19
IPO Closing Date	09/04/19
Issue Size	Rs. 1346 Cr.

Recommendation

Total revenue grew at a CAGR of 10.25% from Rs.5747.34 Cr for the FY16 to Rs.6986.13 Cr for the FY18. Net profit grew from Rs.184.70 Cr. for the FY16 to Rs.370.92 crore for the FY18. In the last three years net profit grew at a CAGR of 41.71% from FY16 to FY18. For the nine months of current fiscal it has reported net profit of Rs. 358.22 cr. on a turnover of Rs. 5561.05 cr. If we annualize this and attribute to the equity at Rs. 148.61 cr. post IPO then the asking price is at a P/E of 16.74 against industry composite of 43 plus. Among the listed peers Havels India, Bajaj Electricals, Crompton Greaves Consumer, KEI Industries and V-Guard that are currently trading at a P/Es of around 59, 30, 39.60, 19.4 and 70.9. Offer at a PE of 16.74 against the industry PE of 44, looks attractive. **Company has been reporting consistent growth in top and bottom line. Based on future prospects of the company, investors may consider investment for short to long term.**

Highlights

- Polycab 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.
- For Fiscal 2018, it has 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.
- NAV as on 31 December 2018 was Rs.192.36

Company Introduction

Polycab is engaged in the business of manufacturing and selling wires and cables and fast moving electrical goods ("FMEG") under the "POLYCAB" brand. It 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. For Fiscal 2018, it has 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.525 billion based on manufacturers realization. Apart from wires and cables, it manufacture and sell FMEG such as electric fans, LED lighting and luminaires, switches and switchgears, solar products and conduits and accessories.

Products

Polycab manufacture and sell a diverse range of wires and cables and our 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, it has 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, it diversified into the FMEG segment and



www.polycab.com

Financial Summary (Rs. In Crore)

Particulars	nine months ended Dec. 2018	FY2018	FY2017	FY2016
Total Income	5561.05	6986.13	6122.54	5747.34
Net Profit	358.22	370.92	232.95	184.7
EPS (Rs)	24.1	24.95	15.67	12.42

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

key FMEG are electric fans, LED lighting and luminaires, switches and switchgears, solar products and conduits and accessories. The company has 24 manufacturing facilities, including 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. The company expect the Ryker Plant to commence commercial operations by the end of Fiscal 2019, with an estimated annual capacity of 225,000 MT of copper wire rods once it is fully operational.

Company Promoters:

1. Inder T Jaisinghani 2. Ajay T Jaisinghani 3. Ramesh T Jaisinghani and 4. Girdhari T Jaisinghani

The object of the 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 our Company;
2. To fund incremental working capital requirements of the Company; and
3. General corporate purposes.

Issue Proceed

To part finance its repayments of all or a portion of certain borrowings, working capital and general corporate purposes, Polycab is coming out with a maiden IPO of combo offer with fresh equity issue worth Rs. 400 crore (approx 74.34 lakh shares at the upper price band) and offer for sale by existing stakeholders of 1.76 crore equity shares (worth approx. Rs.946 crore at the upper price band). Thus the aggregate size of the issue is around Rs.1346 crore. Minimum application is to be made for 27 shares and in multiples thereon, thereafter. Issue opens for subscription on 05.04.19 and will close on 09.04.19. Post allotment, shares will be listed on BSE and NSE. Post issue its current paid up equity capital of Rs. 141.20 cr. will stand enhanced to Rs.148.61 cr.

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