

**BUY**

TP: Rs 8,000 | ▲ 16%

**POLYCAB INDIA**

Consumer Durables

18 July 2025

## Growth sustains; margins expand on firm commodity cycle

- Q1 revenue grew 26% YoY, led by robust performance across segments; W&C /FMEG/ EPC revenue grew 31%/18%/-19% YoY respectively
- EBITDA margin surprises positively, expanding 210bps YoY on commodity tailwinds; FMEG sustains profitability
- We roll forward our TP to June'26 and ascribe 44x to June 27EPS to arrive at revised TP of Rs 8,000; maintain BUY

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**Robust performance; EBITDA margin surprises positively:** POLYCAB reported a strong Q1, with revenue/EBITDA beating our estimates by 5%/ 20% respectively (5%/15% above consensus). Revenue grew 26% YoY (-15% QoQ), led by 31% YoY growth in W&C (-13% QoQ). FMEG increased 18% YoY (-5% QoQ) while EPC declined 33% YoY and 42% QoQ. EBITDA margin expanded 210bps YoY (-20bps QoQ) to 14.5%, supported by operating leverage and improved profitability in FMEG and EPC. Adjusted PAT rose 50% YoY to Rs 5.9bn.

**Steady demand in domestic cables (+32% YoY); commodity tailwinds improve profitability:** The Wires & Cables (W&C) segment posted a strong 31% YoY revenue growth (down 13% QoQ), driven by robust cable sales (~73-74% of segment revenue); aided by higher infrastructure spending and improved execution. Domestic revenue rose 32% YoY, while exports grew 24% YoY. We estimate 25–26% volume growth, factoring in a 4–5% YoY rise in copper prices and selective price hikes. Segment margins expanded 190bps YoY, supported by commodity tailwinds, a richer cable mix, and lower branding expenses.

**2nd profitable quarter for FMEG after 10 straight quarters of loss:** FMEG segment revenue grew 18% YoY to Rs 4.5bn and reported a profit of Rs 95mn vs a loss of Rs 28mn. The growth was largely from solar products (grew 2x) and non-summer products such as lights, switchgears, switches and conduit pipes. This was the 2<sup>nd</sup> profitable quarter after 10 quarters of straight losses for the FMEG business, on the back of higher share of premium products in all categories. Meanwhile, EPC business revenue declined 19% YoY due to execution delays, though order inflows remained healthy with a large BharatNet project taking the combined order book for BharatNet projects stands at Rs 80bn.

**Revise estimates upward, maintain BUY:** We revise our earnings estimates upward by 15%/4% for FY26/FY27, to reflect sustained margin improvement seen in 1QFY26, and introduce FY28 to our forecasts. Rolling forward our valuation, we now base TP on June-27E EPS, assigning an unchanged multiple of 44x to arrive at a revised June-26 TP of Rs 8,000. We maintain BUY rating.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	POLYCAB IN/Rs 6,926
Market cap	US\$ 12.0bn
Free float	37%
3M ADV	US\$ 28.0mn
52wk high/low	Rs 7,605/Rs 4,555
Promoter/FPI/DII	63%/12%/8%

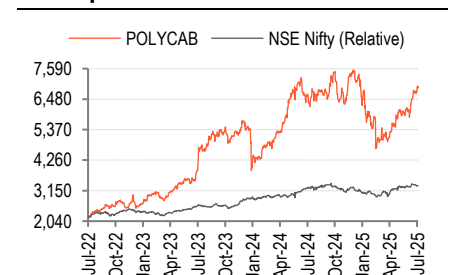
Source: NSE | Price as of 18 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	2,24,083	2,62,020	3,05,791
EBITDA (Rs mn)	29,603	34,892	39,256
Adj. net profit (Rs mn)	20,201	23,701	26,462
Adj. EPS (Rs)	134.6	157.9	176.3
Consensus EPS (Rs)	128.0	160.0	190.0
Adj. ROAE (%)	22.4	22.3	21.6
Adj. P/E (x)	51.5	43.9	39.3
EV/EBITDA (x)	35.0	29.7	26.4
Adj. EPS growth (%)	13.2	17.3	11.7

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly Performance**

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Variance (%)
Revenue	59,060	46,980	26	69,858	(15)	56,068	5
EBITDA	8,576	5,834	47	10,254	(16)	7,147	20
EBITDA Margin (%)	14.5	12.4	210bps	14.7	(20)	12.7	177bps
Depreciation	857	671		804		934	(8)
Interest	513	413		325		400	28
Other Income	799	584		481		490	63
PBT	8,006	5,334	50	9,606	(17)	6,303	27
Tax	2,009	1,317		2,262		1,557	29
Adjusted PAT	5,921	3,960	50	7,267	(19)	4,746	25
Exceptional item	-	-		-		-	
Reported PAT	5,921	3,960	50	7,267	(19)	4,746	25
Adj. PAT Margin (%)	10.0	8.4	160bps	10.4	(40)	8.5	156bps
EPS (Rs)	39.8	26.8	48	48.8	(18)	31.72	25.60

Source: Company, BOBCAPS Research

**Fig 2 – Segmental Performance**

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Segment revenue					
Wires & Cables	52,286	39,956	31	60,191	(13)
FMEG	4,542	3,855	18	4,760	(5)
Others / EPC	3474	4279	(19)	6028	(42)
EBIT					
Wires & Cables	7,683	5,109	50	9,090	(15)
EBIT margin (%)	14.7	12.8	190bps	15.1	(40bps)
FMEG	95	(28)	NA	19	398.6
EBIT margin (%)	2.1	(0.7)	NA	0	170bps
Others / EPC	268	388	(31)	564	(53)
EBIT margin (%)	7.7	9.1	(140bps)	9	(170bps)

Source: Company, BOBCAPS Research

## Earning Call Highlights

### Wires & Cables

- Cables accounted approximately 73–74% of W&C revenues during the quarter and continued to outpace wires on a YoY basis. Sequentially, growth was supported by both institutional and distribution channels. Regionally, the South drove the highest growth, followed by North, East, and West; reflecting sustained demand across geographies.
- Exports rose 24% YoY, albeit on a low base, contributing 5.2% to consolidated revenues. Management remained optimistic on international traction despite global uncertainties.
- Management highlighted that the steady copper prices helped improve margins. Pricing linked to LME was managed well through hedging strategies (especially for distribution sales ~ 90% of the business), enabling sustainable margins.
- Organised domestic W&C market share stood at 26–27% in FY25, with ~30% in cables and early 20s in wires. Market share gains were driven by scale, distribution, product depth (SKUs), and continued shift from unorganised to organised players.
- Management reiterated its long-term W&C EBITDA margin guidance of 11–13%. Mix of wires/export-heavy quarters and continued scale benefits are expected to aid margins over the longer horizon.
- Management clarified that the temporary decline in US renewable investments is not expected to materially affect Polycab's cable exports, as the company primarily serves the low and medium voltage segment—distinct from global majors like Prysmian and Nexans that focus on high-voltage (EHV) cables. Further, structural opportunities in data centre investments (AI-driven) and aging power infrastructure upgrades in the US and Europe are expected to sustain cable demand across global markets.

### FMEG business

- In fans, premium models contributed ~25% of segment sales; e-commerce now accounts for mid-teens share of revenue. The growth was supported by deeper digital penetration.
- In lighting, premium products contribute over 35% of segment revenue, which led to an improvement in the gross margin.
- Switches & switchgears continued to benefit from real estate demand; premium switch line 'Levana' now ~20% of switch sales. Focus stays on the increasing share of RCCBs and multi-MCBs.
- The solar product category delivered 2x YoY growth, becoming the largest FMEG segment in Q1. Demand was led by government rooftop solar schemes across key states (e.g., Maharashtra, Gujarat, MP, TN).

- Management highlighted that the in-house manufacturing remains the dominant model across FMEG categories, except for solar inverters, which continue to be outsourced.
- Under Project Spring, management targets FMEG growth of 1.5–2x industry rate (industry at 8–10%) and aims for EBITDA margins of 8–10% by FY30.

### **EPC segment**

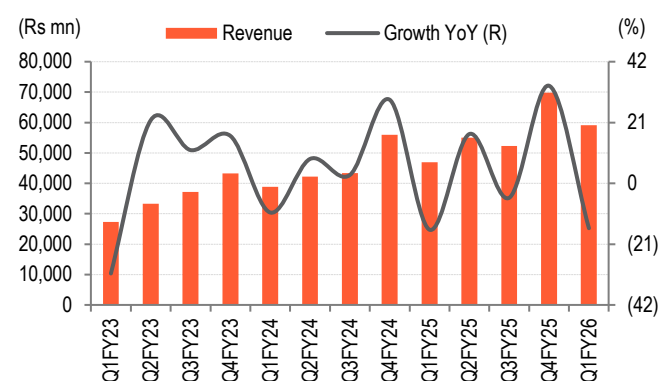
- EPC is expected to contribute 5–10% of revenues, with BharatNet execution starting in H2FY26. The company has secured two orders under Phase 3 of the BharatNet project, with more tenders expected in the future.
- Management indicated that the Revamped Distribution Sector Scheme (RDSS) order book stands at Rs 38–40bn, forming a key component of the overall EPC backlog. Both RDSS and BharatNet projects are scheduled for execution over the next 3–4 years; management noted that revenue recognition may vary across quarters depending on the execution phase.
- Management expects EBITDA margins in the 12–14% range, supported by favourable payment terms, including a 10% upfront payment, which helps maintain a disciplined working capital cycle. Competitive intensity in tendering remains high, though the company continues to assess participation in the upcoming bids.

### **Ad spend / R&D expenditure**

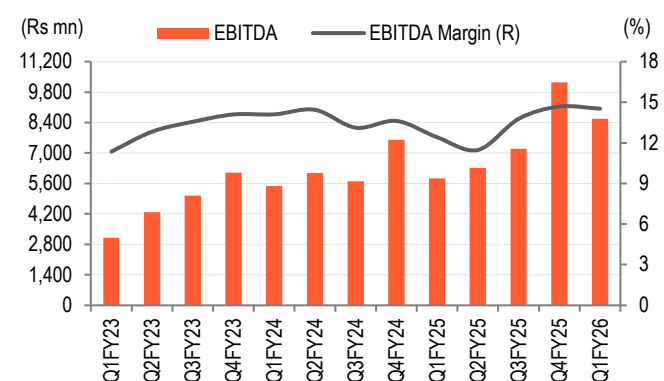
- Ad spend was subdued in Q1, impacted by limited promotional activity in fans due to the early monsoon. Management expects the spending to normalise to the guided 3–5% of B2C revenue during the festive season.

### **Working capital/ capacity expansion**

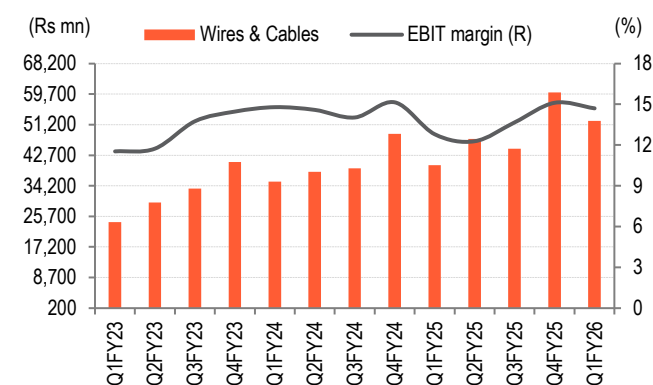
- Working capital cycle stood at 43 days in Q1FY26, aided by a temporary increase in payables. Management expects this to revert to the long-term average of 50–55 days over the coming quarters as the payable cycle normalises.
- Capex in Q1FY26 stood at Rs 4.1bn, broadly in line with Project Spring guidance of annual investments of Rs 12–16bn until FY30. Management reaffirmed full-year capex guidance of Rs 60–80bn over FY26–30, with the bulk allocated to the Wires & Cables (W&C) segment and a smaller share towards backward integration and selective investments in the FMEG business.

**Fig 3 – Revenue grew 26% YoY, led by domestic business**

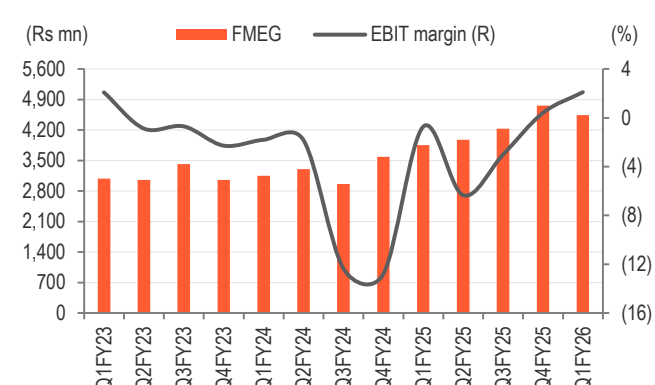
Source: Company, BOBCAPS Research

**Fig 4 – Product mix + operating leverage**

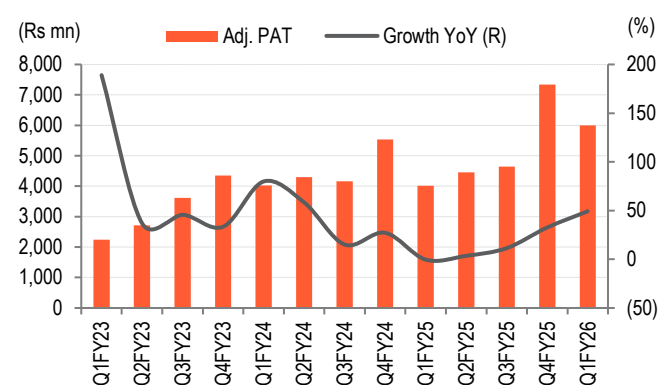
Source: Company, BOBCAPS Research

**Fig 5 – Margin widens in W&C (+190bps YoY)**

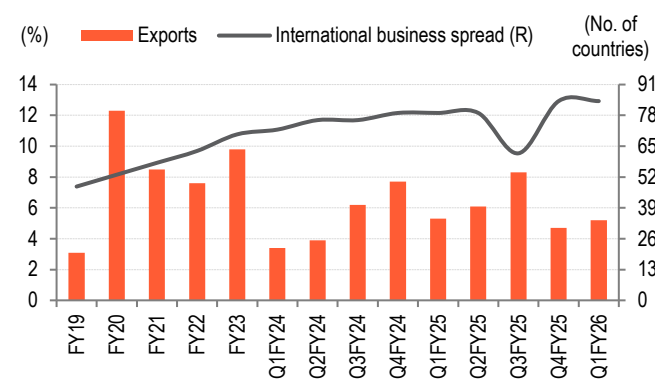
Source: Company, BOBCAPS Research

**Fig 6 – FMEG margin at 2.1% vs. -0.7% YoY**

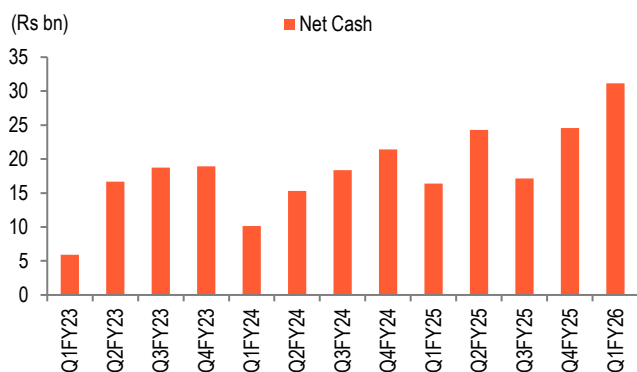
Source: Company, BOBCAPS Research

**Fig 7 – PAT growth**

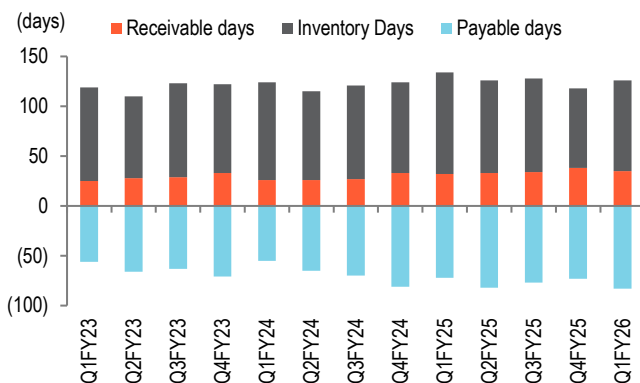
Source: Company, BOBCAPS Research

**Fig 8 – Export trend**

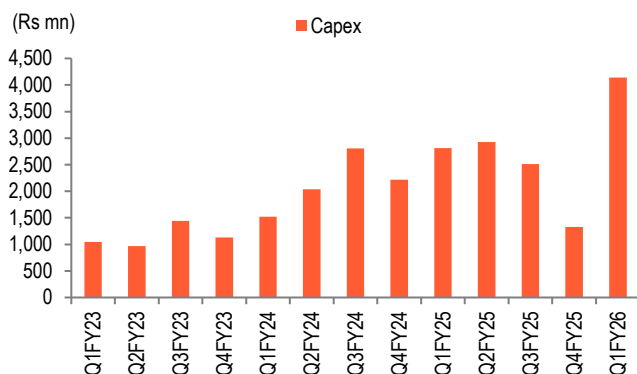
Source: Company, BOBCAPS Research

**Fig 9 – Net cash position improves in 1Q to Rs 31bn**

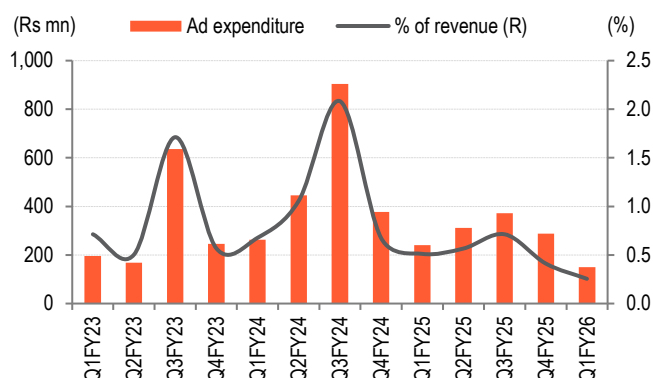
Source: Company, BOBCAPS Research

**Fig 10 – Higher payables led to lower WCD**

Source: Company, BOBCAPS Research

**Fig 11 – High capex spends during 1Q26, largely in W&C**

Source: Company, BOBCAPS Research

**Fig 12 – Muted summer led to lower ad spends**

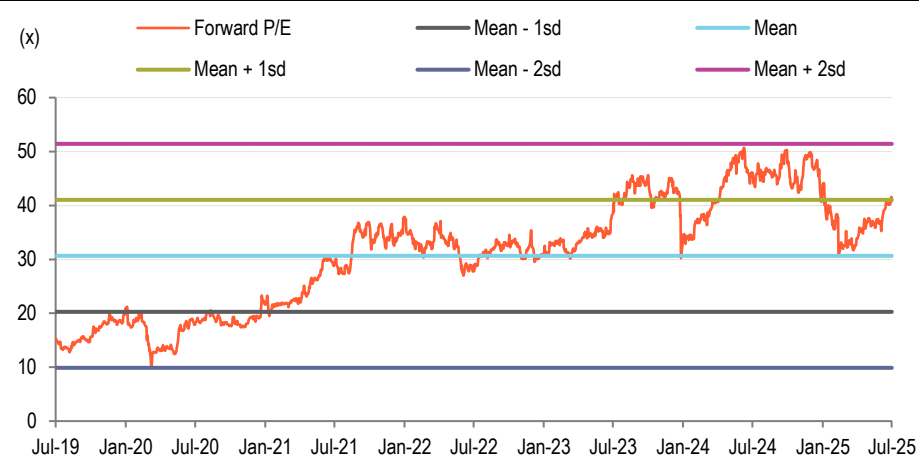
Source: Company, BOBCAPS Research

## Valuation Methodology

We revise our earnings estimates upward by 15%/4% for FY26/FY27, to reflect sustained margin improvement in 1QFY26 (+190bps YoY) and introduce FY28 to our forecasts. We estimate revenue/EBITDA/PAT to grow at a CAGR of 16%/14%/13% over FY25–28E, led by a 16% CAGR in the W&C segment. This assumes increasing competition and volatility in copper prices, with potential market share risk from new entrants. Polycab's W&C market share remains strong at 26–27%. On profitability, management guides for 11–13% EBITDA margins; we factor in the higher end, assuming any decline, if at all, will be gradual beyond FY28.

At the current market price, the stock trades at 38x June'27E EPS. We roll forward our valuation to June'26, assigning an unchanged multiple of 44x June'27E EPS, to arrive at a revised TP of Rs 8,000. We maintain BUY, supported by Polycab's dominant market position, improving profitability in the FMEG segment, reinvestment-led growth funded by internal accruals, strong free cash flow generation, and a healthy dividend payout (30%).

**Fig 13 – Polycab 1YF PE band chart**



Source: Company, BOBCAPS Research

**Fig 14 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,62,020	3,05,791	3,50,922	2,61,961	3,08,522	NA	0.0	(1.0)	NA
EBITDA	34,982	39,526	43,696	30,781	37,919	NA	13.0	4.0	NA
EBITDA margin (%)	13.3	12.8	12.5	11.8	12.3	NA	157bps	55bps	NA
PAT	23,701	26,462	29,259	20,691	25,548	NA	15.0	4.0	NA

Source: BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>1,80,394</b>	<b>2,24,083</b>	<b>2,62,020</b>	<b>3,05,791</b>	<b>3,50,922</b>
EBITDA	24,918	29,603	34,892	39,256	43,696
Depreciation	2,451	2,981	3,483	4,228	5,005
EBIT	22,468	26,622	31,409	35,028	38,690
Net interest inc./(exp.)	(1,083)	(1,689)	(2,027)	(2,078)	(2,130)
Other inc./(exp.)	2,209	2,076	2,492	2,591	2,695
Exceptional items	0	0	0	0	0
EBT	23,593	27,009	31,874	35,541	39,255
Income taxes	5,564	6,553	7,873	8,779	9,696
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>17,840</b>	<b>20,201</b>	<b>23,701</b>	<b>26,462</b>	<b>29,259</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>17,840</b>	<b>20,201</b>	<b>23,701</b>	<b>26,462</b>	<b>29,259</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	28,633	27,358	39,483	46,078	52,879
Other current liabilities	6,474	7,073	8,271	9,652	11,077
Provisions	0	0	0	0	0
Debt funds	898	1,090	953	1,034	1,119
Other liabilities	2,913	3,957	4,083	4,682	4,682
Equity capital	1,502	1,504	1,504	1,504	1,504
Reserves & surplus	80,369	96,746	1,12,491	1,29,573	1,49,451
Shareholders' fund	81,871	98,250	1,13,996	1,31,077	1,50,955
<b>Total liab. and equities</b>	<b>1,20,789</b>	<b>1,37,727</b>	<b>1,66,785</b>	<b>1,92,523</b>	<b>2,20,712</b>
Cash and cash eq.	4,024	7,706	12,072	14,830	21,343
Accounts receivables	20,471	25,963	30,868	36,025	41,342
Inventories	36,751	36,613	53,840	62,834	72,107
Other current assets	7,670	5,418	6,335	7,393	8,484
Investments	18,224	17,490	17,490	17,490	17,490
Net fixed assets	21,678	27,913	34,529	41,507	47,501
CWIP	5,784	7,081	2,000	3,000	3,000
Intangible assets	206	98	206	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	5,981	9,444	9,444	9,444	9,444
<b>Total assets</b>	<b>1,20,789</b>	<b>1,37,727</b>	<b>1,66,785</b>	<b>1,92,523</b>	<b>2,20,712</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>12,963</b>	<b>18,086</b>	<b>17,456</b>	<b>23,459</b>	<b>26,808</b>
Capital expenditures	(8,580)	(9,583)	(10,206)	(11,000)	(11,000)
Change in investments	(3,839)	1,956	0	0	0
Other investing cash flows	4,900	(4,766)	5,208	(401)	0
<b>Cash flow from investing</b>	<b>(7,519)</b>	<b>(12,393)</b>	<b>(4,998)</b>	<b>(11,401)</b>	<b>(11,000)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(1,071)	(1,845)	(136)	81	85
Interest expenses	0	0	0	0	0
Dividends paid	(2,803)	(4,438)	(7,955)	(9,381)	(9,381)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(3,874)</b>	<b>(6,283)</b>	<b>(8,092)</b>	<b>(9,300)</b>	<b>(9,296)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>1,570</b>	<b>(590)</b>	<b>4,366</b>	<b>2,758</b>	<b>6,512</b>
<b>Closing cash &amp; cash eq.</b>	<b>4,024</b>	<b>7,706</b>	<b>12,072</b>	<b>14,830</b>	<b>21,343</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	118.9	134.6	157.9	176.3	194.9
Adjusted EPS	118.9	134.6	157.9	176.3	194.9
Dividend per share	30.0	35.0	53.0	62.5	62.5
Book value per share	545.4	654.6	759.5	873.3	1,005.7

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.7	4.6	4.0	3.4	3.0
EV/EBITDA	41.6	35.0	29.7	26.4	23.7
Adjusted P/E	58.3	51.5	43.9	39.3	35.5
P/BV	12.7	10.6	9.1	7.9	6.9

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.6	74.8	74.4	74.5	74.5
Interest burden (PBT/EBIT)	105.0	101.5	101.5	101.5	101.5
EBIT margin (EBIT/Revenue)	12.5	11.9	12.0	11.5	11.0
Asset turnover (Rev./Avg TA)	8.3	8.0	7.6	7.4	7.4
Leverage (Avg TA/Avg Equity)	0.3	0.3	0.3	0.3	0.3
<b>Adjusted ROAE</b>	<b>24.1</b>	<b>22.4</b>	<b>22.3</b>	<b>21.6</b>	<b>20.7</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	27.9	24.2	16.9	16.7	14.8
EBITDA	34.5	18.8	17.9	12.5	11.3
Adjusted EPS	40.5	13.2	17.3	11.7	10.6
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	13.8	13.2	13.3	12.8	12.5
EBIT margin	12.5	11.9	12.0	11.5	11.0
Adjusted profit margin	9.9	9.0	9.0	8.7	8.3
Adjusted ROAE	24.1	22.4	22.3	21.6	20.7
ROCE	26.6	25.0	24.2	22.5	21.6

### Working capital days (days)

Receivables	41	42	43	43	43
Inventory	74	60	75	75	75
Payables	58	45	55	55	55

### Ratios (x)

Gross asset turnover	5.4	5.6	5.3	5.1	4.9
Current ratio	2.4	2.7	2.5	2.4	2.5
Net interest coverage ratio	20.7	15.8	15.5	16.9	18.2
<b>Adjusted debt/equity</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets



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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

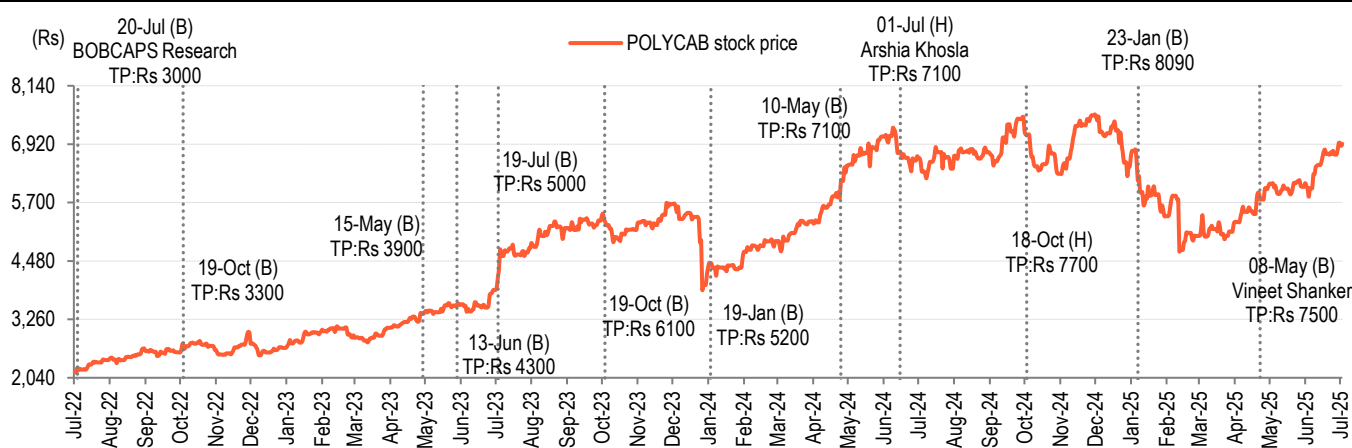
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): POLYCAB INDIA (POLYCAB IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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