

Issue Details

| | |
|--------------|---|
| Op. Date | 5 th Apr – 2019 |
| Closing Date | 9 th Apr – 2019 |
| Issue Price | Rs.533 – Rs.538 |
| FV | Rs.10 per eq. share |
| Listing at | NSE & BSE |
| BRLMs | Axis Capital, Citi, Edelweiss, IIFL Holding, Kotak Mahindra and Yes Securities. |

Minimum Retail Application Details at cut of price

| | |
|-------------------------|-----------|
| Number of Shares | 27 shares |
| Issue Size (Rs. in Crs) | 1346 Crs |
| Discount to Retails | NIL |

| Shareholding Pattern | Pre offer | Post Offer |
|----------------------|-----------|------------|
| Promoter | 78.94% | 75% |
| others | 21.06 | 25% |

Objective of the Issue

Scheduled repayment of all or a portion of certain borrowings availed by the Company.

To fund incremental working capital requirements of the Company

| Issue Size | Allocations | Eq. Share |
|------------|-------------|-----------|
| QIB | 50% | 776 Crs |
| HNI | 15% | 233 Crs |
| RIL | 35% | 543 Crs |

| Valuations | Lower Band | Higher Band |
|------------|------------|-------------|
| MCAP | 1333 Crs | 1345 Crs |
| EPS | 26.33 | 26.33 |
| BV | 192 | 192 |
| P/BV | 2.76 | 2.8 |
| p/e | 20.24 | 20.43 |

Research Analyst

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Polycab India Ltd. - Subscribe

Company Background

Polycab India Ltd. (PIL) 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, PIL is the largest manufacturer in the wires and cables industry in India, in terms of revenues from the wires and cable segment and provides one of the most extensive ranges of wires and cables in India. For FY18, PIL 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. PIL has 24 manufacturing units, including two joint ventures with Techna Electromech Pvt. Ltd. and Trifigura Pte Ltd. located across the states of Gujarat, Maharashtra and Uttarakhand and the union territory of Daman and Diu..

Investment Rationale

- Market leader in wires and cables in India.
- Diverse suite of electrical products with varied applications across a diverse customer base.
- Strong distribution network.

Outlook & Valuation

PIL is engaged in FMEG segment which is set for bright prospects ahead under 'Power for all' and LED lighting arena is in advance mode. PIL has a diverse suite of electrical products with varied applications across a diverse customer base. The company enjoys a niche place among lead players in the wire and cable segment. It enjoys a proven track record of outperforming its peers. PIL as on March 31, 2018 has its distribution network across India of 3,372 authorized dealers and distributors. The issue is reasonably priced at 20x FY18 PE hence we recommend SUBSCRIBE to the issue.

| Particulars | FY16 | FY17 | FY18 | 9MFY19 |
|--------------|-------|-------|--------|--------|
| Total Income | 5747 | 6123 | 6986 | 5561 |
| EBITDA | 523 | 555 | 803 | 748 |
| PAT | 184 | 232 | 371 | 358 |
| EPS | 13.09 | 16.48 | 26.23 | 25.31 |
| EBITDA M | 9.10% | 9.06% | 11.49% | 13.45% |
| PAT M | 3.20% | 3.79% | 5.31% | 6.44% |

Source: RHP

Amt in Crs

PIL 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 Fiscal 2018.

PIL has one of the most extensive portfolios of wires and cables to cater to the needs of its institutional and retail customers in different industries.

PIL transformed its company from a pure B2B company into a B2C.

PIL after venturing into FMEG segment, as per Ind AS 108, increased its revenue at a CAGR of 57.95% from Fiscals 2016 to 2018.

They supply their products directly to their authorized dealers and distributors who in turn sell their products to over 100,000 retail outlets in India

Investment Rationale

1. Market leader in wires and cables in India

PIL is the largest wires and cables manufacturer in India, in terms of segment revenues, with a market share of approximately 18% of the organized wires and cables industry and approximately 12% of the total wires and cables industry in Fiscal 2018. Having grown at a CAGR of 14.2% from Fiscals 2014 to 2018 in terms of operating revenues, PIL is one of the faster growing manufacturers in the organized wires and cables industry during the period from Fiscals 2014 to 2018. PIL has one of the most extensive portfolio of wires and cables to cater to the needs of its institutional and retail customers in different industries. PIL is a trusted supplier of wires and cables for a diverse base of customers as they have, among others, robust manufacturing facilities and strong R&D capabilities, enabling them to produce quality and reliable products, provide quality after sales services and maintain a reputable brand name and successful track record in the industries of their customers.

2. Diverse suite of electrical products with varied applications across a diverse customer base.

PIL manufactures and sell a diverse portfolio of wires and cables and FMEG, which also gives them the opportunity to cross-sell, their products to their diverse base of customers. Since their incorporation as a business-to-business (“B2B”) manufacturer of wires and cables, they have diversified into the FMEG business and transformed their company from a pure B2B company into a B2C and business-to-customer (“B2C”) company. According to CRISIL Research, PIL has one of the most diversified product portfolios as compared to their competitors. Their FMEG external sales, as per their segment reporting under Ind AS 108, increased its revenue at a CAGR of 57.95% from Fiscals 2016 to 2018.

3. Strong distribution network.

PIL’s distribution network across India also enables them to roll out new products more quickly, which gives them a competitive advantage over our competitors. As at March 31, 2018, their distribution network across India comprised 3,372 authorized dealers and distributors. They supply their products directly to their authorized dealers and distributors who in turn sell their products to over 100,000 retail outlets in India. Further, they supply their portfolio of products to their direct customers including EPC companies and government companies through direct sales. PIL manages its 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 PIL also exported their products, including wires and cables and certain FMEG products such as electric fans, to more than 40 countries.

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The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

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