

## Business model

# Leveraging our strengths to create sustainable value

## Inputs

### Financial capital

Financial resources that the Company already has or obtains through financing

- Equity: ₹1,495 million
- Retained earnings: ₹53,943 million
- Net worth: ₹55,438 million
- Capital expenditure: ₹5,200 million

### Manufactured capital

Tangible assets used by the Company to conduct its business initiatives

- No. of manufacturing units: 23
- Warehouses and depots: 28
- No. of offices: 16

### Intellectual capital

Intangible, knowledge-based assets

- Total R&D expenditure: ₹223 million
- Total registered IPRs: 144

### Human capital

Employee knowledge, skills, experience and motivation

- People employed on roll: 4,431
- People employed on contract: 7,337
- Total training hours: 40,000+
- % of employees trained in safety: 55%

### Social and relationship capital

Ability to share, relate and collaborate with stakeholders, promoting community development and wellbeing

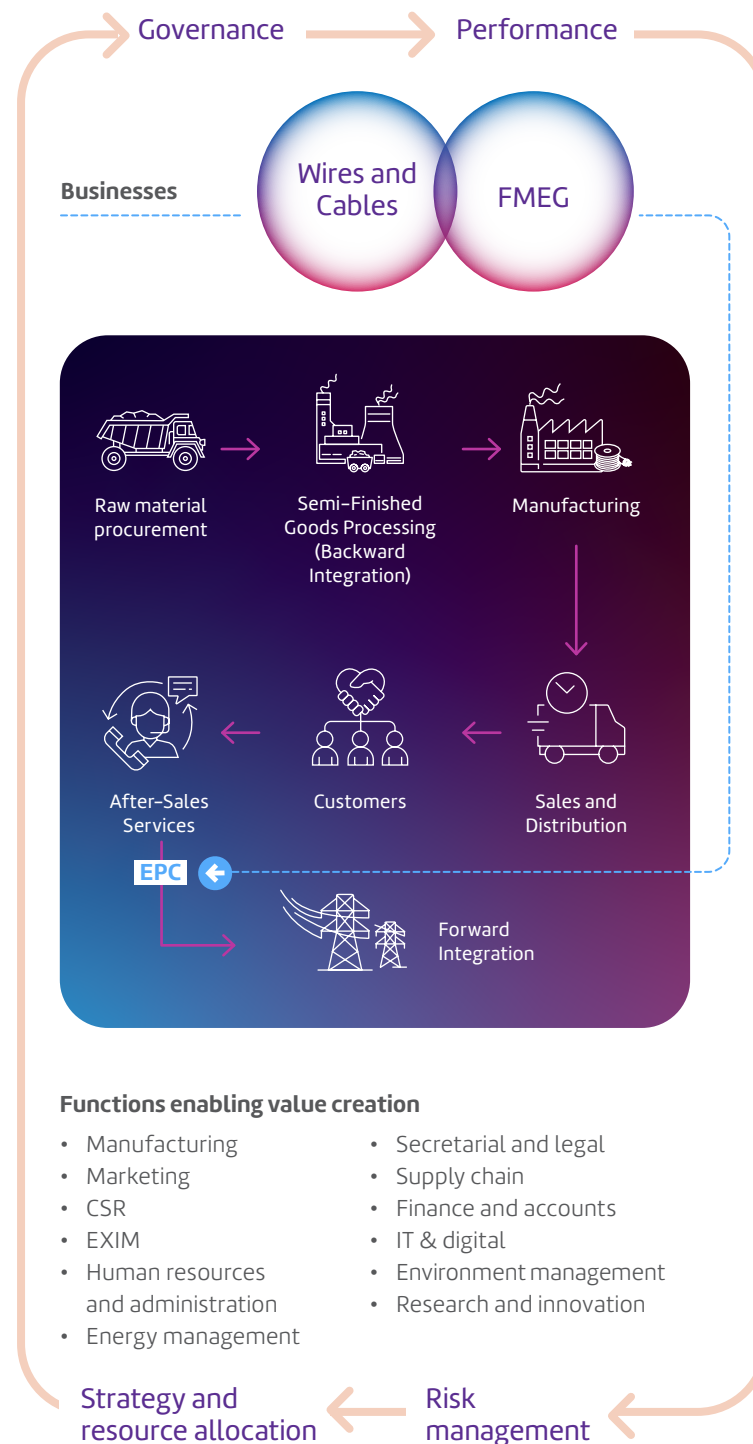
- Retail outlets connected: 2,05,000+
- Registered dealers: 4,600+
- CSR expenditure: ₹192 million

### Natural capital

Natural resources impacted by the Company's activities

- Renewable energy installed: 14.20 MW (including wind and solar)
- Environment expenditure: ₹136 million
- Water recycled/reused: 67+ million litres
- Total electricity consumption: 155.94 million KWH

## Processes



We operate in a competitive, highly regulated industry across multiple geographies. To thrive in this environment, we operate an integrated business model that is focused on creating value at every point and for every stakeholder.

## Value Generated

### For providers of financial capital

We deliver consistent, profitable and responsible growth

### For customers

Value to customers by providing high-quality and sustainable products

### For our people

We strive to provide equal opportunities to all our employees, ensure capacity building, training, and a safe work environment.

### For suppliers

We ensure an optimum supply chain with competent suppliers for seamless operations. We also engage and collaborate with our suppliers closely for knowledge enhancement, process improvements and product applications

### For communities around us

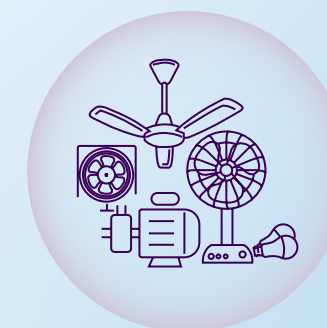
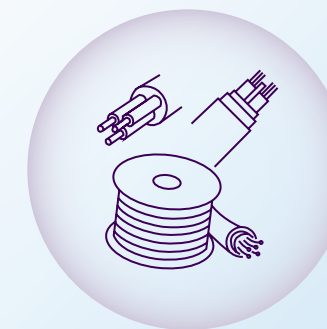
We contribute towards improving the living conditions of communities around us through our CSR activities and at the same time ensure that our production processes do not have any adverse impact on the environment around us

## Outputs

### Wires and cables

No. of SKUs: 11,000+

Sales: ₹1,06,953 million



### FMEG

No. of SKUs: 6,000+

Sales: ₹12,544 million

## Outcomes

### Financial capital

- Revenue: ₹1,22,038 million
- EBITDA: ₹12,626 million
- Profit After Tax: ₹9,173 million
- EPS: ₹60.9
- Return on Capital Employed (RoCE): 20.4%
- Proposed dividend for FY22: 140% per share

### Manufactured capital

- Range of wires and cables: 0.20 KV to 220 KV
- Range of FMEG products: 10+ categories
- Sales from products manufactured in India: 100%

### Intellectual capital

- No. of IPRs granted: 144

### Human capital

- New joinees during the year: 565
- LTIFR: 0.15
- Fatality: Zero

### Social and Relationship capital

- Villages getting benefitted by medical services rendered by mobile medical units: 41
- Customer satisfaction score: 100%

### Natural capital

- Reduction in CO<sub>2</sub> emissions: 15,000+ tonnes
- Water recycled: 67+ million litres
- Electricity from renewable sources: 17%



## Operating context

# Broad trends shaping our business

Emerging economies such as India are pushing for a renewable energy ecosystem, building up smart infrastructure and modernising their communications facilities, leading to a massive build up in demand for quality wires and cables.

Meanwhile, the sectors that we serve, such as construction, consumer goods, utilities and telecommunications are being disrupted by Industry 4.0 technologies. As a major player in the wire & cables and FMEG industry, we are assessing the situation and devising our growth strategies accordingly.



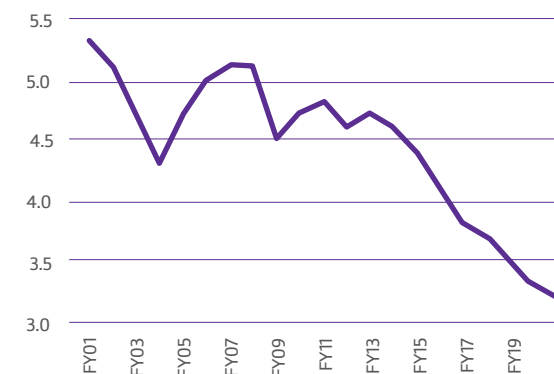
## Consumption trends

### India is rapidly urbanising

India lags significantly behind in terms of the share of urban population when compared with countries such as Japan, Brazil, the US, Russia, Indonesia and China, among others. However, prevailing trends and future projections indicate that in the next 15 years (i.e., by 2036), about 38.6% of Indians (600 million) will live in urban areas (Source: National Commission on Population). This is driving the need to strengthen urban infrastructure, including housing infrastructure, and thus generating greater demand for cables and wires.

### Housing affordability has improved making home ownership attractive

(unit)



Note: Housing affordability = Property value/annual income

Housing affordability in India has improved on the back of stable house prices for the past four to five years.

Source: HDFC Limited

### Increased participation of women in the workforce

The proportion of women in the workforce has been rising, especially in urban areas. This translates into increasing consumer demand and enhances the demand for more housing and associated needs.



### Favourable demographics

Favourable demographic indicators such as a young working population, increase in disposable incomes, rising aspirations and changing lifestyle, nuclear families etc. are increasing demand for consumer durables and electronic goods.

### Shift in customer preferences

Given the growing awareness around environment protection and sustainability, consumers want products that reduce emissions of hazardous gases and increase the use of natural and recycled/recyclable products.

### Our response

- R&D capabilities allowing for rapid product innovation
- Focus on high-quality premium range to fulfil ambitions of young India
- Higher marketing expenditure to strengthen brand value
- Expansion of Polycab Galleria (knowledge/experience centres) to boost demand and awareness amongst various influencers
- Built presence in emerging India (semi-urban and rural) and alternate channels



## Operating context



### Infrastructure push

As India gradually reboots its economy, increasing demand for cables and wires will be generated from the infrastructure sector, which will see frenetic activity as new roads, airports, irrigation projects etc. take off. Infrastructure has received a big boost from the Government of India. The Union Budget 2022-23 increased capex for investments in various projects such as the National Infrastructure Pipeline, Bharatnet, Bharatmala, dedicated rail freight corridors, smart cities, airports, Metro Rail and industrial corridors. These projects are expected to create demand for electrical goods such as cables, switchgears and lighting. Demand is also likely to generate from the government's emphasis on electrification through schemes such as Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and 24x7 Power for All.



#### Our response

- Robust strategies in place to meet growing demand from the industry developments
- Partnering distinguished customers to participate in large-scale projects
- In-house manufacturing with backward integration to retain quality focus
- Pan-India market reach and accelerated efforts to make the brand more accessible
- Heavy Duty and Light Duty Cables verticals integration to unlock latent value



### Focus on digitalisation

Digital technologies have emerged as a key growth enabler, providing increased convenience and transparency. Further, growing internet penetration, proliferation of smart devices mobile and the government's 'Digital India' initiative are driving innovation in the cables and wires space as well. The Indian government has launched programmes such as Bhartnet – the world's largest rural broadband connectivity programme.



#### Our response

- Digital, IoT and artificial intelligence technologies are enabling new processes of value creation and promoting product efficiencies that were not possible before
- These technologies also help us to create more energy-efficient product and thus reducing their impact on the environment
- Advantage of Optical Fibre Cable offerings and foray into Passive Networking Solutions



### Clean energy transition

Increasing the generation of renewable energy continues to be one of the key focus areas of governments across the world. India has set an ambitious goal of achieving 175 GW renewable energy generation capacity by 2022e and 450 GW by 2030e. Solar generation capacity has increased nearly six-fold over the last five years from 6.8 GW to 40.1 GW. Nearly 50% of the net capacity addition came from solar between FY18-21. Renewable capacity addition will continue to provide tailwinds to the Cables & Wire industry over the next decade.

#### Our response

- Green range and energy-efficient products in both wires and cables and FMEG segments
- Our ecologically responsible operations are utilising an increasing amount of renewable energy in their operations



### Safer and environment-friendly wiring

Safety and environmental concerns are leading to a gradual shift away from wiring with normal Polyvinyl Chloride (PVC) insulation to flame retardant low smoke (FRLS), heat resistant flame retardant (HRRF), or halogen-free flame retardant (HFFR) compounds. These wires are eco-friendly, lead-free and RoHS (Restriction of Hazardous Substances Directive) & REACH compliant (Registration, Evaluation, Authorisation and Restriction of Chemicals). Although green wire may cost more at the time of purchase, their operating cost in long run is lesser than a normal wire and these are thus cost-efficient.



#### Our response

- We responsibly manufacture our products by taking into account environmental concerns and risk
- Our robust R&D team is constantly striving to develop sustainable products
- We have developed Green wires which are environment-friendly, lead free and low halogen to meet the growing demand for green products. The materials used are completely recyclable and biodegradable



Strategy and capital allocation

Framework for delivering on objectives

Our strategy aims to deliver strong returns to shareholders, best-in-class and sustainable products to customers and consistent value to all stakeholders.



Financial capital



Manufacturing capital



Social and Relationship capital



Human capital



Intellectual capital



Natural capital



Growth led by diversification

Progress made during the year

- Launched new products and variants
- Increased authorised dealers and distributors from 4,100+ to 4,600+
- Increased retail outlet reach from 1.65+ lakh to 2.05+ lakh, nearly 25% YoY
- Created a focused vertical to penetrate emerging clusters in both semi-urban and rural India
- Built presence in alternate channels such as e-commerce, modern trade etc.
- Forayed into new several new geographies globally

KPIs

- Market share growth
- Number of SKUs
- Number of new products launched
- Number of dealers
- Number of retail stores
- Number of connected influencers

Capitals impacted



Critical material issues

- Innovation
- Business diversification

PG 8



Improving profitability

Progress made during the year

- Launched several margin-accretive products
- Calibrated price hikes
- Significant thrust on premiumisation
- Focus on project allocation for better RoCE
- Working capital optimisation

KPIs

- EBITDA margin
- Cost savings
- % share of premium products in total sales
- Return on capital employed (RoCE)
- Cash flow from operations

Capitals impacted



Critical material issues

- Material sourcing and efficiency

PG 60



Enhancing brand recall

Progress made during the year

- Digital campaigns like Love@First Sight, HapHap Happy to reach out to vast target audience
- BTL marketing activities such as branding and merchandising, sales promotion, direct marketing

KPIs

- Marketing ROI
- Results from online engagements
- Click-through rate
- Number of impressions
- Increase in B2C sales

Capitals impacted



Critical material issues

- Strengthening brand recognition

PG 64



Working capital optimisation

Progress made during the year

- Increased adoption of dealer portal
- Increase share of channel finance
- Optimising inventory levels across factories and warehouses

KPIs

- No. of dealers availing channel financing
- Volume of business generated through channel financing
- Inventory days
- Day Sales Outstanding (DSO)
- Working capital days

Capitals impacted



Critical material issues

- Distribution network
- Material sourcing and efficiency

PG 72



Capability development and implementation

Progress made during the year

- Augmented team structure
- Re-designed business operating model
- Successfully piloted end-to-end digitalisation of front-end sales
- Skill training

KPIs

- Cost savings due to automation
- Manhours saved
- % reduction in turnaround time

Capitals impacted



Critical material issues

- Technology and digital transformation

PG 68





## Project Leap

# A multi-year transformation journey

We aim to achieve industry leading growth rate in line with marquee value creators, cement market leadership in wires and cables and build a robust new age consumer electricals business.

Project Leap is a multi-year transformational programme aimed at having the right building blocks in place which will enable us to achieve ₹200 billion of the top line by FY26. It includes a range of strategic themes and initiatives focused on growth, profitability and long-term capacity building for the organisation across B2B and B2C businesses.

## Project Leap

Making significant strides towards achieving our vision



### Setup of right organisation enablers

- Majority of talent acquisition for critical roles completed across businesses and functions
- Performance measures, Rewards & Recognition aligned to the growth strategy
- New transformation office to strengthen governance and implementation rigour



### Customer centrality: Foundational moves

- Redesigned operating model of B2B businesses
- Heavy Duty & Light Duty Cables verticals merged to unlock significant value
- Structured approach to strategic key accounts
- Designed and piloted first in Industry, structured influencer management



### Go-to-Market excellence

- Built presence in Emerging India (Semi Urban & Rural) and Alternate channels
- Fast-tracked distribution expansion with ~ 2x increase in direct towns coverage
- Successfully piloted end-to-end digitisation of front-end sales



### Winning with new products

- Launched new sub brand “Etira” which will play pivotal role in economy price segments
- Portfolio roadmap in place for key businesses
- NPD council setup across businesses for structured review and governance



## Capital allocation

Our capital allocation decisions are integrated into our strategy and budget planning processes, driven by our overall objective of growing shareholder value sustainably. The Board provides oversight of capital and budget allocations, ensuring the most effective deployment of available capital resources.

### We have three main avenues to deploy additional funds:

- 1) **Capex** – Over the next few years, our annual business capex will remain in the ₹3 billion to ₹4 billion range. This includes maintenance as well as green and brownfield projects. Majority of these investments will most likely go toward developing new products to add to our portfolio or expanding capacity where necessary.
- 2) **Inorganic growth** – We are actively looking for opportunities that will provide us with a competitive advantage through cutting-edge technology or strong regional distribution which will augment our portfolio.
- 3) **Dividend** – Dividend payout has consistently improved over the last few years, indicating our strong operational excellence and cash generation ability.

## Dividend payout<sup>\*</sup> (%)



\* DPS/EPS





## Outlook

# Focused on comprehensive growth

During FY22, we delivered yet another strong and resilient performance across all the business segments, while maintaining safe and stable operations, as the business is catching up with a sharp recovery of the market, supported by improved macro-economic factors. The focus continues to be on driving profitable growth, market share gains, working capital optimisation and setting up right enablers to build a future ready organisation.

Volumes across most of our segments are growing and are higher than pre-pandemic levels despite high inflation, suggesting positive consumer sentiments. Hence, if the economic growth momentum sustains, we expect healthy top-line as well as bottom-line performance over the medium term.

The domestic wires and cables industry grew by 20-25% in FY22 primarily driven by inflation led higher realisations. Governments focus on infra-activities, strong real estate demand and good demand visibility across various end user industries led to an improving demand environment for the sector. There is also an ongoing structural shift in the real estate market where consumers seek amenities like gyms, gardens, smart home automation etc. This is increasing the potential market opportunity for wires and cables meaningfully. Sunrise segments like Electric vehicles, Renewable energy, Data centres, Digital connectivity, Defence amongst others will also provide new levers for growth in years to come.

## 20-25%

Domestic wires and cables industry growth in FY22



Given the structural drivers of demography, consumer behaviour, technology, urbanisation, and rising disposable incomes, we are quite optimistic about the FMEG sector's healthy long-term growth potential. The FMEG industry is expected to grow in the high single digits over the medium term, driven by rising disposable incomes, changing consumer preferences, technological advancement, and premiumization. Most of the industries in which we operate are expected to grow in the high single to low double digits over the next few years.

We are one of the fastest-growing consumer electrical brands, thanks to distribution expansion, portfolio augmentation across price points, improved brand architecture, and a more focused go-to-market strategy. We remain committed to our Project Leap growth strategy, which will allow us to grow disproportionately in comparison to the industry. Over the medium term, we hope to achieve 2x market growth with EBITDA margins of 12%.



## ESG roadmap

# Making responsible choices

As a socially and environmentally responsible business, Polycab is focused on growing sustainably to build long-term stakeholder value. By embracing sustainable development – and going beyond minimum information disclosure requirements and regulatory compliance – we aim to deliver value to our employees, customers, suppliers, partners, shareholders and society as a whole. We have commenced work on developing a robust ESG framework that will align us to the best global standards and serve as a guide for the implementation of sustainable business practices.



### Initiated ESG framework development project..

#### Gap analysis and materiality

- Benchmarking to understand ESG gaps
- Identify material issues for business and consult with various stakeholders
- Review the requirements of ESG rating programmes
- Scan the regulatory landscape of the countries in which Polycab operate

#### Development of ESG framework, targets and programmes

- Identify targets for first 12 months and subsequent years
- Institute ESG committee and its charter with adequate authorities and business oversight
- Develop framework aligned to regulatory, investor and consumer requirement
- Develop a maturity scorecard for internal rating of ESG performance

#### Continual improvement and eminence

- Formulate and disclose ESG performance data
- Do course correction as appropriate and prepare for ranking
- Build eminence and target to attain pole position over time

#### Integration of ESG in business strategy and risk management

- Update and introduce revised policies
- Build capacity of internal stakeholders and office bearers, introduce ownership for sustained ESG performance
- Revisit you corporate risk register and update it basis the identified ESG risks
- Run pilot before firm wide/business wide rollout



### ..made healthy progress over the last three months

#### ESG maturity and initial assessment



#### Capacity building of key SPOCs



#### Conducted a materiality assessment exercise



#### Peer benchmarking and gap assessment

## Process overview

#### ESG maturity and initial assessment

#### Stakeholder engagement & materiality assessment

#### Development of ESG Framework and advice on policy amendments

#### Enabling leading practices on ESG operational handbook on data collection, collation, and reporting procedures

#### Roadmap for ESG eminence

### Focus areas



#### Environment

- Climate change and energy
- Water
- Product stewardship
- Waste management



#### Social

- CSR
- Diversity and inclusion
- Health and safety
- Employee training and development



#### Governance

- Data privacy and security
- Corporate governance
- Ethics and integrity



#### Economic

- Innovation
- Strengthening brand recognition
- Technology and digital transformation

### Progress made in FY22

Plant based diagnostics

Capacity building initiatives

Materiality assessment exercise

Benchmarking and gap assessment



# Stakeholder engagement

## Continuous dialogues that decide our priorities

Listening, connecting, and partnering with stakeholders help us understand stakeholders’ concerns, assess our business impact and enhance outcomes for our people, customers, society and the environment.

We believe that communicating with our stakeholders transparently and connecting with them meaningfully is crucial to fostering and maintaining strong and long-term relationships with the entire stakeholder spectrum. It is our constant endeavour to find common, collaborative solutions for issues that concern our stakeholders. We consider our key stakeholders to be those who can create considerable business impact and are significantly impacted by our business. Our ongoing discussions with our stakeholders are essential to our business operations and our corporate responsibility process, which includes our process of materiality assessment.



### Process

#### Identifying our stakeholders

We identify our stakeholders based on materiality and inclusivity, and make active efforts in understanding their key priorities and concerns. We also verify these issues for their relevance to Polycab and benchmark against peers to arrive at the list of most relevant concerns.



#### Correlating our engagement approach to organisational benefits

The nature of our engagement with stakeholders depends on the stakeholder category, their expectations from us and the criticality of the relationship. We engage with them through various online and offline modes. These include surveys, conferences, face-to-face interactions, emails, webcasts, telephonic conversations, periodic reporting, among others.



#### Benefits of the engagements

We carefully analyse the information received in the form of suggestions, comments and recommendations from these engagements. The information thus derived enable us to align our strategies with stakeholder expectations. Successful execution of these strategies pave the way for the creation of sustainable value across stakeholder groups.

We engage with key stakeholders through various modes. Their prime concerns, which are also relevant for the Company, are illustrated here



### Employees (on-roll and contractual workforce)

#### Relevance to Polycab

Vital for continuity of the operations, design, production, research and development. Their support helps us move towards realising our corporate vision

#### Stakeholder priorities

- Health and safety
- Performance evaluation and recognition
- Learning and development
- Work-life balance and career progression
- Transparency and employee involvement in the Company’s growth strategies

#### Engagement Initiatives

- Digitalised performance management system, reporting and review mechanisms
- General and job-specific, specialised trainings
- Safety committees and toolbox talks
- Quality management and productivity boosting through regular skill upgradation programmes
- Cultural events and programmes

#### Engagement platform/ Frequency

- Town-hall meetings
- Webcasts
- Intranet portal
- Newsletters

#### Outcomes

₹4,066 million  
Consolidated employee benefit expense

An open, inclusive and encouraging workplace

Zero fatalities

Zero sexual harassment incidents



### Shareholders and investors

#### Relevance to Polycab

Provide financial capital needed to fund the operations. Their faith is important for the continued growth of the Company

#### Stakeholder priorities

- Information on the Company’s performance
- Company’s business growth agenda
- Transparent disclosures
- Good governance practices

#### Engagement Initiatives

- Stakeholders’ Relationship Committee to address grievances of investors and shareholders
- Dedicated investor relations department for regular engagement with shareholders

#### Engagement platform/ Frequency

- General meetings
- Investor Relations Web Page
- Quarterly condensed financial statements
- Detailed quarterly presentations and Annual Report
- Quarterly investor conference calls
- Broker conferences
- Media briefings conducted quarterly/annually and on need basis

#### Outcomes

140%  
Proposed dividend

Market capitalisation up by 72% over the previous year



# Stakeholder engagement



## Channel partners, distributors, retailers and influencers

### Relevance to Polycab

Enable strong brand connect, act as our ambassadors, enhance goodwill and drive profitable growth. Provide critical support in getting us direct feedback from the market

### Stakeholder priorities

- Regular product innovation to enhance sales
- Sales promotion support
- Service support and timely deliveries
- Better profitability and higher returns on investments

### Engagement Initiatives

- Efficient sales and after-sales services
- Relationship building activities
- Surveys and feedback sessions

### Engagement platform/ Frequency

- Dealer/influencer meets
- Events
- Engagement sessions conducted regularly, annually

### Outcomes

~500  
Number of dealers and distributors

Over 40,000 new retailers added during the year



## End consumers

### Relevance to Polycab

End consumers are one of the most important stakeholders, since their satisfaction and delight form a critical element of our success strategy

### Stakeholder priorities

- Consistent quality at competitive prices
- New and innovative products as per latest market trends and evolving requirements
- Easy access to products and services

### Engagement Initiatives

- Innovative and quality products and services
- Technical after-sales service
- Exhibition & Trade Events
- Prompt response to complaints, queries and grievances

### Engagement platform/ Frequency

- Collation and analysis of customer feedback
- Engagement through website, social media, in-store promotions
- In-house and third-party market research surveys, meetings
- Brand campaigns conducted regularly, during festive seasons and sales promotions

### Outcomes

~100%  
customer complaints redressal

Focus on delivering superior customer experiences, consistently



## Government agencies, regulatory bodies and local authorities

### Relevance to Polycab

The government agencies and regulatory bodies provide requisite regulatory framework and registrations essential to conduct the businesses smoothly

### Stakeholder priorities

- Compliance with rules and regulations
- Timely reporting through various compliance-based forms

### Engagement Initiatives

- Disclosures and filings for compliance reporting
- Meeting authorities for permissions/ approvals

### Engagement platform/ Frequency

- Reports
- Results
- Forms and formats
- Audits conducted periodically/ monthly/quarterly/annually and on need basis

### Outcomes

₹13,064 million  
Total tax & duties contribution

Timely tax payment

High compliances with regulations

Support government initiatives



## Communities and environment

### Relevance to Polycab

Responsible corporate citizenship

### Stakeholder priorities

- Local infrastructure development
- Employment generation
- Health and sanitation
- Environment care
- Access to quality education
- Safe and sustainable manufacturing methods
- Assurance on sustainable manufacturing and energy management
- Clean energy management
- Water management

### Engagement Initiatives

- CSR initiatives
- Volunteering initiatives

### Engagement platform/ Frequency

- Community events and functions conducted on regular basis

### Outcomes

₹192 million  
CSR expenditure



## Vendors

### Relevance to Polycab

Quality raw material availability from registered suppliers enable us to produce quality products on time

### Stakeholder priorities

- Registration as approved vendor
- Exact product specifications
- Pricing and favourable terms of payment
- Timely clearance of payment
- Supporting the MSME ecosystem

### Engagement Initiatives

- Capacity building and sustainability for suppliers

### Engagement platform/ Frequency

- Surveys by calls, virtual meets, email or in person
- Supplier meets conducted on continuous basis

### Outcomes

576  
Number of new MSME vendors added in FY22

Engagement with suppliers to inculcate responsible business practices in the entire supplier life cycle

Undisputed payments made to MSME's vendor within the time-frame prescribed



## Materiality

# Matters critical to value creation

At Polycab, we regularly engage with our stakeholders to identify topics that are material to our value creation process. These assessments help us gain a comprehensive understanding of the material issues, the risks and opportunities to our business and prepare for future challenges to the long-term performance of the business.

Our materiality assessment exercise is a clearly defined, closed-loop interaction that involves taking feedback from external and internal stakeholders, and using the insight for identification of the material topics.



## Why is materiality important?



## Boundaries

The material topics identified are limited to direct operational control from our end and not through any of our subsidiaries. In terms of the nature of business, there were no significant changes.

## Material topics under the four pillars of sustainability



### Economic

- Innovation
- Strengthening brand recognition
- Technology and digital transformation
- Business diversification
- Leadership in wires and cables
- Material sourcing and efficiency
- Distribution network
- Strengthening FMEG market position
- Responsible supply chain



### Social

- Corporate social responsibility
- Diversity and inclusion
- Health and safety
- Employee training and development
- Labour management
- Customer centricity
- Influencer training and engagement



### Environmental

- Climate change and energy
- Water
- Product stewardship
- Waste management



### Governance

- Corporate governance
- Ethics and integrity
- Data privacy and cyber security