



**“Polycab India Limited  
Q4 FY2019 Earnings Conference Call”**

**May 14, 2019**

**MANAGEMENT:**

**Mr. Inder T. Jaisinghani – Chairman & Managing Director**

**Mr. Ramakrishnan Ramamurthi – Chief Executive**

**Mr. Shyam Lal Bajaj – Whole-Time Director and Chief Financial Officer**

**Mr. Gandharv Tongia – Deputy Chief Financial Officer**



*Polycab India Limited*  
*May 14, 2019*

**Moderator:** Ladies and gentlemen, good day and welcome to Polycab India Limited Q4 FY2019 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gandharv Tongia. Thank you and over to you, Sir!

**Gandharv Tongia:** Thank you operator and a very good evening ladies and gentlemen. I am Gandharv Tongia, Deputy CFO at Polycab India. Thanks for joining us today to discuss our fourth quarter and full year results for financial year 2019. We will be referring to the presentation that is available on our website as well as on the NSE and BSE website. From our management team, we have with us our Chairman and Managing Director, Mr. Inder T. Jaisinghani, our Chief Executive, Ramakrishnan Ramamurthi, our Whole-Time Director and CFO Shyam Lal Bajaj and our extended management team. Let me now hand it over to our Chairman, Mr. Inder T. Jaisinghani to provide us with the initial remarks, post which we will start the presentation.

**Inder T. Jaisinghani:** I am Inder T. Jaisinghani, Chairman and Managing Director, Polycab India Limited. I would like to express my sincere gratitude to you and all our investors for the large oversubscription to IPO and reposing your faith in us. The strong response we have achieved reflected investor confidence and Polycab’s value proposition. FY2019 has been the year of the record performance with all business segments performing well. Our PAT increased by 40% to 500 Crores, we have delivered on both topline and the profitability for FY2019 and believe that we can continue this industry outperformance in years to come. I am handing over to Mr. Ramakrishnan and Gandharv to run over results.

**Ramakrishnan R:** Thank you very much. It is a pleasure being here with all of you. We will now walk you through the broad contours of our performance. To begin with just a couple of opening remarks. I am very happy to say that for FY2019 our revenues were at Rs. 7,956 Crores that is a year-on-year growth of 18%.

Our EBITDA crossed the magical Rs. 1,000 Crores mark, it is at Rs. 1014.2 Crores. The EBITDA improvement is 28% YoY. The PAT we achieved Rs. 500.3 Crores and the PAT grew by 40% YoY. I would like to make one important comment to you given the nature of our business, copper, aluminum, steel, PVC, XLP and the rupee dollar are very important elements in terms of our cost base.



*Polycab India Limited*  
*May 14, 2019*

Now, in terms of the factors relating to the impact of these commodities on the quarter-to-quarter basis that is something that comes in the way of our performance. I would just like to say a preamble, fourth quarter of last year saw extraordinary levels of profitability, whereas third quarter of the current year saw extraordinary levels of profitability, but the right way to look at Polycab's numbers would be in terms a 12-month cycle either a trailing 12 months' period but not a quarter-to-quarter kind of a figure. Even when we had the December number out and people were asking whether the improvements in profitability are sustainable, we took pains to explain that we are committed to achieving profitability in line with last year overall profitability.

So, last year overall EBITDA was at 11.7%. I am happy to say this year EBITDA percentage comparable is 12.7%, so we have improved our EBITDA performance. I certainly believe that an 18% revenue growth, a 28% EBITDA growth and a 40% PAT growth is something that we are very proud of.

I would now request Gandharv to walk you through the details of the presentation and we are always there to come back in terms of Q&A.

I am also happy to tell you that the board has recommended a dividend of Rs.3 per share as against Rs.1 per share that we have been giving in the past. Approximately 10% of the profits of the company will get absorbed in terms of the dividend that we are proposing to declare. Gandharv, over to you!

**Gandharv Tongia:**

As Ram mentioned, in the current year our topline is close to Rs. 8000 Crores, which is 18% year-on-year improvement. The EBITDA is close to Rs. 1000 Crores, which has included the other income, which is 28% improvement and the profit after tax is close to Rs. 500 Crores, which is 40% year-on-year improvement.

Going to segments, which is there on our presentation, wire and cables topline has increased by 11% from close to Rs. 6200 Crores to close to Rs. 7000 Crores. The FMEG business, which we had started almost 4 to 5 years back, which was around Rs. 485 Crores in the fiscal 2018 has moved up by 33% and is now close to Rs. 643 Crores and our other, which includes EPC business has increased from around Rs. 250 Crores to Rs. 460 Crores.

In all the businesses, the most important segment is Wires and Cables where the EBIT margin has improved significantly, which has also contributed in the company levels EBIT performance as well as EBITDA performance and expansion.



*Polycab India Limited*  
*May 14, 2019*

Ram has already mentioned that our business is probably required to be holistically reviewed on 12 months' basis and last year fiscal 2018, our EBITDA margin was 11.7% wherein few quarters had a better performance than the average and same is in the current year. On year-on-year, we have been able to improve the EBITDA margin by almost 100 BPS. If we analyze, our past steady state EBITDA margin has hovered between 11% and 13% and we expect that to continue and probably improve.

On the balance sheet side, our return ratios have improved significantly over the period. Our ROCE and ROE is close to 28% and 17.5% respectively. Our net cash position is around Rs. 45 Crores, so for this year where we have net cash, we are a zero debt company on net cash basis.

As Ram mentioned, we have declared almost 10% payout in our dividend per share which is Rs. 3. Before I conclude, let me give you a directional outlook for FY2020. We expect our margins to continue to be in the range of 11% to 13% and we strongly believe in the company to deliver superior shareholder return.

With this, I would like to hand it over to the operator and we will be happy to take any questions.

**Ramakrishnan R:**

I would just like to add another little bit, the ROE of the company has improved by 227 basis points to 17.5%, the return on capital employed has improved by 695 basis points year-on-year to 27.9%. The net cash is at 452 million, the debt to equity stands at 0.1 against 0.34 at the end of FY2018 last year and the capex incurred in the current year is at about 279 Crores, so these are some other numbers that we wanted to share with you.

**Moderator:**

Thank you very much. First question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:**

Good evening. Sir, my first question is on the other income, which is almost like 12% to 13% of your PBT, which has grown significantly from a Rs. 64 Crores to about Rs. 93 Crores, what is the nature here because I do not think before IPO you had so much cash, which can generate such high yield other income?

**Gandharv Tongia:**

In earlier years also we had other income, almost Rs. 67 Crores of other income we had in March 2018, which has improved to Rs. 94 Crores. The broad elements of this other income are foreign exchange gain, government grants including exports incentives and EPCG and a very small portion of sundry balances written back, the reason why this number has moved from Rs 67 Crores to Rs 94



*Polycab India Limited*  
*May 14, 2019*

Crores is predominately because of increase in foreign exchange gain as well as increase in EPCG and exports benefits.

**Nitin Arora:** So, this number is going to be volatile because we will never come to know what is the grant you getting for the whole year?

**Gandharv Tongia:** So, this is EPCG, this is required as per as IFRS, you know whatever amount is required to be paid at the time of procurement of fixed assets when you import it from overseas market under IFRS is required to accounted in a particular manner, which in a nutshell is whatever waiver of the capital custom duty is given by the government is required to be capitalized and it is required to be routed through the P&L over the life of the asset and we are in expansion phase, so you would have already noticed that we incurred almost Rs. 275 Crores in last year and in the last 6 years we would have incurred almost Rs. 1200 Crores and this type of income will continue to be there in our P&L. The foreign exchange gain and loss is because we have significant amount of forex transaction and that is why gain and loss is always there in our P&L. That is the reason why we have these two elements in our other income.

**Nitin Arora:** My second question is related to FMEG, though the Q4 saw Y-O-Y growth very muted has the market really slow down in Q4 for you or if you can throw some light there?

**Ramakrishnan R:** See what I would like to mention is the FMEG business last year when I look at the Q4 performance, on a turnover of about Rs 187 Crores had a one-time component in terms of some supplies we had made to EESL of roughly about Rs. 35 Crores or Rs. 40 Crores. Against that the supply in the fourth quarter of this year on the FMEG side is just about Rs. 4 Crores in terms of the EESL street lighting business, so if I look at the growth independent of that, the base comes to Rs. 150 Crores and Rs. 185 Crores, so we have grown by Rs. 35 Crores on a base of Rs. 150 Crores, which is a solid growth, so, in terms of the core part of the FMEG business that is secure and that is solid. We have bid for some limited amount of similar street lighting and let us see how that happens in the course of the coming year, but for us that is a tactical business, that is not a strategic opportunity, we will do it provided the profitability is adequate and we have the capacity to fulfill the requirement, so the FMEG business for us is still continuing to do well, I do not have any reasons to be alarmed at the performance of the company on the FMEG side and it is required to be done in terms of gaining market share, we are doing what is required to be done in terms of putting in our products into the market. I am optimistic and confident that our businesses are growing well and we are on a good wicket investment.

**Nitin Arora:** Third, is just a bookkeeping question, if you can share your lighting switchgear and fans revenue for FY2019?



*Polycab India Limited*  
*May 14, 2019*

- Ramakrishnan R:** We do not give the breakup of that in an open forum. I can do one thing, I can give you one indication of the growth rate in terms of some of those businesses so very ballpark give or take a little bit I would say that the fans business is growing at about 34%, the lighting business is growing at 34%, the luminaire business is growing at 32%, the switches business is growing strongly, the switchgear business is growing at 100% plus, etc., so overall, the growth rate on the consumer side is strong.
- Nitin Arora:** Thank you, Sir and my last question on the EPC, which you show in the other segment, how we should look at the revenues going forward and how much backlog you have in terms of the execution?
- Ramakrishnan R:** EPC last year we had a revenue of about Rs. 207 Crores for the full year, against that the current year revenue is at Rs. 390 Crores, now that is because we are actively trying to see how we can complete the orders and close some of those orders going forward, so what you are seeing is a certain conclusion of closure of orders in terms of completion, which is good news. I just want to say as a matter of our philosophy, EPC for us is a tactical business, we are not aiming to take that business to Rs. 1000 Crores – Rs. 2000 Crores, I think we will be ballpark in the vicinity of Rs. 200 Crores or thereabouts and that is where we will be.
- Moderator:** Thank you. The next question is from the line of Aditya Bagul from Axis Capital. Please go ahead.
- Aditya Bagul:** Sir, just wanted to understand what is our overall outlook in terms of growth especially in the Cables and Wire segment and if you can help us understand slightly differently how are we looking at our B2B segment and how are we looking at the B2C segment the growth rates of that?
- Ramakrishnan R:** You see, what we have noticed in terms of demand is given the fact that there were certain allocations available in terms of budgetary sanctions up to March, demand conditions on the cable side broadly up to March were reasonable and adequate, but April and May, what we noticed because of election related pressure, there is a certain slow down in terms of demand, so budget availability in terms of new projects and decision makers. We also noticed that in terms of the payment cycle, the contractors and other who made supplied to the government department, etc., because of the concerned decision makers being on election duty they are finding that the cash flows are getting a little affected, now that is the reality, but we also know that post elections typically overall market tends to do well because on the retail side the elections always have a positive influence in terms of retail demand and the rest of it depends on government formation and any political uncertainties, and how long does it take for things to start. So, let me put it to you like this, in terms of CRISIL estimates from a 11% CAGR 2014 to 2018, the CAGR expected is 2018 to 2023 is expected to be about 14%, I would say that give or take a percent or two, I do expect that the CAGR should be reasonably somewhere in the vicinity of the growth and should be about 11% to 12% in terms of the cable and wire segment going



*Polycab India Limited*  
*May 14, 2019*

forward. Polycab has an 18% market share and we have the capacity, we have the consumer franchise, we have the retail reach, we have the brand and we have the ability to manage our supply chain more effectively than others, so we will take advantage of that, also there is a shift from the unorganized sector to the organized sector, the unorganized sector, which was at 39% in 2014 came down to 34% in 2018 and is expected to go down to 26%, so when the shift of 8 percentage point takes place in the next 5 years, Polycab will be ready to take advantage of it, so we are optimistic about the opportunities that the environment provides us.

**Moderator:** Thank you. The next question is from the line of Kaustav Bubna from Rare Enterprises. Please go ahead.

**Kaustav Bubna:** I just wanted to understand what is this project bought out cost in your company filing, just wanted to understand the nature of that?

**Gandharv Tongia:** So, as you have noticed we have one segment in the others where we have EPC business, the cost of raw material of EPC business is required to be treated as project bought out in accordance with an accounting standard and that is that cost.

**Ramakrishnan R:** To clarify on that question further, if we are let us say taking some overhead cable and putting them as underground cable, obviously you need certain transformers, you need some other installations that are part and parcel of that particular contract, cable supply might be 40%, but 60% is in terms of other items that you need to source from other suppliers in order to complete that EPC contract plus your labor plus your margin, so those items that we need to procure from third party vendors in order to complete the project comes under that head.

**Moderator:** Thank you. The next question is from the line of Atul Mehra from Motilal Oswal Asset Management. Please go ahead.

**Atul Mehra:** Sir, just one question on the working capital side, so what has changed and we see a significant improvement in the receivable days, but I think on the payable side there is a quite a bit of jump, so if you could talk a little bit about what has happened on the working capital for this year?

**Gandharv Tongia:** There are two to three changes, which are relevant to note, one is in the case of one of the export order, we have received sizable advance, which is almost around Rs. 400 Crores, the order is likely to be executed in the coming quarters, so that has given us some additional funds in terms of advances received from the customers. The second is a change in the financial instrument, which we were using for the purpose of procurement of our raw material, which as per the accounting standard which was



*Polycab India Limited*  
*May 14, 2019*

required to be classified under borrowings, when we changed the nature of that instrument after the RBI and banking requirement is required to be classified under trade payables and to that extent there is a change and the third thing is channel financing, which we introduced almost three years back for our trade receivables, which is a non-recourse facility. With the help of penetration of channel financing we have been able to reduce our number of days of receivables, so based on opening plus closing formula, our working capital, which was almost 70 days as of March 31, 2018 because of all these reasons which I have talked about our working capital has come down to almost 50 days.

**Ramakrishnan R:** Just to give you more granularity in terms of this figure, it stood at 69 days in terms of networking capital in FY2018, in FY2019 it stands at 50 days; however, if we were to adjust for some advance received against the specific contract that number would be moderated to probably about 60 days.

**Moderator:** Thank you. The next question is from the line of Manoj Baheti from Cernelian Capital. Please go ahead.

**Manoj Baheti:** I have couple of questions, first one is that how do you see working capital requirement for this business going forward? In fact, I can see that there has been a spike particularly in inventory. I think that may be attributable to goods in transit, but inventory number has gone up significantly during the year and same thing is there for trade payables also?

**Ramakrishnan R:** So, we will be managing our working capital broadly speaking our inventory number of days and trade payables number of days they go hand in hand, we import a lot of material from overseas market at any given point of time, we have around 3 to 4 weeks of inventory, which is in transit in sea which comes in inventory, if we exclude our goods in transit our inventory is around Rs. 1500 Crores and we believe that we can overall further optimize our inventory in terms of amount in the quarters to come. Considering the growth expansion and topline growth which we have, we must balance the two requirements, one is inventory in hand and overall growth, so we will continue to monitor it closely and ensure that we optimize this number.

**Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

**Ravi Naredi:** Sir, can you give a capex plan for current financial year?

**Gandharv Tongia:** So, we have incurred almost close to Rs. 275 Crores in FY2019. In the coming year we expect to incur about Rs.175 Crores to Rs.200 Crores, the broad breakup is that two-third will go for cable and wire business and one-third will for FMEG business. As part of our capital allocation strategy we will





*Polycab India Limited*  
*May 14, 2019*

ensure that our capital allocation is appropriate, so that we can maximize the return for the company as well as for the stakeholder as a shareholder, and we will continue to monitor it on a continuous basis.

**Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Sir, my first question was with respect to the gross margins, based on what we had in terms of the draft prospectus for the first quarter and third quarter and fourth quarter you have just reported, if I look at the gross margin and in this I am taking the bought out as a raw material cost, I look at the gross margin range between 22.2% and 31.5% range, so I am just curious in terms of the Q-o-Q margin drop from 28.8% to 22.2%, how do you explain that, is it entirely led by the product mix or is there any pricing pressure or is there any inventory losses?

**Gandharv Tongia:** If you go through our investor presentation in one of the annexure we have given the common size of our profit and loss. If you see our contribution there, it has improved almost by close to 90 basis points roughly speaking. This we have been able to achieve due to the strategic initiative, which we took over the period, you know since you have mentioned about prospectus, you would have already noticed that in last few years, we have significantly expanded our dealers and distributor base, which gives us additional flexibility to further penetrate the market, which were hitherto not penetrated by us. The second thing is because of introduction of several initiatives, we have been able to improve our price realization. What happens over the period is that we are able to work on the customer profile as well as product profile and because of all these reasons we have been able to improve our contributions to 25% in fiscal 2018-2019.

**Moderator:** Thank you. The next question is from the line of Aditya Bhatia from Investec. Please go ahead.

**Aditya Bhatia:** Just wanted to understand that on a quarterly basis why exactly are we seeing such sharp variability in margins?

**Ramakrishnan R:** I would like to draw your attention to our FY2018 quarterly EBITDA percentage. First quarter was at 8.9%, second quarter 9.8%, third quarter 9% and fourth quarter of FY2018 17.2%. Now, come to FY2019, the first quarter was at 11.6% against 8.9% previous year, the second quarter 11.7% against 9.8% previous year, third quarter was a 17.2% against 9%, we took pains to explain on the road shows when we were asked, is this indicative i.e. is your 9 months EBITDA, which had zoomed up by approximately 200 basis point up to 9 months is it something representative, reflective, can be model on that bases, we took pains to explain that this is due to the nature of the business as I indicated in my opening remarks copper, aluminum, steel, XLP, PVC and quite a bit of them like



*Polycab India Limited*  
*May 14, 2019*

75% of our copper is imported, 25% of our aluminum is imported, quite a bit of raw material tends to get imported in terms of aluminum and in terms of PVC we all know what happens to it. The rupee dollar is another important variable, if I look at all, the 17.2% we took pains to explain that this is not representative. We were asked what is your guidance for the fourth quarter? What we can say is that on an average basis somewhere our EBITDA in terms of our core business will be in the region of 10.5% to 12.5% and these aberrations when you look at any 12 months period you will have a great quarter from an EBITDA perspective and you will have not such a great quarter, etc. So what has happened in our case is that the fourth is at 11% aggregate all of this put together has given us and yearly EBITDA of 12.7% against an EBITDA of 11.7% last year, so we have improved our EBITDA by 100 basis points and that is something that we are very happy about. I would urge going forward that you must look at a rolling 12 month in terms of how our EBITDA is moving. I would not like to draw any conclusion in terms of just a fourth quarter in terms of the performance you must look at the six months, look at the October to March quarter and how they have behaved, look at the 12 months trailing quarter how they have behaved, so that is the nature of the wheel and that we need to understand that.

**Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

**Pritesh Chheda:** Thank you for the opportunity. Sir, on the current asset base that we have what kind of revenues can it support because we called out for another Rs. 175 Crores of capex in FY2020, so just wanted to understand on the asset utilization and the asset turn part?

**Ramakrishnan R:** The story of Polycab is hinged on the fact that we have always in the downturn and when there is upturn in the economy we have reaped the benefits of it substantially. You know, when I did an analysis of what is the competitors done in terms of investments in cable and wire capacity expansion, we found that one of the very leading players in the industry has spent Rs. 250 Crores on capex on the last 5 years cable and wire and we have spent about Rs. 1000 Crores on cable and wire, what does it enable us to do, there are segment such as defence, such as railways, such as mining and some aspects of infrastructure such as metro etc. Our capex is aimed at catering to segments where we are currently having opportunity for growth, opportunity for import substitution and opportunity for greater building up of revenues and strength in focused segments. We have the capacities to be able to support that. So at any point in time we build adequate capacity for future demand. Let me give a phrase in point, one of our customers in Africa required nearly Rs. 950 Crores of cable and wire to be supplied to them during FY2020, now they came and inspected our facilities and they are confident enough to pay that \$137 million on Polycab. Now depending on how their project goes forward, we



*Polycab India Limited*  
*May 14, 2019*

have received the advance from them and we will be geared up to meet the demand. Would any other cable company in the country have that kind of capacity to be able to give a Rs. 1000 Crores of demand from a single customer? The answer is no. Nobody else can do that, so that is where our capacities comes into play. We have been investing ahead of time, no question about that, we will be moderating that a little bit that is why from roughly Rs. 280 Crores capex in FY2019, we are planning to moderate it to about Rs. 175 Crores to Rs. 200 Crores in each year for the next three years going forward.

**Moderator:** Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

**Ankit Babel:** Good evening Sir. Two questions. You mentioned that on net basis you are debt free, so is it as on March 31, 2019 or as on today post IPO?

**Gandharv Tongia:** Yes, as on March 31, 2109.

**Ankit Babel:** Post IPO, I mean after receiving 400 Crores of cash you would be net cash to that extent?

**Gandharv Tongia:** Yes, so IPO proceeds were credited to the account of the company in the month of April and that will reflect it accordingly in the June financial statement.

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

**Rahul Jain:** Thank you so much. Sir, two things, one your other expenses have moved up very sharply in this quarter to almost Rs. 250 Crores are there any one offs apart from a Rs.1.7 Crores IPO expense, which has been charged on the P&L and secondly with regards to the African order which you mentioned, is it executing in FY2020 itself?

**Ramakrishnan R:** I will answer the second question first. You see do we have the capability to execute it in FY2020? The answer is a clear, yes, but you will appreciate in a very large refinery project like that everything may not go according to the plan, so though they have given us the advance, though they have placed the order on us, it depends on their ability to lift the material, so it is likely that we might supply to some extent in the current year and there will be a spillover something into the next year. In terms of our annual plans, we have not assumed, we have probably would have assumed about one-third of the requirement going in this year and two-third coming in the next year, although we can supply two-thirds in this year and one-third in the next year.



*Polycab India Limited*  
*May 14, 2019*

**Moderator:** Thank you. The next question is from the line of Trupti Agarwal from White Oak Capital. Please go ahead.

**Trupti Agarwal:** Would you be able to tell me what is the export revenue in 2019 and what is your outlook on the same, and my second question would it be possible to give us a breakup of the cables and wires separately along with the volume detail. Thank you.

**Gandharv Tongia:** The export is close to a 5% of our topline and as far as quantitative information and other breakup is concerned at this point in time, we have not disclosed it.

**Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

**Atul Tiwari:** Thank you Sir. Sir just one question on the outlook for FMEG business especially from one-year kind of perspective, so we are seeing a pretty broad-based kind of demand slowdown across various sectors in the economy, so what is your take on it and what is your sense on the market for as far as demand for your products is concerned and should we expect a 35% kind of growth yet again in FY2020 or should we put in kind of a slightly lower number given the demand slowdown on economy?

**Ramakrishnan R:** You see for us, we are new kids on the block. We are doing whatever is needed. We have setup our factories, we have setup our distribution, we are building up a brand, we are having manpower on the field, we are having long arm salesman, we have Salesforce automation software, we have good quality. We are able to command the price that we wish to command in the market so as far as we are concerned the going is good. We are able to grow at the pace at which we want to grow. We are able to reduce our outstanding. We are able to bring in greater payment discipline. We are able to reduce our overdue outstandings if any, so we are building a good and solid FMEG business. I will not be able to disclose to you what is the number that we are chasing internally, suffice it to say we are the consumer business as far as the FMEG businesses are very strategic business. It is part of Polycab long-term strategy to take what is today on the consumer side with wires and FMEG at about 35%, we intent taking it to 45% probably 50% over a period. So that is a long-term traction, so you know let others worry about demand slowdown, we have enough empty spaces to move into.

**Moderator:** Thank you. The next question is from the line of Nishit Jalan from Kotak Securities. Please go ahead.

**Nishit Jalan:** Congratulations on good side of numbers. I have two questions. Firstly, you talked about your outlook on cable segment. Just wanted to hear how are you looking at the wire segment. I am particularly trying to understand the residential wire segment. Are you seeing some slowdown over there or you



*Polycab India Limited*  
*May 14, 2019*

think demand is fine and my second question is just wanted to understand what was our A&P spend this year and to what level A&P has a percentage of sales are we comfortable and that is what we should look at for the next couple of years.

**Ramakrishnan R:**

You know of a Polycab fortunately the wire business has been growing at significantly faster pace than the cable business. Now what does it do for us. Number one it gives us significant consumer franchise, it gives us significant influencer effect, it gives us significant retail penetration and it enables us to strengthen the brand very strongly. Ballpark if I say, we are growing at double the rate of growth in wires compared to our cable business and that is something that is steady and ongoing. Also the headroom to differentiate vis-à-vis competition is that much more in terms of wire, so what I am just trying to convey to you is in wires we will continue to do well, we will drive it strategically, we will gain shares and please understand the FMEG business and the wire business moves in tandem through the Josh project we are trying to see how we can enhance the distribution footprint where a distributor takes a wire, maybe he takes a switch and switchgear, maybe he take a conduit pipe and offers it to the retail market. In some cases, the LED lighting and the wires move together. The fact that we have got approximately 2000 people who are dealing in FMEG products and we have got about 1500 dealers and distributors for our wire and cable, the opportunity to cross-sell is tremendous, so, what we are doing is something that is very positive, very strong. A&P expenditure last year was about Rs. 94 Crores. A&P in FY2019 is about Rs. 115 Crores. It is about 1.5% of our aggregate sale, probably 3% of our consumer focus business sale. We see a lot of headroom in terms of building the brand further. I am happy to say even at this level of spend, the top of mind awareness, the unaided awareness, the aided recall, if I look at the total awareness holds of Polycab compared to the market leader, we are doing exceptionally well even with this lower level of spend. We intend hiking this up, keeping in mind the needs of the market. You would have noticed at the IPL that we had a strong presence.

**Moderator:**

Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

**Rajesh Kothari:**

Good evening Sir. My first question is with reference to quarterly volatility in the margins while I clearly understand that your full year guidance is around 11.5%, 12% or 13% over next two to three years, if I look at FY2018 and FY2019 both these years, you have had one exceptional quarter of 17.2%, so when you look at full year one is a full you can get blended margin and the full year being reached but in both these years, you had that one supernormal quarter of very strong digit of EBITDA margin that led to that blended margin of 11.5% to 12% so how would you like to look at it?



*Polycab India Limited*  
*May 14, 2019*

- Ramakrishnan R:** Well we noticed that it happened in Q4 of FY2018, it happened in Q3 of FY2019 and you will appreciate that in this industry there are some factors that are completely beyond our control. We just should look at our overall game plan, overall approach to profit management, overall approach to managing the business risk. Suffice it to say we do not retain the risk of commodity prices within our business. We pass it on. Sometimes it is quite likely for example in a period where commodity prices are coming down, it is possible that we may not pass on the benefit of the commodity price having come down adequately and there could also be a business mix in terms of the share of business. For example, if you have sold wires, extraordinarily well in that quarter compared to cable, wires you know is that a higher margin, cable coupled with this raw material softening and the commodity price benefit not having been passed on fully, it results into slightly higher margin management. Now in another quarter like for example the first quarter of this year when the metal price that goes up it is fortunate that we did not pass on the entire benefit of the price reduction and so that acted as a bit of buffer even if we were to achieve 11% in the 4<sup>th</sup> quarter. I think what we do by and large we do not keep the risk within the company we pass it on, but we need to be prudent in terms of our pricing management, so I think what we have done is correct and we have managed the risk well and we have the profitability well.
- Moderator:** Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco Asset Management. Please go ahead.
- Shreyas Bhukhanwala:** Two questions. If you can share the volume growth in wires and cables for Q4 as well as on the full year basis and secondly any reason for EBIT loss in this quarter in FMEG segment?
- Gandharv Tongia:** At this point in time we are not sharing the quantitative information. Coming to FMEG, we implemented ESOP scheme during the current year and that has resulted in some charge in the current year that has contributed to some sort of a bit lower EBIT in the current year. The second thing is IPL, you would have seen that we are very active in IPL since last few years and this year actually there are almost two events of IPL, which is falling in the same financial year, last year IPL happened in the April and May and this year IPL started in March itself, so these are two three reasons because of which there are small dip in our EBIT but if you go by absolute amount, these are not very significant from the overall size of the business and we are very optimistic about the overall FMEG business for the years to come.
- Ramakrishnan R:** I will also add to that, there were some one-time things like allocation of leave encashment provision which was there. There were also employee stock option expenses attributable to the consumer business and the higher amount of brand spend that Gandharv has already alluded to. I would just like to say that in terms of the core FMEG business what we are doing is right. The product, the



*Polycab India Limited*  
*May 14, 2019*

manufacturing, the quality, the distribution all that is in place and over a period we will learn to manage our growths better and we will also probably not have these one-time surprises as we have had this time.

**Moderator:** Thank you. The next question is from the line of Rita Tahilramani from Invesco Mutual Fund. Please go ahead.

**Rita Tahilramani:** Sir, I have this one question in terms of the other expenses, so this year we did A&P spends also and we incurred IPO expenses, but if I look at your other expenses is broadly flat as against the revenue growth, so where is that we have saved on in terms of expenses?

**Gandharv Tongia:** Our other expenses as a percentage of revenue; we have been able to maintain at the same level. Coming back to your question on IPO expenses. IPO expenses as for the accounting requirements are not required to be debited to the profit and loss account. As per the Company's Act these expenses can be charged directly to the securities premium and most of the expenses have been accordingly accounted for. If you see expenses as a percentage of sales, we have been able to maintain from last year including our employee cost and other expenses, it was around 13.4% in the fiscal 2018 and same as the percentage almost the same percentage on fiscal 2019, which is 13.3%.

**Moderator:** Thank you. The next question is from the line of Siddharth Grover from Equirus PMS. Please go ahead.

**Siddharth Grover:** Sir, your working capital has reduced drastically this year. Can you please explain that?

**Gandharv Tongia:** In response to one of the earlier questions, we mentioned that there are two major events when we are analyzing our working capital. One is we have received sizable advance for an export order which is required to be executed in the coming quarters and that advance has helped us reducing our working capital with almost Rs. 400 Crores. The second thing is the way we use to do our procurement, till last year, the financial instrument, which we were using for our procurement was required to be classified under borrowing based on characteristics of financial instrument. After some changes which were made by RBI and bank in nature of financial instrument which we have now, is required to be classified as trade payables in accordance with the accounting standard requirement and because of these two things, our working capital has improved. If you go line item by line item and follow opening plus closing formula, our inventory days are almost flat in comparison to 2018 vis-à-vis 2019, debtors we have been able to reduce significantly almost from 67 days to almost 60 days and this is predominantly because of channel financing facility which we extended to our customer to almost three years back. This is a non-recourse facility and that has helped us enormously



*Polycab India Limited*  
*May 14, 2019*

in improving our debtor cycle. Overall, we have reduced our working capital days from 70 to 50 because the reasons, which I just mentioned. The good news is on the debtor side from about 67, it has come down to 60 and that is a positive.

**Moderator:** Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

**Chintan Sheth:** I just wanted to understand on the cable side, even though we are reported a steady growth, you are looking at Q1 at a softer side because of the election year, how do you feel over the full years and what kind of growth you will be clocking next year?

**Ramakrishnan R:** You are asking what is the likely growth in the cable business going forward?

**Chintan Sheth:** As you suggested that you are looking at 11% to 12% industry growth over the next five years as a CAGR and we are growing historically over and above the industry growth, so I am just wondering whether we can sustain more than 14% to 15% growth or not?

**Ramakrishnan R:** You will appreciate this is our first investor concall and we will learn as we go along how to respond to you. As of now, we do not intend making forward-looking statements. We will have a quarterly call. We will explain to you what we have done. We will let our performance speak for itself. Suffice it to say, there is an election, the results are yet to come out. We do not know much about government formation when it will happen, what will happen. Who is going to form the government with kind of a majority, how soon will they be able to initiate policy going forward and how are they going to you know find the funds to drive whatever is their economic agenda so those are all uncertainties now, so we do not want to dabble in that and speculate in terms of what is going to happen in terms of India's GDP growth or what is going to happen in terms of capital formation. Suffice to say we are poised to lead the market and we will not only maintain but grow our market share going forward.

**Moderator:** Thank you. We will take the next question and that is from the line of Ashish Poddar from Anand Rathi as our last question.

**Ashish Poddar:** Thanks for taking my question. Our most of the questions have been answered. A few questions, one on the cable and wire revenue so in FY2018 the cable revenue was at around Rs 3500 and wires was Rs 2500, so what was those figures for FY2019?

**Ramakrishnan R:** I am not in a position to give that granularity although we do have the data in terms of cable and wires.





*Polycab India Limited*  
*May 14, 2019*

- Ashish Poddar:** I am asking this because you are already sharing this numbers in your RHP?
- Ramakrishnan R:** I think at this point in time, I am unable to share this information. Let me just check with finance and accounts and we will come back to you.
- Moderator:** Thank you. The next question is from the line of Jaspreet Singh from Systematix Shares. Please go ahead.
- Jaspreet Singh:** Thanks for the opportunity. The EPC portion in others how much was that if you could just repeat that number please?
- Gandharv Tongia:** Almost everything is EPC. We have very small subsidiaries, which also come in others, but practically speaking almost everything is EPC.
- Jaspreet Singh:** Just second on the FMEG margins, again I am not requiring an outlook but just maybe what period of time or what kind of a revenue base do you think these margins could hit towards mid to high single digit?
- Ramakrishnan R:** You see FMEG, we would expect a margin expansion of anywhere around 1.5% to 2% per annum going forward, you know where we are at present and you can figure it out.
- Moderator:** Ladies and gentlemen, that would be our last question for today. I would now like to hand the conference over to Mr. Gandharv Tongia for closing comments. Thank you and over to you Sir!
- Ramakrishnan R:** Friends I wish to thank you for all your support and all your interesting questions. At this point in time, we have tried to respond as candidly as we can. I am sorry the Cable and Wire break up I am not sure whether it can share at this point in time. I will have to check with my auditors and lawyers and we will come back to you because at the time of DRHP we had the audited numbers, I am not certain whether I have the audited numbers certified by Chartered Accountant in terms of a Cable and Wires split, although we know the numbers for sure. I indicated to you that wires are growing at faster rate than cable, so you can draw your conclusion. I wish to thank you very much on behalf of Mr. Inder T. Jaisinghani, Mr. Shyam Bajaj and all of us in the management team. Thank you so much for this interesting call.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Polycab India Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.



*Polycab India Limited*  
*May 14, 2019*

Contact Information:

Email: [investor.relations@polycab.com](mailto:investor.relations@polycab.com)

Registered Office:

Polycab India Limited  
E-554, Greater Kailash-II,  
New Delhi- 110048, India,  
CIN: U31300DL1996PLC266483  
<http://www.polycab.com/>