Polycab India Limited

Q4 FY2022 Earnings Conference Call

May 11, 2022

MANAGEMENT:	**MR. INDER JAISINGHANI – CHAIRMAN AND MANAGING DIRECTOR - POLYCAB INDIA LIMITED**
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Moderator: Ladies and gentlemen, good day and welcome to the Polycab India Limited Q4 FY2022 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 an operator by pressing '*' 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. Good afternoon, everyone and thank you for joining us. I hope you all are staying healthy and safe. I am Gandharv Tongia, CFO at Polycab India Limited.

On this call, we shall discuss the Q4 FY2022 results which were approved in the board meeting held yesterday. We will be referring to the earnings presentation, financial results and financial statements which are available on the stock exchanges as well as investor relations page of our website. It can also be downloaded through the link or QR code on slide 9 of earnings presentation.

Joining me today from the management team, we have our Chairman and Managing Director – Mr. Inder Jaisinghani and Mr. Chintan Jajal – Head Investor Relations on the conference call.

Let me now turn the call over to Inder bhai for his comments.

Inder Jaisinghani: Good afternoon, everyone. Our strong performance in fiscal year 2022 was underpinned by the extraordinary efforts of our team to achieve new milestones even in one of the most uncertain environments. We delivered accelerated business growth, record free cash flow, healthy returns on capital and market-leading shareholder returns. We will champion our renewed purpose of innovating for a brighter living. Our "i-POWER" values will guide our thoughts and actions which will help us create long term sustainable value for all stakeholders and enrich the lives of everyone connected with Polycab.

I now request Gandharv to take you through our earnings presentation.

Gandharv Tongia: Thank you Inder bhai. I think overall business environment has remained quite supportive in Q4 despite the sharp inflation. Demand across most segments remained healthy. Macro indicators such as GST collections, e-way bills are at new highs while other indicator like

IIP, core industries index, consumer sentiment index amongst other are trending up. Government initiatives and reforms are certainly helping and even capacity utilization across most private industries are at good levels. Fresh capex announcements are at multi-decade high. Push towards transitioning to a renewable energy driven ecosystem globally is like never seen before.

All of these are obviously good signs of an initiation of a long capital investment cycle which bodes well for our business. On the contrary, inflation is now perhaps one major risk to the improving demand environment. While we do not anticipate it to be any more challenging in B2B segment, we will remain watchful of consumer sentiment and how it plays out for B2C categories.

One key question raised by many is that copper and aluminum prices have gone so high, wont it affect the demand for wires and cables. Generally what we have seen is that, first, the macros are broadly favorable. Secondly, inflation is quite broad based, many industries are seeing stronger balance sheets. For eg. given the higher crude oil prices many projects in Oil & Gas globally have revived. Similarly, many sectors like metals have benefited. Lastly but most importantly quality of wires and cables is paramount for health and safety and hence our customer segment which is largely mid or premium, do not want to risk it. Nevertheless, Cognizant of these challenges, we remain agile through our portfolio and go to market interventions. That gives us confidence to drive industry leading growth.

Before we move onto presentation and financial review, I would again like to highlight that the P&L and segment numbers for current and prior comparable periods are restated due to divestment of Ryker Base in accordance with the applicable Indian accounting standard. All related gains and expenses on divestment are reported under Profit from Discontinued Operations as seen on face of P&L in consolidated financial statements. This along with few exceptional items of last year are also presented in Slide 10 of this presentation.

Moving onto slide 4. For the quarter ended 31 March 2022, our consolidated revenue grew by 35% YoY on the back of healthy demand environment despite sharp inflation, coupled with strong execution by our team. It is yet another quarter of highest quarterly sales we have ever recorded. As we have been highlighting earlier one key focus area remains improving profitability progressively. Even though most of our key inputs remain quite elevated I am happy to share that EBITDA margins improved sequentially by about 125bps touching 12%, led by better operating leverage and price hikes. Other expenses and other income as % of sales were lower while finance costs were broadly stable. A detailed break-up of our Other Income and Finance Costs have been provided on Slide 13 of our earnings presentation. Our Profit Before Tax at Rs 4.3 billion increased by 17% while Adjusted Profit After Tax at Rs 3.2 billion increased by 20% YoY, respectively.

On slide 5, for the full year ended 31st March 2022, our revenue grew strongly by 39% YoY despite the two waves of pandemic and unprecedented inflation. EBITDA was up by 14% with 10.3% margin. Adjusted PAT also grew by 14 YoY. It was a year full of challenges, but we achieved several significant milestones. Our overall top-line surpassed Rs 120 bn clocking 17% CAGR in last 5 years. Exports is inching towards becoming a sustainable Rs 10 bn business. Polycab is the largest exporter of cables and wires in India. FMEG is now a Rs 12 bn franchise. The business also churned out healthy cash flow with negligible debt levels.

Moving onto segments on slide 6. Our Wires and Cables revenue grew by 39% YoY despite a relatively healthier base. Demand environment continued to remain encouraging which led to healthy volume growth. Domestic distribution driven business continued to see strong traction. However, institutional business was subdued compared to last quarter. Housing wires posted strong growth led by continued momentum in real estate and renovation activities as well as our demand generation initiatives. A new sub brand “Etira” was launched in the economy price segment. Trade sentiment in Cables was temporarily restrained by significant volatility in Aluminum prices which touched nearly 4000 $/ MT before correcting sharply. Exports business grew by nearly 100% YoY. Excluding a large customer, the growth was slightly better, led by strong demand from sectors like Oil & Gas, Renewables and Infrastructure. Overall, Exports business was 7.6% of consolidated revenue in FY22. Our telecom business saw good traction. Towards the year end, Polycab was on-boarded by Tamil Nadu FibreNet Corporation Ltd. or TANFINET as a Master System Integrator to implement the BharatNet Phase-II project and provide end-to-end connectivity with high-speed bandwidth using Optical Fibre Cables in over 3,000 Gram Panchayats in 75 blocks across 9 districts of the state, at a cost of about Rs 5 bn under the Master Service Agreement. The revenue of this project will be accrued as per execution timelines over the next few years.

Wires and Cables Segment margins continued to improve sequentially led by judicious price hikes and improved operating leverage. During the quarter, inflation in our raw material basket as well as price hikes were in mid single digits.

On slide 7. Our FMEG business grew 9% YoY and 11% on a sequential basis. Overall demand momentum in Q4 was albeit subdued largely attributable to broader inflation. The business also underwent realignment exercise to improve sales force efficacy and achieve distribution synergies which temporarily hampered growth. Fans, lights and switchgears business posted healthy growth while Conduit Pipes continued the strong momentum. Switches saw a decline due to supply challenges. Given the prolonged challenges in switches, we are now transitioning to inhouse manufacturing which is ongoing and likely to be completed in the current fiscal. The new state of the art facility in Daman will help us improve product availability, drive innovation and reduce go to market time thereby improving our market presence significantly. Solar business was muted however for the full year it achieved over 50% YoY growth. Profitability improved on a sequential basis but was much lower than last year and our expectations, largely on account of higher advertisement and publicity, staff cost and input cost pressures. However, we are committed to achieving 12% annualized EBITDA margin in this business by FY26.

On slide 8, Other's segment which largely comprises of our strategic EPC business, witnessed a 8% YoY increase in revenue to Rs 827mn. EBIT stood at Rs 122mn, down 16% on YoY basis.

On to balance sheet side our Financial Position remains quite strong. Net cash position stood at Rs 11.0 bn up from Rs 9.6 bn same period last year. Debt to equity is merely 0.01x. Our efforts to optimize working capital is taking shape. We are seeing good optimisation of receivables as well as inventory.

I would also like to highlight that towards the end of the year we made a large one-off investment for buying office space in Mumbai. As we move forward in our growth journey, our teams are expanding, however the current head office building has limited space to accommodate everyone in near future. At the same time, we are also mindful of one other important element that is - having adequate open spaces for cross functional collaboration and create an inclusive workplace. Hence, we invested about Rs 2bn to acquire around 55,000 sq ft. of office space in Mumbai, very close to our existing head office. A part of this cost will be compensated by monetisation of existing office in Mahim. We are quite excited to move to our new head office, hopefully by Q3 of current fiscal year. This cost is reflected in Q4 and full year CAPEX number.

In the meeting yesterday, the Board has recommended for the payment of Final Dividend of Rs.14 per equity share, for the year ended 31 March 2022, subject to the approval of the shareholders. Our dividend pay-out ratio on standalone profit will sequentially improve further to about 23% in FY22.

Moving on to the exciting stuff ie. Project Leap - our flagship transformation project.

Just to recap for everyone, Project Leap is a multiyear program that includes a range of strategic themes and initiatives focused on growth, profitability and long-term capability building for the organization across B2B and B2C businesses with a goal of achieving greater than Rs.200 billion or Rs.20,000 Crores sales by FY 2026. We have partnered with global management consulting firm BCG who will help us drive this transformation. It's been one year in this journey and we have made significant strides towards our vision. In this first year we primarily worked on 4 key areas ie. Setup of right organization enablers, Customer centricity, Go – To – Market and Product portfolio optimisation.

Delving deeper in the first ie. Setup of right organization enablers. With in this the major initiative was setting up the right organization structure and fill critical capability gaps across the departments like manufacturing, procurement, supply chain, digital and IT and across the businesses including B2B, Fans, Lights and Retail wires. >90% of talent acquisition for critical roles was completed in FY22 while the balance will be done in coming quarters. Performance measures, Rewards & Recognition we aligned to the growth strategy and cascaded through all levels of teams. New transformation management office was setup to strengthen governance and most importantly monitor the implementation of various initiatives because we believe, we have an ambitious vision for our organisation, we also have the enablers, so execution has to be sublime.

Second area is Customer centricity. During the past year we redesigned the operating model of B2B businesses. The new model was implemented in pilot states and showed tremendous opportunity for growth. Accordingly we took a bold structural move to merge Heavy Duty & Light Duty Cables verticals in order to unlock latent value through cross selling opportunities and operational efficiencies. Given the significant distribution and geographical overlap, this initiative will materially improve customer servicing as most of their B2B wires and cables requirements will be addressed by single point of contact. Combined portfolio selling will drive faster business growth. Optimization of team structure and joint back-office operations will also enable faster roll out of GTM initiatives while establishing a leaner cost base. Marketing and influencer management platforms will be streamlined to increase efficacy. The new structure also includes key account management or KAM to enable selling of full product portfolio and bring in more customer focus. We designed and piloted unique structured influencer management to support our B2B business.

Third area is Go – To – Market. I have talked about this earlier. As you maybe aware we put in lot of efforts to build presence in Semi Urban & Rural India. Post successful pilot projects in select rural markets, we took several initiatives to build the right infrastructure, portfolio and team to leverage the immense demand potential of semi urban and rural India. We created a new business vertical called "Emerging India" focusing on building presence in towns with up to 2 lakh population. Distribution architecture was designed post detailed mapping and evaluation these geographies. Product portfolio is being calibrated to address specific needs of consumers while offering innovative products at economical price points. Another area where we really worked hard on is building presence in Alternate channels like ecommerce, modern trade, canteen department stores etc. Currently over 600 Polycab products are available on all leading ecommerce portals like Amazon, Flipkart, JioMart and Moglix. We believe these two new sales channel verticals will act as additional levers of growth for our B2C businesses.

Core distribution expansion was driven by rigorous execution using digital tools and structured playbooks. We fast-tracked expansion clocking nearly 2x increase in direct towns coverage. Our authorised dealers and distributors increased from over 4,100 last year to over 4,600 now. Retail outlet reach increased by nearly 25% over last year to about 2,00,5000 outlets now. We also successfully piloted End to End digitization of front-end sales. It is currently being rolled out in phased manner.

Lastly, we are trying to create a winning portfolio of products which are innovative and resonate with consumer needs. Towards the end of FY22 we launched new sub brand "Etira" which will play pivotal role in economy price segments as well as enable our expansion into emerging India clusters. Currently we have launched Etira housing wires, which has seen strong response. We will extend this brand to other categories progressively. Overall we have built a robust portfolio roadmap for next 3-4 years across large businesses. This will ensure we are present in segments which are growing faster and are margin accretive. NPD or new product development councils have been setup across businesses for structured review and governance of innovation initiatives. We also saw healthy progress in premiumization journey. For eg. Premium products now contribute 16% to overall FMEG business which was just 7% last year.

So that was broadly on FY22. Going ahead we have chalked out some key focus areas for next year. One is improving Customer centricity through enhancing visibility and control of secondary sales by significantly improving our understanding of end users and influencers. Secondly, we will aim tirelessly on executing the NPD roadmap to drive market share gains as well as premiumisation. Third, again, Go-To-Market where we aim to digitize the entire distribution ecosystem. Lastly, emphasize on Governance, where we will monitor progress towards clearly defined growth and profitability drivers for all building blocks.

So that's about it on Leap. We will continue to share periodic updates and we are excited to see how the coming year pans out. While there could be challenges like inflation, pandemic amongst others, we are confident of our strategy which will enable us to grow disproportionately.

Thank you for patiently hearing us out. With that I hand over the call to Operator for Q&A

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: Thank you and congratulations Gandharv for stellar performance. Few questions, first, can you outline what was the value and volume mix for Q4 and FY2022 for cable and wires and FMEG?

Gandharv Tongia: Thanks, Naval, thanks a lot for your compliment. If I talk about cable and wire, we can broadly say that around 25% of the total growth can be attributed to volume and balance for value and in FMEG it will be vary from product category to product category, but it would have similar trend there as well.

Naval Seth: Okay, second on your Project LEAP as you stated that in terms of your dealer distributor expansion of 12% odd and retail have climbed by 24%-25%, now I see that the major increase has come in Q4 because your corporate presentation of January suggest the same number of 4100, and 1,65,000 and now it has expanded and during the same period your market share has also improved by 200 basis points, so now as you have outlined your strategy very clearly, can you also share what is the aspirational market share you want to reach with the kind of aggression you are outlining in Project LEAP?

Gandharv Tongia: The first one on the data point, these data points generally we revise on annual basis, the presentation you are referring to, December, probably had March'21 data point and will continue to revise these data points on annual basis. As far as aspiration is concerned, Naval you know our history. Inder bhai forayed into this business almost five decades back we were no one in cable industry, we got to number one position in cable. Wires, we started in 1996, we are number one. We enjoy almost 24% of market share of organized market and as we go along, we want to outpace the industry and our peers and grow in disproportionate manner. As part of Project Leap broadly we are targeting Rs. 20,000 Crores of topline over the period five years, last year in FY2021 we exited close to Rs. 9,000 Crores of topline in the first-year project leap we have already crossed Rs. 12,000 Crores, so it seems that we would be able to achieve Rs. 20,000 Crores of topline under Project Leap.

Naval Seth: So, is it fair to assume 200 basis points kind of a number market share improvement year-on-year at least in this Project LEAP period?

Gandharv Tongia: I can talk about the past, this year FY2022 we have achieved or we would have gained at least 200 basis point of additional market share. Our aspiration in LEAP is to enjoy our leadership position and further enhance it and even for FMEG the aspiration is similar that slowly and gradually we should get into top five market players, than to top three, and eventually in few select product categories move upwards even from top three to further north.

Naval Seth: Last two things, one is clarification that volume value mix you stated was for FY2022, is that correct?

Gandharv Tongia: Yes.

Naval Seth: Okay and lastly, can you provide some color capex spends for FY2023?

Gandharv Tongia: Historically, we have incurred around Rs. 300 Crores – Rs. 350 Crores every year. Exception was last year where we incurred Rs. 300 Crores for regular capex and Rs. 200 Crores for a new office which I alluded to in the opening remarks. As we go along, I think a number between Rs. 300 Crores - Rs. 350 Crores is a sustainable capex number. Having said that in year two of project LEAP, we would explore what we need to do differently, for example, getting into additional product category or further building on M&A initiatives, so excluding these two, because they are still under studying stage, a number of Rs. 300 Crores - Rs. 350 Crores is what we should factor in for FY2023 as far as capex is concerned.

Naval Seth: Sure. Thank you and all the best. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital Advisors Limited. Please go ahead.

Ravi Swaminathan: Good afternoon and congrats on a very good set of number, if you can give a breakup for wires and cables business in terms of ratio of how much is cables and how much is wires if you can give that break up in detail?

Gandharv Tongia: Sure, thanks Ravi for your compliment. Cable and wire broadly I would believe that we around in early 50s as far as cable is concerned and the balance is wire, in total basis if I give you a breakup of entire Rs. 12,000 Crores of topline around 58%-60% would be B2B and around 40% give and take, 1% or 2% point would be B2C.

Ravi Swaminathan: For use B2C, okay and majority of 40% the wire?

Gandharv Tongia: Around 10% of our topline is FMEG which is fan, lights and other products and balance is wires.

Ravi Swaminathan: Okay and any difference in strategy between the growth in cables and wires I mean does that do we aim for higher growth in wires, switches, cables or vice versa any view on that because wires I believe can be better margin product than cables, so just wanted your view on that?

Gandharv Tongia: Absolutely, your understanding is absolutely correct, wires are more profitable because they are B2C product whereas traditional cables are B2B where the profit margins are comparatively less than wires. As I had mentioned to Naval a while back, objective is to get to number one position in all the product categories and then significantly expand our presence and enhance our positioning. Though wire is more profitable, I do not think the strategy is that we would like just concentrate in wire, we are looking for more holistic picture wherein we want to go for growth across all the product categories where we are present. Inderbhai believes that if you are in a product category you should be the number one, if you do not want to be number one, you should not be there in the product category and that is the guiding principle for which we are trying to follow across all the business segments where we operate.

Ravi Swaminathan: Got it Sir and the kind of volumes growth that we envisage over the next one year or two years in the wires and cables segment. What would be the target that we will be having, any sense on that?

Gandharv Tongia: I can give you directional thought process, will not be able to give a number, you can safely assume that we are going to grow significantly higher than the industry growth.

Ravi Swaminathan: Got it Sir and my final question is with respect to the FMEG business, can you give the revenue break up for the Rs 1250 Crores in terms of fans, lighting, pumps, etc.?

Gandharv Tongia: Yes absolutely, so fan would be around 1/3rd of our topline of FMEG and switch and switch gear would be around 15%, light and lum would be around 15% and then there would be other small business categories.

Ravi Swaminathan: Got it Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies India. Please go ahead.

Sonali Salgaonkar: Thank you for the opportunity and congratulations on a great set of number, my first question is regarding the price hikes, would you be able to elaborate what is the quantum of price hikes that we have seen in FY2022 and particularly in Q4 and also any price hikes that we have taken from April 1 onwards?

Gandharv Tongia: Thanks Sonali for your compliment. If we talk about Q4, at the raw material product basket level, we witnessed inflation in mid-single digit and, more or less, the price hikes we have taken is in similar range and that is where you can see the contribution margin of March quarter is comparable with December quarter, so we have been able to pass almost all the input cost increases to our end customer in the current quarter.

Sonali Salgaonkar: Sir and cumulative FY2022 and from April 1?

Gandharv Tongia: The business model is that we try to re-calibrate our prices on a monthly rest after factoring two data points, one is change in the commodity prices, second is change in USD

INR exchange rate, so we will continue to do at that and the intent is to maintain traditional cable and wire margins which used to be between 11% and 13%, so our intention is to maintain that range.

Sonali Salgaonkar: Got it Sir. My second question is regarding your B2B and B2C business, you have mentioned that 60% is B2B right now, so what could be the number about five years back?

Gandharv Tongia: My sense is that number would be around 70% or around 70% of B2B and 30% of B2C around five years to seven years back.

Sonali Salgaonkar: Got it Sir. On the industry basis, what is the kind of channel inventories that we are looking at, are they at optimum levels or lower, my question is from the point of view of volatile copper prices?

Gandharv Tongia: If I talk about FY2022, I think these were at acceptable levels but since April 1, we have witnessed fair amount of correction in both, copper as well as in aluminum price levels. In such a situation what we have seen is generally dealers and distributors would like to reduce the inventory levels so that they do not lose on the margin. If the prices are on upward trajectory that is where they build higher inventory levels, so small amount of correction is possible in channel inventory but I do not expect that would be very material.

Sonali Salgaonkar: Got it Sir. What about FMEG inventory?

Gandharv Tongia: I think it is at acceptable levels.

Sonali Salgaonkar: Okay normal levels. and lastly any guidance you would like to share for the near term in terms of either the revenue or the margins?

Gandharv Tongia: Sure, as I was mentioning to Ravi as well as Naval that as part of Project LEAP, we want to touch Rs. 20,000 Crores of topline by FY2026 and we embarked on this program last year and in FY2021, we did Rs. 9,000 Crores of topline rounded off, this year we have done Rs. 12,000 Crores so directionally we are on set to achieve Rs. 20,000 Crores of topline as far as our performance on topline is concerned. On the margins. on cable and wire will continue to hover between 11% and 13% and we would like to improvise as we go along than the current levels which is hovering around 12%. On FMEG, we aspire to get to 12% by FY2026.

Sonali Salgaonkar: Got it Sir. Very helpful. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Good afternoon and congratulations for good result. My top two questions here, first is on the FMEG portfolio as you have mentioned the business have been looking at multi brand strategy positioning in the premium & mass premium and also launching the Etira for the economy segment, so as a company in the next 18 months given that there is inflationary headwind could be risk of down trading, how should one look at where would be the incremental focus in the near term and are you seeing any potential headwinds in terms of demand softness because of inflationary impact near term softness in the real estate market, that is my first question?

Gandharv Tongia: Sure, great question Renu. I have Chintan also on the call who is our Head Investor Relations, so I will request him to participate in the call, so Chintan take this one.

Chintan Jajal: I think our strategy in FMEG is really to cover all the price points. So what we aim to do is straddle across the price pyramid, across price spectrums. If you remember, our portfolio is largely focused more on the mid premium space and over the last few years what we were trying to do is increase the share of premium products. So in various categories, if I pick up fans for example, the share of premium fans is increasing. Even in lights the share of say premium panels etc., is increasing. Overall in consumer business I think the premiumization percentage has improved. Now what we are trying to do is, we are trying to get into the economy price points or maybe sub economy price points, so we are working on our entire brand architecture just to ensure that there is minimal cannibalization and we spread our brand presence through an active brand communication. So we recently launched a new sub brand Etira which will play at these lower price points. Currently we have launched it in wires, we have also aim to extend it throughout our portfolio and I think this will really help us develop our presence and resonate better with consumer needs and wants. And specially when we are trying to get into say alternate channels as well as geographies like semi urban, rural I think here you need the right product portfolio to really drive that penetration and that is where this brand as well as all of our portfolio initiatives will help.

Renu Baid: Sure. My second question is on the cables part of the business where the company has been consciously trying to work some of the specialized cables and applications to improve the portfolio, if you can share some updates from this side and on the average 300 Crores to 350 Crores capex which you have mentioned, how should we look at the incremental spending across the various subsegments and categories?

Gandharv Tongia: On the first one we are perhaps the only company the entire country or probably in the continent which can supply all types of cables and wires. We have only one space where we do not have adequate presence which is EHV and we are trying internally to figure that out or we can offer products there. In this year, we have been able to get to new spaces for example, defense, automobile railways and all of these product categories are niche with good margins and require fair amount of product innovation. On the capex, out of around Rs. 300 Crores to Rs. 350 Crores broadly two-third will go to cable and wire and one-third for FMEG. Within two-third most of it will go for setting a new facilities to meet the export requirement as well as for the product categories where the utilization is fairly high, a part of it will go for maintenance and a balance for backward integration. On FMEG we will invest in product categories where we do not have inhouse manufacturing, for example, switches and we will set up facilities where the utilizations are fairly high.

Renu Baid: Got it. Thank you and will get back in for more questions.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Thank you and congratulations for the performance given the challenges. Just three questions Gandharv, one is on the cash usage. I think I am sure that the senior leadership is looking at that number and the cash flows are increasing year-on-year, you already have 1100 Crores, I am thinking you will have another Rs. 8 billion to Rs. 10 billion next year as well given what growth we are talking about, you alluded that you will spend, you will look at new categories to get into or some kind of a M&A, can you throw some more color on this? That is the first question. Secondly, anything on the FMEG EBIT margins is still tracking pretty low for the year as well as for the quarter, anything you would like to state for FY2023 and third is also significant reduction I can see on inventory, creditors and debtors, though the net working capital will cross the same Y-o-Y what is really happening here I am sure BCG is working very hard here and so this is also high priority area for us, we could be there as well? Thank you so much.

Gandharv Tongia: On M&A when we embarked on this Project LEAP, we felt that we have to do several things but what we decided is we will split the entire project into 24 work streams and then we picked up few work streams as year one priority than few work streams for a year two priority and so on. M&A and evaluation of adjacent product categories we decided we will take to up in the second year and as the embark on the second year of project I expect by September quarter, we should be able to give additional color what we should be doing but you are absolutely right that business is generating fair amount of cash and it is better to use that cash to meet the growth ambition of the company and by that means improve the shareholder return. On FMEG margins, this quarter of course there was some pressure of inflation by the same time we got into realignment because you know what got us to Rs. 1000 Crores will not necessarily will take us to say a number Rs. 5000 Crores, we have to change the strategy and this is what we did, we ensured that we have right leaders in place, we have hired, for example, fans leader from another peer company. We have hired another veteran from Panasonic who was superannuated as MD of Panasonic to lead our FMEG or B2C business, so we have done fair amount of investment both on the process and enabler side as well as on the capabilities and this is getting reflected in this year's margin but as I mentioned a while back we are confident on 12% EBITDA margin on FMEG business in FY2026 and this year we should be able to further improve on the existing margin levels. So as you know working capital your observation is absolutely correct, it is a focus area and will remain a main focus area. If we split the working capital in two broad categories, one is receivables and second is inventories. On the receivables we have been able to further improve our channel penetration, cable and wire, give and take few percentage point, we will be around 70% of channel balancing and FMEG we have almost 50% and which is helping us in reducing our receivable number of days and these facilities are without any recourse.

Now on the inventories we have been able to optimize, now the game is to balance the availability so that you are able to meet the requirement of the customer and optimize the inventory, we will continue to work on this and that is where BCG is helping but the leader we have hired recently they are also spearheading this initiative, for example, we hired someone as head of Logistic almost eight months back - Vipul Agarwal from another peer company - and he is doing fantastic job on optimizing the inventory levels and improving our delivery time to the end customer.

Rahul Agarwal: So, this is the base, right and that continues going forward, right? On net working capital is this the base going forward I mean you will just improve from here, right?

Gandharv Tongia: Yes, absolutely.

Rahul Agarwal: Okay and just lastly you answered the question partly saying fiscal 2023 capex where do you want to spend; could you help me understand where did you spend in what broad areas you are going to spend?

Gandharv Tongia: Sure, lets split this into two parts. Around two-third will go for our regular cable and wire business and one-third for FMEG. On two-third part of it, most of it will go for building capabilities and capacities for exports market and for the product categories where our utilization are fairly high and we need to put an additional facilities, that is one portion of that two-third. The second one is on backward integration and third is maintenance capex. On the remaining one-third in FMEG most of it will go for additional capacity which we need to build, for example, switches we do not have in-house factory so they will set up that, there are few product categories where our utilization is fairly high, we have to many capacities there and a part of it will also go for preventive capex.

Rahul Agarwal: Thank you so much. Best wishes for fiscal 2023.

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

Atul Tiwari: Thanks a lot, and congrats on very good set of numbers. Just one question, how much would be the broad price hike taking over say past 12 months across cable and wire and FMEG and as a result of this price hike, are you seeing any sign of figure demand to our down trading in any part of portfolios?

Gandharv Tongia: On cable and wire, Q4 we would have taken a price hike of mid single digit and the inflation was also in the similar range, progressively we have been able to improve our EBITDA margin. if you remember in the first half we faced bit of challenge on maintaining contribution as well as EBITDA margin but after that it has improved, Q3 was comparatively better than the first half and Q4 was better than Q3. On FMEG also it has been mixed bag, there was bit of pressure on contribution margin in the first half of the year but after that we have been able to take price hikes there as well.

Atul Tiwari: So, any sign on demand slowdown or down trading by customer in any other portfolio as of now?

Gandharv Tongia: No, there is some bit of inflationary challenges in few of the product categories but it is not broad based in fact if you are available if your product is between specification and requirements of the customer, practically there is no challenge on demand.

Atul Tiwari: Okay, got it. Thanks a lot.

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

Achal Lohade: Good afternoon. Thank you for the opportunity. My first question is in one of your answers you mentioned that 25% is the price increase in about balance is the volume increase, in both FMEG as well as cables and wires business, have I understood it right?

Gandharv Tongia: Partially right - its other way around.

Achal Lohade: So, you are saying 25% is a volume growth and 15% is the price increase in both the segments?

Gandharv Tongia: Out of the total increase, 25% is because of volume and balance 75% is because of value.

Achal Lohade: Okay. Number two is, is it possible like you mentioned in terms of volumes for FY2022, and I presume FY2021 was kind of a low base, if we were to look at in terms of volume CAGR for last five years would it be possible to put a number, would that be mid-single digit, high single digit, mid team any number ballpark number?

Gandharv Tongia: It could be slightly incorrect for me to get that number to you, I do not have that handy, but I think I can give you color on that, my sense is our number would be significantly better than the industry number, in whatever cut, last three years – last five years.

Achal Lohade: Yes that part I completely agree, what I just wanted to check is the aggregate volume growth and the second question I had in mind is in terms of the pricing for cables and wires specifically, in terms of pricing our product is it the margin percentage margin or it is rupees per unit for meter, per kg anything, if you can give some color?

Gandharv Tongia: It is percentage margin.

Achal Lohade: It is a percentage margin, okay, so which brings me to the next question, if copper prices and aluminum prices were to normalize to earlier averages, how would that impact in terms of in the volume and the margin, this is hypothetical question but just color in your prospective on the same would help?

Gandharv Tongia: As I mentioned in percentage margin, so irrespective of the fact whether topline goes up or down because of increase or decrease input cost, we would be able to maintain this margin, historically in cable and wire we have hovered between 11% to 13% and we should be able to maintain that.

Achal Lohade: Got it. This is very helpful, thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Chetan Gindodia from AlfAccurate. Please go ahead.

Chetan Gindodia: Congratulations for a great set of number. Just two questions, firstly, you said that the volume growth is 25% of the growth of this year, so 40% was the revenue growth of wires and cables, so kind of implies 10% volume growth, this seems kind of underwhelming considering in the major building material players and I think these players are seeing by 20% volume growth for this year given the real estate, so just wanted to understand why has been the volume growth low and any reason for this and do you expect this to improve going from here?

Gandharv Tongia: The volume growth cannot be directly linked with the real estate, our products are introduced at different phases of the construction and that is why its not apple-to-apple comparison, as far as future is concerned, as I mentioned a while back to another participant that we are inching towards Rs. 20,000 Crores of topline by FY2026 and we will continue to out pace the industry growth.

Chetan Gindodia: Okay and just lastly wanted to understand on the payable days, so whatever gains we have achieved from reduction in inventory days and receivable days we have given that away by declining payable days so what has really led to the declining payable days because of this our ROC is not improving, so just wanted to understand what has led to the movement in payable days.

Gandharv Tongia: Yes, great observation. Copper is the biggest or most significant raw material in our cable and wire business and we import copper from overseas market, in the last year, in FY2022 during the course of the year, we realized that because of logistic challenges we should have alternate options available in the form of domestic supply and in domestic market generally speaking it is on cash and carry basis, so you get supplies by making advance payments as against in the import arena where you get LCs which could be between 90 days to 180 days and which is what we have done in the current year which has impacted the number of payable days. Having said that I do not think that that will continue in future in the similar proportion of course we will continue to have some supplies from domestic market but in the form of cash versus LC we should be able to get LC option from both the supplier, domestic as well as import, and we should be able to go back to our regular payable days once we get to that type of arrangement both with the international suppliers as well as the domestic suppliers.

Chetan Gindodia: Okay, got it and all the best to your team.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Thank you for taking my question, my first question is on the FMEG, when we look at last five quarters to six quarters pretty much stuck in the topline of 340 Crores to 350 Crores on an average when I look at your annualized number the industry saw last year a huge pent up, our growth is just about 21% and a I am assuming there must not be any or let us say very less volume growth in that to be honest, though you started saying that volume growth is in the double digit even in FMEG, so that is what adding up given what are the consumer companies are saying minimum category price hike is in the range of 15% to 16% on an annualized basis, so what is going really wrong there in FMEG or the products what we have launched are not able to scale up, if you can throw some light on that because I am not comparing you with the other players, you are so small in the industry because your growth should look higher and that is also not happening even if you look at Q4 number, so that is my first question, if you could throw some light on that?

Gandharv Tongia: Yes, you are absolutely right, your observation is correct, our business underwent the alignment exercise to improve sales force efficacy as well as to achieve the execution synergies which has hampered temporarily our growth, we have also identified the need to change the overall operation model because what has got us to Rs. 1000 Crores will not necessarily take us to say just throwing a number to Rs 5000 Crores and we also had fair amount of change at the leadership level in our B2C business but at the same time I must acknowledge this is momentary from the next quarter number and later in the current year we should be able to bounce back. If I were to give additional color for example, in case of switches we have some supply side issues because of which though we have taken the corrective action in the form of setting up a new facility it has impacted our topline and bottom line performance for the year gone by, so it is a mix of everything, we have our action plan in place a part of it has already been implemented in the form of new leadership, in the form of product innovation to give the example we launched BLDC fan which can be operated with the help of remote, Chintan talked about Etira brand which has been launched, so the corrective actions are being taken we should be able to bounce back and as I mentioned a while back we are confident to achieve Rs. 20,000 Crores on topline including for FMEG and retail and a 12% EBITDA margin by fiscal 2026.

Nitin Arora: Secondly, just on cable and wire, do you talked about starting I think everyone got confused that there is a 25% volume growth but I think you clarified saying that is a 10% volume growth, 25% of the overall revenue is the volume growth, so the 10% volume growth can you attribute some segments where it has come from because despite so much commentary is being spoken about there is a phenomenal growth across industry capacity utilization of private industries are so high, the volume growth is still about 10%, so it will be helpful to understand where actually the growth is coming from and are you looking this volume growth at least 10% growth even for FY2023, is that the base number you are working with on the volume side? That is my last question, thank you.

Gandharv Tongia: To give you answer on this 10% growth or 25% of total increasein topline, it is broad based, product by product, or else if I were to give you a flavor of cable and wire, it would range between 35% to 45% across all geographies, for example, in the case of wires we witnessed a growth of almost 60% in Southern market and in the case of flexibles or light duty cables we reported growth of almost 60% Northern market but to give a broad big pictures its across product categories and regions. As far as future is concerned I would probably take you back to our ambition of Rs. 20,000 Crores of topline by FY2026 and we are committed maintain the momentum and improve further as we go along.

Nitin Arora: Thank you Gandharv. Thanks a lot.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Thanks for the opportunity, so on the Etira brand basically if we see most of the durable companies they operate with one brand only considering limited surplus for brand building activities and all the variants be it economy, be it price or even the premium are introduced with the same brand itself, so why we have gone ahead with basically new brand Etira itself at the low end of the market and also will Polycab and Etira brand will both operate in the same market then there is a risk of cannibalization or will they operate in completely different geographies, so what is the plan on Etira brand, that is the question?

Gandharv Tongia: Let me give you a perspective. We have onboarded Interbrand to conduct a brand study for us we are also working with Ogilvy on the marketing side. They are marketing agency for us. And when we were going through the product portfolio optimization exercise, we realized that in few of the product segments we do not have product available at the right price points or at all the price points, that is where we thought of Etira. Etira is slightly different product with slightly different products specification to meet the requirements to the customers who are cost conscious with out compromising off course on quality and with a focus on different geographies so Etira would probably cater the requirement of emerging India or government led supplies which are required to be met by the dealers and distributors where not necessarily they want to spend more money and at the same time they do not have higher expectation in terms of quality, so for example, on the green wires we have better specification but it is likely more costlier which can be called as a premium variant of the regular retail wires whereas Etira is on the economy range or subeconomy range of products.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Gandharv Tongia for closing comments.

Gandharv Tongia: Thank you everyone for taking out time and attending this call. We would be happy to attend your questions, you can always reach out to me or Chintan or you can write to our investor.relations@polycab.com. Thank you for your confidence in us, take care. Bye.

Moderator: Thank you. On behalf of Polycab India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.