

## POLYCAB INDIA LIMITED

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Date: 27<sup>th</sup> July 2022

To  
Department of Corporate Services  
BSE Limited  
Phiroze Jeejeebhoy Towers, Dalal Street  
Mumbai - 400 001

To  
Listing Department  
National Stock Exchange of India Limited  
C-1, G-Block, Bandra-Kurla Complex  
Bandra (E), Mumbai - 400 051

**Scrip Code: 542652 Scrip Symbol: Polycab**  
**ISIN:- INE455K01017**

Dear Sir / Madam

**Sub: Submission of Transcript of Earnings Conference Call held on July 20, 2022**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on July 20, 2022.

Kindly take the same on your record.

Thanking you

Yours Faithfully

**For Polycab India Limited**

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**Polycab India Limited**  
**Q1 FY2023 Earnings Conference Call**

July 20, 2022

**MANAGEMENT:**    **MR. INDER JAISINGHANI – CHAIRMAN AND MANAGING DIRECTOR  
– POLYCAB INDIA LIMITED**

**MR. GANDHARV TONGIA – CHIEF FINANCIAL OFFICER - POLYCAB  
INDIA LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Polycab India Limited Q1 FY2023 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gandharv Tongia – Chief Financial Officer – Polycab India Limited. Thank you, and over to you Sir!

**Gandharv Tongia:** Thank you operator and very good noon everyone. I hope you all are doing well. It is a pleasure to have you on the call. As operator mentioned my name is Gandharv Tongia and I am the CFO at Polycab India Limited. Thanks for joining us today to discuss our Q1 FY2023 earnings. During the call, we will be referring to the presentation, financial results and financial statements which are available on the stock exchanges as well as investor relations webpage of our website. It can also be downloaded through QR Code on slide number 8 of earnings presentation. From our management team, we have with us our Chairman and Managing Director, Mr. Inder T. Jaisinghani. Let me now hand it over to him for his opening comments.

**Inder T. Jaisinghani:** Good afternoon, everyone. We have started the fiscal year 2023 on solid footing, with top line growth of ~ 48% fuelled by strong performance across B2B and B2C categories, which underlines our strategy to be agile, focus on robust execution and consistently deliver the best quality of products to our customers. Profitability was supported by better operating leverage and various strategic initiatives implemented over the past few quarters. We will strive to continue the path of profitable and sustainable growth and contribute to the success of all our stakeholders.

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

**Gandharv Tongia:** Thank you Inder bhai.

Revenue growth of 48% marks the beginning of FY23 on a promising note as most of our businesses are now performing above pre-pandemic levels. The numbers might look upbeat due to low base, but we are seeing sustainable improvement in our underlying businesses. More importantly, we are progressing well on our strategic agenda which will drive transformation over mid-to-long-term. The current quarter breaks the rhythm of back-to-back impacted Q1 results, turning it to be the best Q1 in the history of the company in terms of revenue and margins.

Before I take you through the presentation, let me give you a flavour of macro environment. Overall macro environment has been a bit of mixed bag during the quarter. Global economy is going through an extremely uncertain period amidst the simultaneous interplay of various headwinds – a lingering war and enduring COVID; the sharp volatility in energy and other commodity prices; strains in global supply chains; and worsening food security. In several economies, inflation is ruling at levels not seen by the recent generations. For advanced countries, against an inflation target of 2%, and emerging market economies, against an average target of about 3-5%, two-thirds are witnessing inflation above 7%. The sharply tightening financial conditions due to the ongoing monetary policy normalization on the one hand and the persisting geopolitical tensions on the other pose significant downside risks to near-term global economic prospects. The global economy is projected to decelerate significantly during 2022 by all multilateral agencies. The outlook is shrouded in high uncertainty. A sliver of hope has become visible in the recent moderation in global commodity prices, and especially food prices.

Back home, the Indian economy has however shown some dynamism. Several indicators suggest that the Indian economy is making resilient progress in Q1FY23 in spite of the drag from global spillovers, elevated inflation and some slackening of external demand as geopolitical developments take their toll on world trade. The high frequency indicators for first quarter are mixed; however, amidst a sea of red and yellow, greens are making their appearance. For example, GST collections for Q1 FY23 stood at over Rs 4.5 lakh crore, up 37% year-on-year, while other indicators such as services PMI, IIP, Core sector all showed meaningful improvement. India's foreign exchange reserves are approximately close to nearly 10 months of imports projected for the current fiscal, thereby providing a sufficient buffer against external shocks. However, on the contrary, consumer sentiment still remains below pre-pandemic levels, which was emphasized by RBI's consumer confidence survey. It is expected that the consumer demand in the urban market remains resilient, while a pickup in monsoon will support the rural markets which have been showing consumption stress. Besides, most of the commodity costs have been corrected in the last couple of months, offering some respite to the adverse macros. Thus, the glass seems half-full, perfectly balancing ambiguity with some silver linings. Meanwhile on our business, we remain agile through our portfolio and go to market strategies, which gives us confidence to drive industry leading growth.

Moving on to the presentation, slide number 4. For the quarter ended 30<sup>th</sup> June 2022, our consolidated revenue grew by 48% YoY. EBITDA more than doubled in the first quarter, while EBITDA margins improved by almost 420 bps year-on-year to 11.3% led by better operating leverage and calibrated price hikes. During the quarter, we launched several brand

campaigns across TV, digital and social media platforms. Seminars and influencer meets helped us to improve awareness amongst B2B customers, electricians and contractors amongst others. Moving on, other expenses were broadly inline. Overall finance cost stood at Rs 84 Mn and other income at Rs 443 Mn. A detailed break-up of our other income and finance costs have been provided on slide 12 of our earning presentation. PAT almost tripled on year-on-year basis to Rs 2.23 Bn.

On segmental result, the current quarter is yet another example of how the diversity of our growth levers come into play. Moving on to slide number 5, Wires & cables, which is our largest business, saw a strong top-line growth of 48% year-on-year, led by healthy channel sales, while Institutional business also witnessed growth traction. On the geographical front, the growth was broad-based with the highest contribution from west followed by south, north, and east region. During the quarter, wire business was slightly impacted by high volatility in metal prices. Consequently, the inventory levels in trade were slightly below normal and overall cash cycle also slowed. Despite these challenges it is pleasing to note that blended wires and cables volume grew on year-on-year basis and is also higher than pre pandemic levels. Export business contributed 6.7% to consolidated revenue and reported a healthy revenue growth of 62%. We have put in considerable efforts over the past few years in terms of new product development, getting approvals and penetrating new geographies. This is now materializing as we are seeing many repeat orders from large customers globally. Our focus on achieving double-digit contribution target over the medium term for this business remains intact.

On slide number 6, our FMEG business grew by 59% year-on-year to Rs 305 crore. April month saw a robust momentum however June was impacted by weaker trade and consumer sentiments arising out inflation. The growth is quite structural, supported by strategic interventions and distribution expansion. Segmental operating profit increased to Rs 62 million, with a 2% margin largely on account of pricing actions, cost saving initiatives and premiumisation which have been partly offset by input cost pressures. While lighting, switchgears and pump continued their strong growth momentum, Fans, Conduit Pipes and Solar business posted healthy growth. However, switches saw a decline due to supply challenges.

On slide 7, other segments, which are largely comprised of our EPC business, witnessed a 31% year-on-year increase in revenue to Rs.75 crore. Our debt-to-equity ratio is strong at 0.02x and we are at net cash of around Rs 590 crore. On the working capital side, there are a couple of things to highlight. One receivable days are at comfortable level. We will continue to optimize this progressively with help of non-recourse channel financing.

Second, inventory levels are higher than normal because we were anticipating better demand in the month of June, however as I highlighted a while back the trade sentiments went down a bit due to high volatility in metal prices and dealers and retailers reduced their stock levels in the month of June. On payables, due to change in the procurement pattern from international to local vendors the payment terms underwent a change from advance to LCs and that has resulted into reduction of liability. We expect this to normalize in one or two quarters.

Now, let us talk about our key project, “Project Leap”.

In the first quarter of the fiscal 2022-2023, we primarily focus on four key areas one customer centricity, second go-to-market excellence, third winning with new products; and last is setup of organization and digital enablers.

Starting with Customer centricity. Under this initiative, we have successfully integrated go to market for C&W B2B segments. This will materially improve our customer servicing capability as well as create one single route for our B2B customers. We have improved our understanding of the customer and its preference by using various tools & appointment of dedicated key account managers, which help us to better serve our customers. We are also implementing pilot projects focusing on deepening reach and engagement with IHB and allied influencers.

Second area is Go-To-Market Excellence. We are putting lot of efforts on enhancing our presence. During the quarter, our B2B C&W reach expanded to additional 27 new districts. For FMEG, we have added ~100 new distributors, while also strengthened our presence in Modern trade and E-commerce channels.

Next, we are building a winning portfolio of products which are innovative and resolve consumer needs. During the first quarter, we have already launched 15 and 62 new products mainly focused on premium and underserved segments in Fans & Lights respectively. Our premiumization journey is progressing well, with premium products now contribute 12% to overall consumer business, which was just 8% in fiscal 2022 and 4% in fiscal 2021.

Fourth area is setup of organization and digital enablers. Within this the major initiative was setting up the right organization structure and fill critical capability gaps across departments and businesses. Majority of talent acquisition for critical roles was completed across business and functions, while Performance measures and Rewards & Recognition were aligned to the growth strategy. We also successfully instituted end to end digitization of front-end sales across all businesses. So that was broadly on Q1 FY2023.

Going ahead we have pinned down some key focus areas for the next few months. One is enabling customer centricity in B2B business through which we are driving our sales team towards better customer understanding and expanding our customer view to include all relevant information in customer lifecycle. Secondly, expanding our reach and distribution across businesses which includes expanding coverage to 200+ districts for B2B and scale up of emerging India to identified priority states. Third, winning in new products in B2C businesses. We have strong NPD pipeline to strengthen and build differentiated portfolio in FMEG businesses. Fourth, driving a digital agenda and creating a digital first organization, under which we are strengthening our digital infrastructure across salesforce, distributors, retailers and influencers. Lastly emphasize on Governance, where we have bottom-up and granular target setting approach deployed with linkages to scorecards across levels of business & functional teams. So that is about it on Leap. We will continue to share periodic updates and are excited to see how rest of the year pans out.

Thank you and with that I hand it over 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 Atul Tiwari from Citigroup. Please go ahead.

**Atul Tiwari:** Hi Sir. Thanks a lot for the opportunity and congrats on good set of numbers. Just a couple of questions on Cables & Wire business. So we have seen very sharp commodity price crash over past 45 days or so, so have you passed all of that in your end product pricing and how it should impact your margins over next two to three quarters so that is one question, first question and the second one is now that there is a widespread expectation that prices of the Cables and Wire product will be reduced are you seeing reduced demand from channel and how long that is likely to continue?

**Gandharv Tongia:** Thanks Atul. Thanks a lot for your kind words. I think your first question was around margins and whether we have passed on all the benefits to the end consumer or customer. So you know this business Atul, historically we have maintained EBITDA margins of 11% to 13% in Cable & Wire and we believe in the quarters and years to come we should be able to maintain the same range in the current quarter also it was 11%. Almost 87% of our business comes from dealers & distributors and where we revise our prices at least on monthly basis and when we revise these prices we consider two factors predominantly one is changes in copper & aluminium LME, and second is change in USD-INR exchange rate and this is what we have done even in the current quarters and we will continue to do that in the subsequent quarters as well. So to answer your question, we expect to maintain a margin of 11% to 13%. Second on demand generally in the falling commodity prices we have

observed that dealers and distributors they generally optimize the inventory at their end and this is what we witnessed in the month of June. Expectation broadly is that we should have some stability in commodity prices in a month or so and after that I would not expect a significant correction in the inventory levels of our dealers and distributors. It is expected that the second half of the year would be better than the first half of the current fiscal.

**Atul Tiwari:**

Okay, Sir. Thanks a lot.

**Moderator:**

Thank you. The next question is from the line of Naval from Emkay Global. Please go ahead.

**Naval Seth:**

Thank you for the opportunity. I have two-three questions Gandharv. First as you stated volumes have seen growth over pre-pandemic levels, also can you give out any number on that, that is first question. Second on Project Leap because when we gave our Project Leap guidance of Rs 20,000 crore revenue by 2026, copper prices were kind of 20-22% higher than the current levels, So if copper prices or the other commodities are going to stay where they are right now so will there be any change in timeline or number on this Rs 20,000 Cr, and third question is on the unorganized players where last year we have seen unorganized players facing difficulties because of spike in commodity prices so do you think that they will come back in this year as things are now falling in place with commodity cooling off?

**Gandharv Tongia:**

So I will go in the same order. I think your first question was around the volume growth and you are rightly observed that we have registered a fair amount of volume plus value growth. If I were to give you a broad color on the current quarter growth of 48% it is safe to assume that most of it almost two-third is coming from volume and balance is because of the pricing action, which we have taken. I think your second question was around the topline target of Rs 20,000 crore by fiscal 2026 so when we were working on this topline target as part of initial thought in the Project Leap around a year back we considered last five years movement in copper and aluminium LME as well as in USD-INR exchange rate and of course we factored in some management estimate. At this stage considering this mid to long-term view I do not think we need to revise the topline of Rs 20,000 crore, but we will continue to keep you updated. At this stage I as well as the larger management team is confident of touching Rs 20,000 crore of topline by fiscal 2026. Third is on the unorganized. My sense is like other industries this industry will continue to move towards more organized market player irrespective of what happens to the commodity prices and I would be surprised if unorganized market share increases in the quarters to come or years to come.



**Naval Seth:** Just a followup on the first question of volumes can you state number on pre-pandemic level on volume growth as you stated in your opening remarks that there was volume growth on pre-pandemic levels as well?

**Gandharv Tongia:** This is true that we have been able to register a fair amount of growth, but it would be slightly incorrect on my part to give you that number because in our business a kilometer length of copper cable would be different in terms of value and volume when I compare with the aluminium so I think it is safe to assume that we are ahead of the curve as far as the industry growth is concerned, but if I were to give you only specific response to this particular quarter with June 2021 I think most of it is coming because of volume and a part is because of value.

**Naval Seth:** One last question on the commodity prices you stated that H2 will be better than H1, but do you think that last year volumes were impacted because of significant increase in commodity prices, and have you started to see some green shoots where demand coming back or some demand, which might have got postponed last year will come back this year?

**Gandharv Tongia:** Theoretically yes that is possible, but as of now when we speak I have not seen any significant or dramatic change in demand. As a matter of fact June was slightly softer and it appears that there would be some impact of the softer commodity prices even in the second quarter, but broadly from third quarter onwards we should see some uptick in demand and second half of the year should be significantly better than the first half of the year.

**Naval Seth:** Sure. Thank you so much and all the best.

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

**Achal Lohade:** Hi Good afternoon. Thank you for the opportunity. My question was if you could help us understand the FMEG part. First in terms of the revenue mix if you could break it into key products and you did point out to a drop in switches if you could give some sense as to what exactly is the issue out there and how do you see it going forward?

**Gandharv Tongia:** Sure. So we have broadly five or six sub-product categories within FMEG. One is fan, second is light & luminaires, switches, switchgears, conduit pipe, bit of solar and bit of agro pumps. Fan contributes almost 30-35% to our topline of FMEG, and light & luminaires as well a number closer to the same range, and other businesses are slightly smaller. Fan got impacted in this quarter, as you remember in the previous quarter we had mentioned that we are doing the realignment exercise in fan business because we believe to achieve a

significantly larger topline within fan business we need to revisit our GTM dealer distributors and all that so there is some impact on fan business, but on a consistent basis we would expect fan and light and luminaires both put together should contribute almost 65% to 70% to our FMEG business, followed by other smaller business. As far as switches are concerned, any which way is a smaller business for us, but this is the only product where we were dependent on third-party supplies and we had some supply side issues on that, but parallelly we have started our process of setting up our own factory for switches, it is expected to be up and running in the current fiscal as well, and once that factory is operational we should not face any significant issues on supply side of switches.

**Achal Lohade:** But you think you will have all the approvals with respect to because I recall for another company it took a lot of time to get the government approvals required to launch the switches and switchgears?

**Gandharv Tongia:** I think we have a very good handle on the approvals on switches as well as on the other businesses approvals. I do not expect any significant challenges in launching our own switches in the current fiscal itself.

**Achal Lohade:** Got it. If you could help us what is the capex you are incurring and what is the capacity and the revenue potential of this?

**Gandharv Tongia:** So historically we have incurred between Rs.300 crore to Rs.350 crore every year. This year as well we are anticipating a number close to Rs.300 crore to Rs.400 crore. When we are working on Project Leap there were several priorities so what we decided that in the year two of Project Leap we will start exploring adjacent categories and see whether we have to enter into these categories either through M&A route or otherwise through our own facilities. So if we decide to get into adjacent product categories that number of Rs.300 crore- Rs.400 crore will probably undergo a change, but that is a work which is in progress I think during the course of the year I should be able to give you additional color on this and against the Rs.300 crore to Rs.400 crore target of the current year capex we have incurred almost Rs.100 crore in the first quarter.

**Achal Lohade:** Specifically for the switches facility what is the capex and the volume and the revenue potential or the asset turn?

**Gandharv Tongia:** FMEG business is generally a lighter business in terms of capital intensity, we should be able to get anywhere between 6x to 8x of the capex spend, once the facility is up and running we will come back to you with additional color and data on the switches business.

**Achal Lohade:** Just one more question I had if I may ask with respect to the distribution you had talked about the overlap and you have pointed out in the slide it is about 25% is a common distribution what I wanted to check this classification is based on the retail mix or the dealer/distributor mix, how are we work out this mix?

**Gandharv Tongia:** The data which we have talked about is the dealers and distributors and the classification is on the basis of type of products they procure from our company, so if they are procuring cable & wire then they are cable and wire dealer distributors, if they are preferring FMEG products then they are FMEG distributors, but almost 25% of dealers and distributors are preferring both the products and that is the number which you are referring.

**Achal Lohade:** Sorry that number is 45% or 25% because I saw it is 25%?

**Gandharv Tongia:** 25% are the dealers who are procuring both the products, cable & wire as well as FMEG.

**Achal Lohade:** In effect you are saying there is 75% of our dealer distributors of wires they are not actually buying FMEG is that understanding right?

**Gandharv Tongia:** Or other way around there are 75% dealers and distributors who are either doing only cable & wire or only doing FMEG.

**Achal Lohade:** Understood and just one clarification on the slide, if I see the map of the manufacturing locations I see three places, you have written 23 units of manufacturing so just wanted to get that clarity?

**Gandharv Tongia:** Yes so there are multiple manufacturing locations in these geographies, if you go to Halol there are manufacturing facilities for different type of cables and wires and these numbers of locations are as per the regulatory approval.

**Achal Lohade:** Got it. This is very helpful. I will come back in the queue for followup questions. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Uttan Kumar from Spark Capital. Please go ahead.

**Uttan Kumar:** Good noon Sir. Thank you for the opportunity. I think all the questions have already been answered. I would like to go on the demand front so currently how do you see the current demand panning out over the next one to two years considering that now we are witnessing

interest rate rising and are we really seeing real estate gaining traction or is there certain pockets kind of driving the volume growth for us currently?

**Gandharv Tongia:** Your voice was cracking in between I think you are talking about the demand outlook is that correct?

**Uttan Kumar:** Yes.

**Gandharv Tongia:** As I briefly mentioned in my opening remarks the June month got impacted because of significant softening of commodity prices. The expectation is that the commodity prices will get stabilized in a month or so and after that we should not have any significant challenge as far as demand is concerned. Ours is a business which is a distribution play almost 87% of our topline comes from dealers and distributors and whenever there is a significant softening of prices generally dealers and distributors, they optimize their inventory level, but as you could imagine this is only a near term or immediate term impact, it does not impact us on a midterm or long term. As far as demand environment is concerned, macros are positive you know the country already; it is a consumption story as well as manufacturing story. When I think of China I can think of only manufacturing, when I think of US I can think of only consumption whereas in the case of our country it has benefits of both. We can produce as well as we can consume and that is where I do not see any challenge in terms of demand over mid to long term.

**Uttan Kumar:** Secondly, with regards to the raw materials the company had divested Ryker Base recently to Hindalco so just want to understand in terms of the copper procurement, so in this case you could just give us more clarity on what kind of terms we have in the procurement of copper from them, is there any kind of advantage that the company enjoys in terms of maybe receiving the raw materials at a lower price or at a discount or is there any other third party also would be supplying copper to you or is it only from Hindalco through whom we will be continue sourcing the entire raw material?

**Gandharv Tongia:** So the transaction which you are referring to was consummated in December of last year. Ryker was a subsidiary which was supplying or converting one form of copper into another form. We used to procure and even now also procure copper in cathode from overseas supplier as well as a few of the local suppliers and Ryker used to convert those cathodes into rods and that is where the rods were being used by our manufacturing facilities to manufacture cables and wires. So this transaction does not impact the procurement philosophy or procurement trends which company enjoys. It was only a convergence and as you would probably be able to recollect. When we did this transaction simultaneously, we

entered into a multi-year job conversion or subcontract arrangement with Ryker which is now part of Hindalco so we continue to get the same benefit which we were enjoying earlier. Why we decided to diversify Ryker because Ryker was not being utilized at 100% capacity, our utilization was barely 30%-50% it was not making sense from ROCE perspective to continue with that particular legal entity within our group and this arrangement helps us both in topline as well as the bottomline. Now your question on these trends which we have or the benefits which we have on copper procurement before specifically deal with that let me demystify the copper procurement for you. Most of the communities worldwide generally are catered with embedded derivative which means that on the date of procurement you need not to decide the final price which you need to pay to your vendors, you can decide it a month or two months or three months down the line and generally in that timeframe you are able to convert the raw material into finished goods and you have visibility on the selling price and that is where you decide and sum up the procurement price and this is how the changes in raw material prices becomes a pass through for us and that is where it does not impact the profitability of our company. There could be some few chances or changes on month-on-month or quarter-on-quarter basis, but if you were to take an annualized view it would not have significant impact on the profitability of the company. We are the largest consumer of copper in India and we have those benefits available both from international suppliers as well as from the domestic suppliers.

**Uttan Kumar:** Got it Sir. Lastly on the gross, is it a fair understanding that the current gross margins of almost 25% level it would be sustainable or there can be some kind of improvement going ahead from here maybe 100-200 bps can be either because of the export mix which is coming in or the current inventory being of the lower priced raw material, is there any scope it can be there in terms of improvement or can the current level sustain?

**Gandharv Tongia:** Over the past few years we have maintained EBITDA margins of 11% to 13% in our cable and wire business on an analyzed basis. I think for your modeling purposes it is best to assume a range of between 11% to 13% and I think probably even if you are able to better the margins in terms of actual numbers it will give you only positive surprise and no negative shock.

**Uttan Kumar:** Got it. Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Nikunj Gala from Sundaram AMC. Please go ahead.

**Nikunj Gala:** Good afternoon team. Sir I just have one question with respect to your cable & wire division. When you are mentioning that you will be maintaining your EBITDA margin in the range of 11% to 13%, but I just want to understand during the deflationary scenario is that understanding correct that during this period your absolute gross profit I am just focusing on the contribution margins perspective that absolute gross profit in a deflationary scenario would be lower in that case?

**Gandharv Tongia:** Let me share with you my experience of this industry in the last 15 years or so. What I have observed in this industry is whenever there is a reduction in commodity prices generally the contribution margin and EBITDA margin would improve for cable & wire manufacturers and it is other way around whenever there is increase in commodity prices so I would expect something similar to happen if there is significant reduction in copper, aluminium prices. If that does not happen I would probably then expect a significant competitive intensity in the industry and significant market share gain, but generally speaking I would expect improvement in contribution and EBITDA margin if the commodity prices are falling.

**Nikunj Gala:** Understood from that point Sir, but why am I asking is seeking clarity on the absolute contribution, if you look at our number from FY2019 to FY2022, FY2019 commodities where approximately just to give you example of copper from FY2019 to FY2022 the basket of commodity has increased by 60% so for example your procurement was at 75%, you were selling at 100 hence your contribution margin was at 25%, when I look at your FY2022 number the commodity basket moved from 75 to 120 purely on account of 60% inflation at the same time your realization also increased from 100 to 160 and during this period your contribution remained 25 to 25; however, at a gross profit level your gross profit which was Rs.25 in FY2019 have become Rs.40 so that was scenario we have seen in FY2019 to 2022, for the example purpose going forward let us take a similar example when you are procuring goods today at 75 but it is 75 reduces by 20% which has come down to Rs.60, so I just want to understand Rs.100 which you are selling will come down to Rs.85 or Rs.80, if it comes down by Rs.85 then you try to increase your margin but your absolute profit comes down?

**Gandharv Tongia:** I probably lost you when you were changing numbers from 75% to 60% but I will probably oversimplify for you as well as for others. We work on EBITDA margin targets we do not work on per tonne targets and that is where I gave you guidance of 11% to 13%, at the same time what I highlighted to you in my experience in this cable and wire industry in falling commodity prices you should be able to get better margins both at contribution level and EBITDA level and that is where I would suggest that for your modeling purposes you can

consider EBITDA margin in the range of 11% to 13% as far as cable and wire business is concerned, but if I were to give you color on FMEG business which is almost 10%-12% of our topline now and expected to grow over the period there the current EBITDA margin or current EBIT margins around 2% and we would expect to be in the range of 10% to 12% of EBITDA margin by fiscal 2026 and that is where there is a fair amount of upside which is possible in that particular business of FMEG is concerned.

**Nikunj Gala:** Okay, got your point. Just clarifying that in that case you are saying if the cable and wire business Rs.100 you are making Rs.11 to Rs.13 and if tomorrow this Rs.100 becomes Rs.80 on account of passing on the prices to the consumer you will make 11% to 13% on Rs.80 that understanding is right Sir?

**Gandharv Tongia:** That is partially right what I highlighted is in my experience in the last 15 years in the falling commodity prices the margins should improve and if that happens then you should have a positive surprise on to the range of 11% to 13%.

**Nikunj Gala:** Thanks.

**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. Sir, the new brand Etira can you share more light basically where it is launched and which are the products that we have entered right now, what is the pricing difference versus Polycab brand and where it is exactly positioning I agree it is at low end of the market, but compared to unorganized products or the premium products like Polycab where it is basically positioned and is there any three to five year target that the company is working on?

**Gandharv Tongia:** Etira was launched as part of our rural as well as low-cost product offering. If we have initiated our work on penetration of rural market, we have a vertical called emerging India which is being headed by Deepak who joined us around a year back and he has significant experience on the rural market. Etira was launched in the fourth quarter of the fiscal 2022 and if I am not wrong, we have registered 100% growth on sequential basis of course numbers are small, the numbers are not significant, but the fact is the growth of 100% show that is very promising. As of now it has been launched only in the wire product portfolio as we go forward in the current fiscal we will introduce Etira brand for other businesses as well in FMEG for example fan.

**Aniruddha Joshi:** Is there any target that the company is working with three year, five year or any kind of a target?

**Gandharv Tongia:** You are absolutely right. We have a very ambitious target for overall business and Eтира would help us in achieving that over the period and on a quarterly basis we will continue to provide you updates on the actual for the quarters gone by.

**Aniruddha Joshi:** Thanks a lot.

**Moderator:** The next question is from the line of Kunal from B&K Securities. Please go ahead.

**Kunal:** Thank you for the opportunity. Most of my questions have been answered. Just one question Sir, you mentioned that strengthening of the leadership team was one of the focus areas if you can talk little bit about how has that moved and what has been the key addition of late and especially on the FMEG side it could be really useful?

**Gandharv Tongia:** When we were thinking about Project Leap and this was almost 15 months back and we were in active discussions with our partner Boston Consulting Group. We realized that 24 work streams which we have identified as part of Project Leap, If we want to successfully implement those 24 work streams we need probably more experience and more leaders at the top management level and you know this business and company already, we do not have any capital risk, we are sitting on cash in our balance sheet we are only leader, the only risk we have if we were to critically challenge is execution risk. What does that mean that even if you plan for something you are not able to implement in the most effective manner and the way to mitigate that is have better quality of the leaders, have more leaders to support the journey of Rs.20,000 crore of topline by fiscal 2026 so we have hired leaders for various businesses and functions in last year or so if I were to talk about top leaders probably we would have hired almost 18-20 leaders, but at the same time there is significant augmentation of middle level managers as well. Let me start with the functions first, we hired Rajesh from Tata Motors as our CHRO, he was with Tata for 28 years and all of us know Tatas are known for their HRM people skills and practices and we believe that Rajesh would be able to support us in transforming HR practices of Polycab. We hired Vivek Sharma as Deputy Managing Director as you know Vivek, Superintendent from Panasonic India and he is looking after the B2C businesses. We hired head of fan business from another large company; we hired Deepak Mitra for Emerging India, Deepak Himan for TMO. I probably would go on, but just to give you a broad color we have mend almost all the businesses and functions now and it is also slightly getting reflected in the employee cost of the company, but we have all the ticks in the checklist in place now it is a matter of



implementation and execution and in the quarters to come we should be able to get better results with the help of these leaders who have joined us very recently over the period of last 10 to 12 months.

**Moderator:** Thank you Mr. Kunal. The next question is from the line of Gopal Nawandhar from SBI Life. Please go ahead.

**Gopal Nawandhar:** Thanks for the opportunity. If you can just highlight the revenue deferment because of decline in the commodity prices for cable & wire business and impact on the fan business because of GTM and whether that GTM is through, or it will further have impact on the remaining quarters?

**Gandharv Tongia:** In our business Gopal generally speaking we would not necessarily witness a demand loss or loss of opportunity as mentioned we have deferment from one month to another month, one quarter to another quarter and this is a generalized statement. My expectation is that the second half of the year should be similarly better than the first half of the year and that is where I would not necessarily would like to quantify the impact on the first quarter, but I would like to give you this comfort that in the history of the company this was the best quarterly performance as far as the first quarter of the fiscal is concerned. On fan I think we have completed almost all the alignment, by September we should be able to complete everything, but fan is a slightly seasonal business so the benefits of the alignment would get reflected in the next season which will start sometime in November onwards and more meaningfully in the fourth quarter of this year as well in the first quarter of the next year. We should have some benefits in the P&L because of the realignment of GTM in the fan business.

**Gopal Nawandhar:** If you can just highlight the gap between the increase in the commodity prices for FMEG portfolio and the kind of price increases we have taken and are you seeing any kind of price correction post this decline in the commodities in the last one-and-a-half months?

**Gandharv Tongia:** Maybe revised our prices in cable and wire business on monthly rate, same in FMEG also we take corrective action as and when required of course after considering the actions taken by other participant at the industry level. We have done that, and we will continue to do that wherever there is an opportunity to pass on the benefits to end consumer or increase the prices because of increase in commodity prices we are doing that very promptly and we will continue to do that in the quarter and periods to come.

**Moderator:** The next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

**Abhijit Akella:** Good afternoon and thank you so much for taking my questions. Just a couple, first one was on the gross margins which have improved quite a bit this quarter to about 25% just to check whether there is any one-off item in there that might have boosted these and should we expect these to come back down in coming quarters that was one, second if you could just give us some sense of your market share trends in both the segments over the past year or so if you have any data points with you and last one I just wanted to clarify when you mentioned this 87% of revenue coming from the distribution driven business does that include some element of institutional sales also within that or is that only the remaining 13%? Thanks a lot.

**Gandharv Tongia:** I think your first question was on the gross margin and EBITDA margin. There is no one-off in the first quarter as I was mentioning to another participant, we have maintained EBITDA margin of 11% to 13% in cable and wire business and in the periods to come we should be able to maintain the same. As far as market share is concerned in cable and wire business of the organized market, we have almost 24% of market share. In FMEG, we are comparatively small it ranges between 1% to 1.5%. In terms of packing order, we would be anywhere between six player, ninth or tenth player so we are competitively that way in FMEG business we are small and on the last one on the distribution you are right 87% of the total revenue comes from distribution, institutional and export over and above 87%.

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

**Ankit Babel:** Sorry I missed the initial comments. Just wanted to confirm was there any inventory loss in Q1?

**Gandharv Tongia:** Ankit, you know this business, you have been tracking our company since long, we have a very robust hedging framework in place and when you procure inventory it comes with embedded derivative and when we decide the selling price of our finished goods that is when we have the ability to decide the procurement price and that is where it becomes a pass through and that is a reason, generally speaking I would not expect any inventory loss to incur to the P&L of our company and to directly answer a question there is no inventory loss.

**Ankit Babel:** Thank you so much.

**Moderator:** The next question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.

- Viraj Mehta:** Thanks a lot Sir. If we look at our growth in FMEG segment has significantly slowed down to our vis-à-vis the market compared to our growth in earlier years, what do you think that is hampering it and what are we doing to kind of address that situation?
- Gandharv Tongia:** I would partially agree with you. When you are talking about the slowdown it slowed down because of the base effect, when the business is small the CAGR would be slightly higher, when the business is larger or sizeable the CAGR will go down so to that extent I would disagree, but at the same time if your question is on the aspiration whether it can be better we are an aggressive company as far as growth is concerned and we believe that we can always do better than what we have achieved. Only one element which I would like to add here is slight realignment which we have done in the last couple of quarters in the fan business, GTM which has impacted the growth of fan business, but other than that almost all the large businesses have registered a fair amount of growth and by 2026 when we are talking about achieving Rs.20,000 crore of topline FMEG as well as retail wires will have a significant share of the Rs.20,000 crore of topline.
- Moderator:** The next question is from the line of Varun Basrur from Julius Baer Wealth Advisors. Please go ahead.
- Varun Basrur:** Thanks for taking my question. I just wanted to understand are we seeing any improvement in rural market demand uptick?
- Gandharv Tongia:** It is a mixed bag. There are two pockets where we have noticed there is slight uptick in demand, but in few pockets slight sluggishness, but our reading from the ground suggests that this onset of southwest monsoon should help in reviving and improving the rural market demand.
- Moderator:** Thank you. The next question is from the line of Deepak from Unifi Capital. Please go ahead.
- Deepak:** Thank you for the opportunity. Sir as we expect better H2 this year, but we had a healthy base in the previous year supported by the higher prices, in this deflationary environment how is we able to defend the strong base of last year in H2?
- Gandharv Tongia:** Deepak you know this business, you are investor in our company since long. As far as B2B business is concerned we are taking steps to deliver industry-leading growth and as far as B2C business is concerned as part of Project Leap we are targeting to get to a breakout growth and irrespective of softening of commodity prices we believe that we would be able

to beat the industry growth in cable and wire business over mid to long term and in FMEG we should have a significant growth in competitive industry growth.

**Moderator:** The next question is from the line of Shrinidhi from HSBC. Please go ahead.

**Shrinidhi:** Thanks for the opportunity. My first question would be on FMEG segment margin where you have reiterated that your ambition of 12% margin by FY2026 would it be possible to guide us what is going to drive this sharp margin improvement and price increases are going to drive substantial part of this margin, so that is my first question?

**Gandharv Tongia:** Sure. Do you want to give me your second and then I can take both at once?

**Shrinidhi:** The second one is that you alluded to some change in the payment methodology during Q1 can you please elaborate that? These are my two questions.

**Gandharv Tongia:** First question was on FMEG profitability. One is with larger size we will get operating leverage and that is where the EBIT and EBITDA margins should improve. Second is new product development and premiumization of our offerings as I mentioned a while back premium contribution to FMEG topline was around 4% in fiscal 2021 almost 8% in FY2022 and in the quarter gone by it was almost 12% and this is expected to go up in the quarters and years to come and that is the contribution margin will improve and third is a fair bit of cost optimization wherever possible, so all of these factors should help us in improving our EBITDA margin. Having said that at the same time I would expect some increase in expenses, for example advertisement and publicity in the COVID years we were we were following a bit of soft approach on A&P spend, but I would expect this to go up in the quarters and years to come that was on the FMEG profitability between now and 2026. Second was in the payment terms when we procure copper and we used to procure copper frequently from the overseas supplier we used to have the LC arrangement which roughly means or broadly means that we need not to discharge the liability on day one, we have flexibility to discharge the liability two months or three months down the line. Because of global supply chain issues, we decided to store some copper from local market in India and since these were domestic suppliers we opted to make payments on advanced basis or on the date of the delivery basis as against availing the LC and this has impacted the working capital adversely which is what is visible in number of days in payables. Having said that in a quarter or two we should be able to go back to our regular import vendors and we should be able to avail LCs and that is where the working capital cycle as far as payables are concerned should get normalized. Since we are on working capital let me also highlight that the channel financing percentage has improved over the period. We are hoping around 75%

or thereabout of channel financing and almost all of it is without any recourse to the company and that is where the number of days of receivables have improved significantly in last few quarters.

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

**Rahul Agarwal:** Good afternoon and thanks for the opportunity. Just one question I think is left with me now. On FMEG Gandharv we are looking at 60%-70% coming from lighting, and fans, the sector has a lot of large competitors incumbents going forward FMEG has to play a very large role in achieving the Project Leap targets the botheration is essentially coming from how does this, what does Polycab do different in terms of product offerings and getting to that growth number because growing this category now at Rs 1200 crore base at more than 20% is going to be tough, market share gains in this category is going to be tough because we have very large competition here, any thoughts you could help us understand what would Polycab do different in terms of either go-to-market or in terms of new product launches or if you are thinking of new categories because fans and lights are two categories that are highly competitive and it is very tough to grow at 20% given the category growth itself is like 7%-8%. So could you help me understand that is my only question? Thank you so much.

**Gandharv Tongia:** It is a great question Rahul and believe me we have invested a lot of time in the Boardroom, in the Leap meeting and strategy meeting discussing deliberately we have a complete blueprint in place and the topic which you have touched upon these are the areas we are making considerable investment of time and making lot of effort whether the GTM and dealer distribution expansion adding more geographies into our network whether working on brand or architecture and so on and so forth, but let me give you a broader perspective to FMEG. When we started this business 50 years back we got into cable and today we are market leader in cable then in 1996 we got into wires we are a market leader in wires, when we got into FMEG business in 2015 there were many who were of the view that we would not be able to get to the type of growth which we have experienced in the last five to seven years, so any business is difficult, any business is complicated, but I think the quality of the management team which we have, we are absolutely comfortable with the topline target of Rs.20,000 crore by fiscal 2026 and whatever steps are required to be taken are being taken and we should be able to achieve our aspiration of Rs.20,000 crore of topline by fiscal 2026.



*Polycab India Limited*  
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**Moderator:** Thank you very much. We will take that as a last question. I would now like to hand the conference over to Mr. Gandharv Tongia for closing comments.

**Gandharv Tongia:** Thank you so much for joining us this afternoon. In case if you have any followup question please write to us at [investor.relations@polycab.com](mailto:investor.relations@polycab.com) and we would be pleased to attend your question. Thank you and have a great day.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Polycab India Limited that includes this conference call. Thank you for joining us. You may now disconnect your lines.