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POLYCAB
Connection Zindagi Ka

Date: 10th June 2021

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 07th June 2021

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 07th June 2021.

Kindly take the same on your record.

Thanking you

Yours Faithfully
For Polycab India Limited

Manita

Manita Carmen A Gonsalves
Company Secretary and Compliance Officer
Membership No.: A18321

Q4 FY2021 Earnings Conference Call

June 07, 2021

MANAGEMENT: **MR. INDER T. JAISINGHANI – CHAIRMAN & MANAGING DIRECTOR - POLYCAB INDIA**

MR. GANDHARV TONGIA – CHIEF FINANCIAL OFFICER - POLYCAB INDIA

Moderator: Ladies and gentlemen, good day, and welcome to the Polycab India Q4 FY2021 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. We would like to remind you that certain statements made by the management in today's presentation maybe forward-looking statements. These forward-looking statements reflect management's best judgment and analysis as of today. Actual results may differ materially from current expectations based on the number of factors affecting the business. Please refer to safe-harbor disclosure in the presentation. Please note that this conference is being recorded. I now hand the conference to Mr. Gandharv Tongia. Thank you and over to you, Sir!

Gandharv Tongia: Thank you, operator, and a very good afternoon, everyone. I hope you all are staying healthy and safe. I am Gandharv Tongia – CFO at Polycab India Limited. We are very happy to have you on the call today to discuss our Q4 fiscal 2021 business performance.

I know this call had been long overdue. Thank you for being considerate. Unfortunately, the night after our board meeting on 13th of last month, I started observing few common COVID symptoms which aggravated the next morning. So, as a precautionary step, we decided to postpone the call; however, I am fortunate to have recovered well and feeling much better now.

Moving on, please note 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 Relation webpage of our website. It can also be downloaded through the link or QR Code on slide #10 of our earnings presentation.

From our management team, we have with us our Chairman and Managing Director, Mr. Inder Jaisinghani.

Let me now hand it over to Inder Bhai, for his comments.

Inder Jaisinghani: Good afternoon, everyone. Welcome to the call. FY21 has been an extraordinary year marked by disruption, resilience, compassion, and transformation. Our endeavor to ensure safety of Polycabians and help the society at large remains untethered. Concurrently, we also ensured uninterrupted operations through agility and technology which helped us leverage the favorable market trends and report robust business performance in the fourth quarter. We are excited to commence on a journey towards our five-year vision which will shift orbits of our brand positioning, operations, and business growth along with strong emphasis on governance and sustainability. Considering our ongoing transformation initiatives, I believe we are well placed to take a leap and create long term value for everyone connected to Polycab. I now request Gandharv to take you through our earnings presentation.

Gandharv Tongia: Thank you very much Inder Bhai. Overall, we had a strong Q4 with healthy market share gains. The underlying business performance was fairly good across the board. The domestic demand trends remain supportive. Pandemic related disruptions across all sectors of economy were relatively minimal in Q4. As a result, infrastructure and construction activities picked up in full swing. Central and state government as well as private project activities showed an uptick. Private sector investments have been evidently higher in the second half. Consumer sentiments improved with unlocking and vaccination drive leading to buyout demand for B2C products.

Having said that we continue to remain cautious and agile in the face of ongoing second wave of COVID-19. While the severity of it has been high, I believe we as a country are much better placed than last year given the increased safety awareness and fast paced vaccine rollouts. Even as a company we are well footed from an operational standpoint. Hence, we do not foresee any significant disruption. Our teams continue to perform at a very high level while adopting a nimble approach to seize all opportunities regardless of good environment.

Moving on to presentation with slide #4. For the quarter ended March 31, 2021, our consolidated revenue at Rs.30.3 billion grew by 43% year-on-year, performance has been quite strong even if we normalize it for the impact of pandemic. B2C portfolio continue to outpace B2B thereby increasing its overall contribution. EBITDA grew by 43% year-on-year resulting in 13.9% margin led by pricing action, leverage benefit, cost saving initiatives offsetting sharp input cost inflation.

Our staff cost at Rs 997 mn was higher vs last year. Polycab has ensured that employees are well rewarded for the efforts and commitment, especially during such challenging times. Accordingly, hikes, promotions and variable pay were rolled out for FY21. Moving on, A&P spend at Rs. 144 mn or 0.5% of sales was lower vs last year as we reorganized our marketing strategy to better suit the business objectives. Hence, we can take this quarter as an aberration. Our annual A&P spends are likely to be in the tune of Rs1.5-2bn for FY22. Finance cost was broadly stable while other income was lower on a YoY basis to higher mark to market gains in base quarter. A detailed breakup of our other income and finance costs, have been provided on Slide 13 of our earnings presentation. Our profit before tax at Rs. 3.8 bn and profit after tax at Rs. 2.8 bn, increased by 36% YoY and 32% YoY, respectively.

If we go to slide #5 for the Fiscal year 20-21, I am delighted to highlight that we surpassed last year despite a dismissal start to the year. Our Revenue grew on a YoY basis with B2C contribution rising by over 750bps from 32.6% in FY20 to about 40.2% in FY21, on a standalone basis. Adjusting for a large export order it would have increased further. EBITDA margin was relatively stable, which again is a decent achievement I would say, considering the adverse leverage and sharp rise in input costs seen during the year. PAT grew 16% Y-o-Y, partly led by few one-off gains in Q1, as highlighted on Slide #10.

Moving on to segments on Slide 6; Wires and Cables business clocked a healthy growth of 35% YoY led by pickup in construction activity, higher realization, increased distribution reach and portfolio enhancement. On the domestic side, Institutional business outperformed distribution business during the quarter however this was on the back of a soft base and hence it maybe a bit early to call out full recovery. Having said that, the business certainly continued to gain traction on a sequential basis. Export's portfolio, excluding the large order, declined by 7% YoY mainly on account of stalling of few large projects on account pandemic. However, we continue to build presence in many key geographies through appointment of distributors and expanding product offerings. We believe the business will get back on growth trajectory soon. For the year as a whole, our domestic market assessment suggests we would have gained at least 200bps of market share in FY21. However, we await the market and industry data as of now. On the profitability side, segment EBIT margin at 13.4% was broadly stable vs previous quarter. This was supported by pricing actions to offset the double digit inflation see in our RM basket.

On Slide 7, FMEG posted an impressive 89% YoY growth in Q4 on the back of strong execution. All categories as well as regions witnessed strong growth with market share gains. Consumer demand remained healthy on account of retuning normalcy. FMEG contribution to overall sales increased over 290bps YoY to 11.4%. During the quarter, Fans posted healthy growth despite stiff competition and cost push. Lighting products business nearly doubled led better demand supply alignment. Switches and Switchgears grew 2.5x while other categories also witnessed strong offtake. Profitability continued to move in an upward trajectory despite input cost inflation, helped by pricing interventions, premiumization, better working capital management and cost optimization. Segmental EBIT margin stood at 7% in Q4 and 5.5% for FY21. While the ongoing phase of intermittent lockdowns do pose a challenge, we are well placed from a supply perspective to cater demand across nation. We have also observed some resilience in retail channel as many retailers are now delivering directly at home. While this may not be meaningful, it does offer some optimism and showcase resilience of Indian trade.

On Slide 8, Others segment, which is largely our strategic EPC business, witnessed a decline due to severe impact of pandemic and higher base of last year. The copper segment, as disclosed in the financial results, largely reflects Ryker base, which is a part of our backward integration initiative. Moving on to financials from Slide # 10 onwards our balance sheet grew stronger with over Rs.9 billion of net cash position as of March 2021, which is 5.5x of same period last year. ROCE and ROE in Q4 stood at 32% and 24%, respectively. Working capital looks optically stable on a YoY basis, however, there has been decent underlying improvement. The numbers should be correlated to the fact that prices of key inputs like copper have nearly doubled over last year and this inflation reflects in marked to market inventory as of 31st March 2021.

Besides financials, during the year we have made tremendous progress on expanding our distribution and influencer ecosystem. Our authorized dealers and distributors count as of March 2021 grew by about 17% YoY to over 4,100. Our retail outlet reach increased by about 32% YoY to over 165,000 while electricians on our influencer program grew by about 33% YoY to over 180,000. We now have 7 knowledge and experience centres across several large cities across India. Furthermore, we are also now redefining our retail marketing approach through three different outlet formats. First is Polycab Galleria which we also call it Knowledge centres. These are large showrooms with virtual reality showcase as well as audio visual facilities. They also serve as training hubs for influencers and a sales back office of our employees. Second is the Polycab Arena. These include experience centers as well as Polycab exclusive retail outlets. The third format is Polycab Shoppee which is shop-in-shop model where we design the exclusively earmarked space granted by the retailer. We believe this concept will help us provide a better brand experience to millions of customers and influencers.

Under Project Shikhar or Sales Acceleration Program, we have also launched 'The Experts Program', which is a robust, 360o influencer management initiative, promoting inclusive growth. The electricians and retailers enrolled in this program are provided loyalty-based monetary incentives, in conjunction with trainings in their respective fields by industry experts. Once trained, they are certified as 'Experts' by Polycab. The certifications will be provided through government-recognized institutes. The aim is to help them build soft skills like people, social, communication skills and time management along with professional knowledge. Leveraging on this program we will also be piloting bunched or basket offerings soon. A glimpse of our new Polycab Galleria opened in Cochin is on slide #14.

We have some exciting stuff on the next few slides. It gives a foretaste of our five-year vision project which we have titled it as Project Leap.

This year marks the 25th anniversary of Polycab as a structured entity. Since 1998, we have recorded a robust 43% compounded annual growth rate in business. Even in the last 5 years, the growth has been relatively healthy at about 11% CAGR while maintaining market leadership and tackling challenges like the pandemic. By diversifying our portfolio, building robust manufacturing capability, creating a strong IT backbone and strengthening our brand positioning we have created a very functional platform which has the potential to unlock significant amount of latent growth. Now is the time to leverage these competencies to the fullest and challenge our selves to realize our future vision for the company over the next five years. Accordingly, we have embarked on multiyear transformational journey with an aim to cross Rs 200bn in sales by FY26. We can't possibly think of a thriving business without thinking of the environment, social development and good governance. And hence we also aim to significantly step up the pedal on our sustainability agenda as well.

Now let us come to how do we formulate our direction towards this vision. For this, we believe simplicity is excellence. We have essentially created four core areas ie. B2B, B2C, Capabilities and Sustainability. I will probably touch each one of these briefly over the next few slides.

Slide #16 on the left we have highlighted few broad targets while on the right we have key workstreams to achieve the targets.

On the B2B side we want to reenergize the business and strengthen our leadership position. This will be done by refining our business model to win in large towns, enhance value proposition to explore untapped opportunities, enable demand generation through micro market analytics and have a strong business development arm.

On Slide #17. For B2C business we wish to achieve breakout growth and position ourselves to win in these categories. We want to make our products an integral part of consumers day to day lives. We aim to build a comprehensive portfolio across price points, redefining our brand architecture, adopt digital first approach and explore adjacencies.

Slide #18 highlights three core growth enablers which will guide us through this journey. We will build an operating model which fosters performance, innovation and “customer first” driven culture with increased autonomy and accountability. We plan to take our IT capabilities to next level by having digital and analytics driven decision making across all facets of business.

Slide #19. Lastly but most importantly we believe our progress will be analogous to our sustainability initiatives. While we have made wonderful progress in terms of reducing environmental impact and promoting inclusive growth, we believe there is lot of work which can be done in the areas of renewable energy, optimizing usage of energy, water and other resources, recycling of waste and water and further augmenting social development contributions. We have already taken baby steps by appointing an environment consultant who will help us with our green initiatives. Our Polycab Social Welfare Foundation will help us drive significant and focused CSR initiatives. We have also embarked on an integrated reporting journey starting this year, which we hope, will meaningfully increase transparency and form a base for good governance. Environment, Sustainability and Governance focus will be ingrained further into core business and we aim to achieve leading ESG scores in Indian corporate space. In the coming periods we will also develop long-term ESG targets.

Next, there are couple of updates which I would like to share with you.

Firstly, Considering the healthy financial position the Board has recommended for the payment of Final Dividend of Rs.10 per equity share, for the year ended 31 March 2021, subject to the approval of the shareholders. Our dividend pay-out ratio on standalone profit will sequentially improve to 18% in FY21.

Second, there has been some reorganization in the board of directors. On the Executive directors' side Mr Ajay Jaisinghani, Mr Ramesh Jaisinghani and Mr Shyam Lal Bajaj have stepped down from the board and Mr Bharat Jaisinghani, Mr Nikhil Jaisinghani and Mr Rakesh Talati have been appointed as Executive Directors, subject to approval of the members at the ensuing Annual General Meeting of the Company. This change was a part of our larger succession planning. Bharat and Nikhil have been working in different areas of sales, marketing, production, IT etc. for nearly a decade now. And both have played instrumental roles in driving several important projects within the Company.

On the independent director's side we had two changes. Firstly, Ms Hiroo Mirchandani had resigned from the post of Independent Director w.e.f. May 12, 2021 in order to rebalance her board portfolio inline with her professional and personal goals. We really admire the guidance and knowledge she provided which helped the company grow. We wish her good luck for her future endeavours.

For the second change, I am very pleased to announce Mrs Sutapa Banerjee has joined the board as an Independent Director with effect from May 13, 2021. Mrs. Banerjee comes with over 30 years of professional experience, heading many large financial services companies. Mrs. Banerjee is a gold medallist in Economics, an Advanced Leadership Fellow (2015) at Harvard University and Visiting Faculty with IIM-Ahmedabad. Mrs. Sutapa is also an adjunct faculty with Indian Institute of Corporate Affairs – the Government of India think tank under the Ministry of Corporate Affairs. With this appointment she adds Polycab to the list of esteemed companies like Godrej Properties, JSW Cement, Zomato, Manappuram Finance etc. where she is a board member.

Lastly, we have entered the new financial year and we are progressing well across all facets of our business. We are gearing ourselves to a leap into the future. I feel confident about our organization's vision and execution capabilities to deliver maximum value to our consumers, partners and shareholders alike.

Thank you. And we would be pleased to answer your questions now. Over to you operator

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Good afternoon. Congrats on a good set of numbers. My first question is with respect to the pricing action that we had taken at cables and wires segment over the past three to six months. What kind of price hikes that we had taken and how much is more or less given the fact that commodities has been on a pricing trend?

Gandharv Tongia: Thanks Ravi for your kind words. On the pricing action, if I reflect on the quarter gone by, the raw material cost at a basket level increased in almost double-digit whereas the price hike on a weighted average basis we would have taken is in lower teens so that is where if you see the margins have improved at contribution level and you know this industry already, Ravi, every month we are revising our prices after considering increase or decrease in the input cost. For example, copper or change in foreign exchange rates between USD and INR. So, we will continue to follow the practice, which we have been following consistently over the period and wherever there is a need to adjust the prices we will continue to do that.

Ravi Swaminathan: Are we confident that probably you will be able to sustain or maintain gross margins given the fact that past couple of quarters gross margins have contracted on a year-on-year basis in spite of the fact that wires and other products, higher margin products have increased in proportion. So would we be able to maintain gross margins which we had seen last year that is FY2021?

Gandharv Tongia: Ravi, the business model which we have gives us flexibility to price our input cost, particularly copper, along with significant visibility on the selling price and that is how we have been able to maintain our margins. At times, because of lag impact or the inventory in the distribution, there could be some delay, but if we take a 12 months view or annualized view, I generally believe that we should be able to maintain our EBITDA margins, give and take few 100 basis points here and there.

Ravi Swaminathan: With respect to traction with respect to the first quarter so far April, May and some part of June how has it been in terms of demand even in the lockdown scenario?

Gandharv Tongia: If I compare April and May of 2020 vs April and May of 2021, I think 2021 was significantly better than the base. I know there are restrictions, there are lockdowns, but those, in compared to the last year, are slightly less negative on the business side of it and since in the current month, most of the states have started relaxing the lockdown restrictions, we expect that in the coming quarters, the performance will continue to improve. I believe that second quarter would be better than first quarter and directionally, it seems that the second half of the fiscal could be better than the first half of the current fiscal.

Ravi Swaminathan: With respect to say the breakup of revenue for FMEG if you can give and the capex plan in next two years if you can give that would be grateful? That would be my last question.

Gandharv Tongia: On the capex, we anticipate that we would incur about Rs.300 Crores odd this fiscal, and around 35% will go for FMEG. This would include, say for example, new capex on fan factory, TPW factory as well as factories for pipes and all that. So that is around 35%. Balance would have a combination of a bit of a backward integration as well as cable and wire facilities. In cable and wire, predominantly it would be for special cables and export cables where we need to make some investment. In special cable if we were recollect in earlier quarters also had talked about that we are focusing on something called import substitute and we have been able to secure several approvals in the last few quarters. We want to now setup our facility so that we can manufacture these products in India in true spirit of Make in India and Atmanirbhar Bharat and supply to the Indian customers. So that is a broad blueprint. There would be some slight maintenance costs and all that but overall the capex would be around Rs.300 Crores thereabout. I think then your second part of the question was around the breakup of FMEG business. You would have already noticed that this year we have entered the 1000 Crores club in FMEG and I think it is a commendable performance by the team Polycab to reach that number in five, six years. If I break it down for you it would be around 35% to 40% of fans followed by lighting which would be around 25% to 30% followed by switches and switchgears around 15% and pipes would have touched almost double digit now. So that is a broad breakup of FMEG revenue which is 1000 Crores plus in the fiscal 2021.

Ravi Swaminathan: Thanks a lot.

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

Pritesh Chheda: Sir I have one broader question. From your project Leap, Bandhan and project Josh which you mentioned over the last one year now. Over the next three to five years where do you see your company's revenue sum total rising to? What kind of margins we see three to five years from now? What capex would you incur to derive that size of the business? What would be your reach as a percentage of the market by then and what is the organizational building activity that has been done or needed to achieve that?

Gandharv Tongia: Let me demystify it for you. I think these is two or three different projects. Let me spend some time on project Leap. This is a new project this year just started barely a month back.

We are working with the consultancy firm Boston Consultancy Group, BCG. The objective is to transform the organization and I dwelt about it in my opening remarks as well we want to work on B2B, B2C have the IT capabilities as well as processes and organization in place. By end of fiscal 2026, it is a forward-looking statement, we expect that we would be able to touch almost Rs 20000 Crores figure topline which is more than double of the current year. There could be several activities which will be carried out to build each of these blocks which are B2B, B2C organization, processes, IT capabilities, governance and ESG. Every half yearly we will come back to you on your specific questions on EBITDA margins, capex and what we have done on that. But at this stage I would be able to give you color only on revenue and as we go along we would be happy to give you additional inputs. Directionally, it appears that our EBITDA margin will improve because the proportion of B2C business is increasing and that is where the margins are expected to go up but I think we should wait for half yearly update where we can come and update you on the activities which we have implemented or carried out and the result thereof. On your specifics on the market share and all that I think we have already covered a part of it in my presentation that we are gunning for 1.5x in one part of the business category and 2x in other business category as far as growth is concerned in comparison to the industry growth. But I think I would love to give you more information and color when we come to the September presentation. The second project is Udaan which we initiated almost a year back and which was a cost optimization project. As of now we have already identified cost optimization initiatives translating to almost 80 to 100 BPS of our topline. These are in the process of implementation and we expect that these benefits will accrue over the period to the P&L of the company, but at the same time the project is ongoing and it is quite possible that we are able to unlock values in addition to what we have already unlocked in the quarters to come. And on Josh and others, the third project is actually the project Shikhar which is an Sales acceleration program which in a way covers both Bandhan as well as Josh and that is all how we are going to penetrate the focussed geographies and empower and train our influencers. So these are the three projects on which we are working on and we would be happy to update you on half-yearly basis on the progress.

Pritesh Chheda: Sir what is our distribution reach as a percentage of the total market after this 165000 retailers?

Gandharv Tongia: We have almost 4100 authorized dealers and distributors and 165000 retailers. We believe we have a sizable, significant presence as far as authorized dealers and retailers are concerned, but the way the universe is defined is slightly difficult to come a precise number and that is why it would be difficult for me to give you an absolute number as an answer to your question but every year we had been able to improve our number of dealers and retailers and we will continue to do that.

Pritesh Chheda: Sir just one last clarification I missed, you mentioned capex for 2022 you will be 300 Crores and the mix that you gave for FMEG for FY2021 was 30% fans, 20% lightings and missed the other part?

Gandharv Tongia: These are two different topics; one was on the revenue part. So revenue breakup is what I explained in the fan it is almost 35% to 40%, lighting almost 25% to 30%, switches and switchgear was 15% followed by piping which is just above double-digit. On the capex side of it for fiscal 2022, not for fiscal 2021, we believe that we would be able to incur almost Rs.300 Crores or thereabout and around 35% will be invested in FMEG and balance will be invested in cable and wires particularly in a special cables, exports cable and part of the backward integration. And there will be some element of maintenance capex as well.

Pritesh Chheda: How much did you spend in 2021 capex?

Gandharv Tongia: It is there in the presentation it is just shy of Rs.200 Crores. Rs.191 Crores it is on slide #12.

Pritesh Chheda: Thank you very much and all the best to you Sir. Stay safe. Thank you.

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

Rahul Agarwal: Good afternoon. Good to see you back Gandharv. Congratulations for a good performance in a tough year. Just two questions; one is on the capacity expansion so you answered it partly on the fiscal 2022 side. I was more focusing on the five-year plan to reach 20000 Crores. I would imagine the company would need significant investment into capacity and since the efforts of the group is to manufacture in-house even if I take an average of 300 Crores a year in to 5 it is 1500 Crores of capex if you could help us understand what are the areas of investment, you are thinking to reach that 20000 Crores goal over five years will be really helpful in terms of what factories, what products are you thinking bringing in-house versus which are outsourced right now? That is one. And secondly on the B2B slide where you mentioned that 1.5x or a 2x type growth for core and emerging products if you could help understand what are these products we are talking about if you are splitting them into core and emerging will be really helpful? Thank you so much.

Gandharv Tongia: Thank you Rahul. Thanks a lot for your kind words. I am glad that you liked our performance. On the capacity expansion in capex for next five years, Rahul on this particular project, I must admit that these are early days. We have barely embarked on the journey almost a month back though we have a broad picture available in terms of the topline and how we are going to do it but there is a fair amount of detailing which has been done by the team both by Polycab as well as the consulting partner. I expect that by second quarter of the year or sometime in October when we have the earnings presentation I would be able to give you bit of additional colour and then I will continue to update you on half-yearly basis. I think for the time being on Leap I think we should pick up the key messages one is, we are committed to growth and we want to ensure that we are value additive for all the stakeholders including the investors and that is why we had embarked on this journey with a very credible consultancy group. The second is the topline target is Rs.20000 Crores but beyond this detailing if you allow me to come back to you in the month of October as part of Q2 presentation I think that would be good to approach to have.

Rahul Agarwal: One small thing on inventory I am not sure about the project name but my sense is Polycab was working on inventory rationalization and improvement. If I look at last five-year numbers broadly we have stabilized about 80 days of sales. I am looking it as a number of the sales and not of COGS. Could you help me understand, I mean we cannot I have not seen real improvement there. Could you help me understand the entire project is already completed and the numbers have already come through or there is something left there? That is my last question. Thank you.

Gandharv Tongia: You are right. If I see on absolute number of days, optically it would look like that there is not significant improvement but if I play it with the topline growth and increase in market share that would help us understand the availability of each of these SKUs, at the different sales point, has increased. So that is where the science has been implemented. There is fair amount of work which we have completed on finished goods right from having the right architecture in place, what we need to store where, whether it is the mother warehouse or at the plant or whether we need to add to distribution and all that. There is a bit of a work which we have not completed yet on the RM side, on the raw material side which is going on. Directionally, we believe that we can certainly optimize the inventory levels further but in last couple of quarters, there was bit of a challenge on availability, I am sure you would have also heard about the availability and pricing pressure on the raw material side. And that is where we have at times taken a step back and see whether we need to relook on the overall approach. But to answer your question that whether the inventory can be further optimized or not I believe that yes certainly it can be further optimized but what we want to at the same time ensure is that we increase the availability because that is the clear differentiator for us at every market place. And the OTIF or on time in full delivery is generally between 95% and 98% as of now which has improved significantly I would say over the last three to four years and we as a company would like to reach to 100%. I know it sounds impossible but directionally we would like to reach to 100% and that is where we all of us are working.

Rahul Agarwal: Thank you so much all the best.

Moderator: Thank you. The next question is from the line of Aditya from Axis Capital. Please go ahead.

Aditya Bagul: Gandharv and team first of all congratulations on great set of numbers, I hope Gandharv you are doing well. Gandharv, I have three questions, one is on our FY2026 roadmap that we put through. I would assume that the FMEG growth of high teens to early 20s would be a key cornerstone of that strategy. Just wanted to understand from you some nuances as to which segments are it that we are targeting such high growth hence how are, we likely to achieve? That it is my question number one. My question number two is in terms of cash conversion I think there is 1200 Crores of operating cash this year and it is stellar number I just wanted to understand on a steady state basis over the next three to five years what is the kind of cash conversion that we can expect? And the third is with 900 plus Crores of cash on our balance sheet are we looking at any inorganic additions?

Gandharv Tongia: Aditya thanks a lot. I think these are great set of questions and thanks for highlighting our performance. So the first one I believe the real growth drivers, the growth engines between now and FY2026 would be exports as well as B2C revenue. B2B would continue to play its role, but I think in terms of growth percentage B2C will outshine B2B. There would be some element of adjacencies but I think the core product categories where we are present these categories will drive most of the growth and roadmap to 20000 Crores. On the cash conversion, as I mentioned in one of the responses earlier allow time to come back to you on a semi annual basis because we are still very early to this particular initiative. We want to bake these number and decide what all want to externally communicate and then commit ourselves to those numbers so that every quarter or every six months we can go back to the investors and update them on actuals, so I will come back to you on that in October but I believe that cash conversion will continue to improve in the years to come. On M&A we are actively involved in few of these activities including identification of the focus areas zeroing on few of the targets and then doing the processing aspect of it and hopeful that we would be able to update you soon on the few of these M&A activities as well.

Aditya Bagul: I have two follow-up questions. One is within our target of achieving 20000 Crores we are looking at B2C, B2B kind of a split rather than cables and wires and FMEG plus exports obviously, is that a fair way of understanding things because then we would be also building in a fair bit of growth when it comes to housing wires and other B2C wire segment as well, just trying to understand your thoughts on that?

Gandharv Tongia: Absolutely. I think that is a way to review our performance. We have two growth engines one is B2B which has traditional cable business and then we have B2C which has retail wire as well as FMEG business and then on top of it we have exports business so that is how we are internally trying to improvise on our growth performance as well as that is how we review our performance.

Aditya Bagul: Just one last question with regards to our 20000 Crores target we have not built in any inorganic addition, I mean, you are talking about this on an organic part?

Gandharv Tongia: Yes, as I mentioned that I say I will come back to you in the month of October and to the extent possible I will give you additional color on this and then from there we can take it forward on an half yearly basis we can assess on actuals.

Aditya Bagul: Thank you so much. Congratulations once again and best of luck for the quarters to come.

Moderator: Thank you. The next question is from the line of Yellapu Santosh from Asian Market Securities. Please go ahead.

Yellapu Santosh: Thank you for the opportunity. Congrats on the good set of numbers. I have couple of questions. Sir when you are internally targeting for a 12% EBITDA for the FMEG business by FY2026. What would be the approximate topline that you are having internally within that thought process we are building and what are the initiatives we are taking to reach that kind of milestone on the topline front as well as on the margin profile if you could give some color on it? That is the first question. My second question from a long-term from a three to five-year cycle point of view what all initiatives we are taking so that the exports distribution strategy pans out the way we have ensured, what any specific geographies any specific products we are targeting having we have won recently few export orders from Australia to South America to North America so we are gaining lot of export orders so what is your thought process there if you could just give some color on both the points will be helpful?

Gandharv Tongia: The first one, the growth will continue to come from B2C and exports followed by B2B but as I mentioned to Aditya allow us time till October where we can come back and give you more color on how this 20000 Crores will be achieved. On the export we have been able to improve our presence across the globe in the last around 24 months we had additional approvals in place for example BASEC approvals or UL approvals and all that. If we just slice and dice our export I would say that almost 50% or there about is coming from US followed by Asia and Australia and then rest of the world. We believe that having this twin approach of going after few identified sectors as well as having local presence in identified geographies would help us in improving our topline and that is why we believe that export would be our key contributor to our 20000 Crores topline target by fiscal 2026.

Yellapu Santosh: Sir one follow-up question from me. Sir what is the timeline have we put to the top three cities we want to penetrate so there is still some way to go ahead and penetrate the top three cities any timelines, any targets you have to contributed your growth if you could just give some color or some numbers that will be very insightful.

Gandharv Tongia: At this stage, in terms of quantified targets, I would be able to give you a topline target of Rs.20000 Crores by fiscal 2026. Within that the breakup it would be a bit difficult for me to give you because we have just embarked on this particular journey. So if you just allow me time till October, I will come back to you on the target which we would be able to talk about externally and along with the investors and then after that we can then do a follow up every six month basis.

Yellapu Santosh: Thank you for your time.

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

Chetan Gindodia: Hello Gandharv and team and congratulations for a great set of numbers. I have just one question can you give a sense of volume growth and the pricing growth for FY2021 for the wires and cable segment?

Gandharv Tongia: Thank you for your time. You know this industry already. It will be difficult to give volume data and that is where most of our large players do not do it. I will tell you why this is difficult because if I sell copper cable of length of say one kilometer vis-à-vis an aluminum cable of the same length the pricing would be significantly different. I think the best way to analyze from your perspective a particular company's performance is to compare it with peer performance and if it is its growth rate is slightly better or worse than the peer, that is where you can rate the company. Because the quantity information would not necessarily add any value.

Chetan Gindodia: Still if you can give some sense on what is the volume growth in this quarter, was it in double digits or at least some sense that would help us analyze whether what is the underlying growth?

Gandharv Tongia: Most of the growth has come predominantly from the B2C business categories both from FMEG as well as retail wires. FMEG has already touched across 1000 Crores plus and retail wires continues to grow at a rapid rate. Outside that the LDC business is growing significantly. On the core cable side there is some sort of sluggishness on the institutional but overall the pecking order is like this that B2C followed by B2B.

Chetan Gindodia: Just a clarification you said that B2C business contribution is currently 40.2% in FY2021 so this is for the overall revenue including FMEG or this is just a breakup of wires and cable segment?

Gandharv Tongia: This is overall, including FMEG which is B2C, plus retail wire business which is also B2C, FMEG plus retail wires both put together is almost 40.2%.

Chetan Gindodia: Thank you Gandharv and all the best to the entire team.

Moderator: Thank you. The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Thank you for the opportunity Gandharv. I am glad to see you back in action. Couple of things, one would be on the cables front so if you look at in the current fiscal we witnessed strong tractions in the wires business; however, the institutional business was relatively a laggard and we were able to see industry growth we will do see some green shoots during February and March so because of the second COVID wave do you feel this business is back on track or there would be some delays like for this business to be normal?

Gandharv Tongia: Cable distribution led business was any which ways back to almost pre-COVID levels after the wave two but the challenge was on the institutional side. There also we have seen some bit of traction in the fourth quarter but I think we will have to wait for a month or two before we finally decide and conclude whether we are back to the pre-COVID levels on the cables but directionally I believe the second half of the year of the current year should be better both for institutional as well as distribution business.

Manoj Gori: Also does that indicate that suppose of last year whatever institutional business that has been lost for the industry so there might be some pent-up demand when the situation normalizes and move back to the pre-COVID levels in volume terms?

Gandharv Tongia: I think the element of pent-up demand is expected to be there both in B2B as well as B2C. Whether the pent-up demand will take us back to the pre-COVID levels or not would be difficult for us to comment at this stage but I think directionally we should be able to reach normalcy pretty soon after the first quarter.

Manoj Gori: Lastly on exports I think the overall on the call you has explained very well that in the long-term strategies and everything. On the export, you have been focussing a lot on the US market so what that you think of over there and what is the overall outlook and in terms of your distribution model over there so can you throw some light over there that would be helpful?

Gandharv Tongia: In the distribution model, we have already established the distribution model there but now what we are trying to do is further penetrate the market and see if we can introduce additional product category. This will continue to see a continued process of penetrating on the overseas geographies including US. And my view, US is top on our priority because as of today US contributes almost 50% to our exports topline but outside the US as well there are geographies for example just to illustrate Australia or part of the Asia where we can further augment our topline through exports.

Manoj Gori: That will be very helpful and wish you and the entire team all the best.

Moderator: Thank you. The next question is from the line of Sanjay Satpathy from Ampersand. Please go ahead.

Sanjay Satpathy: Congratulations once again on a good set of numbers. Just if you can share with us the gross margin of your FMEG business and that the main reason why I am asking it is that like how do you compare in terms of your profitability at gross level, your growth in terms of pricing as well as product execution point of view?

Gandharv Tongia: In the mature product categories within the FMEG, we have already reached to the industry level gross margin, which is give and take 2% points here and there around 30% or thereabout and in the product category which are comparatively smaller within the FMEG basket, there is some scope for improvement in margin. And as far as EBIT margins are concerned, you would have already seen has improved in periods to come that is mainly because we have slightly higher cost base, which will get optimized with increase in the topline and the project like Udaan which is a cost optimization project as well as project Leap would also help us in improving these margins.

Moderator: We will take the next question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Good afternoon Sir. Congrats for good set of numbers. Sir since you talked about next five-year vision, in the FMEG segment, are you planning to entering into the new product categories in that segment and whether it will be adjacent segment or it will be complete new segments?

Gandharv Tongia: At this stage Rajesh, we are at a drawing board stage. Theoretically it is possible, but we have not closed our thought process there. The focus remains that we continue to grow the existing product categories. For example, fans, lighting, luminaires, switchgear, conduits, pipes, agro, but even as I mentioned as a response to one of the earlier questions allow us time till October by when we will come back to you in case we have any matured thought process. But within the FMEG I would like to call out one specific thing which you would have noted already there we are trying to play a level up as well as level down in the existing pricing portfolio. So for example we introduced HOHM automation around a quarter there which is a premium category which will be revenue accretive as well as will help us in augmenting our topline. Theoretically, there is slightly different from the existing product category because on automation side but this would help us in giving a boutique product or bouquet of product to our customer.

Rajesh Kothari: My second question is since company has drawn up a very ambitious plan for next five years are there any major new recruitment at the senior leadership level and in case if you can disclose this and that will be great?

Gandharv Tongia: Absolutely. So we cannot reach topline of 20000 Crores without having right set of people, processes and capital. Processes I have already talked about when I was explaining the Leap. I touched upon the fact that we have reshuffled the board and we have younger and high energy individuals who will one going to lead us from the board. We have Independent Director like Sutapa. She has significant amount of experience and she is comparatively younger. On the management team there is couple of changes. We have recently hired Mr. Rajesh Nair as our CHRO. He was with Tata Motors for almost 28 odd years and I am very confident that he would be able to help us in improving our HR practices and people management practices because here when we are thinking about ambitious target, we have to ensure that these ambitious targets, are well knitted with the PMS and KRAs of the business and functional heads and that is where someone who is joining us from Tata Group would help us immensely. Nilesh joined us almost a year back as Head of Marketing. He was instrumental in shaping the brand architecture as well as marketing plan at JSW Steel and he is doing a tremendous work on the marketing roadmap and brand architecture for Polycab and I am expecting results of that would good start reflecting in the quarters to come. We continue to augment our senior management team and we have very attractive compensation strategy both in cash as well as through ESOPs and we are very confident that we will continue to do that. As a matter of fact if I am not wrong we would have almost 25 odd individuals who would be drawing more than Rs.1 Crore of packages on annualized basis excluding ESOP compensation. So that is how the quality of manpower which we have assembled over the period and these high energy, highly driven individuals, would help us in implementing the project Leap and other projects which I talked about.

Rajesh Kothari: Thank you Sir. Wish you all the best.

Moderator: Thank you. Ladies and gentlemen due to time constraint, we take the last question from the line of Vikas Mistri from Moon Fort Ventures. Please go ahead.

Vikas Mistri: Gandharv, my question is that would we looking for the new product lines like micro inverters and something software IoT based automation system as you mentioned would we are also looking to our energy efficient on solutions to the customers and all that?

Gandharv Tongia: Yes, I think your question is around whether are we going to get into home automation, IoT and all that answer is yes we have already taken a baby step by it launching HOHM and will continue to take steps to expand on this kind of FMEG business. We believe that the consumer business will get significant amount of traction through this IoT automation route and will continue to make investment accordingly.

Vikas Mistri: My question mainly pertains to our software side. Are we looking or strategically thinking about giving customer better energy efficient solutions, in the form of software and coupled with the hardware such that they could save energy on account of doing that?

Gandharv Tongia: Absolutely. In fact that is the key differentiator for us. Most of our product comes with energy efficiency and as I may say we can be easily considered as industry leader on that aspect. And we recently launched BLDC fans which would be energy efficient product and there are several other products in pipeline. So we will continue to do that so that our consumer continue to get energy efficient product and they get best of Polycab experience.

Vikas Mistri: My follow-up questions to same is that how many workforce is in innovation and new product development and how we are looking to ramp up this human resource capabilities to make sure that we come up with cutting edge new innovative products?

Gandharv Tongia: It is a combination of both internal team as well as external team. Externally we partner with several industry leaders and consultancy organizations. Internally we have around 100 to 150 manpower team for doing only R&D throughout the year. Very recently we have picked up a large team from an existing Indian arm of a large German player and that team will also continue to help us in improving our R&D as well as innovation aspects of our business.

Vikas Mistri: Good to hear, Gandharv and we hope that you keep on driving the innovation here on.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments over to you Sir.

Gandharv Tongia: Thank you everyone for your time. In case if you have any follow-up questions please write to us at investor.relations@polycab.com. Stay safe and take care and follows social distancing norms. Thank you, operator.

Moderator: Thank you. Ladies and gentlemen, on behalf of Polycab India that concludes this conference. We thank you all for joining us. You may now disconnect your lines.