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Date: 19th May 2023

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 May 15, 2023

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 May 15, 2023.

Kindly take the same on your record.

Thanking you

Yours Faithfully
For **Polycab India Limited**

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"Polycab India Limited
Q4 FY 2023 Earnings Conference Call"
May 15, 2023

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

MR. GANDHARV TONGIA – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – POLYCAB INDIA LIMITED

MR. CHIRAYU UPADHYAYA – HEAD, INVESTOR RELATIONS – POLYCAB INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Polycab India Limited Q4 FY 2023 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 star then zero 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. Good afternoon, everyone and thank you for joining us. I hope you all are staying healthy and safe. I am Gandharv Tongia, Executive Director & CFO at Polycab India Limited. On this call, we shall discuss the Q4 and full year FY23 results which were approved in the board meeting held on Friday last week. We will be referring to the earnings presentation, financial results and financial statements which are available on the stock exchanges as well as investor relations page of our website. Joining me today from the management team, we have our Chairman and Managing Director – Mr. Inder Jaisinghani and Mr. Chirayu Upadhyaya – Head Investor Relations on the conference call.

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

Inder T Jaisinghani: Good afternoon, everyone. We concluded the financial year 2023 on a promising note, with several key achievements that have helped solidify our strong market position. The most notable of these achievements is our all-time high revenue and profitability, which is a testament to the hard work and dedication of our employees and management team. Throughout the year, we have demonstrated consistency in our business by paying more attention to our "i-POWER" values. By prioritizing integrity, customer satisfaction, and innovation, we have been able to differentiate ourselves and build a loyal customer base. The combination of our solid market position and potential growth opportunities bodes well for our future success.

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

Gandharv Tongia: Thank you, Inder bhai.

Before I take you through the quarterly and yearly performance, let me give you a flavour of the macro environment. Despite a volatile global environment, India's economy remains resilient, with several high-frequency indicators showing sustained positive momentum. Key indicators such as manufacturing PMI, services PMI, and core 8 industries consistently remained above long-term averages, while growth momentum was visible in steel and cement output, GST collections, e-way bill generation, capacity utilisation, and rising demand for electricity and travel. Also, double digit credit growth, improvement in passenger vehicle sale, and downward trajectory of inflation indicate positive momentum for the economy. On rural front, sequential improvement in two-wheeler sales along with robust rabi sowing exhibits positive signs. Specific to our sector, the government's continued focus on infrastructure, through increase in budgetary allocation to an all-time high of ₹ 10 trillion, at 3.3% of GDP, augurs well for the cables industry. The residential sector being in its upcycle, with residential sales hitting 9-year high in CY2022 and new project launches exceeding sales for the first time since 2013, exhibits extremely potent signs for the wires and FMEG industry. On the whole, we remain optimistic on the Country's future growth as well as prospects for our areas of operation.

Moving on to the presentation, please refer to slide number 4.

For the quarter ended March 31, 2023, our consolidated revenue grew by 9% YoY on the back of strong growth in the international business. EBITDA grew by 27% YoY with EBITDA margins at 14.0%, a growth of ~200 bps YoY. The Company registered its highest ever quarterly PAT at ₹ 4,284 Mn, a growth of 32% YoY and 19% QoQ. PAT margin stood at 9.9%, an improvement of ~170 bps over that of same quarter last year.

The year was a remarkable one for the Company as we surpassed the revenue threshold of ₹ 140 Bn for the first time ever, growing by 16% year-on-year. Achieving this growth in spite of a high base and lower commodity price environment is an exemplification of the kind of demand that exists in the market and the execution capability of the Polycab team to capitalize on this opportunity. What is very important to note here is that the growth hasn't come compromising on the margins. Our EBITDA has in fact grown at a much higher pace than revenue growth, at 46% YoY, with EBITDA margins at 13.1%, an improvement of ~270 bps YoY. On the back of this, we registered our highest ever yearly PAT, at ₹ 12,823 Mn, a growth of 52% YoY. Given that the commodity prices were on a downward trajectory this year, partly offset by the depreciation in INR vs US Dollar, the strong growth this year is completely on account of robust volume growth in the cables business. Our net cash position stood strong at ₹ 18.9 Bn, against ₹ 11.0 Bn, same time last year. A detailed break-up of the other income and finance costs have been provided on slide 31 of our earnings presentation.

Moving onto slide 5

Herein, we have presented the key highlights for the year. I already talked about the improvement in EBITDA margins, in spite of the volatile commodity price environment. During the year, we also continued to work on optimization of working capital days, one of our key areas of focus since listing, successfully reducing it further to 50 days, a reduction of 11 days from last year. The reduction was achieved on account of improvement in channel finance penetration in the business. For the wires and cables business, the channel finance penetration stood at 83% during the year, up from 75% last year. Our trend of improvement in channel finance penetration since listing in the W&C business is presented on slide 11 for your reference. You may also compare our journey of improvement in working capital days over the past 3 years through slide 31 of the earnings presentation. A natural outcome of improvement in working capital days is an improvement in cash flow, leading to higher cash available for the business. As I mentioned earlier, the net cash on balance sheet increased by 72% this year over the last year. An important use of the cash available to the Company, other than for capex, is to reward our shareholders, through dividend payments. In-line with the business growth and as has been our trend since listing, we increased our dividend payout for the year, to 23.5%, paying dividend of ₹ 20 per share, a 43% increase over ₹ 14 per share paid last year. The last, but a very important highlight for the year is the strong growth achieved in international business, which registered a growth of 50% during the year, to stand at ₹ 13.8 Bn, contributing to 9.8% of the Company's total revenues vs 7.6% last year. One of our goals within project LEAP was to achieve a top-line contribution of 10% from the international business. During the year, we expanded our global footprint to 70 countries. On slide 12, we have presented the performance of our international business since listing, along with how we are continuously expanding our reach globally across more and more countries. With tremendous increase in spends globally in sectors such as Renewables, Oil & Gas and Infrastructure, the Company is confident of growing the international business further, strengthening our foothold in various international markets.

Moving onto slide 6.

As is visible in the first chart, the wires and cables business accounted for 89% of our sales during the year, with FMEG contributing 9%, and other segments, which mainly comprises of the EPC business, accounting for the remaining 2%. We will now go deeper into each of this business segment performance during the year.

Please refer to slide number 10.

During the fourth quarter, the wires & cables business grew by 12% YoY, on account of strong traction in international business, to register its best quarterly sales. EBIT margins too came in strong at 14.6%, an improvement of ~300 bps YoY. For the year, the business registered a revenue growth of 17% YoY, on the back of strong volume growth, both domestically as well as internationally. The domestic distribution business grew by 20% YoY with volumes growing by an impressive 21% YoY. The outperformance was primarily on account of benefits realized through the merger of HDC and LDC verticals last year. Within domestic distribution business, cables grew faster than wires. We have given a zone-wise split of our distribution channel on slide 11 for your reference. Special purpose cables business also gained momentum with sales growing 1.7x over last year, mainly driven by the railway and defence segment. Profitability within the segment was robust, with EBIT margins at 13.1%, an improvement of ~340 bps over last year. Overall, the demand environment for the wires and cables business continues to remain strong supported by government measures and revival in private capex. The Company will leverage its strong market position, largest distribution network, product innovation, ample available capacity created by investments ahead of the curve and digitalization to capitalize on the market opportunity.

Performance update on FMEG business is given on slide 14.

The FMEG business had a soft year on account of the realignment of distribution channel exercise undertaken during the year, as part of Project LEAP, to enable improved pace of future business growth as well as weak consumer demand due to continued high inflation. Revenues were flat year-on-year for FY23 and de-grew 20% YoY in Q4FY23. Segmental EBIT turned negative during the year largely on account of higher A&P spends, staff cost and input cost pressures. If we look at individual categories, fan business was impacted in Q4 due to heavy channel inventory stocking done ahead of the transition to the new BEE norms in Q3. However, the channel inventory of non-BEE compliant stock has now been largely sold, with the new BEE compliant inventory primarily being sold today in the market. Post the transition, the Company introduced ~40 new BEE-compliant SKUs during the quarter, with ~60% of them in the premium and super-premium categories, in-line with the Company's premiumization strategy. Our new fan manufacturing plant in Halol is now operational, adding an annual capacity to produce 6 million fan units. The Company will manufacture the TPW i.e. table, pedestal & wall fans in-house at the Halol plant, in addition to manufacturing the ceiling fans. The switches business witnessed a healthy growth in Q4 growing 1.5x YoY and 1.9x QoQ as we reaped the benefit of our in-house manufacturing plant that became operational mid-last year. With the distribution realignment completed, we are confident of improving top-line and bottom-line from FY24 and are committed to achieving 10%-12% annualized EBITDA margin in this business by FY26.

In our numerous interactions with investors and analysts, we have been asked about our drivers of growth for the FMEG business, to achieve our project LEAP goals. On slide 15, we have given the details of the key elements that will form the growth engine for our FMEG business going ahead. Our top-line growth will be on the back of 1) distribution expansion; 2) product innovation; 3) our structured influencer management program; and 4) investment in brand building, while the drivers for our bottom-line growth will be 1) premiumization strategy; 2) higher focus on product categories with better margins; 3) strong backward integration; and 4) economies of scale. Let's delve deeper into each one of them.

As I touched upon on previous slide, for distribution expansion, we are already done with the rejig of our distribution channel, wherein we have moved on to a super-distributor model of operation, whereby, a super-distributor, supported by 8 – 10 sub-distributors, will cater to the demand from a cluster of towns. Through our acquisition of Silvan last year, we have improved on our R&D efforts for the FMEG segment, stoking innovation, as well as product development and launches across price points, to cater to customers from all segments. Going ahead, basis the positive outcome achieved through our structured influencer management program, which we piloted in select cities, will be expanded to more cities, as well as across dimensions of influencers, to improve brand awareness as well as increase sales. Lastly, the Company will increase its investment in brand building through higher spends for its ATL and BTL marketing activities, in-line with its larger FMEG peers. The Company has tied up with Ogilvy for it's A&P activities and Interbrand and has already scaled up its efforts in this direction through its sponsorship of the three major International Cricket Council (ICC) events of CY 2023, namely, the ICC Women's T20 World Cup, the ICC World Test Championship Final in the United Kingdom and the ICC Men's Cricket World Cup 2023 scheduled in India later this year. In FY23, the Company's A&P spends, which are largely for the FMEG segment and wires, increased by 51% YoY to ₹ 1,244 million. This trend will continue in years to come as well. On the profitability side, we will focus on improving margins through premiumization of our offerings, leveraging on the brand building and product innovation efforts. Also, going ahead, we will have a greater focus on the product categories of switchgears and switches, wherein, the competition is lower and hence, margins are higher. In-house manufacturing and strong backward integration have always been our areas of focus, and the same will start deriving benefits for us through lower costs and economies of scale in addition to better product quality and availability. So, through our focus on all these strategic areas, we are confident of being able to scale up our FMEG business from FY24 onwards to improve its contribution share to overall revenue as well as improve its profitability to achieve our FY26 Leap goal.

Moving onto slide 17, which gives performance details about our other business segments, which largely comprises of our strategic EPC business. The segment witnessed a revenue growth of 22% YoY in FY23 to stand at ₹ 3,584 million, with EBIT margins at 12.1%. We expect the annual sustainable operating margin in this business to be in high single-digit over mid-to-long term.

Overall, the financial position of the Company continues to remain healthy with debt-to-equity ratio at a miserly 0.02x and the business generating good cash flows. Key financials are available on slides 28 to 31 of the earnings presentation.

So, that was the financial update for the quarter. Now, let us talk about our key transformational project called, "Project Leap", which completed 2 years this month. As you all are aware, we embarked on this project post FY21, partnering with BCG, to work on a range of strategic themes and initiatives focused on growth, profitability and long-term capability building for the organization across B2B and B2C businesses with a goal of achieving ₹ 200 Bn of top-line by FY26. Under the project, we have been working on various streams, clubbed into four key strategic themes, namely Customer Centricity; Go-to-Market Excellence; Winning with new products; and Setup of organization enablers. We have made tremendous progress in each of these key areas over the past 2 years. I'll take your through each of these topics one-by-one.

Under Customer Centricity, we have been redesigning our business operations keeping the customer's needs and convenience at the centre. Keeping the same in mind, we had undertaken the merger of our HDC and LDC verticals last year, realizing the customer as well as distribution overlap between the two segments. Our robust performance during the year, in the cables business, was an outcome of this strategic manoeuvre. On similar lines, during the year, we undertook the merger of Fans vertical with Lights & Luminaries vertical and Retail Wires vertical with Switches and Switchgears verticals. We are confident of starting to realize the benefits of this mergers through increased cross-sell and operational efficiencies from FY24 onwards. Further, being a largely distribution driven business, we did not have a complete handle on our end-customers. So, we started deploying our own feet-on-street team to get to know our end customers, understand their needs and thereby generate higher business from them. Through these efforts, direct quotes from Polycab have increased from 16% in FY22 to 34% Q4FY23, indicating a strong shift towards control over pricing, market dynamics and direct dealing with customers. We have also initiated an integrated and structured approach for strategic key accounts across real estate, OEMs and Data centers and special cables industries, making it easy to serve customers with custom or tailored solutions.

Under the agenda of improving our Go-To-Market strategy, we have been focusing on enhancing our distribution reach in B2C business and increasing presence in white spaces for B2B business. We expanded our reach to 146 under penetrated cities for B2B business as well as onboarded 317 and 371 new distributors respectively for our retail wire and FMEG businesses. We have also identified distributors with the opportunity to cross-sell as well as are working on activating distributors with low-growth rate or de-growth by actively working with them. We are also strengthening our presence in alternate channels of sales such as Modern trade and E-commerce to increase penetration in Tier 1 & 2 cities.

As part of winning with new products strategy, we have revamped our entire fans portfolio. With premiumization at core, we are focusing on more design and aesthetic oriented product portfolio with fans up to 5-star ratings. We have also changed our strategy for the switchgear segment, with focus on gaining market share. Following the same, we took price revisions for 10kA portfolio to ensure parity with competition, as well launched new 6kA MCB products. Following success of Etira wires, we have launched the Etira brand in the switches segment as well to capture the price-sensitive customer base. Overall, we have robust product pipeline across segments supporting our future prospects.

On the setup of Organization enablers, we are pursuing structured distribution addition planning and monitoring with focus on technology to exemplify as well as simplify the entire process. We are also leveraging technology to manage the key cost drivers in the FMEG business, to drive up its profitability. As I had communicated in our quarter 2 earnings call this year, we have set up a digital vertical focused on advancing our business initiatives. A digital council set up under the vertical is looking after implementation of all the initiatives of the vertical through a detailed B2C and B2B digital roadmap. Also, towards the end of the year, we also upgraded our ERP technology to the latest version of Oracle. This will allow us to utilize relevant business insights in real time and deliver more accurate business decisions.

On slide 20, we have presented the key themes and priorities for the Company under project Leap for FY24. We will be regularly updating our stakeholders of our progress on the same.

Now, coming to a topic that is extremely important for us, and which will form the bedrock of our business operations in the future, which is our ESG strategy. Polycab has finalized its ESG framework, aligned with international ESG protocols, guidelines and standards along with the ESG charter. The ESG framework will be ingrained into the Company's ethos with all business decisions taken now onwards focused on sustainability on the pillars of environment, social and governance principles. On slides 23 & 24 of the earnings presentation, we have presented our ESG strategy and approach. The ESG material topics have been identified keeping in mind our business as well as its effect on the environment and the society as a whole. The ESG Council, consisting of various functional heads, will be responsible for implementing the policies, formulated under the framework, with the help of ESG working group. The Board along with the CSR and ESG committee will be responsible to monitor the implementation of the framework. We have taken various internal goals, across different ESG material topics, and will be communicating the progress we make on each of those goals in our Annual Report. We will also be looking to get an ESG rating from a well-known ESG rating agency during the year. While the Company has always been aware and focused on carrying out its business in a sustainable manner, we believe that implementation of a structured ESG framework will enable us to build resilience in the business, transform culture and create long-term value for all our stakeholders.

To conclude, I would like you all to have a look at slide number 7, wherein, we have given details of our performance on certain key parameters, since listing. The Company's revenues have grown at a CAGR of 15% over the four years, growing from ₹ 80 billion in FY19, to crossing ₹ 140 billion this year. The remarkable growth has been achieved in a profitable manner, with EBITDA margins improving by ~120 bps from 11.9% to 13.1%. From a paltry ₹ 450 million net cash in hand in FY19, and negative net cash prior to that, we have improved our cash flows, optimizing on our working capital and reducing debt, to have ₹ 18.9 billion of net cash on balance sheet as at end of FY23. From being largely a domestic player, the Company has evolved into an international player, being one of the top 15 wires & cables companies in the world, aiming to be among the Top 5 in the near future. Our international business has grown 6x in the four years since the listing, to now contributing to ~10% of the Company's overall revenues. Domestically too, we have seen healthy growth in our market share, from 18% in FY19 to 22% - 24% in FY23. And while we have progressed, we have also generated value for our shareholders, with Polycab being one of the leading wealth creator in the country, with market capitalization growing at a CAGR of 57% since listing and dividends growing at a CAGR of 63%.

While we have made considerable progress in the past, we strongly believe our future growth is going to be exceptional. The domestic as well as international business environment is conducive and the Company is completely ready to capitalize on the macro opportunity to become one of the best success stories of the country.

That was the update for the quarter and the year. Thank you, and we are now open for questions.

Moderator: Our first question is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Team, congratulations on a great set of numbers and a wonderful and detailed presentation. A few follow-up questions from my side. Firstly, your operating margins for Q4 are very strong, growing both year-on-year and quarter-on-quarter. Could you highlight which are the major factors driving such a strong operating margin?

Gandharv Tongia: Thanks, Sonali. Thank you so much for your kind words. I have Chirayu also in the room. I'm going to request him to provide his inputs to your questions. Over to you, Chirayu.

Chirayu Upadhyaya: Hi Sonali. So operating margins have been on the higher side of our guided range, and this has been achieved through better contribution of our export business as well as better margins made on some good orders received in our cables business. So combined for the two, we have been able to generate better margins towards the higher range of our guidance. But if you look at the overall number on a yearly basis, our EBITDA margin from the cables and wires business was at 13.1%, again within our guided range. We expect that in the future, one should continue to look at the margins to be within the guided range.

Sonali Salgaonkar: Understand. And if I may ask, what kind of operating margins does our international business register? Because if it has grown at 50% year-on-year and we are getting such good margins, then it really matters what operating margin we are working at.

Chirayu Upadhyaya: So, Sonali, it generally depends on product to product. On certain categories, the margins are similar to what we make at a domestic level, while for certain product categories, they are 300 to 400 bps higher. So, depending on what the product mix is in that particular quarter, your margins from international business will vary.

Sonali Salgaonkar: Got it. My second question is regarding price hikes. So have we taken any price hikes across any of the products in Q4, either cables and wires or fans? Fans, I mean new BEE models. And what would be the quantum of that?

Chirayu Upadhyaya: So, the price hikes we have taken are in line with how commodity prices have moved in the cables and wires business. This would be at the mid-single-digit level. And again, on the fans business, when we introduced the new BEE-compliant products, the price hikes have been from low single digits to high single digits depending on which segment we're looking at, averaging at mid-single digits for the entire portfolio.

Sonali Salgaonkar: Understand. Any guidance for capex for FY24?

Chirayu Upadhyaya: So, as we had guided in our third quarter earnings call, we will be having capex of about ₹ 600 crores to ₹ 700 crores for this calendar year.

Sonali Salgaonkar: Understand. And last question from my side. Private capex remains a strong lever for your cables and wires business; could you help me quantify what is the industry's capacity utilization right now? I do remember you had called out for about 73%-74% last quarter. Does it remain in a similar range?

Chirayu Upadhyaya: We don't have an updated data point on that as of right now. So we'll have to wait for various companies to come out with their results, and maybe after that we'll be able to comment.

Moderator: Our question is from the line of Mr. Atul Tiwari from Citi. Please go ahead.

Atul Tiwari: Congratulations on a very strong performance yet again. Sir, my question is about next year, any definitive guidance for revenue growth in cables and FMEG for FY24.

Chirayu Upadhyaya: Thanks, Atul, for the kind words. As you are aware, we normally do not give guidance on a yearly basis. We have given guidance of ₹ 200 billion of top line that we want to achieve by FY26 through our Project Leap. So, we are continuing to work in that direction. But depending on how the macro environment is panning out and how we are looking at our business, we expect double-digit growth in revenues next year.

Atul Tiwari: Okay. For FY23, out of around ₹ 128 billion of revenue in wires and cables, any qualitative comment on how much of it is cables and how much is wires?

Chirayu Upadhyaya: So roughly, it is in the same range as last year, which would be somewhere around the 70-30 range.

Atul Tiwari: 70% is cable, you mean to say?

Chirayu Upadhyaya: Yes.

Atul Tiwari: Right. And say, within cables, how much will be like direct institutional sales that you guys are doing, and how much will be through dealer and distributor networks?

Chirayu Upadhyaya: So largely, we operate through our dealers and distributors network. So broadly, about 88% to 90% of our sales normally happen through dealers and distributors network.

Atul Tiwari: Okay. So 80% to 90% of 70% because anyway the remaining 30% is wires, which is through the dealers channel itself, right?

Chirayu Upadhyaya: Right.

Moderator: Our next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Congratulations for a great performance. What I wanted to understand was, in terms of the margin difference between cables and wires, is it possible to give some clarity? Would the margins be similar, or it would be different for cables and wires?

Chirayu Upadhyaya: Thank you for the kind words. In terms of margins at an EBITDA level, cables and wires would have a differential of about 400 bps. So, cables would operate at about 10% to 11% of EBITDA margin range, whereas wires should be at about 14% to 15% of EBITDA margin range.

Achal Lohade: Okay. And in terms of the margin improvement you called out that it is the international business which has driven this margin improvement. Is there any mix also which has driven this margin improvement for the fourth quarter?

Chirayu Upadhyaya: Other than the international business, like I said, in the cables business domestically, we were able to get some orders which have better margins, so that is how it has contributed at an overall level. The product mix has broadly been the same. But otherwise, like we have mentioned, cable has grown better than wires this year.

Achal Lohade: Got it. Is it possible to get some idea about the metal consumption tonnage growth Y-o-Y for copper and aluminium put together?

Chirayu Upadhyaya: So, as you are aware, commodity prices as compared to last year have actually been on the decline. But if you look at how the USD/INR rate has panned out, it has more or less balanced the negative impact of the commodity price decline. So, if you look at for us for the year, the revenue growth that we have achieved would more or less be through the volume growth.

Achal Lohade: Understood. And just one last question, if I may. In terms of the raw material, what would be the split? Is it fair to say that most of the cables will be aluminium while the wires will be copper, so split for copper and aluminium assumption would be in similar fashion?

Gandharv Tongia: So, it depends on the end product. We can assume that at the company level, it is going to be 50:50. Wires, as you rightly highlighted, is mainly copper, but when it comes to cable, it has both copper as well as aluminium.

Achal Lohade: So, 50% will be copper and 50% aluminium at the company level.

Gandharv Tongia: That's right. Absolutely correct.

Achal Lohade: And just one more question, if I may. On the export front, you mentioned we are now exporting to more than 100 countries. Is it possible to get some colour in terms of A) what are the new countries you have added? B) are we there in terms of certification for these key markets in terms of all the certification in place, or there are white spaces there as well?

Gandharv Tongia: So we are now exporting to almost 70 countries. In terms of certification, every year we are making progress. One of the success stories is the US, where we have almost all the required approvals in place. Similarly, we have done that in other geographies, including some parts of the EU, Australia, and Latin America. We believe that every year we would be able to add additional geographies, but a chunk of it should come from developed countries like the US, Australia, and a bit of the EU.

Achal Lohade: How much would be the contribution of these geographies at this point in time?

Gandharv Tongia: So, the US would be around 50% to 60%, and the other countries would be ranging between 5% to 12%.

Moderator: Our next question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

Ravi Swaminathan: Congrats on a very good set of numbers. My question is with respect to the cables and wires mix, which is now around 70:30. Is there a chance of wires increasing in proportion over the next 2 to 3 years? What is the kind of ratio target that you have with respect to wires?

Chirayu Upadhyaya: So, with wires being a better margin product, we are definitely focused on improving its mix in the overall cables and wires mix for the company. As you are aware, we are taking various initiatives on that side. We are doing much more brand building. You would have seen a couple of our commercials in the last quarter. We had also introduced the Etira brand to capture the low-economy segment. We had also reintroduced our green wires category into the premium segment.

We are taking a lot of initiatives to make sure that the wires segment grows at a faster pace. And that is, of course, something we will try to do in the future as well. In terms of target mix, we don't actually have a target in terms of cables and wires, but we do look at a B2B versus B2C mix that we want to achieve by FY26, which is 50:50. By B2B, I mean the cables business as well as the EPC business, and by B2C, I mean the wires business plus the FMEG business.

Ravi Swaminathan: Got it. And in terms of the entire cables and wires portfolio, any sense on the volume growth that would have happened over the past 2 to 3 years? It will be very difficult for you, I mean, given many SKUs are there, but any hard guess in terms of volume growth?

Chirayu Upadhyaya: The volume growth has been good for the entire industry. I wouldn't be able to comment on what it has been for the past 2-3 years, as I don't have that data handy right now. But as I mentioned in my previous reply, for this particular year, the entire revenue growth would have been more or less through volume growth. So it would have been somewhere in the mid- to high teens of volume growth for the year.

Moderator: Our next question is from the line of Girish A from Morgan Stanley. Please go ahead.

Girish A: A couple of questions. Firstly, when we are looking at exports, how should we look at the outlook going into the future? Would it mean that from 10% would you continue to grow at a higher clip? Would it be 12% to 14% of your revenues going into the next 2 to 3 years?

Chirayu Upadhyaya: So, we continue to be very aggressive in terms of how we are looking at our international business. As Gandharv mentioned in his opening remarks, we are already among the top 15 cables and wires businesses in the world and are looking to be among the top 5 in the future. For this particular year, the contribution of the export business was at about 9.8%. Within Project Leap, we had taken a target of achieving 10% of overall revenue through international business. We would continue to try and achieve this or continue with this till FY26. As of now, we wouldn't want to revise any guidelines going ahead.

Girish A: In terms of cables and wires, if I had to compare you to your peers like Havells and KEI, some of the larger ones, would you say your margins in cables are probably slightly higher than their numbers?

Gandharv Tongia: That's a great observation. I think on a call, I would not be able to talk about the margins of other large, listed peers. But I can certainly tell you that because of our quality as well as availability in most of the SKUs, we enjoy premium, and that is the reason why it is getting translated in a better bottom line.

Girish A: Okay. So let me ask it differently. Would it mean that your wire margins are comparable because your mix is lower at 30%, so would you say that is more or less comparable to peers?

Gandharv Tongia: Not all the peers, but yes, a few of the large peers it is comparable, and it would differ from geography to geography. So your experience in the western market in Lohar Chawl could be different from what happens in say in Delhi.

Girish A: Okay. And the final question is on FMEG revenue split. Can you help us with the FY23 split because that's something that you can provide. And any outlook on this for margins for FY24, because the margins have been all over the place, how should we think about FY24?

Chirayu Upadhyaya: For the FMEG part, broadly about 60% of the top line is contributed through our fans and lights and luminaries' divisions combined. The switches and switchgears would contribute to about 15% to 16% of the FMEG top line, while the pipes and fittings contributes to another 15% and the remaining would be through our other small businesses such as solar, agro pumps, and so on and so forth..

In terms of margin guidance, we have been vocal about us achieving about 10% to 12% of the EBITDA margin range by FY26. We are working in that direction and are pretty confident that we should be able to be there. The improvement in margins will be a gradual change that will happen. So, from this quarter or this year onwards, you'll start seeing our margins improve towards our targeted EBITDA margin of FY26, but I wouldn't be able to give you a specific number for this particular year.

Girish A: Just one small question on pumps. Are you growing in line with the industry? And how has the industry trend been for FY23? And I mean, I think some players like Compton have taken a price cut. So, I mean, if you can just explain our positioning in terms of price points?

Chirayu Upadhyaya: So are you talking about the fan's portfolio specifically or how ?

Girish A: I was referring to pumps.

Chirayu Upadhyaya: The pumps portfolio is actually a very small business as of right now. So, in that sense, price variations wouldn't be contributing much or making much differential to our top line of the FMEG segment.

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

Shrinidhi: Congratulations on good set of numbers. I have one question on capacity utilization. Would it be possible to share company's capacity utilization in full year FY23?

Chirayu Upadhyaya: Thanks, Shrinidhi. Capacity utilisation for cables and wires will be at about sub-70% and for FMEG, it would vary product wise. So, like our switches business, we just started manufacturing last year itself. Switch gear has been operational, so it would be operating at about 65% to 70% of its capacity. And we have pretty much a good capacity in other product categories as well. But the thing about FMEG capacity utilisation is that it will never be a roadblock for us to grow because you can set up new capacity within a couple of months. So our capacity utilization will never be a roadblock for FMEG growth.

Shrinidhi: Right. And second, if I look at condensed financial statement, there we talked about B2C revenue being flat year-on-year. So just wondering is wires business was flat year-on-year for company?

Chirayu Upadhyaya: Yes, more, or less, it would have been flat, low single digits growth.

Shrinidhi: Okay. So in that way, you look at FY23 versus FY22, the overall cable business grew by about 17% largely led by cables. So mix was actually unfavourable. And despite that, margins have kind of expanded. So is it fair to say that the underlying margins have improved for both cables business as well as wires business because despite unfavourable mix, margins have gone up?

Chirayu Upadhyaya: Yes, that would be a correct observation.

Moderator: Our next question is from the line of Rahul Agarwal from Incred Capital. Please go ahead.

Rahul Agarwal: Congratulations for a very strong year, commendable job again at Polycab to reach investor expectations. Two questions largely first is copper was volatile in the quarter. We've seen two listed players reporting and they haven't seen such a strong wire growth and obviously neither cables growth. I understand LDC and HDC merger, you entering new states, but I understand exports helping out. But purely from an India perspective, what is driving Polycab's outperformance?

Because whenever we're doing channel checks, we are hearing more competition on wires. We are hearing more fighting between south and north, north getting into south, western players getting into more east. And just getting a bit difficult to understand. And of course, you have mentioned a lot of building blocks like 4 themes, 5 themes on why Polycab is doing great and how your consultants have helped you out, but what could be like a top 2 reasons for Polycab to beat industry growth on cables?

Chirayu Upadhyaya: So Rahul, probably, I would guide you to look at our corporate presentation, wherein we have given the economic moats that work very well for the company. We have highlighted about 4 to 5 different economic moats that have helped Polycab become the largest cables or wires and cables business in the country and continue to be the primary growth driver for us. So first of all, it's because of our largest distribution channel that we have. We have been working with some distributors for almost 2 to 3 decades now. For some distributors, we have also been working with the second or third generation. And as you are aware, within India, the relationship with your distributor is very important. So that is something that is one of a unique advantage that the company enjoys.

Second is the number of SKUs that the company has. As you are aware, we are perhaps the only company on the continent to manufacture each and every type of cables that can be manufactured. And if we look at any particular infrastructure project, there will be a requirement for about 50 to 60 different types of cables, and Polycab is the only company that is able to provide all those different types of cables. And of course, as a developer or as a guy with the project, you would prefer to go to one single guy and get all your cable requirements rather than 2 to 3 different guys to get all your cable requirements. So this is the second advantage.

Third, we have been working very well on our digital enablers. So we have reduced our turnaround time for providing our products to our end dealers or customers to generally almost less than 24 hours. How that helps over here is that this reduces the amount of inventory that the dealer or distributor has to maintain at his end. And hence, it improves his margin. And that is why the dealers and distributors love to work with us. So these three to four different economic moats which the company has and that is the reason why Polycab has been able to perform so well in the cables business and continues to do so.

Rahul Agarwal: Got it. Just follow-up on this was on wires. We hear a lot of other brands being pretty aggressive. We're hearing Ducab entering India as well on wires. Just wanted to understand your thoughts on competition on wires. Like do you expect Finolex, KEI, RR Kabel, Apar, V-Guard, most of these companies have been saying that their wire market shares have been improving. What is your thoughts on this?

Gandharv Tongia: I think it would be unfair to say that there is no competition in any business. We are confident of our quality and availability, and our numbers since listing are, in a way, a testimony to our performance. We have no concerns about the competition, and we will continue to up our game year after year.

Rahul Agarwal: And lastly, on working capital, should we expect more improvement? That's the last question. Like we are already at 50 days. Should we expect anything more or we are at optimum level?

Gandharv Tongia: I mean for the purpose of modelling, it's best to continue with a number between 50 to 55 days. We will, of course, attempt to further improvise. But in our business, we have to always maintain a fine equilibrium or balance between availability and optimized inventory levels. And that is where I believe for the purpose of modelling, we should assume a number of between 50 to 55.

Moderator: Our next question is from the line of Venkatesh Balasubramaniam from Axis Capital. Please go ahead.

Venkatesh B: The first question is on the Cables and Wires business, the international part of the business. Can you throw a little more light what is the kind of sales which you do there? Is it more -- international sales is B2C sales? Or is it more B2B?

Chirayu Upadhyaya: So Venkatesh, largely, we do B2B sales, but we are also in the process of improving our distribution network in all the geographies that we are present in. We are taking incremental steps starting from our largest geographies and would continue to do so in our other geographies as well. So we supply each and every different type of cables that are required. Largely, we are seeing better demand from the renewables, oil and gas and infrastructure sectors. So these are the sectors which are driving growth for us.

Venkatesh B: Okay. But what I was trying to understand is the B2B part would be to large industry or it would be to large conglomerates, builders, what exactly how does the sale happen? Is it happening through a distributor or you're dealing with these guys directly?

Gandharv Tongia: So it's a mix of both. We started with large supplies to large institutional or EPC parties. Over the period of last 2 to 2.5 years, slowly and gradually, we have started setting up our distribution arms. We very recently signed up for a warehouse in the US. And slowly and gradually, we are moving towards distribution. This is the same thing we did in India in the last 10-12 years. We were more of an institutional driven business, and in last 10 to 12 years have moved to a distribution-led business. This is what we believe we should replicate in the exports arena as well. And every quarter, we are improving our contribution of distribution business to our overall international business.

Moderator: Sorry to interrupt, Mr. Venkatesh, may I request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Our next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: Congrats on a great performance again. Just on the margin outlook for wires and cables. So we've been saying 11% to 13%, and yet in the last couple of quarters, we've been significantly ahead of that. Was there some sort of maybe temporary benefit arising because of falling commodity prices? And is that the reason why we are sort of maintaining this guideline? Or should we sort of realistically expect a higher margin trajectory in FY24 as well?

Chirayu Upadhyaya: So Abhijit, we have been guiding 11% to 13% margin range for our cables and wires and that is what we achieved at a yearly level. Of course, at the quarterly level, there might be some or the other volatility because of the different product mix that we might be able to achieve in a particular quarter. But overall, you should consider at 11% to 13% as the EBITDA margin range for the cables and wires business.

Abhijit Rakella Okay. Sure. Sure. And also just one other thing. For the fourth quarter, is it possible to just give us a split of domestic growth between, say, volumes and prices year-on-year?

Chirayu Upadhyaya: If you're looking at our cables and wires distribution channel sales, the volume growth would be at about 21% versus a revenue growth of 17%. So you could say the value growth was negative, but the volume growth is something that took the revenues higher.

Abhijit Akella: Yes. But those numbers are for the full year, right, Chirayu? For fourth quarter, how much would it have been?

Chirayu Upadhyaya: For the fourth quarter, volume growth would be in the high single digits.

Moderator: Our next question is from the line of Alok Deshpande from Nuvama Institutional Equities. Please go ahead.

Alok Deshpande: Yes. Congratulations on a great set of numbers and a great year. Two questions from my side. Firstly, this working capital improvement that has come through, now considering that going forward, we'll be doing more B2C, how do you expect this working capital trend to go ahead in terms of FY24 to FY26? That is one. And secondly, in terms of your goal of ₹20,000 crores revenue in FY26, what are the other metrics that you're looking at in terms of where do you think the margins would be? Or where do you target your international business to be by that year? That's my two questions.

Chirayu Upadhyaya: Sure, thanks, Alok. So in terms of working capital cycle, as Gandharv mentioned in his previous comments that one should consider 50 to 55 days to be the ideal working capital days going ahead as well. In terms of our FY26 Leap goals other than the ₹200 billion of top line that we want to achieve, if we look at our margin guidance on cables and wires, we continue to guide between 11% to 13% of EBITDA margin range. On the FMEG segment, we have guided a 10% to 12% of EBITDA margin range that we want to achieve. On the international business, our aim for the international business is to contribute to about 10% and higher to overall top line, and that is where we'll continue to work.

Alok Deshpande: Okay. So there is no revision for the international business share as that number is already close to where you are currently, right?

Chirayu Upadhyaya: That's right, Alok. As of now, we don't want to give any revised guidance on any of our FY26 Leap goals.

Moderator: Our next question is from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.

Praveen Sahay: So my question is related to the merger of HDC and the LDC vertical. Can you give some colour how much of the volume growth we had achieved with this and the margin improvement in the financial year FY23?

Chirayu Upadhyaya: So Praveen, we did the merger of the two verticals in FY22 itself. So in that sense, whatever growth in terms of volume and value we achieved this year has been because of the merger of the two verticals. We won't be able to carve out what has been the difference relatively. But yes, otherwise, that is how we should look at it.

And in terms of margins, of course, like I said, international business doing well and that has contributed to better margins in a particular quarter. The wires business doing well has contributed to better margins in a particular quarter. But overall, if you look at on a yearly basis, we have been within our guided range for the cables and wires.

Praveen Sahay: Yes. And just to clarify on the special purpose cable, there is a good growth in the financial year. So how much is the contribution? And is that an institutional business?

Chirayu Upadhyaya: The special purpose business has actually been quite well, growing at about 1.7x from what we did last year. And again, that too is a good margin business to have. As far as contribution to overall revenue is concerned it would still be in a small part of the overall mix. So, we would continue to look to improve it going ahead. And I'm sorry, what was your second question that you had?

Praveen Sahay: So is that a institution business even have a higher margin because you are dealing with the railway and the defence, that is special purpose.

Chirayu Upadhyaya: Right. SPC would be an institutional business.

Moderator: That was the last question of our question-and-answer session for today. I would now like to hand over the conference to Mr. Gandharv Tongia for closing comments. Over to you, sir.

Gandharv Tongia: Thank you, everyone, for taking out time for this conference call. In case if you wish to reach out to us, please write to us at investor.relations@polycab.com, and we would be extremely happy to attend your queries. Thank you and have a nice day ahead. bye-bye.

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