23 October 2025

Polycab, India

Broad-based growth with margin expansions; retaining a Buy

Rating: **Buy**
Target price (12-mth): Rs.8,868
Share price: Rs.7,510

Broad-based expansion in its Cables & Wires business boosted Polycab India's Q2 revenue 18% y/y. Operating leverage, product premiumisation and a favourable mix gave it its highest quarterly margins. Premiumisation and a standout quarter for solar products fortified the FMEG performance. With the EHV plant on track and disciplined capex under *Project Spring*, the company is set to retain double-digit growth and healthy margins, reinforcing its primacy in the electricals ecosystem. We retain our Buy recommendation, with a Rs8,868 TP (earlier Rs8,705).

Good performance, highest margins. Robust (21% y/y) growth in W&C and 14% y/y healthy growth in FMEG pushed up Q2 consol. revenue 18% y/y, partially offset by a decline in EPC. The upturn in commodity prices, greater operational efficiency and a favourable business mix boosted the EBITDA margin 427bps y/y to 15.8%. Staff cost rose 28% y/y; other expenses, 4.3% y/y. The 62% EBITDA growth pushed up net income 56% y/y to Rs6.8bn.

FMEG, steady progress with solar-led growth, margin focus. FMEG reported its third straight profitable quarter, supported by premiumisation and cost control. Monsoon-related softness and channel-inventory overhang impacted fans in Q2. Management is optimistic, focusing on high-margin product categories such as fans, switches and solar solutions, with continued investments in brand, distribution and premium offerings, and re-iterated its confidence in achieving the project's FY30 goals: 1.5x–2x industry growth and 8–10% EBITDA margins in FMEG.

Outlook, Valuation. We expect a better H2 with industry-leading performance and, hence, model 19/22% revenue/net income CAGRs over FY25-28. At the CMP, the stock trades at 43x/38x/31x FY26e/27e/28e EPS of Rs175/200/243. We value the stock at 40x Sep'27e EPS of Rs222, retaining our Buy rating with a higher Rs8,868 TP. **Risks:** Persistent slowdown in government infra spending could considerably cut growth, especially given the company's huge investment in capacity and branding. Sharp commodity-price volatility and keener competition.

Key financials (YE: Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	1,80,394	2,24,083	2,69,296	3,18,258	3,76,266
Net profit (Rs m)	17,840	20,201	26,320	30,097	36,605
EPS (Rs)	118.5	133.8	175.0	200.1	243.3
PE (x)	63.4	56.1	42.9	37.5	30.9
EV / EBITDA (x)	43.1	37.5	28.2	24.4	19.9
P / BV (x)	13.8	11.5	9.5	7.9	6.5
RoE (%)	24.1	22.4	24.3	23.0	23.2
RoIC (%) – post-tax	20.5	19.9	21.3	20.3	20.4
RoCE (%) – post-tax	31.5	29.3	30.9	29.4	30.5
Net debt / equity (x)	-0.3	-0.2	-0.2	-0.2	-0.3

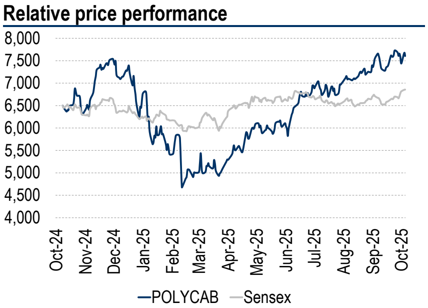
Source: Company, Anand Rathi Research

Key data	POLYCAB IN
52-week high/low	Rs.7,795 / 4,555
Sensex/Nifty	84,556 / 25,891
Market cap	Rs.1,145bn
Shares outstanding	151m

Shareholding pattern (%)	Sep'25	Jun'25	Mar'25
Promoters	61.5	63.0	63.0
- of which Pledged	-	-	-
Free float	38.5	37.0	37.0
- Foreign Institutions	14.0	11.0	11.1
- Domestic Institutions	11.7	9.0	11.0
- Public	12.8	17.0	14.9

Estimates revision (%)	FY26e	FY27e	FY28e
Sales	2.7	2.3	1.9
EBITDA	9.7	3.7	5.0
PAT	8.9	0.8	2.8

Relative price performance



Source: Bloomberg

Manish Valecha
Research Analyst

Surbhi Lodha
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenues	1,80,394	2,24,083	2,69,296	3,18,258	3,76,266
Growth (%)	*27.9*	*24.2*	*20.2*	*18.2*	*18.2*
Direct costs	1,28,060	1,55,731	1,88,507	2,25,963	2,67,149
SG&A	27,417	38,749	41,765	47,402	54,807
EBITDA	**24,918**	**29,603**	**39,024**	**44,893**	**54,310**
EBITDA margins (%)	*13.8*	*13.2*	*14.5*	*14.1*	*14.4*
- Depreciation	2,450	2,981	4,033	4,904	5,775
Other income	2,209	2,076	2,558	3,023	3,575
Interest expenses	1,083	1,689	1,769	2,264	2,613
PBT	23,593	27,009	35,780	40,748	49,496
Effective tax rates (%)	*23.6*	*24.3*	*25.6*	*25.6*	*25.6*
+ Associates / (Minorities)	-189	-255	-300	-220	-220
Net income	17,840	20,201	26,320	30,097	36,605
Adj. income	17,840	20,201	26,320	30,097	36,605
WANS	151	151	150	150	150
FDEPS (Rs)	118.5	133.8	175.0	200.1	243.3
FDEPS growth (%)	*39.5*	*12.9*	*30.8*	*14.3*	*21.6*
Gross margins (%)	*29.0*	*30.5*	*30.0*	*29.0*	*29.0*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	1,502	1,504	1,504	1,504	1,504
Net worth	**81,871**	**98,250**	**1,18,553**	**1,42,633**	**1,73,221**
Debt	898	1,090	1,300	1,300	1,300
Minority interest	562	818	1,118	1,338	1,558
DTL / (Assets)	415	785	800	800	800
Capital employed	**83,746**	**1,00,943**	**1,21,771**	**1,46,070**	**1,76,879**
Net tangible assets	22,406	29,222	38,075	46,569	54,207
Net intangible assets	160	98	98	98	98
Goodwill	46	-	-	-	-
CWIP (tang. & intang.)	5,784	7,081	7,500	7,500	7,500
Investments (strategic)	763	790	790	790	790
Investments (financial)	18,224	17,490	19,239	21,163	23,280
Current assets (excl. cash)	70,016	75,887	90,549	1,06,319	1,25,124
Cash	4,024	7,707	10,054	15,676	26,825
Current liabilities	36,914	36,544	43,744	51,256	60,156
Working capital	33,102	39,343	46,805	55,063	64,968
Capital deployed	**83,746**	**1,00,943**	**1,21,771**	**1,46,070**	**1,76,879**
Contingent liabilities	583	681	-	-	-

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	23,593	27,009	35,780	40,748	49,496
+ Non-cash items	2,450	2,981	4,033	4,904	5,775
Oper. prof. before WC	26,043	29,990	39,813	45,653	55,272
- Incr. / (decr.) in WC	-8,090	-6,099	-7,462	-8,258	-9,905
Others incl. taxes	-4,991	-5,805	-9,949	-11,191	-13,632
Operating cash-flow	12,962	18,085	22,402	26,203	31,734
- Capex (tang. + intang.)	-8,580	-9,583	-13,304	-13,399	-13,413
Free cash-flow	4,383	8,502	9,098	12,804	18,321
Acquisitions					
- Div.(incl. buyback & taxes)	-2,997	-4,511	-6,017	-6,017	-6,017
+ Equity raised	-	-	-	-	-
+ Debt raised	194	498	210	-	-
- Fin investments	-3,839	1,956	-1,749	-1,924	-2,116
- Misc. (CFI + CFF)	-54	-585	15	-0	-0
Net cash-flow	1,570	(591)	2,347	5,623	11,149

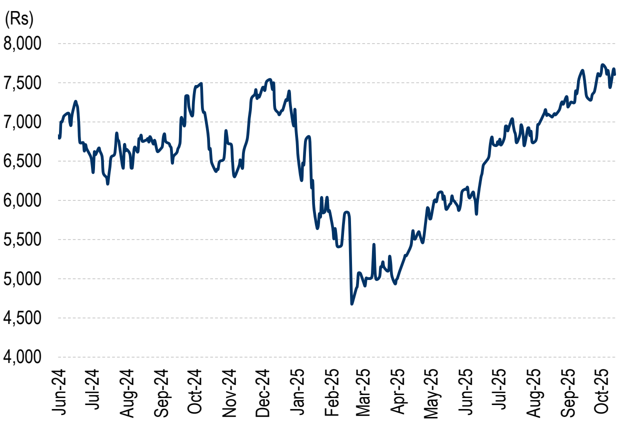
Source: Company

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	63.4	56.1	42.9	37.5	30.9
EV / EBITDA (x)	43.1	37.5	28.2	24.4	19.9
EV / Sales (x)	6.0	5.0	4.1	3.4	2.9
P/B (x)	13.8	11.5	9.5	7.9	6.5
RoE (%)	24.1	22.4	24.3	23.0	23.2
RoCE (%) - after tax	20.5	19.9	21.3	20.3	20.4
RoIC (%) - after tax	31.5	29.3	30.9	29.4	30.5
DPS (Rs)	30.0	35.0	40.0	40.0	40.0
Dividend yield (%)	0.4	0.5	0.5	0.5	0.5
Dividend payout (%) - incl. DDT	25.3	26.2	22.9	20.0	16.4
Net debt / equity (x)	-0.3	-0.2	-0.2	-0.2	-0.3
Receivables (days)	41	42	42	42	42
Inventory (days)	74	60	60	60	60
Payables (days)	58	45	45	45	45
CFO : PAT %	72.7	89.5	85.1	87.1	86.7

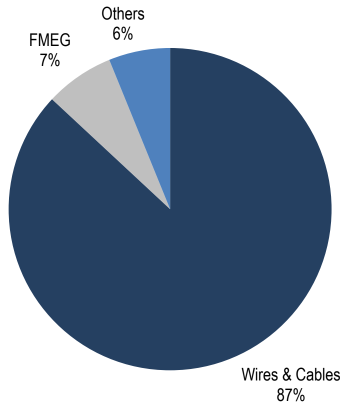
Source: Company

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Revenue mix, Q2 FY26



Source: Company

Fig 7 – Financial performance

(Rs m)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	% Y/Y	% Q/Q
Income	**42,177**	**43,405**	**55,919**	**46,980**	**54,984**	**52,261**	**69,858**	**59,060**	**64,772**	***17.8***	***9.7***
Raw material costs	30,739	31,692	41,792	35,415	42,025	38,807	52,053	43,188	47,209	*12.3*	*9.3*
Employee costs	1,557	1,494	1,696	1,539	1,803	1,989	2,036	2,189	2,305	*27.8*	*5.3*
Other expenses	3,792	4,524	4,816	4,192	4,841	4,265	5,515	5,107	5,051	*4.3*	*(1.1)*
EBITDA	**6,089**	**5,695**	**7,615**	**5,834**	**6,316**	**7,199**	**10,254**	**8,576**	**10,207**	***61.6***	***19.0***
Depreciation	603	619	657	671	721	786	804	857	968	*34.3*	*12.9*
Finance costs	268	322	244	413	453	498	325	513	484	*6.8*	*(5.6)*
Other income	353	710	538	584	762	250	481	799	454	***(40.3)***	***(43.2)***
Exceptional items	-	-	-	-	-	-	-	-	-		
PBT	**5,572**	**5,464**	**7,253**	**5,334**	**5,904**	**6,166**	**9,606**	**8,006**	**9,210**	***56.0***	***15.0***
Tax	1,274	1,299	1,718	1,317	1,451	1,522	2,262	2,009	2,281	*57.1*	*13.5*
PAT	**4,256**	**4,128**	**5,460**	**3,960**	**4,398**	**4,576**	**7,267**	**5,921**	**6,854**	***55.8***	***15.8***
EPS (Rs)	28.3	27.5	36.4	26.3	29.3	30.5	48.4	39.4	45.6	*56.0*	*15.8*
As % of income										**bps y/y**	**bps q/q**
Gross margins	**28.1**	**29.6**	**30.5**	**30.7**	**29.2**	**31.0**	**31.1**	**29.9**	**31.1**	**198**	**127**
Employee costs	3.7	3.4	3.0	3.3	3.3	3.8	2.9	3.7	3.6	28	(15)
Other expenses	9.0	10.4	8.6	8.9	8.8	8.2	7.9	8.6	7.8	(101)	(85)
EBITDA margins	**14.4**	**13.1**	**13.6**	**12.4**	**11.5**	**13.8**	**14.7**	**14.5**	**15.8**	**427**	**124**
Depreciation	1.4	1.4	1.2	1.4	1.3	1.5	1.2	1.5	1.5	18	4
Finance costs	0.6	0.7	0.4	0.9	0.8	1.0	0.5	0.9	0.7	(8)	(12)
Other income	0.8	1.6	1.0	1.2	1.4	0.5	0.7	1.4	0.7	(68)	(65)
PBT margins	**13.2**	**12.6**	**13.0**	**11.4**	**10.7**	**11.8**	**13.8**	**13.6**	**14.2**	**348**	**66**
Effective tax rates	22.9	23.8	23.7	24.7	24.6	24.7	23.5	25.1	24.8	18	(33)
PAT margins	**10.2**	**9.6**	**9.9**	**8.5**	**8.1**	**8.9**	**10.5**	**10.2**	**10.7**	**260**	**54**
Segment revenues (Rs m)										**% Y/Y**	**% Q/Q**
Wires & Cables	38,047	39,041	49,197	39,956	47,200	44,499	60,191	52,286	56,911	*20.6*	*8.8*
FMEG	3,300	2,962	3,581	3,855	3,975	4,232	4,760	4,542	4,522	*13.8*	*(0.5)*
Others	2,015	2,475	4,108	4,279	5,852	3,918	6,028	3,474	4,024	*(31.2)*	*15.8*
Less: Inter-segment	1,074	701	757	908	1,591	580	1,058	1,057	667	*(58.1)*	*(36.9)*
Mix (%)											
Wires & Cables	90.0	89.2	87.6	84.7	85.1	85.5	86.1	88.3	87.8		
FMEG	7.8	6.8	6.4	8.2	7.2	8.1	6.8	7.7	7.0		
Segment EBIT (%)										**bps y/y**	**bps q/q**
Wires & Cables	14.6	14.0	15.3	12.8	12.3	13.7	15.1	14.7	15.1	*282*	*40*
FMEG	(1.8)	(12.4)	(12.8)	(0.7)	(6.4)	(3.0)	0.4	2.1	0.5	*684*	*(162)*
Others	11.2	15.9	5.1	9.1	11.8	8.7	9.4	7.7	18.1	*633*	*1,044*

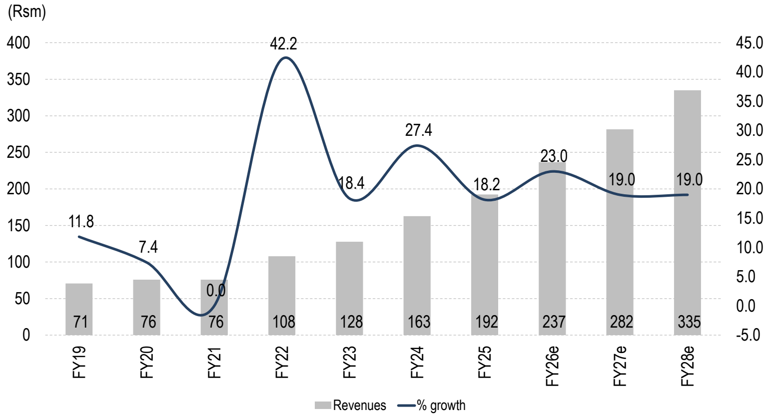
Source: Company

Q2 FY26 concall takeaways

Good performance in cables and wires

- The Cables and Wires business, which is Polycab India's growth engine, delivered a strong 21%y/y revenue increase in Q2 FY26, driven by high-teen volume growth and a favourable product-mix shift toward higher-margin categories. Both cables and wires registered broad-based growth across institutional and distribution channels, supported by healthy execution in government infrastructure, real estate and industrial projects.
- The domestic business rose 21% y/y despite a high base of 24% last year, reflecting the company's strengthened market position and continued market-share gains. Management noted continued traction in private and public capex, healthy infrastructure spending and sustained real-estate demand, supporting wire consumption.
- Regionally, the north led growth, followed by the west, south and east, re-affirming Polycab's all-India distribution strength. The international business maintained a steady trajectory, rising ~25% y/y, now contributing about 6–7% of revenue, aided by strong traction in the US (20% of exports), Europe, Australia and Middle East markets.
- Profitability improved sharply, with C&W EBIT margins rising 280bps y/y to 15.1%, supported by operating leverage, a better sales mix toward premium products like Maxima, Suprema (Class II wires, high-voltage and export cables), and an uptrend in commodity prices
- The company benefited from disciplined price pass-throughs—about 90% of its business is routed through distributors, where monthly pricing adjustments helped maintain margins despite volatility in copper and aluminium. However, exports are institutional where customers do not resort to early stocking.
- Ahead, the company expects robust momentum in H2 FY26, backed by a strong government push on infrastructure, revival in private capex and sustained traction in housing and industrial activity. With capacity utilisation in the mid-70s, coming capex will add further capacity for cables and wires
- The segment is well-set to deliver sustained double-digit growth, strong profitability and continued market-share gains, domestic and export-wise.
- The company's foray into extra-high voltage (EHV) cables marks a strategic move toward premium, high-technology products that offer higher margins and long-term growth assurance. The ongoing EHV plant is on schedule and will be commissioned by end-CY26, with benefits expected in FY28. Management reaffirmed that the project is on track, with no delays or challenges in acquiring skilled technicians or technical expertise, unlike some industry peers.
- Currently, no immediate plans to enter HVDC cables due to limited domestic demand; may consider later through technology development or acquisition. For Polycab, the EHV plant will be a near- to medium-term growth driver, while HVDC remains a strategic long-term opportunity for potential future expansion.

Fig 8 – C&W to clock a 20% CAGR over FY25-28

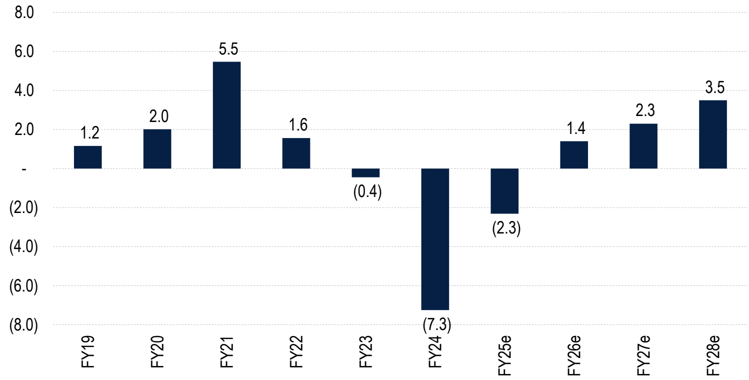


Source: Company, Anand Rathi Research

FMEG turnaround

- The FMEG category reported 14% y/y growth in Q2 with solar products turning outperformers, boosted by Central and state government incentive schemes. It has achieved a third consecutive profitable quarter with 0.5% EBIT margins after 10 straight quarters of investment in talent, product innovation and brand building, highlighting the success of its long-term strategy. Margin betterment was supported by a shift to premium products and greater operating leverage from scale efficiencies.
- The prolonged monsoon and huge channel inventories impacted the fan category, while all other categories reported healthy growth.
- Ahead, growth levers are scaling up of fans and switches; increasing contribution of higher-margin products; continued focus on premium offerings and brand investments. Medium-term goal under Project Spring roadmap: 1.5x–2x industry growth, 8-10% EBIT margins under "Project Spring" by FY30.
- Ad-spend was higher in Q2 FY26. It has an annual A&P guidance of 3–5% of B2C revenue, with a continued focus on digital and brand-building efforts.

Fig 9 – FMEG sustains profitability in Q2; to break even in FY26



Source: Company, Anand Rathi Research

EPC business

- EPC revenue dropped 31%y/y to Rs4bn due to project execution cycles, mainly the ongoing RDSS project. Reported segment profit was Rs730m, including a one-time gain of Rs330m. Excl. exceptional items, the EBIT margin was ~10%, consistent with the guidance. Execution of the Bharat project will begin in Q3 FY26, providing assurance of stronger H2 revenue and earnings.
- The order book for EPC mainly comprises projects won under the government's RDSS (to revamp power generation and distribution capacities). The order book was Rs113.5bn, of which Rs33.5bn is from RDSS, Rs80bn from Bharat Net, execution to start from Q3, to be executed in 2-3 years. The receivables cycle is efficient, with upfront payments (~10% of contract value) improving the cash-flow.
- The company expects mid- to high-single-digit margins in the near term from this business (Bharat Net margin guidance: 12–14%, RDSS: high single digits.)

Annual capex

- Under Project Spring, capex is guided to be Rs60bn-80bn in five years translating to Rs12bn-16bn annually. In Q2/H1 FY26, the company incurred Rs3.3bn/Rs7.5bn for W&C and to strengthen backward integration capabilities Working capital days were 57, vs 53 a year ago.

Outlook, Valuations

Outlook, estimate revision. Supported by robust government infrastructure spending and a revival in private sector investments, Polycab India anticipates sustained demand momentum in its core cable & wire business. Its FMEG category is poised for an upswing, driven by premiumisation, solar-led expansion and rising e-commerce traction, while the EPC vertical is set to gain pace on the rollout of BharatNet.

As the industry leader, the company stands to benefit from strong demand across infrastructure, real estate and industrial sectors, leveraging its backward-integrated manufacturing, comprehensive product range and all-India reach. The ongoing shift toward premium categories and improving operating leverage are expected to further bolster margins. Backed by a resilient balance sheet, clear strategic direction under Project Spring, and prudent capital allocation, Polycab India is firmly positioned to deliver sustained growth, expand profitability and create long-term value; therefore**,** we expect its industry-leading performance to persist.

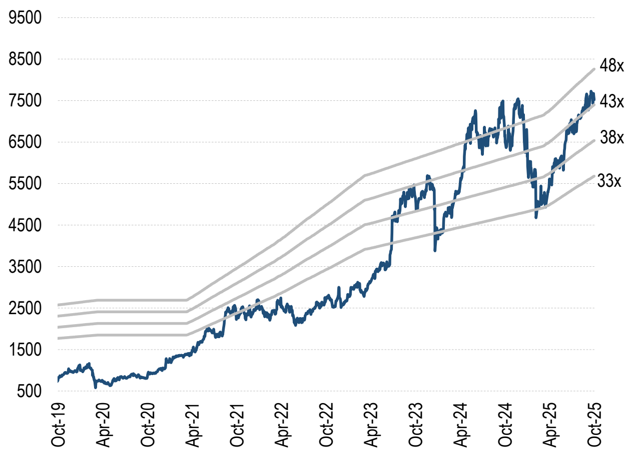
We model 19%/22% revenue/net income CAGRs over FY25-28. On strong assurance post-Q2 results, we raise our estimates. At the CMP, the stock trades at 43x/38x/31x FY26e/27e/28e EPS of Rs175/200/243. We value it at 40x Sep'27e EPS of Rs222, retaining our Buy recommendation with a higher TP of Rs.8,868 (earlier Rs.8,705).

Fig 10 – Estimates change

	New estimate			Old estimate			Variance (%)		
(Rs m)	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26	FY27	FY28
Revenue	269,296	318,258	376,266	262,260	311,022	369,305	*2.7*	*2.3*	*1.9*
EBITDA	39,024	44,893	54,310	35,560	43,302	51,707	*9.7*	*3.7*	*5.0*
EBITDA (%)	*14.5*	*14.1*	*14.4*	*13.6*	*13.9*	*14.0*			
PBT	35,780	40,748	49,496	32,769	40,419	48,169	*9.2*	*0.8*	*2.8*
Net income	26,320	30,097	36,605	24,160	29,852	35,617	*8.9*	*0.8*	*2.8*
Net income (%)	*9.8*	*9.5*	*9.7*	*9.2*	*9.6*	*9.6*			
EPS	175.0	200.1	243.3	160.6	198.4	236.8	*8.9*	*0.8*	*2.8*

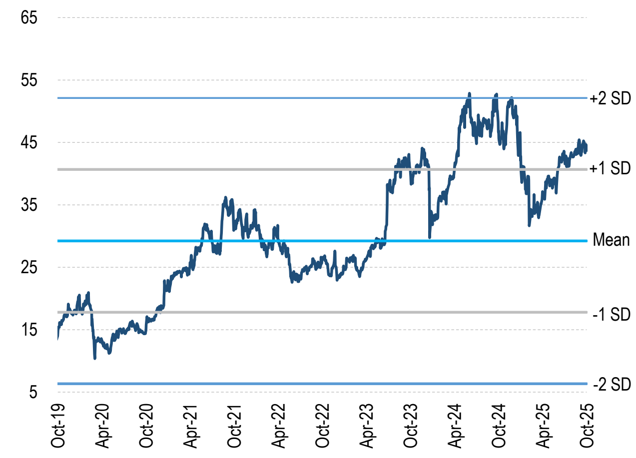
Source: Anand Rathi Research

Fig 11 – P/E trades at 43x



Source: Company, Anand Rathi Research

Fig 12 – The stock trades around its +1SD band



Source: Company, Anand Rathi Research

Risks

- Persistent slowdown in demand for cables and wires could crimp earnings sustainability.
- Slowdown in the government's infra spend could considerably cut growth, especially given the company's huge investment in capacity and branding.
- Traction in new FMEG categories could aid margins and is key to FY26 and FY27
- Stiffer competition as capacity additions by large operators may lead to pricing pressure and margin volatility.

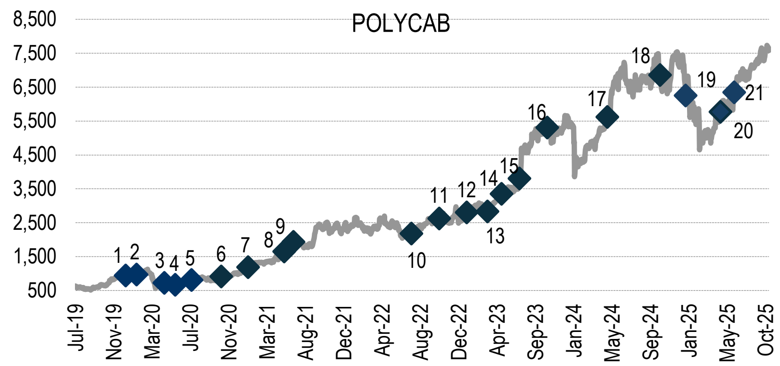
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 17 October 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
6	25-Oct-20	**Buy**	1,228	880
7	25-Jan-21	**Buy**	1,539	1,220
8	20-May-21	**Buy**	1,850	1,610
9	22-Jul-21	**Buy**	2,197	1,911
10	20-Jul-22	**Buy**	2,200	2,755
11	19-Oct-22	**Buy**	3,389	2,708
12	20-Jan-23	**Buy**	3,455	2,757
13	10-Mar-23	**Hold**	3,455	3,077
14	15-May-23	**Hold**	3,609	3,379
15	19-Jul-23	**Buy**	5,270	4,309
16	19-Oct-24	**Buy**	6,430	5,292
17	12-May-24	**Buy**	7,750	6,154
18	20-Oct-24	**Buy**	8,332	7,118
19	24-Jan-25	**Buy**	8,091	6,248
20	11-May-25	**Buy**	7,485	5,740
21	19-Jul-25	**Buy**	7,948	6,923

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)	**Buy**	**Hold**	**Sell**
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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