Polycab India

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Operator: Good day and welcome to Polycab India Limited Q1 FY27 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Nilesh Maru, Chief Financial Officer, Polycab India Limited. Thank you and over to you, Mr. Maru.

Nilesh Maru: Good afternoon, everyone, and thank you for joining us. I hope all of you are staying healthy and safe. On this call, we shall discuss the Q1 FY27 results which were approved in the board meeting earlier today. We will be referring to the earnings presentation, financial results, and financial statements which are available on the stock exchanges as well as on the investor relations page of our website. Joining me today from the management team, we have our Head of Strategy and Investor Relations, Mr. Shashank Yagnik.

I am pleased to share that building on the momentum of last year, the company delivered another year of strong performance, underpinned by healthy revenue growth and profitability. Our performance reflects not only favorable demand conditions but also the deliberate investments and strategic choices made over the past several years. The wires and cables business maintained steady momentum, leveraging its market leadership and execution capabilities, while the FMEG business continued its trajectory of steady improvement supported by a richer product portfolio and a wider customer reach. The progress we are seeing today is a direct outcome of our commitment to building a more agile, scalable, and future-ready organization. We remain focused on operational excellence, disciplined capital allocation, and enhancing customer value across every touchpoint.

Looking ahead, we see significant opportunities across our markets. Our priority will be to accelerate profitable growth, strengthen our brands, deepen the distribution, and build the innovation and talent ecosystem needed to support the next phase of expansion. The global macroeconomic landscape continues to be shaped by ongoing geopolitical developments. Disruptions across energy markets and global trade routes, particularly around the Strait of Hormuz, contributed to inflationary pressures during the first half of 2026. While oil prices have moderated from the peaks which we witnessed in April, they continue to remain volatile. Given the fluid nature of the geopolitical environment, uncertainty around the energy prices, supply chains, and global trade flows may persist in the near term.

The IMF's latest outlook projects global growth at approximately 3% for 2026, supported by resilient economic activity and a technology-driven investment cycle, while global inflation forecasts have been revised higher. The renewed energy shock has pushed every major central bank onto a firmer footing. The Fed held rates at 3.5-3.75% in June, but turned notably more hawkish, expecting rates to rise later this year. A similar stance was seen by the Bank of England which held the rates at 3.75% to gauge the impact of the US-Iran war. The RBI held its repo rate at 5.25%, taking a neutral stance but flagged accrued driven inflation and rupee volatility as the key swing factors for its next move.

Against the global backdrop, India remains one of the strongest performing major economies globally. While the external environment has become more challenging, India continues to benefit from robust domestic demand, public investments, healthy credit expansion, and increasing private sector capital expenditure. Economic activity has remained resilient despite global volatility, reinforcing India's position as one of the fastest growing large economies in the world. Government-led infrastructure spending, a broadening manufacturing base, and sustained momentum in services continue to remain key growth drivers.

While services and consumption are driving growth, the government capex is progressing well in the first two months of FY27 at 2.51 lakh crore versus 2.21 lakh crore in April-May of last year, reflecting a healthy 14% growth. At the same time, the real estate sector and formalization trends across the economy remain supportive of medium-term growth prospects. On the investment flows front, although foreign portfolio flows were impacted by geopolitical tensions and global risk aversion, strong domestic institutional participation helped sustain market liquidity.

Overall, while the global environment remains uncertain, India's structural growth story remains firmly intact. A resilient domestic economy, strengthening investment cycles, a stable financial system, and a continued policy focus on infrastructure and manufacturing provide a very solid foundation for sustained growth. We remain confident in the medium-term outlook for the Indian economy and the robust demand environment it continues to create for our business. Across the organization, our focus remains on execution excellence, translating strategy into outcomes, and strengthening the foundation for long-term growth. Looking ahead, our priorities remain very clear: sustaining growth momentum, strengthening our competitive positioning, and continuing to invest in innovation, talent, and capabilities. I would now hand over to Shashank to take you through the financial performance for the quarter.

Shashank Yagnik: Thank you, Nilesh. For the quarter ended June 30, 2026, we delivered another strong set of results, underscoring the resilience of our business model and the effectiveness of our execution strategy. Consolidated revenues grew by 39% year-on-year, supported by sustained momentum across both our wires and cables and FMEG businesses. Operating performance remained robust during the quarter. EBITDA increased by 32% year-on-year and the margins stood at 13.8%, reflecting an improvement of approximately 70 basis points sequentially over the previous quarter.

At the bottom line, we achieved our highest ever quarterly profit after tax of 7,967 million, representing a growth of 33% year-on-year. PAT margins for the quarter came in at 9.7%. Finance costs for the quarter were 800 million, while other income stood at 1,049 million. For a detailed understanding of these line items, I would request you to refer to slide number 17 of the presentation.

Our balance sheet continues to remain strong with a net cash position of 39.9 billion. The average working capital cycle improved significantly to 15 days in Q1 FY27, aided by a temporary increase in payable days due to the use of letters of credit for raw material procurement. As these effects normalize, we expect the working capital cycle to settle within our long-term operating range of 45-50 days. Capital expenditure during the quarter amounted to 3.2 billion, reflecting our continued commitment to building capacity and strengthening future growth drivers.

Let me now move to slide 6 and discuss the performance of our wires and cables business. The wires and cable segment registered a healthy 39% year-on-year growth during the quarter. Within this, the domestic wires and cable business delivered an impressive 43% year-on-year growth, supported by robust market demand, effective execution across key channels, and favorable commodity-linked realizations. Volume growth for the quarter on a year-on-year basis was low to mid-single digits, which was on top of a very strong base of Q1 of last year. From a category standpoint, wires grew faster than cables during the quarter. Channel sales also outperformed institutional sales, highlighting the strength of our distribution network.

Regionally, the West remained the strongest contributor, followed by North, South, and East, reflecting the broad-based nature of our market presence across the country. Our international business witnessed a decline on a year-on-year basis, reflecting the impact of near-term geopolitical developments. However, the underlying fundamentals remain strong and intact. We continue to maintain a healthy order book and remain confident of a strong recovery supported by a positive long-term outlook.

EBIT margins for the wires and cables business stood at 13.3%. Sequential margin improvement was driven by a favorable business mix and continued focus on operational excellence. Consistent with our Project Spring roadmap, we continue to maintain our medium to long-term margin guidance of 11-13% for this business.

Turning now to slide number 8 for our FMEG business. The FMEG segment delivered another outstanding quarter, recording 71% year-on-year growth with strong contributions across all product categories. This marks the 10th consecutive quarter in which we have outperformed industry growth rates, reinforcing the strength of our business model and execution capabilities.

The solar business, our largest category within the FMEG portfolio, continued to be the primary growth engine, delivering more than two-fold growth year-on-year. The category continues to benefit from favorable structural trends including the PM Surya Ghar Yojana, state-level incentive programs, and increasing consumer adoption of renewable energy solutions. We believe the long-term growth opportunity in this space is quite substantial.

The rest of the portfolio, including fans, lighting, switches, switchgear, conduit pipes, and fittings, also delivered healthy growth. This was driven by continued strength in the real estate and construction sectors, supported by our focus on product expansion, market development, and deeper customer engagement. The profitability trajectory of the FMEG business also continued to improve. Having turned profitable in Q4 FY25, the business has steadily enhanced earnings while simultaneously investing in people, innovation, product development, and brand building. EBIT margins for the quarter were 8%, very much in line with the milestones laid out under Project Spring, where we target EBITDA margins of 8-10% by FY30.

Looking ahead, we remain optimistic about the long-term prospects of the FMEG segment. Our strategic priorities remain unchanged: to grow at 1.5x to 2x of the industry growth while progressively enhancing profitability. Ongoing investments in distribution reach, product innovation, and brand strength will continue to drive sustainable value creation over the coming years.

Moving on to slide number 10 for an update on our EPC business. The EPC business reported revenues of 3,077 million during Q1 FY27, reflecting a year-on-year decline of 11%, primarily due to the timing and execution cycle of projects. Despite the lower revenue base, profitability remained healthy with EBIT at 330.8 million, translating into a margin of 11%. Over the medium to long term, we continue to expect sustainable operating margins for the EPC business to remain in the high single-digit range.

In closing, I would like to thank all our stakeholders for their continued trust and support. The quarter's performance reflects the strength of our diversified portfolio, disciplined execution, and strategic investments across the growth platforms. With that, we conclude our prepared remarks and we will now be happy to take your questions. Thank you.

Operator: Thank you. We will now begin the question and answer session. The first question comes from the line of Anirudh Joshi with ICICI Securities. Please go ahead.

Anirudh Joshi - ICICI Securities: Thanks for the opportunity and congratulations to the entire team for posting such a solid result. I have two questions. If you can indicate the price hike and volume growth in this quarter on a year-on-year basis? Also, considering the copper prices, how do you see the pricing working out for Q2? Secondly, in terms of accounting, as you alluded to earlier, the acceptances have grown considerably and are included in payable days. If you can quantify the actual current creditors for capex and the actual acceptances? Also, as the acceptances are part of payables, is the interest cost on the acceptances booked through the expenses lines or is it included in finance cost?

Management: Anirudh, thank you. I think in your two questions, you had four points. We will attempt to answer all of them. Firstly, on the volume and price growth in this quarter: put together, the cable and wire domestic business saw low to mid-single-digit volume growth. But we must note that in Q1 of last year, our volume growth was very, very strong. We had a base of about 26% volume growth for cable and wire combined, where cables was high and wires was north of 20%. On that base, this time we have recorded low to mid-single-digit overall growth for the business, with wires outpacing cables.

On the copper price, we do not have guidance for Q2. We will continue to focus on the business. Price will be something we cannot control as it is a cost-plus model. Whatever the cost is, we will pass it on. Regarding acceptances, while they have gone up, the goods are still in transit. Typically, in our operations, inventory is on the higher side, around 100-110 days. Using letters of credit, we get payable days of around 80-90 days. If you look at receivables, 90% of our business happens through channels and a majority of that comes from channel finance. Our receivables are always low, and including EPC, they are usually within 20-30 days. Putting these three pieces together, we are usually in the average range of 45-50 days, but we ended this quarter on the better side at 15 days.

Anirudh Joshi - ICICI Securities: This is very helpful and once again congrats to the team. Thank you.

Operator: Thank you. Next question comes from the line of Sonali Salgaonkar with Jefferies. Please go ahead.

Sonali Salgaonkar – Jefferies: Thank you and congratulations to the team for such a strong performance. My first question is strategic in nature. I would like to hear your thoughts on the upcoming data center opportunity or any opportunity in optic fiber that you see. My second question is regarding exports. We understand the 13% decline was largely because of the Middle East; how do we foresee the coming quarters?

Management: Thank you, Sonali. On the data center opportunity, it is a very big one. We are hopeful that material translation should happen from estimates to reality. Today, the installed base is around 1.6 gigawatts. We have read reports estimating it could reach 8 gigawatts to 15 or 18 gigawatts. We estimate that 1 megawatt translates into around 3.5 crore worth of cables, with 50-60% being conventional and the balance being optical fiber. A sizable chunk of demand can come from data centers; it is just a matter of timing. A 20,000-25,000 crore market is there over a period of perhaps 6-8 years. Through our distribution channel, we have supplied a majority chunk of the conventional pieces in existing installations. We have supplied cables to the data centers of Vodafone Idea in Mohali, Pune, and South India. It is a dedicated focus area for us.

Regarding exports, the Middle East was impacted in March and certain geographies continue to be affected. However, we have seen good momentum coming back. We have a very healthy order book in the US, Europe, and Latin America. In Q1, we did about 20-24% of our business from the Middle East, specifically from countries like Oman, Saudi Arabia, and the UAE. North America contributed around 45-50% of our Q1 turnover and Europe was about 18-20%. We added 10 new geographies last year and believe this will pay rich dividends in the time to come.

Sonali Salgaonkar – Jefferies: Very clear. Thank you and all the best to the team.

Operator: Thank you. Next question comes from the line of Pulkit Patni with Goldman Sachs. Please go ahead.

Pulkit Patni – Goldman Sachs: Thank you for taking my question. This is on the BharatNet projects. Given the steep price increase we have seen on the fiber side, how do you see the profitability of these projects panning out over the next couple of years? Also, overall EPC revenue has been quite weak; is there any particular reason for that?

Management: Regarding BharatNet and high fiber prices, the strength of our procurement is such that we have secured fibers for the execution period of the next 2-3 years. There is a 4,500 crore execution piece of the overall 8,000 crore contract. Within that, the supply portion is around 30% of the overall value. We have already secured the fiber for that portion, so we are not exposed to the high fiber prices. We have always guided that BharatNet, which forms part of our EPC business, should have margins in the high single digits. This quarter we delivered an EBITDA of 11%, but we estimate the long-term average should be high single digits.

Regarding EPC revenue, this business depends on milestone-linked payouts. If a milestone happens after 5 months, revenue recognition might happen in Q2 rather than Q1. On a full-year basis, you should not see a dip.

Pulkit Patni – Goldman Sachs: Thank you so much for answering those.

Operator: Thank you. Next question comes from the line of Akshay Katani with UBS. Please go ahead.

Akshay Katani – UBS: Thank you for the opportunity. How should we look at full-year volume growth? Q1 saw low to mid-single-digit growth on a high base. Q3 will also have a high base, while Q2 and Q4 might be more favorable. How should we look at full-year volume growth for Polycab this year?

Management: The best way to look at it is over a longer period. Q3 last year was 40% for us. We have always guided that we will do 1.5x market growth, which is a mix of volume and value. In FY26, we did 18% volume growth. Over a 10-12 month period, you will see a trend and we expect to hit that 1.5x of market growth.

Akshay Katani – UBS: Thank you. On the wires growth this quarter, you highlighted that wires outperformed cables. Does this imply market share gains in the wires segment and can you quantify it?

Management: We will have to wait for other results to become public before commenting on market share. Typically, we do this analysis after a 10-12 month period. Last year, we updated that we gained 3-4% market share overall. Quarter-on-quarter changes might not reflect structural gains.

Operator: Thank you. Next question comes from the line of Ravi Swaminathan with Ambit Capital. Please go ahead.

Ravi Swaminathan – Ambit Capital: Congrats on a good set of numbers. I would like to understand the volume growth opportunity from the cable segment. How was the performance from the transmission side and what is the visibility from the solar side? Also, how was demand from infrastructure and industrials in the first quarter?

Management: Ninety percent of our business happens through channel, so we don't always know the end customer. However, our sales are very broad-based. On the generation side, 55-56 gigawatts were added in the last financial year. Under the national generation adequacy plan, we must reach around 1,120 gigawatts by FY36, with 70% from renewables. Solar is currently around 150 gigawatts and must go up to 500 gigawatts. This will translate into significant cable demand.

In transmission and distribution (T&D), the average annual capacity addition was 15,000 circuit kilometers between FY20 and FY25. This must go up to north of 20,000 kilometers. The CEA predicted 17,000 circuit kilometers for this financial year, and 2,000 have already been executed in April and May. Transformer companies like CG Power, ABB, Siemens, and Hitachi have robust capacity addition plans targeting this T&D pickup.

On the private side, BSE 500 companies have committed roughly 11.6 lakh crore for the next 12-18 months in capacity enhancements. Most of this is in metal, semiconductors, and renewables, which will drive strong demand for cable and wire. We also haven't seen the full potential from defense, EV charging, and data centers yet. We are very positive about the demand for the next 2-3 years.

Ravi Swaminathan – Ambit Capital: Thanks a lot for the detailed answer.

Operator: Thank you. Next question comes from the line of Aachal Lohade with Institutional Equities. Please go ahead.

Aachal Lohade – Institutional Equities: Two questions. First, for volume growth, could you call out the base quarter numbers for cables and wires separately? You mentioned wires grew faster than cables; was there any element of channel stocking that helped in June?

Management: Wires recorded high single-digit growth while cables saw low to mid-single-digit growth. This is against a very high base from Q1 last year when cables grew north of 25% and wires north of 20%. Regarding channel stocking, looking at copper and aluminum prices in June, both plummeted significantly. When prices go up, stocking happens; when they come down, de-stocking happens. In our case, stocking was below expectation because of the plummeting raw material prices.

Aachal Lohade – Institutional Equities: In terms of margins, the mix was in favor of wires, yet margin improvement was around 70 basis points. Were there any one-offs or cost escalations that impacted the sequential improvement?

Management: Margin for us is defined by four factors: export contribution, the split between wires and cables, channel versus institutional sales, and operating leverage. This quarter, wires and channel sales were higher, which supported margins. However, exports and operating leverage did not contribute as meaningfully. We are comfortable operating in the 11-13% range as per our Project Spring guidance.

Aachal Lohade – Institutional Equities: Could you talk about the US export distribution revamp and what growth you saw in US exports on a year-on-year basis?

Management: North America contributed 50% of our exports this quarter. We have completed the setup of appointing market representatives and we have a very healthy order book and inquiry bank from the US. We anticipate a sizable pickup in the coming quarters.

Operator: Thank you. Next question comes from the line of Ashish Poduriya with Citigroup. Please go ahead.

Ashish Poduriya – Citigroup: On the pricing side, was there a price cut during the first 15 days of July? Secondly, regarding FMEG margins, was the strength purely operating leverage or did gross margins also improve?

Management: We took a price revision of about 3-4% in the first fortnight of July. Regarding FMEG, the improvement was driven by operating leverage and a significantly higher premium mix. In this quarter, the premium mix went up to 25% in the overall FMEG portfolio. For fans, it reached 33%, and for lighting, it was 38%. Placing the right products in the right markets and solid execution resulted in strong top-line growth, which supported operating leverage.

Ashish Poduriya – Citigroup: On a full-year basis, what execution can we expect from RDSS and BharatNet?

Management: BharatNet has an overall order size of 8,000 crore, with a 4,500 crore execution piece for new infrastructure over 3 years. We expect about 800–1,000 crore from BharatNet alone this year. For RDSS, the execution piece is around 3,250 crore over 3 years, and we expect about 800 crore to translate this year. Our total order book for both stands at around 10,900 crore.

Operator: Thank you. Next question comes from the line of Sameer Gupta with IIFL Capital. Please go ahead.

Sameer Gupta – IIFL Capital: Solar is a big driver here. What is the scale of this segment and the sustainability of this growth? I remember a year ago it was the third largest category and now it is the largest.

Management: It is very much related to government policies like the PM Surya Ghar Yojana. The solar inverter business is driving that same momentum and we see a strong trajectory for the next 2–3 years. It is the single largest contributor but is still less than 50% of the FMEG basket. In this quarter, the order was solar, followed by fans, then pipes and conduits, followed by lamps, lighting, and switchgear.

Sameer Gupta – IIFL Capital: Excluding solar, what was the growth in terms of volume and price hikes for FMEG this quarter?

Management: All six categories delivered stronger growth than the market. This was due to the premium mix, segmental focus, and lower base, resulting in high growth across the board. The industry benefited from an extended summer, and for fans specifically, there was a 4–5% price correction across the industry due to new BEE norms.

Operator: Thank you. Next question comes from the line of Naushad Chaudhary with Aditya Birla Mutual Fund. Please go ahead.

Naushad Chaudhary – Aditya Birla Mutual Fund: On the data center and T&D opportunity: you mentioned 1 megawatt translates to 3.5 crore of demand. Even if 1 gigawatt comes in annually, that is 3,500 crore of demand. On a total addressable market of 1 lakh crore, how can this have a significant percentage growth impact?

Management: I agree on data centers; if only 1 gigawatt is added, the translation to the cable market will not be massive. We see an opportunity of 8–18 gigawatts, but the timing is uncertain. However, on T&D, I disagree. The average for the next 5 years is expected to be 20,000–21,000 circuit kilometers. This reflects a very real execution visible on the ground. A 100 rupee spend on T&D translates to a cable requirement of 15%, which is very high. We believe the next 5 years will be monumental for generation, transmission, and distribution combined. Another lead indicator is the capacity expansion plans of transformer companies, whose order books are now 2.5x their revenue.

Operator: Thank you. Next question comes from the line of Keyur Pandya with ICICI Prudential Life Insurance. Please go ahead.

Keyur Pandya – ICICI Prudential Life Insurance: Regarding volume growth, you guide for 1.5x industry growth, but are you worried about lower absolute growth numbers over the last few quarters? Is it just the base or is there a deceleration in momentum? Also, on exports, when do you see growth picking up for FY27?

Management: Full-year FY26 volume growth was 18%. Quarter-on-quarter changes are affected by factors like metal prices and de-stocking. However, our volume growth CAGR has always been in double digits. Demand is very much there across power, manufacturing, and mobility. We see roadways reaching 10,000 kilometers of construction annually and 800 new Vande Bharat trains expected by 2030. We remain confident in our 1.5x market growth guidance through FY30.

On exports, the momentum is returning. We have entered 10 new geographies and are now in 94 countries. As a country, India is under-indexed in exports, and Polycab is well-poised with the right approvals and products. Our target is for exports to exceed 10% of our overall top-line by 2030, which implies export growth should be higher than domestic growth.

Keyur Pandya – ICICI Prudential Life Insurance: On FMEG, you have already reached your FY30 margin guidance. Is this sustainable or is it due to seasonality?

Management: Seasonality plays a role for fans and lighting. Our ambition is to reach 8-10% EBITDA margins on a full-year basis by FY30. The current trajectory—moving from a low base to 71% top-line growth and 8% EBIT—is very encouraging.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Nilesh Maru for closing comments.

Management: Thank you to all the investors for participating in this call. We appreciate your questions and hope we have answered them to your satisfaction. We hope to see you again next quarter. Thank you.

Operator: Thank you. On behalf of Polycab India Limited, that concludes this conference. You may now disconnect your lines.