

Polycab India Ltd

Leaders in wires; increasing its footing

INDIA | ELECTRICALS | INITIATING COVERAGE

15 April 2019

Why invest in Polycab India Ltd (PIL)?

- ❖ One of the leading wires and cables (W&C) companies in India; market share: c.18%.
- ❖ Strong brand recall and wide product profile and distribution network(dealers/warehouse) result in shorter delivery time – which helps gain market share.
- ❖ Product offering keeps improving (added fans, LED lighting, switchgears, and accessories). In four years, FMEG (Fast Moving Electrical Goods) has become a Rs 4.9bn segment.
- ❖ Margins are also improving – will rise to 11.7% in FY21 from 8.7%/10.9% in FY17/18.
- ❖ Working capital requirements to ease to 80 days in FY21 from 89 currently, based on better business mix and easing channel financing.
- ❖ Funds raised through IPO and operating cash flow of Rs 14bn over FY19-21, will help PIL to pay off debt in 2-3 years.
- ❖ ROCE to improve to 23% in FY21 from 20% in FY18.
- ❖ Strong promoter pedigree with more than four decades of experience.

Initiate coverage. Recommendation: BUY. Target: Rs 718. SOTP-based valuation.

Market leader in W&C, adding other electrical products: Polycab is a leading player in W&C (89% of sales) with c.18% share of the organised market and c.12% overall. It has an extensive range in W&C. Over the last 3-4 years, it has widened its product offering to fans, LED lighting, luminaries, switches, solar products and accessories. In four years, FMEG (fast moving electrical goods) has become Rs 4.9bn segment.

Strong brand recall and wide distribution network with quicker delivery: Polycab brand has a strong recall in W&C and a strengthening one in appliances. Advertising and sales promotion expenses increased to 1.4% of sales in FY18 from 0.4% in FY14. PIL is continuously strengthening its brand and distribution network – it has a pan-India network of 100,000 retail points and 29 warehouses, which allow faster delivery.

IPO – Better working capital, slight improvement in margin, improving balance sheet: PIL has raised Rs 13.5bn through an IPO, of which it will use Rs 3.2bn from debt payment and working capital. Margins will improve – to 11.7% in FY21 vs. 8.7%/10.9% in FY17/18 – because of better product mix in W&C (increasing share of B2C – a higher margin segment) and in FMEG, and increasing scale. This, along with a fall in working capital (higher channel financing) will help generate operating cash flow of Rs 3.6/5.2/5.4bn in FY19/20/21. It has a total debt of Rs 7.9bn as of FY18 (Rs 5.5bn in 9MFY19). With the IPO funds, improvement in margins, and strong cash flow, PIL expects to become debt-free in 2-3 years. Given the improvement in both profitability and balance-sheet, we expect PIL's RoCE to improve to 23% in FY21 from 20% in FY18.

Outlook and valuation: PIL's product categories (current and planned), strong business model, superior reach, and brand recall offer investment comfort – especially in a competitive economic environment. Over the next two years, RoCE/RoE will be 23%/15% and operating cash flow will be Rs 10.6bn. We expect earnings CAGR of 19% over FY19-21.

At the upper band, PIL trades at FY20/21 PE of 16x/13x. With improving cash flows and balance-sheet strength, valuations will trade at premium with W&C peers (Finolex & KEI), but at a discount to FMEG companies (Havells, V-guard). We value the stock at an SOTP value of Rs 718 (FY21 SOTP: W&C 16x – Rs 624, FMEG 28x – Rs 91, EPC 9x – Rs 4), which provides an upside of 34% from the IPO price. Higher valuation is mainly due to its market leadership in W&C and transformation into a multiproduct electrical company over the next 24 months.

BUY

IPO PRICE / CMP Rs. 538

TARGET RS 718 (+34%)

Issue details

ISSUE OPENS	5th April 2019
ISSUE CLOSES	9th April 2019
PRE- ISSUE EQUITY SHARES	141.2mn
- LOWER BAND	Rs 533
- UPPER BAND	Rs 538
PRICE BAND	Rs 533 – 538
- FRESH ISSUE	7.4mn
- OFS	17.6mn
NO OF SHARES OFFERED FOR SALE	25.0mn
EMPLOYEE SHARE (%)	0.7%
EMPLOYEE DISCOUNT (RS)	Rs 53
ISSUE SIZE	Rs 13.3-13.5bn
POST- ISSUE EQUITY SHARES	148.6mn
MKT CAP	Rs 79.2-80bn

KEY FINANCIALS

Rs mn	FY18	FY19E	FY20E	FY21E
Net Sales	67,793	78,346	87,105	96,816
EBIDTA	7,408	8,836	9,993	11,306
Net Profit	3,707	4,547	5,332	6,337
EPS, Rs	24.9	31.9	35.5	42.2
PER, x	22.2	18.3	15.6	13.1
EV/EBIDTA, x	10.7	8.9	7.8	6.8
P/BV, x	3.5	2.9	2.3	2
ROCE, %	20.6	22.3	23.3	23.4
Debt/Equity,(%)	0.3	0.2	0	0

Source: PhillipCapital India Research Est.

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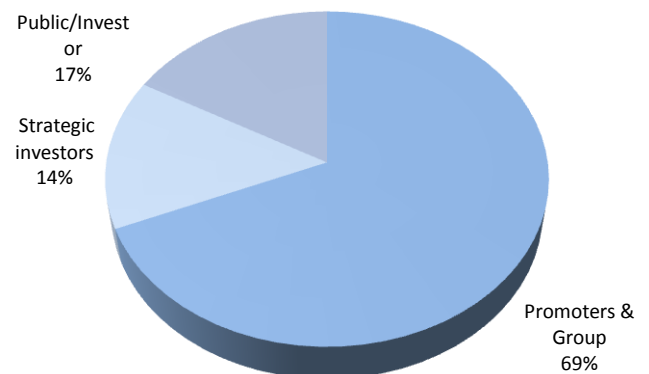
About the IPO

- Issue size: Rs 13.5bn.
- 25mn shares at Rs 533-538 per share (discount of Rs 53 per share to eligible employees); 17.6mn shares offered for sale by promoters and management; fresh issue of Rs. 7.4mn shares.
- Market capitalisation: Rs 79.2-80.0bn.
- Of the Rs 4bn proceeds from the fresh issue, Rs 800mn will be used for repayment of certain borrowings by PIL and Rs 2.4bn to fund incremental working capital requirement.

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Shareholding pattern post-issue



Source: RHP, PhillipCapital India Research

Shareholding pattern post-issue

Issue allocation	Shares (mn)	% of net issue
Retail	8.69	35.0%
Non-institutional	3.73	15.0%
- Anchor Investor	4.97	20.0%
- Mutual fund	2.48	10.0%
- All QIBs including MF	4.97	20.0%
QIBs	12.42	50.0%
Net Issue	24.84	99.3%
Employees	0.18	0.7%
Total Issue	25.02	100.0%

Source: RHP, PhillipCapital India Research

Shareholding structure: Pre/Post IPO

Shareholding structure	Pre- IPO	OFS	Post - IPO	Pre- IPO	Post - IPO
Promoters	9,36,46,582	83,12,844	8,53,33,738	66.3%	57.4%
Promoter Group	1,78,25,447	10,58,840	1,67,66,607	12.6%	11.3%
Strategic investors	2,97,33,809	82,10,316	2,15,23,493	21.1%	14.5%
Public/Investor	-	-	2,50,16,944	0.0%	16.8%
Total	14,12,05,838	1,75,82,000	14,86,40,782	100.0%	100.0%

Source: RHP, PhillipCapital India Research

Utilization of net proceeds

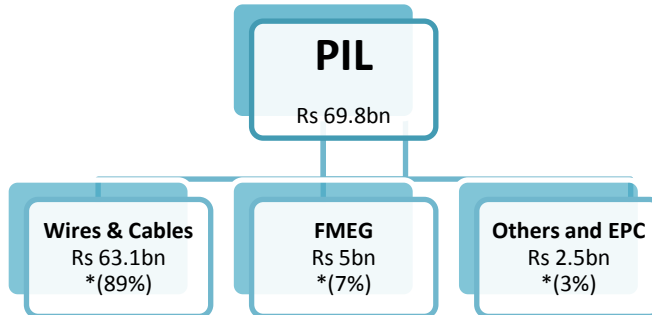
Utilization of net proceeds :	(Rs mn)	FY20	FY21
Scheduled repayment of borrowings	800	750	250
Incremental working capital requirements	2,400	2400	0
Total	3,200	3,150	50

Source: RHP, PhillipCapital India Research

About the company

- Leading players in the domestic cable and wire sector – its diversified product range covers a wide variety of cables and wires catering to the needs of the industrial and household segments. Its portfolio spans domestic wire cables to extra-high-voltage cables (EHV) up to 220kv.
- In 2009, it diversified into the engineering, procurement, and construction (EPC) business.
- In 2014, it added electric products such as fans, LED lighting, switchgears, and accessories to its portfolio.

PIL: Product portfolio – FY18 revenue break up



Source: Company, PhillipCapital India Research Note: *As % of sales

Strong products basket in W&C and electrical products



PIL – has diversified its product profile, moving from W&C to electrical

PIL	Majorly B2B products			Mainly B2C products			
	CABLES	WIRES	EPC	FANS	SWITCHES & SWITCHGEARS	LIGHTING AND LUMINARIES	OTHER PRODUCTION
Domestic Market Size (Rs bn)	FY18 Rs. 525bn; FY23 1,033 (CAGR: c.15%)			FY18 Rs. 80bn; FY23 Rs. 111bn (CAGR: c.7%)	FY18 Rs. 223bn; FY23Rs 348bn (CAGR: 9%)	FY18 Rs. 212bn; FY23 301bn (CAGR: 7%)	FY18 Rs. 18bn; FY23 32bn (CAGR: 11%)
Products	Power cables, control cables, instrumentation cables, solar cables, building wires, flexible/single multi core cables and communication cables			Electric fans for various household and industrial	Range of Switches: MCBs, RCCBs, RCBOs	Products for concentrated task lighting as well as ascent lighting	Solar inverters and water pumps. Range of domestic and agricultural pumps Water heaters
Manufacturing Facilities	Halol (Gujarat) Daman			Roorkee (Gujarat)	Nashik (Gujarat)	Chhani (Gujarat)	Padana (Gujarat)
Annual Installed Capacity	3,536,263 Kms			2,400,000 units	6,000,000 units	18,180,000 units	18,180,000 units

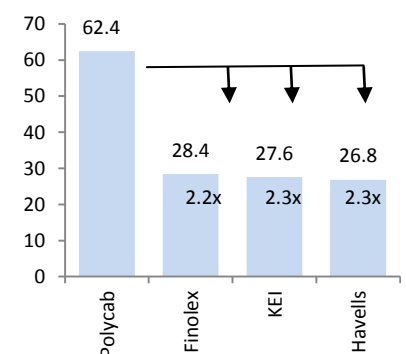
Source: Company, PhillipCapital India Research

Leader in W&C in India; c.18% share of the organised market

Cables and wires are its primary business (89% revenue in FY18, 58% cables, and 42% wires). This segment is highly commoditised and extremely price sensitive (intense competition from the unorganised sector). Despite that, PIL has able to gain market share (currently 18% in the organised market and 12% total), mainly because of its vast product profile, distribution network, availability (warehouse), and brand recall.

PIL products are ‘made-to-stock’, produced based on demand forecasts from customers /sales team, or ‘made-to-order’, where PIL works with customers to develop customized products that are in line with their needs. Its established customers include institutional clients such as L&T, Konkan Railway, and other global leading brands. To expand its market share, PIL is targeting key growth sectors such as infrastructure, construction, automotive, telecommunication, oil and gas, shipping, power, renewable, and agriculture. Also, it is continuously working on increasing

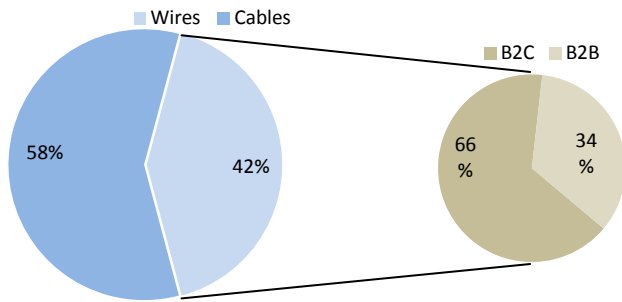
PIL: Leader in W&C – 2x the size of other listed companies



Note: Revenue FY18 (No. in Bn)

revenue from existing customers by expanding products offerings (aligned with customers) needs and expanding its distribution network.

PIL: In wires c.70% comes from the B2C network



Source: Company, PhillipCapital India Research Note: FY18 Numbers.

PIL: Strong product offering in W&C

Players	Power Control (LT/HT)	Power Cable (EHV)	Control Cables	Flexible & Industrial Cables	House Wire
POLYCAB	✓	✓	✓	✓	✓
Apar Industries	✓		✓	✓	✓
Finolex Cables	✓	✓	✓	✓	✓
Havells India	✓		✓	✓	✓
KEI Industries	✓	✓	✓	✓	✓
RR Kabel	✓		✓	✓	✓
Gupta Power	✓	✓	✓	✓	✓
KEC	✓	✓	✓	✓	✓
V-Guard	✓	✓	✓	✓	✓

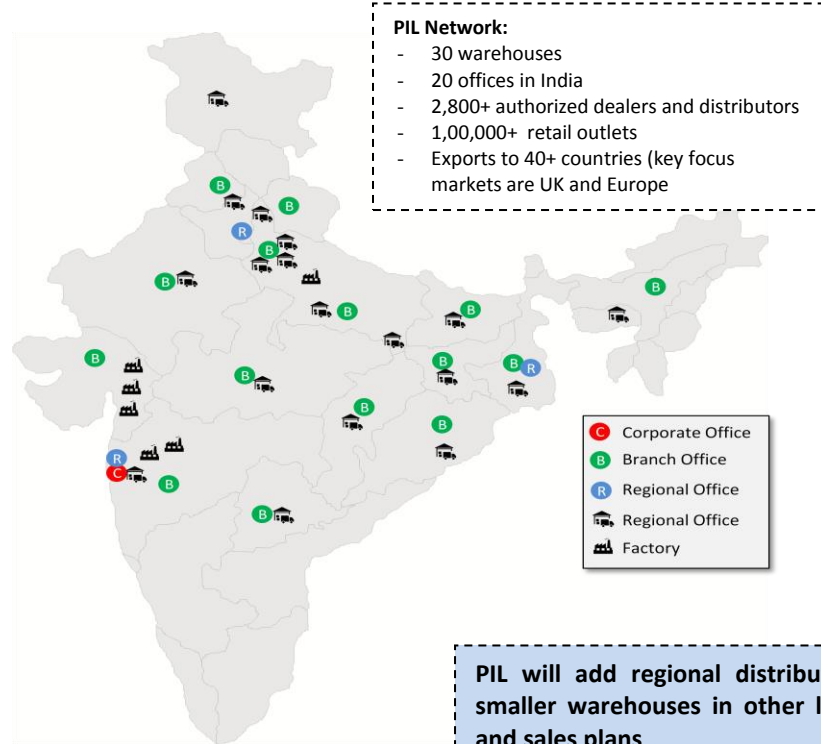
Strong product profile, distribution reach, and warehouse help Polycab to service its customers faster.

Widespread network is a key for success

It helps distributors/channel partners make quicker deliveries:

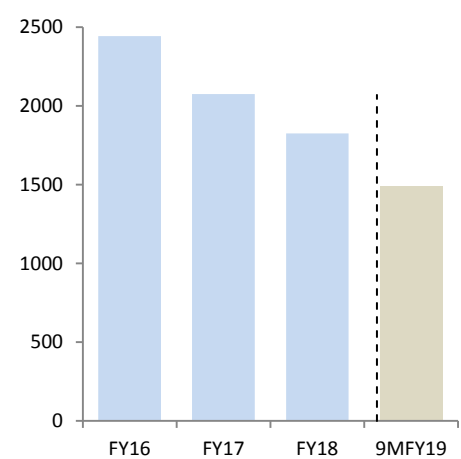
- Widely spread manufacturing facilities (7 units)
- Largest network of 29 warehouses in 20 states spread pan-India.
- Pan India distribution network of 3,300 distributors and 100,000 retailers.
- PIL works with major power utilities, oil and gas, IT parks, metro rail, infrastructure, metal and non-metal, cement and EPC companies for supplying W&C.
- It has a presence in 40 countries (5% revenue is from exports); it has received a US\$ 143mn order from the international market recently.

PIL: Close proximity to customers across India



Source: Company, PhillipCapital India Research

W&C distribution network

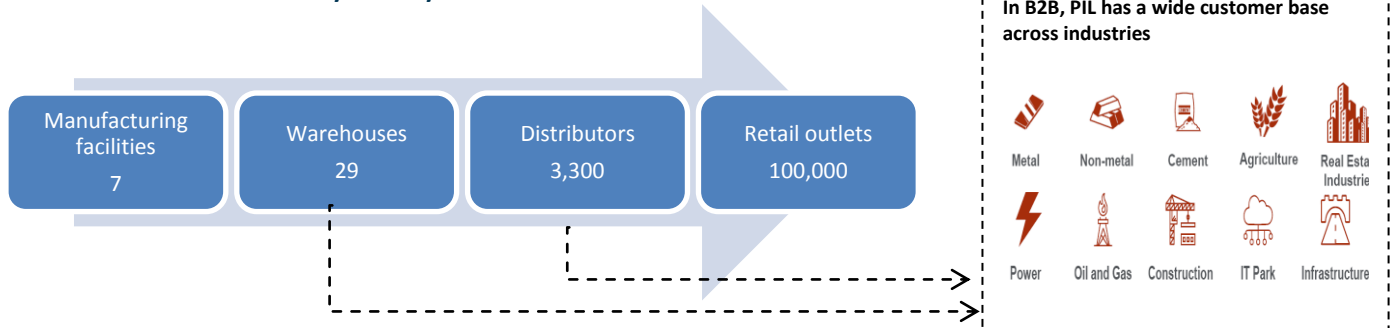


Note: Discontinued some dealers and increased focus on larger distributors – resulted in fall in dealer

PIL’s warehouses are typically located close to distributors, dealers, and direct customers. This enables PIL to mitigate transportation costs. It has implemented an

Automatic Storage and Retrieval System (ASRS), which helps enhance delivery efficiency and reduces operation costs. PIL is planning to implement ASRS in its other warehouses too.

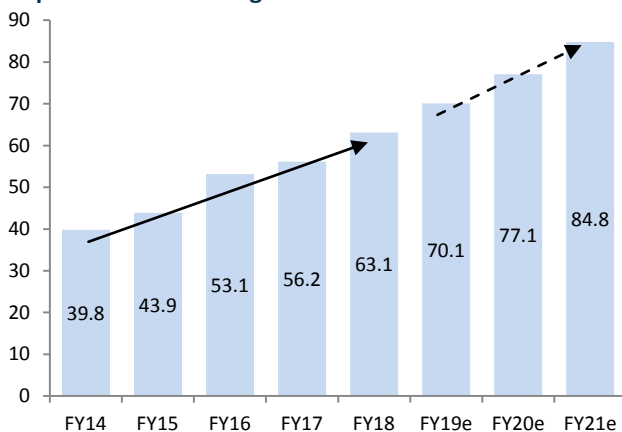
Distribution network is the key for Polycab



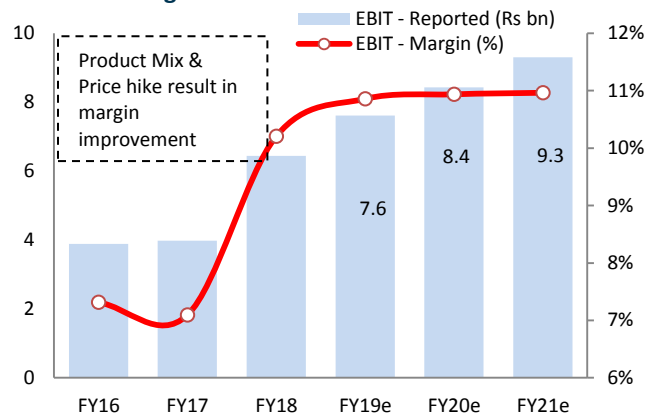
Improving financials

- We expect PIL's W&C revenue CAGR at 10% over FY18-21 based on its vast product profile, distribution network, and diversified customer base.
- In FY18, W&C margins improved 311bps to 10.2% mainly on a price hike, product mix, and a one-off excise duty of Rs 730mn. For FY19/20/21, we expect margins at 10.9%/10.9%/11.0%.

We expect W&C revenue growth of 10% over FY19-21



EBIT Margin at 11.0% in FY21



Source: Company, PhillipCapital India Research

Competitive Study – W&C

Company Name	Revenue	% of sales	EBIT Margin
Havells	26,002	32%	16.80%
V-Guard*	10,171	44%	10.90%
KEI	26,460	77%	11.20%
Finolex Cables	27,831	96%	14.70%
Polycab	63,146	90%	10.20%

Source: Company, PhillipCapital India Research Note: * Electricals EBIT Margin

In W&C – PIL is 2x the size of competitor (other companies) and has c.18% market share in organised market.

Company's presence in this segment: Key competitors.

Players	Rev.	Cables & Wires	ECD	Year	Segments	Distributor network	No. of plants
Apar Industries	58.3	11.4	n.a.	1958	Cables, Conectors & lubricants	0	2
Finolex cables ltd.	29	27.8	0.6	1945	Cables & ECD	3500+ / 0	5
Gupta power and infrastructure	31.1	31.1	n.a.	1961	Cables	0 / 5000	3
Havells India Ltd.	81.6	26.8	41.7	1983	Cables, ECD & Others	1,300 / 100,000	8
KEC International Ltd.	100.6	8.5	n.a.	1945	Cables & EPC	0	7
KEI Industries	34.7	24.3	n.a.	1968	Cables & EPC	c. 1,200 / 0	3
Polycab India Ltd.	67.8	62.4	4.9	1972	Cables, ECD & EPC	3,372 / 100,000	5
R R Kabel Ltd.	15.8	15.8	n.a.	1999	Cables	0	2
V-Guard Industries	23.3	6.8	5.7	1977	Cables, ECD & Others	564 / 30,000	9

Source: Company, PhillipCapital India Research Estimates

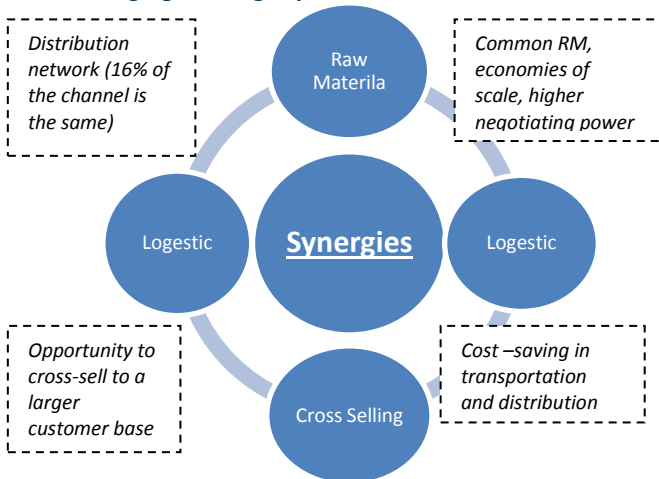
Expanding its presence in other electrical - FMEG

PIL is strengthening its market position in appliances by adding products such as fans, lighting, switchgears, and others. It is leveraging its brand, distribution network, customer base, and manufacturing capabilities to strengthen its FMEG segment. Current FMEG revenue is Rs 4.9bn. PIL is increasing its penetration in rural areas and adding new channels for geographical expansion. It is continuously enhancing its capabilities and carrying out initiatives to strengthen customer loyalty and increase its market share. For this, it has initiated projects such as Project Josh and Bandhan.

Products in FMEG segment

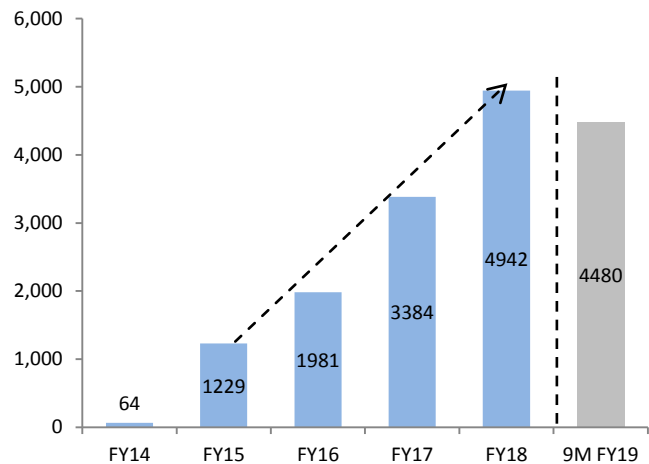
Product	Location	Capacity
Lighting	Chhani	18180000
Switches and Switchgears	Nashik	6,000,000
Fans	Roorkee	2,400,000
Others(drums, outers, pallets)	Padana	7445

PIL: Leveraging existing capabilities for FMEG



Source: Company, PhillipCapital India Research Estimates

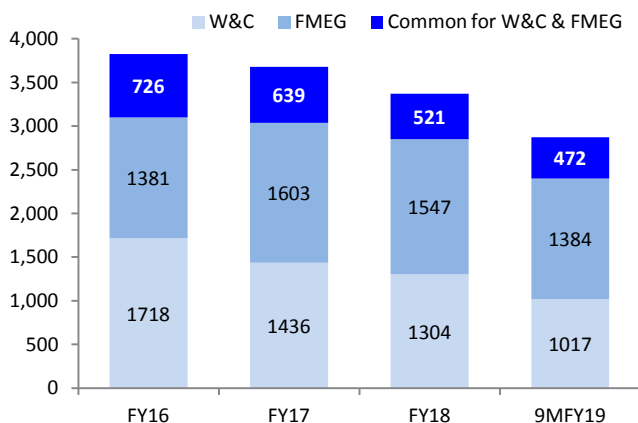
...resulted in strong CAGR of 59% over FY15-18



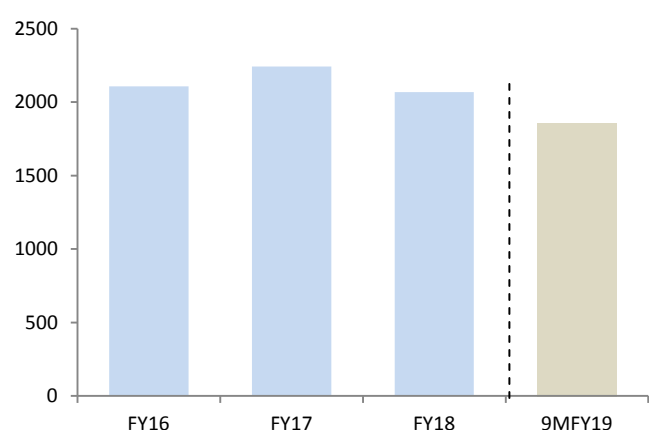
Own manufacturing, new areas, strong distribution

- PIL is increasing its share of own manufacturing in value-added products, which enjoy higher margins, such as premium and TPW fans and lighting products – its professional luminaries segment.
- It is focusing on new launches to cater to the changing needs of customers and also intends to concentrate on street lighting, agriculture pumps, air purifiers, and water purifiers. It is working on strengthening its after-sales service (as of June 2018, PIL has c.230 customer-care franchisees).
- Its distribution network enables PIL to roll out new products more quickly, which gives it a competitive advantage, and cross-selling opportunity, as its FMEG division shares 16% of its W&C network.

c.16% of network has cross-selling opportunity



FMEG total distribution network



Source: Company, PhillipCapital India Research Estimates

PIL actively engages with its distributors/ dealers to maintain good relationships and also incentivizes them through awards and loyalty points to promote and sell its products.

PIL: Product wise distribution network – increasing its touch points in FMEG segment

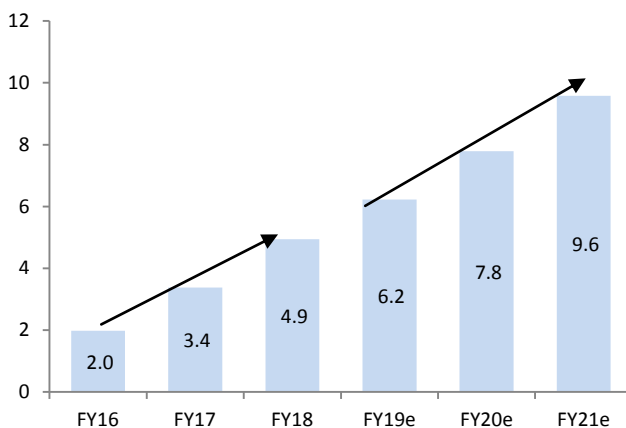
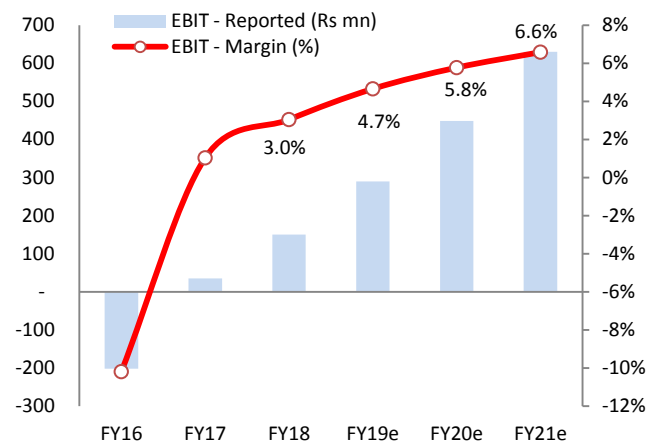
No.	Pump, pipe & fitting	Fan	Lighting	Luminaires	Pipe & conduits	Switchgear	Solar products	Wires	High density cable	Low density cable	Electrical wiring accessories
FY16	0	1250	757	362	148	19	0	1644	948	1377	551
FY17	0	1170	823	408	198	266	30	1597	687	1236	569
FY18	6	1027	734	320	193	366	21	1461	428	1096	431
9MFY19	53	855	688	308	152	389	14	1234	301	774	395

Source: Company, PhillipCapital India Research Estimates

FMEG is likely to grow on strong distribution and brand recall

In FMEG, PIL's focus on quality, continuous new launches, strong distribution network, and effective marketing has resulted in 58% CAGR over FY16-18 (on a lower base). We expect revenue CAGR of 25% over FY18-21 in this segment based on increasing product availability in existing and new touch points and new launches. Improvement in product mix and operating leverage will result in 353bps margin improvement over FY18-21.

PIL: Increasing its touch points in fan, lighting and luminaries.

FMEG – We expect CAGR of 25% over FY18-FY21

Operating leverage and product mix will result in 353bps margin improvement


Source: Company, PhillipCapital India Research Estimates

Competitive analysis of the FMEG segment
Product presence: PIL has a presence in major product segments in FMEG

Players	Fans	Lighting	Switches	Switchgear	Water Heater	Home Appliances	Kitchen Appliances
POLYCAB	✓	✓	✓	✓	✓	x	x
Apar Industries	✓	✓	✓	✓	✓		
Havells India	✓	✓	✓	✓	✓	✓	✓
V-Guard	✓	x	x		✓	✓	✓
Baja Electricals	✓	✓	x	x	✓	✓	✓
CG Consumer	✓	✓	x	x	✓	✓	✓
Orient Electric	✓	✓	x	✓	✓	✓	✓
Phillips India	x	✓	x	x	x		
Schneider Ele.	✓	✓	✓	✓	x	x	x
Surya Roshni	✓	✓	x	x	✓	✓	✓
TTK Prestige	x	x	x	x	x	✓	✓
USHA	✓	x	x	x	✓	✓	✓

Source: Company, PhillipCapital India Research Estimates

Electrical companies penetration in FMEG segment

	FY13	FY14	FY15	FY16	FY17	FY18	CAGR - 5yr
Market Leaders:							
Havells	8,521	9,139	11,056	12,549	13,784	15,602	13%
CG		20,122	22,753	12,490	28,507	28,281	9%
New Entrants over last 5-6 years:							
VGRD *	2,225	3,025	4,024	4,679	5,085	5,750	21%
VGRD Total: #	2,225	2,935	3,876	4,651	5,060	5,660	21%
Fan	797	1,024	1,375	1,767	2,007	2,284	23%
Water Heaters	1,428	1,751	2,280	2,554	2,650	2,845	15%
Switchgears & Switches	-	160	221	330	403	531	35%
Finolex Cables	304	526	530	378	414	599	15%
Orient Electricals	7,866	9,592	9,784	10,019	10,913	12,238	9%
Polycab		64	1,229	1,981	3,384	4,943	59%
Total Receivables							
Havells	1,302	1,365	1,325	1,576	2,285	3,254	20%
CG			4149.4	3569	4728.2	5536.4	10%
VGRD *	1,988	2,121	2,437	2,792	3,121	4,445	17%
Finolex Cables	1,497	1,452	1,186	1,259	1,244	1,749	3%
Orient Electricals					3613	3939	9%
Polycab				13,886	12,476	13,742	-1%

Note: # Revenue includes – Fan, Water heater and Switches.* Electricals revenue

Key points of - Electrical Company's penetration in FMEG segment

- ✓ **PIL has able to increase the reach of its FMEG products faster than competitors.**
VGRD entered FMEG about 10 years ago and it currently has total revenue of Rs 5.7bn. PIL entered the segment six years ago and has already touched revenue of Rs 5bn with its strong distribution.
- ↔ Despite the sharp increase in revenue, PIL's receivables have not increased over the last three years. Debtors greater than 6 months have increased by 23% over FY16-18. In FY18 this figure was Rs 3.5bn out of which we expect Rs 1.2bn was from FMEG segment – when compared with FMEG FY18 sales of Rs 5bn the receivables have not increased much.

Companies' presence in various segments: Key competitors

Players	Rev.	Cables & Wires	ECD	Year	Segments	Distributor network	No. of plants
Bajaj Electricals Ltd.	47.6	n.a.	22.3	1938	ECD & EPC	1,000 / 180,000	2
Crompton Greaves Cons. Electricals	40.8	n.a.	41.1	1947	ECD & Power solutions	3000+ / 150,000	8
Finolex cables Ltd.	29	27.8	0.6	1945	Cables & ECD	3500+ / 0	5
Havells India Ltd.	81.6	26.8	41.7	1983	Cables, ECD & Others	1,300 / 100,000	8
Orient Electric Ltd.	16.5	n.a.	16.3	1936	ECD	400+ / 100,000	5
Phillips Lighting India Ltd	33.2	n.a.	32.1	1930	ECD	0	2
Polycab India Ltd.	67.8	62.4	4.9	1972	Cables, ECD & EPC	3,372 / 100,000	5
Surya Roshni Ltd.	49.3	n.a.	14	1973	ECD	2,000 / 200,000	6
TTK Prestige Ltd.	19.8	n.a.	19.8	1955	ECD	0	6
Usha International Ltd.	23	n.a.	19.1	1934	ECD & Others	500 / 20,000	n.a.
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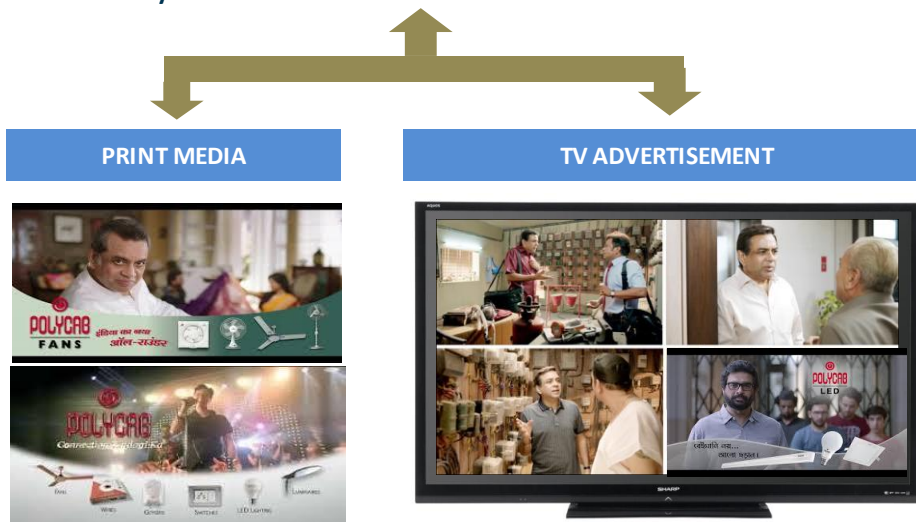
Source: Company, PhillipCapital India Research Estimates

Strong brand recall for Polycab

Key moves

- Focusing on increasing its visibility on print/social/television.
- Increased one-one-one interactions with channel partners and consumers.
- On retail counters, PIL is increasing its sales activities and visibility through in-shop branding.

Some of its key advertisements



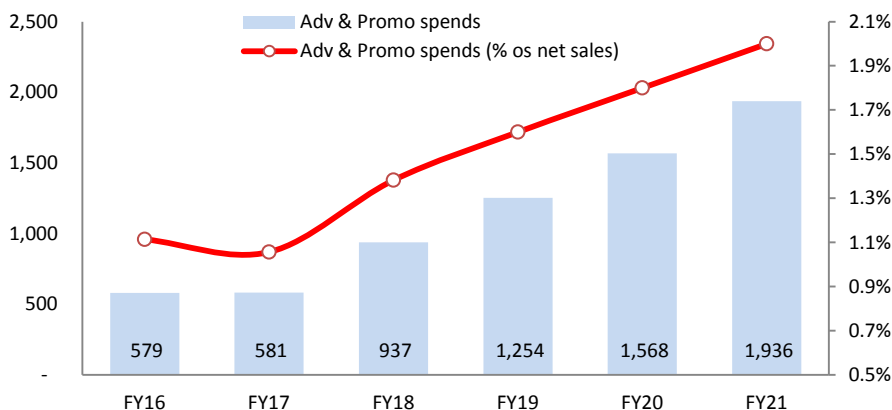
Brand and distribution strengthening key initiatives

- “Bandhan” – a customer-relationship-management programme: To understand the end customers better and for effective new launches.
- “Project Josh” – to increase market share in the FMEG segment. More focus on customer-oriented products. Since the implementation, it has increased retailers by 33,000 in 105 locations where the project was implemented.

Increasing focus on branding

PIL has taken significant measures to ensure consistency in product quality, distribution, accounts receivables, and customer service – which has led to business ramping up in its focus markets. Currently, it is spending about 1.4% of sales in brand building, which should increase to 2% by FY21. It is likely to start advertising its other product categories. Also, awareness for its other products in tier 3 and 4 cities should increase.

We expect PIL to continue investing in branding



PIL has increased advertising and sales promotion from 0.4% of sales in FY14 to 1.4% in FY18 (CAGR of 55%)

Source: Company, PhillipCapital India Research Estimates

Stronger manufacturing ability

- PIL has 24 manufacturing facilities (3 for FMEG). In-house manufacturing helps to ensure that quality and reliability of products is maintained. Its facilities are accredited with quality-management-system certificates. Higher standards help PIL clear the stringent approval processes of institutional customers.
- Multi-location manufacturing with high degree of backward integration
- It is focused on backward integration, where it seeks to produce a substantial portion of raw materials and source the remaining from a third-party suppliers.
- In 2016, PIL entered into a 50:50 joint venture with Trafigura to set up the Ryker Plant, which will fulfil a substantial part of copper wire rods needs at full capacity utilisation.

Competitive edge in manufacturing lies in product innovation, quality, and availability

Strong focus on backward integration

1. JV with Trafigura:
50:50 JV with Trafigura to set up Ryker plant. Provides substantial part of copper wire rods demand.
2. Existing facilities
For essential raw materials like aluminium rods, higher sized copper rods, grades of PVC, rubber, XLPW compounds, <GI wire and strips.

PIL: Manufacturing facilities

Product	Owned/Outsourced	Location	Capacity	CUF(%)
Wires & Cables (in kms)	Owned/ Leased	Halol/ Daman	2,997,732	80%
Lighting	Owned	Chhani	18180000	16%
Switches and Switchgears	Leased	Nashik	6,000,000	79%
Fans	Owned	Roorkee	2,400,000	56%
Others(drums, outers, pallets)	Leased	Padana	7445	66%
Copper rods (in MT)	Owned/ Leased	Waghodia	258,620	-
Steel Wires (in MT)	-	Waghodia	60,000	-
Alluminium and Copper terminals	Leased	Halol	592,000	50.08%

Source: Company, PhillipCapital India Research Estimates

Gross margins in line with W&C companies

	FY16	FY17	FY18	FY19E	FY20E	FY21E
Polycab	33%	28%	29%	28%	28%	29%
KEI Industries	31%	30%	30%	30%	31%	31%
Finolex Cables	27%	29%	28%	27%	28%	28%
V-Guard Inds	30%	29%	30%	31%	32%	32%
Havells	42%	41%	39%	38%	38%	39%
Bajaj Electricals	33%	35%	34%	33%	34%	34%

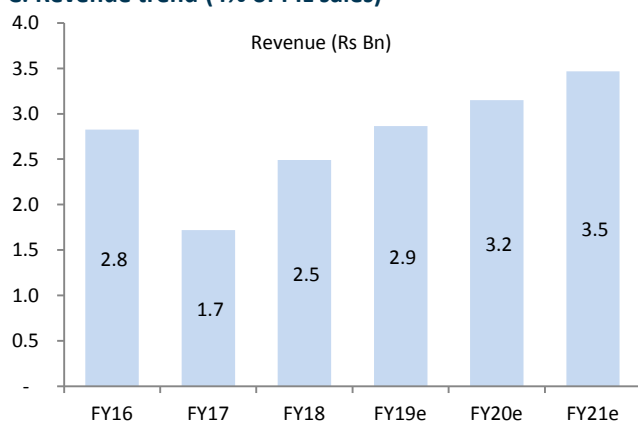
Source: Company, PhillipCapital India Research Estimates

Forward integration through projects business (EPC)

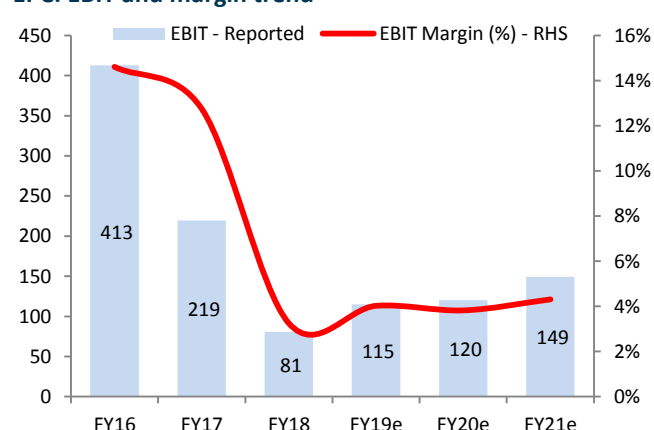
PIL started EPC business in 2009. PIL's main services offered in EPC are – refinery works, rural and urban electrification, and extra high voltage cable (EHVC) laying. These projects typically require a large supply of cables, wires, and conductors (W&C is supplied by PIL).

In EPC, PIL has the advantage of manufacturing (in house) EHV, HV, and LT cables (usually c.30% of the total EPC project value), leading to superior margins. Through this segment, PIL serves various sectors such as power, infra, SEZ, MRT/airport, and steel, with an average working capital of 90-100 days.

EPC: Revenue trend (4% of PIL sales)



EPC: EBIT and margin trend



Source: Company, PhillipCapital India Research

Some key projects completed are:

- 110kV EHV cable laying in Kerala.
- Electrification works for BPCL Kochi refinery.
- Urban electrification of Nerul division in Navi Mumbai, Maharashtra.
- Conversion of overhead infrastructure into underground cables in Azamgarh, Mau, and Baharaich.
- Rural electrification works in Vaishali.

EPC expectations

- EPC has registered a CAGR of 39% over FY12-15.
- With large-scale spending expected we see 13% CAGR over FY18-21, which will translate to revenues of Rs 3.4/4.3/5.1bn (for the EPC division) in FY19/20/21.
- We don't expect EPC revenue to increase to more the 5% of PIL revenue.

Key takeaways form primary research (Channel Check) on PIL

State	Key takeaways from our channel checks
Maharashtra	<ul style="list-style-type: none"> - Market growth seen at 10-15%. - In Maharashtra Polycab is the leader. - PIL prices are c.5% higher than KEI, but if it has to undertake an order, PIL will bring down its prices. - PIL has expanded its distribution reach and channel partners are not facing any availability issue. - Finolex and Havells are its main competitors in the B2C segment. - Polycab offer 4.5% distributor margin. - Earlier PIL use to give credit of 60 days; now under channel financing, 90 days credit is available and PIL offers 3% cash discount. - In Maharashtra, fans have seen a pick-up in sales, whereas in switchgear, product placement is done and is expected to pick up over the next one year. - PIL, with improvement in the product basket, is planning to implement TOC.
Chhattisgarh	<ul style="list-style-type: none"> - PIL is moving up in the premium segment and has increased its product prices over the last one year. - In W&C, PIL has hiked prices by 5% over one year and the price difference between Havells and PIL has reduced to 5% vs. 10% yoy. - Active participation in government projects contributes to 50% of its revenue in this region. - In fans, earlier it had faced problems about product quality, which has improved in recent quarters. PIL is focusing on entering premium fans (Starting from Rs 1,300). - Have 20 warehouses – highest in the industry. This has helped it to reduce delivery time and inventory days by 15 days (currently at 30 days vs. 45-50 days earlier).
Uttar Pradesh	<ul style="list-style-type: none"> - Focusing on working capital cycle by implementing channel financing, which will be complete by April 2019. - Active interacting of management with channel partners. - In the last 3-5 years, PIL has drastically improved in terms of product variations and availability, and it can demand premium prices due to its strong brand. - PIL is trying to streamline its distribution by channel by operating with few selected well known and market. Experienced distributors of the region.
Rajasthan	<ul style="list-style-type: none"> - Actively investing on capacity addition. - Strong position in B2B business in the Rajasthan region. - Havells prices are 5-6% higher than PIL. It is at par with Finolex and 2-3% lower than R R Kabel. - In fans, penetration is increasing.

Product prices in wires & cables – Polycab's prices are now equal to Finolex's

90 mtr. Sqmm	Polycab (Discount @ 40%)		Havells (Discount @ 40%)		KEI (Discount @45%)		RR Kabel (Discount 38%)		Finolex (Discount 35%)	
	Listing Price	MOP	Listing Price	MOP	Listing Price	MOP	Listing Price	MOP	Listing Price	MOP
1	1055	633	1160	696	1036	570	1021	633	970	631
1.5	1580	948	1725	1035	1555	855	1524	945	1440	936
2.5	2540	1524	2785	1671	2516	1384	2458	1524	2360	1534

Fans: PIL has a presence in the mass segment with prices starting from Rs 1,200

Fans Product Category- 48"	Polycab		Havells		Crompton		Orient Electric	
	Listing Price	MOP	Listing Price	MOP	Listing Price	MOP	Listing	MOP
Plain (No Anti-Dust)	1900	1300	2500	1900	1740	1400	1740	1350
Anti-Dust/designer	2500	1850	2500	1900	2700	2250	2100	1600*

Note: Prices are of Maharashtra region, Source: Channel Check - Mumbai

Strong improvement in financials

IPO proceeds

- Raised Rs 13.5bn through IPO out of which Rs 3.2bn will be used for debt payment and working capital.
- In FY18, PIL had a debt of Rs 7.9bn; it will repay Rs 800mn through IPO proceeds.
- It will use Rs 2.4bn for working-capital.

Funds raised through IPO, working capital getting better, and slight improvement in margin will lead to a strong balance sheet

Improvement in margins

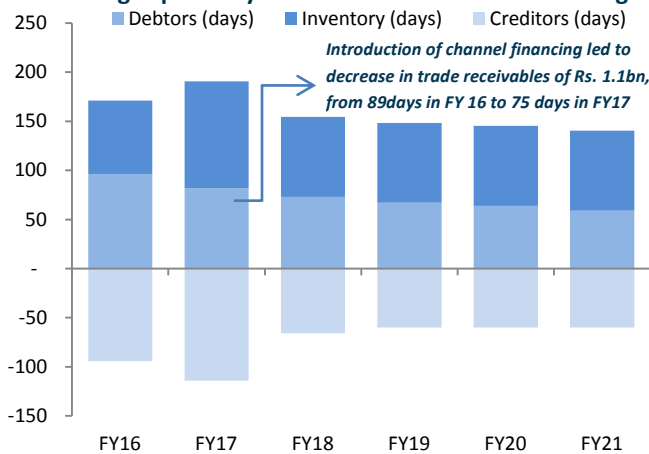
- Margins will improve based on better product mix in W&C (increasing share of B2C – a higher-margin segment) and FMEG, and increasing scale. We see PIL margins at 11.5%/11.7% in FY20/21.

Working capital and inventory management

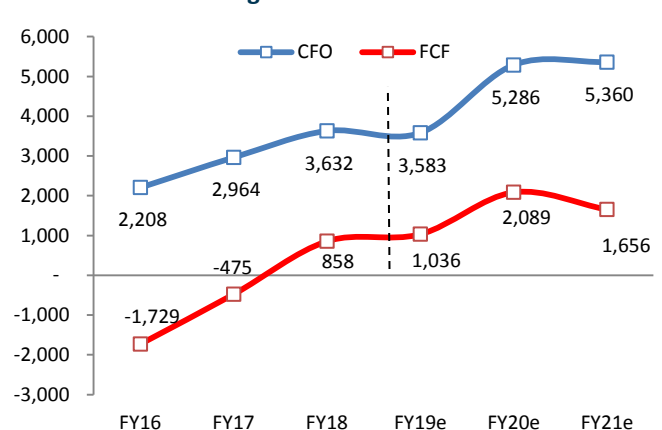
- In recent years, PIL has increasingly focused on rationalising inventory management to meet future requirements while not carrying undue levels of working capital.
- It is working on improving its working capital cycle (debtor and inventory). To reduce debtor days, PIL has increased channel financing and it plans to have sufficient inventory on hand at all times so that it can quickly meet customer demands.
- PIL is strategically managing inventories by purchasing raw materials based on estimated future production requirements, taking into account potential supply shortages. It maintains finished goods based on estimated customer demand.

In terms of payable days, PIL has focused on repaying interest-bearing payables, to reduce finance costs.

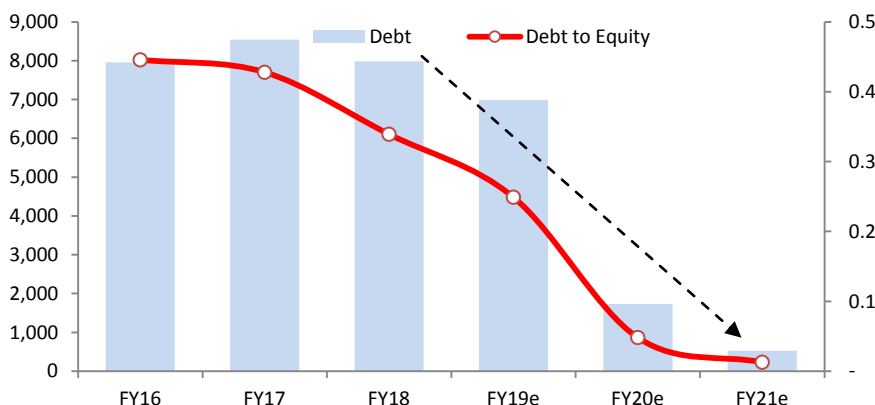
PIL: Working capital days to shrink with channel financing...



...will result in strong cash flows



Debt and debt to equity; sharp reduction in debt (from IPO funds and internal cash flows)



Source: Company, PhillipCapital India Research Estimates

Free cash

Improving profitability and working-capital cycle will help PIL to generate operating cash flow of Rs 3.6/5.3/5.4bn in FY19/20/21. It has a total debt of Rs 7.9bn as of FY18 (Rs 5.5 as on 9MFY19). With fund raised through IPO, revenue growth, improvement in margin, and strong FCF, it expects to pay off its debt in 3-4 years and become debt free.

DuPont analysis: Higher asset turn will be rerating triggers

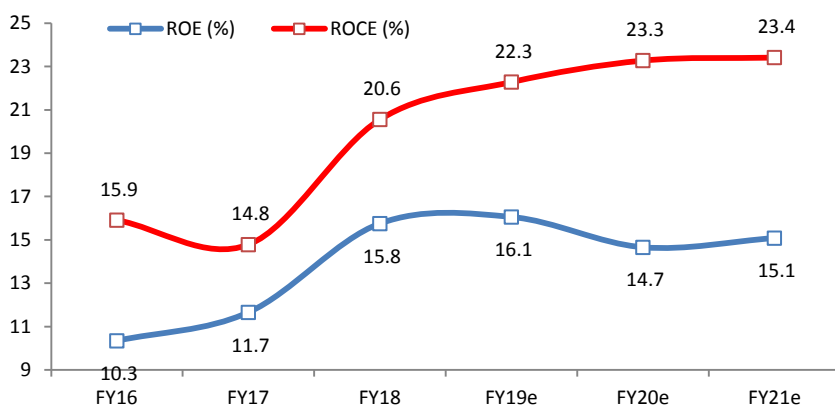
- Over FY16-18 PIL’s ROEs were subdued mainly due to lower total asset-turnover (2x on an average) and lower margin (4.4% net profit margin on an average), resulting in lower ROEs (average 13%). In FY18, PIL started showing improvement in margins mainly because of better business and product mix. This process will continue with 100bps improvement in PAT margin over FY18-21.
- Currently, PIL operates at lower asset-turnover (1.9x; current utilisation in W&C is c.70%).
- In an improving margin and utilisation environment, with not much capex on cards, and improving distribution – PIL could see much better RoEs, which would enable it to command richer valuations.
- Opportunities exist in the form of expansion of the dealer network in retail and expansion of the FMEG business. While ramp up FMEG sales would be gradual over 10-12 months, we believe there are significant opportunities to increase channel and asset sweating.

RoE and RoCE

In FY19/20/21, we expect ROE at 16.1%/14.7%/15.1% and RoCE at 22.3%/23.3%/23.4%. ROE and ROCE should improve based on:

- (1) Better asset sweating.
- (2) Improvement in margins.
- (3) Higher free-cash generation leading to reduction in debt.
- (4) Better working capital days.

Improving ROCE (%) and ROE (%)



+ Improving margin
 + Improving asset turnover
 - Lower leverage multiplier
 = Higher return ratios

KEI: ROE is better mainly because of higher Asset Turnover, Currently KEI is operating at a CUF of 90%. Vs. polycab at c70%. So, any improvement is utilization will lead to improvement in ROE of polycab.

Source: Company, PhillipCapital India Research Estimates

DuPont analysis (Polycab, KEI and Finolex)

	KEI Industries					Polycab Ltd.					Finolex Cables				
	FY17	FY18	FY19e	FY20e	FY21e	FY17	FY18	FY19e	FY20e	FY21e	FY17	FY18	FY19e	FY20e	FY21e
Net Profit Margin (%)	3.6%	4.2%	4.2%	4.8%	5.1%	4.2%	5.5%	5.7%	6.1%	6.5%	12.9%	12.6%	11.9%	12.1%	11.9%
Asset Turnover (x)	2	2.3	2.5	2.7	2.7	1.9	2.1	1.9	1.9	1.9	1.3	1.3	1.2	1.2	1.2
Leverage Multiplier (x)	2.8	2.4	2.1	1.9	1.7	1.4	1.4	1.3	1.2	1.2	1	1	1	1	1
RoE (%)	20.3%	23.5%	22.8%	23.5%	22.8%	11.7%	15.8%	16.1%	14.7%	15.1%	16.8%	16.3%	14.9%	15.0%	14.3%

Source: Company, PhillipCapital India Research Estimates

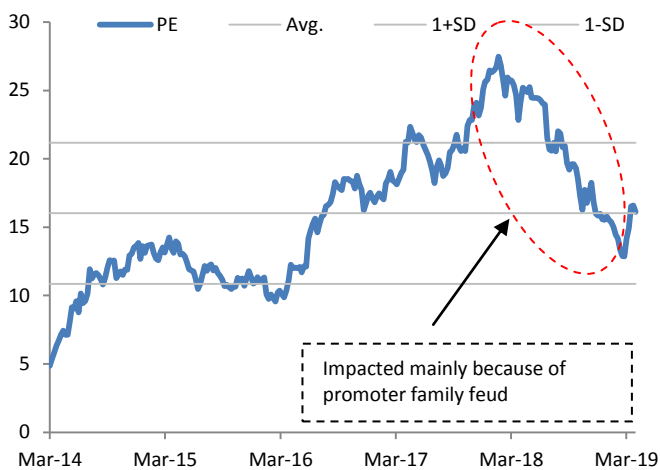
Outlook and valuation

PIL's product categories (current and planned), strong business model, superior reach, and brand recall offer investment comfort – especially in a competitive economic environment. Over the next three years, RoCE/RoE will be 23%/15% and operating cash flow will be Rs 14bn. We expect earnings CAGR of 19% over FY19-21.

At the upper band, PIL trades at FY20/21 PE of 16x/13x. With improving cash flows and balance-sheet strength, valuations will trade at premium with W&C peers (Finolex & KEI), but at a discount to FMEG companies (Havells, V-guard). We value the stock at an SOTP value of Rs 718 (FY21 SOTP: W&C 16x – Rs 624, FMEG 28x – Rs 91, EPC 9x – Rs 4), which provides an upside of 34% from the IPO price. Higher valuation is mainly due to its market leadership in W&C and transformation into a multiproduct electrical company over the next 24 months.

Our target provides us with an upside of 34% from its IPO price. Therefore, we initiate coverage with a BUY recommendation.

Finolex PE , Average 5 year PE of 16x



KEI PE, Average 5 year PE of 8x.



Source: Company, PhillipCapital India Research Estimates

IPO - Valuation snapshot

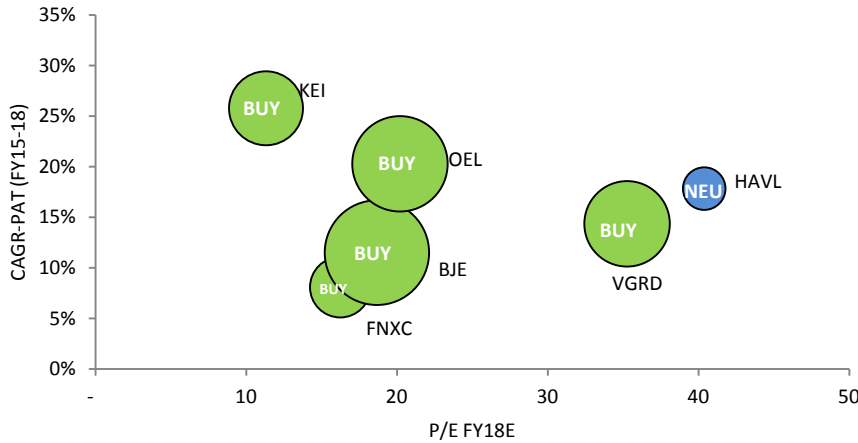
	IPO Valuation	Target Valuation
If - Implied Market Cap (₹ mn)	80,000	106,763
Price/Share (₹)	538	718
Pre-Issue No. of Share (no. mn)	141.2mn	141.2mn
No of share to be Issued (no. mn)	25.0mn	25.0mn
- FRESH ISSUE	7.4mn	7.4mn
- OFS	17.6mn	17.6mn
Post Issue No. of Share (no. mn)	148.6mn	148.6mn
Total IPO size (₹ mn)	13,459	13,459
- FRESH ISSUE (₹mn)	4,000	4,000
- OFS (₹mn)	9,459	9,459
Valuations - FY21e:		
Polycab India Ltd: - Comp. PE	13	17
W&C PE	12	16
EPC - PE	9	9
FMEG - PE	20	28

Source: Company, PhillipCapital India Research Estimates

Key risks

Raw material prices: Any sharp increase or decrease in raw material – copper and aluminium – would dent PIL’s margin, as raw materials are 74% of sales.

Peer companies vs. PIL: PAT CAGR over FY18-21 and FY21 PER



With high PAT growth, but lower multiple vs. peers, we expect a rise in PIL’s rating (PER)

Source: PhillipCapital India Research Estimates

Peer companies - key financials

Key Financials	OEL	BJE	VGRD	HAVL	FNCX	KEI	PIL
CMP (Rs bn)	156	550	222	753	480	398	553
Revenue							
FY18	16	47	23	81	28	35	68
FY19e	20	67	26	103	31	42	78
FY20e	24	63	30	119	35	49	87
FY21e	28	65	35	136	38	57	97
OPM (%)							
FY18	8.5%	6.0%	8.1%	12.9%	15.6%	9.8%	10.9%
FY19e	8.7%	6.5%	8.7%	12.1%	14.6%	10.2%	11.3%
FY20e	9.7%	7.6%	9.5%	12.9%	15.2%	10.5%	11.5%
FY21e	10.1%	8.4%	10.5%	13.4%	15.0%	10.6%	11.7%
PAT							
FY18	0.64	0.84	1.33	7.12	3.58	1.45	3.71
FY19e	0.92	2.17	1.64	8.38	3.71	1.76	4.53
FY20e	1.34	2.49	2.14	9.65	4.22	2.32	5.28
FY21e	1.70	3.09	2.74	11.66	4.52	2.87	6.22
Net Debt							
FY18	1.9	7.2	0.0	1.1	0.0	8.4	8.0
FY19e	1.5	12.0	0.1	0.9	0.0	8.4	7.0
FY20e	1.2	8.6	0.1	0.9	0.0	8.1	3.0
FY21e	0.6	6.1	0.1	0.9	0.0	7.8	1.5
FCF							
FY18	0.4	-1.4	-0.1	-4.6	2.6	0.1	0.9
FY19e	0.2	-3.3	0.9	-7.9	2.1	-0.5	-1.0
FY20e	0.7	4.1	1.0	3.6	2.9	0.5	-0.1
FY21e	0.8	3.3	1.5	6.4	3.4	0.9	0.8

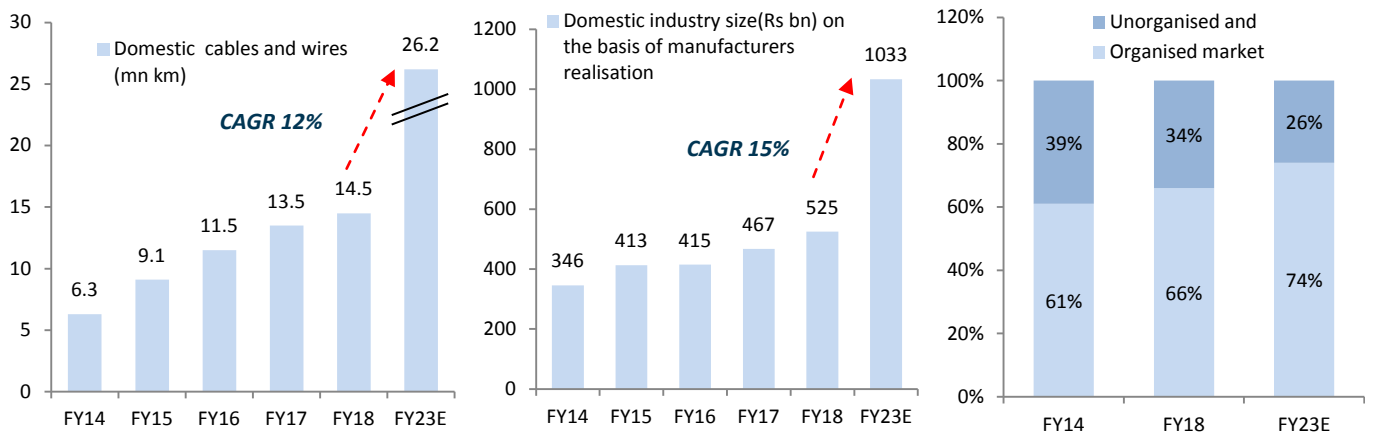
Source: Company, PhillipCapital India Research Estimates

Peer companies - key ratios and valuations

Ratios and Valuation	OEL	BJE	VGRD	HAVL	FNCX	KEI	PIL
M.Cap (Rs bn)							
ROCE (%)							
FY18	30.1	20.6	23.6	27.0	24.6	21.2	20.6
FY19e	35.7	22.7	24.7	29.0	22.4	24.0	20.4
FY20e	43.9	22.0	26.2	29.3	22.6	25.9	22.1
FY21e	47.4	25.7	27.9	30.8	21.4	26.8	22.4
ROE (%)							
FY18	26.9	18.3	17.7	20.3	17.6	23.9	15.8
FY19e	31.0	19.5	18.6	21.1	15.9	22.9	14.5
FY20e	35.4	19.0	20.5	21.5	16.0	23.5	14.5
FY21e	34.7	19.6	21.8	22.5	15.1	22.8	14.7
Debt/ Equity (X)							
FY18	0.7	0.8	0.0	-0.4	-0.0	1.4	0.3
FY19e	0.5	1.1	0.0	-0.1	-0.1	1.1	0.2
FY20e	0.3	0.7	0.0	-0.1	-0.1	0.8	0.1
FY21e	0.1	0.4	0.0	-0.1	-0.1	0.6	0.1
PE (x)							
FY18	51.7	32.2	71.0	66.0	20.5	21.6	22.2
FY19e	36.1	25.6	57.8	56.2	19.8	17.7	18.2
FY20e	24.8	22.4	44.2	48.8	17.4	13.4	15.6
FY21e	19.4	18.0	34.5	40.4	16.2	10.8	13.2
EV/EBITDA (x)							
FY18	25.4	18.2	47.3	43.5	12.2	11.5	10.7
FY19e	20.3	14.2	38.6	37.5	11.6	9.3	9.2
FY20e	15.0	12.4	30.7	30.5	10.0	7.6	8.2
FY21e	12.0	10.6	24.2	25.5	9.2	6.4	7.2

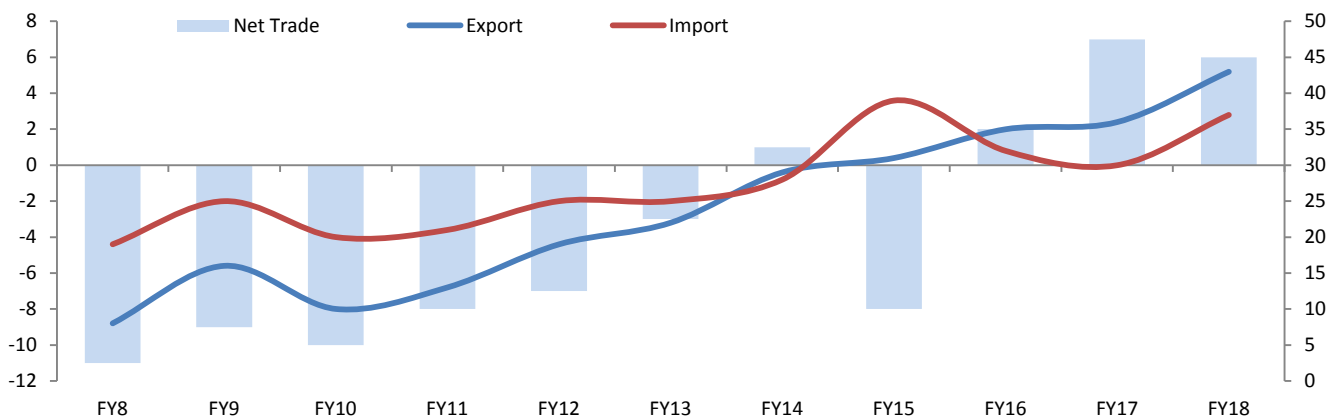
Indian electrical industry outlook

Wires and cables



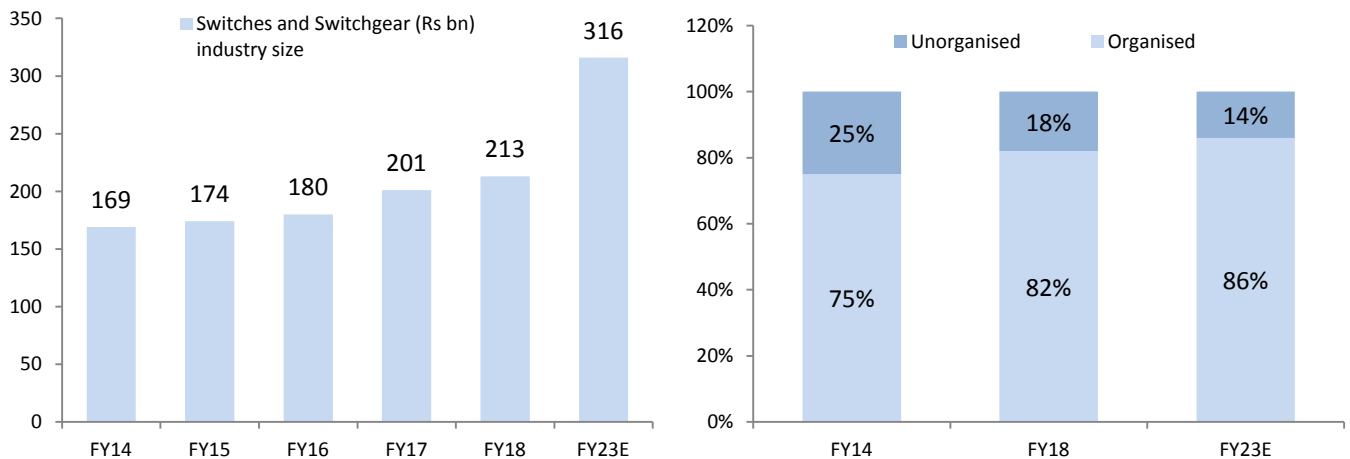
Source: Company, PhillipCapital India Research Estimates

Export – Import (Rs bn): With diversified product offerings, India has witnessed 15% CAGR in exports from FY12 to FY18



Source: Company, PhillipCapital India Research Estimates

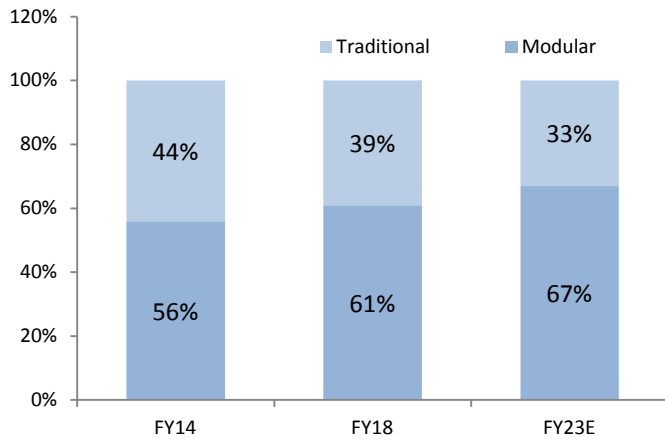
Switches and switchgears industry expected to grow at CAGR of 9% by FY23



Source: Company, PhillipCapital India Research Estimates

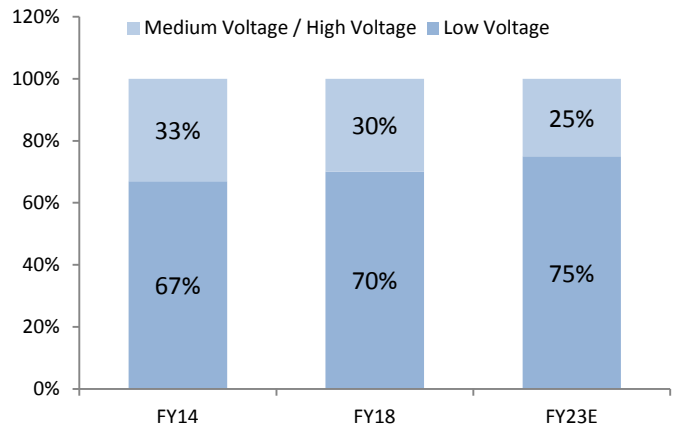
Switches

With increase in safety and security concerns, modular switches are expected to increase its penetration.



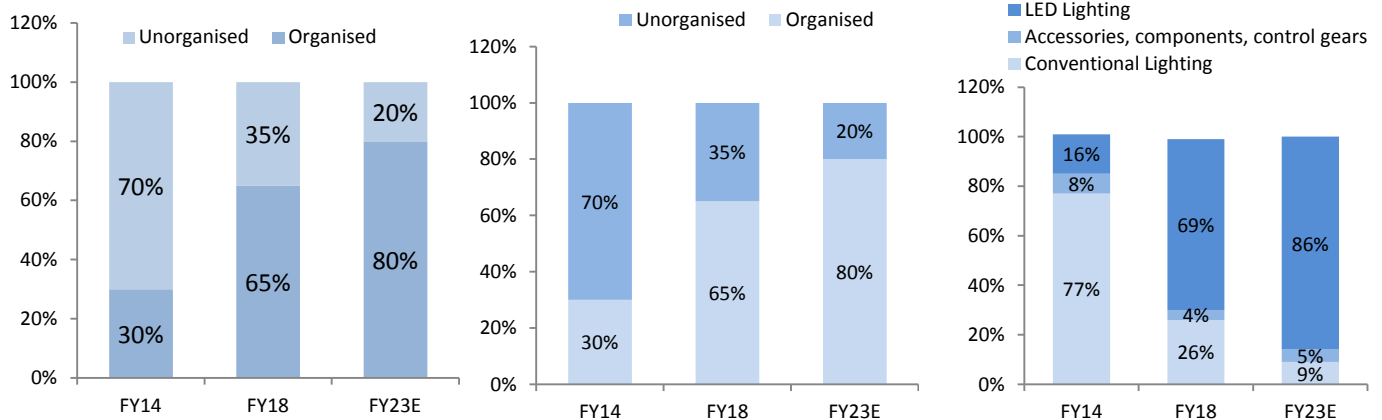
Switchgears

Demand Drivers: residential and commercial real estate as well as industrial capex.



Source: Company, PhillipCapital India Research Estimates

LED: Industry size is expected to grow at 7% CAGR by FY23

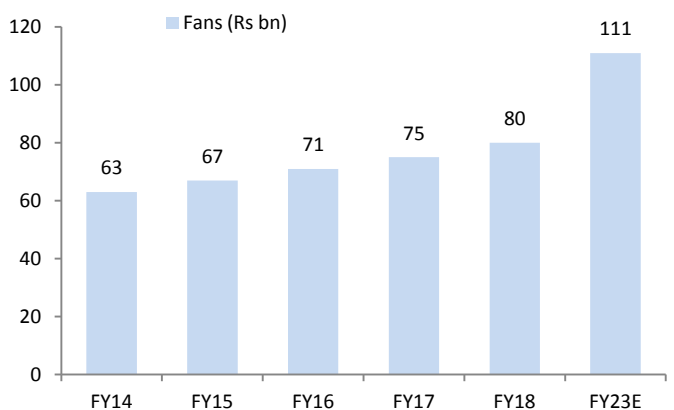
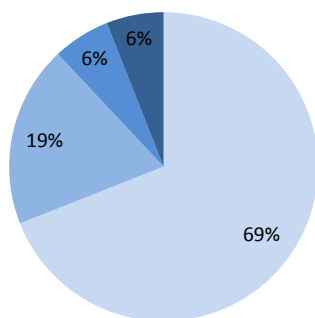


Source: Company, PhillipCapital India Research Estimates

Fan Industry: Expect to grow at a CAGR of 7%

Notable shift from economy category to premium category

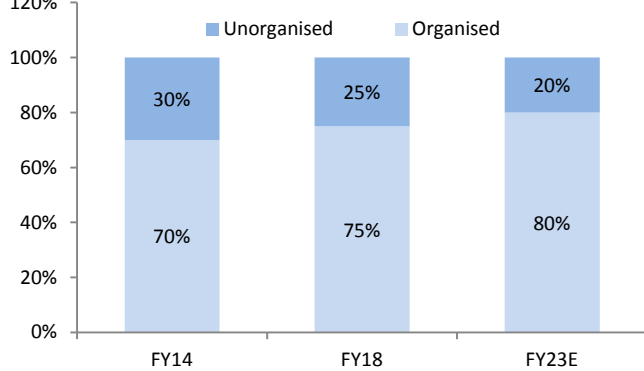
- Ceiling fans
- Table, Pedestal, and Wall ("TPW") fans
- Exhaust fans – typically used in kitchens, and bathrooms
- Industrial fans



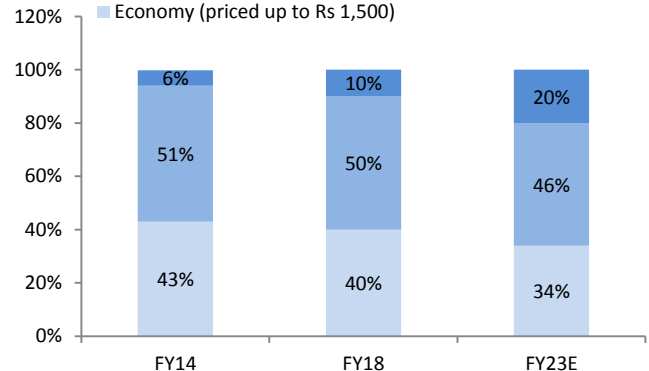
Source: Company, PhillipCapital India Research Estimates

Premium ceiling fans segment to gain market share and drive growth for fans industry

Preference of branded and quality have led organised players to gain market share

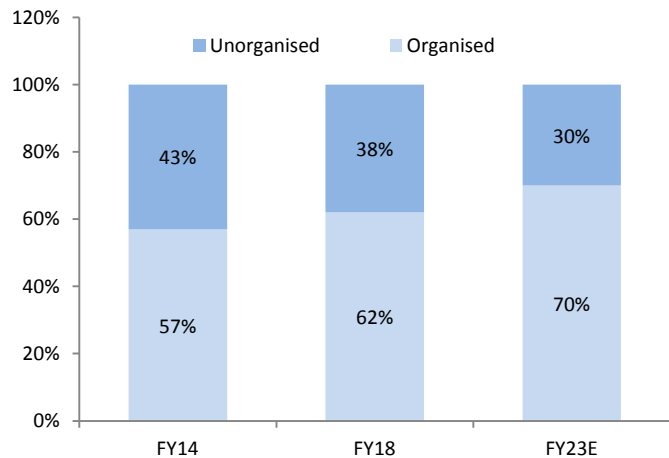
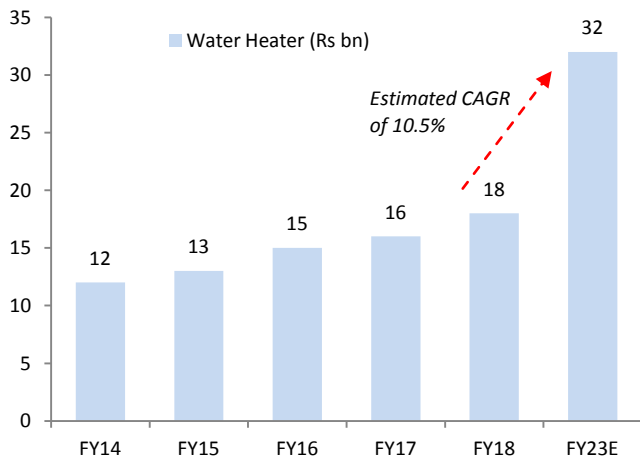


■ Premium fans (priced above Rs 4,000)
 ■ Standard (priced between Rs 1,500 to Rs 4,000) and
 ■ Economy (priced up to Rs 1,500)



Source: Company, PhillipCapital India Research Estimates

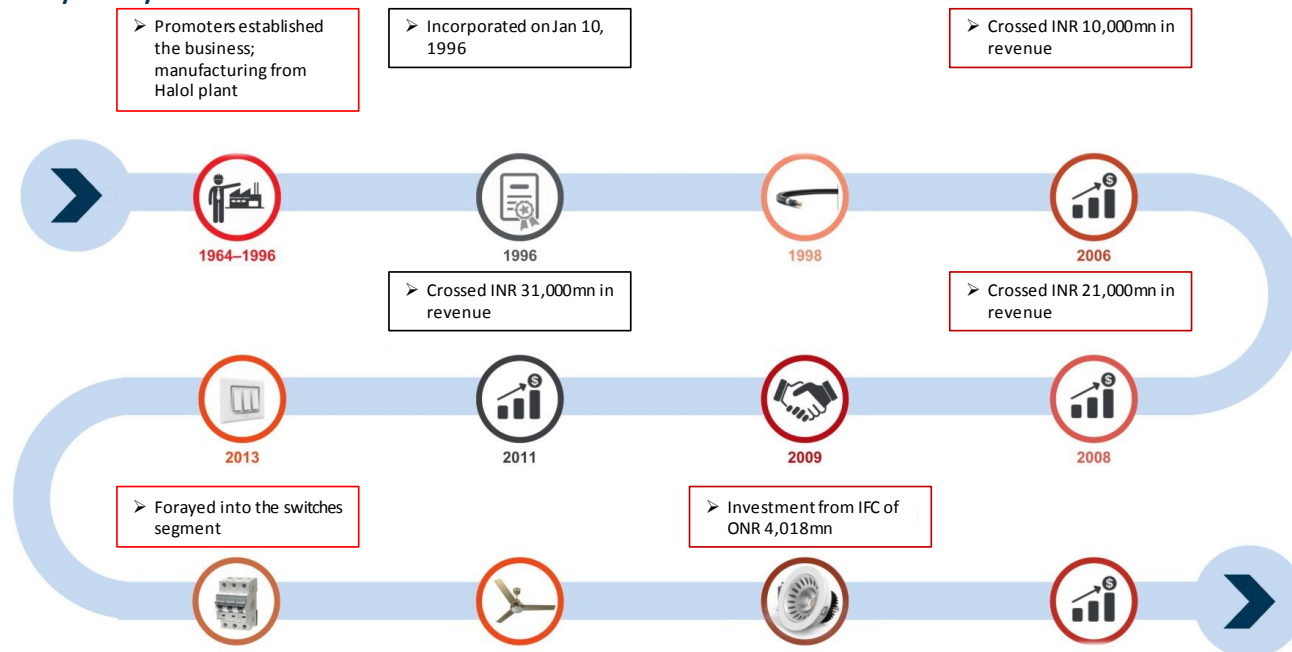
Water heater: Premiumisation in water heaters have led to increase in demand



Source: Company, PhillipCapital India Research Estimates

Company overview

Journey of Polycab Ltd



Key management team

Name	Qualification	Designation	Experience	Last employment
R. Ramakrishnan	PGDM	CEO	7	Bajaj Electricals, Asian Paints
Bharat A. Jaisinghani	Masters in BM	Director -FMEG Business	6	-
Nikhil R. Jaisinghani	mba	Director -LDC Business	6	-
Anil Hariani	Diploma	Director -Commodities	23	-
Anil Shipley	BE, PGDM	Exec. President & Supply Chain Officer	1	Bajaj Electricals, Blue Star
Manoj Verma	BE	Exec. President & COO	1	Orient Paper and Industries, Crompton Greaves
Gandharv Tongia	B.Com, CA, CS	Deputy CFO	1	S R B C and CO, S.R. Batliboi& Associates, A.F. Ferguson & Co.
Kunall. Jaisinghani	Business Mgmt	Head -Agri Products	3	-
Anurag Agarwal	BE, Masters	President (Strategic Initiatives & New Businesses)	3	Sterlite Technologies, RR Kabel
Diwaker Bharadwaj	BE, Prof. Diploma in Computer Tech	President (Marketing Communication and Packaging)	6	SYSCOM Corporation
Rajesh Mhatre	Masters, Diploma in mgmt	President (Supply Chain)	8	Hindustan Unilever
Sandeep Bhargava	BE	President (Procurement)	7	Sterlite Industries, Vedanta Aluminium, Arcelor Mittal
Sanjeev Chhabra	Mcom, PGDM	President (Treasury)	7	Sterlite Copper, a unit of Sterlite Industries (India)
Shashi Amin	BE, Masters	President (Cables)	8	BICC-MET, Nicco Corporation, National Insulated Cable Company of India
Suresh Kumar	LLB	President (Strategy & HR)	1	Mafatlal Industries
Vivek Khanna	CA, Bcom	President (Accounts and IT)	1	Havells India
Sai Subramanian Narayana	Bachelor's in Law & Science, CS	CS	8	Hydroair Tectonics, Sunil Mantri Realty, Renaissance Jewellery

Source: Company, PhillipCapital India Research

Financial

Income Statement

Y/E Mar, Rs mn	FY18	FY19E	FY20E	FY21E
Net sales	67,793	78,346	87,105	96,816
Growth, %	23.3%	15.6%	11.2%	11.1%
Raw Material expenses	50,834	58,938	65,449	72,456
Operating expenses	5,711	6,231	6,901	7,734
Employee expenses	2,593	2,930	3,281	3,675
Other Operating expenses	1,247	1,410	1,481	1,646
EBITDA (Core)	7,408	8,836	9,993	11,306
Growth, %	54.4%	19.3%	13.1%	13.1%
Margin, %	10.9%	11.3%	11.5%	11.7%
Depreciation	1,330	1,414	1,585	1,821
EBIT	6,079	7,422	8,408	9,485
Growth, %	72.7%	22.1%	13.3%	12.8%
Margin, %	9.0%	9.5%	9.7%	9.8%
Interest paid	937	1,047	697	204
Other Non-Operating Income	620	620	620	620
Pre-tax profit	5,762	6,995	8,332	9,901
Tax provided	2,055	2,448	2,999	3,565
Net Profit	3,707	4,547	5,332	6,337
Growth, %	59.0%	22.7%	17.3%	18.8%
Margin, %	5.5%	5.8%	6.1%	6.5%
Share of Associates	1	45	58	70
Net Profit (adjusted)	3,708	4,502	5,275	6,267

Balance Sheet

Y/E Mar, Rs mn	FY18	FY19E	FY20E	FY21E
Cash & bank	106	718	794	1,099
Debtors	13,742	14,581	15,485	15,867
Inventory	13,657	15,721	17,440	19,340
Loans & advances	465	888	1,239	2,739
Other current assets	2,496	2,496	2,496	2,496
Total current assets	30,467	34,403	37,454	41,540
Investments	315	315	315	315
Gross fixed assets	15,675	17,175	19,675	23,175
Less: Depreciation	3,704	5,118	6,703	8,524
Add: Capital WIP	1,360	1,360	1,360	1,360
Net fixed assets	13,331	13,417	14,332	16,011
Misc Exp not w/o	3	3	3	3
Total assets	44,116	48,139	52,104	57,870
Current liabilities	11,065	11,585	12,852	14,252
Provisions	471	471	471	471
Total current liabilities	11,536	12,056	13,323	14,723
Debt	7,981	6,981	1,731	531
Deferred Tax Liability	1,064	1,064	1,064	1,064
Total liabilities	20,581	20,101	16,118	16,318
Paid-up capital	1,412	1,412	1,486	1,486
Reserves & surplus	22,124	26,626	34,500	40,066
Shareholders' equity	23,536	28,038	35,986	41,552
Total equity & liabilities	44,116	48,139	52,104	57,870

Source: Company, PhillipCapital India Research Estimates

Cash Flow

Y/E Mar, Rs mn	FY18	FY19E	FY20E	FY21E
Pre-tax profit	5,765	6,995	8,332	9,901
Depreciation	1,330	1,414	1,585	1,821
Chg in working capital	(3,612)	(2,805)	(1,707)	(2,382)
Total tax paid	(1,399)	(2,448)	(2,999)	(3,565)
Other operating activities	1,548	427	77	(417)
Cash flow from operating activities	3,632	3,583	5,286	5,360
Capital expenditure	(1,837)	(1,500)	(2,500)	(3,500)
Chg in investments	1	0	0	0
Other investing activities	(46)	620	620	620
Cash flow from investing activities	(1,881)	(880)	(1,880)	(2,880)
Free cash flow	858	1,036	2,089	1,656
Equity raised/(repaid)	0	0	3,200	0
Debt raised/(repaid)	(944)	(1,047)	(697)	(204)
Dividend (incl. tax)	(170)	(45)	(584)	(771)
Other financing activities	(789)	(1,000)	(5,250)	(1,200)
Cash flow from financing activities	(1,903)	(2,092)	(3,331)	(2,175)
Net chg in cash	(152)	611	76	305

Valuation Ratios

	FY18	FY19E	FY20E	FY21E
Per Share data				
EPS (INR)	24.9	31.9	35.5	42.2
Growth, %	51%	28%	11%	19%
Book NAV/ FD share (INR)	166.7	198.6	242.1	279.5
FDEPS (INR)	35.7	41.9	46.1	54.4
CEPS (INR)	25.7	25.4	35.6	36.1
CFOPS (INR)	-	-	3.0	4.0
DPS (INR)	24.9	31.9	35.5	42.2
Return ratios				
Return on assets (%)	8.4	9.4	10.2	11.0
Return on equity (%)	15.8	16.1	14.7	15.1
Return on capital employed (%)	20.6	22.3	23.3	23.4
Turnover ratios				
Sales/Total assets (x)	2.1	2.2	2.2	2.2
Sales/Net FA (x)	4.3	4.6	4.4	4.2
Working capital/Sales (x)	0.3	0.3	0.3	0.3
Fixed capital/Sales (x)	0.2	0.2	0.2	0.2
Receivable days	73.0	67.0	64.0	59.0
Inventory days	81.4	81.4	81.4	81.4
Payable days	2.5	4.1	5.1	10.2
Working capital days	66.0	60.0	60.0	60.0
Liquidity ratios				
Current ratio (x)	2.6	2.9	2.8	2.8
Quick ratio (x)	1.5	1.5	1.5	1.5
Interest cover (x)	6.4	6.6	10.8	40.7
Dividend cover (x)	n.a.	n.a.	195.3	162.8
Total debt/Equity (%)	0.3	0.2	0.0	0.0
Net debt/Equity (%)	0.3	0.2	0.0	(0.0)
Valuation				
PER (x)	22.2	18.3	15.6	13.1
PEG (x) - y-o-y growth	3.5	2.9	2.3	2.0
Price/Book (x)	-	-	0.5	0.7
Yield (%)	1.3	1.1	1.0	0.8
EV/Net sales (x)	10.7	8.9	7.8	6.8
EV/EBITDA (x)	12.8	10.5	9.2	8.1

Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year.

Rating	Criteria	Definition
BUY	>= +15%	Target price is equal to or more than 15% of current market price
NEUTRAL	-15% > to < +15%	Target price is less than +15% but more than -15%
SELL	<= -15%	Target price is less than or equal to -15%.

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