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Date: January 25, 2024

To Department of Corporate Services BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai, MH - 400001	To Listing Department National Stock Exchange of India Limited C-1, G-Block, Bandra-Kurla Complex Bandra (E), Mumbai, MH - 400051

Scrip Code: 542652 Scrip Symbol: Polycab
ISIN:- INE455K01017

Dear Sir / Madam

Sub: Submission of Transcript of Earnings Conference Call held on January 19, 2024

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on January 19, 2024.

Kindly take the same on your record.

Thanking you
Yours Faithfully

For **Polycab India Limited**

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"Polycab India Limited
Q3 FY2024 Earnings Conference Call"
January 19, 2024

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

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

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

Moderator: Ladies and gentlemen, good day, and welcome to Polycab India Q3 FY 2024 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the call, please signal an operator by pressing star and then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gandharv Tongia, Executive Director and Chief Financial Officer, Polycab India Limited. Thank you, and over to you, sir.

Gandharv Tongia: Thank you, moderator. Good afternoon, everyone, and thank you for joining us. I hope all of you are staying healthy and safe. I am Gandharv Tongia, Executive Director and CFO at Polycab India Limited. On this call, we shall discuss the Q3 FY24 results, which were approved in the Board meeting held yesterday. 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 web page of our website. Joining me today from the management team, we have our Chairman and Managing Director; Mr. Inder Jaisinghani, and our Head, Investor Relations, Mr. Chirayu Upadhyaya.

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

Inder Jaisinghani: Good afternoon, everyone.

Before we get into the main agenda of this meeting, I would request your indulgence to discuss the Company's perspective on some recent developments.

In the last fortnight of the previous calendar year, the Income Tax authorities conducted search operations at our manufacturing plants, facilities and offices. The Company has co-operated fully in their investigations. Since the conclusion of the search, till date, the Company has not received any written communication from the IT department regarding the outcome of the search.

The Company's operations are running smoothly. The entire management team continues to work wholeheartedly to ensure that the Company keeps up on the growth trajectory. The law will take its own course; we will keep our stakeholders posted on future developments.

With that, I turn to the main agenda item.

In the midst of a robust demand environment, our business has maintained strong growth momentum, achieving the highest-ever quarterly revenues during the quarter. Moreover, we achieved the highest third-quarter PAT, as well as the highest-ever nine-month revenue and PAT in the history of the Company. Our exceptional achievements highlight the robustness of our execution skills, skilfully employed through the utilization of our formidable market standing and advantageous market conditions.

With this, I would request Gandharv to give you a flavour of the macro environment.

Gandharv Tongia: Thank you, Inder bhai.

Indian economy has demonstrated exceptional resilience in navigating global uncertainties, a testament to the government's proactive measures and strategic initiatives. The underlying growth momentum is visible in strong GDP growth numbers, expansion in manufacturing and services PMIs, robust credit off-take, real estate buoyancy, increasing steel and cement output, and higher tax collections. A steady pace of growth in digital payments and consumer goods output have also been noticed.

Furthermore, we can observe that the increase in capacity utilization is coinciding with improved debt positions of the corporate sector. Thus, we believe that the stars are aligned for a pickup in capex activity. All the three elements of the capex cycle: housing, government capex, and corporate capex are now firing, and potential for India's economic growth appears promising with the synchronized momentum across these sectors.

Supply chain diversification, government's strategic initiatives along with product-linked incentive schemes are driving optimism across industries. Data of new project announcements indicate a notable surge in the chemical industry, metal industry, transport equipment industry and construction materials, including the cement industry.

The favourable momentum observed in the infrastructure, construction and power sector feeds into the demand momentum for cables and wires sector, which has direct linkage with the growth on these industries. The cables and wires sector performance has been robust over the past several quarters and appears promising for the next many years to come.

Against this backdrop, let's delve deeper into Polycab's performance during the third quarter and the first nine months of the current financial year.

I would now hand over to Chirayu to take you through the financial performance for the quarter.

Chirayu Upadhyaya: Thank you, Gandharv.

I would request everyone to refer to Slide 4 of the earnings presentation.

For the quarter ended 31st December 2023, our consolidated revenue grew by 17% year-on-year on the back of healthy volume growth in domestic Wires & Cables business. EBITDA grew by 13% year-on-year with EBITDA margins at 13.1%. EBITDA margins were sequentially lower during the quarter on account of increase in Advertising and Promotion spends, which doubled on a quarter-on-quarter basis to ₹ 90 Crore. Advertising and Promotion expenses accounted for 2.1% of net sales in Q3, a notable increase from 1.1% in the previous quarter. During the quarter, we partnered with International Cricket Council (ICC) to be the official partner of the ODI Cricket World Cup 2023, launched diverse branding campaigns across multiple media platforms and engaged with influencers, including electricians, architects, contractors, dealers, and distributors, to boost awareness among customers. For nine months FY24, Advertising and Promotion spends were at 4.2% of our B2C top-line, in-line with our guidance of Advertising and Promotion spends being in the range of 3% - 5% of B2C top-line every year.

A detailed breakup of the other income and finance costs have been provided on slide 17 of our earnings presentation.

The Company registered its highest third quarterly PAT of ₹ 4,165 million, a growth of 15% year-on-year. PAT margin stood at 9.6%. Net cash position improved to over ₹ 18,000 million from ₹ 15,000 plus million in Q2, while working capital cycle, at 51 days, was within our comfort range of 50 – 60 days.

On a nine-month basis, our revenues grew strongly by 27% year-on-year. EBITDA was up by 40% year-on-year, with margin expansion of ~120 bps to 13.9%. Margin expansion was achieved through improved gross margins resulting from strategic pricing revisions as well as a favourable change in product-mix. Profit After Tax grew by 46% year-on-year with PAT margin expanding ~130 bps to 10%. As mentioned in the opening remarks, our revenue, EBITDA, and PAT for the first nine months of the financial year are the highest nine monthly numbers in the history of our Company. What's even more remarkable is that our profitability for the first nine months of this year nearly matches last year's full-year PAT number.

Moving on to Slide 6 of earnings presentation.

During the third quarter, the wires and cables business grew by 18% year-on-year, with entire growth coming through volume growth. The domestic W&C business registered a volume growth of 20%+ with both distribution and institutional businesses demonstrating robust performance. Institutional business growth outpaced distribution business growth, albeit on a much lower base. The growth of cables segment continued to be robust, driven by strong government capex, increased infrastructure activity, growing investments in renewable energy, and a pickup in private capex.

Wires growth, on a year-on-year basis, was soft during the quarter due to rising prices, pause in construction activities in certain states due to pollution concerns, and a slowdown in certain states due to state elections. In spite of this, wires registered healthy sequential growth during the quarter. These factors are transient in nature, and we anticipate that demand will improve in coming months. The demand for residential properties in the country has not only demonstrated remarkable resilience but also soared tremendously, resulting into both launches and annual sales registering a ten-year high, in calendar year 2023. During both calendar year 2022 and 2023, new launches have outnumbered new sales. As the need for wires in a real estate project typically arises towards the end of the second year or early third year of construction, the launches announced over the past two years will now begin to generate advantages through a heightened demand for wires in the upcoming years.

The International business grew by 22% year-on-year during the quarter, contributing 6.2% to the Company’s top-line. For the first nine months of this financial year, contribution from International business to the Company’s top-line is at 8.1%. While the past two quarters have seen relatively muted growth, largely on account of transition to the distribution model in the USA and impact of the Israel-Hamas war on the trade route to Europe via the Red Sea, the Company expects International business to exhibit strong performance in quarter four of this financial year as well as beyond.

Segmental profitability for the wires and cables business remained strong, with EBIT margins at 14%, which is the higher end of our guided range. The sequential decline in margins of ~70 bps in quarter three of this financial year was on account of lower sales contribution from international business and higher Advertising and Promotional spends during the quarter.

Polycab has been actively contributing to the nation-building process for several years. During the quarter, Polycab supplied its cables to various national projects spread across renewables, railways, power, infrastructure, defence sectors and many more.

The demand environment for the wires and cables business is expected to remain strong, for many years to come. As per a recent report, India is likely to spend nearly ₹ 143 trillion on infrastructure in seven fiscals through 2030, more than twice the amount of about ₹ 67 trillion spent in the previous seven fiscals between 2017 and 2023.

With strong demand momentum and newer opportunities on the anvil, the Company undertook capex of ₹ 636 Crores in the first 9 months of the Financial Year. With further capex planned in quarter four as well, the Company will overshoot its guided capex for the year to incur ₹ 800 – 900 Crores of capex in the current financial year. In FY25, the Company expects to incur ₹ 600 - ₹ 700 Crores of capex.

Please refer to slide number 8 for an update on the FMEG business.

FMEG business has registered a de-growth of 15% year-on-year in Q3 of FY24, primarily on account sustained weakness in consumer demand. Both major verticals of fans and lighting reported de-growth. While fans segment grew sequentially, it exhibited year-on-year de-growth, on account of a higher base of previous year due to stock liquidation activities prior to the BEE transition. On a positive note, premium and BLDC portfolio of the Company is gaining traction, with ~18% of sales in the third quarter generated from these segments. The Company launched 29 new SKUs in the quarter gone by, all of them in the premium and BLDC ceiling fans range. Further, the Company plans to launch another 28 new SKUs in quarter four, again in premium, BLDC and exhaust fans ranges. The Silencio series of BLDC fans launched by the Company about 3 months back has been very well received. Available in 6 states currently, the Company plans to launch the series in all Indian states within this quarter. With the fans season beginning from February onwards, the new launches are expected to add meaningfully to the FMEG sales for the quarter.

The Lights segment continued its de-growth, driven by further pricing erosion. During the quarter, pricing correction was in the range of 5-6%, on top of the 20-22% pricing correction already witnessed in the previous 15-18 months. Festival related demand too was not as strong as originally anticipated. On the other hand, the Switches & Switchgears segments performed remarkably well, registering a year-on-year growth.

Segmental EBIT for the FMEG business continued to remain in the negative territory during the quarter, on account of higher Advertising and Promotion spends and higher fixed costs in the absence of scale.

During the quarter, the Company has done a restructuring of its B2C business, merging the FMEG vertical with the Power Business vertical under a unified Business Unit Head. After assessing the performance of the FMEG business in recent quarters, the Company acknowledges that its execution has fallen short of expectations. Consequently, the Company has devised a plan of action to address this issue. As the Company implements these measures, we anticipate the business to take about 4 quarters to stabilize and be back on the growth path.

Let's now move to slide number 10, which gives an update on our other businesses, which largely comprises of our strategic EPC business.

We clocked revenues of over ₹ 2,000 million in quarter three, a growth of 118% year-on-year. Profitability grew by 189% year-on-year with segmental margin at 17.4%. Annual sustainable operating margin in this business is expected to be in high single digit over mid-to-long term.

So, that was the financial update for the quarter and first nine months of the fiscal 2024.

Thank you, and we are now open for questions.

Moderator: Thank you very much. The first question is from the line of Ms. Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: My first question is regarding the exports. You did mention some of the reasons why the exports has declined as a percentage of sales sequentially. Could you give us a little more color into that? And how -- as in, on what factors do we expect the exports to recover going forward?

Chirayu Upadhyaya: Thanks, Sonali. So as I mentioned in the remarks, a couple of reasons contributed to the decline. First of them is that we have been transitioning to a distribution-backed model in the US. Now whenever such a change is being made, in the initial few quarters, there are hits and misses that any company goes through. For example, one would like to know which are the faster-moving SKUs and would like to stock those SKUs in the warehouse of the Company. So we are undergoing that change right now. We are getting to know which are those faster-moving SKUs. Once we have that knowledge, we will then stock up on those things and then the sales will recover.

The second reason was the war, which is ongoing between Israel and Hamas. As a result of this, the Red Sea, which is the main route through which we supply our stock to the European region, that has been blocked. As a result, we had to take an alternate route. What this has done is that it has increased our delivery timelines. From what would take initially three weeks, it now takes us six weeks to supply the same stock. As a result, what happens is that whatever business is done in the second half of the quarter, the revenue or profitability from the same will be realized in the subsequent quarter.

So, both of these were the primary reasons because of which the past couple of quarters have seen relatively muted growth. But, we are confident that quarter four as well as the next financial year, the business will recover and we will be able to show good momentum on that side.

Sonali Salgaonkar: Got it. Very helpful. Second question is regarding ad spends. You did mention that you are targeting 3% to 5% of your B2C top-line every year in terms of ad and promotion spends. So, this quarter, that's Q3, would you say this was a bit higher due to the one-off of the -- because of the Cricket World Cup? Do you foresee this as a sustained way of spending in terms of ad spend? And what is the kind of steady-state margins you expect?

Chirayu Upadhyaya: Right. So, we will continue with our guidance of spending on advertising and promotion between 3% to 5% of B2C top-line. Now having said that, not all quarters would be similar in terms of spends. There will be few quarters which will be heavy and some quarters which will be light. And that will largely depend on the major events which are ongoing during that quarter.

So this quarter was definitely one of the heavy ones. But largely, if you look at 9M numbers for this financial year, the A&P spends that we've done would be about 4.2% of the B2C top-line that we've done this year. So again, largely, I mean, everyone should look more in terms of yearly spends rather than any quarterly spends that we have done, and on that front, we will be between our guided range every year.

Sonali Salgaonkar: Understand. And B2C is 35% of your overall sales, right, on an average?

Chirayu Upadhyaya: It would have gone down because B2B has performed relatively better this year. So B2B versus B2C will be more towards 70:30 now.

Sonali Salgaonkar: Got it. And just last question from my side. This quarter, the other non-operating income at ₹ 71 Crores seems to be a bit higher. Any specific reason or any one-off in here?

Chirayu Upadhyaya: So, we had a one-off income in the form of foreign exchange gains, but this is something which is because of currency movement and not something that will be accrued every quarter, so this was a one-off.

Sonali Salgaonkar: Got it. Sorry, just one last question from my side. You mentioned that the cables growth was robust this quarter and wires demand was softer. Any particular reasons you are seeing? And this softer demand is year-on-year, right? You mentioned it's better Q-o-Q?

Chirayu Upadhyaya: Yes. So wires had a good sequential growth. Last year, Q3 was the best quarter for us for wires sales. So as a result of that, the base was higher for this quarter. And as a result, the growth might seem a little lesser. But largely, the wires market is pretty strong, and we have registered sequential growth in wires as well.

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

Atul Tiwari: Congratulations on very strong execution in cables and wires business. Sir, my question is a little off-track, but I thought I would anyways go ahead and ask it, because most of the investors seek to have this question. So obviously, we have seen similar tax search on many other companies listed in the past. And in most cases, it has been resolved and nothing much has happened to the Company.

And most likely here, the same thing will happen. But what has worried people more in Polycab's case is the press release by income-tax department, even though the press release has not mentioned Polycab. Sir, what is your take on this? This is slightly unusual. So what is your comment on this? And how does it -- does it worry you? Does it not worry you? Any color would be helpful.

Gandharv Tongia: Thank you so much for your kind words. As Inder bhai mentioned a while back, in the month of December, income tax officials visited our corporate office as well as few other offices and plants and they conducted search, which is a typical section 132 of the income tax search. As you know, search is a slightly longish process because a particular wing of the department is involved initially for search. And once they conclude their process, which generally takes around two months, in few cases probably more than two months, they then provide that report to the assessing officer, and then assessing officer takes the final decision and communicates the final conclusion to the assesee. So, this is what we experienced.

I am aware about the press release you are referring to. I am assuming the department followed its own set of processes and that's why they released that press release. At this stage, since we haven't received anything from the department, we are unable to comment more than what Inder bhai has already covered in his opening remarks. And as we mentioned to the other investors as well, we'll continue to cooperate with the department, and we are looking forward to maintain our focus on the growth and take the Company to the newer heights in the quarters and years to come.

Atul Tiwari: Great. Very clear. And just the last question on the FMEG business. So I mean, obviously, after the distribution rejig, the environment has turned a little hostile for growth in that business. But if we take out the environment part of it, are you happy with the growth that you are doing in the FMEG business? Because to be very frank from outside of the Company, we are yet to see the results of the distribution rejig in the revenue growth number. So any comment on that would be helpful.

Chirayu Upadhyaya: Sure, Atul. So, we will continue to take such steps wherein we believe that such rejigs will help us in the business. While we definitely accept that, yes, the execution hasn't gone as per what we had planned out, and that is why we are now addressing this issue by taking different steps. What we are going to be doing internally is that we have now segregated the business into two verticals, B2B and B2C. The B2B business is being taken care of by Mr. Bhushan Sawhney, and the B2C business will be taken care of by Mr. Ishwinder Singh Khurana. Mr. Ishwinder will have help from various deputy business heads, who will be again helping him with various product level verticals. And that is how we want to proceed on this matter.

While we implement all these changes, it will take us a few quarters, three to four quarters, to make all these changes and for the operations to again run back smoothly, and that is why we believe that next three to four quarters will be required for the business to stabilize and get back on the path to growth.

Moderator: Thank you. Next question is from the line of Renu Baid, IIFL Securities. Please go ahead.

Renu Baid: My question is, can we quantify the revenue loss in the third quarter from the domestic business, largely due to the IT raid which we had across our facilities, factories and also at the distributors? Because that would have definitely impacted the domestic housing wires as well as the domestic revenue offtake for us.

Chirayu Upadhyaya: So Renu, definitely the end period of the quarter is the best period in terms of sales, but it will be difficult for us to quantify what loss would have been there. But I mean, there will be certain sales which generally happen wherein the distributors stock up their products. And that is something that would have just been postponed to the next month. So that we'll be able to recoup a part of it as well. But it will be difficult for us to quantify on this.

Renu Baid: Sure. Secondly, on the export side, can we share how has been the demand from markets other than Europe, which obviously has been impacted because of supply chain. But from U.S. and other pockets of world, where you're also bidding in projects? And any order book value that we can quantify to share the visibility of the project-driven business in the export market?

Chirayu Upadhyaya: So, the demand continues to be good across the geographies, and we are trying our best to get as many orders as possible from various different geographies, getting ourselves approved in various different geographies. So that continues to go on at our end.

For U.S., specifically, as I mentioned, we are in the midst of a transition to the newer business model. And that is why there will be bit of a slowdown that we are seeing right now. But in terms of demand, there hasn't been any impact.

We do have a good order book, but we don't disclose order books publicly. So that is not something that I'll be able to disclose on this call. But rest assured, we have a pretty good order book for our export business.

Renu Baid: Sure. And currently, at what level would be your factory utilization levels for cables?

Chirayu Upadhyaya: So cables and wires combined, factory utilization would be between 70% and 75%.

Renu Baid: And any clarity on the next leg of capacity expansion that we have beyond the next two years?

Chirayu Upadhyaya: No. So, as of now, we've given our guidance for what capex we are incurring this year and next year. And we continue to incur capex in terms for expanding of the facilities. So even right now, in this year, we've expanded our capacities for cables. And that is something that we'll continue to do. But for any guidance post the next two years, I mean, we'll have to wait for a couple of more quarters, Renu.

Renu Baid: Got it. And lastly, on the FMEG business, while the cables and wires has been a star performer for us, FMEG has been a bit of a drag, can you quantify certain specific measures which you have undertaken apart from change in the leadership to turn around this business over the next four quarters from that perspective?

Chirayu Upadhyaya: So Renu, at this point of time, it would be difficult for us to give out all those points. Over the period of next few quarters, we will be detailing out all the initiatives we are taking in terms of operational changes, etc, and if there are any targets that we'll be taking in the future. But yes, as of now, we wouldn't like to comment on it.

Renu Baid: But does the frequent change in the leadership and the teams in the FMEG portfolio worry you, because that has been one of the ailing factors for this business over the last few years. So does that disturb you in terms of the strategic priorities and initiatives that you have been taking in this segment?

Gandharv Tongia: So, Renu, as you know, we are in FMEG business since the last 10 years or so and we have had exits at the leadership level. But as we are one of the emerging challenging brand on FMEG, at times in life you have to take a pit stop, reflect back and see what you need to do next, and that is what we have experienced in the last couple of quarters. We practically have the entire blueprint in place, we have the leadership in place, and the second line under the leadership team is being recruited.

I think at this stage, as Chirayu mentioned, we would not like to divulge everything what we are planning to do, but just give us one or two quarters. Hopefully, once the tyre hits the road, probably we would be able to talk about it with greater detail. But FMEG was and continues to be a focus area, and we firmly believe that this will add a lot of value to all of us at the Company as well as to our stakeholders.

Moderator: Thank you. Our next question is from the line of Amit Mahawar from UBS. Please go ahead.

Amit Mahawar: I just have two broad questions. First is on the cable and wire business. Considering the demand environment we have, both from domestic and export markets, and the variety you have in terms of offering, especially in cables, and the business profile going ahead, do you want to review and reassess and tell us the profitability direction for cable and wire business? I understand the growth is still going to be very strong, but any comment on profitability? That's my first question, Gandharv.

Chirayu Upadhyaya: Sure. So, on cables and wires, we have always maintained our guidance in terms of EBITDA margins to be in the range of 11% to 13%. We'll continue with that guidance. And again, on the scale front, we've mentioned that if we are able to operate at a better scale, 12% to 14% of EBITDA margin is something that we should be able to realize.

As of now, we are operating at a better scale and hence we are seeing that our margins on the cables and wires business are around 14%. Until such kind of operational level is available to us, we'll be able to continue to operate at this margin range. But if you are putting numbers into your model, you should consider 11% to 13% as the guided range for this business.

Amit Mahawar: Okay, Chirayu. I'm Assuming and implying there's no change in the cost structure of Polycab. Second question is maybe if we could be helped on FMEG. First of all, I really appreciate and thank you and the management for acknowledging the FMEG business growth path, where Polycab needs to do better.

But from a two to three years view, do you think Polycab needs to be more aggressive and more passionate and more committed about FMEG business, because that is the only segment where we have not had any significant inorganic path. Most of our competition has followed that and for maybe new product or new market geography. That's on FMEG. And what kind of rejig can we expect in the next two, three years in FMEG? And maybe Inder bhai and Gandharv can also chip-in.

Chirayu Upadhyaya: So, for the FMEG business, we have been and we continue to be very passionate. We have been taking various steps within Project Leap, so that we are able to grow ahead of where the market growth is at.

In terms of inorganic growth opportunities, we continue to evaluate such opportunities practically every day. If and when we do have such an opportunity which is available at a valuation that is acceptable, we might even go ahead and go for this inorganic growth path. But yes, I mean, we continue to evaluate all steps, both internal as well as inorganic growth, so that we are able to scale up the FMEG business and grow ahead of where the market growth is.

Moderator: Thank you. Our next question is from the line of Achal from JM Financials. Please go ahead.

Achal: Sir, the question is, in terms of volume growth, you mentioned about 20% of growth in volumes for domestic segment in wires and cables. Possible to break it up in terms of cables and wires? Is it like cables has grown 30% and wires is kind of 9-10% or something like that?

Chirayu Upadhyaya: So, cables would have definitely grown faster than wires, and wires volume growth would have been in single digits. And to that extent, you can quantify the cables growth as well, which would be higher than that.

Achal: Understood. Secondly, with respect to the pricing, you did mention that the higher margins are to do with the strategic price revisions and the product mix. Can you help us understand, in terms of the price premium, broadly, I know it will vary SKU to SKU, industry to industry, but is it fair to say that our price premium to the peers would be anywhere between 2% to 5%. Would that be a fair assumption?

Chirayu Upadhyaya: Yes, that's a fair assumption.

Achal: Understood. And would that be true for both wires and cables? Or it is more so for cables

Chirayu Upadhyaya: It would be true for cables. On wires, us and couple of other large peers, we generally operate at similar price points.

Achal: Understood. And you mentioned about the capacity utilization, 70-75%. Was that for Q3? Or was it for nine months?

Chirayu Upadhyaya: Third quarter.

Achal: Third quarter. So given the SKUs what you have, is this the peak utilization or you can actually scale it up to 90-95% as well?

Chirayu Upadhyaya: We can go as high as 95% in terms of utilization, but the idea is never to wait to reach that level and continue to do capex every year, so that we have enough and more capacities available to cater to the increased demand that is currently visible in the country.

Achal: Understood. And just last one bit, Chirayu. You mentioned about the Capex. What percentage capacity will it add to? Will it be 10%, will it be 20%? And given the robustness of the demand or the outlook, could there be a possibility of any substantial revision to this just from a next couple of quarter perspective? Could there be a possibility?

Chirayu Upadhyaya: So, we are doing expansion not only in domestic cables, but also OFC cables, cables for export or special purpose cables. So it would be difficult for me to right now give you what percentage growth in terms of capacity will be there for each of them. But definitely, as I mentioned, we wouldn't wait for us to reach 90-95% of utilization. We would want to be ahead of time and go ahead with that expansion.

As of now, as again, we've guided, we will be incurring between ₹ 800 Crores to ₹ 900 Crores of capex this year. And next year, we expect to incur between ₹ 600 Crores to ₹ 700 Crores of capex. But I mean, we are very dynamic at our end. If there are enough and more opportunities which are available to be captured, we wouldn't shy away from doing additional capex.

Moderator: Thank you. Our next question is from the line of Praveen Sahay from PL India. Please go ahead.

Praveen Sahay: So the first question is related to the wire and cable. If you can quantify how much is the wire contribution for the quarter and nine months? And also in that you had made a statement that pause in the construction and also the price hike has led to the lower growth for wires. So how much is the price hike you had?

Chirayu Upadhyaya: So the price hike, I was referring to the copper price increase that has happened, if you look at last four to five months. But in general, at our end, the price hikes as well as the price decrease that we've done on a net basis in Q3, the contribution from value increase or decrease was nil. The entire growth that we've been able to achieve is because of the volume growth.

Praveen Sahay: And contribution, if you can give third quarter and nine months?

Chirayu Upadhyaya: So, we used to operate around 70:30 in terms of cables and wires mix. Because cables has grown faster this year, cables contribution has gone up by couple hundred basis points.

Praveen Sahay: So is this for nine months? Maybe third quarter is lesser than that?

Chirayu Upadhyaya: Similar story for the third quarter as well.

Praveen Sahay: Okay. And one clarification related to the gain and loss on the reduction of investment, which looks a little on the higher side for this quarter. So is that something one-off, and it will not come back in the coming quarters? Is it like that?

Chirayu Upadhyaya: So there were couple of line items. One was a gain from redemptions of mutual funds that we've done. Again, that is something that we continue to do every quarter. We have very good cash on balance sheet. Depending on where we invest and when we believe that we are receiving the maximum returns, we continue to do the redemption. But it will be difficult to quantify whether this number is something that will be there every quarter or not.

And again, the second line item was the exchange difference, the gain that we were able to realize because of favourable movement in currency. And again, that is something we can't comment on where the currency movement will be. Again, so that is you can consider it as a one-off, and we'll have different trajectory every quarter on that too.

Praveen Sahay: Great. Then last question on the export. So Y-o-Y side if I look at, there is a good growth. Even though contribution is lower, the growth on the Y-o-Y side for the export is good. And also in the press release you had said that the company anticipated a healthy performance in the business in Q4 and beyond. So is that a reflection that you have a very strong order book, fair to say that?

Chirayu Upadhyaya: Right. So as I mentioned, we do have a pretty good -- pretty strong order book for us on the export business. And again, as I mentioned, there is some form of delay that happens when we're right now supplying our goods to the European region. So again, that postponement of sales is something that played out this quarter. So both of these combined, we expect that Q4 and beyond should be good for the exports business.

Moderator: Thank you. Our next question is from Shrinidhi from HSBC. Please go ahead.

Shrinidhi: Just one question from my end. So the increase in the capex guidance, may I ask what is really driving this increased capex? And which product category this capex is going?

Chirayu Upadhyaya: So Shrinidhi, because of the better opportunities that we are seeing across all the sectors, we believe that we should be doing this additional capex ahead of time, so that we have enough and more capacity available to capture this demand. Again, we are doing it across all the different types of cables. So, as I mentioned, domestic cables, OFC cables, cables which we are exporting, special purpose cables, etc. So, against all of this and also on EHV plant. So, all of this combined, we are doing this additional capex.

Shrinidhi: Right. And a second question, if I may, one of the drivers for superior margins you have been alluding for recent quarter has been superior product mix. May I ask to give more color on this aspect?

Chirayu Upadhyaya: So, when you look at domestic cables, there are two different types of cables, HDC and LDC, high density and low density. LDC cables are generally better margin cables, and we've been able to improve our mix more towards LDC. So LDC has grown faster. Even in exports, there are different types of cables which accrue us different margins, and we've been able to change the mix more towards those products which help us make better margins. So both of this combined has helped us on the margin front.

Moderator: Thank you. Our next question is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: So Chirayu, I had two questions. One is on the capacities which we're adding. How fungible is it across products? Or is it dedicated for a particular type of product?

Chirayu Upadhyaya: So, for example, the facility which is there for OFC will be utilized only for OFC. The facility which is used for manufacturing cables which are exported, again, that is not fungible. Within the domestic cables, we have better fungibility available.

Ashish Jain: Okay. Okay. And my second question was on this FMEG business. So why even we are now thinking of restructuring the business or through rework, what is the rationale behind ramping of advertising costs so much in this quarter? Because clearly, next two to three quarters, is a lost opportunity, it might be for us. Or is it like more tinkering kind of stuff that we are doing, or are there things which can evolve or how are we doing on the FMEG side?

Chirayu Upadhyaya: So, Ashish, the advertising and promotion spends are not only done just for the FMEG business, it also is done widely for the wires business. So again, we have to continue to spend on that part. And again, advertising and branding activities are not something that we can stop for one year, start next year, whenever we want to ramp up that business. It is something that has to be done continuously. That is how we will continue to be in the minds of the customer. And hence, we will continue to do this A&P spends, which is 3 to 5% of B2C top-line, every year.

Ashish Jain: Right. And FMEG, are you kind of looking at a major revolve of what we're doing? Just to understand what the target to change the FMEG to change in that?

Chirayu Upadhyaya: Ashish, sorry, you were not audible.

Ashish Jain: No, no. I'm saying, FMEG, what are the main -- like what are we looking to change there? Because this has been a work for us for the last two, three years also. And again, we are coming back and trying to do some recall of that. So what is that we're trying to do different now?

Chirayu Upadhyaya: So as Gandharv mentioned a few minutes back, we are right now in the initial part of that process of making all this changes. Give us couple of quarters time. Once we have all of this firmed up, we'll be out with detailed information of what exactly are we trying to do differently and what exactly we have done till then.

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

Alok Deshpande: Congratulations on a good set of numbers. Two questions from my side. One, in the next 12 to 18 months, we have a couple of your peers coming up with new capacities in cables. I just wanted to understand that have you in the past ever seen that when new capacities come up in the sector, it has impact on pricing? And do you see a situation where it can, because of the added capacity in the market, it can impact your pricing, especially in cables?

Chirayu Upadhyaya: So yes, look, it's true, over the next 12 to 18 months, we'll be seeing a lot of our peers adding capacity. Historically, what has been our experience is that while there might be some pricing revisions that would be done, but they're not material in nature. In general, the industry has always acted rationally. There has never been an irrational pricing that any peer have undertaken. And we believe that, that is something that will continue to happen in the future as well.

Anyways, the demand momentum in the country in various infrastructure and real estate sector is so strong that enough and more capacity is needed from all manufacturers here domestically. So we don't believe there's going to be any irrational competition to gain market share growth.

Alok Deshpande: Yes, understood. Sir, just one question on FMEG. What are the two, three product lines which you think where you need to sort of work the most within FMEG in terms of either their current sizes or where you think the maximum potential is?

Chirayu Upadhyaya: So Alok, we are focusing a lot on switches and switchgears products within the FMEG business. We believe we have enough and more potential to be one of the big players in those product categories. Over the past one to one & half years, we've set up in-house manufacturing as well as expanded manufacturing capacities wherever were required. We are working on a price-laddering strategy wherein we are trying to have our presence across price points. We are trying to improve our distribution channel and trying to enter as many geographies as possible. We are even trying to do a lot of cross-selling between wires and switchgears. So through all of this, we believe we should be able to do much better on switches and switchgears in the future than what we have done in the past. And the contribution from those two product categories will increase as a percentage of the FMEG sales in the future.

Alok Deshpande: And Chirayu, any sense you can give us on what that contribution is ballpark currently? Is it very low? Or is it becoming meaningful? Any color on that.

Chirayu Upadhyaya: So as of now, combined switches and switchgears would contribute in mid-teens to the overall FMEG top-line.

Moderator: Thank you. Our next question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: Chirayu, my first question is on the wires and cables segment. So the segment revenue has grown by 17% and you said volume has grown by 20%, right?

Chirayu Upadhyaya: Wires and cables top-line has grown by 18%, and the entire growth has been achieved through volume growth.

Natasha Jain: So just wanting to understand, copper prices have risen in the quarter. So, was there a bigger contribution from something like an Etira wires, which is probably a lower margin component in the product basket?

Chirayu Upadhyaya: So, Etira wires are not lower-margin products. On Etira, we make similar margins to our other product categories. Etira is something that we've introduced a couple of years back, and that is something that we introduced to capture the unorganized market, largely Tier 3 to Tier 5 towns or cities of the Country. Etira has seen pretty good penetration in these geographies, and we believe that going ahead, the contribution from Etira wires will continue to increase. But on the margin profile, they are similar to other wires that we have. They're not of lower margin.

Natasha Jain: Understood. My second question, Chirayu, is on the EHV facility. Where are we on that? Are we on track to commission it by fourth quarter of FY'26?

Chirayu Upadhyaya: So we've guided that the EHV manufacturing plant will be operational by late FY'26. And as of now, we are on track with the timeline.

Natasha Jain: Understood. And lastly, in terms of the FMEG, especially lighting, while I understand value erosion was there, what about the volume? Did it pick up in quarter three, or has that also been a drag?

Chirayu Upadhyaya: So around the Diwali festival, there was a bit of a pickup, but it wasn't on the expected lines. So again, if you look at year-on-year basis, still the volume would have not been on the growth trajectory.

Natasha Jain: Understood. And lastly, one more question, Chirayu. While I understand that in quarter three, the amount of ad spend was high, obviously because of the one-off that the World Cup spend is there, is it possible for you to quantify, actually, because of those ads spends, what is the kind of revenue that we've seen through happening after that?

Chirayu Upadhyaya: Sorry. What do you want me to quantify?

Natasha Jain: So in terms of the ad spend that you did during the World Cup season, how has that positively impacted your sales? Is it possible to throw some color on that, because the ad spend was very high, right? So are we seeing those kind of sales that we anticipated because of this ad spend that we did?

Chirayu Upadhyaya: So Natasha, these are very initial days. As I mentioned, this is something that we have to do every quarter of every year. Definitely, we are seeing a level of improvement in terms of visibility and capturing of the mindset of customers, and our customers are pretty much very well aware of all the product categories that we have on the FMEG offering.

But again, I mean, it will be very, very difficult to quantify what exactly has this ad spend translated to in terms of sales. This is something that will continue to help us in the long run, and we'll continue to spend every year on advertising and promotion in the 3% to 5% range that we've guided.

Moderator: Thank you. Our next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: First, just on the revenue growth and margin profile. So I mean this quarter was a bit soft on the back of whatever issues we've discussed. But next quarter, should we expect an acceleration in terms of both growth and maybe margins versus these levels?

Chirayu Upadhyaya: So, Abhijit, we believe the second half of this year will be better than the first half of this year. That is something that we've guided, and we believe that will continue to happen. It will be, again, very difficult to quantify that and we never give out yearly guidances. So won't be, again, diverging from that practice. But as I mentioned, the second half should be better than the first half of the year.

Abhijit Akella: Okay. On the EHV capex with Brugg cables, could you just quantify how much of capex has already been incurred on that project?

Chirayu Upadhyaya: So, at this point of time, we wouldn't like to give out the details of this capex. Still the plant becoming operational is still quite far away. So when we are near to that time period, we'll be able to quantify-- will be quantifying the capex that we've incurred and the various other parameters in terms of what revenue expectations we have and so on and so forth.

Abhijit Akella: All right. And then just to clarify, the FMEG merger with Power, is that the power cable business? And if so, what exactly is sort of the thought process underlying that?

Chirayu Upadhyaya: So Power vertical comprises of wires, switches and switchgears. It has no relation with the cables. Cables is what we call internally more B2B in terms of what I mentioned in terms of different verticals. So this will be a merger of wires, switches and switchgears with the other FMEG product categories, which are fans, lights, and other appliances.

Abhijit Akella: Okay. Understood. Fine. Just one last thing from my side. The main allegation made in the press release by the PIB was regarding the unaccounted cash transactions. So would you like to formally sort of deny that either the company or the promoter group is involved in any such cash transactions?

Gandharv Tongia: So as I mentioned a while back, Abhijit, we haven't received anything from the income tax department so far. Whatever filings we were supposed to do clarifying our position, we have already done that to the stock exchange. And since we haven't received anything from the department so far, the operations are going on. And at this stage, there is no incremental data points which are available on which we can or on which we should provide our comments.

Moderator: Thank you. Our next question is from the line of Mr. Rahul Agarwal from Incred Equities. Please go ahead.

Rahul Agarwal: Firstly, on entire episode, whatever has happened, just wanted to clarify, and I think the previous participant was also looking for the same answer. Purely from a Polycab perspective, I am not bothering much about what income tax thinks, but from your own perspective, in terms of your own internal processes, there were three, four things which were mentioned about sub-contracting expense, logistics, and sales.

The distributors and dealers obviously are free to do whatever wrong they want to do in life. But from Polycab's perspective, from internal process perspective, could you highlight certain steps or certain things which you have done over the years to get your larger distributors and dealers not to engage into such activities. Because I did some checks around this. My sense is there are other companies and peer sets, who are also listed, who have actually gone ahead so much that they've involved their bankers also to ensure that distributors and dealers are part of the same agreement when they do channel finance, and they're also going through a lot of stickiness and compliance. So just from that perspective, that's my first question. If you would highlight your own internal processes of the channel not getting into such activities.

Gandharv Tongia: Thank you, Rahul. You know the industry and, of course, the Company. We are the pioneer as far as channel financing is concerned. We do almost 80% to 90% of our business through dealers and distributors. And out of that probably 80% to 90% and some business, more than 90% of the business is done through channel financing. Most of it is without any recourse. And what you are narrating is what we actually introduced to the industry and we are very happy and glad that we are continuing with the same.

On the ethics and governance, we have been extremely, extremely cautious and fully compliant. You know about the pedigree of the compliances we have, right from the Board structure to the auditor to so on and so forth. And since all the audit reports are already in public domain, I don't think at this stage we need to offer any additional comment.

As I mentioned to the previous participant as well that we haven't received anything from the income tax department in terms of the conclusion of the search proceedings. As and when we receive any intimation from the department, we'll proactively come back to the stock exchange and notify. And since we haven't received anything, I don't think it requires any further deliberation at this stage.

Rahul Agarwal: Sure, sure. So obviously, they'll come back with a notice if they have any issues. But from your side, could we assume, as shareholders, that from your side, all the standard practices are being followed and whatever the allegations are made are completely false? Can I make that statement?

Gandharv Tongia: You can certainly make all the statements. I am saying that we haven't received anything from the department. As and when we receive anything from the department, we'll be happy to review that or use that and comment on that. As far as our compliances are concerned, I've already explained as a response to the previous question that we are the pioneer as far as channel finance is concerned in the industry. We have been following that, and we are very confident on our governance and processes.

Rahul Agarwal: Perfect. Just two smaller questions. On FMEG, since the guidance is essentially that it will take another four quarters to stabilize this business because of whatever internal changes is going to happen, should we expect revenue growth next year? Or is it going to be similar to what we saw fiscal 24, 23 and 25 will look similar?

Gandharv Tongia: So Rahul, you know, our FMEG business, we have had difficulty in actually realizing the potential in last few quarters of FMEG business. And that is why we have decided that for next four quarters, we will probably do what we wanted to do and implement it in a manner which is acceptable to all of us internally. I would request you to give us a couple of quarters, so that we are able to implement what we intend to implement, and then we'll probably give you more guidance on FMEG.

Any which ways, you know, in terms of the contribution to top-line of FMEG to the total business at this stage is not necessarily very material. So if you can give us a couple of quarters, I think that will be a great help.

Rahul Agarwal: Get it. And lastly, on this capex, I think multiple questions have been asked. Essentially, what we all are looking for is to understand where is the capacity getting increased. Now obviously, from your perspective, it is getting increased across products. For us, I understand EHV is something which you don't want to disclose too early in the cycle, I understand that.

But if you could elaborate a bit on whether it's volume-wise or revenue-wise, like what kind of revenue increase should we see in terms of your investment done today? And which are these products? It will help us all understand this capex better. So, anyway effort is towards that. Whatever, Gandharv, you can help us understand on this call will be really helpful.

Gandharv Tongia: Sure. So Rahul, let's do it this way. I think it's a very good observation and thanks for highlighting that. Allow us time to come back to you with a more holistic picture on the impact of the current capex and the planned capex on the top-line and bottom line. And we'll probably provide more color in our subsequent calls. But broadly, what Chirayu earlier alluded to, our thought process is not to get to 90% or 95% utilization. And before that, we should be able to add the capacity. But I have taken note of your suggestion. We'll come back to you in the subsequent call and attempt to provide you additional color.

Moderator: Thank you. Ladies and gentlemen, that was the last question of the day. I now hand the conference over to Mr. Gandharv Tongia for closing comments.

Gandharv Tongia: Thank you so much for taking out time. We know that these are -- for many of us are difficult times, for the Company. Since the time of listing, you have supported us. We are looking forward to your support. We never ever did anything which would put anyone in a wrong spot, and we are confident on our compliances. We look forward to come back to you in the next quarter and provide you additional update. Thank you, and have a great day ahead.

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