

POLYCAB INDIA LIMITED

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Date: 13th May 2021

To
Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400 001

To
Listing Department
National Stock Exchange of India Limited
C-1, G-Block, Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051

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

Dear Sir / Madam

Sub: Intimation of credit rating under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") we wish to intimate you that CRISIL, vide its letter dated 12th May 2021 has upgraded long term rating/ reaffirmed short term rating of the company.

In this regard, please find enclosed herewith the letter dated 12th May 2021 issued by CRISIL.

Kindly take the same on your record.

Thanking you

Yours Faithfully
For Polycab India Limited

Manita Gonsalves
Company Secretary and Compliance Officer
Membership No.: A18321



Registered Office:
Unit No.4, Plot No.105, Halol Vadodara Road,
Village Nurpura, Taluka Halol, Panchmahal, Gujarat-389350
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Rating Rationale

May 12, 2021 | Mumbai

Polycab India Limited

Long-term rating upgraded to 'CRISIL AA+/Stable'; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.3503 Crore (Reduced from Rs.4000 Crore)
Long Term Rating	CRISIL AA+/Stable (Upgraded from 'CRISIL AA/Positive')
Short Term Rating	CRISIL A1+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facilities of Polycab India Limited (PIL) to '**CRISIL AA+/Stable**' from 'CRISIL AA/Positive' and reaffirmed its 'CRISIL A1+' rating on the short-term bank facilities. CRISIL Ratings has also **withdrawn** its rating on various long-term bank facilities amounting to Rs.497 crore, at company's request and on receipt of no dues certificate for term loan facility from respective lenders. This is in line with the policy of CRISIL Ratings on withdrawal of bank loan ratings.

The upgrade reflects CRISIL Ratings' expectation that PIL's business risk profile will improve in the near term on the back of its market leadership position in the wires and cables industry in India, revenue diversification with robust growth in the fast moving electrical goods (FMEG) segment and growing business-to-consumer (B2C) mix coupled with improving operating efficiencies. Growing free cash flow would result in further strengthening of the financial risk profile.

While operating performance was impacted in the first quarter of fiscal 2021 owing to prolonged nationwide lockdown to contain the Covid-19 pandemic; it improved significantly in the next two quarters led by strong demand across business segments. Operating income grew 3% year-on-year during this period (July-December) and the company registered earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 14% compared to 12.9% in the corresponding period of the previous year. This was supported by cost optimisation measures undertaken by the company. Operating margin is likely to remain at 12-13% for fiscal 2021.

PIL registered healthy operating performance in fiscal 2020, with year-on-year growth of over 11% in operating income to Rs 8,830 crore (on consolidated basis) and improvement in the operating margin to 12.9% from 12.6% in fiscal 2019, led by healthy performance across business segments.

The financial risk profile is supported by healthy network (Rs 3,850 crore as on March 31, 2020), and low term debt and working capital borrowings. Moreover, liquidity strengthened in fiscal 2021, with unencumbered cash equivalents and liquid investments at Rs 1,391 crore as on December 31, 2020.

The ratings continue to reflect the established brand and fully integrated operations of PIL, and its healthy financial risk profile. These strengths are partially offset by susceptibility to economic downturn, and intense competition.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of PIL and all its subsidiaries and joint venture (JV), as these entities, collectively referred to as PIL, have strong business and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Market leadership position in the wires and cables industry in India and growing FMEG segment:** PIL is the market leader in the Indian wires and cables industry with around 18-20% share of the organized market. Its market position is supported by its strong dealer-distributor network of over 4,000 entities. PIL has significant market share in west and south India, which contributed around 55-60% to its revenue in fiscal 2020. The FMEG segment, which was commenced in fiscal 2014, has witnessed sustained robust growth over last few years and now contributes around 12% to revenue. Its growth has been supported by a growing product mix across different price points, and distribution network expansion.
- **Integrated operations:** The integrated nature of operations results in high-quality output and operating efficiencies. PIL has aluminum rod plants, and facilities to manufacture PVC compound. With an aim to further strengthen backward integration of its operations and improve the quality of its key input copper, PIL entered into a 50:50 joint venture (JV), with Trafigura Pte Ltd, Singapore, in 2016 and formed Ryker Base Pvt Ltd (Ryker). The JV set up a facility for manufacturing copper rods with annual capacity of 225,000 tonne. It commenced commercial production in the first quarter of fiscal 2020 and PIL sourced most of its copper rods requirement from this entity during the fiscal.

PIL acquired the balance 50% in Ryker in May 2020, thus making it a wholly owned subsidiary. This will strengthen backward integration and working capital management going forward.

- **Healthy financial risk profile:** The financial risk profile is driven by large network (Rs 3,850 crore as on March 31, 2020) and strong capital structure, as reflected in gearing (including LC acceptances) of 0.25 times and total outside liabilities to tangible network (TOL/TNW) ratio of 0.54 time as on March 31, 2020. While the acquisition of Ryker will result in increase in PIL's consolidated term debt by Rs 144 crore as on March 31, 2021, the impact on capital structure will be negligible. The financial risk profile is expected to remain healthy over the medium term backed by increasing cash accruals, strong liquidity, and absence of any major debt funded capital expenditure (capex) plan.

Working capital intensity is higher than industry peers as reflected in gross current asset days in the range of 150-200 days over last few years.

Weakness:

- **Exposure to intense competition:** The wires and electrical cables industry is highly fragmented with a large number of unorganised players constraining the pricing power of organised players. Apart from unorganised sector, PIL faces competition from organised players such as Havells India Ltd, Finolex Cables Ltd (rated 'CRISIL AA+/Stable/A1+'), and KEI Industries Ltd. While the supply chain issues and liquidity pressure on small unorganised players because of the pandemic have resulted in some market share gain by large organised players; the industry will remain competitive.
- **Susceptibility to economic downturns:** PIL is susceptible to the economic environment in India. Electrical cables and wires contribute around 85% to PIL's revenue and end users include construction (real estate), power, telecommunication and automobile industries. Growth in these industries is linked to the economic environment, and any economic slowdown could lead to moderation in demand

Liquidity: Superior

Liquidity is backed by unencumbered cash equivalent and liquid investments of Rs 1,391 crore and unutilised fund-based bank lines of Rs 329 crore as on December 31, 2020. Available liquidity and expected annual cash accrual of over Rs 750 crore per annum in fiscals 2022 and 2023, will comfortably cover term debt obligation of Rs 50-60 crore per annum and capex plan of Rs 300 crore per annum.

Outlook: Stable

PIL will continue to benefit from its market leadership position in wires and cables segment, growing FMEG business, established distribution network, and backward integrated operations.

Rating Sensitivity Factors

Upward factors

- Significant increase in revenue driven by robust growth across business segments coupled with B2C comprising over 80% of sales
- Sustained improvement in the operating margin to above 15% while maintaining net-debt free balance sheet

Downward factors

- Weaker-than-expected operating performance, due to economic slowdown and low demand, leading to moderation in the business risk profile
- Sustained decline in the operating margin to less than 10% with stagnant revenue, leading to reduced cash accrual
- Any large, debt-funded acquisition or capex

About the Company

Incorporated in 1996, PIL operates in the electrical industry and is the market leader in Indian wires and cables industry, as well as a fast growing FMEG player. The company is also present in Engineering, Procurement and Construction (EPC) business and executes limited projects. The company has 25 manufacturing facilities located across Gujarat, Uttarakhand, Maharashtra, and Daman.

For the nine months ended December 31, 2020, operating income and reported profit after tax (PAT) were Rs 5,889 crore and Rs 603 crore, respectively, against Rs 6,701 crore and Rs 550 crore, respectively, for the corresponding period of the previous fiscal.

Key Financial Indicators

As on/for the period ended March 31,	Unit	2020	2019
Operating revenue	Rs.Crore	8,830	7,986
PAT	Rs.Crore	766	500
PAT margin	%	8.7	6.3
Adjusted debt/adjusted networkth	Times	0.25	0.38
Adjusted interest coverage	Times	23.89	7.88

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Fund based facilities	NA	NA	NA	450	NA	CRISIL AA+/Stable

NA	Non-fund based limit	NA	NA	NA	3,050	NA	CRISIL A1+
NA	Term loan	Jan-2016	7.9%	Mar-2022	3	NA	CRISIL AA+/Stable
NA	Proposed fund-based bank limits	NA	NA	NA	93	NA	Withdrawn
NA	Term loan	Sept-2015	LIBOR+1.65%	Jun-2020	132	NA	Withdrawn
NA	Term loan	Dec-2016	LIBOR+4.0%	Jun-2021	75	NA	Withdrawn
NA	Term loan	Dec-2016	LIBOR+4.0%	Jun-2021	75	NA	Withdrawn
NA	Term loan	Jan-2016	7.9%	Mar-2022	122	NA	Withdrawn

Annexure – List of Entities Consolidated

Name of entity	Extent of consolidation	Rationale of consolidation
Dowells Cable Accessories Pvt Ltd	Full consolidation	Subsidiary
Tirupati Reels Pvt Ltd	Full consolidation	Subsidiary
Polycab USA LLC	Full consolidation	Subsidiary
Polycab Electricals & Electronics Pvt Ltd	Full consolidation	Subsidiary
Ryker Base Pvt Ltd	Full consolidation	Subsidiary
Polycab Australia Pty Ltd	Full consolidation	Subsidiary
Polycab Wires Italy SRL	Full consolidation	Subsidiary
Techno Electromech Pvt Ltd	Proportionate consolidation	Operational and financial linkages

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2021 (History)		2020		2019		2018		Start of 2018
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	453.0	CRISIL AA+/Stable		--	30-03-20	CRISIL AA/Positive	26-06-19	CRISIL AA/Positive	13-07-18	CRISIL AA/Stable	--
			--		--		--	16-04-19	CRISIL AA/Positive		--	--
Non-Fund Based Facilities	ST	3050.0	CRISIL A1+		--	30-03-20	CRISIL A1+	26-06-19	CRISIL A1+	13-07-18	CRISIL A1+	--
			--		--		--	16-04-19	CRISIL A1+		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Fund-Based Facilities	450	CRISIL AA+/Stable	Fund-Based Facilities	805	CRISIL AA/Positive
Non-Fund Based Limit	3050	CRISIL A1+	Non-Fund Based Limit	1950	CRISIL A1+
Proposed Fund-Based Bank Limits	93	Withdrawn	Proposed Fund-Based Bank Limits	135	CRISIL AA/Positive
Term Loan	3	CRISIL AA+/Stable	Proposed Long Term Bank Loan Facility	543	CRISIL AA/Positive
Term Loan	404	Withdrawn	Proposed Non Fund based limits	160	CRISIL A1+
-	-	-	Term Loan	407	CRISIL AA/Positive
Total	4000	-	Total	4000	-

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Criteria for Consolidation](#)

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