Investorstack Research Report

# Polycab India Limited

## Growth triggers

- **EHV cable plant commissioning to capture import substitution**: The domestic EHV cable market sees around 50% of consumption met by imports. Polycab's new EHV cable capacity is expected to come on stream by end of calendar year 2026, with meaningful revenue contribution expected from FY28 onwards. This opens a large, high-value tender-based market where the company can replace imports. (Q4 FY26 concall, May 2026)
- **Expansion in export markets, targeting >10% of revenue by FY30**: The company has re-established its distribution network in the United States, the largest global cable market. Exports to North America contributed around 40% of total exports in FY26. With trade tariffs stabilising and the distribution setup now in place, the export business is positioned for a strong recovery after a period of geopolitical disruption (Middle East conflict impacted Q4 FY26). Europe, South America, and Australia are other key geographies driving growth. (Q4 FY26 concall, May 2026)
- **Project Spring capex of Rs 60-80 billion over 5 years for capacity expansion and backward integration**: This multi-year investment programme aims to scale manufacturing capabilities primarily in wires and cables (90% of capex), along with backward integration and digitalisation. The capex is expected to generate a 4x-5x asset turn on the investment with a 1.5-2 year lag. (Q4 FY26 concall, May 2026; Q2 FY26 concall, Oct 2025)
- **FMEG segment turnaround and margin expansion towards 8-10% EBITDA by FY30**: The FMEG segment turned profitable from Q4 FY25 and has maintained profitability through FY26. In Q4 FY26, the segment grew 47% YoY and reported an EBIT margin of 4.1%. The strategy is to grow at 1.5x to 2x the industry rate while improving margins through premiumisation, brand building, and distribution expansion. (Q4 FY26 concall, May 2026)
- **BharatNet order book of ~Rs 80 billion providing multi-year EPC revenue visibility**: Polycab has won two orders under the government's BharatNet phase-3 project, to be executed over approximately three years from Q3 FY26. This provides strong, visible revenue in the EPC segment and also drives demand for the company's optical fibre cables. (Q2 FY26 concall, Oct 2025)
- **Solar products as the fastest-growing FMEG category**: Solar inverters have become the largest category within the FMEG portfolio, delivering 2x year-on-year growth in Q4 FY26. This growth is underpinned by central (PM Surya Ghar Yojana) and state-level rooftop solar subsidy programmes, which are still in early stages of rollout. (Q4 FY26 concall, May 2026; Q4 FY26 concall, May 2026)

## Key risks

- **Commodity price volatility (copper, aluminium, PVC)**: Input costs are a significant portion of the cost structure. While Polycab passes on price increases to customers, there is a time lag. During periods of sharp price escalation, as seen in Q3 FY26 when copper and aluminium prices rose 21% and 11% sequentially, the company strategically staggers price pass-through to protect demand. This leads to temporary margin compression, as was observed in Q3 FY26.
- **Geopolitical disruption in the Middle East impacting exports and input costs**: The Middle East conflict that escalated in February 2026 had an immediate impact on Q4 FY26. Crude oil prices surged, trade sentiment

softened, and construction activity in the region was disrupted. The Middle East contributed about 16% of Polycab's exports in FY26. Continued instability in the Strait of Hormuz could also disrupt raw material availability and increase shipping costs.

- **US tariff escalation and trade wars**: The US is a key export market for Polycab. Any further escalation in tariffs between the US and trading partners (including India) could make Indian cable exports less competitive. While the company is navigating this with a re-established distribution network in the US, the situation remains a developing overhang, as noted in the Q3 FY26 call.
- **Foreign exchange rate volatility**: Polycab imports 100% of its copper requirements and also earns a portion of revenue from exports. A sharp depreciation of the Indian rupee, which touched a record low of Rs 94.83 per USD in Q4 FY26, increases import costs. The company uses hedging mechanisms to manage this, but volatility can still impact margins in the short term.
- **Increased competition from new entrants (Adani, Birla) and existing capacity expansions**: The wires and cables industry is seeing heightened interest, with large conglomerates like Adani and Birla announcing entry. Existing players are also ramping up capacity. This could lead to pricing pressure and potential market share dilution, particularly in the wires segment where competition from both organised and unorganised players is already intense.
- **Delay in government capex or change in policy**: A significant portion of cable demand is linked to government infrastructure spending (power, railways, roads, BharatNet). Any slowdown in government capital expenditure, changes in policy priorities (e.g., renewable energy subsidies), or delays in project execution would moderate demand growth for the industry.

## Walk the talk

Polycab's management has a strong track record of delivering on stated targets. The most prominent example is the successful completion of Project LEAP, which aimed for Rs 200 billion in revenue by FY26. The company achieved this milestone a full year ahead of schedule in FY25.

> *"We have achieved our Project LEAP goal of ₹200 billion in revenues – a full year ahead of our FY25-26 target."*
>
> SHASHANK YAGNICK, Q4 FY26 CONCALL (MAY 2026)

More recently, management set a clear long-term margin guidance for the wires and cables business of 11% to 13% EBITDA margins. In Q1 FY26, the company delivered a strong 14.7% EBIT margin, leading to questions about whether the guidance was too conservative. Management clarified that this is a long-term, five-year guidance, and near-term performance can be higher due to favourable operating leverage and commodity dynamics.

> *"In the longer term, 11% to 13% of EBITDA margins is what we will be able to generate irrespective of what happens on what type of business or procurement or commodity prices."*
>
> CHIRAYU UPADHYAYA, Q1 FY26 CONCALL (JUL 2025)

In subsequent quarters, this guidance was tested. In Q3 FY26, the wires and cables EBIT margin came under pressure, falling to a lower single-digit level. The reason provided was a conscious strategic decision to pass on sharp commodity price increases in a staggered manner to avoid disrupting demand. This was consistent with their stated philosophy of prioritising volume and market share over short-term margin maximisation. By Q4 FY26, margins had

recovered, with management reiterating the long-term guidance and stating that near-term margins would be in the 12% to 14% range.

> *"We have a long-term guidance of 11% to 13%. But in the near term, yes, what you mentioned is correct."*
>
> **SHASHANK YAGNICK, Q3 FY26 CONCALL (JAN 2026)**

Management also committed to gaining market share. In FY25, the company's organised market share in domestic wires and cables stood at 26-27%. By FY26, it had increased to 30-31%.

> *"Our domestic wires and cable organized market share has now increased to 30-31% up from 18-19% in financial year 2019. And this is an improvement of approximately 300 basis points to 400 basis points over FY25 levels of market share of 26-27%."*
>
> **SHASHANK YAGNICK, Q4 FY26 CONCALL (MAY 2026)**

The FMEG business, which had been a drag on profits for years, was a key focus. The management targeted a turnaround, and by Q4 FY25, it had achieved its first profitable quarter. This profitability was sustained through FY26, with the segment reporting a 47% YoY growth in Q4 FY26 and a 4.1% EBIT margin. This is in line with the stated Project Spring trajectory of reaching 8% to 10% EBITDA margins by FY30.

> *"The FMEG segment delivered an exceptional performance for this quarter, registering a strong 47% year-on-year growth... EBIT margins for the quarter stood at 4.1%, in line with our Project Spring trajectory of achieving 8% to 10% EBITDA margins by financial year 2030."*
>
> **SHASHANK YAGNICK, Q4 FY26 CONCALL (MAY 2026)**

Finally, the capital expenditure plan under Project Spring was clearly outlined: Rs 60-80 billion over five years, with an annual run-rate of Rs 12-16 billion. In FY26, the company spent Rs 14.8 billion, right at the midpoint of the annual target. The EHV cable plant is on track for commissioning by end of CY2026.

> *"We remain on track to execute our planned capex program of INR 60 billion to INR 80 billion over the next 5 years."*
>
> **SHASHANK YAGNICK, Q4 FY26 CONCALL (MAY 2026)**

## Scenarios

### Bull case

A massive infrastructure and renewable energy boom across India and key export markets creates a multi-year super-cycle for wires and cables. Polycab's early and aggressive capacity expansion under Project Spring positions it to capture a disproportionate share of this demand, especially as competitors hit capacity constraints. The new EHV plant ramps up quickly and captures a significant portion of the import-substitution market, adding a high-value, high-margin revenue stream. The FMEG business successfully executes its premiumisation strategy, with fans, switches, and solar products gaining significant market share. The segment achieves its 8-10% EBITDA margin target well before FY30, becoming a meaningful contributor to overall profitability. The export strategy pays off handsomely; post-Middle East recovery, the US, Europe, and other regions ramp up orders, driving exports towards the 10%-plus-of-revenue target. The result is a sustained period of double-digit volume and revenue growth, with margins expanding as operating leverage kicks in, far exceeding current long-term guidance.

## Base case

The domestic wires and cables market grows at a healthy rate, roughly 1.5x real GDP, as government capex remains steady and the private capex cycle gradually revives. Polycab continues to gain market share, driven by its brand, distribution strength, and capacity availability, though the rate of share gain slows from the rapid pace seen in recent years. Exports recover from the FY26 disruption but grow at a moderate pace, contributing closer to 8% of revenue by FY30 rather than the aspirational 10%. The FMEG business continues its turnaround, growing steadily and improving margins year-on-year, reaching the lower end of its 8-10% EBITDA target by the end of the decade. The EHV plant is commissioned successfully and begins contributing modestly from FY28. The company delivers consistent, industry-leading growth and margin performance, but a broad-based acceleration in end-demand does not materialise.

## Bear case

A sharp and prolonged global recession, triggered by an escalation of trade wars or a geopolitical crisis, leads to a significant slowdown in global infrastructure spending and industrial activity. The domestic economy slows, with the government forced to cut capex. Real estate activity, a key driver for wires, cools off sharply. The much-hyped private capex revival fails to materialise. Copper prices remain volatile or spike uncontrollably, compressing margins. Competition in the wires and cables industry intensifies dramatically, with new entrants (Adani, Birla) and existing players engaging in aggressive price wars to gain market share. Polycab is forced to compete on price to protect volumes, leading to sustained margin erosion below its guidance. The export business, heavily reliant on the US and Middle East, is crippled by protectionist policies and ongoing instability. The FMEG turnaround stalls as consumer spending dries up, and the division returns to losses, becoming a persistent cash drain. The ambitious Project Spring capex, funded through internal accruals, cannibalises dividend payouts and offers poor returns as demand disappoints.