

POLYCAB

“Polycab India Limited
Q2 FY 2026 Earnings Conference Call”
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POLYCAB



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– POLYCAB INDIA LIMITED**

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

**MR. NIYANT MARU – EXECUTIVE PRESIDENT, FINANCE – POLYCAB
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**MR. CHIRAYU UPADHYAYA – HEAD OF INVESTOR RELATIONS –
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Moderator: Ladies and gentlemen, good day, and welcome to the Polycab India Limited Q2 FY 2026 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 assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to 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, operator. Good afternoon, everyone, and thank you for joining us. I hope all of you are staying healthy and safe. I'm Gandharv Tongia, Executive Director and CFO at Polycab India Limited. On this call, we shall discuss the second quarter results, which were approved in the Board meeting held today. We will be referring to the earnings presentation, financial results and condensed financial statements, which are available on the stock exchanges as well as on the Investor Relations page of our website.

Joining me today from the management team, we have our Chairman and Managing Director, Mr. Inder Jaisinghani; our Executive President, Finance, Mr. Niyant Maru; 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. I'm happy to share that we had a strong Q2 FY 2026, marking yet another milestone in our growth journey. This quarter, we saw our highest ever second quarter and half yearly revenue, reflecting the strength in demand and that of our execution capability. Our profitability also reached new highs with PAT touching approximately ₹ 700 crores for the first time in the second quarter, contributing to a record half-yearly performance.

I would also like to take this opportunity to welcome Mr. Niyant Maru, who will join us as the Chief Financial Officer from October 28, 2025, following Gandharv's resignation. He will serve in this role for an interim period of 9 months, until a suitable successor is appointed. With over four decades of financial leadership experience, I'm confident he will further strengthen our financial strategy and support the Company's next phase of the growth.

With that, I would now like to hand over to Niyant for his initial address.

Niyant Maru: Thank you, Inder Bhai, for this warm welcome.

I'm truly honoured to join the leadership team of Polycab at such a very exciting time in the Company's journey and look forward to contribute meaningfully to Polycab's continued growth and value creation.

The Company's strong fundamentals, consistent performance, and commitment to excellence, are truly inspiring.

I'm excited to work very closely with the leadership team to further strengthen the financial strategy and continue delivering sustainable long-term value to all our stakeholders.

With that, I would like to hand over to Gandharv, to take the call ahead.

Gandharv Tongia:

Thank you, Niyant. Before we move forward, I would like to make a moment to acknowledge an important transition within our leadership team. This will be my final earnings call as the Executive Director and CFO, and I wanted to briefly reflect on what has been a truly remarkable journey.

I joined the organization as Deputy CFO in 2018, and it has been a privilege to contribute to its transformation, from a privately held Company to one of the top 100 listed companies in India today. When we went public in FY 2019, our market capitalization was around ₹ 8,000 crores. Today, it stands at over ₹ 1.1 lakh crores, a testament to our strong execution, disciplined growth and the trust of our shareholders, customers and partners.

Over the years, we have delivered consistent growth across every key metric, becoming the largest Company by revenue and profitability in the electrical industry and a sector leader in margins, driven by our focus on efficiency and excellence.

These achievements reflect the collective effort of our teams, the guidance of our Board and the spirit of collaboration that defines this organization. I'm deeply grateful for the trust and support I have received, and I leave with immense pride in what we have accomplished together.

Thank you, and I would request you to extend the same support to Niyant and the Company as it continues its next phase of growth.

Before I turn to the macroeconomic update, I would like to share a brief update on the income tax matter.

As you would recall, in December 2023, the Income Tax department had conducted a search at the Company. Following the search, assessment orders for AY 2014-2015 to AY 2023-2024 were issued during FY 2024-2025, resulting into a total tax demand of ₹ 525.63 million and interest of ₹ 175.58 million.

The Company appealed these orders. During the quarter ended 30th September 2025, the CIT(A) allowed the Company's appeals in full, resulting in NIL tax demand. The order giving effect to the CIT(A) decision is currently pending before the assessing officer.

Now turning to the macroeconomic environment.

Major global economies are beginning to show signs of a slowdown in economic activity. In the U.S., indicators across the labour market, manufacturing and services sector point to easing momentum. In the Eurozone, manufacturing is being weighed down by softness in both Germany and France, where reforms are progressing more slowly than expected, affecting business sentiment. In China, manufacturing activity improved slightly in September 2025, but remains in contraction territory constrained by weak export orders.

In contrast, India continues to stand out as the fastest-growing major economy. While external challenges persist, particularly around tariff-related uncertainties, India's strong domestic consumption base provides a significant buffer. The recent GST rate revisions are expected to further boost consumption, especially as they coincide with the festive season.

While rural consumption remains buoyant, supported by last year's good monsoon and this year's above normal rainfall, urban demand has seen some moderation in wage growth. However, the combination of GST and income tax cuts and soft inflation is supporting consumer sentiment.

Despite a rise in industrial metal prices and weaker currency, India's inflation outlook remains benign. Gold prices have risen sharply by over 40% this year, pushing headline inflation slightly higher, but core inflation remains moderate at 4.4% in September and even lower at 3.1%, excluding gold. With GST reductions likely to ease gold inflation further, it is expected that the overall inflation will remain under control.

The real estate sector remains healthy, though with some sign of moderation. Meanwhile, government capex remains strong, growing 43% YoY till August '25 with ~38% of the FY 2026 outlay already spent. This provides confidence that full year targets should be met easily.

While some challenges persist, India's economic foundation remains strong, supported by sound fundamentals, proactive policy and resilient domestic demand, the economy is well positioned to navigate global headwinds and capitalize on long-term opportunities.

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

Chirayu Upadhyaya:

Thank you, Gandharv.

Let me now take you through Slide 4 of the earnings presentation.

For the quarter ended 30th September 2025, we are pleased to report that our consolidated revenue grew by a strong 18% YoY, driven primarily by robust performance in our Wires & Cables business, supported by healthy growth in the FMEG business.

Our EBITDA for the quarter grew by 62% YoY, significantly outpacing revenue growth. This translated into a ~430 bps YoY and ~130 bps QoQ improvement in EBITDA margin, which stood at 15.8%. The margin expansion was supported by strong profitability in the larger Wires & Cables business.

At the PAT level, the Company delivered its highest ever second quarter PAT at ~₹ 7.0 billion, reflecting 56% YoY growth. PAT margins improved by ~260 bps YoY, to stand at 10.7% for the quarter.

Finance costs came in at ₹ 484 million, while other income stood at ₹ 454 million. A detailed breakdown of the line items is available on Slide 19 of the presentation.

We continue to maintain a strong balance sheet, closing the quarter with a net cash position of ₹ 29.4 billion. On working capital front, inventory days were marginally higher as we built up inventory in anticipation of strong demand in Q3 FY 2026. Given the use of letters of credits for raw material procurement, payable days also increased correspondingly, resulting in the working capital cycle temporarily reducing to 33 days at the end of Q2. We expect this to normalize to our long-term steady range of 50 to 55 days over the coming quarters.

Capital expenditure for the quarter was at ₹ 3.3 billion, taking the H1 FY 2026 expenditure to around ₹ 7.5 billion, in line with our Project Spring guidance of investing ₹ 12 billion - ₹ 16 billion annually through to FY 2030.

On a half yearly basis, I'm proud to share that our revenues, EBITDA and PAT are the highest ever in the Company's history for any half yearly period. Revenues grew 21% YoY, crossing the ₹ 120 billion milestone. EBITDA grew 55% YoY with margins strong at 15.2%. PAT grew 53% YoY with PAT margins of 10.4%.

Moving on to Slide 6.

The Wires & Cables business delivered a 21% YoY revenue growth, supported by high-teen volume expansion during the quarter. The domestic Wires & Cables business recorded a strong 21% YoY growth despite a high base from the previous year, which had witnessed 28% YoY growth.

This performance was driven by higher government spending, improved project execution and a favourable commodity environment. The continued momentum underscores our strengthened market position and suggests market share gains in the domestic segment during the quarter.

Both cables and wires performed strongly. Sales across both distribution and institutional channels showed healthy traction, indicating broad-based demand. Regionally, the North led growth, followed by the West, South and East, reaffirming our strong pan-India presence.

Looking at the broader environment, demand remains robust across key sectors. Central government capex spend continues to remain robust. Additionally, the Government of India released an extra ₹ 1 trillion in tax devolution to states on 1st of October ahead of the festive season to accelerate capex and welfare spending, a timely fiscal boost for infrastructure and development projects.

India's private capex cycle is also showing early signs of revival after a period of subdued activity, supported by monetary easing such as rate cuts and liquidity infusion, fiscal stimulus like front-loading of capex and tax cuts and regulatory reforms. While the capex to GDP ratio remains below its historical peak of ~35% in 2004 to 2008, currently standing at 30%, the outlook continues to improve.

The real estate market remains strong following last year's record sales and launches, a trend that should continue to support wires demand in the coming years.

Our International business continued its steady growth trajectory, recording a 25% YoY increase during the quarter and contributing 6.5% to consolidated revenue. With a healthy order book in place, we expect this growth momentum to continue.

On profitability, EBIT margins for the Wires & Cables segment stood at 15.1%, improving by ~270 bps YoY and ~40 bps QoQ, supported by operating leverage and favourable business mix.

Moving on to Slide 8 for an update on the FMEG business.

The fans category continued to face headwinds due to the prolonged monsoon season and elevated channel inventory at the beginning of the quarter, registering marginal degrowth. Lighting business gained traction due to festival demand, registering healthy growth. In switches, switchgears and conduit solutions, healthy demand from real estate continues.

The solar products category was once again the standout performer, driven by robust demand under central and state solar rooftop incentive schemes. With continued policy support and encouraging demand visibility, we expect this demand to continue. Our continued focus on premiumization as well as operating leverage benefit helped the FMEG business achieve its third consecutive profitable quarter despite increase in A&P spends.

Now moving on to Slide 10, which provides an update on our EPC business.

During Q2 FY 2026, EPC revenues declined 19% YoY to ₹ 4,024 million, primarily due to project execution cycle, same as was the case in Q1 FY 2026. Segment's profitability stood at ₹ 730 million, translating to a margin of 18.1%.

This includes a one-time gain of approximately ₹ 300 million, excluding which margins would be at around 10%, consistent with our mid- to long-term guidance. Our EPC order book remains healthy, providing strong visibility for future growth.

Moving on to Slide 12, which provides an update on our Project Spring.

Under Project Spring, we continue to make steady progress in line with our FY 2030 strategic guidance. Within Wires & Cables, growth in the first two quarters since the project's launch has been ahead of guidance at 1.5x to 2x of the industry growth rate, with margins above the guided range.

While export contribution appears lower, exports have actually grown 25% YoY in H1 FY 2026, and the relative decline is due to stronger domestic growth, expanding the consolidated base. We remain on track toward our greater than 10% export contribution goal.

In FMEG, we continue to outpace industry growth in line with our plan of growing 1.5x to 2x the market rate, while maintaining focus on margin improvement and progressing towards the 8%-10% EBITDA target by FY 2030.

We incurred ₹ 7.5 billion in capex during H1, consistent with our annual guidance of spending ₹ 12 billion to ₹ 16 billion annually. For FY 2025, we raised our dividend payout to 26.3% from 25.5% last year, in line with our goal of crossing 30% dividend payout by FY 2030.

Overall, we've made a strong start to Project Spring and remain confident of achieving our long-term objectives.

That was the update for the quarter. Thank you, and we are now open for questions.

Moderator: The first question comes from the line of Sonali from Jefferies Group.

Sonali: Congratulations on a great set of numbers. Sir, my first question would be in this 21% YoY sales growth in cables and wires, approximately how much would be volume? And if you could further categorize them between cables and wires, that would be great.

Chirayu Upadhyaya: Thank you so much, Sonali. As far as the growth is concerned, the 21% revenue growth is on the base of high teens volume growth, and the remaining is the value contribution. Both cables and wires have registered strong growth. As far as the revenue growth in both cables and wires are concerned, they are pretty much equal.

Again, on the volume terms, the growth will be a bit higher on the cable side, and a bit lower on the wire side, but that is because of very high base of wires in Q2 of previous year. If you would recall, in September of last year, we had seen an upward trend in copper prices in the last 15 days, which had led to a lot of pre-emptive stocking by distributors. As a result, we sat on a very high base as far as wires are concerned. Even on that, we were able to register double-digit volume growth in the wires business - with in line revenue growth with cables. So that was the breakup of volume versus value.

Sonali: Very helpful, sir. My second question is regarding the EPC segment. Now we understand that there could be a time deferment between the execution and the time that we are going to

receive the order for the money from our RDSS orders. But going forward, on an annualized basis, how should we look at the revenue and the margin profile of this segment?

Chirayu Upadhyaya: On the EPC front, specifically, till quarter too, we were just executing the RDSS project. Q1 and Q2 were quarters wherein we had the execution phase of the project. There was a limited supply portion that we had to do. In Q3 and Q4 or the second half of the year, we will also have a cable supply portion within the RDSS contracts that we are executing. So that means second half of the year should see better revenue inflow coming from the RDSS project.

Over and above that, we will also start executing the BharatNet project from Q3 onwards. That will add up to the overall top-line as well as bottom-line on the EPC part of the business. So overall, I think second half of the year should be much better as far as the EPC business is concerned.

Sonali: Understood. And what was the one-off component in the margins? And if you could quantify that in Q2?

Chirayu Upadhyaya: The one-off was of about ₹ 30 crores. If you remove that from the margins of the EPC business, you would end up at around 10% of EBIT margins for the quarter, which is in line with our guided range for the segment. The reason for this ₹ 30 crores of one-off was because of change in terms in one of our contracts.

Sonali: Understood. Got it. And just one last question. Any update on our EHV segment because that seems to be quite a good demand driver going forward for the industry as a whole.

Chirayu Upadhyaya: Sonali, the EHV plant continues as per the timeline. We are expecting that plant to get commissioned by the end of next calendar year. So perhaps we'll be able to start seeing benefit from the EHV sales only in FY 2028.

Moderator: The next question comes from the line of Ashish Jain from Macquarie India.

Ashish Jain: So Chirayu, my first question is on the growth in cable and wire, like this year also, we have seen a fairly sharp rally in copper prices, right? And some of our channel checks are indicating a similar stock up and all by the dealers. What is our sense on that? Does this volume growth reflect that?

Chirayu Upadhyaya: So, Ashish, as on date or in the first half of this year, definitely, we have seen better traction as far as the volume growth is concerned. But all of this is largely linked to the fundamental demand. We don't see a lot of inventory buildup into the channel right now. To a certain extent, maybe in wires, we would have seen that buildup happening towards the end of September.

But same was the case towards the end of June and all that inventory got liquidated because the fundamental demand remains strong. So, we don't believe that the high-volume growth that we are witnessing this year has anything to do with the copper movement. I think the fundamental demand remains quite strong.

The government, as you would have seen in the numbers, they are front-loading their capex and has already spent ~38% of their yearly target. We are also seeing a lot of green shoots in few of the private sectors as far as capex is concerned. And all of those put together are helping in terms of the volume growth on the cables and wires business.

We continue to expect the second half of the year to remain strong. This is also visible in the inventory we have created, which is in anticipation of strong demand in the third and fourth quarters.

Ashish Jain: Right. And second question is again on cable and wires, like what explains the margins there? Is it purely operating leverage or there's something else also? And an extension of that is where are we on price hikes given the sharp copper price rally that we have seen?

Chirayu Upadhyaya: So, on a sequential basis, the margin improvement in cables and wires is only roughly around 40 to 50 bps. This improvement is largely because of operating leverage. Year-on-year, it's a mix of operating leverage as well as gross margin expansion. So that's the reason for the higher margins.

As for your second question regarding the pricing pass-on is concerned, as you are aware, 90% of our business is through distributors, and for distributors, we revise prices on a monthly basis. So whatever movement happens in a month, we pass it on in the consequent month.

The uptrend in copper prices that we witnessed was towards the end of September. So, we would have passed on that increase in prices only in the first week of October. If you look at the September quarter prices, the average copper prices, and look at YoY growth, largely, you would see the average is pretty much similar. So, it's kind of flat YoY.

Moderator: The next question comes from the line of Natasha Jain from Phillip Capital.

Natasha Jain: My first question is on wires and cables. If I see your top-line growth, this has historically, growth has been much larger than 19%, with margins lower than 15%. So, this time, it's at a lower top-line growth, a higher margin.

I want to understand, does exports have anything to do with this given that there was a period of 20 days when a lot of players front-loaded US exports. So, has that also come into our margins? And having said that, what about exports from quarter 3 onwards to US given it's a high-margin business? First question, sir.

Chirayu Upadhyaya: So, Natasha, on the top-line of the wires and cables business, we've actually grown 21% in this quarter YoY. And that, too, as I mentioned in my opening remarks, is on a very high base. Last year, we had seen 23% growth in wires and cables and the domestic business has actually grown 28% YoY in Q2. On that, we have registered a 21% YoY growth. So definitely, nothing amiss as far as the top line growth is concerned. The percentages, maybe, you might be comparing it with 25%+ kind of growth, but you also have to consider the base when you are looking at the percentage growth.

As far as margin increase is concerned, see, it is a mixture of a lot of things. Operating leverage is definitely one of them, but also the business mix change is one of them. YoY, if you look at the exports mix, it's not very different. QoQ, yes, it is better.

The margins in exports are definitely better. But unlike some of our peers, we don't operate through distributors when we export. We operate mainly through institutional channel. And irrespective of the tariffs or how the prices move, institutional players don't prepone their buying. It's the distributors who resort to stocking.

So, in exports, we didn't see any kind of pre-stocking because of whatever tariffs or copper-related movement or any of that sort. All of this is pretty much execution of the order book that we had.

Natasha Jain: Understood. This is helpful. And in terms of export, can you break the sales geography-wise?

Chirayu Upadhyaya: It's a mix of all 6 continents put together. We would have good contribution coming in also from the U.S., which would be close to around 20%. The other geographies of Europe, Middle East, Australia as well as South America, all of them contributed to this growth.

Natasha Jain: So, can we expect this 20% from U.S. to continue in the future? Or has there been proper billing post 27th of August to U.S.?

Chirayu Upadhyaya: See, U.S. is a developing situation. So, it will be very difficult for us to comment at this point of time what we can expect perhaps by the end of this quarter, or maybe in the next quarter or so. We don't know what the tariff number will be by next month either.

Hopefully, the ongoing trade negotiations get resolved by the end of November, and we perhaps see a reduction in the tariffs which are levied on us. Based on that, there might be some changes in what visibility we might have from U.S. It is very difficult to comment as of now as far as the U.S. is concerned.

Natasha Jain: Fair enough. Just one last quick question. So, one of your peers had mentioned on their con call that their EHV plant is facing issues in terms of non-availability of technicians for vertical lines. Now I understand Polycab is also setting up vertical lines for EHV. So, are you facing any such issues in terms of non-availability of technicians and therefore, any delay? Or are we on track for it to commission?

Chirayu Upadhyaya: Natasha, we are not facing any such delay in acquiring of technicians. We are pretty much on track.

Moderator: The next question comes from the line of Achal from Nuvama IE.

Achal: The first question I have with respect to the demand. I understand basically what you're seeing is very strong domestic and export outlook. So how do we see in terms of volume sustaining? Do you think the volume growth of high teens can continue in the remaining part of the year,

particularly when you are talking about the inventories? What kind of growth are we building when we are building the inventories, if you could clarify on the same?

Chirayu Upadhyaya:

Achal, as you are aware, we don't give out yearly or quarterly guidance. So perhaps I would refrain from giving specific numbers on the volume growth expectation. We are, on the ground, witnessing a lot of traction in execution. Q2 in that way generally is hampered because of monsoon season. And this time around, we actually had an extended monsoon season. But in spite of that, you've seen the numbers that are being delivered. We believe that once, the monsoon season is over, the execution will actually pick up pace.

And looking at what the government has done in the first half of this year in terms of their spend and whatever traction is visible from the private side, we definitely believe the second half should continue to be a good affair. And hence, we have a very positive outlook as far as the growth for the second half is concerned. But perhaps I won't be able to give you any quantum of growth numbers.

Achal:

All right. The second question I have with respect to the margins. Given what we have delivered the number, I presume, I mean, this is 14%-15% margin, the implied EBITDA margin is 16%+, while we continue to guide for a lower margin. So, if you could quantify if there is anything specific which is helping these extra margins, which you think may not be sustainable? Anything you want to call out?

Chirayu Upadhyaya:

Achal, the guidance of 11% to 13% of margins is a 5-year guidance. It is not something that we believe will be the case immediately next quarter or the quarter after that. Currently, we are seeing very good traction. The utilizations rates are quite good.

So, we believe perhaps we could be able to continue to deliver maybe at the higher end or perhaps even better than that. But our longer-term guidance of 5 years, you have to be a bit conservative when you give out those guidance, and that is what we have done as far as the margins guidance is concerned.

Achal:

Got it. And just last question, if I may, with respect to the industry demand supply in terms of capacity and demand. Are you seeing any stress emerging in terms of the pricing, etcetera? I remember last time you had talked about the price premium for some of the products. So, is that premium sustained? Or is there any moderation in that premium?

Chirayu Upadhyaya:

So, we are not seeing any particular increase in competitive intensity, and that is perhaps visible in the gross margin that we are delivering. Our pricing premium compared to the other players in the industry continues to be as it is, and we don't expect there to be any material change in the near-to-mid term to that.

Achal:

This is very helpful.

Moderator:

The next question comes from the line of Jai Chauhan from Trinetra Asset Managers.

Jai Chauhan: So, my question is on the FMEG segment. With solar products now being the largest category, could you elaborate on the margin profile of the solar business and versus the rest of the FMEG portfolio? And looking ahead, what are the key strategic levers beyond solar that will drive segment margin from the current low towards the ambition of 8% to 10% under the Project Spring?

Chirayu Upadhyaya: So, Jai, we don't particularly give out product-wise margins, neither the breakup of our FMEG. Having said that, solar is a profitable business for us, and that will continue to be the case. The other products that we have in the FMEG segment, which are switches, switchgears, conduits, all of them are profitable.

Perhaps one of the segment that we would want to be profitable in the near to midterm is the Fans segment. Over there, the utilization rates continue to be at a bit lower and which is what is hampering our operating leverage and hence, the bottom line. As and when we scale up that business, perhaps that growth in terms of the bottom line in the FMEG business will see a material pickup.

Over and above that, gross margin expansion as well based on the premiumization drive that we are undertaking across the product categories, that will be the other driver.

We are also focusing on increasing the contribution of higher-margin products like switchgears and switches in the business. As and when that pans out over the course of next 5 years, again, that should be a booster to the bottom line of the FMEG segment. So, these are the 3 levers that we are working on to finish the journey from the current margins to 8% to 10% in the next 5 years.

Jai Chauhan: Understandable, sir. And on the FMEG side, what I have seen around the industry is like if you take an example of fans, if you see Atomberg as they're focusing on marketing, distribution, everything and then they are outsourcing their contract manufacturing. So, like what was the rationale behind doing everything in-house?

Chirayu Upadhyaya: So, Jai, you will be aware that we use the same brand Polycab within our FMEG business as well. Polycab as a cables and wires brand is considered to be a superior brand as far as quality is concerned. We didn't want to dilute our brand name when we sell the FMEG products.

So that was one of the reasons why we chose to manufacture our products in-house because we can control the quality of our products. Over and above that, it also gives you a better handle on availability, which is something which faces a lot of pressures when you outsource, as the other partners might not have or might be going to some rough patch. So, both of this put together is one of the rationale.

The other rationale is that there is a lot of synergy as far as the manufacturing process is concerned. We use the same raw materials largely copper, steel, plastic, etcetera, which are used in the cables and wires business to manufacture our FMEG products. Since we have the

scale benefit on the cables and wires business, perhaps we can leverage on that scale benefit, lower cost and optimize our manufacturing cost on the FMEG side. So, all those 3 things put together is the rationale behind us manufacturing our products in-house.

Moderator: The next question comes from the line of Umang Mehta from Kotak Securities.

Umang Mehta: Congrats on a good set of numbers. Chirayu, the question was on gross margin in wires and cables on a YoY basis. Now if you compare this quarter to the base quarter, if you can just highlight, I mean, what helps us to show this strong expansion?

Because I believe in base quarter, you had highlighted heightened competition in wires. But I believe even this quarter, we've seen copper price inflation and some stocking up in wires. So, what has exactly changed if we were to compare both the quarters like-for-like?

Chirayu Upadhyaya: So, similar to Q1, we had seen the expansion on the gross margin level, pretty much the same continues in Q2. We didn't see a similar heightened competitive intensity on the wires this time around.

Last year in September, the upside that happened in copper was within a very short time frame of 3 to 4 days and towards the end of the quarter, which led to the higher competitive intensity. This time around, the increase in copper prices was over a longer period, and perhaps that is why we might not have seen a similar behaviour from the competitors this time around. So that is why the margins even in wires were pretty good.

Over and above that, our own internal initiatives are working quite well for us. For example, in the wires business, we are focusing on selling of Class 2 or premium wires, which is where the margin profiles are better. Over the last few quarters, we've seen an improvement in mix of those premium wires in our sales, and that has helped us in terms of improvement of gross margins as well.

Similarly, in cables, we have seen the sales of better gross margin SKUs go up, and that has again helped us to improve our overall margins YoY as well. The remaining is obviously the operating leverage part. So, these variables put together are helping us in this increase in the margins on the cables and wire side.

Umang Mehta: Understood. And just as a follow-up to this, because you have a hedging and your contracts -- you have these embedded contracts, a gradual move in copper price, like it benefits the other peers who do not hedge, it doesn't really benefit you in that sense. Is that the right way to think about it?

Chirayu Upadhyaya: Right. See, for us, hedging is a tool which helps us maintain margin. We are not looking at in terms of improvement. There will be certain cases wherein it might be helping us in terms of margins, and in other case, it might decrease margins.

But what it helps us to do is create a relatively stable margin profile and that is what we aim for. So, we'll continue to use the hedging mechanism in our business, and we will not deviate from that irrespective of what the copper or aluminum or the USD-INR movement is.

Moderator: The next question comes from the line of Aadipta Ghosh from Invesmate Insights Private Limited.

Aadipta Ghosh: First of all, congratulations for your great numbers. My question is major players like Adani Group and Birla Group entering the market. How do you see the competition evolving? Do you expect any margin pressure in coming quarters for new entrants?

Chirayu Upadhyaya: So, Aditya, the announcements of entry by both these large conglomerates happened somewhere around the beginning of this year. It will obviously take some time for those players to enter in the industry. One of the players has given specific plans and timelines by which time they expect their plant to get commissioned and them to enter in this particular industry, while the other player has not given any clear plans of what they wish to do as far as this business is concerned.

Even for the player which has given the plans, this is something which will happen after 1-1.5 years. At that point of time, we'll have to see what the demand environment and the competitive intensity look like. But this player has indicated that their focus will be largely on wires. Wires, in particular, is an industry where we have always been in oversupply. We have always been competing with other large players as well as the large unorganized players and we've continued to grow in that environment and continue to gain on market share.

So, from our point of view, we'll continue to focus on our initiatives, our strategy, our products and different geographies to continue to gain our market share. As and when we have the newer players entering the market, we'll perhaps look at strategies to compete with them as well.

Aadipta Ghosh: Okay. And my next question is what's your current capacity utilization in wire and cable segment?

Chirayu Upadhyaya: Utilization will be in mid-70s.

Moderator: The next question comes from the line of Prathamesh Rane from Elara Securities.

Prathamesh Rane: Congratulations for the superior quarter. My question was on Etira, Maxima and, the Suprema wires, how they are doing in Tier 2, Tier 3 cities, just wanted to get some insight on that.

Chirayu Upadhyaya: Prathamesh for Tier 2, Tier 3, Tier 5 cities, we have the Etira brand, which we introduced around 3-3.5 years back. This is a wire range which competes very actively and very competitively with the unorganized players and their offerings in this market. Suprema, Primma and the other ranges that we have are more premium in nature, and they are largely used in metro and Tier 1 cities.

As I had mentioned in one of the earlier questions, we are seeing very good traction in sales of our Class 2 wires. That has been one of our focus areas, and we have seen very good traction on that front, which is again resulting into improvement of our margin profile on the wires segment as well. So largely, I mean, wires for the last 4-5 quarters, we've seen almost 20%+ growth each quarter and all of those ranges that we have, they are panning out quite well.

Moderator: The next question comes from the line of Rahul Maheshwary from Dolat Asset Management.

Rahul Maheshwary: Just one question from my end. We are hearing a lot of HVDC as an opportunity, which is till 2035. For my clarification, HVDC as an opportunity is similar to what EHV cable would be coming or it's completely different? Or Polycab is looking for such opportunity going ahead?

Chirayu Upadhyaya: Thanks, Rahul. So, the EHV plant that we are putting up will be largely utilized for only the EHV opportunity. As of now, we are not looking at the HVDC opportunity. Perhaps, yes, as you rightly mentioned, it is an opportunity which will perhaps be there in the longer term. If you take more of a decade or two decades kind of view, there may be more demand for those kind of cables. But as of now, there are very limited projects in the country that requires HVDC cables. None of the players in the country have the tech to manufacture them, and whatever cables are being utilized or will be supplied for those projects will be imported. So, as of now, it is not something that we are looking to pursue. But maybe in the next few years, that might be an area that we develop the tech for or acquire, and then look to gain from the opportunity over the longer period.

Rahul Maheshwary: And how big this TAM can be for next 1 decade, specifically for HVDC?

Chirayu Upadhyaya: Rahul very difficult to quantify the market size for a specific type of cable. We'll have to see what kind of order contracts are being given out by the government, and that is how perhaps we'll get to know the TAM for that.

Rahul Maheshwary: And just a follow-up question, I know defense as a part is too miniscule compared to what the cables are being put for the power and etcetera, other industries. But anything which we are catering to defense sector?

Chirayu Upadhyaya: We definitely cater to the defense sector. We have a vertical which is called special purpose cables wherein we cater to the defense sector. The key here is, first of all, you need to develop the products which are required in defense and which are very different compared to the normal cables which are used in the other industries. Once that is done, you have to secure approvals from the various end customers before you start supplying. Over the last 2-3 years, we've worked on developing those products and securing those approvals, and we've now been consistently improving our supply to the defense industry.

Going ahead as well, whatever new investments on the defense side are being done in the country and whatever type of cables will be required in defense, we are kind of an approved

player for that. And going ahead, it should be one of the areas, developing areas, which should kind of see quite good growth as far as the cables business is concerned.

Moderator: The next question comes from the line of Sanjaya Satapathy from Ampersand.

Sanjaya Satapathy: Chirayu, just two questions. One is that you said that you have already taken a price hike in October. Is it possible to say what kind of price hike you have taken?

Chirayu Upadhyaya: Sanjaya, you can look at the movement of copper and aluminum along with the USD-INR movement in the previous month to this month and take the average and perhaps that is the increase that we would have taken.

Sanjaya Satapathy: Okay. So that essentially tells me that you are protecting your margin despite this volatility. Thanks for clarifying that. My second question is that this capex, which we have done like ₹ 750 crores odd and you're planning to do somewhere around ₹ 1,500 crores, ₹ 1,600 crores this year. Can you spell it out for us like what all exact capacities that has gone up?

Chirayu Upadhyaya: Sanjaya, this is a capex that we continue to do every quarter. Not necessarily we'll have facilities coming up for the spend that we did in the previous quarter. It takes time for the plants to get commissioned and become operational. We've been doing much more capex since last couple of years.

In the last two years, we've done ~₹ 850 crores and ~₹ 960 crores of capex. This year as well, we are at ₹ 750 crores in the first half, and we'll perhaps do somewhere between ₹ 1,200 crores to ₹ 1,600 crores for the year. All of these capacities come up gradually. Some of them are brownfield, which will perhaps come up in 1-1.5 years and some of them are greenfield, which will take a bit of a longer time.

The spends are done across the different types of cables. Part of this is also for EHV, while the other spends are done for normal high voltage, low voltage or medium voltage cables, and so on and so forth. So, it's a mix of all of those. As far as the capacity which is coming up, I wouldn't be able to quantify it at this point of time.

But if you are looking at what incremental revenue potential this capex generates, you can take a 4x to 5x turn on the capex that we are doing, and perhaps with a lag of 1.5-2 years, that is the kind of incremental revenue potential this capex will be generating for us.

Sanjaya Satapathy: Sorry, how much did you say? 4x to 5x?

Chirayu Upadhyaya: 4x to 5x, yes.

Sanjaya Satapathy: Okay. Okay. No, I just wanted to know how the mix between wire and cable versus others.

Chirayu Upadhyaya: See, the capacities are largely fungible. So, you can use the same capacities to manufacture any type of cables or you can use the cables' capacity to manufacture wires. There is nothing

that stops you. So, depending on the kind of demand which is there or the kind of product that you would want to cater to, you can use the capacities to manufacture any type.

Moderator: The next question comes from the line of Natasha Jain from PhillipCapital.

Natasha Jain: Two questions. One, Chirayu, can you give us the breakdown in terms of order book for RDSS and BharatNet as of today?

Chirayu Upadhyaya: So, Natasha, the order book for RDSS currently stands at ₹ 33.5 billion. And for BharatNet, since the execution will only begin from next quarter onwards, the order book is similar as it was at the end of previous quarter, which excluding the GST part stands at about ₹ 80 billion.

Natasha Jain: Understood. And one last question. In terms of fans, there is a BEE rating change in the offing, right? So, are you expecting any kind of pressure in terms of pushing volumes and therefore, at the risk of margins for fans in third quarter?

Chirayu Upadhyaya: So, we didn't see any such pressure when the previous BEE change happened around 1 year, 9 months back. So, perhaps we wouldn't see a similar pressure this time either. But obviously, one cannot guarantee that. We'll see how the next quarter pans out to know if there is any competitive intensity or higher pressure on the margins to perhaps liquidate the inventory.

Natasha Jain: But is there any kind of price cuts that you are seeing?

Chirayu Upadhyaya: As on date, we haven't seen any price cuts. In fact, in the previous quarter, the industry actually took price hikes. So, let's see how the next quarter pans out. It will depend a bit on the demand environment as well.

Moderator: The next question comes from the line of Rahul Maheshwary from Dolat Asset Management.

Rahul Maheshwary: Just that question, can you quantify the special purpose opportunity and currently, how much it contributes without going into details sector to sector, but for next capex, which in upcoming 2, 3 years, which you are planning, what quantum can go towards a special purpose kind of structure?

Chirayu Upadhyaya: Within the special purpose cables (SPC) vertical, we cater to 3 types of opportunities — defense, automobiles, and railways, specifically railway coaches. These three put together form part of our SPC vertical. As of now, the contribution of SPC vertical to our overall cables and wires would be in low single digits. However, looking at the kind of investments which are happening in those sectors, it can be one of the fastest-growing vertical for us.

As far as the opportunity size is concerned, you can track the announcements of government related to defense. Similarly, on the automobile side, you can look at the investments happening on the EV side as well as on the railway coaches side.

These are government projects, and the numbers are largely available in the public domain. You can apply a percentage of about 2.5% to 3% to the capex, which are currently getting committed in these sectors, and that would represent the demand for cables generated from those sectors. This is how you can quantify the demand expected within those sectors.

Rahul Maheshwary: And how much Polycab is targeting in next 5 years? In this current single-digit contribution, which is there, what can be the targeted contribution you expect going ahead from this segment? And is the margins 200, 300 bps better in special purpose cables?

Chirayu Upadhyaya: Rahul, all three of these are institutional orders. As I was mentioning, these are new sectors where you have to develop the products and get yourself approved. It takes a lot of time for you to secure those approvals from multiple clients. So, it often takes a few quarters or years for you to go through that process. Once that is done, the scale-up is much faster. We do expect the SPC vertical for us to grow at a faster rate compared to the other types of cables. But again, it is very difficult to quantify the contribution that we will generate from the SPC vertical for us five years down the line.

Even in our normal types of cables or wires that we are manufacturing, we are seeing very good traction. So, the focus is on all types of cables and wires, and we are not looking at specific contribution of any one vertical in isolation for our business.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Gandharv Tongia for the closing remarks.

Gandharv Tongia: Thank you, everyone, for taking out time and attending the call. Thank you for your trust and support over the period. We take this opportunity to wish you, your family members and each and every member of your family a very happy Diwali. Thank you. Take care. Bye-bye.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Polycab India, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.