"Polycab India Limited
Q3 FY26 Earnings Conference Call"
January 16, 2026

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Moderator: Ladies and gentlemen, good evening, and welcome to the Polycab India Limited Q3 FY26 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Niyant Maru, Chief Financial Officer, Polycab India Limited. Thank you, and over to you, sir.

Niyant Maru: Thank you.

Good afternoon, everyone, and thank you for joining us today. I hope all of you are staying healthy and safe. I am Niyant Maru, CFO, at Polycab India Limited. On today's call, we will be discussing the Q3 FY26 results, which were approved by the Board of Directors earlier today. We will be referring to the earnings presentation, financial results and financial statements, all of which are available on the stock exchanges and on the Investor Relations section of our website.

Joining me today from the management team are Shashank Yagnick, Head Strategy; Chirayu Upadhyaya, Head Investor Relations.

Before we get into quarterly performance, I would like to share a very important update announced at the Board meeting today.

It gives me immense pleasure to inform you that the Board of Directors at its meeting held today has approved the redesignation of Mr. Bharat Jaisinghani and Mr. Nikhil Jaisinghani from Executive Directors to Joint Managing Directors of the company with immediate effect, subject to approval of the shareholders.

Over the years, Bharat and Nikhil have played an integral role in shaping the Company's growth trajectory, strengthening the market leadership and building a strong foundation for a long-term value creation. Their deep understanding of the business, strategic clarity, and hands-on leadership have been key contributors to the Company's success. I'm confident that, in their enhanced roles as Joint Managing Directors, they will continue to provide strong leadership and guidance, and work closely with the Board and the management team to steer the Company towards sustained growth and newer milestones in the years ahead.

With that, let me now take you through an update on the macro environment.

The year 2025 marked a pivotal phase for the global economy defined by shifting trade dynamics and heightened geopolitical and tariff related uncertainties. Elevated U.S. tariffs disrupted the established supply chain and moderated global growth, even as labour market remains resilient and inflationary pressure eased across the major economies.

Against this backdrop, the global economy is expected to grow at around 3.2% in 2025, reflecting a period of stabilization amid persistent trade tensions. Overall, the global environment in 2025 has been characterized by steady but uneven growth, improving inflation dynamics and cautious monetary easing across regions.

India continues to stand out as a clear outperformer in this global landscape, demonstrating remarkable resilience and adaptability. With Q2 FY26 GDP growth at 8.2%, India continues to be the fastest-growing major economy, underscoring the strength of its internal growth engines. In November 2025, India overtook Japan to emerge as the fourth largest economy globally, reaching a GDP of USD 4.19 trillion.

Domestic consumption has witnessed a notable revival following last year's direct and indirect tax. Credit growth has strengthened meaningfully, with total credit uptake reaching INR11 trillion in November '25 compared to INR9.5 trillion last year. 2-wheeler sales also increased by 18.1% YoY over the September- November period, while passenger vehicle sales rose by 7.3% during the same time frame, reflecting improving confidence among consumers and businesses alike.

Encouragingly, this recovery has occurred alongside a continued moderation in inflation. Headline inflation has trended lower, led by easing food prices, while lower global energy prices have provided additional relief. Despite currency depreciation during the fiscal year, the pass-through to inflation has remained limited. Core inflation across both goods and services has stayed relatively benign.

In this favourable macro backdrop, the RBI delivered a 25 basis point policy rate cut, revising its growth forecast upwards to 7.3% for the year and lowering inflation projection to 2%. For the next fiscal year, first half inflation expectation has been revised downwards to 4% compared to 4.5% earlier. The rare combination of strong growth and softer inflation enabled the Monetary Policy Committee to proceed with the rate cut, taking cumulative easing to 125 basis points during the calendar year.

Investment activity has also gathered momentum. Rising capacity utilization, strong investment announcements, and improving credit offtake points to a broad-based recovery in economic activity and increasing job creation.

The real estate sector remains healthy with launches and sales across the top 7 cities closely tracking the previous decade high. The affordable housing segment is also witnessing renewed momentum supported by lower borrowing costs and rising household incomes. At the same time, government capital expenditure has accelerated meaningfully with approximately 59% of the FY26 capex outlay already utilized by November 2025, a 28% YoY increase.

Overall, we are witnessing signs of recovery in consumption and this improving demand environment is expected to translate into a revival in private capex, complemented by sustained public investment, providing strong confidence in India's growth outlook.

I would now hand over to Shashank to take you through the financial performance for the quarter and the year.

Shashank Yagnick: Thank you, Niyant.

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

For the quarter ended 31st December 2025, we are pleased to report that our Company delivered 46% YoY growth in consolidated revenues, driven by strong execution in the Wires and Cables (W&C) segment and healthy growth in the Fast Moving Electrical Goods (FMEG) business.

EBITDA for the quarter grew by 34% YoY with EBITDA margins at 12.7%. Excluding the one-off impact of ~₹ 219 million on account of gratuity provisioning due to the implementation of the new labour code, the EBITDA margins would have been ~13%.

At the PAT level, the Company delivered its highest ever Q3 PAT at ₹ 6.3 billion, reflecting 36% YoY growth. PAT margins stood at 8.3% for the quarter.

Finance costs came in at ₹ 687 million, while other income stood at ₹ 505 million. A detailed breakdown of these line items is available on Slide 17 of the presentation.

We continue to maintain a strong balance sheet, closing the quarter with a net cash position of ₹ 30.3 billion. On working capital front, same as last quarter, inventory days continue to be higher as we built up inventory in anticipation of strong demand in Q4 FY26. And correspondingly, given the use of letters of credit for raw material procurement, payable days were also higher, resulting in the working capital cycle to be at 27 days at the end of Q3 FY26. We expect this to normalize to our long-term steady range of 50 to 55 days in the coming quarters.

Capital expenditure for the quarter was ₹ 3.4 billion, taking the 9M FY26 total to ₹ 10.9 billion, in-line with our Project Spring guidance of investing ₹ 12 billion to ₹ 16 billion annually through FY30.

On a 9-month basis, I'm proud to share that 9M FY26 revenues, EBITDA and PAT are the highest ever in the company's history for any 9-month period. Revenues grew 30% YoY, crossing ₹200 billion milestone. EBITDA grew 47% YoY, with margins strong at 14.2%. PAT grew 47% YoY, with PAT margins of 9.6%.

We now move to Slide 6.

The W&C business delivered very strong performance, recording 53% YoY revenue growth during the quarter. This growth was led by domestic W&C business, which posted an exceptional 59% YoY growth, supported by robust demand conditions and sustained commodity price inflation. In volume, the domestic W&C business recorded nearly 40% growth, reflecting healthy underlying demand.

This strong performance underscores a further strengthening of our market position with continued market share gains in the domestic market during the quarter. Execution excellence under Project Spring remains a key enabler driving superior market execution, improved relationships with our channel partners and consistent outperformance.

During the quarter, wires growth outperformed cables, driven by pre-stocking by channel partners amid elevated copper prices. Within the cable segment, institutional sales growth outpaced the channel sales, reflecting strong traction in project-led demand.

Looking at the broader environment, demand remains robust across key sectors. Government capex surged nearly 28.2% YoY in the first 8 months of FY26 reaching ₹ 6.6 trillion versus ₹ 5.1 trillion last year, also 12.4% higher than in the 8-month period in FY24. Additionally, the government of India released a loan of ₹ 1.25 trillion to states for capital expenditure during the same period.

The private capex cycle in India is showing signs of recovery aided by the monetary policy support and the stimulative impact of CST rate cuts on consumption, laying the foundation for sustained investment growth. 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 maintained its steady momentum, recording a 5% YoY growth during the quarter, despite a high base and contributing 6% to the consolidated revenues. Backed by a healthy order book, we remain confident that this growth trajectory will continue in the coming quarters.

Segment profitability was impacted during the quarter due to multiple factors, primarily on account of continued commodity price inflation and depreciation of the Indian rupee. Between September 2025 and December 2025, copper and aluminium prices, in rupee terms, increased sequentially by approximately 21% and 11%, respectively, which represents an unusually sharp escalation over a short period of time.

In order to avoid demand disruption, arising from elevated input costs, the Company took a strategic decision to pass on the increase in raw material prices in a staggered manner. While this approach resulted in near-term margin pressure at the Company level, it enables us to protect volumes, gain market share and further strengthen relationships with our channel partners.

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

The FMEG segment sustained its impressive growth momentum, delivering a 17% YoY increase in Q3 FY26, and consistently outperforming the industry in-line with our Project Spring growth aspirations.

Within the segment, the solar business has been a standout performer, growing more than 2x compared to the same quarter last year, driven by strong uptake under the central and state rooftop solar incentive scheme. With favourable support and strong demand visibility, we expect this momentum to continue in the coming quarters. Other product categories delivered steady, in line performance, reinforcing the segment's balanced and resilient portfolio.

Importantly, the FMEG segment remained profitable for the fourth consecutive quarter, even while strategically ramping up our A&P investments to strengthen brand presence and drive long-term growth. As we continue to scale, we expect profitability to expand further, reflecting the leverage in our business model.

Looking ahead, we are confident in the long-term potential of the FMEG segment and remain on track to achieve our Project Spring targets of 1.5x - 2x industry growth and EBITDA margins in the range of 8% to 10% by FY30, positioning the business for sustained growth and value creation.

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

During Q3 FY26, EPC revenues grew by 4% YoY, reaching ₹ 4,069 million. This quarter, we commenced execution of our existing orders under BharatNet scheme, which is expected to generate ₹ 4.5 billion over the next 3 years for project execution and an additional ₹ 3.5 billion for 10 years for project O&M.

Segment profitability stood at ₹ 272 million, translating to a margin of 6.7%. Looking ahead, the annual sustainable operating margin is expected to remain in the high single digits over mid-to long term.

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

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

Sonali Salgaonkar: Congratulations on a strong revenue growth. I have 3 questions. First, a strong revenue growth in the C&W segment, would it be able to quantify what is a volume growth for this quarter YoY?

Shashank Yagnick: For both domestic cables and wires, our volume growth is about 40%.

Sonali Salgaonkar: Right. And any more detail you would like to share as to which end-user industries contributed higher, because 40% is very significantly higher?

Shashank Yagnick: We have witnessed sustained momentum in both government and private capex. The real estate sector, particularly in the top 7 cities, has seen healthy level of launches and sales, closely tracking with previous decadal highs. We are also seeing a recovery in affordable housing segment. Additionally, due to the commodity price inflation, there has been some channel stocking happening for wires, which has also contributed to the higher surge in top-line.

Sonali Salgaonkar: Sir, my second question is on the EBITDA margin. We understand the reasons that you have outlined in your presentation as to why the QoQ drop was there in the EBITDA margins. So, two-three follow-up questions: firstly, such high volume growth would intensively result in good operating leverage, right? So that is one. Secondly, I think you did take a price hike of about 6% YoY. So, could you help us understand what exactly led to this fall of EBITDA margin both YoY and Q-o-Q?

Shashank Yagnick: There are multiple factors at play. The primary reason has been the sharp rise in commodity prices. From January 2025 till January 2026, the copper, in rupee terms, has risen almost 50% and aluminium almost 25%. And in this quarter itself, the 22% inflation has happened in copper price compared to previous quarter.

We had taken a conscious call to pass it on in a staggered manner. While we have been revising prices, the full impact of the input cost increase has not yet been passed on. As a result, there is typically a time lag in recovering the higher input costs, which has impacted margins in the near term.

Chirayu Upadhyaya: So, Sonali, as Shashank mentioned, when the copper prices rises so high, you have to take a conscious call of how you want to pass on. Because if you look at this specific financial year, from April till December, the copper prices have risen by 35%, and this is including the rupee depreciation. And similarly, if you look at aluminium, aluminium has risen by 27%.

Out of the 35% of copper rise, 21% which happened within this quarter itself, and 11% of that has happened in December itself, right? So, we have consistently passed on that cost price inflation to the end customers month-on-month, but we have taken a conscious call that such high 35% passing of inflation can't be done every month and hence, we will do it in a bit of a staggered manner. So, we've been doing it. We've taken a bit of a price hike at the end of the quarter, we have again taken a bit of a price hike towards the beginning of this quarter as well. But still, we haven't passed on the complete price hike or the commodity pricing inflation. Hence, if you look at the financial statements, you realize that most of the decline in the EBITDA margins have been at the gross margin level.

You are correct in mentioning that such high top-line growth will result into operating leverage, which is very much visible, if you look at everything below the gross margins. So, we have realized a lot of improvement as far as our operating leverage and everything is concerned. But yes, this is a conscious call what we have taken.

What you also need to appreciate is what we were able to achieve through this staggered passing - see, if you look at our performance in this year, our W&C segment has grown 35% YoY and that too on a base where we are operating at 2x of the second largest player. The staggered passing on of copper prices to our end customers have also resulted in the improvement of loyalty of those customers with us because they don't have to take the brunt of reduced demand, neither of lower margin.

We'll definitely be passing on whatever commodity inflation will be coming off, gradually, but this is something that we have taken a strategic call. Since you've been following this sector for many years, you will recall that even in FY22, similar commodity price inflations were there, where copper had gone up by 40%, whereas aluminium has gone up by almost 25%-27%.

Even at that point of time, Polycab's margins had taken a hit for a quarter or two, but then we had gradually recovered back those margins. So, we believe that something similar should play out. There can be margin impact for a quarter or two. But if you take a more longer-term view, we should be able to recover some of our margins back.

Sonali Salgaonkar: May I just ask what is the quantum of price hikes that we have taken at the start of this quarter - you mentioned before?

Chirayu Upadhyaya: The total price hikes that we would have taken within this quarter will be almost 75% to 80% of whatever commodity inflation was there.

Sonali Salgaonkar: Understand. Got it. And just one last question on the exports. While there has not been a de-growth, but how do you foresee the exports to shape up in the coming quarters? That's it from my side. Thank you.

Shashank Yagnick: So Sonali, on exports, the majority of the revenue that we have accrued during this quarter has come from geographies other than U.S. As and when orders from U.S. comes in, they will further add to the revenues. We have, in fact, seen strong performance in regions such as Middle East, Latin America. Overall, all geographies are contributing meaningfully, and we have a healthy order book, which is expected to translate into revenues for the segment in the coming quarters.

Sonali Salgaonkar: Any reason why the U.S. is weak this quarter? Is it tariff related?

Shashank Yagnick: Yes, it is tariff related. This remains a global overhang and is impacting players worldwide, not just in India. We are currently awaiting a final resolution on this matter.

Moderator: The next question is from the line of Akshay Gattani from UBS.

Akshay Gattani: Congrats on the strong set of numbers. So, you highlighted 40% domestic volume growth. In your sense, what would have been industry growth and where is your market share trending now? Any qualitative colour will also be helpful.

Shashank Yagnick: It's very difficult to provide market share perspective at this stage, given that we are the first one in the industry to announce our results and others are yet to report. Once the remaining larger players publish their numbers, we will have a better visibility in terms of exact market share gains. In terms of performance, we've seen very strong volume growth as well as value growth. However, it would be premature to currently comment on the market share until the other companies come out with their results.

Akshay Gattani: Got it. And second question, sir, like you highlighted, strategically, you have not passed through all commodity inflation to protect the demand. Do you think if the way copper and aluminium are moving up, if this continues, there could be some demand curtailment, some temporary demand postponement?

Shashank Yagnick: It's very difficult to comment on the commodity prices. However, from demand perspective, we are very confident that the growth momentum will continue. We are seeing healthy traction across government and private capex as well as the real estate sector, with significant investments flowing into power utilities and infrastructure. From that perspective, we do not see demand as challenge for us.

Moderator: The next question is from the line of Puneet Gulati from HSBC.

Puneet Gulati: Can you also give some sense of breakup between what is the difference in the performance within Wires and Cables separately?

Shashank Yagnick: Typically, our mix of cable and wires is in the ratio of 70-30. However, in this particular quarter, we've seen wires growth outpace cables growth, leading to a marginal increase in wires share by a few percentage points. Additionally, in the value terms, the growth in wires would be higher, largely due to significant increase in copper prices.

Puneet Gulati: Understood. And in terms of price hike, can you also divide between how much price hike you took in the previous quarter? What did you do in the current quarter starting January? And how much do you still need to take to make up for the commodity inflation?

Chirayu Upadhyaya: So, Puneet, as I mentioned to Sonali, we've passed on almost 75% to 80% of the commodity inflation, which was there during the quarter already within the quarter. The remaining will happen during this quarter.

Puneet Gulati: The January hike, which you said that you've already taken or yet to take?

Chirayu Upadhyaya: We've taken partially and we will further pass on further increase in prices gradually.

Puneet Gulati: That's helpful. And secondly, if you can also give some colour on what you see on your distributor side. How much of this demand would be just restocking and how much would be in consumer driven?

Chirayu Upadhyaya: So, Puneet, see, as Shashank had mentioned, we largely see restocking happening mostly on wires rather than cables. Generally, when our distributors stock inventory, they maintain roughly 30 days worth of inventory. At the end of the previous quarter or beginning of this quarter, the channel inventory was in the range of around 40 to 45 days. So around 10, 15 days of additional inventory was there.

But of course, the demand is pretty strong. Even till date in this quarter, we are seeing very good sales happening, and there is definitely very good secondary and tertiary sales which are also happening. So, the demand hence is very strong.

If you recall in the last 3 to 4 quarters, every quarter, we've seen similar pre-stocking happening because commodity prices have been continuously going up. Even then every successive quarter, we see improvement in terms of growth rate. So that means the fundamental demand itself is so strong.

So, I don't think there's any reason to worry. Anyways we are coming into Q4 where executions are at its peak and everybody would want to achieve the yearly targets, be it government or be it private side. So Q4 should be another good quarter for us, and we are quite optimistic on that.

Puneet Gulati: Excellent. Just lastly, if you can also give some sense of how does your capacity utilization stack up currently?

Shashank Yagnick: So, our capacity utilization in the quarter was in the early 80% range.

Moderator: The next question is from the line of Praveen Sahay from PL Capital.

Praveen Sahay: My first question is related to the institutional sales, as you had highlighted, this time the institutional sales has outperformed the distributor sales. So, can you quantify in that in terms of percentage?

Chirayu Upadhyaya: Praveen, generally, our mix of distribution versus institutional sales is around 90:10. But this time around institutional sales had grown faster than distribution sales, hence, it would have improved by about a couple of hundred basis points.

Praveen Sahay: Okay. And also, as you highlighted about this institutional sales, there is the capex led private or government and the real estate, both has done well. So also, if you can give some more colour on that how is the real estate contribution for the wire, which has also outperformed?

Shashank Yagnick: I think if I got your question correctly, you're asking about the real estate market. So see, we've studied some data where at least in top 8 cities, both the number of launches and volume of sales has been quite robust in 2024, and the same momentum is continuing in 2025. We expect the same growth momentum to continue in the coming quarters as well, so the demand does not appear to be a concern.

Chirayu Upadhyaya: To add to Shashank's point, we have been talking since a couple of quarters now that while we have seen majority of the positive demand on the premium side, recent data also suggests that there is a pickup happening even on the affordable side. So that is something where we have been targeting to improve our market share since last 2 to 3 years. You are aware that we had introduced the Etira brand, which was to compete with the unorganized players in Tier 3 to 5 cities. And we have seen very good growth happening in Tier 3 to 5 cities through our launches. Over and above that as well, even in Tier 1, Tier 2 cities, our focus has been more on Class 2 wires, wherein we are definitely seeing a lot of market share gains for us. So, both of them are working, even the industry growth is picking up pace, and we are also seeing a lot of market share gains because of initiatives that we are taking with these projects.

Praveen Sahay: So just lastly, if you can you give us some colour on the volume growth for the W&C out of 40% of volume growth in overall, how much is wire, how is cable?

Chirayu Upadhyaya: So, Praveen, let me give a very clear distinction between top-line growth as well as volume growth. For us in the domestic business, the volume growth has been around 40%. Both cables and wires have grown at pretty much similar pace in terms of volume. In case of revenue, as Shashank had mentioned, since wires are copper-based and copper has seen more inflation, for us, wires growth at a revenue level was 70%, whereas for cables, the growth was around 50%.

Moderator: The next question is from the line of Ravi Swaminathan from Avendus Spark.

Ravi Swaminathan: Congrats on a good set of numbers. I have only one question. This is regarding the cable segment. If you can call out the top 3 or 4, 5 sectors which are driving the sales growth. I think power T&D would be one of the sizable sectors, which would be driving the growth. What would be the approximate contribution of that? And yes, so all these segments, how they are growing, which is growing faster, which is growing relatively slower, if you can give a broad context.

Shashank Yagnick: See, major consumption, if you go to product category level in cables, happens in power cables, control cables, which largely goes to power infrastructure and utility infrastructure. That's the primary demand sector. And followed by that, there is strong growth that we are seeing in industry segment also. And if you look at key verticals, manufacturing, utility, government, all of them have picked up a good amount of demand.

Ravi Swaminathan: And the contribution of Power T&D in the overall cable demand, how much will it be? Any sense on that?

Shashank Yagnick: Almost 30% for us.

Ravi Swaminathan: 30% Okay. And the second largest segment would be up after that?

Chirayu Upadhyaya: So, Ravi, your normal power cables, which are the LV/MV, they go across different sectors, be it power, utilities or your normal institutional infra everywhere your power cables are used. So, they will be the maximum in terms of the salience within the industry. At an industry level, around 40% to 45% of the cables sold will be low voltage and medium voltage cables.

Then that will be followed by control cables and what we call flexible cables. Now both of these are used in a separate set of industries. Flexible cables are something which we use in our day-to-day life, for example, cables, which are for your laptop for the TV, AC refrigerators. Those are called flexibles. They are which are the third largest.

Then you have control cables where you need to have a signal pass on where you can control the outcome kind of cables. So, these are used across different sectors. Control cables at an industry level, the salience will be somewhere around 15% to 20%, whereas flexible cables, the salience will be between 10% to 15%.

Moderator: The next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: Just a couple. Firstly, you mentioned that copper price increase has been unprecedented and which is why you took the active call of passing it on in a deferred way. Is it also true that customer in that case would have had significant sort of restocking which means probably what typically plays out for a few days could have played out for maybe a couple of fortnight, i.e., in case copper prices don't move much, our Q4 numbers may be slightly negatively impacted because of this massive destocking? Is that a fair assumption?

Shashank Yagnick: So, as Chirayu mentioned earlier, the restocking has been largely in case of wires. Typically, cables, do not see any significant stocking, and we continue to see an uptick in the real estate segment as well. Historically, similar event has also occurred in FY22, where we saw that after one or two quarters, subsequent quarters continued to show growth momentum. So, we don't believe that there's going to be anything different this time.

Pulkit Patni: Okay. So, it's not that there's unusual stocking that has happened despite copper price increase. That's how I should read that answer.

Chirayu Upadhyaya: Yes, Pulkit. As I mentioned, there is a bit of an elevated inventory as far as wires is concerned. But since the demand itself is pretty strong, we are quite confident that there won't be any slowdown in terms of momentum in Q4. Even in case of cables, as I mentioned, Q4 is generally the peak when you see the demand for cables and from across different industries.

And hence, we are quite sure of absorption through whatever new demand is coming in. Commodity prices are obviously something which we can't control. And we wouldn't know how it will play out in Q4. To the best of our ability, we'll try and pass on whatever price hikes we can to the end customers in such a way that the demand is not impacted.

Pulkit Patni: Okay. Secondly, on your ad spend, which is considerably higher and almost 3x of what your quarterly ad spends are, is this the new run rate? Is there some new thought process in terms of gaining market share? How should we look at this from an outer-year perspective?

Shashank Yagnick: See, you need to appreciate that this is the time of the year when festive activity is higher, particularly in second half of the year. During this period, we make a conscious call to step up our investments in brand building, including associations with a few celebrities. So this is a strategic call.

Chirayu Upadhyaya: Pulkit, as far as run rate is concerned, see, we've given a guidance that we want to spend around 3% to 5% of B2C top-line every year on A&P. Even with this increased spend of this quarter, we are hardly at around 1.5%, currently. So, every year going ahead, we can definitely see an improvement or increase in our investments towards A&P.

But it will be difficult to say that this will be every year or every quarter run rate because first half of this year, we didn't spend materially on A&P. This quarter, we did spend. Q4 is again a quarter where you start doing more A&P because you are in pre-summer season and you want to do more spends for your fans sales.

So, there are those quarterly variations which happen. Second half of the year is always heavier as far as investments on A&P is concerned. But on a yearly level, going ahead, as we've been guiding, we want to take A&P spends up to 3% to 5% of B2C top-line, and that is something that we'll plan to do gradually.

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Company Limited. Please go ahead.

Keyur Pandya: First question is on the profitability side. Just want to understand, so Q-on-Q, generally Q4 is bigger than Q3, saying that backdrop, should sequentially margin be better than Q3 since we will have better operating leverage?

Shashank Yagnick: Yes. I mean it should definitely get better.

Chirayu Upadhyaya: In Q4, as far as the gross margin level is concerned, as I initially mentioned, to the best of our ability, we will try and pass on the price hikes, whatever are required to be done to the end customers. We are not sure whether copper prices will continue to move up or go down. Whatever it might be the mix we will try and pass on whatever it is to the end customer as much as possible.

Keyur Pandya: Understood. And just one more follow-up on the profitability side. So generally, we have maintained profitability margin in a particular range of 12% to 14% for cables and wires. And just to reaffirm, our profitability is linked to percentage margins, right, and not some specific rupees per tonnage, something like that. So, copper inflation in general helps in maintaining those percentage margins.

Shashank Yagnick: Yes, your understanding is correct. And if I had to add to that, to refer to our Project Spring guidance, we've given a long-term guidance of 11% to 13%. But in the near term, yes, what you mentioned is correct.

Keyur Pandya: Understood. But basically, it is a percentage margin that is internalized. And not rupees per ton kind of metrics.

Shashank Yagnick: Yes. It's not rupees per ton. It's percentage annualized.

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

Ashish Jain: Sir, my first question is on, again, cable and wire margins. So, one is the one-off employee cost. Is it booked in any specific segment or where is it in the segmental results?

Shashank Yagnick: No, it's not in a specific segment. It's across.

Ashish Jain: Okay. And this is one-off, right? This is not recurring from next quarter onwards because this is a onetime for retirals or -- and secondly, like in the presentation, we have listed 300 bps impact on margins due to unfavourable product mix and all. So that is largely higher institutional sales or -- because exports was anyways not doing that well for us. So, is it largely the higher institutional sales or there's something else also within that to drive such a margin here?

Shashank Yagnick: We've already explained this, but I'll briefly summarize. There are three to four key factors at play. First, due to copper price inflation, we've delayed or staggered our pass-through of rising prices to our customers. Second, there has been an unfavourable business mix change wherein institutional business has grown faster than channel business in this quarter. Third, our contribution from export has also marginally declined. So, all three factors coming together has resulted in some bit of drop in margins.

Chirayu Upadhyaya: Ashish, if you recall, in last year Q3, the contribution of exports to the Company's top line was at about 8.3%, whereas in this quarter, it is at about 6%. So that contribution has gone down. While obviously, you are correct in mentioning that exports for us has been relatively soft, but even within quarter-on-quarter comparison, the contribution has gone down. So that was one point. The other 2 points were as Shashank mentioned.

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

Umang Mehta: I have two questions which are linked to each other. First one was in terms of cables, this acceleration from, say, 20% plus volumes to 40% now, which segments, I mean, from the data that you see, which segments have seen the most kind of uptick versus last quarter?

And the second one was given that 80% of your sales are through distributors, it would mean that even a large portion of your cable sales are through distributors. Wouldn't they logically tend to upstock cables also when they see aluminium and copper kind of go up just like wires stocking happens? Those were the two questions.

Chirayu Upadhyaya: So Umang, as far as cable sales to distributors are concerned, distributors are kind of servicing institutional demand, right? So, depending on when the project requires a specific cable shipment, that is to the extent that the distributor would stock up on that product. Compared to wires, cables are significantly bulkier, so to store them over a certain extent, even the distributors wouldn't be able to do so. Plus, cables, even in terms of average pricing, cables are very expensive compared to wires. All those distributors would have a limit to the extent that capital is available to them. And if they lock it up in something which is cables and which might not have a demand from an institutional project right away, then they might lose out on investing in products like wires or even in FMEG where there might have better demand.

So generally, even though cables are through distributors, we don't see distributors stocking up cables. To a small extent, it might be possible, but largely, this is a wires phenomenon, not cables phenomenon. Sorry, your first question was on cables. I couldn't get that. Can you repeat please?

Umang Mehta: Yes. The question was that this acceleration from 20 plus to 30, which segments have seen the highest uptick versus last quarter?

Chirayu Upadhyaya: So, you are aware that since we are not directly supplying to the end customers, we don't have a full visibility on which sectors are generating what kind of demand. We get to know to the extent that our distributors will give us visibility to or to the extent that we generate that demand from the end customers for our distributors.

So, it will be very difficult for me to guide you that in specific this quarter, what will be the segment which will be driving what percentage of demand for the cables. But maybe on a yearly basis after the Q4 call, during the Q4 call, we will be able to give you much clearer or maybe a bit better guidance on the sectors that are generating what kind of demand.

Moderator: The next question is from the line of Achal Lohade from Nuvama Wealth Management Limited.

Achal Lohade: Two questions. First, on the growth. If I understand right, essentially, the copper aluminium price will be up 40%, 50% on a Y-o-Y basis. If we assume the same price continues for next 2, 3 quarters, right? So do you see any impact on the demand given the budgets will take a hit in that case or the customer will have to rework on in terms of their requirements? Is there any case for such risk?

Shashank Yagnick: So, I think as mentioned earlier, we have zero control over commodity prices and therefore it is difficult to comment. There continues to be some uncertainty around price movement, which is beyond one's control. However, from a demand perspective, visibility in the coming quarter and the quarter thereafter remains strong, and we continue to see healthy momentum. So, we don't see any difficulty with respect to demand. Does that answer your question?

Achal Lohade: Yes. So essentially, you're saying you're not seeing any impact of such a steep increase in the commodity price on the demand as such for next 2 quarters?

Shashank Yagnick: Yes, absolutely not.

Achal Lohade: Got it. The second question I had was with respect to the margins. So, if I see the inventory is what we carry, we do carry substantial inventories like even for the current quarter closing, we are talking about close to ₹ 6,000 crores worth of inventory, right, raw material plus finished goods. So, in a rising price scenario, wouldn't that benefit actually initially before it's really, I mean, if you could explain to the inventory cycle as to how it plays out, how much typically we hold, how much and how it gets sold out eventually?

Chirayu Upadhyaya: So Achal, you are aware that for us, we hedge our inventory. So ,our pricing is not at the time of procurement, but it is done at a future time once we have an order for that inventory. So, while we obviously have been carrying higher inventory levels, inventories are not priced, they will get priced in the future. And that is something which is there for stability of our margins, which we've been following for over a decade now. So, we don't see scenarios of inventory gains or inventory losses just because we price it at a future date. The higher inventory that we are maintaining is because of the reason, as Shashank mentioned, that we are anticipating good demand for Q4, similar to what we had done at the end of Q2 and which played out quite well for us in Q3, that we were able to service a lot of end customer's demand because we had higher inventory. And obviously, we have a lot of capacity.

Moderator: The next question is from the line of Vidit Trivedi: from Asian Market Securities.

Vidit Trivedi: Congratulations on a great set of numbers. Most of the questions have been answered. I just wanted to know what's the margin profile when it comes to the institutional sales, the retail sales and the exports?

Chirayu Upadhyaya: So, margins in exports are definitely much higher as compared to domestic margins. When we export cables, obviously, it again depends a lot on the geography that we are exporting. But generally, historically, we've been making at least around 15% of EBITDA margins in our exports. If you look at the domestic sales for us, cables versus wires, in cables, generally, we make anywhere between 9% to 12% of EBITDA margins. Whereas in case of wires, it is between 15% to 16%. Obviously, there are variations on a quarterly basis depending on the commodity prices, demand, et cetera. But generally, this is the range of margin profile across the different businesses.

Vidit Trivedi: Got it, sir. Just one last clarification. As you have mentioned that the price hike during the quarter is almost 70% to 80% of whatever the commodity has reacted. Is it fair to assume that it is minimum in the range of 10% to 15% overall price hike?

Chirayu Upadhyaya: You can obviously compute the commodity inflation, which was there in the past quarter, along with the rupee depreciation, just give a multiple of 75% to 80% to that. More or less you'll get the amount of pass-through.

Moderator: The next question is from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: So, in terms of FMEG, two questions. Can you articulate more on the business of fans, how it has shaped up again, that business is also facing some of the regulatory headwinds. And again, commodity prices have also gone up. So how is the performance in case of fans. Secondly, if you can share more details on the solar business. I guess you initially mentioned that it has grown 100% Y-o-Y. But at least what is the current revenue run rate, EBIT margin in that business, et cetera?

Chirayu Upadhyaya: Sure. So, on the fans business, as we've been discussing during the quarter as well, initially during the beginning of the quarter, the uptake was pretty low because as you are aware, the summer season this time around was softer, and there was a lot of channel inventory, which was there during the year.

And those inventories were getting liquidated during the beginning of the quarter, in October and November, and hence, the offtake was pretty slow. In December, it took off in a small way because there was BEE transition, which was to be implemented from 1st of January onwards. And hence, there was a bit of good uptake in December.

And on an overall quarterly basis, the fans industry would have been largely flattish or a small degrowth and our performance was also pretty much in line with the industry. As far as the Q4 or Q1 FY27 expectations are concerned, it will depend a lot on how the coming summer season is expected to be. Definitely, because the new BEE norms are getting implemented from 1st of January, there will be a bit of price hike that everybody will be taking. I believe the price hikes would be in the range of 2% to 4% and which will be taken during the course of first 1-1.5 months of this calendar year itself. But to a larger extent, the uptake and performance of next quarter and the quarter to come will depend on how the next summer season is.

As far as your question on solar is concerned, solar, as was mentioned in the opening comments, had a very good quarter, another very good quarter after having 1-1.5 years of very good offtake momentum. We expect even Q4 to be very strong. You would have seen that we had actually launched a newer range of 350-kilowatt solar inverters last quarter, and that did very well for us.

The outlook is very positive from our side. We believe solar, which is already the largest contributor for us on the FMEG segment, will continue to grow even faster in the coming couple of years as well, since all the government schemes are already getting implemented and are in motion. Hence, from our side the outlook is very positive.

As I had mentioned in the previous quarter's call, the margin profile of solar is currently in high single digit, and we are maintaining that. To a certain extent since solar has now become the largest category for us in FMEG, that is one of the reasons why for FMEG has become profitable. And that is what we had mentioned in our earnings presentation as well. But the business mix or the product mix change, which has gone through, wherein solar has become the largest category, switches and switchgears have been doing quite well since last 3 to 4 years, Conduit pipes and fittings is doing much better, all of that has contributed to FMEG now becoming continuously profitable for us. And every year going ahead now, we believe that FMEG will continue to improve its profitability towards the guided range of 8% to 10% by FY30.

Aniruddha Joshi: This is very helpful. Just second question. You have mentioned in the PPT that we have grown 59% in domestic C&W, and we would have gained market share. So roughly, what will be the market growth, means upwards of 50%, upwards of 40% where you look at the market growth per se?

Chirayu Upadhyaya: Aniruddha, getting exact market growth for this quarter will be very difficult at this point of time because we'll have to wait out for other larger listed companies to come out with their results for the quarter over the course of next 2 to 3 weeks. But I would definitely believe that growth would have been higher in this quarter compared to what it was in the first half. To the best of our estimation, in the first half of this year, industry growth was at around 15% to 16%. I believe the industry would have been more closer to 20% at least. And this is the entire industry put together, organized plus unorganized. But specifically, for our market share gains, that we would have realized within this quarter, I think we should probably wait out for another 2 to 3 weeks to get to know the exact numbers of our peers.

Aniruddha Joshi: No, that's surely, and we will wait. But like if 59% is our growth and market growth maybe 20%, that's a massive jump in the market share for us. Is that a fair understanding?

Chirayu Upadhyaya: Yes, so Aniruddha, that's something that I was mentioning. We need to appreciate the fact that in spite of a 300 bps decrease in our margin profile, we were able to deliver 34% profitability growth in this segment. And that is on the back of such high 59% domestic growth. There's obviously a bit of an export growth as well. I think our strategy is working very well.

We have been working on the ground since the inception of Project Spring where we are going into each and every whitespaces that we have, within cable as well as wires, be it product category or geography. We are working very extensively with our distributors and trying to improve their growth as well as our wallet share of their growth. So, all of these initiatives are helping us. You know in the first half as well, we had grown cables and wires at 26% YoY.

While as I mentioned, we believe the industry growth would have been around 16%, whereas in this quarter, we've grown at around 60%. So definitely, we have gained a lot of market share.

Moderator: We will take that as a last question. I would now like to hand the conference over to Mr. Niyant Maru for closing comments. Thank you, and over to you, sir.

Niyant Maru: Thank you, everyone, for your attendance. Thank you.

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