

Electrical Monitor

KEI Industries Ltd is among the largest cable manufacturing companies in India. KEI industries manufactures high and low tension cables (EHT, HT & LT), control and instrumentation cables, house wires and stainless steel wires. Electrical Monitor caught up with **Anil Gupta** at Elecrama 2010. In this exclusive

What are the prospects for the Indian wire and cables industry?

Any power related infrastructure right from power generation, transmission and distribution - everything has to pass through the cables. We are adding substantial capacity of power generation - it has to be transmitted, distributed and used. A user may be industry, infrastructure project, building, hotel, mall, multiplex or railways.

Will wire and cable industry growth match GDP growth?

The wire and cable industry growth will exceed GDP growth because the GDP growth is depressed due to low growth in agriculture wherein wire and cables have no role. It will coincide with the growth in core sector and manufacturing sector.

Most PSUs follow L1 policy for awarding contracts and this affects quality. What is your view?

The companies have their area of operations wherein some utilities are very tough in quality. Every company has different segmentation of work - wherein the customer is critical in quality.

Wire & cable industry will grow much faster than GDP

Anil Gupta, Chairman & Managing Director, KEI Industries Ltd

You have recently entered the EHV range through joint venture route. Tell us more.

KEI can become a much higher leader in its range because extra high voltage (EHV) cables are new in India. We are now going to do the power transmission in large cities through EHV cables instead of overhead transmission. It is also a high end product technologically - not many companies can come up in this segment because of the technology and knowledge required. Also tough pre-qualification required by Indian buyers ensures lesser players.

At what stage is the joint venture currently?

It is not a joint venture with equity participation. It is a technical partnership with Brugg of Switzerland. Agreements have been signed and it is operationalised. The EHV range will be manufactured at KEI's plant in Alwar. We expect to start commercial production by August 2010. We will be producing cables up to 220 kV.

Are Chinese imports a threat to the Indian industry?

There is no such threat from Chinese because they are not flooding India with this range of cables. At present there is no significant import of cables from China.

Interview



interaction, Gupta spoke at length about issues affecting the cables industry, KEI's capex plans and his long-term vision for the company. An interview by **Venugopal Pillai** and **Sandeep Menezes**.



Many small scale manufacturers have entered the LT cables segment. Do you feel there has been a compromise on quality?

At many places there are compromises - but as I stated earlier there is clear cut segmentation. Customers are quality conscious; only select band of companies are going to sustain and get the right price. Companies like NTPC, BHEL, Power Grid and other oil companies always select the vendors based on quality - they don't go to the lower end of the market.

What is the share of LT cables in your total business?

At the moment, it is small at around 10 per cent. But we are trying to grow it to the level of 20 per cent in the next two years.

How will you achieve this?

Our main demand driver will of course be real estate projects.

With village electrification is being given huge priority - tell us about your plans in the rural market?

We are selling our binding wires which are used to electrify the water pumps. And also our building wires that go to even the smallest location.

Copper prices have risen in the last one year and therefore impacted cost of production. How do you deal with the situation?

We are able to pass on all the increase in copper prices to the customer. As far as contracts are concerned, we do the back-to-back handling.

Within the power T&D segment, do you have any diversification plans?

We are developing our EPC contracts division and trying to take up turnkey projects.

What will be the key areas?

The key areas will be turnkey supply and laying of cables for complete cables projects including jointing of cables plus substation projects.

What would be your policy recommendations to make this industry more competitive?

The industry is already competitive. In a free economy, it is only the demand and supply that makes it competitive or uncompetitive. There are new companies coming up in this segment because we have lots of skilled people and good level of entrepreneurship.

Do you find any change in the procurement process by government utilities?

The procurement process varies from utility to utility. Some go strictly with L1 basis and some even continue to negotiate with L1 basis. All the same, the speed of procurement is definitely improving. The decision-making process has improved in India.

How do you foresee the export market?

The export market is very dull at the moment. It is looking up now and within the next six months it will be very good.

Tell us about the key areas where your exports have shown significant growth?

Our exports to African nations have grown. We have seen increased activity in Middle East, except now Dubai.



Do you have plans to set up manufacturing facilities closer to your export market?

We do have plans to set up our factory outside India.

Skilled manpower is known to be a major hurdle to growth of your industry.

Lot of unemployment is there-but at the same time skilled manpower doesn't exist. We have to train a number of people every year to keep up our growth.

Can you please tell us about your R&D infrastructure?

We always take up the challenge to develop new types of cables which comes to us from our customers. In cables, R&D has to be done in a regular manufacturing facility - it is not a product that is developed in the lab. We have to manufacture the cables in the manner in which it is manufactured and then test it for different parameters. If the production process is different then we have to add that process in the factory to carry it out.

Please summarize your capex plans.

For this year our capex is around Rs.40 crore to upgrade this EHV cables facility. Our next plan will be to double the capacity of EHV cables in FY 2011-12. - it will have an investment of around Rs.60 crore. We are also working on growing our EPC business.

What is your vision for KEI by 2015?

By 2015, our aim is to be a Rs.7,500-crore company. We will be growing our cable business and adding some more type of cables. Our major focus will be to improve our brand image in the market. We will also grow our EPC business - which will be a major driver on the top-line. We will also be looking into transformers and switchgears because it will be a good combination along-with EPC business.