

KEI Industries

Market edge with customised cable solutions



The planned transmission corridors to evacuate power from upcoming projects imply a rise in demand for extra high voltage (EHV) cables in the years ahead. Further, there is a growing demand for underground EHV cables given the right-of-way issues. The rapidly growing renewable energy sector is also adding to the demand for specialty cables. Being an early entrant in the segment and the third largest player in the cable industry, Delhi-based KEI Industries is a company that is favourably positioned to capitalise on these opportunities.

Established in 1968, KEI manufactures high tension (HT) and low tension (LT) cables, control and instrumentation cables, and house and stainless steel wires. Its technical collaboration with Switzerland-based Brugg Kabel AG gives it an edge over other players in the EHV segment. The company also carries out stringent quality control measures and undertakes continuous product innovation, and cutting-edge re-

search and development in-house.

"The company's key differentiator is that it manufactures customised cables as per the specifications of its clients, which also allows it to have a long-term relationship with them. Our cost-effective, quality and reliable product portfolio has helped us achieve a dominant position in the country's wire and cable industry," says Anil Gupta, chairman and managing director, KEI Industries. The cables offered by KEI are accredited and certified by reputed global testing agencies like KEMA, the Electrical Research and Development Association and the South African Bureau of Standards. "In fact, KEI is the first cable



manufacturing company to be awarded the National Accreditation Board for Testing and Calibration Laboratories certification," says Gupta. In the next five years, KEI aims to become a Rs 70 billion company. Recently, it also forayed into engineering, procurement and construction (EPC) services for power sector projects to expand its opportunity matrix and revenue enhancing channels.

Product portfolio

KEI offers a range of products including EHV cables up to 220 kV, HT and medium voltage cables, control and instrumentation cables, rubber cables, thermocouple cables, zero halogen cables, braided cables, telephone cables, submersible cables, single and multicore cables, house wires, mining cables, welding cables, cables for defence, ship wiring cables, and stainless steel wires.

In order to establish strategic competitive barriers in the EHV segment, KEI signed a foreign technical collaboration agreement with the Swiss cable giant Brugg Kabel AG in 2010 for manufacturing EHV cables of capacities up to 220 kV. The Brugg Group specialises in the manufacture of EHV cables and cable accessories of capacities up to 550 kV. It also specialises in turnkey EHV cable projects. The technical collaboration agreement entails complete know-how transfer including designing, manufacturing, testing techniques and training of manufacturing/design personnel. This will enable KEI to establish a stronghold in the EHV cable segment and help it to secure contracts in the power segment from both the government and the private sector. "At present, the capacity in the 132 kV/220 kV segment is limited and there is a huge dependence on imports. The technical collaboration will definitely ease the burden on imports and bring down project costs," says Gupta.

As a part of its ongoing strategy of forward integration, the company has diversified into the EPC business, providing turnkey solutions for various power-related projects. So far, the company has won orders from the distribu-

COMPANIES

Key financials (Rs million)

Particulars	2008-09	2009-10	2010-11	2011-12	
				Quarter 1*	Quarter 2*
Total income	9,756.0	9,104.2	11,645.6	3,344.1	3,942.7
Profit after tax	12.5	142.3	105.6	26.3	54.4
Profit margin (%)	0.1	1.6	0.9	0.8	1.4

* Unaudited

Source: KEI Industries Limited

tion utilities of Madhya Pradesh. The contracts are for survey, supply of materials, erection, testing and commissioning of 33 kV and 11 kV substations and distribution lines under the Restructured Accelerated Power Development and Reforms Programme, the Feeder Separation Scheme and the Rajiv Gandhi Gramaen Vidutikaran Yojana.

Client base

KEI has a diversified and derisked business model characterised by a significant presence in the domestic as well as international markets. Also, the company caters to both the retail and institutional segments in the public and private sectors. KEI offers a wide range of products, which are supplied to a number of industries in different sectors such as power, steel, telecommunications, fertilisers and petrochemicals. In the power sector, some of its key clients include Tata Power, Essar Power, Jindal Power, NTPC, Power Grid Corporation of India Limited, BSES, the Nuclear Power Corporation of India Limited and NHPC. KEI is, moreover, a registered vendor for both Indian and overseas EPC players like Bharat Heavy Electricals Limited, ABB, Siemens, Areva, Alstom and McDermott. It is also a registered vendor for more than 100 large Indian companies encompassing almost all industrial sectors.

The company supplies its products to 30-40 countries; in fact, around 10 per cent of its revenues come from the overseas market. In 2010-11, KEI's export sales were Rs 1,034.4 million as compared to Rs 936.2 million in 2009-10.

To build and expand its clientele, the

company organises dealers' meets on a regular basis. It has also launched campaigns like electricians' meets and contractors' meets across the country.

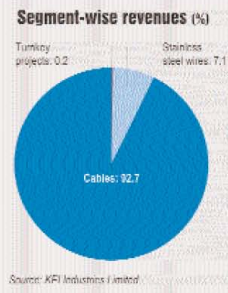
Manufacturing capacity

The company has three manufacturing units. Two of these are located at Bhiwadi and Chopanki in Rajasthan while the third one is at Silvassa in Dadra & Nagar Haveli. The company's current capacity is 4,800 million tonnes per annum of stainless steel wires, 500 km per annum of EHV cables, 5,100 km per annum of HT cables, 32,000 km per annum of LT power cables, 17,000 km per annum of control cables, 8,000 km per annum of instrumentation cables, 3,000 km per annum of rubber cables and 270,000 km per annum of house wires/ flexible wires.

During 2010-11, the company completed expansion at its Chopanki plant for manufacturing EHV cables ranging from 66 kV to 220 kV. With this, the company has become the third largest Indian company to manufacture EHV cables up to 220 kV.

Financials

In 2010-11, the company reported revenues of Rs 11,645.6 million, an increase of 28 per cent over the Rs 9,104.2 million recorded in 2009-10. The growth in turnover was because of the increase in demand, especially in the second half of 2010-11. In terms of a segment-wise revenue break-up, cables account for the bulk of the total revenue with a share of 92.7 per cent followed by stainless steel wires at 7.1 per cent. Turnkey projects accounted for a meagre share of 0.2 per cent. The highlight of the year



was the receipt of orders worth Rs 750 million for EHV cables.

However, with regard to profits, there was a decline of 26 per cent from Rs 142.3 million in 2009-10 to Rs 105.6 million in 2010-11. Oversupply in the industry, cut-throat competition, lower capacity utilisation, and fluctuating metal and resin prices are the factors that have impacted profit margins.

Conclusion

At present, there are few players in the Indian cable industry that manufacture EHV cables and the competition comes mainly from cable manufacturers based outside India. KEI's technical collaboration with the Swiss cable giant and accreditation from reputed testing agencies give it an edge in the industry. With its diversified business model and customised solutions, the company is well positioned to leverage the business opportunities offered by the cable industry. ■

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