



KEI Industries Q2FY15 Earnings Conference Call
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Dolat Capital



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**MANAGEMENT: MR. ANIL GUPTA, MANAGING DIRECTOR, KEI INDUSTRIES
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Operator: Ladies and gentlemen, good day and welcome to the KEI Industries Earnings Conference Call hosted by Dolat Capital Markets Private Limited. As a reminder, all participants' 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 the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Priyank Chandra from Dolat Capital. Thank you. And over to you, Mr. Chandra.

Nitesh Sharma: Thank you, Faizal. Good morning to all of you. We welcome you all on behalf of Dolat Capital to the conference call of KEI Industries to discuss their Q2 FY15 results and the future business outlook. We have with us Mr. Anil Gupta, Managing Director, and Mr. Rajiv Gupta, CFO of KEI Industries. With this, I now hand over the call to Mr. Anil Gupta for his initial comments, and then we can move on to the Q&A. Over to you, Mr. Anil Gupta.

Anil Gupta: Yes. Thank you and welcome everybody for this conference call of KEI Industries. As initial briefing, I would like to present that the company has recorded a gross sales of 537 crores in Q2, and a net sales of 505 crores excluding excise duty. And it has shown a significantly improved results compared to the last quarter as well as similar quarter of last financial year. The profit margin, Profit After Tax, has also grown significantly. And we have registered an EBITDA of around 9.7%. Cash profit generate... net profit is around 9.26 crore. And cash profit, after adding the depreciation will be around 15 crores for the quarter. Company has a significantly improved order booking this quarter. Approximately Rs. 1700 crore is the order booking at present. And we have achieved many milestones in this quarter securing very large order for Delhi Metro Rail Corporation for a turnkey project of 220 kV Extra High Voltage Cables worth approximately 60 crores. And another 50 crore worth of Extra High Voltage power cable orders from transmission utilities.

Apart from that, the company has secured a 400 crore order from one UP DISCOM under RAPDRP scheme in which a significant portion is under round cabling which is company's own manufactured product. The outlook of distribution segment of the company has improved significantly. There's an approximate growth of approximately 30% in the sales through the distribution network during the quarter as compared to the last year. And I would like to give a guidance for the quarters, will be better than this, which according to my own estimation considering the present order book position and the execution under way. With this, I hand over to you for putting up the specific questions if you have any from the company. Thank you.

Operator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Sandeep Pande from Aditya Birla. Please go ahead, sir.

Sandeep Pande: Thank you, sir. And a good set of numbers, congratulations for that. I just wanted to know first thing about the PAT numbers. Last con call you said the total PAT you would be expecting

around 40 crores for the full year. And in the first two quarters you have done around 12 crores. So next two quarters you have to be around 18 crores... 28 crores. So are you on track to achieve that 40 crore PAT?

Anil Gupta: Expectedly, yes. We expect a total gross sales of around 2200 crore in this coming financial year. As I have said that the order booking is significant and substantial, so we should not have any difficulty in achieving the targets. And our guidance for around 40 crore PAT still remains and we will be able to achieve.

Sandeep Pande: Okay. From the sales front, you said 2200 crore. So it means some 1300 crores is left under H2? So does it mean H2 is better than H1?

Anil Gupta: Yes, H2 will definitely be better than H1.

Sandeep Pande: Okay. And how is the export going on, export growth? Last time it was... export target.

Anil Gupta: Export, as last year.

Sandeep Pande: No, you said 250 crore last year for the target.

Anil Gupta: Last year it was 197 crores. This year it will be close to 220 crores.

Sandeep Pande: And how much is done till now in first two quarters?

Anil Gupta: Just I will update after some time. I will update to Priyank and I will let you know.

Sandeep Pande: And how about return turnover going on?

Anil Gupta: Return turnover in this quarter is close to 94 crores as compared to last quarter, was 74 crores.

Sandeep Pande: Okay. So it means it has come down from 125 crore in the Q1?

Anil Gupta: No, no, no, not 74 crores.

Rajiv Gupta: Houseware, housware business.

Sandeep Pande: No, sir, I'm talking about q-on-q numbers, from Q1 FY15 to Q2 FY15.

Anil Gupta: No, no, you're not talking of Q1, you are talking about H1 now.

Sandeep Pande: No, no, I wanted to ask you about Q1, sir. Last quarter...

Rajiv Gupta: For the house ware, flexible wire business?

- Sandeep Pande:** Yes.
- Rajiv Gupta:** This was 75 crore was the last quarter, and in this quarter it is 94 crores.
- Sandeep Pande:** Okay. And, sir, about EHV segment, can you know the order books are standing at around... out of those 1700 crores, what would be the EHV segment contribution?
- Rajiv Gupta:** EHV order book position is close to 200 crores. And [unclear] where we are in the [unclear]. So the order book position will be close 200 crores.
- Sandeep Pande:** Sir, can you repeat? There was some disturbance.
- Anil Gupta:** What he has said that at the present, order book position in Extra High Voltage cable is 200 crores.
- Sandeep Pande:** Okay, sir.
- Anil Gupta:** And another 81 crores worth of order was expected to be placed by end of November. The tenders are already opened and we are already lowest bidder in that. So we are just expecting the former contracts to be placed by the utility.
- Sandeep Pande:** Okay. And, sir, I think about this time you have done 9.5. So you said 10 to 10.5 for the full year. So are you well tracked to achieve those margins also? Which means there could be some improvement in and H2 as compared to H1, right?
- Anil Gupta:** As we improve the phase, the EBITDA improves because most of the cost and overheads are constant in nature. So it improves the margin.
- Sandeep Pande:** Okay. And, sir, what is the debt position as of now?
- Rajiv Gupta:** Close to 500 crores. As it was in the last year.
- Sandeep Pande:** Last quarter it was 43 crores. It could be remain same?
- Rajiv Gupta:** Yes.
- Sandeep Pande:** Okay. Sir, one final question about CapEx.
- Anil Gupta:** No CapEx is anticipated in this financial year. We are not doing any new CapEx in this new financial year. We have enough capacity to achieve another 30% growth in next financial year without doing any significant CapEx.
- Sandeep Pande:** Okay. Thank you, sir, and all the best for your future work. Thank you, sir.

Operator: Thank you. The next question is from the line of Ankit Babel from Shubhkam Ventures. Please go ahead.

Ankit Babel: Good morning, sir, and congratulations for excellent set of numbers. Sir, a few questions. First is this UP DISCOM order which you have recently received, you mentioned that substantial part is cabling. So can you quantify how much is cables and how much is EPC?

Anil Gupta: Approximately 40% of the order component is the cost of cables.

Ankit Babel: Okay.

Anil Gupta: And plus the execution part of the cable. So I will say that the total cost of cable plus its execution will be half of the project value, of order value. Rest will be some other items like transformers, poles and bought-outs which we also have to install along with the cables.

Ankit Babel: This is a funded project? I mean, any World Bank...

Anil Gupta: We are 100% funded by Power Finance Corporation.

Ankit Babel: No, no, Power Finance would just be a lender or you have a guarantee from them that... I mean, some projects are funded by World Bank and ADB kind of...

Anil Gupta: Hold on. PFC and REC are funding these projects, and PFC is a lender. And there is a guarantee... the earmarked funds are only for this project. So the PFC is releasing the payments.

Ankit Babel: What is the execution period for this project, sir?

Anil Gupta: 18 months.

Ankit Babel: Starting from now?

Anil Gupta: Starting from now. So that means we are talking about completion in March 2016.

Ankit Babel: March 2016. Sir, what kind of margins can we expect in this order, because it's a mix of our products plus EPC?

Anil Gupta: Yes.

Ankit Babel: So what kind of margins can we expect in this order?

Anil Gupta: We'll be expecting EBITDA level of plus 15% in this.

Ankit Babel: 15%?

- Anil Gupta:** Yes.
- Ankit Babel:** But, sir, our existing margins are at 10%. And this is not an EHV contract. So why such high margins in this?
- Anil Gupta:** Because in this kind of contract, services makes a significant portion. And along with the product, when services are added, it improves the margin. And these contracts are quoted at very good prices.
- Ankit Babel:** So when you got this contract, how was the competition like? I mean, how many bidders and all those?
- Anil Gupta:** Only three bidders are there, the LNT, the Tata projects, and KEI. Only three bidders were there for...
- Ankit Babel:** Hello.
- Anil Gupta:** Yes, LNT was a number two bidder, higher than us.
- Ankit Babel:** Sir, was the difference very high between you and L2?
- Anil Gupta:** Yes, the difference was very high between us and L2.
- Ankit Babel:** And still you are saying that it makes a 15% kind of margins?
- Anil Gupta:** Yes, yes.
- Ankit Babel:** Okay. That's very good. Second, sir, this Agra-Mathura project which is undergoing. What's the status of that, sir?
- Anil Gupta:** See, approximately 2% of the project is already executed. And now it is speeded up. We have to finish these projects by December 2015 as per the contractual schedule. And we are on schedule.
- Ankit Babel:** And, sir, when you say that 20% project is executed, it means you have built for 20%, right?
- Anil Gupta:** Yes.
- Ankit Babel:** So, have you received the payments, because we are just concerned about the working capital side of these projects business.
- Anil Gupta:** Yes, we are receiving regular payments without delays, because these projects are having earmarked funds and the funds are released from the separate accounts by the DISCOM. They can't utilize this fund anywhere else.

- Ankit Babel:** So you are confident of executing these projects in line with your targets and margins and whatever you have expected?
- Anil Gupta:** Absolutely, yes.
- Ankit Babel:** Okay. Sir, my next question was since the new orders are coming at such high margins and you are expecting a 30% top-line growth in the next financial year, so from 2200 to basically 2800 is what you are targeting, so can we expect a very high growth in margins also, because the new orders are at very high margins?
- Anil Gupta:** Definitely we aim to improve our EBITDA level to 11% or 11.5% because then we do it in totally with our cable supply business, so with that and increased sales and constant overheads, the margins will definitely improve. We don't expect interest cost and other cost to rise in proportion to the sales, because some interest portions are constant.
- Ankit Babel:** So you mean to say that 30% growth in top-line, you can do with marginal or stable increase in working capital?
- Anil Gupta:** Yes.
- Ankit Babel:** But just in, because I'm curious about it, since these are EPC projects, how can...
- Anil Gupta:** Major growth in the cable supply portion is coming from the distribution segment and we have with most of the dealers the channel finance arrangement. So that will limit the need of fresh working capital in the company.
- Ankit Babel:** So can we assume that the current 500 crore that you have on your balance sheet should remain in the same range of, say, 500 to 550 crores for next one year, I mean, till FY16?
- Anil Gupta:** Yes.
- Ankit Babel:** So what are the CapEx for FY16? I mean, FY15 you mentioned there is no CapEx. But for FY16, what's the CapEx.
- Anil Gupta:** Right now we have not envisaged and planned any CapEx in FY16 also. But this position will be reviewed after six months once we enter into April 2015. At that time it will be reviewed.
- Ankit Babel:** Okay.
- Anil Gupta:** Any CapEx which will be done in the next financial year will be meant for FY17, not for FY16.
- Ankit Babel:** So the 30% growth can come from the existing capacity, you are saying?

- Anil Gupta:** Yes.
- Ankit Babel:** Okay. Thank you. I will come in the queue if I have more questions.
- Operator:** Thank you. The next question is from the line of Sanjeev Panda from Sherkhan. Please go ahead.
- Sandeep Pande:** Sir, congratulations for a very good set of number. First I would like to understand overall the generalistic view if I would like to... where the growth is coming from and how sustainable the growth that we envisaged? If you can just highlight with me like what are the areas where you are witnessing growth and how sustainable would that be.
- Anil Gupta:** See, this year our major business portion is coming from metro projects. Several metro projects are going on in the country and we are the significant beneficiary receiving orders from most metros. Second thing is that with the improvement in our distribution network, the accessibility of the company to... those success or those areas where we were not present has improved. And you know that is coming from very diverse sectors, mainly construction sectors and industries, or the distributors are also dealing with the contractors who do a number of just like whether in irrigation or water treatment or... wind pump is one sector, wind pump and cooler which are showing good increment in this financial year. But the major contributor to us is the metro projects.
- Sandeep Pande:** Okay.
- Anil Gupta:** And also a significant growth is there in our business because of our own turnkey EPC projects and EHP projects which were not present with us in the last two financial years. So that is where the growth is coming in.
- Sandeep Pande:** Okay. Sir, as you said distribution network expansion is basically one of the areas also where you are getting growth, could you quantify and help us understand how and how much you have expanded or how much you are planning to expand your distribution network?
- Rajiv Gupta:** Last year we did dealer distributor business of 500 crores. This year we are targeting close to 800 crores dealer distributor business. For that, we have also engaged one very senior person from colleague who was heading earlier the polycare business. He is now with us since April. So he's heading that vertical the whole dealer distributor market for wire as well as for cable. So this year we are targeting for 800 crore. But next year definitely we are targeting 1200 crore business in the dealer distributor market.
- Sandeep Pande:** You said 800 crore, right? For '15?
- Rajiv Gupta:** Yes, this year we are targeting for 800 crore.
- Sandeep Pande:** And for '16, 1000?

- Rajiv Gupta:** Pardon?
- Sandeep Pande:** You said 1000 crore will be for '16, right?
- Rajiv Gupta:** Yes, more than 1000 crore will be for '16.
- Sandeep Pande:** Okay. Thank you, sir. That's it from my side.
- Operator:** Thank you. The next question is from the line of Shreyans Mehta from Aditya Birla. Please go ahead.
- Shreyans Mehta:** Hi, sir. Congratulations on a very good set of numbers.
- Rajiv Gupta:** Yes.
- Shreyans Mehta:** Sir, I just want to know what is the current retail outlets we have, or the dealer distribution network.
- Rajiv Gupta:** Close to 600 outlets we are having right now. And by the end of this year it will close to 650 or 670 outlets.
- Shreyans Mehta:** 650 to 670, okay. Sir, my second question is if you could give me a breakup of your sales in terms of the different segments, LT, HT and EHV.
- Rajiv Gupta:** For the current quarter, for the LT power cable net sale we have sold out 235 crores. HT power cable is 96 crores. Extra High Voltage power cable is 12 crores. And house ware flexible wire is 94 crores. Stainless steel wire is 28 cores. And EPC is 39 crores.
- Shreyans Mehta:** Okay. And, sir, now since raw material prices are corrected, like steel and copper, so do you see any improvement in margins going forward for us?
- Rajiv Gupta:** No, these are passed-on prices. So we have not expected either increase or decrease.
- Shreyans Mehta:** Sir, that would be EPC portion. But in terms of the sales of through retail outlets or the wires we manufacture.
- Anil Gupta:** You are correct, there will be some improvement in the margins due to reduction in the commodity prices.
- Shreyans Mehta:** Okay, sir. And sir, can you also throw some light on our EPC order book towards the big customers if that is possible?

- Anil Gupta:** Yes, our EPC order book is mainly from through UP DISCOM. And also one DISCOM of West Bengal. And DRP, we have EPC and EHP turnkey order for 220 kV cables. These are the major. Basically three different entities are the UP DISCOMs, West Bengal, and Delhi metro.
- Shreyans Mehta:** Okay, sir. And in terms of the execution cycle and the order book, I mean breakup, like DMRC is 220, so UP and West Bengal would be?
- Anil Gupta:** They are mainly consisting of RAPDRP orders where most of the cables will be either 11 kV or 33 kV.
- Shreyans Mehta:** Okay. And, sir, execution cycle?
- Anil Gupta:** Execution cycle is between 12 to 18 in different projects.
- Shreyans Mehta:** Okay. And, sir, secondly, on your working capital cycle, sir, what's the working capital cycle currently in terms of days?
- Anil Gupta:** 90 days.
- Shreyans Mehta:** 90 days. And sir, do you think... I mean, when do you see improvement in it?
- Rajiv Gupta:** Because dealer sale will improve, so my cycle will go down because of **[inaudible-0:22:37]** financing and inventory low.
- Shreyans Mehta:** Okay. And, sir, since you mentioned dealer financing, so do we also have to do some assurance to bank of around 5 to 10%?
- Rajiv Gupta:** No, basically on the basis of the strength of the dealer, we are recommending the limit for the dealer, and they are attaching the limit also for the dealer. We are not giving any margin on that financing.
- Shreyans Mehta:** Okay. And, sir, last question is we are expecting 2000 crores of sales in '16, and if you could give guidance on PAT margin and EBIT margins as well?
- Rajiv Gupta:** '16 we are targeting close to 2600 crores.
- Shreyans Mehta:** 26, okay.
- Rajiv Gupta:** Yes.
- Shreyans Mehta:** Sir, in terms of PAT margin and EBIT?
- Rajiv Gupta:** EBITDA margin will improve close to 11%.

- Shreyans Mehta:** Okay. And PAT, sir?
- Anil Gupta:** PAT, accordingly it will improve.
- Shreyans Mehta:** Okay sir. Thank you very much and all the best.
- Operator:** Thank you. The next question is from the line of Chintan Sheth from SKS Capital. Please go ahead.
- Chintan Sheth:** Yes, sir. Congrats for the good set of numbers. I just wanted to understand your segment, if I see this project, EBIT is around 1.3 crores which entails a margin of less than 2% versus last quarter we were doing 6-7% of EBIT margin. So what are the reasons? Is there a cyclicity in the business or just wanted to understand what's the business is? How do we look forward for this segment?
- Anil Gupta:** [inaudible-0:24:35]
- Chintan Sheth:** Sir, your voice is not audible.
- Anil Gupta:** Yes. Can you repeat your question?
- Chintan Sheth:** Yes. Sir, I just wanted to understand your turnkey project segment wherein for this quarter we did around less than 2% EBIT margin, like 81 crores of revenue we did an EBIT of around 1.3 crores.
- Anil Gupta:** Actually a lot of work in progress is there where we could not do the complete billing in EPC projects. But the expenditure has been done. So we have not recognized our margins in a lot of work already carried out.
- Chintan Sheth:** Okay. But, sir, when I look at your capital employed in that particular segment, it didn't move much from 103 crores last quarter to 105 crores.
- Rajiv Gupta:** In EPC segment, as per accounting standard, if the project is not completed 25%, so we cannot recognize the profit in that EPC project. So as Anilji has said, these projects have completed less than 25%. So the profit will be recognized in the next quarter.
- Chintan Sheth:** But, sir, if the projects are in the work in progress, then it should be selected in your balancesheet.
- Rajiv Gupta:** Balance sheet is there, working project is there.
- Chintan Sheth:** Yes. That's what I'm indicating that if I look at your capital employed in that particular segment, it hasn't moved much, 103 crores...

- Rajiv Gupta:** Because our overseers has not employed the capital, because like dealer sales, so now as the dealer sales will go up, the working capital cycle will go down as earlier said.
- Chintan Sheth:** Okay. And, sir, how do we look at this segment particularly, when you're getting the turnkey project order like around the EHV we have around 200 crores of orders in hand, which comes under turnkey projects, right? That's the correct understanding?
- Rajiv Gupta:** Yes.
- Chintan Sheth:** Delhi metro order or EHV cable...
- Anil Gupta:** But the significant portion of the project equipment is manufactured by us. So that will also... our major aim to add turnkey projects is to load our factories also with the products manufactured by us and add the services on our products.
- Chintan Sheth:** Okay, sir, then can you just give some color on orders we have completed this first half and you split it between Q1 and Q2 so that we can get the lumpiness in the order. Like what's the order inflow in Q2 and how much we have completed in Q2 as well as in first half, if you can provide that detail?
- Rajiv Gupta:** Power cables, we are having order book position of 600 crores. These are regular ones which we have to complete within three to four months' time.
- Anil Gupta:** Are you talking of cable orders or you're talking of **[unclear-0:28:00]** orders?
- Chintan Sheth:** I'm particularly worried about turnkey project business. I can see some lumpiness both in terms of revenue as well as in EBITDA. So if I can get an idea about what has moved into this quarter and what can move in coming quarters will give a fair idea about how the business will do in coming quarters as well as going forward. So in terms of orders, we have given a pretty much clear sign that the orders are moving faster and we have received good order bookings this quarter, which gives some visibility of revenue as well as profitability going forward. But if you can throw some light on what it has happened this quarter as well as this first half so that we can smoothen out lumpiness in the business basically by focusing the segment.
- Rajiv Gupta:** Of course as the economy is improving the order is also improving, but we have earlier like in the cable segment, we were having the order book position close to 400 to 450. But now this level has gone up to the level of 600 to 650.
- Anil Gupta:** Most of the turnkey orders have come in Q2. So except Mathura-Vrindavan which came in March and where we have already achieved around 20% of the acquisition in six months, but rest of the orders have mostly come in Q2, and that too mostly in September. Either it is DMRP order or other UP DISCOMs order worth 400 crores, so where the acquisition is yet to start. We will see a bigger chunk sales in EPC side in coming quarter and following quarter.

- Chintan Sheth:** Okay. And...
- Anil Gupta:** Yes. And there was not much carry-forward from the last financial year because the major chunk of EPC orders have come in this financial year.
- Chintan Sheth:** Right. Okay. And sir, any investments we have to make in this business or from the current capacities or current setup, you can provide... basically gross sale of equipments in the turnkey projects, is that...
- Anil Gupta:** We are not doing any CapEx in turnkey projects. It is mostly either product manufactured by us and/or bought out items. And our another job is to install the equipments and means service provider. So we are not doing any CapEx in that. So it is mainly the supply and erection of the products.
- Chintan Sheth:** Right. That is what we currently presently manufacturing. We are just entering into this business newly wherein we wait for the bigger utility tenders and we get the opportunity to supply and install and do the project work. Is this the way...
- Anil Gupta:** Yes.
- Chintan Sheth:** This is a new business area for us, because I'm just looking at opportunity for...
- Anil Gupta:** The objective is to get such projects where the significant portion of the project is cables. So it helps me in proving my order inflow from my own projects into our cable factories, and also add margin of services on the product. We know that in these type of projects the retention payments, et cetera, are there, but that is being taken care of extra margins added on the services.
- Chintan Sheth:** Okay. So you're saying the new orders whatever you have received has additional... like you mentioned the 15% margins for some particular project.
- Anil Gupta:** Yes.
- Chintan Sheth:** So because of the uncertainty of the payment cycle, the margin has been kept higher?
- Anil Gupta:** There is no uncertainty of the payment cycle because whatever projects we are having are all funded projects from REC or PFC.
- Chintan Sheth:** And what is the exit cycle if you can mention.
- Operator:** Mr. Chintan Sheth, I'm going to interrupt, maybe request you to come for other question as we have other participants. Thank you.
- Chintan Sheth:** Thank you.

- Operator:** The next question is from the line of Ankit Babel from Shubhkam Ventures. Please go ahead, sir.
- Ankit Babel:** Sir, just a couple of questions. Can you throw some light on the order book pipeline which you are witnessing in the next say two, three quarters from where you are expecting orders to come and all the things pending in the industry?
- Anil Gupta:** No, you see, cable orders is a regular flow of orders from various customers. As you know that even the supply cycle is maximum three to four months. I mean, you're talking of what kind of orders?
- Ankit Babel:** EPC orders.
- Anil Gupta:** EPC orders. See, in the coming quarters, mainly the EPC orders will be from we have bidded in TANTRANSCO, Tamil Nadu Transmission Company. And then we have bidded for power grid. We have also bidded for some projects in Kerala for underground cable. And we have also bidded in Karnataka, KPTCL, Karnataka Power Transmission Corporation.
- Ankit Babel:** And are these big ticket order size like 100, 200 crores worth or these are small...
- Anil Gupta:** These are small orders around and nothing behind 50 crores and (indiscernible) 00:34:41 orders.
- Ankit Babel:** Okay. So all are below 50 crores.
- Anil Gupta:** Yes.
- Ankit Babel:** So secondly, sir, since you are now expecting things to improve and you've already witnessed an improvement both from your company's point of view and from the industry's point of view, so if I ask you that for the next two to three years' time, what kind of ROCs and ROEs you are targeting and what kind of sustainable operating margins can we expect?
- Rajiv Gupta:** Operating margins will be close to...
- Ankit Babel:** Sir, your voice is not clear, sir.
- Rajiv Gupta:** Operating margin will be close to 11-12% we can achieve in future also.
- Ankit Babel:** Okay. And ROCs and ROEs?
- Rajiv Gupta:** ROC it may reach to 25% in the next two to three years. And this will be on account of high margins and low working capitals.
- Ankit Babel:** Higher margins lower working capital, these two were the key drivers for that.
- Rajiv Gupta:** Yes, definitely.

- Ankit Babel:** And, sir, since you are expecting the share of EPC going up so high, I mean, internally you people are confident that this will...
- Rajiv Gupta:** See, we are working on only those EPC contracts where the 30-40-45% of the cable requirement is there. Number one. Number two, these projects must be first-hand projects. So these are the two criteria we are having in mind while we are quoting these tenders.
- Ankit Babel:** Okay. So the relative risk is... risk involved is very less in this?
- Rajiv Gupta:** Risk will always be very less. You can say for us it is a forward integration, for cable, because earlier we were selling the cable to LNT and LNT was executing these contracts. So that means the margin of the LNT is now included in the...
- Ankit Babel:** Okay, Yes. Got it. That's it from my side. Thank you, sir.
- Operator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to Mr. Priyank Chandra. Thank you and over to you, sir.
- Priyank Chandra:** Thank you, Faizal, and we hope the call was fruitful for all the participants. And we give a special thanks to the management who are taking out time for this call. Thanks a lot, sir.
- Anil Gupta:** Thanks, Priyank, and thanks, everybody.
- Prinyank Chandra:** Yes.
- Operator:** Thank you, sir. Thank you members of the management. On behalf of Dolat Capital Markets, that concludes this conference call. Thank you for joining us. And you may now disconnect you lines. Thank you.