

ANANDRATHI

# “KEI Industries Q2FY16 Earnings Conference Call”

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ANANDRATHI



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**MODERATOR:**    **MR. GIRISH SOLANKI – ANALYST, ANAND RATHI SHARE &  
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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the KEI Industries Q2FY16 Earnings Conference Call Hosted by Anand Rathi Share and Stock Brokers 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. Girish Solanki -- Analyst from Anand Rathi Share & Stock Brokers. Thank you and over to you Mr. Solanki.

**Girish Solanki:** Good Afternoon to all. Today, we are hosting the Q2FY16 Result Conference Call for KEI Industries. We have with us Mr. Anil Gupta who is the Chairman and Managing Director of KEI Industries; he is also accompanied by Mr. Rajeev Gupta who is the CFO. Over to you sir.

**Anil Gupta:** Thank you, Girish. Good Morning, Gentlemen. I am Anil Gupta. I will just give a Brief Overview of the Financial Year of the Q2 of the Company: During the second quarter of the current year FY16, we have achieved net sales of Rs.611.56 crores against the same quarter in the previous year which was around Rs.505 crores and we have achieved growth of 21% over corresponding second quarter and the half yearly growth in this first H1 in FY16 is 25.8%. I would like to emphasize here that this growth we have achieved after reduction in raw material prices which is approximately 10% to 12%. During the first half of current year in Cable division our volume growth is approximately in excess of 20% and during the first half of the current year and correspondingly it reflects in the numbers as well. In second quarter operating profit is Rs.59.16 crores against Rs.48.25 crores in the corresponding period and profit after tax is Rs.15.36 crores against Rs.9.26 crores achieved in the last financial year. Operating margin in the second quarter is 9.67% against 9.56% in the corresponding quarter and half yearly operating profit is Rs.115 crores against Rs.87.6 crores achieved in the last financial year, which is up by around 31% of the previous half year. During the total first half, the operating margin is 10.10% against 9.6% in the last year. Profit after tax is Rs.27.06 crores against Rs.12.8 crores in the first half of the last financial year and hence up by 111% compared to the corresponding last year. Profit margin has improved from 1.83% to 2.51% in the second quarter and from 1.42% to 2.39% in the first half of the current year. During the first half, our export sales have grown by 40%, net sales of the export is Rs.97.58 crores in the first half as against last year first half of Rs.69 crores. In the first half of the current year, our dealer market retail sales have improved by around 10% to 12% and it is in excess of Rs.300 crores but in volume terms it has grown by more than 20%. During the current year, the company has done substantial brand building exercise and we will continue to do so. During the first half of the current year, our EPC division sale is achieved at Rs.153 crores apart from Cable against last year same period of Rs.76 crores. So we have achieved approximately 100% growth in EPC compared to last financial year. Recently, company has won two contracts of Substations -- one for AIS and another for GIS Substation -- from the transmission utilities. We are also L1 in approximately another Rs.200 crores worth of EPC contracts which are likely to be awarded may be in November or December. During the first half of the current year, our Extra High Voltage Cable sales has picked up very well and grown by three-fold.

During the first half EGV sale is Rs.72.7 crores against Rs.20 crores achieved last year in the same period. During the first half of the current year, our Low Tension and High Tension Cable sales is Rs.665 crores against Rs.576 crores in the same period of last year. So we have grown by 15% in spite of 10% to 12% fall in the average raw material prices and consequent price realization. So the volume growth is around 25%. We are hopeful to achieve 22% to 23% growth in our top line in terms of value in spite of the reduced prices of our products due to low prices of raw material. Pending order as on date is approximately Rs.1930 crores out of which EPC is Rs.800 crores and Extra High Voltage Cable pending orders are approximately Rs.200 crores and Other Cables Rs.600 crores, we have pending export orders of Rs.87 crores, few more orders of Extra High Voltage Cables are expected in next few months for which tenders have been bid and we are already L1 in approximately another Rs.90 crores worth of tenders in Extra High Voltage Cables.

Now coming to the investment plans in this current financial year, we are doubling our capacity of Extra High Voltage Cables and enhancing them our capabilities is up to 400 kV range in our Extra High Voltage Cable plant in Chopanki with a CAPEX of approximately Rs.60 Crores to Rs.65 Crores in the current financial year. This capacity will be operational by September 2016. We are incurring some CAPEX of around Rs.15 crores to enhance the capacity of our Elastomeric Cables and LT Cables in our Bhiwadi plant and approximately Rs.10 crores CAPEX in Silvassa plant to enhance the capacity of House Wire. With the proposed CAPEX our capacity of EHV will increase by another Rs.200 crores and LT Cables by Rs.100 crores and House Wire by Rs.100 crores. So next financial year we will aim to achieve by a growth of around 20% in our top line. Rest, Rajeev can give an overview of the financial:

**Rajeev Gupta:**

Financial charges of the company also in terms of percentage in first half last year was 6.22%, it has come down to 5.6% because of increase in our top line and during the current quarter the product wise sale like we did LT Power Cable is close to Rs.238 crores and HT Power Cables we sold in this quarter is Rs.124 crores, Extra High Voltage Power Cables sale we have sold in this quarter is Rs.41 crores and House Wire, Flexible Wire is almost Rs.93 crores and Stainless Steel Wire is almost Rs.24 crores and EPC division sale is Rs.91 crores, so this put together is close to Rs.611 crores sale. As far as borrowing is concerned, as we have earlier guided that we will be within the 500, so total borrowing is including the working capital and term loan is approximately Rs.498 crores as on 30<sup>th</sup> September 2015.

**Anil Gupta:**

So thank you and now I wish to answer any specific questions which you may.

**Moderator:**

Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Bhalchandra Shinde from Centrum Broking. Please go ahead.

**Bhalchandra Shinde:**

Regarding Turnkey Projects, would like to know we have shown a strong growth in Turnkey Projects. What kind of scalability, what kind of levels we see to achieve in this year and next year in Turnkey Projects?

- Anil Gupta:** In Turnkey Projects, we expect sales of around Rs.350 to Rs.400 crores in this financial year. This is after reducing the Cable content going into the turnkey projects because this we are taking cognizance in our cable factories so if we add that portion then our turnkey projects business will be in excess of Rs.500 crores in this financial year and we are working hard to build up our pre-qualifications in more and more segments of the EPC in Electrical side and aim to grow by 25% in the next financial year in this Turnkey Projects.
- Bhalchandra Shinde:** I mean to ask about FY17, as you said that you are aiming to achieve around 20% growth. Which segment exactly we are concentrating or focusing more to achieve that kind of growth?
- Anil Gupta:** Two segments -- basically Transmission and Distribution side -- in Transmission side we are working on the projects on Substations and turnkey installation for the Extra High Voltage Cables and on the Distribution side mainly in IPDS Deendayal Upadhyaya Rural Electrification Program. So basically T&D segment we are aiming to concentrate and grow.
- Bhalchandra Shinde:** Regarding Turnkey, you are present in two states – UP and MP --- comparatively, are you planning ever to getting more space and what will be your roadmap for that?
- Anil Gupta:** No, in Distribution we are presently there in UP, MP and West Bengal and trying to cover many more states henceforward by bidding. In Transmission side especially in the Extra High Voltage Cables side we are present in most states now in the country. Recently, we have won Rs.48 crores Substation Order from Himachal Pradesh Transmission Utility as well. So that is another state we have added in last two months.
- Bhalchandra Shinde:** About our grid connectivity regarding the Green Policy what I have heard is Government is more focusing on green corridor for this grid connectivity within interstate, on the state wise there is more focus on that. So what kind of scope you see in that and what kind of competition we can face?
- Anil Gupta:** There are three types of jobs which happens in the grid connectivity -- one is the Interstate Overhead Power Transmission Projects which we are not currently in; second is the Underground Cabling for grid connectivity within the cities that we are already doing; and third is a Substation; from the Interstate Transmission, we receive the power in the substation and we have already mentioned that we have bagged two Substation Projects and one GIS Project which are currently under execution and I see a substantial growth in these segments, especially T&D is a weak segment all over the country and this will continue to grow in times of years to come in India.
- Moderator:** Thank you. The next question is from the line of Manoj Gori from Equirus. Please go ahead.
- Manoj Gori:** Sir, I just wanted to know regarding category wise the product wise margins? And also, can you give a brief outlook on the industry for each of the segments like how the industry is panning out and the competition and everything?

- Anil Gupta:** I think I have already given a brief, in the sense in our standalone Cable business, value growth is 10% to 12% but in the volumes we have grown by around 25% because of the reduction in the raw material prices and this is all in spite of competition and whatever is prevailing and we are operating in practically every segment of the economy because we are selling our Cables into power sector industry Infrastructure, Solar, Wind, Power companies as well as companies like Ship Building, Oil & Gas sector like ONGC, the oil exploration upstream and downstream companies. Our spread is very-very strong across the user sector in this industry. You have to be specific what you talk of the competition. I did not understand it.
- Manoj Gori:** Like there are many players present in the category, like if you look at the High Voltage categories, Cables and all, so any threat from that side?
- Anil Gupta:** No threat, because there is no player which has come up, all those are existing for years together and we are working in competition against them, we have a strong segment of loyal customers and we have a strong market access apart from industries and our customers who prefers our product. These results are there in spite of competing with all those players for the years together. So we do not see any threats on that.
- Manoj Gori:** When you say that you expect around 20% growth in FY17, can you also guide something on the margin front, like do you expect it to improve it further?
- Anil Gupta:** We will definitely maintain guidance of (+10%) in our EBITDA margin and we will aim for doing better.
- Moderator:** Thank you. The next question is from the line of Priyank Chandra from Dolat Capital. Please go ahead.
- Priyank Chandra:** My question is on the EPC side, like if you can just take me through what is the overall money, how the money comes to you like what stages and is there any advance available to you, so just trying to understand the overall working capital requirements in the EPC side?
- Anil Gupta:** Mostly, we are getting around 10% advance in the EPC contracts from the customer and most payment terms are 60% upon supply and around 30% we get after we erect the material set side and 10% after completion of the contract. So the major efficiency what we require is in the execution of the work which is our focus and we are ensuring that we are able to realize our entire money of the supply within 30 to 60 days for the supplies and then balance 30% which is payable after reduction maximum with four to five months by doing efficient Erection, rest 10% definitely we get may be after 12 months because the completion period and overall execution of the contract takes that kind of time.
- Priyank Chandra:** If I understand it rightly, suppose the Supply has started, so the Erection work also can start after sometime or you wait for the full supply to happen?

- Anil Gupta:** No, Erection will start simultaneously, we do not wait for the full supply, the erection work always carries out in the phases, so supply is also received in phases and supply and erection is sequenced in a proper manner so that the material what is received at site does not get struck there and does not get remain idle there, so the moment we receive the material we start erecting it.
- Priyank Chandra:** You mention that you have order book in EPC of right now around Rs.800 crores, is that right sir. You are L1. What is the value?
- Anil Gupta:** Yes, another Rs.200 crores at the moment but we are bidding continuously and a lot of new tenders are likely to be opened because the tender takes little time; 4 to 5 months for the evaluation and gets the bid opening.
- Priyank Chandra:** Regarding the EHV thing that you are saying that you are increasing the capacity and everything, a lot of projects are coming there, so is there a chance that you can see further competition from any domestic players?
- Anil Gupta:** Further, I do not see immediate competition; even if it comes it will take many years for a new entrant to get entry into this sector because of the stringent key qualification norms.
- Priyank Chandra:** Sir, if you can just share like you are there, Universal Cables is there. Is there any other Indian company who into this right now?
- Anil Gupta:** J-Power, Finolex are there, they are still facing the problem of pre-qualification. We have already surpassed that stage.
- Priyank Chandra:** How is the Retail segment doing right now because the slowdown in the overall property segment, so is there a thing which is like slowdown in the demand from the project side?
- Anil Gupta:** We have grown in Retail segment by more than 20% in the first half of this year, and in our perception we will maintain this growth.
- Priyank Chandra:** Just the numbers on the financial front; like half yearly if we see interest cost it is around like Rs.63 crores right now. So can we assume that this is going to be the same number despite Q3 & Q4 being the heavier, this is what increase from these levels for the second half?
- Rajeev Gupta:** Total cost we have guided for Rs.130 crores, so it will remain in the same range for the full year basis.
- Priyank Chandra:** Total debt that you have mentioned is around Rs.498 crores?
- Rajeev Gupta:** It will be close to Rs.500 crores or Rs.510 crores.

- Priyank Chandra:** Sir like we see that there has been a reduction in the prices of the copper. So, have you any inventory losses, something like that?
- Anil Gupta:** There is no inventory loss because if we are carrying the inventory more than that we are having the order book which is on the previous prevailing prices.
- Priyank Chandra:** Any particular reason that there is a slight decline in the margins in the Cable segment at the EBIT level?
- Rajeev Gupta:** As we spoke in the last quarterly numbers also because if you see the March number there was a decline because of the inventory loss, it was shifted to June quarter, so there was higher margin in the June quarter so again this is now the normal one, but in a full year basis we are hopeful that we will achieve more than 10% EBITDA margin.
- Priyank Chandra:** If I understand right, because of the nature of the business is better to like a full year number rather than see on a quarterly basis?
- Rajeev Gupta:** Yes.
- Moderator:** Thank you. The next question is from Chetan Vaidya from JHP Securities. Please go ahead.
- Chetan Vaidya:** My question is on the Housewire segment; what is the dealer network that we have reached at the end of September.
- Anil Gupta:** We have network of 800 dealers as on September.
- Chetan Vaidya:** You are planning to reach by maybe 1000 by the end of the year?
- Anil Gupta:** That is our aim that we reach 1000 dealers by March this year.
- Chetan Vaidya:** Dealers that you have added for FY16 now how much like for a dealer usually take to mature to kind of give the revenue that you are looking out for from a dealer? The reason why I am asking is that the benefit of this dealer addition to what extent will be visible in this financial year or it will be mostly in the FY17 only?
- Anil Gupta:** Whatever dealers will be added in the next half definitely, its impact will be visible only in the next financial year because they start very slow and gradually picks up with the company.
- Chetan Vaidya:** For the year as a whole you register kind of 30% volume growth for the Housewire segment?
- Anil Gupta:** Yes, we are achieving.
- Moderator:** Thank you. The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

- Deepak Agarwal:** Can you give us the break up on this EPC order book of Rs.800 crores like which are the major orders that you are in?
- Anil Gupta:** We are executing R-APDRP many orders in UP many towns like Madura, Bareilly, Mahabubabad, Brindavan, Chitrakoot city and we are executing some orders in West Bengal and two contracts are underway in Madhya Pradesh.
- Deepak Agarwal:** Each of them like UP or MP orders will be approximately how much value out of Rs.800 crores?
- Anil Gupta:** Actually major is UP; MP is approximately Rs.50 crores and West Bengal is around Rs.25 crores so balance is all UP.
- Deepak Agarwal:** Rs.700 crores plus is UP?
- Anil Gupta:** Yes.
- Deepak Agarwal:** This will be executable over how many months?
- Anil Gupta:** This will be executed over a period of next 18-months.
- Deepak Agarwal:** On the EHV side like the existing capacity that you have at Chopanki, go up to what quantum of sales?
- Anil Gupta:** Existing capacity can go up to Rs.250 crores.
- Deepak Agarwal:** We are doing Brownfield expansion. So are targeting about close to Rs.500 crores in...?
- Anil Gupta:** Not Rs.500 crores, it will add Rs.200 crores capacity with the new expansion because as we go in more and more High Voltage segments, the line speed of the machines goes down a little bit, but the value addition goes up.
- Deepak Agarwal:** Where do you see like using L1 EHV for about how much crores?
- Anil Gupta:** EHV side we are L1 in Rs.90 crores tenders which are likely to be added may be by end of November or early December.
- Deepak Agarwal:** And you are already operating at 100% utilization?
- Anil Gupta:** Actually at the moment because of the pressure of High Voltage Cables also we are also using that capacity for even some High Voltage Cables also because of the market pressures.



- Deepak Agarwal:** I am just wondering like would it not be prudent to postpone the CAPEX for a few months and repay the debt as of now because we already done some part of CAPEX a couple of years back and utilize the capacity 100% and then go for Brownfield expansion?
- Anil Gupta:** CAPEX takes long time, if CAPEX was planned in the April this year this Brownfield expansion will be operational by September 2016, it was important to surveying the market and maintain our market lead and market share, we cannot lose on the marketing opportunities. Any installation of this kind of machines even in a running factory takes a long time because of the long delivery periods and long installation even after receiving the machines like EHV machine, it takes six months to install. Basically, we are using the facility for producing mix of EHV and HT Cables. The facility is fully used whether for EHV or whether for High Tension Cables up to 33 kV and we see a strong growth in this segment month-after-month.
- Deepak Agarwal:** Basically, you do not see any risk to the volume growth year-after-year?
- Anil Gupta:** No, I do not see risk.
- Deepak Agarwal:** Is the margin level same for EHV versus EPC?
- Anil Gupta:** In margin levels, EHV is much higher; around (+15%).
- Deepak Agarwal:** One book-keeping question; we have seen a fair bit of increase in the employee expenses on a YoY> basis. So any specific reason?
- Rajeev Gupta:** Because basically the new recruitment in the EPC division, is improving, so the engineers and the purchase managers and site operation person we have recruited.
- Anil Gupta:** Because EPC business is basically a man-oriented.
- Deepak Agarwal:** Do you expect this run rate to continue for some time because this business growing exponentially?
- Anil Gupta:** Yes.
- Deepak Agarwal:** Do you see any fundamental change on T&D side in terms of tendering happening on the process or is it...?
- Anil Gupta:** We do not see any fundamental change in the tendering process in T&D side.
- Moderator:** The next question is from the line of Shreyans Mehta from Aditya Birla Money. Please go ahead.
- Shreyans Mehta:** Sir, I would like to understand what is the scope of work since we won orders in the GIS segment?

- Anil Gupta:** The scope of work in GIS is basically making the Civil Construction of the GIS building and then Supply and Erection of the GIS Equipment plus the Transformer, making the Transformer Base and connecting the Substation to the Grid, this includes complete Civil portion plus Supply and Erection of the Electrical Equipment and then connecting to the Grid.
- Shreyans Mehta:** I would just like to understand say for example if Rs.100 is an investment in GIS, how much would be the civil portion?
- Anil Gupta:** Approximately 20% is the Civil portion on the project value, approximately 55% is the Supply, Erection etc. and 25% is the Other Project Management, Services, Supervision etc.
- Shreyans Mehta:** Since we are moving to a higher kV of 400, what is the market size of that segment?
- Anil Gupta:** Market size of that segment if I correctly say at the moment is around in Cable side approximately Rs.500 crores to Rs.600 crores at the moment, but it is growing significantly, but one thing I would emphasize that we are installing is the same equipment is capable of producing right from 132 kV to 400 kV Cables. It is not that equipment will be dedicated only for 400 kV Cables, but I said that with this expansion we will attain the capability to produce 400 kV Cables. It will take little time to get the first order of 400 kV, but we will continue to use the facility to produce Cables up to 220 kV on that machine.
- Shreyans Mehta:** In terms of margin, would 400 kV be eligible for higher margin as compared to 240 kV or other kV Cables and if you could quantify the difference, probably rough, 1%, 2%, any...?
- Anil Gupta:** It will give us a better margin of approximately 5%.
- Shreyans Mehta:** Can you give me 1Q numbers break up of sales for first quarter?
- Rajeev Gupta:** First quarter sale LT Power Cables is a Rs.220 crores and Medium Voltage Power Cable is Rs.82 crores, Extra High Voltage Power Cable is Rs.32 crores and Housewire sale is Rs.96 crores and Stainless Steel Wire sale is Rs.24 crores and EPC sale is Rs.63 crores.
- Shreyans Mehta:** If you see our first half results, I just annualize first half of FY15, I think we really achieved 20% growth for FY16. So do ...?
- Rajeev Gupta:** We have already guided for 22% to 23% growth.
- Shreyans Mehta:** Do you not think you have been conservative for FY16? Will you surpass the target?
- Rajeev Gupta:** We will surpass and we will be very healthy.
- Moderator:** Thank you. The next question is from the line of Naveen Trivedi from Trust Capital. Please go ahead.

- Naveen Trivedi:** My question is as compared to the last year, our revenue mix is also changing in favor to better margin business and we are also seeing benign raw material prices. So in that context if I see the margin profile although it is healthy margin but it is still a moderate margin expansion that we have seen in the Q2. So what are the challenges that we are seeing in the margin expansion?
- Rajeev Gupta:** As we said in our industry as you are seeing the operating margin is one thing, but the before tax and whole operating profit and the whole profit after tax is almost doubling this if you are comparing first half to another first half of the last year. Margin will be close to (+10%) percentage on a whole year basis, as our sale will grow in the next few quarters, this margin cross 10% margin.
- Naveen Trivedi:** But I am talking about Q2 performance?
- Rajeev Gupta:** Yes, right now, whatever is there, that is there.
- Naveen Trivedi:** But if there is no inventory loss and if mix is also being favored into a...?
- Rajeev Gupta:** Right now whatever you are talking, existing numbers are in front of you. Whatever has been achieved ...
- Naveen Trivedi:** Trying to understand the reasons why there is a moderate margin expansion? Maybe the price cut that we have taken in the Cables is higher than the raw material price cut?
- Rajeev Gupta:** It is a normal thing basically sometimes margin 0.5% to 0.25% changes from quarter-to-quarter basis depending on the order book position and the order supply to whom we are supplying because some contracts are with very good margin, some contracts are with moderate margin. So as a whole we will achieve this margin because in each and every contract we are not keeping the same margin.
- Naveen Trivedi:** If my understanding is right, maybe the price cut that we have taken in the Cables business so far because now EPC and EHV are better margin business for KEI, so the idea that the price cut that we have taken for our core business Cables is higher than the raw material price cut that we are seeing?
- Rajeev Gupta:** The price cut is not there, but a normal way of tendering process is like this only because we cannot keep the same margin if we have to quote on the basis of the quoting by the other competitors, that is why this margin gets fluctuated. As and when the demand is improving in the market, margin will go up further.
- Naveen Trivedi:** How are you seeing the raw material trend going ahead, as you mention in your initial remark also that the overall 10% margin expectation you are having for the year, so you are expecting that the further correction in the Cables prices will not happen in the second half?

- Rajeev Gupta:** Because now the prices are stable of all the raw materials, so we do not see any...
- Anil Gupta:** Prices are almost bottomed out. I think commodities goes down further, it will be practically depressive situation.
- Naveen Trivedi:** I just want to understand what is potential margin you see in the Turnkey Projects segment, any ballpark number you can see, once the demand scenario will pick up in the next two years, how are you seeing the best of the EBITDA margin of the segment?
- Rajeev Gupta:** As I said in the EPC contracts either in the Cables, in all the tender business we have to quote in consideration and then keeping in mind our competitors view as well as our site. Sometimes we quote very aggressively but sometimes we quote if the competitors is not good enough, then we are quoting higher margin also. That is why sometimes we have a very good margin, sometimes we have the normal margin.
- Naveen Trivedi:** You have already given details about FY16 CAPEX. In totality how much we ...?
- Rajeev Gupta:** Actually whole will not be capitalized in this financial year because something will be capitalized in the next financial year because as Anil ji said that Chapanki unit will be operational by September. So out of these three CAPEX, some portion will be capitalized in this current financial year and some will be capitalized in the next financial year.
- Naveen Trivedi:** In FY16 how much you expect?
- Anil Gupta:** May be Rs.75 crores to Rs.80 crores will be taken care in this financial year and balance will be carried forward to the next financial year.
- Naveen Trivedi:** Next year CAPEX guidance?
- Anil Gupta:** We have not really worked so far on the next year CAPEX which we will be phasing the plan by the end of this financial year
- Rajeev Gupta:** Because there will not be any Brownfield CAPEX.
- Naveen Trivedi:** So there will not be any big CAPEX expectation from the next year also?
- Anil Gupta:** Yes.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from GEPL Capital. Please go ahead.
- Dhiral Shah:** What is the current cost of borrowing right now?
- Rajeev Gupta:** Current cost of borrowing is close to 12.5%

- Moderator:** Thank you. The next question is from the line of Rishabh Nahar from Girik Capital. Please go ahead.
- Rishabh Nahar:** What is our working capital requirement on an annual basis sir?
- Rajeev Gupta:** Annual basis our fund-based limits sanctioned by the bank is Rs.400 crores. As on September we were utilizing only Rs.300 crores.
- Rishabh Nahar:** So you mean Rs.300 crores is the total working capital that we require all through the year?
- Rajeev Gupta:** Rs.300 crores to Rs.350 crores will be utilized.
- Rishabh Nahar:** And how will it move as you go ahead because you are going to increase ...?
- Rajeev Gupta:** Once the sale will go up, this utilization will go up.
- Rishabh Nahar:** So working capital will increase; go to about Rs.400 crores by next year?
- Rajeev Gupta:** It may go to Rs.400 crores, but it will be in my opinion will be Rs.350 crores to Rs.360 crores level.
- Rishabh Nahar:** Of this Rs.400 crores how much is most utilized in EPC and EHV?
- Anil Gupta:** In the Cables industry the receivable cycle is close to 90 days either EHV or EPC or in our normal cables because all the sales goes to the institutional side. In EPC, these projects are the funded projects from PFC and REC, so the receivable cycle is same.
- Rishabh Nahar:** We are spending over Rs.120 crores in next one two years. All this expansion is coming because of the government spending. After two years the government stop spending at the rate it is spending now we will have problems...we will have margin decline?
- Rajeev Gupta:** Anil ji has said that we are expanding in our existing Bhiwadi plant where we are expanding only Rs.10 to Rs.15 crores and the production capacity we are increasing by Rs.100 crores; in our Silvassa unit we are expanding around Rs.10 to Rs.15 crores, again Housewire capacity we are expanding by another Rs.100 crores; in the Chapanki unit wherein already we are having the order book position is more than Rs.200 crores and there is a entry barrier because in India right now Universal Cables and KEI are only the two players those who are mainly competing with each other, otherwise all are the imported manufacturers. The current demand in the industry of Extra High Voltage Power Cable is close to Rs.2,500 crores. The supply position of the EHV Cables right now is close to Rs.800 crores in India. The demand is not the question there, there is only entry barrier which we have already crossed now.
- Rishabh Nahar:** This demand will continue and rest Rs.2,500 crores and Rs.800 crores is supplied by the two players, that is...?

**Rajeev Gupta:** Yes, these two players.

**Rishabh Nahar:** And the rest about Rs.1500 crores...?

**Rajeev Gupta:** India is still importing.

**Moderator:** Thank you. As there are no further questions I would now like to hand the floor over to Mr. Girish Solanki for closing comments.

**Girish Solanki:** I wish to thank the management for taking the time out and updating us on the numbers and the outlook. Thanks a lot, Anil ji and Rajeev ji.

**Moderator:** Thank you. On behalf of Anand Rathi Share & Stock Brokers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.