



“KEI Industries Limited Q2 FY18 Earnings Conference Call”

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MODERATORS: MR. AMIT MAHAWAR- EDELWEISS SECURITIES LIMITED

Moderator: Ladies and gentlemen good day and welcome to the KEI Industries Q2 FY18 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder all participant lines will be in the listen-only mode. 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. I now hand the conference over to Mr. Amit Mahawar of Edelweiss Securities. Thank you and over to you Mr. Mahawar.

Amit Mahawar: Hello and welcome to KEI’s second quarter of fiscal 18 results conference call. We have with us today the Management represented by Mr. Anil Gupta-Chairman and Managing Director and Mr. Rajeev Gupta-Executive Director (Finance) and CFO. Without further delay I now hand over the call to Mr. Anil Gupta for his opening remarks post which we will open the floor for Q&A session. Thank you and over to you sir.

Anil Gupta: Myself Anil Gupta-Chairman and Managing Director, KEI Industries. I welcome all of you to this conference call for Q2 quarter, financial results of Q2. I will just give you the brief.

During the second quarter of financial year 17-18, we have achieved net sales of 748.82 crores as compared to net sales of 624 crores during the same period last year. We have grown in the net sales by around 20% from same quarter of last year to in this quarter. EBITDA during second quarter was Rs. 77.28 crores which is 10.32% on net sales as compared to 68.5 crores in the same period last year.

During the second quarter of this year 17-18, profit after tax is 28.5 crores that is 3.81% of our net sales against 21.42 crores in the same period last year. So we have grown in sales by 20% over corresponding quarters of last year and volume growth in second quarter was approximately 15% as compared to same period last year. Similarly, during first half, six months of 17-18 we have achieved the net sales of Rs. 1539 crores as compared to net sales of 1174 crores during the same period last year thus growing by approximately 31% in overall sales in the first six months.

During the first half EBITDA achieved is 155.64 crores which is 10.11% on net sales as compared to 122 crores in the same period last year. During the first half of 17-18 the profit after tax achieved this 55.97 crores which is 3.64% as compared to 32.63 crores which was 2.78% on the net sales in the same period last year.

During the second quarter and first half our exports sales have grown by approximately 33% in the second quarter over corresponding period and overall in six months 31%, a growth in the export sales, the net sales of export in Q2 of 17-18 is 137 crores against last year same period 103 crores. And net sales of export during first half of financial year 17-18 is Rs. 247 crores as against Rs. 188 crores in the same period last year.

During the first half of financial year 17-18 our sales through dealer network has grown by 25%. The net sales from this segment achieved is 478 crores as compared to 381 crores in the same period last year. Total active working dealers of the company is 1274 crores, growth in the dealer is around 25% over the last year same period.

During the first half of financial year 17-18, revenue from our EPC division was Rs. 307 crores, this is apart from the cable sale which we have done to our own EPC projects as compared to 179 crores during the same period last year. So during the first half, growth in EPC segment is approximately 72%. We have fallen short of approximately 100 crores in EPC sales which could not be billed due to many purchase orders undergoing PO amendments in the utilities due to GST, so due to the non-availability of purchase order amendment some 100 crores billing could not be done in EPC business in the second quarter.

During the first half of 17-18, we have achieved the sales in Extra High Voltage Cables segment, Rs. 78 crores against last year same period Rs. 33 crores. The company is expected to achieve growth in the current financial year by at least 15% to 20% in volume terms as we had given the guidance in the beginning of the year. as on today, our pending order as on date is around 2347 crores, out of which EPC orders are 1600 crores which includes IPDS as well as substations. The outstanding orders of cables are 730 crores, out of which export orders are Rs. 84 crores.

During the year, the financial charges of the company during first half of financial year is Rs. 57.33 crores, around 3.72% of the net sales as compared to 60.27 crores which was 5.13% of net sales in the same period last year. So we have been able to reduce our financial charges by approximately 1.4% in the first half of this year as compared to first half of last year due to increased sales. As we had given the guidance in the beginning of the year, we expect to grow by around 15% to 20% in the volume terms and 20% plus in terms of sales on a full-year basis from compared to last year. Our aim will be to definitely grow by more than 20% in terms of value in this financial year compared to last financial year.

The company's business outlook remains--we remain--bullish with our business outlook, especially in exports in our sales through dealer network and also the EPC and continues to remain positive and bullish for the next financial year as well. Thank you very much and I would request you to ask any questions which you may have and will be glad to answer that.

Moderator: Thank you very much. We will now begin with the question and answer session. We have our first question from the line of Adit Makhijani from B&K Securities. Please go ahead.

Adit Makhijani: I just wanted to understand the product wise performance in the quarter gone by and your outlook on the same for the next 2-3 years.

Rajeev Gupta: Product wise sale you can write down for Quarter 2, in the low tension power cable we have sold around 315 crores and high tension power cable sold around 116 crores, extra high-

voltage power cable sold in this quarter as 19 crores and house wire is 131 crores, stainless steel wire was Rs. 30 crores and EPC other than cable 137 crores, so total net sales is 748 crores.

- Adit Makhijani:** I just wanted to know your outlook for the product for the next 2-3 years as well.
- Rajeev Gupta:** For next to three years as a were CMD has guided just that close to 15% to 20% growth we are seeing in the next financial year, for that we have also going for some small extension in our nearby Bhiwadi factory from where we will be producing low tension power cable. So in the next financial also we will be having the capacity available to grow at least by 20% further from here.
- Moderator:** The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.
- Deepak Agarwal:** My first question is on the guidance that you are giving is about 20% revenue growth, if I see the first half and performance and if I calculate for the second half, this will be imply just an 11% growth in the second half, so do you think it more has to do with how the way GST is getting implemented and which is effecting our EPC business?
- Anil Gupta:** I've already said that substantial amount of billing could not be done in EPC because many of the contracts were undergoing amendment in the utilities due to GST. And because of that billing was not done because utilities were not accepting billing but now all the contracts have been amended, so many amendments have come in October. So they had gone weak in the billing in the second quarter in the EPC side.
- Deepak Agrawal:** So we are recovering for the entire lost sales in the second half?
- Anil Gupta:** Yes.
- Deepak Agrawal:** The order book is flat if I see on the EPC on the QOQ basis, so what has been the inflow that we have seen in this quarter and the first half?
- Rajeev Gupta:** Deepak we are focusing on execution, not on the order because we have set our target in the EPC division to grow up to 1000 crores in a year, so to get that sale we are having the orders.
- Anil Gupta:** Because we had booked lot of orders last year so this year our entire focus has been first to clear the pending backlog and execute the orders instead of booking more and more orders because that is putting pressure on the manpower because EPC is a manpower related business.
- Deepak Agrawal:** So is it fair to say that most of inflows would be practically nothing during the course of this year like even in the second half?
- Rajeev Gupta:** No, we will maintain the EPC sale is close to 1000 crores to 1100 crores in this year as well as in next financial year because we are having 1700 crores order at this position.

- Deepak Agrawal:** But this will be executable over 1.5 years?
- Rajeev Gupta:** Yes close to 600 crores we will bill in the for the remaining six months and another 1000 crores in the next full financial year, so up to the next financial year we are having sufficient order book position.
- Deepak Agrawal:** This EHV sales is about 20 crores is what you mentioned, so is it taking time for ramping up because we were quite upbeat on the EHV after the new facility got commissioned early this year.
- Anil Gupta:** Some of the orders which we are having are stuck for execution because of some ROW problems in certain places. But we are hopeful to maintain our guidelines in this.
- Rajeev Gupta:** In this financial year we have guided that we will achieve close to 175 crores turnover or more from extra high voltage power cable that we will do.
- Deepak Agrawal:** My last question is also its quite good to see the interest cost coming down but will you attribute this to the lower execution in EPC because which is more working capital intensive rather than the other segments of the business?
- Rajeev Gupta:** Our EPC sales have also grown by 78% in first half.
- Deepak Agrawal:** It is grown but not to the extent of because of the GST issue it has not grown.
- Anil Gupta:** No, but interest is incurred and it is provided in the balance sheet but in the profit and loss account but billing could not be done because of the certain GST PO amendment--purchase order amendment--but interest cost is already provided in the profit and loss account, so interest cost is already... it has not held back.
- Rajeev Gupta:** working capital was required because that has put in into the company.
- Deepak Agrawal:** Because the borrowings have gone up but the interest has come down, so that's the reason I'm asking.
- Rajeev Gupta:** Interest we are maintaining as we have guided that we will grow by 20% but we will try to maintain the interest cost, we are able to maintain the interest cost.
- Moderator:** The next question is from the line of Varun Agarwal from BOI AXA Mutual Fund. Please go ahead.
- Varun Agarwal:** So the GST rates have again come down, so there was a lot of confusion regarding the billing which you have already made or with the retail sales or the EPC sales. So does it impact any of our sales or do you think this will be..?

- Anil Gupta:** It is a very good achievement that government has reduced the GST rates. Actually the 28% GST on cable was not desirable because even before pre-GST regime there was 12.5% excise duty and only 5% VAT on the cables and wires, so the total impact was 18%. Erroneously it was put into 28% bracket, so this corrective measure has been taken. It is definitely going to help all the cable industry, especially in the organized sector and it will lead to also lower burden of working capital which was getting stuck due to very high GST rate because we have to first pay and then we later recover from the customers, so the debtors will come down.
- Varun Agarwal:** Increase in the overall debt, is it more due to the GST transition, or something else to it?
- Rajeev Gupta:** It is mainly due to GST because earlier as Anil ji said that our excise duty and VAT rate was close to 14% to 15%, now after the GST we have to charge 28% so our same debtor has gone up by 13%. So due to that small portion of debt of close to 80 crores has increased in this quarter but it will come down in the third quarter end.
- Varun Agarwal:** In terms of just understand the raw material prices have gone up in last couple of quarters. So have you be able to pass on the price increase, have you taken the price increases this quarter to basically accommodate the raw material price increase?
- Anil Gupta:** Yes, the metal prices have been increasing continuously for last 10-11 months now. We are continuously passing on the benefit month after month or even week after week, every week especially in the project related orders where we are bidding. In the dealer segment every month the price list is changed and increase burden of prices is passed on to the customers.
- Varun Agarwal:** So going forward it should not affect our margins, right?
- Anil Gupta:** Definitely.
- Rajeev Gupta:** No, neither it was in the past neither in the future because we are working under the natural hedge.
- Moderator:** The next question is from the line of Tarang Bhanushali from IIFL Wealth. Please go ahead.
- Tarang Bhanushali:** On the EHV division, we are targeting just 175 crores of revenue this year and if I'm not wrong then the capacity when we increased it was supposed to be a revenue generator of almost 400 crores.
- Rajeev Gupta:** Yes 350 crores to 400 crores.
- Tarang Bhanushali:** So is it that the market is not that great or there are some glitches and our products are not been approved, so what is the reason for the sharp decrease in our guidance for EHV this year?

- Anil Gupta:** Lot of demand and lot of new tenders are in pipeline but utilities are everywhere is delaying the decision, so we are hopeful of achieving very high growth in this segment, maybe by this year end of next year it will happen. We are very bullish on this segment.
- Tarang Bhanushali:** On the debt side, we have seen gradually our debt has been increasing over the last six months, so have we peaked out or we expect debt to increase further from here?
- Rajeev Gupta:** Debt will go down again as I said in the third quarter end or by January because whatever debt due to GST has increased close to Rs. 75 to 80 crores, it will automatically come down because now the GST rates has reduced to the 18%.
- Tarang Bhanushali:** On the interest cost front, are the new rates reflected in our P&L or yet they are to reflect the low rates we have seen over the last six months, so are we need to see that impact or that is already visible in this quarter?
- Rajeev Gupta:** That is already visible the low rate of interest because once we are increasing the sale we have to increase the working capital. But we are compensating by way of rate of interest as well as by controlling the working capital also by increasing the dealer sale.
- Tarang Bhanushali:** On the order book side what would be the share of EHV now?
- Rajeev Gupta:** The EHV order book position right now is close to Rs. 94 crores.
- Moderator:** The next question is from the line of Abhineet Anand from SBI Cap. Please go ahead.
- Abhineet Anand:** What is our utilization in various segments as of now?
- Rajeev Gupta:** Utilization as a whole company level, we have utilized 82% capacity in Quarter 2 as compared to 77% in the last financial year.
- Abhineet Anand:** Any of the segments where we are already hitting 90%-95%?
- Rajeev Gupta:** Low tension power cables almost we are utilizing 96% capacity. So that's why we are expanding our capacity in the Low tension power cable near our Bhiwadi factory which will be operational by March end.
- Abhineet Anand:** So what would be CAPEX that is being planned for that?
- Rajeev Gupta:** That CAPEX is planned to Rs. 50 crores apart from the land because the land we were having earlier also.
- Abhineet Anand:** The sales expectation for the year we are almost the same number or there is some down take because of lower EPC booking in the quarter?

- Rajeev Gupta:** No, not lower booking of the EPC because execution we are saying that we will do 1000 crores. It has nothing to do with the booking because we are already having the booking for the next financial year '18-19 also. Whatever order we will take now this booking will be for '18-19 and four 19-20, not for '17-18 or for first half of '18-19
- Abhineet Anand:** So this year sales what is our expectation then?
- Rajeev Gupta:** Expectation for the sale of EPC?
- Abhineet Anand:** No, overall for the company as a whole?
- Rajeev Gupta:** Our company sales must be more than 20% in the value terms.
- Abhineet Anand:** And in 1H what is our volume growth in cables?
- Rajeev Gupta:** Volume growth in the cable is 15%.
- Abhineet Anand:** For 1H as well, 2Q you said it is 15, so for first half also it is same?
- Rajeev Gupta:** Yes for first half for volume growth in the cable division alone is 15%.
- Moderator:** The next question is from the line of Tejas Shah from Unique Stock Broking. Please go ahead.
- Tejas Shah:** We wanted to know the progress regarding the joint-venture with the Switzerland company and how well it is gone ahead and what is the position right now?
- Anil Gupta:** The Swiss company Brugg Kabel, our relationship with them is going very well and they are working together to achieve desired projects together with them. It is going very well.
- Tejas Shah:** But have they transferred the technology and the products have started manufacturing or no?
- Anil Gupta:** Yes, we have already manufactured 400 TV voltage grid cables and the cables have already been sent to outside lab in Italy for type testing and one year prequalification testing. The tests have already started, so it is underway.
- Tejas Shah:** If we look at quarter on quarter there is not much growth, a year-on-is the year we are showing growth but on quarter-on-quarter our top-line not much of the growth is happening, any particular reason for that?
- Rajeev Gupta:** I have already said of the quarter-on-quarter we have grown by 20% in Q2 of '17-18 compared to last year and I have already said that the substantial amount of billing could not be done in EPC side because of many purchase orders were under process of amendment of GST close, so billing could not be done in certain orders due to the PO under amendment process. So the increased billing in EPC will be reflected in the third quarter.

- Moderator:** The next question is from the line of Sanjay Sathpathy from Ampersand Capital. Please go ahead.
- Sanjay Sathpathy:** My first question is that your volume growth of 15% in cables, how is it compared to the industry growth, are you gaining market share in a big way?
- Anil Gupta:** We are definitely growing more than industry average. The reason is that our exports are growing, so we are growing more due to one is increase exports and secondly we are growing into some untapped areas in our dealer segments which were not with us earlier.
- Sanjay Sathpathy:** My second question is that in the first half we have grown by 20%, will that same growth rate continue in second house because you have been giving guidance of 20% kind of growth in even in fiscal 19 when EPC is not likely to grow? I'm just trying to understand whether the growth momentum is going to sustain its period and whether it will be driven by some new product.
- Rajeev Gupta:** Our guidance will be that we will continue to grow by 15% to 20% in the FY19 also because we are adding capacity in the cables, we will again start bidding aggressively for EPC projects by end of this year because we were going little slow on the new biddings aggressively because of the lot of pendency of orders with us and since we have to execute many orders simultaneously the issue was mainly the huge amount of manpower needed in the EPC business. It was exponentially grown in the last year, so it was a challenge to bring that kind of manpower hundred and thousands of people to work on those EPC projects. That's why we slowed it down further bidding.
- Sanjay Sathpathy:** My last question is that earlier you were given our guidance that each year you may manage to improve your EBITDA margin by 50 to 75 basis points, is there something which you will continue to maintain?
- Rajeev Gupta:** EBITDA margin will be depending on the volume growth, so we are trying to build it that's why we are maintaining the interest cost, so we are able to maintain our PAT margin improvement actually.
- Sanjay Sathpathy:** So your guidance is more on PAT margin?
- Rajeev Gupta:** Yes.
- Moderator:** The next question is from the line of Sachin Kasera from Lucky Investments. Please go ahead.
- Sachin Kasera:** If I see the segmental number in the margins, the margins in the EPC seems to be very high this quarter vis-à-vis Q1 while our turnover has reduced from 295 in June quarter to 167, our margin has remained absolute has remained 30 crores, so margins become almost 18%-19%, so what is the reason for the sharp jump in margins quarter-on-quarter?

- Rajeev Gupta:** No, it is basically segment elimination also. If you consider the segment elimination also then the margin will be down because in the EPC that is included in the cable also, so there is a segment elimination also for the cable.
- Sachin Kasera:** This 30 crores includes the cable margin also or is it excluding cable margin and little confused?
- Rajeev Gupta:** The segment we have to show that's why segment elimination you can see.
- Sachin Kasera:** If we take the full half we have reported 62 crores on 462 crores which is roughly around 15%, so is this the number which we can assume for the next 1 to 2 years, 14%-15% EBITDA margin is what you will report in the segmental numbers?
- Rajeev Gupta:** In the EPC division?
- Sachin Kasera:** Yes.
- Rajeev Gupta:** EPC division our average guidance for yearly basis is basically 12% plus margin, EBITDA margin. If there will be more then it will be reflected in the books also but at least 12% will be there.
- Sachin Kasera:** And you mentioned that around 100 crores of billing could not be done in EPC because of GST, so which means that if you would have achieved that then the turnover in EBITDA would have been even higher than what we have reported, is that the correct understanding?
- Rajeev Gupta:** Yes.
- Sachin Kasera:** In that scenario since you are continuing to get for 1000 crores of EBITDA and you are very confident on volume and the other segments also, is 20% guidance look little conservative if you do the maths, do you think more realistic number would be like (+25%) or is that we are still seeing some uncertainty that is why you want to be little cautious?
- Anil Gupta:** Definitely this year we will be close to 25% in value term.
- Moderator:** The next question is from the line of Hrishikesh Bhagat from LIC Mutual Fund. Please go ahead.
- Hrishikesh Bhagat:** You spoke about that but capacity LT cables, so will this entail anyway shutdown of capacity like we had it in EHV in 2017 as this is also Brownfield expansion if I'm not wrong?
- Rajeev Gupta:** Yes it's a Brownfield expansion.
- Hrishikesh Bhagat:** So will it anyway entail shutdown of capacity or anything as we undertake this expansion because in EHV we did that in March '17?

- Anil Gupta:** There will be no shutdown of the capacity.
- Rajeev Gupta:** There is already capacity addition no shutdown.
- Anil Gupta:** Let me correct it, it is not a Brownfield expansion. We are building a new factory is half a kilometer away from our Chopanki factory for LT cables, so this is not a Brownfield expansion, it is a Greenfield expansion.
- Hrishikesh Bhagat:** I didn't get your comment on the debt number, you said that there will be 75 crores impact of GST and incrementally since then it has reduced the debt number should come down, is that correct?
- Rajeev Gupta:** Yes it is correct and debt number will remain as it is, it was in the March '17. By end of this year will find the same number.
- Moderator:** We have a follow-up question from the line of Sachin Kasera from Lucky Investments. Please go ahead.
- Sachin Kasera:** Just one thing on this credit-rating, we were scheduled for a rating upgrade, has that happened or that is going to happen in the second half?
- Rajeev Gupta:** No, the rating was done by the CARE and ICRA and they have maintained the rating.
- Sachin Kasera:** So we will have to wait for some time for another upgrade as of now?
- Rajeev Gupta:** Yes. I think after March they will upgrade.
- Sachin Kasera:** What is the current rating?
- Rajeev Gupta:** It's A-.
- Sachin Kasera:** As of now with A- we are not able to tap the commercial paper market, only if we are AA we will be able to do that, correct?
- Rajeev Gupta:** Only A+ then we will have the commercial paper.
- Sachin Kasera:** So once we get one more upgrade that is when we can start accessing that?
- Rajeev Gupta:** Yes we will be going for the commercial paper in the market.
- Moderator:** The next question is from the line of Darshika Khemka from Edelweiss. Please go ahead.
- Darshika Khemka:** Could you please repeat the details of the order book?

- Rajeev Gupta:** Order book is 2347 crores, out of which close to 730 crores is for the cable and rest for the EPC division.
- Darshika Khemka:** EHV you said was 94?
- Rajeev Gupta:** EHV is 94 crores.
- Darshika Khemka:** Which is included in 730?
- Rajeev Gupta:** Yes.
- Moderator:** The next question is from the line of Abhineet Anand from SBI Cap. Please go ahead.
- Abhineet Anand:** Just on this house wire sale what has been the number for 1H and what was it the same last half?
- Rajeev Gupta:** House wire number last year was 201 crore and this year the first half is 236 crores.
- Abhineet Anand:** And last year I missed the number.
- Rajeev Gupta:** 201 crores.
- Abhineet Anand:** So there is around 17%-18% growth, right?
- Rajeev Gupta:** Yes but the total dealer sale including wire and cable, last year first half was 381 crores and this year first half is 478 crores.
- Abhineet Anand:** So that might include some LT cable?
- Rajeev Gupta:** The total growth in the dealer market is 25.45%.
- Abhineet Anand:** And that's expected to being maintained, right?
- Rajeev Gupta:** Maintained.
- Abhineet Anand:** With dealer addition of 25%, so I think dealer growth should be 25% for this year as well?
- Rajeev Gupta:** We are targeting in this financial year, dealer distribution growth close to 30%.
- Moderator:** The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.
- Deepak Agarwal:** Just one follow-up question, if you can help us give us a breakup of interest like you gave in the past but in the interest on the loans and the LC and bank guarantees and other components

- Rajeev Gupta:** For first half?
- Deepak Agarwal:** Yes first half and the quarter as well.
- Rajeev Gupta:** You can note down, the term loan interest for the quarter is 3.14 crores and first half is 7.64 crores. Working capital interest is close to 13 crores, it was last year also was close to 13 crores.
- Deepak Agarwal:** First half?
- Rajeev Gupta:** First half is 29 crores. Then interest on LC in the quarter is 5.2 crores and first half is 9.4 crores, bank charges on LC is 1.7 crores and first half is 3.8 crores. Bank charges on bank guarantee in the Quarter 2 is 1.16 and first half is 3.4 crores and the other bank charges including (Inaudible) 37.32 etc. in Q2 is 2.78 crores and in the first half is 4.28 crores. So in the Q2 the 27.38 crores total and in the first half is 57.3 crores.
- Deepak Agarwal:** The real saving that has happened is in the term loan interest?
- Rajeev Gupta:** Term loan interest in Q2 is 3.1 crore and 7.64 crores in first half.
- Deepak Agarwal:** One of the main reason why the on a YOY basis the interest has fallen on the term loan?
- Rajeev Gupta:** Because the term loan is reducing every year 50-60 crores.
- Deepak Agarwal:** And if you can also help us understand the other expenses, now if you are executing at such fast rate and giving such a strong dealer growth as well but the other expense is going fairly much lower growth rate versus the revenue, so is it because we have cut down some of the sales in advertising expenses?
- Rajeev Gupta:** No, advertisement expenses this year targeted close to Rs.15 cores.
- Deepak Agarwal:** Then how much we have spent?
- Rajeev Gupta:** In the 6 months we have spent around Rs. 9 crores.
- Deepak Agarwal:** Any additional expenses that you spent on discounts, promotions, sales promotions and all?
- Rajeev Gupta:** That is already included in the results in the first half.
- Deepak Agarwal:** It is already included but what could be that amount like in other expenses?
- Rajeev Gupta:** You're talking for the discount etc.?

- Deepak Agarwal:** Yes discount, sales promotion and various schemes because of the GST would have given some terms for your dealers.
- Rajeev Gupta:** Figure for rebate, discount and commission on sale in the first half is 6.45 crores as compared to last year full-year 11.5 crores.
- Deepak Agarwal:** 11.5 crores for the full-year?
- Rajeev Gupta:** 11.5 crores for the full year and this year first half is 6.5 crores.
- Moderator:** The next question is from the line of Bhavesh Jain from Envision Capital. Please go ahead.
- Bhavesh Jain:** What will be your CAPEX for this year and how much we have spent in H1?
- Rajeev Gupta:** Close to Rs. 50 crores of CAPEX will be done in the full financial year and close to 20 crores we have already invested.
- Bhavesh Jain:** And beyond FY19 because we are already operating at 82% utilization, so what is the plan for doing CAPEX?
- Rajeev Gupta:** For next financial year whatever capacity we are having and we're going to build we will be able to grow at least 20% in the next financial year also. Beyond that capacity has not been planned yet so far.
- Bhavesh Jain:** What will be the volume growth for our cable sales through these dealer network including housing wires?
- Rajeev Gupta:** For the dealer growth 21%.
- Bhavesh Jain:** How much copper inventory be hold in terms of days ideally?
- Rajeev Gupta:** Practically all the raw material inventory we are holding close to 3 months, that is raw material, semi-finished goods and finished goods.
- Moderator:** We have our last question from the line of Ankush Mahajan from JM Financial. Please go ahead.
- Ankush Mahajan:** My question is related to industry, what is the major growth demand drivers for the extra high voltage cables and how do you see this demand from the Deendayal Upadhyay Yojana and IPDS schemes? And second one how do you see the competition from the organized players like Universal Cable, RPG, Apar Industries and others?
- Rajeev Gupta:** Extra high voltage cables are not supplied under IPDS or Deendayal Upadhyay Rural Electrification Project. Extra high voltage cables are used by transmission utilities for

converting overhead power system to underground power systems for carrying very high voltage to bring bulk of power in the city from large substations to the cities, it is distribution network. So that is of purpose of extra high voltage cable, so it is not linked to IPDS and going forward in most of the cities you transmission systems are being undertaken because of the low power capacity intake, capacity they are having. And in most of the bigger cities overhead transmission is not possible because of the ROW issue and which is required to erect large transmission towers and also the risk and hazard it may have in the largely populated cities.

Ankush Mahajan: So basically state electricity boards are investing in this segment?

Rajeev Gupta: Yes but only the transmission segment.

Ankush Mahajan: What is the total market size at industry size of extra high voltage?

Rajeev Gupta: Our estimate is around 1500 crores.

Ankush Mahajan: How do you see this lower voltage and medium voltage demand under the IPDS and the Deendayal Upadhyay Yojana?

Anil Gupta: It's quite strong and because these projects are being executed all over India, so the demand is very strong in this segment. Basically these are distribution projects, for distribution strengthening.

Ankush Mahajan: And how is the competition in this segment from unorganized and organized players?

Anil Gupta: There is no unorganized competition in this segment, ultimately these are the government projects and product has to be approved by the distribution companies and also you have to bill them so unbilled cables cannot go into this system and product approval is required. So it is only a game of organized sector.

Moderator: Thank you. As there are no further questions I now hand the conference over to Mr. Amit Mahawar for closing comments.

Amit Mahawar: I thank the management of KEI for giving us an opportunity to host this call. Sir you have any closing remarks?

Rajeev Gupta: I thank all the participants for good interactive session and for giving us some ideas for our improvement in our future, so I thank you all for sparing your valuable time for this conference call.

Moderator: Thank you. On behalf of Edelweiss Securities we conclude this conference. Thank you for joining us and you may now disconnect your lines.