"KEI Industries Limited
Q4 FY2019 Earnings Conference Call"

May 22, 2019

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Moderator: Ladies and gentlemen good day and welcome to the KEI Industries Q4 FY2019 Earnings Conference Call, hosted by Edelweiss Securities Limited. As a reminder, all participant 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 will now hand the conference over to Mr. Amit Mahawar from Edelweiss Securities Limited. Thank you and over to you Sir!

Amit Mahawar: Thanks. Good afternoon everyone, I welcome you all to KEI's Q4 earnings conference call. From the management, we have with us today Mr. Anil Gupta, Chairman and Managing Director and Mr. Rajeev Gupta, Executive Director. Without further delay I now hand over the call to Mr. Anil Gupta for his opening remark before we will open for the question and answer. Thank you and over to you Sir!

Anil Gupta: Good afternoon, ladies and gentlemen. Thank you very much for joining us on this conference call. I will give a brief about the wholly FY2019 as well as the Q4 of this FY2019. During fourth quarter of FY2019, the KEI has achieved net sales of 1258 Crores which is around 22% higher than the corresponding quarter which was 1030 Crores in the corresponding quarter.

In the fourth quarter that means January to March, the operating profit is 137 Crores against vis-à-vis 101 Crores in the corresponding quarter. Operating profit margin over net sales in Q4 is 10.93 Crores against 9.8% in the same period last year. Operating margin has improved due to increase in sales and better product mix.

Profit after that in Q4 is Rs.59.93 Crores vis-à-vis 49.56 Crores in the corresponding quarter. So, the profit after tax oblique net sales is 4.76% against 4.81% in the same period. This is because of higher income tax rate in this quarter as compared to corresponding quarter.

Our institutional cable sales has grown by 18% in Q4 and our sales food distribution network is Rs. 406 Crores in Q4 against last year it was 315 Crores, so the growth is approximately 29% against sales through the dealer network. They have initiated and strengthened various brand building exercises during the year and large number of below the line activities has also been initiated which includes electrician needs and dealer needs in various states.

It has result into good growth in sales through dealer network. Company has sponsored chest logo in Rajasthan Royal recently concluded IPL Season 2019 and also done lot of branding activity on the electronic media including CV channels. The total working dealer for the company as on March 31, 2019 was 1450.

One more significant achievement is that we achieved the sales of extra high voltage cables in Q4 by Rs. 94 Crores against 52 Crores last year, so the growth industry has achieved 51%. The sales of EPC department other than cables is 247 Crores, it was 187 Crores in the same period last year, so it is grown by 52% in the Q4, but overall EPC has grown by 12% over full year in 2018-2019 compared 2017-2018.

Now, I will come to the full year figure, net sales for financial year 2018-2019 is 4227 Crores which is up by 22.67% from last year level of 3446 Crores. The overall volume growth in the cable division in FY2018-2019 is around 18%. Sales through dealer network in the full year period of 2018-2019 have grown by 43% from 978 Crores in 2017-2018 to 1400 Crores in 2019-2019. So, now we have almost achieved total sales of 33% of our total sales through dealer network during 2018-2019.

The operating profit for the full year is 10.48% as compared to 9.82% in financial year 2017-2018. Profit after tax achieved in 2018-2019 is 181.87 Crores against the previous year around 144.56 Crores. The growth in profit after tax is 2018-2019 is 25.81% over corresponding period in 2017-2018.

PAT margin has improved from 4.2% to 4.2% as against last year in spite of increase in the rate of income tax, which has increased from 27% to 33% of profit before tax. During 2018-2019, our finance cost has increased to Rs.138 Crores as against Rs.111 Crores last year

It is mainly because of increase of 17 Crores in the bank guarantee charges over full year which has been very long term bank guarantees has been given for some of the EPC contracts and extra high voltage cable turnkey contracts and the bank guarantee charges has been given for 5-6 years period right now itself, so that is why it has jumped, but overall debt has come down.

We have pending orders as on date is 4707 Crores and we are L1 in 113 Crores of extra high voltage cable new tender, which should be finalized in June. So out of this EPC order for 2395 Crores, EHV cables are 684 Crores, overall cables is 996 Crores and exports 749 Crores. We expect to grow in the current year in 2019-2020 by approximately 17%-18% as a whole.

We have completed the expansion of the completion of our second phase of Pathredi plant, which was commissioned in March 2019 and the Pathredi plant is now complete will be undertaking some debottlenecking in Pathredi new plants this year as well with a capex of around Rs.10 Crores to Rs.12 Crores rupees which should be completed in the next 3-4 months. It will result into improvement in the production capacity by around Rs.100 Crores in that plant.

Now the new expansion in new plant is being setup in Silvassa in area called Chinchpada for which land was acquired in October 2018 and the construction work has started. This plant is initially being setup to increase the capacity of production of house wires and flexible. The first phase of the project is likely to be commissioned by July 2019 and the second phase will be completed by February or March 2020. The approximate investment in both the phases will be Rs.90 Crores to Rs.100 Crores which will be kept within this financial year in totality.

Thank you very much for listening to my brief. I welcome you to now ask any questions whatever you may like and will be glad to answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhineet Anand from SBICAP Securities, please go ahead.

Abhineet Anand: Thanks for the opportunity and congrats for a great set of numbers. First on the gross debt what is that number as on FY2019 end?

Anil Gupta: The total debt as on 2019 is close to 599 Crores to 600 Crores.

Abhineet Anand: Sir some part of that is being in the other financial lability?

Anil Gupta: Long-term and working capital both is Rs.599 Crores.

Abhineet Anand: Secondly all the sales had gone by 22%, so there will be a corresponding increase in inventory and other things, but I see good amount of inventory and payables which has grown or increase more than probably the sales part, so if you can just spend some time how was the inventory and payables increase happened and are these sustainable numbers?

Rajeev Gupta: The inventory increase with purchase accordingly, inventory holding is increase according to the payable is increased. Inventory increase because of the new plant, Pathredi started last year and second the extra high voltage power cable which is now running it 100% capacity utilization. As I said, the 94 Crores sale we have done in the last quarter itself. We have a capacity of extra high voltage power cable close to 350-400 Crores, so it is running now at 100% capacity. Because of that, the inventory has increased and the cable is increase because earlier the buyer credit was showing into the borrowing, now the buyer credit is not there, so the credit part is there.

Abhineet Anand: Thanks.

Moderator: Thank you. The next question is from the line of Apurva Bahadur from Jefferies, please go ahead.

Lavina Quadros: Congrats for a good set of numbers. Sir I just wanted to check now that this number of 600 Crores on the gross debt site that is comparable to the 800 Crores of last year, if I look at the annual report of FY2018?

Anil Gupta: The annual report will be the same because in annual report, the buyer credit was there last year, this year, the buyer credit is not there that is shown in the creditors because we are not availing the buyer credit now.

Lavina Quadros: Correct, Sir basically that amount was also about Rs.100 Crores?

Rajeev Gupta: If you will compare apple to apple, so then this figure will be close to 600 Crores. The out of it 42 Crores in 2018 there was 138 Crores was the buyer credit.

Lavina Quadros: Sir it is still down right, your last year rating your are closer to 840 so that means this year it was closer to about 740 if I look at like to like, you are still down 100 Crores.

Rajeev Gupta: Yes net to net is 100 Crores down. As we have earlier said also that we will be maintaining that debt, this may be 100 Crores plus or minus, but we will be maintaining a 100 Crores because sometimes in the month of March when the money comes in that is why the receivable position is very low, sometimes it does not come in the month of March it may come in the month of August, so it will reflect to 800 Crores, but our average utilization is close to 500-600 Crores.

Lavina Quadros: Sir that means if I look at interest cost for next year and the year after if you have one of like those guarantee charges?

Rajeev Gupta: Or slightly reduction from the adjusting level.

Lavina Quadros: Right perfect, if a quarter, can you tell me what is your HT cable and house wire sales?

Rajeev Gupta: You can note down the product wise sale. In this quarter, low tension power cable sale is 471 Crores, the HT power cable in this quarter is 195 Crores sales, the extra high voltage power cable sale is Rs. 94 Crores, the house wire sale is Rs. 222 Crores, the stainless steel wire sale is Rs. 37 Crores, and EPC sale is Rs. 247 Crores other than cable, and other miscellaneous is close to 12 Crores, this comes out to 1278 Crores sale. In the Ind-AS adjustment, 19 Crores is less because all the incentives, etc., freight and incentive which need to be adjusted. So, after that it would be 1259 Crores.

Lavina Quadros: Last thing on the EPC revenue is per se, you are looking at I mean that business will not grow right, you probably be flattish for the next two years that will be expectation?

Rajeev Gupta: That business as we earlier said, it will grow by 10%.

Lavina Quadros: About 10 alright.

Rajeev Gupta: Because you see whatever order we are having right now, then cable consumption is much, much higher than the earlier projects. So, basically it will increase to 10% but the cable consumption will increase much higher.

Anil Gupta: In fact, these projects, we are undertaking as a forward integration to our cable production and we are doing supply of cables plus laying and installation as well as some secondary work like strengthening of distribution system like installation of transformers and LT distribution panels in the field, so this is basically to more of a strengthening of our cable business.

Lavina Quadros: Alright Sir, thank you so much.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investment Managers, please go ahead.

Pritesh Chheda: Some clarification on the debt, you said 750 is the gross debt including buyers credit of 100 Crores versus 840 is the gross debt?

Rajeev Gupta: Sir this year, the debt is 599.62 Crores.

Pritesh Chheda: This does not include?

Rajeev Gupta: Buyers credit is nil.

Pritesh Chheda: So your debt is 600 Crores this year.

Rajeev Gupta: 600 Crores including long-term, working capital everything.

Pritesh Chheda: Can how does it compare last year of 842?

Rajeev Gupta: The 842 Crores includes 137.76 Crores of the buyers credit, so we can reduce it.

Pritesh Chheda: It is 600 versus 842, so net reduction of 240 that is how you should read it?

Rajeev Gupta: 242, but this 137 Crores has gone to the creditors now.

Pritesh Chheda: So now 177 have gone to the creditors?

Rajeev Gupta: Actually debt reduction is 100 Crores in terms of debt because earlier the accounting was showing the buyers credit into the borrowing actually, but earlier also that was part of the creditor.

Pritesh Chheda: My second question is on the cash conversion cycle, what is the cash conversion cycle today and how do you see incrementally for FY2020, the cast conversion cycle playing out on?

Rajeev Gupta: You see the working capital cycle has gone down from 2.89 months to some 550 basis points close to, so because as our sales is improving, so the dealer distributor network, so this is in favor of the company for working capital, so that is going down.

Pritesh Chheda: How do you see it next year?

Rajeev Gupta: Next year also as the sale is growing up as a whole, again few days will go down because now we have reached to the level of 2.25 months, this was earlier was 2.89 months.

Pritesh Chheda: So, 2.89 is down to 2.5?

Rajeev Gupta: Now 2.25. See as we said sometimes in the month of March, some payments come and sometimes it does not come, like in 2018, close to 50-60 Crores payments come only in the first week of April, so that was shown in the March 2018 balance sheet, but this time all payments come in the month of March, so it has reduced, so that is why the debtor will also come down to 600 Crores, it will be ranging from 600 to 700 Crores and the working capital cycle will be from 2.25 months to 2.5 months.

Pritesh Chheda: How much you mentioned 200 Crores capex for the Silvassa plant right?

Rajeev Gupta: No, it is 100 Crores capex. Out of 100 close to 41 Crores has already spent and balance will be spent in this financial year.

Pritesh Chheda: In this 41 Crores is spent in FY2019.

Rajeev Gupta: Payment basis.

Pritesh Chheda: What is the maintenance capex?

Anil Gupta: Close to 8 Crores to 10 Crores, which is there it is spent on maintenance capex.

Pritesh Chheda: Lastly on the house wire site, what growth do you expect or sales do expect?

Rajeev Gupta: We are growing close to 30% growth. We are expecting a reasonable growth because our sale has increased substantially. Again in this financial year, we are also targeting a retail sales were grow at least 28%-30% as compared to the overall sale we are targeting of 17%-18% growth.

Pritesh Chheda: In your retail sales, this year is 980 Crores right, pure retail house wire is?

Rajeev Gupta: Pure retail house wire sale will be close to 800 Crores.

Pritesh Chheda: Thank you Sir.

Moderator: Thank you. The next question is from the line of Vinod Bansal from Franklin Templeton. Please go ahead.

Vinod Bansal: Further clarifying on the debt part, you said we are not using the buyers credit of 140 Crores that we had last year, this is setting in creditors now, is it simple trade payables or we are utilizing something like LC for that now?

Rajeev Gupta: Every trade payable, most of them utilizing against LC only because metal we are buying LC only.

Vinod Bansal: Then you have to pay three charges or some interest.

Rajeev Gupta: Yes.

Vinod Bansal: Sir, what is the economic benefit of using an LC over buyers credit, interest cost is lower?

Rajeev Gupta: Buyers credit also was against the LC only; only the accounting standard was earlier saying, the buyers credit has to be shown in the borrowing part. So that is why it was showing into borrowing. I am not comparing our debt. That is why we are not comparing our debt including borrowing last year. Otherwise, we should say that debt has reduced by 242 Crores that is why we are saying only debt has reduced by 100 Crores.

Vinod Bansal: Just to put the numbers again as supposed to 700 Crores excluding buyers credit last year, we have 600 Crores excluding LC this year?

Rajeev Gupta: LC is the non-fund base limit. We are talking of fund base limits.

Vinod Bansal: Apart from the accounting standards wanting us to put it in debt which is current liabilities, is there any benefit why are we using buyer as opposed to LC, I see couple other companies are doing that, is that purely accounting?

Rajeev Gupta: Buyers credit RBI has stopped?

Vinod Bansal: But from interest cost standpoint, it is not any cheaper or it does not have any higher payable days for us as such.

Rajeev Gupta: No.

Vinod Bansal: That is all. Thank you.

Moderator: The next question is from the line of Dhairya Dhruv from Equirus Securities, please go ahead.

Manoj Gori: Congratulation from a good set of numbers. Couple of questions if we normally look like order book that we book for EPC and cables that we execute in a period of year, year and two. So now we said like finance cost of approximately 17 Crores which was in the form of bank guarantees. It is for approximately for the next 5-6 years, so can you told some light on that.

Rajeev Gupta: As our CMD said, bank guarantees charges are 17 Crores, generally these bank guarantee open for 4 to 6 years part of time period. So always bank charge on the first day he said like this, so additional interest cost he was explaining that is against 136 Crores versus 111 Crores last year, the major difference is basically due to 17 Crores of the bank guarantee charges because the last year the bank guarantee charges was very small as compared to this financial year.

Manoj Gori: From the other side, if you look at the debt level of 600 Crores, so we are saying it could be plus minus 100 Crores on a yearly basis, but investing major deviation from this?

Rajeev Gupta: Because our focus to maintain debt of 100 Crores level of below level.

Manoj Gori: So our finance cost largely will remain debt around 120 Crores and with the topline growth of 17%-18%.

Rajeev Gupta: Close to 125-130 Crores we are estimating because our sales will also increase, so the other bank charges like opening of LC will increase accordingly.

Manoj Gori: During the current quarter if you look at the EPC total turnkey project or lower and total reported without cables. So there has been material difference, so it does not mean like this quarter we have executed projects or more of buyers and cables are required?

Rajeev Gupta: Whenever in any quarters, the supply will be there, the sale will be higher. Whenever they will be erection, the service portion will be there that is why we always maintain that yearly average will be there.

Manoj Gori: So in this case if you look at the margin trajectory, we have actually moved up significantly over the last couple of quarters?

Rajeev Gupta: Margin in EPC, yes basically 12%-14% on an average.

Manoj Gori: If you look at the LC level what should be assumed?

Rajeev Gupta: Sometimes it will reflect 11%, sometimes also it will reflect 15% in EPC. If in the same quarter, erection will be higher, so the margin will be showing as higher because our topline is showing less, but if the supply portion is higher, so the margin will be less actually.

Manoj Gori: If you look at the margin expansion that you have witnessed during the current year, so is it largely because of the better product mix or more of retail sales, so what actually driving the margins and how do you look margin for 2020-2021?

Rajeev Gupta: Mainly the better product mix like extra high voltage cable and increase in dealer sale, export sale and sale as a whole, you see the fixed cost of apportionment is also the same whether we do 4000 Crores sale or we do 4200 Crores sale, so if sale goes beyond that so the fixed cost apportionment will be earlier, so that is operating margin has improved.

Manoj Gori: So we expected to remain at current level.

Rajeev Gupta: Yes, so now current level has already reached if you talk of 10.5% plus cable, so we are hoping the 10.5 plus percent we will be working for this financial year.

Manoj Gori: That was very helpful Sir. Thanks a lot and wish you all the best.

Moderator: Thank you. The next question is from the line of Ashish Poddar from Anand Rathi. Please go ahead.

Ashish Poddar: Thank you for the opportunity. Sir just breaking down the interest expense, so last year in Fy2018, the other interest apart from the interest paid, was around 23 Crores and this year you are saying FY2019 it is higher by 17 Crores, so is this around 40 Crores?

Rajeev Gupta: You are asking the interest breakup or you are asking something.

Ashish Poddar: In the total finance charges, I am just breaking it down into interest cost or other finance charges?

Rajeev Gupta: You can note down, the total interest cost working capital interest in this financial year is close to 56 Crores as compared to 54 Crores.

Ashish Poddar: This is out of 136 Crores total.

Rajeev Gupta: Out of 136 Crores. LC interest means whatever LC we open and we pay the interest on rate, it is 33 Crores this financial year as compared to last year 19 Crores.

Ashish Poddar: 19 Crores okay.

Rajeev Gupta: Then bank charges on LC in this financial year is 9.35 Crores versus 7.38 Crores and bank charges on bank guarantee in this financial year is 24.8 Crores versus 8.1 Crores last year, so this is the major difference. 6.6 Crores as compared to 7.3 Crores.

Ashish Poddar: So how will this look like in FY2020 if you can help.

Anil Gupta: Close to 130 Crores.

Ashish Poddar: So broadly it will be similar to what we saw.

Rajeev Gupta: You see again for the 2020-2021 or 2021-2022, we need to have some large order and if they come in the next financial year in the last quarter, then again their bank guarantee charge will be there.

Ashish Poddar: So that is my question, so this improvement from 8 Crores to 25 Crores in FY2019?

Anil Gupta: Ultimately, we think that this level is maintainable level. I think it will not cross this level even if the new orders also come.

Ashish Poddar: This one was helpful Sir and all the best for the future.

Moderator: Thank you. The next question is from the line of Kunal Sheth from B&K Securities, please go ahead.

Kunal Sheth: Good afternoon Sir. Thank you for the opportunity. Sir could you help me with where we on channel financing?

Rajeev Gupta: Almost 50% sale is going through channel finances.

Kunal Sheth: 50% of the retail sales right Sir.

Rajeev Gupta: Yes retail sales.

Kunal Sheth: What are your targets in the next 2-3 years?

Rajeev Gupta: See as our dealer holder by 12-15 months becomes under the channel financing.

Kunal Sheth: Could this proportion be you know 70%-80% in the next 3 years?

Rajeev Gupta: Yes next 2-3 years' time it will be, every year it is increasing by channel financing.

Kunal Sheth: Sir this channel financing is on recourse basis or non-recourse basis.

Rajeev Gupta: In some cases, it is the non-recourse basis that is very small portion, recently got with one bank and most of the on a 50% recourse basis.

Kunal Sheth: Sir generally when does the dealer move to a non-recourse basis versus the recourse basis?

Rajeev Gupta: No, it is not the case of the dealer; it is depend on the bank.

Kunal Sheth: The bank has to approve.

Rajeev Gupta: It is basically the bank what terms and conditions they are sanctioning to us for the channel finances.

Kunal Sheth: Thank you so much.

Moderator: Thank you. The next question is from the line of Yash Agarwal from JM Financial. Please go ahead.

Yash Agarwal: Sir could you split your revenues from a segmentation perspective, how much is from power industry construction, what percentage?

Rajeev Gupta: We can segment only to the institution dealer and export, that you can note down on a full year basis, our domestic institution sale is 2338 Crores and our dealer distributor segment is 1400 Crores and our export segment is 531 Crores, which comes to 1269 and from it you please reduce that Ind-AS adjustment of 42 Crores, you come down to 4227 Crores.

Yash Agarwal: Sir, you do not segment it from industry, power?

Rajeev Gupta: We are supplying to suppose L&T, they are again working for power, they are sometime working for the industry, for refinery like this.

Yash Agarwal: Just to understand what is driving the demand, you have seen some phenomenal sales growth in the cable segment I think this is much higher than the large player what is driving the demand for the cable segment?

Anil Gupta: I think the demand driver the moment is the oil and gas segment, refineries, all the refineries are undergoing an expansion and conversion to BSVI and as also capacity expansion. Secondly, metro projects are giving good boost to the demand and even power factor everywhere the distribution strengthening is there. We know lot of cables has been, 12 contracts has been awarded for IPDS and DDU schemes by various state governments and that is driving the demand and many state governments are undertaking underground cabling projects for removing overhead systems from the cities and replacing it with underground cables, it improves their efficiencies and eliminates and reduce AT&C loses aggregate technical and commercial loses significantly. So many state governments are undertaking such projects.

Yash Agarwal: So finally the government initiatives and oil and gas, metro and powers are major. Also how is the demand for housing wire, is there any sort of revive in that we are witnessing?

Anil Gupta: It is very good. I mean where is the question of revival, we have grown by 40% in this last financial year. In my opinion, it is the myth that real estate sector is not growing, if some builder has struck in Noida or elsewhere due to that financials are undergoing constructions not completed. I do think that whole sector is bad.

Yash Agarwal: Sure, thank you so much Sir and best of luck.

Moderator: Thank you. The next question is from the line of Abhineet Anand from SBICAP Securities. Please go ahead.

Abhineet Anand: The capex for FY2019, how much we are in good?

Rajeev Gupta: It was close to 125-130 Crores last year, which is spent.

Abhineet Anand: This includes around 40 Crores of Silvassa right. So far 20 our capex will practically only 60-70 Crores right?

Rajeev Gupta: It is close to 60 Crores plus, 12-13 Crores is the Pathredi, bottleneck projects plus Rs.8 Crores to Rs.10 Crores maintenance capex.

Abhineet Anand: Thanks.

Moderator: Thank you. The next question is from the line of Dhairya Dhruv from Equirus Securities. Please go ahead.

Dhairya Dhruv: Just to missed to ask one question so obviously we are registering strong topline and volume growth numbers, but how has the trend being for the overall industry because of the election period like few guys have been indicating that there has been a slowdown in various sector?

Anil Gupta: Industry since so many years is increasing by 12%-14% electrical industry as a whole. You know due to election, there may be a lull for two months like April or May during which new contracts are put on hold by various government utilities for awarding the contract, but whatever is the ongoing contracts and in that where wires have to be used, their consumption is going on.

Dhairya Dhruv: Right Sir. So, we are not witnessing anything and I think that should be by and large should remain similar for the whole year?

Anil Gupta: Yes.

Dhairya Dhruv: That is all Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Vinod Bansal from Franklin Templeton. Please go ahead.

Vinod Bansal: Thanks once again. On this election issue you said that new contract may slow down because the government is not really focusing on work at that point in time, basically what is the conversion cycle of a contract you receive to actual execution and therefore if April May the slow down in new contract precedes when does the execution get impacted if at all?

Rajeev Gupta: You was saying slow down Vinod, not in terms of execution, he was saying the policy, in awarding the contracts under the tenders which are under consideration, only the award of contracts, new contracts for which tenders were opened, only that gets delayed and I think most utilities they makeup for this loss time later on.

Vinod Bansal: I understood except that typically what is the period let us say if you receive an order today theoretically and how much time you start working on that in two months, two quarters, what is typically in your business?

Anil Gupta: If it is cable order then there is no left period. If we started within 1-1-1/2 month, but if it a project normally after the award of the contract, it takes 4-5 months to kick start the project because we need to undergo the vendor approval process and lot of technical approvals from the project authority before commencing the actual work.

Vinod Bansal: Secondly on the margins, we have done very well this year, is there are scope for further expansion in operating margins above 11% sustainably on a full year in FY2020 or 2021?

Rajeev Gupta: We will aim for that and I hope that it should be workable.

Vinod Bansal: Any levers that you could identify that would help you for their put up margins higher?

Rajeev Gupta: Only the increase of sales Sir.

Vinod Bansal: It is not raise the margins as such because the other operating revenue is there.

Rajeev Gupta: The cost will remain same, if the sale is higher, then automatically margin improves and second lever is the product mix in the financial year, the extra high voltage power cable will come, but sometimes what happened that contingencies we cannot consider right now like last year the contingence was foreign exchange loss, so in a whole year what happens we cannot predicts right now.

Vinod Bansal: Just on that my understanding was this is not a business where the fixed cost is very high, is more or less variable cost, so that operating leverage will not be a big component of margin growth apart from product mix which could be?

Rajeev Gupta: As well as sales, if you compare last year margin, if you add the 29 Crores, I think we will cost 11% because of 39 Crores is foreign exchange loss last year, so we have already closer to 11%.

Vinod Bansal: Which is I am saying beyond 11 is it sustainably doable?

Rajeev Gupta: As our retail sale will go like other companies, definitely we can do in the next 2-3 years time.

Vinod Bansal: And in EHV, sorry I missed the number, what is the full year sales number for the EHV cables.

Rajeev Gupta: 189 Crores last year.

Vinod Bansal: I think our capacity is close to 400 Crores, we can do annual of 400 Crores?

Rajeev Gupta: Depending on the product mix of extra high voltage power cable.

Anil Gupta: And we have done 94 Crores sales in Q4 and I think this trend will continue now because we have sufficient order book on that front. The plant is operating on all 100% parameters.

Vinod Bansal: So can you do 400 in FY2020, is that a doable target?

Anil Gupta: Yes.

Vinod Bansal: Thanks a lot.

Moderator: Thank you. The next question is from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: Thank you so much for taking my question and congratulation for very good set of numbers. Just wanted to reconfirm few numbers, basically I think you gave EHV number for the full year, if you just share LT and HT and binding wire numbers for the full year?

Rajeev Gupta: Please note down, LT number for full year is 1634 Crores. HT cable for full year number is 712 Crores. The extra high voltage number is 189 Crores, house wire is 819 Crores. The stainless steel wire is 137 Crores, and EPC sale without cable is 730 Crores, and others is Rs. 48 Crores, less Ind-AS adjustment 42 Crores.

Saurabh Patwa: Is the retail, you gave a number 1400 Crores this year, but the report for last year it shows the number of 1086 Crores?

Rajeev Gupta: We have regrouped the number because we found some of the sale was indirectly through the dealer, so we are corrected that actually.

Saurabh Patwa: So the number which are giving for this year, is though?

Rajeev Gupta: Earlier was the grouping was something different. Out of this year sale also, we have reported the total 33% sale is the dealer distributor network. Out of 33% close to 4%-5% sale, it is still through the dealer, but not directly to the dealer because the responsibility, accountability is of dealer, but we are billing directly to the party because sometimes they are small dealers those who are having the limit of Rs.1 Crores and 50 lakhs, but they got a order of 1.5 Crores, so what we say to them please give us the direct order in your name and get your commission and everything from us. But actually that part is obviously is the dealer sale, but that Ind-As it is not the dealer sale. So that is why we mentioned the 33% sale, but out of 33% close to 4%-5% sale is the indirect dealer sale.

Saurabh Patwa: So the 978 Crores, this does not include or this also includes 5%-10% sale which are you mentioned?

Rajeev Gupta: This also includes close to 4% of the sale.

Saurabh Patwa: So the difference which you have done, so what would be the difference between?

Rajeev Gupta: Close to 1400 Crores sale, close to 150 Crores to 170 Crores sale is through the dealer indirectly. At sale, we cannot do without the dealer that is for sure.

Saurabh Patwa: Last one question, so this number which we were saying that there was a regrouping, so this regrouping was largely for the reason of?

Rajeev Gupta: The reason was those sales where the accountability of the dealer was not there. In this case, the payment responsibility was a dealer, in that case, they were charging only commission, the responsibility was not there. So if the responsibility of that dealer's payment does not there, so it means it is institutional sale for us. Wherever we need some correction, we always disclose it and we reclassify the figures to you.

Saurabh Patwa: Thanks a lot and all the best.

Moderator: Ladies and gentleman, due to time constraint that was the last question. I now hand the conference over to Mr. Amit Mahawar for closing comments.

Amit Mahawar: Thanks everybody. Thank you. Sir you have any closing remarks.

Anil Gupta: Thank you very much for all our colleagues from the Investor Community. I really thank you very much for your valuable time. If you have any other questions or queries, you can write to us or you can call us. Thank you. Thanks to all. Thanks to Amit Ji for holding the conference.

Moderator: Thank you. Ladies and gentlemen on behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.