

ANANDRATHI

“KEI Industries Limited Q4 Financial Year 2016
Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the KEI's 4Q FY2016 Earnings Conference Call, hosted by Anand Rathi Shares and Stock Brokers. 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. If 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. Thank you and over to you Sir!

Girish Solanki: Thank you, Aman. Good morning everyone. This is Girish Solanki from Anand Rathi. Today, we have with us Mr. Anil Gupta, who is the Chairman and Managing Director of KEI, Mr. Rajeev Gupta, who is the CFO. Over to you Sir, Mr. Gupta!

Anil Gupta: Good evening everybody. I am Anil Gupta. I will give you a brief about the Q4 performance as well as the full year performance of the company. Then subsequently, you may ask any specific questions which you may like to ask.

During the 4QFY16, we have achieved net sales of Rs636.34Cr with an operating profit of 67.5 Cr, which is approximately 10.6% of the net sales, which has resulted into a PAT of 20.28 Cr, which is approximately 3.18% of the net sales. This is against the same quarter in the previous year of net sales. In the previous year, the net sales were Rs.634.5 Cr and a profit after tax of 12.53 Cr.

The growth of the company in terms of value is at par in Q4 compared to the previous year, but a volume growth in cable division in Q4 is approximately 20% over the corresponding Q4 and margin has also improved. This is mainly because of the lower raw material prices in the Q4 which was around 12% lower compared to similar quarter of last year, but overall the company has grown its volume by around 27% to 28% over whole year in our cable business.

During the full year FY16 we have clocked revenue of 2326 Cr against last year revenues of 2031 Cr so the overall value growth is 14.5% in value terms, in turnover terms as compared to previous year. This growth is after reduction in raw material prices by approximately 12% during the last financial year compared to the previous year. The full year operating profit is Rs.242.26 Cr against Rs.192.86 Cr and hence it is up by 25% over previous year.

During FY16 operating margin is 10.42% against 9.5% in the last year; we have improved our operating margin by approximately 0.95%, approximately 1%. During the financial year 2015-2016 the full year PAT is 62.2 Cr against 34.25 Cr last year up by 81.6%. Profit margin has improved to 3.18% compared to 1.97% in the Q4 and in full year it has improved from 1.68% to 2.67% in the whole year.

During FY16 our export sales have grown by 31%, net sales of export is Rs.191 Cr against last year of 148 Cr. During the financial year 2015-2016 our sales through dealer network has also improved by 13.5% and reached around 721 Cr as compared to Rs.635 Cr in the previous year.

In terms of volume the growth will be around 27% because of the lower raw material prices in 2015-2016 compared to the previous year. The company has done significant efforts on its brand buildings through various methods including TV advertisement, outside hoarding and in shop branding through the dealers and we will continue to do so. This is the first time the company has also done some branding in Cricket in IPL by taking a small sponsorship in the Kings XI Punjab team.

Now I will also give a brief about the present retail business position. The company has added around 100 dealers during the financial year and it has taken the total number of dealers working with the company around 926. So the growth in the number of dealers is around 12%. As a strategy, the company intends to report approximately 45% to 50% of the total sales from its retail business over the next three to four years it is because it is effective from the point of view of working capital management, it is low working capital and helps the company for faster realization and also lead to lower inventory of finished goods.

During the financial year 2015-2016 our EPC division sale is Rs.323 Cr against apart from the cables which we have supplied to our own EPC project against last year same period Rs.216 Cr. So the growth in EPC business is around 39%. During the financial year 2015-2016 our sales of our extra high voltage cable has picked up very well and has grown by 127%. During the current year extra high voltage cable sale is Rs.134 Cr as against 59 Cr last year.

We are hopeful that in the current year going forward we expect to achieve a turnover growth of anywhere between 15% and 20% in the whole financial year. Presently, our pending orders as on date is around 1760 Cr out of which EPC is around 692 Cr and we are also L1 in EPC tenders worth 315 Cr, which are likely to be awarded in the next one month.

In extra high voltage cable our pending order position is around 145 Cr and our other LT and HD cables the present pending order position is around 608 Cr out of which export order is around 189 Cr which are pending.

We are expecting the number of EHV cable orders in next two months as a strong bidding has been done in the last three to four months and enquiry levels are also very strong. New expansion in extra high voltage cable at our Chopanki Plant will be operational by October 2016. Major amount of capex has already been done this year and balance approximately Rs.30 Cr will be spent in the next four to five months.

With the proposed capex, our capacity of extra high voltage cable will increase by approximately 200 to 250 Cr per year. Another significant feature, the company has incurred total financial charges of Rs.127.97 Cr in the financial year 2015-2016 as compared to 125.4 Cr in the previous year. The marginal increase is mainly because of substantial increase in sales, but in terms of finance cost, the finance cost in FY2015-2016 is 5.46% of net sales as compared to 5.93% of the net sales in the previous year.

The total borrowing is approximately 498 Cr as on March 31, 2016 as compared to Rs.452 Cr in March 2015. The increase in term loan is mainly due to substantial capex, which has been done during FY16. In terms of working capital debt in fact we have been able to reduce it. During the financial year the company has won a very prestigious project under first IPDS project for the city of Varanasi from Powergrid Corporation of India worth around 400Cr, which is in the fast execution mode at the moment. It is prestigious from the point of view that this belongs to the Constituency of our Honorable Prime Minister and it will give build up a significant image to the company as an EPC contractor in times to come.

With this, I will pass on to you to put up specific question, whatever you may have. Thank you very much.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Harish Biyani from Kotak Institutional Equities. Please go ahead.

Harish Biyani: Good Morning Sir. just wanted to understand the cables business better. If you can help us breakup the total sales for the year between retail, domestic, and industrials and also if you can give us some proximate size of the industry as at FY2016 for PVC cables, LT power cables as well as HT cables?

Rajeev Gupta: On the total breakup of the sales of the current year includes 1326 Cr. Last year we have sold low tension power cables 954 Cr and our medium voltage cable we have sold for 435 Cr, extra high voltage power cables we have sold for 134 Cr and our house wire business we have sold around 377 Cr. Then we have another product of stainless steel wire we have sold for 93 Cr and EPC business which is other than the cable 323 Cr. So the total is 2326 Cr.

Harish Biyani: Sir, where is the growth coming from? If you can share the YOY growth numbers for LT, HT?

Rajeev Gupta: Growth is almost in LT it is at par, but in medium voltage power cables the growth is close to 31% and in extra high voltage power cables it is almost 127% in terms of value. In the

house wire the growth is close to 13% and in EPC business the growth is almost 49%. So with this growth and this growth is after the reduction of material as our CMD had said in his speech.

Harish Biyani: Just to understand this correctly in the next couple of years, you want to increase the LT power, house wires business to about 42% to 50% of the total sales?

Rajeev Gupta: 40% to 50% what he was taking is basically the business through the retail distribution, which is total business, a break in the domestic dealer and exports and the total domestic business including EPC etc., it is Rs.1414 Cr and the dealer business is Rs.721 Cr and export is Rs.191 Cr. So he is talking that the dealer business, which is 7721 Cr which is almost 30% of the business, as I said, we are trying to push the sales to the level of 45% in the next three years.

Anil Gupta: It means that the sales products, all products can be sold through channel partners, so our strategy is to take the sales through channel partners to a higher level and as compared to the direct sales to the customer is to increase the assets in the market, reach in the market and also for the motivation of the dealers.

Harish Biyani: Related is, is it possible to share the broad numbers for the industry as of today, broken up between LT, HT, PVC, etc.?

Rajeev Gupta: It is very difficult such figures, but our estimation is that the total cable market is approximately \$3 to \$3.5 around I will say that around 18000 to 20000 Cr, which comprises of entire cable whether it is LT cable, HT cable or medium voltage or control and instrumentation cable and house wire market is approximately 15000 Cr which means all segments, whether it is organized sector or unorganized all put together.

Harish Biyani: Very helpful. Sir, last question is if you can spell out the total brand spend in the year and some of your peers over the last couple of years have started doing or going more aggressively into other consumer durables category. Is there any thought process of KEI Industries and what are the challenges like in case if you want to do some of those initiatives. Thank you.

Anil Gupta: At present we have no plans to launch any new consumer products other than our wiring cables for the next two years. We want to first grow our cable business and turnkey project business and turnkey project viz., where we are able to use this for our own manufactured cables in our various projects to take it as a forward integration, but we had in our mind the launching of other products. We will consider in due course of time, but our first aim is to grow in the existing businesses so that our capex and other expenditures remain low. Capex and other expenditures remain low in the next two to three years.

- Harish Biyani:** What was the brands spend for the year Sir?
- Anil Gupta:** 7 Cr in 2015-2016.
- Harish Biyani:** Thank you so much. All the very best.
- Moderator:** Thank you. We have the next question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.
- Ravi Swaminathan:** Thanks for taking my question. Sir one question on the EHV segment. You told a strong pipeline is there in terms of orders. What are the states which are giving orders and what would be the difficult ticket size of these orders?
- Anil Gupta:** States are Telangana, Andhra Pradesh, Karnataka, Delhi, Tamil Nadu, Punjab, Haryana and Powergrid Corporation of India, which executes projects in many states and it happens during the course of their interstate transmission lines. In some segments they have to go underground where they cannot put overhead lines because it is a trans-India utility.
- Ravi Swaminathan:** Largely all these projects should be underground cabling only that you would be executing it?
- Anil Gupta:** Yes.
- Ravi Swaminathan:** We are doing currently up to 220 kVa I believe?
- Anil Gupta:** Yes.
- Ravi Swaminathan:** The expansion would be for the 400 kVa, right?
- Anil Gupta:** The expansion which is taking place will bring us the capability to produce up to 400 kVa up to the highest cross-section segments which market can buy, but it will be able to produce 132 kVa or 220 kVa cables. So the expansion will increase the capacity of the entire EHP voltage range and also increase the capabilities up to 400 kVa.
- Ravi Swaminathan:** As we go higher, can we assume that the margins and the ticket size of all these orders would improve?
- Anil Gupta:** It will improve, but 400 kVa market in India will grow gradually. At the moment, we have a limited market in hydro projects and in some areas 400 kVa tenders have been invited, but the market size has to grow and it will grow gradually, but the investment what we have made is it is Universal and it can manufacture anything between 130 and 220 kVa or 400 kVa voltage rates of cables.

- Ravi Swaminathan:** It is between us and Universal who would be sharing this market apart from us?
- Anil Gupta:** Correct.
- Ravi Swaminathan:** How big roughly is the size of these markets Sir?
- Anil Gupta:** Market size is of EHV cable is around 2000 to 2500 Cr at the moment, and we expect that it will grow by 20 to 25% every year and we can also expect a substantial jump some time with the boost in the economy and the transmission projects are really on the radar because the power generation is there, but power transmission is low and because of lot of solar generation capacity coming up in the country the power fluctuation facilities are not there. The power vacation has to be done through the transmission cables only and there we see a significant opportunity.
- Ravi Swaminathan:** Understood. Regarding the wires business, you have mentioned that you had added close to 100 dealers this year taking the total close to 900. What would be the dealer addition foreseeable in the next two years and which are the regions that we would be concentrating in the country?
- Anil Gupta:** Dealer addition we are anticipating around 15% to 20% in this year, but the regions are across the country. We are pushing the network and sales growth across the country, but the major focus this year will be eastern region and southern region where we still have to go a long way.
- Ravi Swaminathan:** Is there any price gap between us and the other brands that is there in the market and if so will we close it going forward in this wires business?
- Anil Gupta:** Like the price gap between Havells and us is approximately 10% at the moment and as we become stronger in the brand, we will be narrowing this gap gradually.
- Ravi Swaminathan:** But we can safely assume that this and EHV business would be carrying the highest margins among all the products of us?
- Anil Gupta:** Yes.
- Ravi Swaminathan:** Given that this mix is likely to improve going forward do we see our working capital requirements also start coming off and commensurately the debt requirement also is there any debt reduction target or something that we have in mind?
- Anil Gupta:** I do not think that our debt will go up because this year also we will be repaying a significant debt as a repayment so while growing we will be able to maintain the debt levels.

- Ravi Swaminathan:** We will try to keep it at the same level?
- Anil Gupta:** Yes.
- Ravi Swaminathan:** Thank you. Thanks for taking my questions.
- Moderator:** Thank you. We have the next question from the line of Deepak Agrawala from Elara Capital. Please go ahead.
- Deepak Agrawala:** Morning Sir. Thanks a lot for taking the questions. My first question is can you comment on the working capital cycle. It has expanded versus last March especially the credit risk has gone down, so any specific reasons?
- Rajeev Gupta:** Please repeat your question?
- Deepak Agrawala:** On the working capital side like the creditor days have actually come down versus last March?
- Rajeev Gupta:** Yes, creditor days because we have made the profit, so we have reduced the credit days because as on March 31, 2016 our bank borrowing for working capital has also reduced. Last year it was 254 Cr and as on March 2016 it is 248 Cr even the bank borrowing has also reduced. Only the term loan has increased from 195 Cr to 241 Cr because of the expansion is going on.
- Anil Gupta:** Because of the capex.
- Deepak Agrawala:** Sir this 90 days of receivables is here to stay even going forward?
- Rajeev Gupta:** As our retail mix is going to improve, so the number of days it will be reduced.
- Anil Gupta:** It will gradually go down with the improvement in the retail.
- Deepak Agrawala:** But to what level it can like around 75 days it can down in the next two to three years or how?
- Rajeev Gupta:** It may happen, once we have reached to the 45% to 50% of the retail sale.
- Deepak Agrawala:** Second our order book is down in the EPC business?
- Anil Gupta:** It is because the kind of EPC business we are in we are banking upon a lot of IPDS and BDU projects and you know that due to certain formalities and you know reasons, these and some framing of rules that bidding for these projects is delayed by almost six months except

Varanasi IPDS which was bided in October and we got the order in December, because of the priority given to that project because of Varanasi Prime Minister constituency all other bidding is now taking place in May or in June, in most of the states, so for the last six months or seven months, there was no bidding in these schemes due to which the order book is low, but now the bidding is significant and we hope that order book will improve in the next two months significantly.

- Deepak Agrawala:** Sir like you mentioned 315 Cr is where you are L1, so can you give color of these orders, which are from which state and any concentration is there?
- Anil Gupta:** We are L1 in mostly in the UP.
- Deepak Agrawala:** Mostly UP. The margin you have expanded sharply in Q4. Like in terms of guidance in the next three years, what level of margins, do you think you are sustainable?
- Rajeev Gupta:** Sustainable EBITDA margin will be 10.5% plus.
- Deepak Agrawala:** It is even with the change in the revenue profile move towards retail?
- Rajeev Gupta:** That is what I am saying it will improve from 10.5% plus.
- Deepak Agrawala:** So that is what you are guiding, 10.5%.
- Rajeev Gupta:** Yes.
- Deepak Agrawala:** My last question is on the debt levels. How much is the repayment due for this year and next year?
- Rajeev Gupta:** In the next three years, we have the repayment schedule for 62 to 65 Cr per year. So all the term will be repaid almost in three years.
- Deepak Agrawala:** We do not need to take any other loan because capacity expansion is almost for two years?
- Rajeev Gupta:** Whatever we want, we have already taken.
- Deepak Agrawala:** Sir, final capex number that we did in FY2016, what was it?
- Rajeev Gupta:** Total out of 120 Cr we spent around 82 Cr.
- Deepak Agrawala:** What is 120 Cr, sorry?

- Rajeev Gupta:** 120 Cr was the total capex we have planned for in our Bhiwadi, Silvassa and our Chopanki plant against there almost 80 to 85 Cr we have already spent and balance 25%.
- Anil Gupta:** The balance will be spent before September this year.
- Rajeev Gupta:** But for that we are not anticipating any additional debt?
- Deepak Agrawala:** Ad spend do we think structurally like if you want to aim for such a high retail share in our revenue mix that ad spend will increase commensurate, like we ended with 7 Cr this year?
- Anil Gupta:** Ad spend will go with the growth in the retail business.
- Deepak Agrawala:** Specifically for retail how much margin you would be making currently?
- Rajeev Gupta:** Almost 11%.
- Deepak Agrawala:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Chetan Walia from JHP Securities. Please go ahead.
- Chetan Walia:** Thanks for the opportunity. I missed on but can you share with me the order book details?
- Rajeev Gupta:** Order book?
- Chetan Walia:** Yes.
- Rajeev Gupta:** Total order book is almost 1760 Cr wherein we have EPC order book is 692 Cr and extra high voltage order book position is 145 Cr and cable order book position is 608 Cr, and other in the EPC division, we are in L1 category 315 Cr. Almost we will get within a month or two months these orders.
- Chetan Walia:** Sir the Chopanki plant you are likely to be operational by October 2016. What would be the capex utilisation you are expecting in FY2017?
- Rajeev Gupta:** FY2017 capacity utilisation with the new line will be close to 55% or 60%.
- Chetan Walia:** How much is the revenues translate to?
- Rajeev Gupta:** Revenues in extra high voltage category will be around 200 Cr but in other voltage grids like the medium voltage grid and the low tension power grids, power cables, the additions of minimum 300 Cr will be from that unit.

- Chetan Walia:** Sir this house wire segment the kind of growth that we are looking out from the retail part. Do we have enough capacity for that or can there be some capex required if not in this year but in the next year?
- Rajeev Gupta:** We are already expanding our capacity. We are investing almost Rs.10 to Rs.12 Cr in our Silvassa plant which will be operational by September and almost 100 to 225 Cr additional production facility will be available in this financial year.
- Chetan Walia:** Lastly, can you share the gross debt number?
- Rajeev Gupta:** Gross debt is basically Rs.498 Cr, total debt out of which 248 Cr is the working capital debt and balance is the term debt. 241 Cr is the term debt and 3 Cr is the higher purchase and 5 Cr is the unsecured loans.
- Chetan Walia:** Cost of debt would be?
- Rajeev Gupta:** Cost of working capital debt is close to 11.95% and term loan is close to 12.5%.
- Chetan Walia:** That is it from my side. All the best to you.
- Moderator:** Thank you. We have the next question from the line of Dheeraj Shah from GE Capital. Please go ahead.
- Dheeraj Shah:** Good morning. Just a couple of questions; first was the intersegment revenue, which you have shown has gone up from 36 Cr to 102 Cr. Can you just explain to us what exactly is this?
- Rajeev Gupta:** Intersegment revenue is from cable division. We are selling our cable to our EPC division.
- Dheeraj Shah:** In that our margins have doubled from 42 lakhs to 80-odd lakhs?
- Rajeev Gupta:** Yes.
- Dheeraj Shah:** Sir, the next question is about receivables. What is the number of days that you have for your receivables?
- Rajeev Gupta:** Our average receivable period in the industry is 90 days.
- Dheeraj Shah:** So, is that what we are having between last year and this year?
- Rajeev Gupta:** Yes almost the same.

- Dheeraj Shah:** Sir, one more question, you have incorporated an Australian subsidiary. Can you just share with us what is the thought process is there?
- Anil Gupta:** We are already having market in Australia for our cables but now we had bided some extra high voltage cable projects in Australia where the requirement was that cable manufacturer having a registered company in Australia only can bid. So actually it was our requirement. We had an execution partner in Australia who executes the project on our behalf but there the requirement by the utility is that it has to be an Australian registered company and that too the actual cable manufacturer, so to fulfil that tender requirement, we had to incorporate a subsidiary in Australia.
- Dheeraj Shah:** Sir, in our overall sales for the next year are we incorporating any sales projection from this subsidiary or that will take a year or so?
- Anil Gupta:** It will take a year or so because we have just started bidding.
- Dheeraj Shah:** Roughly what would be the sales projection for the next year as a consolidated entity?
- Anil Gupta:** We expect a revenue growth of approximately anywhere between 15% and 20%. In fact I will be more bullish if we are able to reach to 20% level. So that is the guidance.
- Dheeraj Shah:** Thank you Sir. That is all from my side. All the best for the coming years.
- Moderator:** Thank you. We have next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead,
- Deepak Poddar:** Thank you very much Sir. Sir, my first question is that this year we have about 30 Cr that will be spent in the projects in additional of 60 to 65 Cr is the term loan repayment. So basically this 90 to 95 Cr will be repaid through our internal accruals?
- Anil Gupta:** Yes.
- Deepak Poddar:** Basically you have also mentioned that our debt ideally will not go up and we are looking to maintain it around 500 Cr level. So ideally our financial charge annually, which has been in the range of 120 to 125 Cr should ideally remain same going forward?
- Rajeev Gupta:** It will be close to 130 Cr. As our sale will increase some bank charges etc., will increase.
- Anil Gupta:** Bank charges on bank guarantees or LCs may go up.
- Deepak Poddar:** Sir what component is this LC charges or bank charges is out because as I see we have a cost of debt of about close to 12% and 500 Cr debt it comes to about 60 Cr annual payment.

- Anil Gupta:** We are buying a lot of metal, copper and aluminium by opening letter of credit to the extent of 90 days, credit period so in that the interest on the credit period has all done by separately. So that comes in the financial charges.
- Deepak Poddar:** So, will that portion increase because as our business increase?
- Anil Gupta:** Definitely. That portion may increase.
- Rajeev Gupta:** It will quietly increase our bank charges of LC and bank charges.
- Anil Gupta:** Which may lead to a small increase in the overall financial charges may be by 2 to 3 Cr, but since we will be repaying a lot of debt so we may be able to save some of the financial charges.
- Deepak Poddar:** So overall 130 Cr is what we are kind of?
- Anil Gupta:** Yes.
- Deepak Poddar:** Thank you very much. That is from my side.
- Moderator:** Thank you. We have the next question from the line of Harish Biyani from Kotak Institutional Equities. Please go ahead.
- Harish Biyani:** Just a follow up on the sales breakup. You mentioned that LT power cables have not grown in the year.
- Anil Gupta:** In terms of value, it has not grown. In terms of volume it has grown, by about 15%.
- Harish Biyani:** By about a 15% it will be very helpful in case segment LT, HT, extra high voltage, which are the key sector segments which are contributing to that growth in 2016 and in 2017 which are the areas where you are looking, sectors where we can see growth coming from?
- Anil Gupta:** We are seeing growth in each and every sector either it is low tension or high voltage, depending if the base is low, like extra high voltage the base is low, so in terms of percentage it will be seeing as a higher percentage.
- Harish Biyani:** I am talking about from a customer standpoint, which customer say for example the power sector etc., where are all you are seeing more growth and where you are seeing a slightly subdued growth and what would be the outlook in fiscal year 2017?
- Anil Gupta:** The strongest segment where the growth is coming from is transmission and distribution. In the generation said, you know coal based power plants are the growth is very slow. So the

major growth in generation side is coming from solar and to some extent from the wind power projects, but the power generation in all these projects whether it is power generation is done by solar or wind or coal, but the power evacuation is through the transmission system, so we see a significant growth in the transmission and distribution segment, which will be consuming most of our cables as well as our EPC division is also focused towards TND side.

Harish Biyani: Sir, on the house wire side you mentioned that value growth is 13, so volume growth could be say around 25% to 30%. Now over there how is the market growing in 2016. Is it that you have gained some share which has led to higher growth? If you can give a broad indication?

Anil Gupta: Market, we do not have the exact data about how the market has grown, but since our base on the house wire sales was low and we have also spread our wings geographically where we were not represented earlier it has also resulted into increase. Our base is still very low as in the total size of this market, so we expect to garner much more business shares in this segment in this year or in the coming years.

Harish Biyani: Sir, lastly how is the demand coming from Indian Railways? Thank you.

Anil Gupta: We see a significant opportunity in railways in the coming years and demand; I think we should see a demand growth from the railways from the next financial year, because the projects are just taking off, so the demand generation takes a little time.

Harish Biyani: For the industry and for the company what would be the broad contribution from railways as of today?

Anil Gupta: As of today the contribution from railways is very small, but from the metro projects it is significant. We have done our contribution from metro projects should be around 250 Cr in this last financial year and we are very focused on all the metro projects coming up, but now we are focused on the mainstream railways also which is talking about a lot of capex in the coming years.

Harish Biyani: Thank you so much.

Moderator: Thank you. We have the next question from the line of Ankit Babel from Shubkam Ventures. Please go ahead.

Ankit Babel: Good afternoon Sir. Sir, I have a few questions; first is this 15% to 20% sales growth which you are targeting in FY2017. Now is it in value terms or volume terms?

Rajeev Gupta: Definitely in the volume terms.

- Ankit Babel:** So if the copper prices increase it can be a higher number also?
- Rajeev Gupta:** Yes.
- Ankit Babel:** The gross debt at the end of FY2015 was around 500 Cr versus 498 Cr. Do you expect this to remain at 500 Cr in FY2017 also? Just wanted to confirm.
- Rajeev Gupta:** Yes.
- Ankit Babel:** Sir what were the margins in the EHV and the EPC segment, which you have earned in FY2016?
- Rajeev Gupta:** EHV is almost 15% and in EPC almost 12% including workable.
- Ankit Babel:** What kind of growth do you see in both these segments in FY2017, just EHV and EPC?
- Anil Gupta:** In both the segments we attribute a growth of around 30% in both the segments.
- Ankit Babel:** 30%.
- Anil Gupta:** Yes.
- Ankit Babel:** Sir, I just wanted to know when the share of these high margin products are increasing, I mean the sales mix is increasing to a favorable number then why our margins are not improving to that extent? I mean you are guiding for just 10.5% kind of margins, wherein you have done 10.4%. I know it is 10.5% plus, but can you give us a fair idea that can it cross 11% or so if the kind of growth which you are expecting in EHV and EPC comes in?
- Anil Gupta:** It will definitely improve, but we want to be a little conservative in our approach when we can say something.
- Rajeev Gupta:** Because whatever we have said last year we have achieved so we want to say only that wherein we cannot default actually.
- Ankit Babel:** Sir in terms of profitability what you are targeting, next year?
- Rajeev Gupta:** EBITDA level is more than 10.5% plus.
- Ankit Babel:** Net level?
- Rajeev Gupta:** Net level will be close to 3%.

- Ankit Babel:** More than 3%. Sir, lastly you did a capex of around 82 Cr and the balance 35 to 40 Cr you will be doing in the next four to five months. Other than this do you have any further capex plan for this year?
- Rajeev Gupta:** No capex plan, no land available in our kitty now.
- Ankit Babel:** So when we can expect our Greenfield project from your side?
- Rajeev Gupta:** Not yet decided.
- Ankit Babel:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen as there are no further questions, I would now like to hand the floor over to Mr. Girish Solanki for closing remarks. Thank you and over to you Sir!
- Girish Solanki:** Thanks a lot. I would like to thank the management for taking their time out and answering the questions. Thanks Anil Ji and Rajeev Ji.
- Anil Gupta:** Thanks to all.
- Moderator:** Thank you. On behalf of Anand Rathi Shares & Stock Brokers Limited that concludes the conference. Thank you for joining us. You may now disconnect your lines.