

Conference Call Transcript

KEI Industries Limited
Q3FY18 Results
January 25, 2018 | 11 a.m. IST

Corporate Participants

Mr. Anil Gupta
Chairman & Managing Director

Mr. Rajiv Gupta
Executive Director

Questions and Answers

Moderator: Good day ladies and gentlemen and welcome to the Q3 FY2018 Earnings Conference Call of KEI Industries Limited, 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 now hand the conference over to Mr. Amit Mahawar from Edelweiss Securities Limited. Thank you and over to you Sir!

Amit Mahawar: Good morning. On behalf of Edelweiss, I welcome you all to KEI's third quarter results conference call. We have with us today the management of KEI represented by Mr. Anil Gupta, Chairman & Managing Director and Mr. Rajiv Gupta, Executive Director. Without further delay I now hand over the call to Mr. Gupta for his opening remark post which we will open the floor for Q&A session. Thank you and over to you Mr. Gupta!

Anil Gupta: Good morning. I am Anil Gupta. Thank you very much for joining us on this conference call. I welcome all of you. So I will give a brief of the results of this quarter as well as nine months.

During this third quarter of FY2017-18 the company has achieved net sales of Rs.888.66 Crores against same quarter in the previous year it was Rs.715 Crores, so the growth in the net sales is approximately 24.29% over corresponding third quarter of last year. EBITDA this quarter is Rs.91.62 Crores, which is approximately 10.31% on the net sales and profit after tax is Rs.39.02 Crores, which is 4.39%. This is against the corresponding third quarter last year, EBITDA Rs.77.21 Crores, which was 10.8% and profit after tax was Rs.25.89 Crores, which was approximately 3.62%. So overall sales has grown by 24.29%, but consequently the volume growth in the cable division in the volume sales in Q3 is approximately 19% as compared to previous year in the same period.

During the nine months of FY2017-18, the net sales achieved is Rs.2428 Crores against the previous year Rs.1889 Crores, so the growth in the net sales over nine months is 28.53% over the corresponding last year of the same period. EBITDA for nine months is Rs.247.27 Crores, which is 10.18% on the net sales and profit after tax is Rs.95 Crores, which is approximately 3.91% against last year same period EBITDA was Rs.199 Crores, which was 10.55% and profit after tax was Rs.58.53 Crores, which was 3.1%. During the nine months volume growth in the cable division is approximately 18% to 19%. Profit margin on the net sales has improved from 3.1% to 3.91% during nine months of this financial year and in third quarter the profit after tax has improved from 3.62% to 4.39%.

During the third quarter of FY2017-18, our export sales is Rs.109 Crores, the last year it was Rs.116 Crores in the same third quarter, but during the nine months of FY2017-18 we have achieved Rs.356 Crores export sales against last year Rs.304 Crores in nine months, so the export sales has also grown by 17% during nine months over the corresponding period last year. During the nine months of FY2017-18, our sales through our dealer network has grown by 40.26%, net sales in nine months through dealer network has reached Rs.791 Crores as compared to Rs.564 Crores during the last year during the same period. The total active working dealer of the company is approximately 1208 and the growth in the dealer is 11% over last year.

During the nine months of FY2017-18, our EPC division sales achieved is Rs.467 Crores. This is apart from the sale of cable to our EPC projects. Against last year same period it was Rs.320 Crores, the growth in EPC side is 46%. During the nine months of 2017-18, the sales of extra high voltage cable is Rs.116 Crores against last year same period Rs.66 Crores, so the growth is around 77%. We expect to grow in the current FY2017-18 by 18% to 20% in volume terms in cable division. The pending order as on date is Rs.2331 Crores out of which EPC is Rs.1290 Crores. We are also likely to get shortly new orders worth around Rs.426 Crores where we have already become L1 in few of the projects. The substation pending order for substations are Rs.188 Crores and pending order for cables are Rs.863 Crores out of which pending export orders are Rs.173 Crores. Pending orders of extra high voltage cables is Rs.165 Crores. We are also L1 in EHV cable orders, turnkey orders of approximately another Rs.200 Crores, which should materialize in the next one month. Financial charges of the company in the nine months of FY2017-18 is Rs.82.47 Crores as compared to last year same period Rs.94.27 Crores. In terms of percentage, finance cost during nine months of this financial year is 3.4% of the net sales as compared to 5% during the same period of last year. This is a brief of our performance of this quarter as well as the nine months. I now request you to ask any such brief questions, which 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 from the line of Adit Makhijani from B&K Securities. Please go ahead.

Adit Makhijani: Good morning Sir. Congratulations on a good set of numbers. I just wanted to know the product breakup for this quarter and also wanted to understand your outlook on EHV cables and EHV cable orders going forward?

Rajiv Gupta: You can note down the product breakup. In this quarter we sold LT cable is Rs.407 Crores and HT cable is Rs.115 Crores, extra high voltage power cable in this quarter is Rs.38 Crores and house wire is Rs.141 Crores, stainless steel wire is Rs.28 Crores and EPC is Rs.160 Crores, so total is Rs.889 Crores.

Adit Makhijani: Thank you so much Sir and I wanted to understand your outlook on EHV cable business going forward?

Anil Gupta: I have already said that as we are very bullish. We are now L1 in

another Rs.200 Crores worth of orders of EHV cables, which are likely to materialize in the next one month and the bidding is also quite strong in the various state transmission utilities.

Adit Makhijani: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Lavina Quadros from Jefferies. Please go ahead.

Lavina Quadros: Congrats on a good set of numbers. I just wanted to check you said that nine-month dealer retail sales is Rs.791 Crores is that correct?

Anil Gupta: Yes.

Lavina Quadros: Sir just to understand why has there been a bit of margin compression in cables, is there because your proportion of dealers has moved up right, so is there some one-off or because margin seem to be down 140 BPS year-on-year on cables, PBIT margin, is there some mix issues?

Rajiv Gupta: Yes, there may be some mix issue because as our sale will increase to this level because we have increased the capacity in extra high voltage power cable, so right now we have achieved Rs.116 Crores and we are hoping by end of this year we will be able to achieve around Rs.160 Crores plus sale, but in the next financial year we are targeting extra high voltage power cable sales of Rs.350 Crores. At that time then the mix will be clear and the margin will again will be to that level.

Lavina Quadros: Basically you are saying that there is some cost over hedge in EHV, which are not getting absorbed, which is why you have seen this margin dip, alright Sir, but otherwise within retail and all it continues that your margins in retail and exports are a bit better right, so that kind of continues?

Anil Gupta: Yes.

Lavina Quadros: Fine. Thank you so much.

Moderator: Thank you. The next question from the line of Tarang Bhanushali from IIFL Wealth. Please go ahead.

Tarang Bhanushali: Well Sir, congratulations on a good set of numbers. Sir on the margin front again did we witness some resistance on increasing prices because of the government purview and we did not pass on the complete increase in our raw material cost to the customers?

Anil Gupta: No basically in this financial year we have increased the extra high voltage power cable capacity up to 400KV and the 400KV cable we have send for the testing to Italy. For that we have incurred additional cost for more than Rs.5 Crores so that has already booked into the expenditure side, but the revenue from the 400KV and the new lines will come only in the next financial year.

Tarang Bhanushali: Because our retail sales...

Anil Gupta: That is the main reason we can see the dip in the margin, but otherwise our topline growth is there, accordingly the bottomline growth in the absolute number is there.

Tarang Bhanushali: No doubt on that because our retail sales growth has been very, very strong this quarter and we expect that margins on a retail sales will be higher compared to the other.

Anil Gupta: Yes you are right.

Tarang Bhanushali: So again with Q-on-Q decline in that we are almost 35% of sales, but our margins have dropped so that is where the queries, did we find some resistance to pass on to our customers because of GST?

Anil Gupta: No it is not because of any retail sales it is just because of the overhead of the extra high voltage power cable, which we have added last year it is just only because of that.

Tarang Bhanushali: And so from next quarter onwards we will see our margins jumping back to the double digit?

Anil Gupta: Yes.

Tarang Bhanushali: And sir also our capital employed in our businesses has come down so have we seen some relaxation in our working capital requirement?

Anil Gupta: Because as we are increasing sale to the retail so for a few number of days the working capital cycle going down so that is why the debt has also to the level of 700 Crores as compared to 800 Crores in the financial year 2017 end.

Tarang Bhanushali: So at the end of Q3 our debt stood at 700 Crores?

Anil Gupta: So our debt is close to 700 Crores right now as on December 2017.

Tarang Bhanushali: Thanks a lot sir.

Moderator: Thank you. The next question from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Couple of questions when we look at the new orders that you are bidding for, so which are the states where we have actually looking for L1 tender?

Anil Gupta: We have become L1 in some IPDS orders of Jammu & Kashmir, Gujarat, which is not included in this L1. Yesterday also we became L1 in a 200-Crore tender in Nepal Electricity Authority it is a world bank funded project and new bidding has been done in West Bengal and Bihar.

Manoj Gori: So also on the other side when we look at the finance cost in this last four quarters or five quarters your finance costs are coming down despite your debt remaining almost close to the same levels so is it like more to do with some one-offs like lower LT charges or some of the other charges?

Anil Gupta: Because company has achieved better profit so that also is the reflection coming into the lower finance cost. Of course there is some reduction due to lower bank guarantee charges also in this period.

Manoj Gori: Going forward when we look at the current demand environment so it seems to be very challenging on in terms of housing wires though your

base seems to be very small at this moment, but how do you look at the entire wire and cables demand scenario and what would be the key drivers for company like KEI to achieve a sustainable 18% to 20% volume growth for next year as well?

Anil Gupta: Our customer spread is very wide. We are selling to all type of projects in power, industrial projects like refinery, petrochemical, cement, steel and also we are catering to construction sector. We are catering to solar, wind, ship building industry, mining industry every sector we are catering. So some of the other sectors keep growing. Also we have now 15% sales coming from export as well, so based on that because of our geographical spread and the product spread to different sectors of the economy we feel confident that we will grow. We will be able to maintain our growth.

Manoj Gori: We should also see some because of the nine months if you look at YoY the margins have declined so next year there should be some improvement in margin business?

Anil Gupta: We will definitely expect some improvement in the margins.

Manoj Gori: That is all Sir. Thanks a lot. We will join back in the queue Sir.

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

Ashish Poddar: My question is pertaining to the gross margins. So from last year to this year in nine months we saw almost 150, 170 BPS decline in gross margins, do you think that this is a sustainable level or we can see some improvement there? Thank you.

Anil Gupta: But the EBITDA margin last year was 10.55% as against this year nine month is 10.18%.

Ashish Poddar: No, Sir I am talking more on the gross margin front.

Anil Gupta: What do you mean by gross margin?

Ashish Poddar: When you are taking only the raw material cost reducing from the total income.

Anil Gupta: No this exchange gain or exchange loss is also be part of the raw material because whatever exchange gain in this quarter is only on the raw material front because we are importing the material and selling to the debtors any exchange gain or loss in our case is practically operating whether it is belong to sale or it is belong to uppercase because as per accounting standard we cannot book into sale or purchase we have to book separately. So that is part of a work so if we include exchange gain or loss, which compare both the nine-month period for 2017-18 then in 2017 that was at 10.55% and now it is 10.18%, so basic difference is basically the cost incurred for R&D and for testing charges of extra high voltage power cable, which is equivalent to Rs.5 to Rs.7 Crores. This extra high voltage power cables reaches to the level of 350 Crores next financial year this cost will be absorbed and however the testing charge, which we have incurred in this financial year for 5 Crore will not be there in the next financial year because that is only one time charges.

Ashish Poddar: My second question is more on the export side. We saw some kind of substation in Q3 while nine months figure looks good, what is the scenario now and how do you see this business growing in next coming quarters?

Rajiv Gupta: We have pending order of 173 Crores in export, so the marginal reduction in the export sales this quarter. Some consignments could not be dispatched due to our pending inspections from the customer inspector. So that is why there is a marginal decline in the export in third quarter compared to last financial year.

Ashish Poddar: But we are not facing any country specific issues in terms of?

Rajiv Gupta: No it will be very well make up in this quarter.

Ashish Poddar: Thank you so much.

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

Abhineet Anand: Sir first on the other income looks slightly on the higher side is there some forex gain or something there?

Anil Gupta: Yes the 6 Crores is a forex gain and 5.98 Crores is the exchange gain, which is mainly for the raw material import raw material.

Rajiv Gupta: Because we are importing as well as exporting, so we are neither hedging import nor we are hedging export, so it is a natural hedge we are creating. So if we are gaining on imports we are also, when rupee is strengthened we have also lost on the export sales also because we have not hedged that currency. So if I book some order at Rs.66 and now I am getting only Rs.64 against export. So this is only all operational profit or gain.

Abhineet Anand: You correct me if I am wrong. The 6 Crores of forex gain that has come as other income you are saying that would have otherwise being a part of export sales?

Rajiv Gupta: Yes.

Abhineet Anand: So directly you are saying that this 6 Crores if rupee would have been flattish over the quarter this 6 Crores have gone as export sales and not as other income in forex gain, is it the right way to understand or I am wrong?

Rajiv Gupta: Correct.

Abhineet Anand: And on the interest side this number as a new normal given that we are at the same gross debt level?

Rajiv Gupta: I think so.

Abhineet Anand: And the 700 Crores is the gross debt right?

Rajiv Gupta: Yes.

Abhineet Anand: And lastly this GST related issue that we had basically for lot of states revisiting their contracts can you comment how has that transfer everything is now okay and all or is there?

Rajiv Gupta: All our pending contracts are already settled and we have not lost anything on any contract. All contracts are now amended into the new GST issue. The problem in first three months so from October onwards these issues got settled.

Abhineet Anand: Thanks a lot.

Moderator: Thank you. The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Congrats for good set of numbers. Just one clarification is you mentioning this forex gain so how much was this quantum in the last year same quarter?

Rajiv Gupta: Last year the same quarter was only Rs.1 Crore.

Deepak Agarwal: And in this nine month for this year it is how much?

Rajiv Gupta: Nine month also there was not a substantial amount there is only a small amount was there.

Deepak Agarwal: Second question is on the debt level now we were trying very hard to bring our debt levels to around 500 odd Crores because due to the repayment of the long-term debt most of the debt will now should be only on the short-term, but are we revisiting those numbers in terms of capital structure because 700 Crores seems to me on a higher side especially when your long-term debt has been on a natural reduction path. So what is the long-term debt in this 700 and what is the growth that what numbers can expect as on March 2018 and March 2019?

Rajiv Gupta: Long-term debt as on date is 197 Crores. Out of 700 the 197 Crores is the long-term debt, 243 Crores is the working capital loan and 36 Crores is the unsecured loan and high purchase out of this 36, 25 belongs to the CMD and then the buyer credit is 191 Crores and bill discounting is 91 Crores so put together all is Rs.669 Crores.

Deepak Agarwal: Buyer credit is how much?

Rajiv Gupta: 191 Crores.

Anil Gupta: That is basically creditor.

Rajiv Gupta: Basically it is a creditor because you are assuming as a loan that is why we are saying it is a total.

Anil Gupta: Creditor against raw material imports.

Rajiv Gupta: But otherwise our fund base and the long-term loan put together all is only 477 Crores.

Deepak Agarwal: So buyer credit, which was earlier, used to be a much smaller amount, which has now gone up.

Anil Gupta: Due to India's this new accounting standard we have to now show some of the creditors against raw materials are also in the category of loan.

Rajiv Gupta: We talk of December 2016 the buyer credit figure was 99 Crores, which is now at 191 Crores. Practically it is a creditor because we are importing

the raw material against that we are availing the buyer credit.

Deepak Agarwal: And my third question is can you help us understand how do you see the EPC execution over balance FY2018 and FY2019 as we enter because our order book is quite strong, but on the other hand in the earlier con call we were mentioning that we want to limit and do not grow disproportionately on the EPC side so what is the path that we can see in FY2019?

Anil Gupta: In last conference call we had said that we will want to maintain EPC business initially up to 1000 Crores annually and that here that is what we will be aiming at so we are on the track.

Deepak Agarwal: What is the current order book I just missed that number actually.

Rajiv Gupta: 1290 Crores for EPC book and power station 188 Crores and Anil has said that we are L1 in 426 Crores worth of contracts because whatever order we are taking slowly so that we should maintain sale position of EPC 1000 Crores per annum.

Deepak Agarwal: And this EPC of 1290 includes the cable portion also, which is genially around 25% odd or something?

Rajiv Gupta: Yes.

Deepak Agarwal: Thanks and I will come back in the queue for further questions.

Moderator: Thank you. The next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: Congratulations for the good set of numbers. Sir actually if you see that we have been focusing quite a lot on branding and expanding our retail network and we have seen some success in the past now how do you see that growing forward in terms of how our dealer network can grow and our ad spending and focus on the retail sales if you can highlight on the growth prospects?

Anil Gupta: See we are working on different fronts, one is not only the branding is one aspect through various media be it TV, be it outdoor, hoardings or below the line activities like electrician needs, dealers and contractors, meetings or seminars and there are many type of other type of brandings, which we do on the state level or local level by our sales team. So our focus is continue to remain focus in the limelight to push our brand, but also strengthen our sales team and the delivery point at various depots so that we are able to cater to all the demands of the market and the dealers and also we are doing in lot of now efforts on the digital marketing also through the internet or digital media.

Charanjit Singh: So how do you foresee this retail sales, which is like almost I think 30% of your overall revenues can it grow much more bigger going forward in the next two to three years or how could the mix be retail versus institutional?

Anil Gupta: Our aim is to take it to the level of 40% of our total sales in the coming two financial years. Already in the third quarter our sales from dealer network retail network is around 40% of our total sales.

Charanjit Singh: You have also highlighted about exports right now being at around 15% of our overall revenues one is which geographies, which we are targeting and how is the kind of export growth, which we can foresee going forward?

Anil Gupta: We expect around 10% to 15% in the exports because we are now developing some new markets export is sometimes remains an area, which cannot be exactly predicted because wherever we are strong this year that country may not be buying that segment may not be buying that kind of cables that volume of cables next year so we are continuously tapping on new markets so that if we get lesser order from one market existing so we get new orders from new markets, but we will definitely like to grow around 15% in the export segment also.

Charanjit Singh: Great Sir. All the best for the future. Thanks a lot for taking my questions.

Moderator: Thank you. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: Thank you for taking my question sir and congratulations for good set of results. We have seen in November that the GST rates have been reduced from 28% to 18% are you seeing any visible shift that small players are closing down the business or they are moving towards more of accounting base and there is a shift from unorganized to organized sector?

Anil Gupta: We cannot actually visualize it at the moment, but I am sure that with the e-way bill coming and from more measures to plug the loopholes it will definitely there will be a substantial shift, but there is already a bigger organized market as compared to the earlier time and the kind of customers or segments we cater to we are not at all affected by the unorganized market because we are not in that market.

Harshit Kapadia: No sir because you have a retail plan to grow to 40%, 50% over the next two years so with that coming in you can find some competition from unorganized so is there a visible shifts or are you seeing some businesses getting merge or?

Anil Gupta: We do not cater to that low cost market, which unorganized market caters unorganized firms caters.

Rajiv Gupta: So practically we are not having any kind of competition with the unorganized.

Harshit Kapadia: That clears the doubt, and Sir just one more question. We have seen that government is giving a good huge thrift on the railway side of its business so are you seeing some orders from the railway or being metro are you seeing traction because you have mentioned that power, cement and other sectors you can see some orders coming in so are you also seeing form the

other side as well?

Anil Gupta: Yes we are at the moment executing some 50 Crore worth of turnkey orders in the railways for constructing from traction substations and we are also executing some cable orders with the railways directly as well as through the contractors.

Harshit Kapadia: And you will see this section to build up it will continue over the next two years?

Anil Gupta: Yes it will continue to grow.

Harshit Kapadia: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Pratim Roy from Stewart & Mackertich. Please go ahead.

Pratim Roy: Firstly congratulations for the good set of number and just to have two to three questions. First of all the total if you can give me a brief idea about the total market size for cable in India and what is the growth rate of your dealer network in number terms if possible and margins for the dealers that you are offering to the dealers to sell the products?

Anil Gupta: According to our estimates the total size of wire and cable industry is around 40000 Crores at the moment annually and I have already mentioned that we at the moment have 1206 dealers on all India level and what was your other question margin?

Pratim Roy: No what is the growth rate of the dealer network in number terms right now it is 1208 right?

Anil Gupta: We have added 11% more dealers so the growth in number of dealers is 11% in this nine months compared to same period of last year.

Pratim Roy: In coming year means FY2019 and 2020 if any expansion plan is there in the mind?

Anil Gupta: There will be a growth of 10% to 12%, but our focus and aim is to grow existing dealers in size in terms of their business while do accept that while we are also adding more dealers in untapped areas, but in the existing areas we are strengthening the existing dealers.

Pratim Roy: And what is the margin that you are offering to dealer to push the sell or kind of things?

Anil Gupta: Around 10.5% this is what is reflected in our numbers because 40% sale is coming from the dealer network.

Pratim Roy: Total markets of the cable is 40000 Crores right and organized player and unorganized player what is the division any rough idea approximation idea?

Anil Gupta: I think unorganized sector is around 25%.

Pratim Roy: Unorganized 25% and organized 75%.

Anil Gupta: Organized is 75%.

Pratim Roy: And what is the new market share?

Anil Gupta: Our market share will be around 8% or 9%.

Pratim Roy: Thank you very much and any idea about the growth future visibility and how much this market will grow in coming two to three years or maybe five years means actually all capex cycle is going on and everything is in booming state so any idea in the structure segment?

Anil Gupta: We expect that cable demand will continue to grow by approximately 12% to 15% because of the capex cycle in the various segments, whether infrastructure or power, railways all these sectors.

Pratim Roy: And in previous con call you have mentioned that the Nagpur metro and Hyderabad metro these two projects is under you people are doing this and this is already done or continuation is going on?

Anil Gupta: No it is only inception the work is going on and we are executing orders in all these projects.

Pratim Roy: Thank you very much sir for the answer. Thank you all the best.

Moderator: Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: Sir on the utilization side what is our current utilization of our plants in cables and house wire?

Rajiv Gupta: In house wire because of increased capacity our utilization level is close to 51%, but in the cable it is basically 67%.

Chintan Sheth: How this realization has moved from the revenue figure that 24% has been our topline growth like-to-like our volume growth has been 19%, so 5% price hike is what is the implied number that is correct understanding?

Rajiv Gupta: Yes, because whatever the metal price has increased balance figure is from the increase of the metal prices.

Chintan Sheth: Can you provide the realization for blended realization for the cables and house wire?

Rajiv Gupta: No because it is against the bill of material because there are so many sizes in the cable and wire so according to the bill of materials these prices are going up and down.

Chintan Sheth: There is no blended realization?

Rajiv Gupta: Because we calculate the bill of material then we load the expenditure and make the profit.

Chintan Sheth: And any additional capacity you are planning to add in any of the lines?

Anil Gupta: Yes we are presently executing a new project for manufacturing low tension power cables as per 3D, which is very adjacent to our Chopanki factory around one kilometer. We are doing this project at a capex of around Rs.50 Crores and the project is likely to be become operational by end of April or maximum May in 2018.

Chintan Sheth: And what will be the capacity additional capacity?

Anil Gupta: Close to Rs.300 Crores per year in terms of value actual kilometer number I do not have it.

Chintan Sheth: 84000 kilometers to 96500?

Rajiv Gupta: Close to 15000, 30000 kilometer will be added.

Chintan Sheth: 15000 kilometer right?

Rajiv Gupta: Yes.

Chintan Sheth: Thank you.

Moderator: Thank you. The next question is from the line of Sukhada Joshi from Khandwala Securities. Please go ahead.

Sukhada Joshi: I just wanted to know the raw material consume. The cost has been increased drastically. I just wanted to ask how long will it take to get stabilize copper prices and other raw material?

Rajiv Gupta: In our case all the prices are passing through so whenever the price goes up we are passing through whenever price goes down we are passing through in both sides.

Sukhada Joshi: Thank you.

Moderator: Thank you. We take last question from the line of Pooja Doshi from Motilal Oswal Securities. Please go ahead.

Pooja Doshi: Congrats on good set of numbers Sir. I had a question on tax rates for last year it was somewhere around 27%; however, this year it has been at around 30% so what would be your guidance going ahead for this year?

Rajiv Gupta: Tax rate for this financial year will be close to 29%.

Pooja Doshi: And any specific reason behind having 20%?

Rajiv Gupta: Earlier we were having the MAT so now MAT is getting absorbed now. So now the average tax rate for this financial year will be 29%.

Pooja Doshi: And I had a followup question on capacity utilization, if you could just help me with plant wise capacity utilization at your Bhiwadi, Chopanki and Silvassa currently?

Rajiv Gupta: Bhiwadi right now we are utilizing cable division at 92%, Bhiwadi rubber cable is 18% because very small quantity, Chopanki we are utilizing at 35%, Silvassa we are utilizing cable division 89% and Silvassa wire division is 61% and stainless steel wire division in Bhiwadi is 90%.

Pooja Doshi: What portion of your LT cable was sold through your dealer network in the current quarter?

Rajiv Gupta: In current quarter we have sold around out of 407 Crores in the current quarter sales 172 Crores sales through the dealer market low tension power cables.

Pooja Doshi: And Sir you mentioned about your segment wise revenue breakup, so if you could help me with the institutional segment revenue

breakup for the current quarter?

Rajiv Gupta: Our domestic for the current quarter is 466 Crores, our dealer is 313 Crores and export is 109 Crores put together all is 888 Crores.

Pooja Doshi: Thank you so much Sir.

Moderator: Thank you. We will take one last question from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

Kirti Jain: Sir for FY2019 given the EHV order book and everything sir how we see the volume growth sir for FY2019?

Rajiv Gupta: FY2019 as Anil i said we will maintain at least 18% to 20% volume growth.

Kirti Jain: So EHV will incrementally contribute around 6%, 7% of that extra 18%, 20% correct sir?

Rajiv Gupta: Yes because extra high voltage power cable production capacity has already increased and the order book position is now improving in the extra high voltage power cable. So we are quite hopeful that we will double the extra high voltage power cable in the next financial year. It will add to the topline as well as to the bottomline will improve because of the margins.

Kirti Jain: So with the mix improving Sir and also operating leverage will be?

Rajiv Gupta: Yes the operating margin will increase definitely because as I said when we having any kind of capex plan going on or we include any new plans so at that time some fixed expenditure are there, which we need to incur. Right now there is no accounting standard for the deferment of expenditure. So all the expenditure we have to book other than expenditure.

Kirti Jain: Though in FY2019 sir no major capex right sir apart from the some portion of?

Rajiv Gupta: Yes 50 Crores which is going on apart from this there is no major capex right now has been planned so far.

Kirti Jain: Thanks a lot Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Amit Mahawar for closing comments.

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

Anil Gupta: I thank you very much to all the participants for this interactive question and answer session, giving us lot of insight and joining us on this call. Thank you very much.

Rajiv Gupta: Thank you Amit and thank you all.

Moderator: Thank you. On behalf of Edelweiss Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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