



“KEI Industries Limited Q4 FY2018
Earnings Conference Call”

May 18, 2018



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Moderator: Ladies and gentlemen good day and welcome to the Q4 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. I will now hand the conference over to Mr. Amit Mahawar from Edelweiss Securities Limited. Thank you and over to you Sir!

Amit Mahawar: Thank you. On behalf of Edelweiss, I welcome you all to KEI’s earnings conference call. We have with us today Mr. Anil Gupta, CMD and Mr. Rajeev Gupta, ED. Without further delay I now hand over the call to Mr. Anil Gupta for his brief opening remark post which we will open the floor for Q&A session. Thank you and over to you Sir!

Anil Gupta: Good afternoon. I am Anil Gupta from KEI Industries Limited. I have with me Rajeev Gupta. So I will give a brief about our numbers as per the profit and loss account finalized yesterday.

So during the fourth quarter of FY2017-18, we have achieved a sales of Rs.1030 Crores, against the same quarter in previous year of Rs.794 Crores, so growth in sales is approximately 30% over corresponding Q4 last year.

Operating profit is Rs.101 Crores against same quarter in the previous year was Rs.72.87 Crores. So growth in operating profit is approximately 38.6%. Consequently the profit after tax in the Q4 is Rs.49.56 Crores against Rs.35.29 Crores in the corresponding quarter so growth in the profit after tax is 40.4% over previous period.

On this full-year basis, the company has achieved a sales of Rs.3496.42 Crores against the previous year sale of Rs.3832 Crores. So overall full-year basis, growth in the sales is 23.45% over the last year. Operating profit is Rs.338 Crores against Rs.269 Crores so operating profit percentage is 9.6% during 2017-2018 against corresponding year, it was 9.95%. So the profit after tax for financial year 2017-2018 is Rs.144.56 Crores against previous year Rs.93.83 Crores. Last year profit is revised after implementing Ind-AS so growth in profit after tax in 2017-2018 is approximately 54% over the corresponding year.

During the financial year 2017-2018, we have achieved a volume growth of 18% in our cable business and profit after tax margin on sales has improved from 3.56% to 4.18% during financial year 2017-2018. During 2017-2018, the full-year, the export sales achieved is Rs.454 Crores against last year Rs.375 Crores in the corresponding period. So export sales have grown by 21% as compared to last year. The sales through our dealer network

achieved is Rs.1086 Crores against last year Rs.813 Crores. So the sales through dealer and distribution network has grown by 33.58%. The total active working dealer of the company as on March 31, 2018 is 1284. So the growth in the number of dealers is 12% over the last year. Subsequently the new additions of the dealer is 137 during 2017-2018.

During 2017-2018 financial year, our EPC division sales achieved is Rs.654 Crores; this is apart from the sale of cable to our own EPC division, so this is a net sale. Last year in 2016-2017, EPC division sale was Rs.423 Crores, minus interdivisional sale of cable from our own captive, so the growth in EPC business is 54.46%.

During 2017-2018, the sales of extra high voltage cables is Rs.168 Crores against last year Rs.102 Crores. So the growth achieved 64.7%.

During 2017-2018, return on equity is 27.28% against 22.9% last year and return on capital employed is 31% as compared to 28% last year after considering working capital loan from the banks as a part of capital employed. So the gearing ratio has improved to 7.61 as compared to 3.01 last year. The total borrowings of the company is Rs.780.4 Crores as on March 31, 2018 as compared to Rs.779.91 Crores last year so the total borrowings have practically remain same in this financial year as compared to what it was in March 2017.

Now our pending order book as on date is Rs.2570 Crores and we are L1 in Rs.232 Crores of tenders of EPC. Out of these order bookings, EPC order booking is Rs.1425 Crores and the booking of cable is Rs.1145 Crores. Out of this cable booking, export orders are Rs.147 Crores and extra high voltage cable order book is Rs.327 Crores.

Financial charges of the company in financial year 2017-2018, total financial charges is Rs.111.3 Crores as compared to last year Rs.124.42 Crores. So the financial charge cost has come down. The market segment where we are in continues to be strong and we hope to achieve a growth of 18% to 20% in volume in our cable division in 2018-2019 as well. So we expect a positive and strong market outlook for our company in the ongoing financial year and we expect a decent growth in this financial year as well.

Lastly we have been undergoing expansion a new Greenfield unit at Pathredi, which is around 6 kilometers from Bhiwadi our existing factory. For Pathredi plant, we have already done a capex of around Rs.55 Crores to Rs.60 Crores and this is for production of low voltage cables. We will be starting commercial production in next one week and we expect to stabilize our production by end of June that is in one to one-and-a-half months from now. We are going to start phase II in the same unit by adding HT cables in the same factory at a capex of around Rs.30 Crores to Rs.35 Crores. So that work on that expansion already is started and we expect to start commercial production of HT cables in the same Pathredi

plant by March 2019. So on a full-year basis this unit will be...the LT cable business added will be around Rs.300 Crores per year on a full-year basis and additional Rs.200 Crores per year will be added once the HT cable starts in March 2019. This will give us enough room for growth in this financial year as well as some room in the next financial year.

Presently the company operates... the plants are operating at around 90% of the installed capacity and we are working on efficiency improvement so as to bring some room in the existing factories as well for improved production. Thank you very much. I would like you to now ask any specific questions, but whatever you may. 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 Abhineet Anand from SBICAP Securities. Please go ahead.

Abhineet Anand: First Sir, can you let us know the breakup in terms of HT and LT, house wire, EPC that you typically give for the quarter and year can we provide that Sir?

Anil Gupta: Yes please note down. During this quarter the LT power cable is Rs.415 Crores and HT power cable is Rs.161 Crores, extra high voltage power cable is Rs.52 Crores, house wire Rs.187 Crores, stainless steel wire is Rs.30 Crores and EPC is Rs.186 Crores. So this is for the quarter and you can also note down the full-year figure. The LT for full year is Rs.1446 Crores, HT power cable is Rs.498 Crores, extra high voltage power cable is Rs.168 Crores, house wire is Rs.564 Crores, stainless steel wire is Rs.115 Crores and EPC is Rs.654 Crores. So total comes all to Rs.3445 Crores net sales.

Abhineet Anand: Okay and secondly Sir in terms of the expansion that we are doing so phase I for the LT you said that the capex of Rs.55 Crores to Rs.60 Crores has been done and phase II HT what would be the capex on that?

Anil Gupta: Phase II is Rs.30 Crores to Rs.35 Crores.

Abhineet Anand: And it has a potential for Rs.200 Crores of...?

Anil Gupta: Rs.200 Crores, so now this new unit will be having turnover of Rs.500 Crores put together.

Abhineet Anand: Okay and last Sir on the debt side we have been flattish, so going forward our cash flows are good what do you see...?

Anil Gupta: Yes cash flow because in this current financial year, our working capital cycle has reduced by 0.42 two months and which has resulted, if you go through the cash flow, which you will

get along with the balance sheet, cash generation from net operating activity is now Rs.189 Crores as against the very less amount in the last financial year.

Abhineet Anand: I just asking that for FY2019 do we see the debt levels coming down from this 2017-18 levels?

Anil Gupta: That level as we already told you number of times that the financial year 2017 debt is the peak debt. So that debt will not increase from here even though we are growing sales by 25% every year that has been business by reducing the financial cost also. So in future also, the debt will not be increased.

Abhineet Anand: Okay Sir. Thanks a lot for answering my questions.

Moderator: Thank you. The next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.

Abhijeet Vara: Sir first question is what are the exports for FY2018?

Anil Gupta: Total export is Rs.454 Crores for financial year 2018 as against last year Rs.375 Crores and the total dealer sale is also Rs.1086 Crores as against Rs.813 Crores last year.

Abhijeet Vara: 813 versus this year how much Sir?

Anil Gupta: This year Rs.1086 Crores as against last year Rs.813 Crores dealer sales.

Abhijeet Vara: Okay. Sir if you could please help us understand for the next year FY2019, which segments you are seeing will grow the fastest and some sort of idea on the exports as well?

Anil Gupta: During the 2019 our extra high voltage power cable sale will be doubled because we have sufficient order book position more than Rs.300 Crores right now and so during this current financial year, we will almost double our extra high voltage power cable sales where the margin is also high. Export will grow by at least 12% to 15% and the dealer sale will grow by more than 30%.

Abhijeet Vara: Okay and EPC, you will be able to do about Rs.750 Crores revenue?

Anil Gupta: EPC during this year we will be during around Rs.1000 Crores as against Rs.900 something Crores something last year.

Abhijeet Vara: Okay sure Sir. So total sales should be up at least 25% it should continue...that growth rate should continue?

- Anil Gupta:** Yes the growth as more than will be that, close to 20% growth will be there as a balance sheet level.
- Abhijeet Vara:** Okay sure Sir. I will get back to the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Tarang Bhanushali from IIFL Wealth Management. Please go ahead.
- Tarang Bhanushali:** Sir we have seen some margins pressure coming into our P&L this quarter. Sir, we have seen our margins dip below the double digit mark this quarter, so what are we guiding for next quarter will be seen margins grow about 10% or it will stay close to 10%?
- Rajeev Gupta:** No margins will be more than 10% actually next financial year. Because see due to some Ind-AS effect is also there certain provisioning on the P&L that has also been done in this balance sheet actually.
- Tarang Bhanushali:** So Sir where that cost item has been impacted other expenditure?
- Rajeev Gupta:** Like in receivable, there the ECL has been maintained some provision is more so like small, small items so it is impacting there, but ultimately and the entire fair value concept so everything has going to be done here. So in future this EBITDA margin will be more than 10%.
- Tarang Bhanushali:** Okay Sir and as you have guided that we are looking at 18% to 20% volume growth so will we come out...
- Anil Gupta:** Pardon repeat your question.
- Tarang Bhanushali:** Sir we are guiding for 18% to 20% volume growth so with the commodity price increase will we see our growth more than 25% for FY2019 or it will be more than that?
- Anil Gupta:** Sir that business only for the year end what we can guide is only on the basis of the capacity available with us and the expansion is going on. On that basis our CMD told you that 18% volume growth as we did current year also close to 18% volume growth.
- Tarang Bhanushali:** And Sir for the EHV segment here I think competitive intensity increasing so what is the view going forward?
- Anil Gupta:** In extra voltage power cable, they are only two companies in India, one is Universal Cable and KEI industry, rest being importing. So we are in very good competitive position and we are having order book position of more than Rs.300 Crores and we can produce close to

Rs.400 Crores to Rs.450 Crores so almost we will double the sale because in this financial year we did around Rs.168 Crores sales of extra high voltage power cable.

Tarang Bhanushali: Okay thanks a lot. So we will see almost double the sales of FY2018.....?

Anil Gupta: Of extra high voltage power definitely Sir because we are having the order book position right now in hand.

Tarang Bhanushali: Okay and Sir once we are targeting retail revenue growth of 30% so it will be largely LT power cables?

Anil Gupta: So it is specifically house wire, 50% is wire and 50% is almost cable.

Tarang Bhanushali: Okay thanks a lot.

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

Charanjit Singh: Sir first of all congratulations on great set of numbers. Sir my question is one if you look at it how government is going to look at the affordable housing in the coming year. This is the great position in terms of accelerating these projects so how do you see that and what portion of our business can be driven by this and can this lead to much higher grow than what we are expecting?

Rajeev Gupta: Definitely this year we will see a substantial growth in the construction of affordable housing and we have a very strong dealer network operating across India and even in the small Tier-II, Tier-III cities, which are then feeding into the rural markets also and we are seeing a strong growth in the house wire business and we expect that the volumes will growth by at least 25% in house wire and flexible this year also. So this is coming from actually this kind of sale only. Individual houses as well as affordable houses because we know that multistoried and high rise buildings that business is stable and it is not rising because of the extra inventory available across India, but the business of house wire is rising mainly, which is coming from this affordable housing and actually the benefit is already coming in.

Charanjit Singh: Okay Sir and Sir post this GST they were also like benefit from unorganized to organized shift which was going to happen so how have you seen that in the market and you see that continuing going forward also?

- Rajeev Gupta:** Yes because you see the growth in the numbers in the sales and margins and we are also projecting a similar growth in the coming year or so, but it is coming from the strong shift to organized sector.
- Charanjit Singh:** Okay and Sir we are also focusing quite a lot on building on our own retail network significantly so what is the number of dealers right now which will have and how would we see further expansion going forward in FY2019 on the channel?
- Rajeev Gupta:** Around 1284 dealers we have at the moment and last financial year we added 137 dealers in our kitty and we continued to add around 10% new dealers as well as strengthening the existing dealers in terms of their volumes.
- Charanjit Singh:** Okay Sir fine Sir that is all from my side. All the best for the future. Thank you.
- Moderator:** Thank you. The next question is from the line of Chetan Ganatra from Fidelity. Please go ahead.
- Chetan Ganatra:** Sir my question is on the margin front where you just mentioned that the margins will be up to 10% level again in the next year, but one thing interesting to note is on the extra high voltage side you are expecting doubling your sales, which I presumed is a better margin business so is there specific reason why you are very conservative in terms of giving margin pump up guidance for the next year?
- Anil Gupta:** It is better to be conservative and show better results instead of giving very high guidance.
- Chetan Ganatra:** Sir what would be the difference in the margin profile of extra high voltage margin cables and the other let us say normal high voltage cable?
- Anil Gupta:** In extra high voltage cable normally we get EBITDA of around 15%.
- Rajeev Gupta:** But normal cable is close to 9 to 9.25 now, but in future also we are expecting when the demand is picking up from the government side and the capital goods expansion is going on, we expect the institutional margin, which is right now 9 to 9.25, which move further.
- Rajeev Gupta:** You must see a good pickup and capex in the new manufacturing sector also so I think we remain very positive on the demand of all type of cable.
- Chetan Ganatra:** Okay Sir when you said pickup and capex in manufacturing sector any specific anecdote which you can share I mean because we were still waiting for that to pickup and capex from the private sector specifically so are you seeing any signs specific to your industry or in some industry where you think the cycle is picking up now and it is pretty much visible?

Anil Gupta: Especially in that steel, cement and refining sector, we are seen good pickup in the demand, in the refining sector one is the capacity expansion, but another is quality improvement projects from Bharat IV to Bharat VI, all the refineries are undergoing so there is a huge capex underway in most of the refinery of Indian Oil, HPCL, BPCL and also some capacity expansions as well and they are also adding some petrochemical units in their plant.

Chetan Ganatra: Cool Sir. Thanks very much for your time.

Moderator: Thank you. The next question is from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead.

Parthiv Jhonsa: I have actually got couple of questions the first being your finance cost is around Rs.110 Crores or Rs.111-odd Crores about Rs.750 Crores debt so and with such an amazing profitability and you growing at around 25%, 30% year-on-year from last two, three, four years, do you plan to reduce your debt going forward or because it is around 15%, 16% of your interest what you are paying approximately?

Anil Gupta: Debt is flat and we are growing by 25% so the increasing working capital need is met by the internal accruals and so there are some increase of working capital, but some repayment schedule is also there close to Rs.60 Crores is the repayment bill for the next financial year again fixed term loan.

Parthiv Jhonsa: Okay and the results came in yesterday and the very first thing you had mentioned that we are doing some expansion of what another Rs.30 Crores to expand the existing...like for the phase 2 basically. For that you had mentioned that Rs.30 Crores you would be doing by internal accrual as well as debt now I believe Rs.30 Crores for company like KEI is pretty small to even pickup a debt so just trying to understand why we cannot do it fully by internal accrual?

Anil Gupta: By the right base because sometimes are external commercial borrowing is very cheap, our working capital rate of interest is 8.9% presently you see so even though we had internal accrual, but we had opportunity to avail for capital goods expansion to avail the ECB otherwise we cannot avail the ECB so if we avail the ECB and we utilize reduced working capital so our total debt will remain the same, but our interest cost will go down further.

Parthiv Jhonsa: Okay perfect and my last question is something on the guidance, you have given guidance for our EPC project and everything, can we just have guidance for LT, HT housing and steel and will our profitability margin increase going forward?

- Anil Gupta:** We have already as mentioned that we have given a guidance of volume growth of 18% approximately.
- Parthiv Jhonsa:** Yes so basically this additional of this Rs.500 Crores from the new plant say at least Rs.300 Crores which will be this year from May end, will it be in addition to that 18%, 19% or it would be 18%, 19% includes this capex?
- Anil Gupta:** No it will be... 18% growth will come from this new capacity some partly will come this new capacity only.
- Parthiv Jhonsa:** Okay got it so it includes basically. And will our profitability margin increase going forward? Just a rough guidance?
- Anil Gupta:** You will see we are expecting as our extra high voltage power cable increasing and good demand from the market, but still we are concentrating on the absolute numbers not on the margin only because we have to increase the overall sales then increased to absolute number of the profit. That is how we are working, but it is still that we are hopeful that we comfortable increasing 10% plus EBITDA margin, but please also one thing note if we have to add another 20%, 25% sale in next financial year and every year so we have to prepare ourselves by spending more in terms of the advertisement in terms of to tool, travel, employment of the new sales people, so that will again come in the same year, which will be available same for only for the next financial year. So that is why we are not concentrating that whatever is the margins there, it is going down, but we are increasing our sales, increasing our market share, increasing the range so that is how we are working actually.
- Parthiv Jhonsa:** Okay perfect Sir. Thank you so much, best of luck and we just hope that your company grows more than 25% CAGR over the next 5 to 10 years.
- Anil Gupta:** Thank you.
- Moderator:** The next question is from the line of Dhruv Bajaj from Bajaj Finance Limited. Please go ahead.
- Dhruv Bajaj:** Let me congratulate you again for the fantastic results. The PAT level margins have risen by about 50% this year. I have basically two questions, one is that you have said about Rs.400 plus Crores is on exports, can you give us an idea how much of it is EPC and how much it is EHV cables, how much power cable that is first question. Second question is on the overall in terms of your overall cable division, how much is power cable and how much is the communication cable since you have said that there is improvement in BSIV to BSVI

regulations in lot of petrochemical company so there is a huge amount of communication cable also coming out, so what is the volume of communication cables in the overall turnover of the company so these two are my questions?

Anil Gupta: First of all we are manufacturing only electrical cable, we are not at all in communication cables, number one. Number two all the export sale is only from the cable, no EPC sale in this financial year is accounted for.

Dhruv Bajaj: Okay what are the countries in which you are exporting?

Anil Gupta: We are excluded more than 25 countries, but major is the all the Middle East, Africa, Australia, Singapore, and Sri Lanka.

Dhruv Bajaj: Okay thank you.

Moderator: Thank you. The next question is from the line of Varun Agarwal from BOI AXA. Please go ahead.

Varun Agarwal: Congratulations on good set of numbers. So question is on EHV segment, what are the states which are driving the demand and on payment cycle from the SCPs, is it going well or I mean is this some of that factor?

Anil Gupta: States we are working for EHV is Telangana, Andhra Pradesh, Karnataka, West Bengal, Delhi, and now Maharashtra. Maharashtra is coming up with very large requirement and some oil refineries like we received some very good order from Hindustan Petroleum Corporation for their Visakhapatnam refinery for 220 KV extra high voltage cables. We are working in Punjab, Haryana and I think Kerala as well. So we are working Pan India.

Varun Agarwal: Limit is not the problem because in all extra high voltage power cable....?

Anil Gupta: Extra high voltage cables are basically supplied to transmission companies and transmission companies are doing well across India. They do not have, these are all sanctioned funds.

Varun Agarwal: Okay Sir in terms of e-way bill we already have said with the effect of GST for the e-way bill, do we see some incremental benefit coming up from that side?

Anil Gupta: I mean exactly we cannot say, but definitely we see that organized market will grow with the introduction of e-way bill interstate and intrastate both. So that is going to benefit us.

Varun Agarwal: So has it implemented based on experience?

- Anil Gupta:** Yes most of the states have implemented already interstate e-way bills and in some of the states have already implemented intrastate e-way bills also, but some will be starting intrastate by either some by June, some by July so as they are able to settle their hardware system to generate these intrastate their e-way bills.
- Varun Agarwal:** Okay Sir. Couple of last questions on the railway, do we also supply to metro side of the railways or we only supply to railways?
- Anil Gupta:** We are a leading supplied to metro rail projects for the last more than 10 years. We have been a major supply to all the metro rails including Delhi DMRC. Mumbai, Bangalore, Hyderabad everywhere in the last 10 years and railways also we supply to select railways.
- Varun Agarwal:** So with what kind of growth we see in that segment similarly?
- Anil Gupta:** Railways is doing very well at the moment I mean I think highest capex at the moment in India is underway for railway electrification itself and also metro rails all over India are coming up in the big city.
- Varun Agarwal:** Any quantification, you can give on the number?
- Anil Gupta:** It is very difficult to give because we have not done any such... this exercise.
- Varun Agarwal:** Sure Sir one last question on the capex side, you mentioned your new facility so apart from that is there any other capex involved or for FY2020, what is the capex plan?
- Anil Gupta:** FY2019 we can say that we will have a capex of close to Rs.50 Crores, which includes ongoing capex at Pathredi for Phase I as well as Phase II.
- Varun Agarwal:** Okay FY2020 you have not yet?
- Anil Gupta:** FY2020 we have not yet planned. We should be planning somewhere by September or October for that.
- Varun Agarwal:** Sure Sir. Thanks a lot for answering my question and all the best.
- Anil Gupta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ashutosh Mehta from Edelweiss. Please go ahead.

Ashutosh Mehta: Sir firstly I would like to know the ad spend for the quarter and for the full-year and secondly I missed out on a few numbers that you had given for the breakup of the revenue in terms of LT and HT, could you please give that again?

Anil Gupta: Advertisement we have spent total close to Rs.14 Crores, Rs.15 Crores last year and the number you can note down again for low tension power cable first I am telling you the quarter number. Low tension power cable in Q4 is Rs.415 Crores, HT power cable is Rs.161 Crores, extra high voltage power cable is Rs.52 Crores, house wire Rs.187 Crores, stainless steel wire Rs.30 Crores and EPC other than cable is Rs.186 Crores and same for the full year is LT power cable is Rs.1446 Crores, HT power cable Rs.498 Crores, extra high voltage power cable is Rs.168 Crores, house wire is Rs.564 Crores, stainless steel wire is Rs.115 Crores and EPC is Rs.654 Crores.

Ashutosh Mehta: Thank you Sir. Sir also could you give me comparison number for the last year for advertisement expenses?

Anil Gupta: Advertisement last year I think the number was close to Rs.8 Crores.

Ashutosh Mehta: Okay thank you Sir. That is all.

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

Harshit Kapadia: Sir first of all congratulations on a good set of numbers. Sir in the earlier part of the call you had mentioned that the LT segment margin have expanded from 8% to 9% over the last one and one-and-a-half years, if you could just elaborate on this why has there been these margin expansion first question and next is, if you can also give the interest cost breakup that you generally give for the full-year?

Anil Gupta: See the margin in the institutional side is increasing because of the demand is increasing from their side and the capacity utilization in our company is increasing. So in that way this margin is expanding, ad spend is from 8 it was in last two years before now it is 9.25 and so we hope that as the demand in this sector is improving so margin will expand in coming years. As far as interest breakup so for full-year you can note down the interest breakup. Term loan interest for full year is Rs.15 Crores, working capital interest is Rs.54 Crores, interest on LT is Rs.19 Crores, bank charges on LT is Rs.7 Crores, bank charges on bank guarantee is Rs.8 Crores and other bank charges including the processing fee etc., that is also Rs.8 Crores.

- Harshit Kapadia:** Okay and Sir one more question if you can highlight in this financial year, what are the top three industries which have grown, if you can give a segregation so which are the industries, which has growing in FY2018?
- Rajeev Gupta:** Power supply to almost as Anil ji has said that to refinery sector and to steel sector, cement sector and the metro rail sector so we are the leading suppliers to these sectors, but apart from this we are supplying to almost all the industrial area because small and small petty, petty expansion is going on every year so we are supplying practically to almost all in a year close to 700 customers we are serving to the institutional side.
- Harshit Kapadia:** Okay but Sir which would be the top three industries that you can name from your entire cable segment? Or can you give breakup on in terms of revenue that how much would be the sales from metro, how much would be from refinery?
- Rajeev Gupta:** Breakup is not available, but in general we can comment Anil ji?
- Anil Gupta** What was your question top three....?
- Harshit Kapadia:** Top three industries in government supply here?
- Anil Gupta** Top three industries?
- Harshit Kapadia:** Just like cement, metro....
- Anil Gupta** Top three industries, our customary base is very, very spread out in terms of we supply to solar project, wind project, wind farm project. EPC contractors but one thing I can say that most of the consumption at the moment in the power sector in the generation side is to solar and wind and otherwise mostly it is going to power distribution and transmission sector.
- Harshit Kapadia:** Okay but how much would be the sales from metro Sir?
- Anil Gupta** Metros generates sales of close to Rs.120 Crores to Rs. 150 Crores every year.
- Harshit Kapadia:** Rs.150 Crores. Okay any other bigger one more than Rs.150 Crores segment that you have?
- Anil Gupta** Biggest sales of cables are to power distribution sector and power transmission sector.
- Harshit Kapadia:** Okay and that would be the state transmission company?
- Anil Gupta** No but we do not direct some very small portion is sold directly but mostly it is through EPC contractors.

- Harshit Kapadia:** EPC contractors okay. Understood Sir. Thank you and all the best Sir for the future.
- Moderator:** Thank you. The next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.
- Dhruv Bhatia:** You mentioned in previous call that you had Rs.100 Crores orders from Australian utility for exports, so is that already completed this year?
- Anil Gupta:** From Australian utilities we do not get more than three months delivery period, whatever we have last mentioned they have been already done, so presently also we have export orders of around Rs.75 Crores to Rs.80 Crores from Australia, which are under execution.
- Dhruv Bhatia:** Sir any plans on expanding the housing wire facility?
- Anil Gupta:** We have already done some debottlenecking and we have sufficient capacity available to grow by around 25% in this financial year, but for 2019-2020, new capacity expansion is under consideration.
- Dhruv Bhatia:** But approximately how much would you incur in 2019-2020?
- Anil Gupta:** You mean to say capex?
- Dhruv Bhatia:** Yes.
- Anil Gupta:** I mean as on now we have not formed up the numbers maybe when we talk on the next conference call, we will be able to share with you.
- Dhruv Bhatia:** Sir the fixed asset turnover would be on what levels I mean whatever type of capex you do like you just mentioned Rs.35 Crores capex can generate Rs.200 Crores of revenue, will it be similar numbers going forward?
- Anil Gupta:** Generally in the cable industry for the Greenfield projects 1:5 is the capex.
- Dhruv Bhatia:** Sir now, are you focusing on the railway segment per se because there seems to be a huge demand for cables in the railway segment?
- Anil Gupta:** We are already working and supplying our cables to railways somewhere directly and somewhere through EPC contractors.
- Dhruv Bhatia:** And we are qualified for the railway orders?

Anil Gupta: Yes.

Dhruv Bhatia: Sir could you share the retention amount at the end of FY2018?

Anil Gupta: Total retention amount is close to Rs.160 Crores.

Dhruv Bhatia: Thank you so much.

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

Manoj Gori: Thanks for the opportunity and congratulations to the entire team. Sir just wanted to understand obviously you have been outperforming your own guidance in the previous year, so my question is more to do with the retail division so currently we are saying it could grow approximately if I am not wrong a year approximately 25%, 30% growth however, the network dealer expansion we are guiding for approximately 10% so in this case if we look at your entire industry if you look at the other players, which are the market leaders also, so they are struggling for volume growth so in this case when we are talking about strong growth so I just needs some like what would be the actual key drivers that would be fueling growth for KEI Industry?

Anil Gupta: I mentioned just a few minutes back that besides increasing number of dealer, we are strengthening and growing the existing dealers also. So if a dealer does less than Rs.1 Crores this year, our aim is to grow him to Rs.1.3 Crore or Rs.1.4 Crore level next year by helping him in generating the demand and getting the approvals in his area. So that is the strategy. We just do not want to grow the number of dealers, so numbers is important, but also the strengthening of existing dealers is equally important. So far as your next question that others are struggling for increasing their volumes, I have no numbers about others, but whatever we said in the last year also we have delivered and we have been able to strengthen our base this year also because we have the potential, we have the approvals from various consultants, we have business development team, we are continuously focusing on approvals from all the state government department or central government department or private industries where we heal ourselves their material so our whole focus is towards business development and approvals, which helps dealers to get their sales growth and we are also doing number of electrician needs, contractor needs and incentivization of the electricians and entire chain so that dealers are able to grow their business.

Manoj Gori: This influences and actually add substantial volume to our company also Sir secondly are we giving higher incentives also this is the way to increase the retail presence as compared

to other players because somehow we are providing more discounts, but are we trying to increase that?

Anil Gupta: We are not providing more discounts, we are giving schemes to the dealers and retailers, but within the ambit of our pricing and cost structure ultimately any incentives given to any dealer or anybody is build up during...when the costing is done of the product and based on that costing only discount structure is finalized on the list price. So whatever we give incentives, the schemes that comes out of the pricing and after that those discounts only we are getting these numbers what we have shown or what we have achieved. So incentives or schemes is a part of this retail business.

Manoj Gori: Right Sir. Thanks a lot Sir and wish you all the best for FY2019 Sir?

Anil Gupta: Thank you.

Moderator: Thank you. Due to time constraints that was the last question. I now hand the conference over to Mr. Amit Mahawar for closing comments. Over to you Sir!

Amit Mahawar: Thank you very much Sir do you have any closing remarks?

Anil Gupta: Thank you very much for this interactive session of questions and answers. I once again assure our investors that we will be able to fulfill the expectations of all our stakeholders as per the guidance given by during the conference call and will definitely be able to outperform in this year as well. So thank you very much for having faith on us.

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