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Conference Call Transcript

KEI Industries Limited

Q1FY18 Results

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Corporate Participants

Mr. Anil Gupta
Chairman & Managing Director

Mr. Rajiv Gupta
Executive Director

Questions and Answers

Moderator: Ladies and gentlemen, good day and welcome to the KEI Industries Q1 FY2018 Earnings Conference Call, hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Mahawar of Edelweiss Securities. Thank you and over to you Sir!

Girish Solanki: Thank you. Good morning everyone. On behalf of Edelweiss, I welcome you all to KEI's first quarter result conference call. We have with us the management of KEI represented by Mr. Anil Gupta, Chairman and Managing Director, Mr. Rajiv Gupta, ED and CFO. Without further delay I would like to hand over the call to the management for their opening remarks. Thank you and over to you Sir!

Anil Gupta: Good morning everybody. I am Anil Gupta, CMD of KEI Industries Limited. I welcome you all on this teleconferencing on our first quarter result. I will give brief highlights of the result.

During the first quarter of FY2018 we have achieved a gross sales of 823 Crores as compared to 597.8 Crores achieved in the last financial year same quarter, so the growth in the gross sales 37.7% over corresponding last year of the first quarter.

The EBITDA achieved is 9.52% on the gross sales and profit after tax of Rs.27.47 Crores, which is approximately 3.34% of the gross sales as against the same quarter of the previous year the EBITDA, was 8.97% on gross sales and profit after tax was 1.87%. We have converted the figures of last financial year as per new accounting standard, as per Ind-AS so as to give the corresponding figures of the last financial year.

Profit after tax margin on gross sales has improved from 1.87% to 3.34% during the first quarter and this is also in line with the net profit after tax, we achieved in the last full year. During the first of this year the highlighting point is that we have grown in our sales of wires and cables on an overall basis by around 28%. Our export sales had also grown by 28%. The net sales of exports last year Q1 was 85 Crores and in this Q1 this year we had achieved Rs.109 Crores.

During the first quarter of this year we have grown our sales through retail network, our dealer network by around 30% resulting into a net sales of around 229 Crores as compared to 175 Crores of the last year same period. The total active working dealers of the company is 1246, so the growth in the number of dealers in the last financial year is 23% over the last year same period. New addition of the dealer is 99 in the first quarter in this financial year.

During this first quarter of FY2017-2018 our EPC division sales is Rs.170 Crores. This Rs.170 Crores is apart from the cables sold to our EPC projects around 71 Crores as against the last year same period EPC sale was 84 Crores so the growth in EPC division is 102%. As on today our pending order book is around 2478 Crores out of which EPC is approximately 1800 Crores and cables and extra high voltage cables is the rest, which is approximately 700 Crores out of which the export orders are around 120 Crores which are pending for execution in the second quarter and going forward we feel that the exports will remain strong with more inflows coming in.

The financial charges of the company in the first quarter of 2017-2018 is 29.94 Crores as compared to last year same period 27.76 Crores, but in terms of percentage finance cost has gone down to 3.64% of the gross sales as compared to 4.64% of the gross sales in the corresponding quarter resulting into a 1% reduction in the finance cost on overall basis in the first quarter compared to the corresponding period.

We expect an overall growth of approximately 20% in FY2017-2018 on an overall basis as guidance. According to my own perception, we have a strong business model and the company will be able to sustain the growth and will continue to grow in this financial year as well as going forward in the coming financial years in our core verticals of the business.

The focus is more and more towards increasing the retail, brand building, more exposure to our brands so that we have more penetration in the smaller towns and the rural areas so that we have better access to the deeper markets.

We are also continuously trying to grow geographical areas of our exports and working on many other territories to build up our exports, which give us, the result may be after one to two years, once the customers or utilities over some other geographies are developed. Thank you very much. I would like to now invite any specific questions if you may have. I am available to give you the replies. Thank you.

Moderator: Thank you, very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Tarang Bhanushali from IIFL. Please go ahead.

Tarang Bhanushali: Congratulations on good set of numbers. Can we get the product breakup for the quarter?

Rajiv Gupta: In this quarter, we LT Power Cable are Rs.312 Crores. Then HT Power Cable sales is Rs.107 Crores and our Extra High Voltage Power Cable sales is close to 59 Crores and our House Wire sales is Rs.105 Crores, Stainless Steel Wire sales is 26.6 Crores, and our EPC sales other than cables is Rs.169 Crores. This is our breakup.

Tarang Bhanushali: Sir, we have seen a sharp decline in our stainless steel wire business margins any reason for that?

Rajiv Gupta: Actually there was only stainless steel wire division in our company, a very small, small business, but sudden price fluctuation may impact certain things in one quarter but in the next quarter it will remain as a profitable business.

Tarang Bhanushali: Sir, have we seen some pre-buying before the GST in our house wire segment and what is the scenario in Q2 if sales momentum is maintained or it has gone up?

Anil Gupta: I do not think that we have seen any pre-buying before the applicability of GST came on July 1. We are maintaining the sales volume even in the similar or higher in the coming months, July and August even in the GST regime. So I am sure that the sales momentum will improve in the GST regions instead of degrowth.

Tarang Bhanushali: Sir do we expect the momentum in the EPC business to continue for the rest of the year?

Anil Gupta: Yes. We have a very healthy order book position and this momentum will definitely continue.

Tarang Bhanushali: Thanks a lot Sir.

Moderator: Thank you. Our next question is from the line of Sangeetha Purushottam from Cogito Advisors. Please go ahead.

Amrit: Sir, this is Amrit, Sangeetha's partner here. First of all congratulations about an absolutely great set of results. I had a few queries. One, is in the other expenses, there has been some increase. Can you just tell us what this increase is due to and it is not unreasonable given the huge increase in sales but I just want to understand what the constitutes of this increase is and how that is going to pan out going forward? That is the first question.

Anil Gupta: Actually other expenses are because of the product mix and our EPC business. So these expenditures varies actually.

Amrit: So it is almost like a variable expenses?

Anil Gupta: Yes, all are variable expenses.

Amrit: Then in cables do you have grown stupendously, your sales have gone up from 480 Crores to 618 Crores but your profit the segment results has shown something like a 66% increase. On the other hand, your turnkey projects have doubled in terms of revenue but the profit growth has been less impressive. So how do you explain this?

Anil Gupta: Because in our cable revenue we have increase close to profit segment wise profit was 11% in the cable business.

Amrit: Sorry?

Anil Gupta: Your segment was the segment percentage of the cable revenue vis-à-vis profit in segment of cable? That was the question?

Amrit: My question was that the increase in revenue in cables, revenue has gone up reasonably but the profit has grown up very fast whereas in the turnkey projects your revenue has not even doubled but your segment result is little less impressive, maybe 15% or so. I have not calculated in right now. Why your profit growth in cables so much higher than that of turnkey projects and why is the profit growth in turnkey projects is relatively lower?

Anil Gupta: If you see that segment results as compared to the segment sales in the cable you will find the 11.12% last year and 11.14% this year. So it is almost at par, but in the turnkey project this is also at par so that is why our EBITDA level is improving in this financial year also.

Amrit: Okay. Sir, you are saying one should not compare your turnkey projects with your cables business in terms of the profitability, right?

Anil Gupta: Yes.

Amrit: Thank you very much. Congratulations once again.

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

Manoj Gori: Good morning Sir and very congratulations for the good set of numbers. Sir, couple of questions on the dealer network when we say like we have added close to 100 dealers during the quarter on YOY basis, so what are the specific geographic locations. Is there any specific geography where we are targeting or it is across the country?

Anil Gupta: It is across the country Manoj Ji.

Manoj Gori: Okay, now specifically in your opening comments that we will be focusing on the smaller towns and rural areas for our retail business so I think we are still underpenetrated in the larger cities and metros?

Anil Gupta: I agree. We are trying all around to increase our presence in the larger cities as well as in the smaller cities as well because rural areas are normally catered by the adjoining smaller cities because it is difficult to cater to directly to the rural area, so we are basically focusing A, B and C class cities simultaneously where we have increased our sales force to cater to the retail segment across the country and the focus is all round to build up the market.

Manoj Gori: Sir, also one more thing, what would be the expansion plans because right now when we look at your LT, HT cables or even your stainless steel wire where the utilisation rate at your current plant in Bhiwandi is very high, so how do we approach on the expansion plan?

Anil Gupta: We have already chalked out a small expansion plan to increase our capacity of LT cables, LT power and control cables and we already had a land, half a kilometer from our Chopanki factory in Rajasthan where we are investing close to Rs.50 Crores as a capex in building and plant and machinery to build up an additional capacity of around 300 Crores per year for LT power and control cables. May be we may add some minor or one line of HT cables also in the same plant. So that expansion should be operational by April 2018 tentatively.

Manoj Gori: Also can you help me out with the utilisation rates for your LT, HT, housing wires and EAC?

Rajiv Gupta: Our Bhiwandi Cable Division is operating at present as close to

90% or 93% and our Chopanki plant is operating at 35% but our Silvassa plant, the cable division is close to 89% to 90% but the House wire division is close to 50% to 55% because we have added the capacity last year.

Manoj Gori: Sir, you have already commented but again the same thing, so when we say like there were no pre-buying when you do GST so the inventory levels remain very nominal, it is at nominal levels right now. Is that right?

Rajiv Gupta: Inventory level is normal as compared to last year.

Manoj Gori: Sir, when we look at the Q1 growth which was very robust and it was extremely strong, so giving a 20% overall number for FY2018 does not it seem to be on a conservative note?

Anil Gupta: We would like to remain conservative and we would like to do better than the same.

Manoj Gori: On EPC side, what kind of order inflows do you expect during FY 2018-2019? Currently when we say we have strong presence in UP, how are the orders actually moving in the state?

Anil Gupta: At present the total focus is on order execution, which has been taken that is why the order inflow has been low in the last six months, but we are now started bidding again and we hope that in this financial year we expect a new order inflow followup around 500 to 600 Crores in the next four to five months. Our major focus is now on execution and limiting our EPC business close to 800 to 900 Crores in a year so based on that only we are bidding and taking out the orders.

Manoj Gori: When we say about 800 to 900 Crores that would be excluding your cables?

Anil Gupta: That would be including our cables.

Manoj Gori: Many thanks. All the best.

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

Pratim Roy: Congratulations Sir from Stewart & Mackertich for the scintillating performance in this quarter. I have one question Sir. In the report you have told that your cables business growth is 28% and your EPC business growth was 120% so should I expect and the question you have answered that your business will growth upwards of 20% in the next quarter so should I expect that it will grow 20% in EPC business also or should I expect a very aggressive growth in our EPC segment?

Anil Gupta: No EPC in my opening remarks itself I had said that we expect to grow by around 60% in this financial year because last year our base level was low so that is why the growth will be much higher.

Rajiv Gupta: From 650 it will touch to around 900 Crores sale in this financial year including the cable.

Anil Gupta: Including the cables supplied by our own plant to our EPC business.

Pratim Roy: For cable supplies for EPC business only including 800?

Anil Gupta: Yes.

Pratim Roy: One more question is that you have told that in the reported financials of the company in the past quarter we increased 29.9 Crores as compared to the last year 27.76 Crores, so this is finance cost increased in Rupee terms. Can you explain why there is an increase? Is there any capital expenditure you are expecting or anything like that?

Rajiv Gupta: Even in the March quarter where the sale was less than this quarter the financial cost was Rs.31 Crores so now as we have earlier spoken also the finance cost as a whole year basis it will remain at par or it will come down slightly.

Pratim Roy: Come down slightly.

Anil Gupta: Yes, in spite of increase.

Pratim Roy: You are offloading the debt part, right?

Anil Gupta: Yes.

Pratim Roy: Thank you.

Moderator: Thank you. Our next question is from the line of Tejas Shah from Unique Stocks. Please go ahead.

Tejas Shah: Sir, I had a question on expansion where I think you have taken up expansion, but the capacity utilisation in the earlier as you said one year it is around 35% and for some house wire it is just short-term 50:50%?

Anil Gupta: In fact he had mentioned that 35% capacity utilisation was in Chopanki in Extra High Voltage Cable, but in the HT and LT side, the utilisation level is 90%.

Tejas Shah: But then the overall capacity utilisation let us say that would be what?

Anil Gupta: Overall capacity utilisation is approximately 70% in Chopanki.

Tejas Shah: We are not expecting it to go higher or is there any working bottleneck?

Anil Gupta: We have flexibility in the plant if or whenever we have to grow our markets in extra high voltage cables we can taper down the production of LT cables or HT cables especially in Chopanki to increase our production of extra high voltage cable. So the same plant can produce, same machines can produce extra high voltage cables as well as high voltage cables. So that flexibility is there in the plant.

Tejas Shah: Another thing is excise cost is down this quarter compared to last quarter and even last year, any particular reason on that?

Rajiv Gupta: Excise cost basically is only readjustment actually we are looking here, because while earlier the excise duty on the closing stock provision was there but now that GST has come from July 1, so there is no excise duty provision on the closing stock. So that is only a provisioning figure, which is adherent to sales as well as adherent to excise duty also. It has nothing to do with the profitability.

Tejas Shah: Nothing to do with the profitability. Another thing is can you throw some light on the metro orders. There are lots of metro projects getting announced. So what are you doing on that metro, because I think you had some time to do with the market share to my knowledge, can you throw some light on that?

Anil Gupta: We are very strong in metro business, so wherever new metros are coming up, like presently we have got a number of orders from Nagpur metro and we are highly focused on upcoming Pune metro and Ahmedabad metro. Delhi metro as usual we are regularly catering to various contracting companies who are taking contracts. Similarly other metros like Bengaluru metro, Chennai metro, Cochin metro whenever there are expansions, because I think at present they are in the last leg of their completions so the requirements over there is low, but we are catering to many orders at the moment for Lucknow metro as well because that metro is under expansion because that project has not so far started. So we are very strong in this business segment.

Tejas Shah: Can you quantify in terms of value or volume what we can get from this segment?

Anil Gupta: I think we can send you this answer later on because I do not have the exact figures at the moment.

Tejas Shah: Last question, you said you are trying to limit yourself and trying to execute. So is there a past issue or a working capital issue why not go much more in terms of picking up orders?

Anil Gupta: Definitely there is a start issue, because when a company and this has been a new business for us, which we have developed over last five years, so we have increased staff exponentially but getting competent staff is a regular process so that is why we are cautious that we just cap it so that we are able to develop the people and systems in this division and try to maintain the people first. That is the reason that why we are capping it and as you said that working capital definitely gets stuck in these projects because of the various reasons that is why we are also cautious that we remain up to a level. As we become comfortable up to that level, then we will next year we will take it forward for a little bit more addition in our business in the EPC side.

Tejas Shah: Thank you.

Moderator: Thank you. Our next question is from the line of Archit Singhal from Safe Enterprises. Please go ahead.

Archit Singhal: Thanks for the opportunity. Sir, firstly congratulations on the great set of numbers. I have a few questions. Sir, you have given a revenue guidance of around 20% kind of conservative, anything on the margin?

Anil Gupta: Margins compared to the last year or further positive side improvement.

Archit Singhal: So any number you are giving here like 50 to 100 basis points improvement compared to FY2017 something of that sort?

Rajiv Gupta: We cannot give right now because there is a whole year ahead, but definitely the same kind of growth you will see in EBITDA and PAT as a turnover, as CMD Sir is guiding.

Archit Singhal: Okay, second thing was obviously the first quarter has been very strong then you were mentioning July and August is also going strong, but overall for the year you are giving a guidance of 20% so are we expecting a weakness in third and fourth quarter or what is the reason?

Anil Gupta: We are not expecting any weakness in third or fourth quarter. We can revise our guidance when we talk in October after the half year results because we want to be really realistic and truthful to the investors in giving the guidance.

Rajiv Gupta: Actually you are comparing only the first quarter number. The first quarter sale last year was low that is why it is showing a 37% increment in the sale.

Archit Singhal: So base is also one of the things.

Anil Gupta: Yes.

Archit Singhal: Then I just wanted to understand from a two to three year perspective, where are we seeing the company? Are we looking at a 4000 or 4500 Crores revenue let us say over the next two to three years FY 2020 and what is our expectation of margins? Can we see a 200-basis point kind of an improvement in the next two to three years?

Anil Gupta: I can definitely project a conservative growth of 15% every year in our sales and also there will be a likely improvement of at least 100-basis points in the EBITDA in the years ahead. We definitely expect and we should be able to achieve it.

Archit Singhal: Just one clarification, Sir when you say 100-basis points improvement that is on an annual basis or that you are saying the cumulative improvement can be around 100 basis points?

Anil Gupta: That is on annual basis. That means that if today I am at 9.5% I am saying that 100 basis points means 10.5%. This is what I understand what you mean by cumulative?

Archit Singhal: Basically let us say I am talking about three years from now, so three years from now you are saying that 100 basis points will be the improvement every year, so margin can be around 13% odd?

Anil Gupta: No. I am saying that we can definitely grow by 100 basis points to 150 basis points as we grow and that will be our aim. I have already mentioned that the focus is towards profitability by improving our brand awareness, our brand building in the markets and in improving our retail and also we are focusing on reduction and debt, so all these things on an overall basis should improve the margins by 100 to 150-basis points, so definitely we can see some improvement next year and then in the two consecutive years.

Archit Singhal: Sir final question any debt repayment timelines we have like in the next three to four years, we will just reduce this debt by half something of that sort?

Anil Gupta: In the next three years time, we have told 150 Crores debt of the long-term debt will be reduced fully because every year the repayment schedule so this debt will be reduced. The working capital debt will remain in the level of close to 350 to 400 Crores level.

Archit Singhal: Thanks a lot.

Moderator: Thank you. Our next question is from the line of Aakash Fadia of SBICap Securities. Please go ahead.

Aakash Fadia: Sir what is our debt level currently?

Anil Gupta: Abhineet, can you repeat your question again?

Aakash Fadia: What are the debtors level presently, receivables?

Anil Gupta: Receivables just a minute. Right now the receivables figure as per the Ind-AS now is 796 Crores as compared last year to 324 Crores. It has reduced by almost Rs.30 Crores.

Aakash Fadia: We gave the product wise sales, what is our retail sale, which is actually house wires, plus certain part of the LTs?

Anil Gupta: Our segment wise sale is retail sale is 229 Crores in this quarter. This includes exports sale is Rs.110 Crores and balance is the domestic institutional sale is about 439 Crores, net sale.

Aakash Fadia: So the other thing is more like we have expanded growth in sales and margins are largely flat given that we are like significantly good at sales, do you see some margin improvement for the year, so last year we were around 10.6%-odd so for the full year do we see some improvement because sales is actually doing quite well.

Anil Gupta: Last year margin was 10.6% on the net sales, means the sales minus the excise duty as per the last Indian GAAP. So now this year it is on the same basis, we will see there will be slight improvement in the margin, but at the end of the year for the full year financial number.

Aakash Fadia: Last bit what is the debt level now?

Anil Gupta: Total debt is the working capital as well as the long-term debt is 559 Crores as against March 2017 debt is around 573 Crores.

Aakash Fadia: This does not include the current maturities?

Anil Gupta: Current maturities it is include. We include the VAT credit also then the total debt is 685 Crores as compared to 713 Crores.

Aakash Fadia: That is all from my side. Thank you.

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

Harshit Kapadia: Good morning gentlemen, first of all congratulations for a good set of numbers. Just had few questions, now we have seen that the raw material have increased in 2017, metal prices, do you believe that there will be some impact on your margins may be in second quarter if we are not able to pass on the complete price rise because of the GST?

Anil Gupta: No, in our business the entire increased cost is a pass through whether it is coming through the increase in the metal prices or whether it is GST is always extra. Even in the earlier times also whenever we were taking any order all the taxes were payable by the customer extra actual at the time of dispatch. So, we have no hit on account of increased GST. That is number one. Number two, regarding metals, whatever orders we have we always keep the complete cover of our metal purchases with respect to the order booking. So far as pass through is concerned, the bids are quoted on the present increased metal prices, which are prevailing at the present level. So we do not expect any hit on the margins due to metal prices.

Harshit Kapadia: Sir, because of the GST we have seen that GST was stable and it increase subcutaneous, so have we passed on the complete price rise to the market or are we still having some room that we can do it in second quarter possibly?

Anil Gupta: 100% GST impact has been passed on to the customer from day one from July 1 itself. So because whatever orders we get they are always exclusive taxes even in the past our business model was we were always quoting taxes extra as applicable at the time of supply, which is a complete pass through.

Harshit Kapadia: Sir would you be able to also highlight since in EPC business we understand that UP was a big portion in terms of order book, so can you also give us an idea on are there any more states and how much is the UP portion now in your order book, has that reduced. The idea is that?

Anil Gupta: At present, the UP portion in our order book is close to 65% or 70% and balance 35% is from other states and this order mix will change significantly by the end of this year.

Moderator: I will move on to the next question. There is no response from this line. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

Kirti Jain: Congrats on an excellent set of repair. Sir, first you want to know the debt position and the working capital, currently as at the end of the quarter?

Sachin Kasera: As I said the receivable from 824, it has go to 797 Crores 825 Crores was the March 2017 figure and 797 Crores is the current figure and inventory was 499 Crores, March 2017 figure and as on June 2017 561 Crores.

Kirti Jain: What is the working capital load?

Anil Gupta: But accordingly our trade payable has also increased from 482 Crores to 584 Crores. So it ultimately resulted in a positive working capital cash flow.

Kirti Jain: Sir last year when we saw our annual report, we saw that the receivables had seen a sharp increase much ahead of the turnover increase so what is due to this EPC business or any year end effect Sir?

Anil Gupta: This is basically the year-end sale and second was the retention money; you have to buy the EPC.

Kirti Jain: Sir, how much is the retention money?

Anil Gupta: Retention money is close to about Rs.140 Crores.

Kirti Jain: What would be the fresh figure on March 2016?

Anil Gupta: March 2016 figure will be right now I am not having, I will give you that figure.

Kirti Jain: Sure Sir. What is the loans figure you are targeting at the year end, total debt you are targeting Sir?

Anil Gupta: At the year-end even after the increase of 20% of the same, our loan figure will be less than the March 2017 figure.

Kirti Jain: Thanks a lot.

Moderator: Thank you. Our next question is from the line of Dhiral Shah from Asit C Mehta. Please go ahead.

Dhiral Shah: Good morning, Sir. Congratulations for the great set of numbers. Sir, as you said, your active dealer is right now 1246, so can we ballpark the figure to reach by FY2018 or in the next two years?

Anil Gupta: Our present focus is to grow the dealers whatever we have made in terms of their selling capabilities and grow the existing dealers in terms of business they do with us. However, definitely there will be a growth of 10% to 15% in the number of dealers every year, so we expect close to 1500 dealers in the next financial year.

Dhiral Shah: Sir lastly looking at your cable business it seems that there was no impact of destocking in your cable business for the month of June, why is it so?

Anil Gupta: There was no stocking. We have not seen any destocking.

Dhiral Shah: But Sir other players who are into the same business they have seen the GST impact.

Anil Gupta: Because our base is very low.

Dhiral Shah: Okay. Thank you Sir.

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

Chintan Sheth: Thanks. Congratulations for good set of numbers. The question was one on the EPC side that you have guided around 900 Crores revenue this year, this is just a clarification, is it correct?

Anil Gupta: Yes, including cables sold to our EPC project by our own plant.

Chintan Sheth: So out of the 2000 Crores we guided around 60% to 70% is from UP, so out of that 900 Crores target revenue how much revenue will be executed from UP? Any ballpark number will do percentage?

Anil Gupta: As you said, the 70% order belongs to the UP so the total sales will be close to 70% to 75% to UP.

Chintan Sheth: So it will be reduced that way only?

Anil Gupta: You said 500 to 600 Crores of EPC inflows you are expecting in the next six months, it is well spread across the country or it is concentrated to some particular state or project if you can provide that?

Anil Gupta: It will be from other states other than UP. We are expecting inflow from West Bengal, Madhya Pradesh and Rajasthan. Presently we have a few stretch we are doing on our brand building, one is the below the line activities like in shop branding, the electrician needs and contractor needs and one to one follow up by electrical consultants to specify our products in the large building projects. That is number one. Number two is upscale activity like TV advertising then outdoors like outdoor boards displays on some highways and in some, we are not doing in bigger cities definitely because of the cost involved. In April this year we even took some sponsorship with Kings XI Punjab our logo was there in the Lead Arm of the Kings XI Punjab Team. So that was one of the upscale activities to increase our brand presence with the public. A ballpark figure we expect to spend anywhere around 12 to 13 Crores on the brand building in this financial year.

Chintan Sheth: There was some certification pending for our EHV, extra voltage cable. We are still in process of getting it right?

Anil Gupta: For 400 kV cable.

Chintan Sheth: For 400 kV cable above right, so it is still pending?

Anil Gupta: It is still pending. We expect this exercise to be completed by either end of December or by January.

Chintan Sheth: Thanks and all the best Sir.

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

Kirti Jain: Sir what would be the capex plan for the FY2018 and FY2019 maintenance and expansion capex?

Anil Gupta: This year expansion capex is around Rs.50 Crores and another 10 Crores for maintenance capex, and we expect that next year as not been planned so far. So I am not able to comment, but around 50 Crores is the total capex in this financial year.

Kirti Jain: Sir, the 400 kV EHV for which the approval is pending, what would be the country market size, India market size?

Anil Gupta: According to our estimates present market size is around Rs.250 Crores, which is met completely through imports. We expect that with the growing power requirements in all metro cities many of the transmission companies of state will be upgrading their systems from 220 kV level to 400 kV level, so in that case and many of the new transmission circuits, which will come up in the cities will transform from 220 kV level to 400 kV level and the one which are at the moment at 132 kV level they will grow to 220 kV level to transfer higher amount of electricity through the system. So the demand for extra high voltage cables 220 kV and 400 kV will growth with the increase in the generation of the power and also the resultant transmission of power in the cities.

Kirti Jain: So this segment should grow by 50% to 20% Sir, given that we have to cut down the TND transmission losses?

Anil Gupta: Yes and you know these extra high voltage cables are used in the larger towns in the industrial projects the major reason is in the towns where ROW problems are there where you cannot lay overhead transmission lines to bring power in the cities.

Kirti Jain: Sir, how are the things for the 220 kV EHV? How is the fresh order pipeline looking for 220 kV? Now the utilisation is around 30% so how do you see the utilisation shaping at FY2018 full year?

Anil Gupta: We expect that our utilisation level of EHV cable should be around 50% overall in the full year, and it will continue to grow in the years ahead as the qualification, prequalification of our credentials become stronger and stronger year-after-year.

Kirti Jain: So is it through tendering system, it works out or how it works out Sir?

Anil Gupta: Yes it is through tending system.

Kirti Jain: Thank you Sir.

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

Tarang Bhanushali: Sir, you have given a guidance of 20% for the year, so out of this how much would be volume led and how much would be value led because of the increase metal prices.

Anil Gupta: Our minimum volume growth will be in excess of 15%, rest will be value led if the values grow much bigger than the growth in terms of value may be higher, but minimum volume growth will be more than 50%.

Tarang Bhanushali: Sir, on the substation side wherein we have entered DIP, so how has been the order book growth for us and how has the business shaped up?

Anil Gupta: We have already completed and charged one substation of GIS substation of 132 kV, which became operational in March of this year. One another 220 kV substation is going to be charged in October this year which is almost completed mechanically and delayed by one month due to heavy rains in the area and another third one which we recently got from PowerGrid for 132 kV substations, four substation in a single location that project will take another 18 months to complete because that has been received only very recently.

Tarang Bhanushali: So what would be the order book at the end of Q1 for us in substation at EHV?

Anil Gupta: Substation business I cannot comment because our qualification at the moment is not very strong, so we are qualified at a very less places, so the opportunity available to us will grow gradually as we are able to complete one year operational period of the substations which we have already charged then only we will be able to qualify in most of the states in the new tenders. So our present focus is more on the underground cabling projects under IPDL which we are mostly executing and that even helps our own plant also because it is our self manufactured product.

Tarang Bhanushali: Sir, on the EHV side we have guided for utilisation levels which is 50% so is it that the delay in qualification, which has lowered the guidance or the market opportunity currently, is a bit weak.

Anil Gupta: It is because of the delay in the major qualifications because at the states utility levels at many places they make the qualification really tough and in spite of pursuing them for that to make in India initiative central utilities are very proactive, but state utilities they take their own time to change that or dilute that prequalification.

Tarang Bhanushali: But Sir, as we have mentioned that we can use the same setup for 220 kV so is the opportunity in the 220 kV be felt now or is it just that the orders have not clicked for us?

Anil Gupta: See there are many orders, which are in hand, but execution issues are sometimes there because of the ROW issues in the state. Some of the orders we are not able to execute because the ROW is not getting period so that is the major issue during execution, but I am sure that every year this business will become stronger and stronger and will grow very fast. I am sure we should reach to the maximum capacity utilisation in this segment in 2019.

Tarang Bhanushali: Thanks a lot Sir.

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

Manoj Gori: Thanks for the opportunity Sir. Sir, couple of quick questions; like when we look at the EPC business where we give a bid and then we give the project, so when we say like the current cable prices because of the copper prices have been moving up, so are we able to pass on these price increases?

Anil Gupta: Yes, because in all the IPDL projects there is a price variation clause in certain items like cables, conductors, transformers, in respect of the metal content, so we are able to claim the price variation on copper and aluminium on these three four items from the utilities like cables, conductors, transformers.

Manoj Gori: Thanks Sir. Sir, one more thing suppose when we say like today lot of transformation is happening from aerial bunched cable to underground cables so suppose just looking at the cost evaluation for the states, government or for the central government for 1 km aerial bunched cable what could be your pricing and the same suppose if it is replaced to underground what would be the pricing for that?

Anil Gupta: I do not think we can do this type of comparison because when underground cables are laid, there are lot of associated system like panels and sub-branches of anti-cables, which passes through the underground cable system and over the aerial bunched cable is just like an extension of earlier bare conductors instead of bare conductors we just hang insulated aluminium conductor on the poles so that is just a small extension of the earlier provisions or earlier practice, but overall I can say that underlying cabling will definitely cost at least two and a half to three times compared to overhead aerial bunched cables because we have to do excavation and civil work to build the road and put the cable and then again the road has to be rebuilt.

Manoj Gori: Understood Sir. That is very clear now. Thanks a lot Sir.

Moderator: Thank you very much. Ladies and gentlemen due to time constraints that was the last question. I now hand the floor back to Mr. Amit Mahawar for closing comments. Over to you Sir!

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

Anil Gupta: It has been a very interesting interactive session with all our colleagues and potential investors. I thank you very much for joining this conference call. I assure everybody that we will do better in the coming months and years than what we have done now and add value to the company and our business. Thank you so much.

Rajiv Gupta: Thank you Amit Ji and thank you to all.

Amit Mahawar: Thank you.

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

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