



“KEI Industries Limited
Q1 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the KEI Industries Q1 FY2021 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 this 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: Hello and welcome you all to KEI’s results conference call. We have with us Mr. Anil Gupta, Chairman and Managing Director and Mr. Rajeev Gupta, Executive Director from KEI. I now hand over the call to the management for a brief opening remarks followed by Q&A session. Thank you and over to you Mr. Gupta!

Anil Gupta: Good afternoon to everybody. I am Anil Gupta, Chairman and Managing Director of KEI. I will give a brief summary of the Q1 results. In the Q1 of 2020-2021, the company has achieved a net sales of Rs.745.3 Crores against Rs.1081 Crores so the sales declined by 31%, it was due to lockdown and restrictions of business activity caused due to COVID-19 pandemic during the current quarter. The factories were almost shut for one month for the whole of April and resumed operations in the end of April. EBITDA in this quarter achieved is Rs.80.87 Crores against Rs.119 Crores, so the EBITDA margin over net sales in this quarter is 10.85% versus 11.02% in the same period of the previous year. Profit after tax this quarter is Rs.36.23 Crores against Rs.45.81 Crores in the same period of the previous year. However, the profit after tax oblique net sale is 4.86% versus 4.24% in the previous year.

Now I will come to the sales part. The company has achieved the institutional cable sales domestic Rs.307 Crores against Rs.403 Crores last year, but the export sale is Rs.163 Crores against Rs.96 Crores last year, so the total institutional sales including exports is Rs.470 Crores in the first quarter as compared to total institutional sale of Rs.499 Crores in the same period of last year so this institution sale is declined by 5% mainly because of the jump in the export sales. Sales through dealer network, dealer outlet distribution network achieved is Rs.186 Crores in the first quarter against Rs.366 Crores in the same period of the last year, so the dealer sale declined by approximately 49% mainly due to lockdowns in the factories as well as in the major cities and metros in most of the cities so the dealers were not open and not operational, so most of the dealers started operating after May 15, 2020, but activity picked up from the first week of June.

Dealer sale contribution in the total Q1 sale is approximately 25% as compared to approximately 34% in Q1 of 2019-2020 last financial year. In financial year 2019-2020

contribution of dealer sale, the total active working dealer of the company as on June 30, 2020 was Rs.1648. In this quarter the sales of extra high voltage cable increased to Rs.88 Crores against Rs.78 Crores in the same period of the previous year so this segment has achieved growth by 12.82% and export sales total including cable in stainless steel wire and EPC exports total put together is Rs.183 Crores against Rs.112 Crores last year so growth in this export segment is 63.39%. In this total sale, the sales to Dangote refinery during Q1 is Rs.96 Crores.

The sales of our EPC sale other than cable is Rs.78 Crores against Rs.195 Crores in the previous period. Out of the total sales of EPC the sales of extra high voltage cable EPC are Rs.16 Crores that means the execution portion of the EHV projects is Rs.16 Crores as against Rs.34 Crores in the previous year same period. It was mainly because of the lockdowns in various sites and the execution activity could not be carried out. The pending order as on July 31, 2020 is around Rs.2951 Crores out of which the EPC domestic Rs.705 Crores, EPC export Rs.389 Crores, extra high voltage cable Turnkey project Rs.627 Crores, the cable domestic order Rs.1112 Crores and spending export orders are Rs.118 Crores. Pending export order of Dangote refinery is now only Rs.9 Crores which will be dispatched in August and that order is finished. The one landmark achievement in the first quarter is the company has bagged its first big order of 400 KV voltage grids of Rs.148 Crores from Tamil Nadu Transmission Corporation Limited in this quarter. With the receipt of 400 KV extra high voltage cable order, the company has achieved another milestone and has placed KEI amongst few large international players in this industry to manufacture and supply cables of this level of voltage rate. It is pertinent to mention these the highest voltage rate of cable being used internationally anywhere; it is used for making 400 KV underground transmission lines.

Now I will touch about the capex. Ongoing capex at Silvassa in Chinchpada plant was Rs.9200 Crores. The first phase was already operational last year, and second phase was to be operational in the first quarter of 2020-2021 but now will be operational in second quarter, in this quarter which is coming in. We have spent approximately Rs.71.5 Crores on this total project till July 31, 2020. During this year, Q1, finance cost has decreased to Rs.16.79 Crores as against Rs.32.96 Crores previous year same period. The percentage of financial charges on net sales has decreased in this period to 2.25% from 3.05%. The company credit rating of last year from ICRA and CARE is A for long-term rating and A1 for short-term rating. During the quarter ended March 31, 2020, the company issued through QIP Rs.1 Crores equity shares of Rs.2 each at a premium of Rs.498 so the issue price per share was Rs.500 amounting to Rs.500 Crores. The net proceeds of QIP has been fully utilized as on June 30, 2020 as per the objects of the QIP issue for repayment or prepayment of debt, meeting of working capital requirements and general corporate purposes. The book value per share equity of the company is Rs.172.95 as on June 30, 2020

as against Rs.168.34 as on March 31, 2020. Total borrowings as on June 30, 2020 is Rs.459 Crores and cash and bank balance is of Rs.110 Crores as against Rs.367 Crores as on borrowing as on March 31, 2020 and cash and bank balances of Rs.214 Crores. However, the acceptance against letter of credit creditors as on June 30, 2020 is Rs.342 Crores as against Rs.770 Crores as on March 31, 2020. So, the general outlook of the company is strong, and we believe that the company should be able to maintain close to 85% of the sales of pre-COVID level in the full financial year. It is a tentative guidance, but we are hopeful that considering the pending order position and our exposure in the international markets as well as domestic market and the way we have booked the new orders in first four months, we should be able to achieve and honor this guidance.

Retail sales may remain at around 75% of the pre-COVID level of last year because of the lost sale in the first quarter and still the lockdown activities prevailing in many towns and many cities. However, we have achieved better results from B and C class cities as compared to A class cities where we are experiencing number of containment zones hampering the economic activity. Thank you very much for listening to me. Now I would like you to post any questions which you may have, and we will be glad to answer. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer section. We have the first question from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: Congratulations for a good set of numbers, just wanted you to highlight some thoughts on the current working capital situation in terms of in absolute and number of days in terms and how you will think will move going forward?

Anil Gupta: Current working capital requirement stock which was held in the March, it has reduced by approximately Rs.200 Crores, but that debtors which we were having close to Rs.1350 Crores that is remaining as on June 2020 is also the same level close to Rs.1368 Crores as of now. So now the institutional payments are coming because it was held up because of the lockdown so slowly now the old payments which were due so now they are coming up. So, we are quite hopeful that by October everything will be normalized in terms of working capital.

Saurabh Patwa: You already shared the numbers of acceptance and Sir since you think you are expecting 15% kind of a decline this year, what is the outlook for next year in terms of orders, the capex now may be slowing right now the orders which we are getting would be further capex which is near the completion but any thoughts on how you see the private capex going on and which would impact your next year's order book?

- Anil Gupta:** I think that it will be better that if we give that guidance maybe in our next conference call in October or I mean after the second quarter because then we will have more clarity over how the private capex will be there. However, we see that there is a pickup in the capex from the government and we have seen a number of tenders from transmission and distribution utilities in last one month but it will be better that we give this guidance, but we are quite bullish on our exports and the markets where we are operating, we are getting very good, new orders even now so even without Dangote also we will be able to maintain the exports at the last year level.
- Saurabh Patwa:** Just one question can you share some breakup of the order book in terms of exports in domestic or private or public sector?
- Anil Gupta:** See I have already given you the breakup of orders, but I will again give you, but I do not have data of private and government order now.
- Saurabh Patwa:** The current data in terms of product profile you have already shared in the press release also, that I have.
- Anil Gupta:** But segregation of private and government order is not available now. We can do it and send it to you later.
- Saurabh Patwa:** Sure Sir. Thanks a lot, and all the best.
- Moderator:** Thank you. The next question is from the line of Lavina Quadros from Jefferies. Please go ahead.
- Lavina Quadros:** Just two questions Sir firstly on export order book has declined so what are some thoughts on where are you seeing visibility on the order flow there that is one? Secondly Sir on the interest cost because if you can let us know if there are any charges or bank charges because the drop was a little bit of a surprise so just want to understand if there are any one off?
- Anil Gupta:** Export order now is Rs.118 Crores of the cable exports and Rs.389 Crores from the EPC exports. This EPC exports I think close to Rs.100 Crores will be the cable portion, but we have not segregated that out of it and we are getting now good set of new order from our export markets mainly Middle East, Australia and Africa, these are our strong export markets and the booking has been strong and new orders which are coming up in every month that is a reason we have been able to maintain good amount of exports in the first quarter and even in the July also export has been very strong. So I am sure that what guidance I am giving you that we will not be able to increase the exports on the full year

compared to last year because the Dangote was a big order but in spite of that we will be able to maintain the export level at the last year level.

Rajeev Gupta: Regarding the interest, interest was close to Rs.7-1/2 Crores to Rs.8 Crores was reduced in the working capital interest and balance Rs.8 Crores reduced in terms of the LC interest and the bank charges on bank guarantee because the sale is low, so that is why LC interest is low and the bank guarantee charges are low.

Lavina Quadros: Sir break up would you have for this quarter and last year same quarter?

Anil Gupta: You can note down, the term loan interest was Rs.1.4 Crores in this quarter, last year was Rs.3.74 Crores and working capital interest was close to Rs.8.5 Crores, which was earlier Rs.14 Crores and LC interest is Rs.3.64 Crores as compared to last year Rs.7.18 Crores and bank charges on LC is Rs.0.98 Crores last year was Rs.2.75 Crores. Bank charges on bank guarantees Rs.1.67 Crores last year Rs.3.35 Crores and other bank charges Rs.0.6 Crores last year was Rs.1.81 Crores.

Moderator: Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: Congratulations on a good set of numbers in a very tough environment. I would like to understand Sir more on the working capital front in terms of the receivables. How is the payment in July and how it is going to shape up in the future that is from the debt level perspective, what is the level of shape you would be expecting to finish this year end?

Anil Gupta: As it was in the last year by March hopefully we will end up with this kind of situation of debt but as we earlier said at the time of the QIP also because whatever we will spend on the capex the same will be again debt will rise to that extent. Because of the working capital will remain same so whatever we will accrue in this financial year, we will deploy in the capital assets for the next financial year because since this year we are not going to do much capex only in the fourth quarter we will look how we will be doing the capex and major capex will be only in the next financial year so the debt level will be remaining as it was in March 2020.

Charanjit Singh: Okay and in terms of receivables collections, in July, so we were earlier hearing that even in May/June some of the payments has started coming through, but how is the trend now in July and if you can give us color in terms of which key customers are there from where the payments are pending and how do you see this normalization of the receivables going forward Sir?

- Anil Gupta:** By October it will be normalized because it will take another three months to get normalized because all the payments of the EPC customer, which is from government they are now coming like some large payment we have received this month only by end of July and we are quite hopeful that all these payments which were delayed it will be on time by October and then the debtor period will be normal as it was in March 2020.
- Charanjit Singh:** Sir just last question from my side on the cable and wires right now how do you see the demand trajectory going forward in July how are you seeing pickup and especially for the housing wire and in terms of the channel health how is that right now? So that is the last question from my side?
- Anil Gupta:** Channel health is good because all the collection from the dealer distributor that is now coming, and it is up to the mark whatever we are selling. We are getting collected also and in the month of July, we are talking that almost dealer distributor sale is almost you can say 95% as compared to last year.
- Charanjit Singh:** Okay. Thanks Sir. Thanks a lot for taking my questions.
- Moderator:** Thank you. The next question is from the line of Jason Soans from Monarch Network Capital. Please go ahead.
- Jason Soans:** Thanks for taking my question. Sir just wanted to know what is the breakup of the sales currently in terms of institutional and retail as of now and how do you expect this proportion who continue, I believe it is around 65 institutional and 35 retail so I just wanted to know what the mix what do you see it going ahead?
- Anil Gupta:** See normally our retail sale is close to 32% so in this quarter, it is only 25% so in the balance of the period again, it will be going to 32% to 34% sale for the retail market sale.
- Jason Soans:** Okay Sir 32% or 34% would be retail and the balance will be institutional. You see the same thing going forward, right?
- Anil Gupta:** Yes, of course.
- Jason Soans:** Okay that is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Andrey Purushottam from Cogito Advisors. Please go ahead.
- Andrey Purushottam:** Just a follow-up question on July, could you give us give us a flavor on what the topline is a across product categories and segments just to give us a flavor as to what is normalization?

- Anil Gupta:** Sir July will be not available in percentage terms that almost July sale is good and as good as close to last year sale.
- Andrey Purushottam:** Okay, are there any highlights in terms of which segments or product categories are doing better and which are doing worse?
- Anil Gupta:** Institutional sales and export sales have done better. Although dealer sales has also gone up significantly reaching around 95% level of the pre-COVID level, but I am not giving the guidance that it will remain at that level because uncertain conditions are there in most towns about lockdowns so July has been good what will be in August I do not know.
- Andrey Purushottam:** Okay. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Abhishek Mathur from KS Capital. Please go ahead.
- Abhishek Mathur:** In Q3 of last year our order book was around Rs.4500 Crores, right now it is Rs.3000 so that is a significant reduction, so any kind of thinking on how it will impact our revenue going forward?
- Anil Gupta:** Sir normally if we see orders whenever it comes, it comes in bulk close to 1600-1500 kind of things. So if any other comes in this range only so this time EPC order come and basically Rs.148 Crores of domestic, Rs.389 Crores of export EPC orders are there, so few others are in quotation stage so whenever we get we will let you know. But orders of the cables wires and cables are in line month after month. We are receiving whatever our desired level we are getting it.
- Abhishek Mathur:** Sir next question company did a QIP in January February timeframe but the net debt increase Rs.250 Crores in June and last quarter the company mentioned that it has paid back around Rs.200 Crores of debt, can you provide some more clarify on picture Sir?
- Anil Gupta:** Sir debt is basically because of the debtor we are paid to our creators around Rs.400 Crores that is why you see acceptance level has decreased from Rs.77 Crores to Rs.342 Crores because these are the creators for copper, aluminum and other material.
- Rajeev Gupta:** But other than LC also we had paid to all the creditors in time, but debtor collection was slow because of the lockdowns and it is improving now, and we hope that working capital cycle should be regularized by October.

- Anil Gupta:** You see if we do not pay to our creditors or LC the interest rate there was 9%, but now we are getting the limits from the bank at 6% so it was better to pay them and avail the working capital loan.
- Abhishek Mathur:** Okay that turns out to be cheaper. Okay thank you.
- Moderator:** Thank you. The next question is from the line of Vinod Bansal from Franklin Templeton. Please go ahead.
- Vinod Bansal:** One question on the exports, your order book has continued to shrink over the last few quarters of course, there have been adverse macro conditions lockdown etc., but what gives the confidence that we shall be able to maintain our revenue in line with what we did last year given the high base and if I look at you in this quarter, the order book is less than one quarter revenue so if there is case that will improve for the next two to three months globally also. You are staring at an order book going almost next to zero and therefore delay in pickup in revenues, so what gives the confidence that a) for exports, we shall maintain our last year run rate and b) overall for the company the decline of revenue to just 15% of last year, any more clarity on how this business is done in exports any points there would be helpful, what is the tenure of the order book execution?
- Anil Gupta:** Same results as about the last year sale means that other than the Dangote sale, Dangote was the one kind of thing, so whatever sale our run rate in the export was more than Rs.500 Crores, so that Rs.500 Crores to Rs.600 Crores we will be maintaining anyway, but Dangote because these kind of orders one of the things actually. Normally in the cable division from institutional order, we are having order not more than three to four months, normal course. So, this order book was higher because of the Dangote order and the EPC segment order.
- Vinod Bansal:** When you have three to four month order book essentially your rate also means the moment rate order you are looking to execute immediately that is the sort of timeframe to execute within three to four months this also happens, is that right we look at it?
- Anil Gupta:** Yes Sir.
- Vinod Bansal:** Which means it is the continuous flow work happening at the consumers end whether it is utility in India or outside, so therefore the question that if things remains little weak and which is quite possible in the current scenario, people do not open up so easily in various countries that we work in, if we do not get a good enough order book for the next three, four months, we might run dry that is the whole point in exports as well as in other short cycle orders, so I was trying to understand how do you operate in the segment for that you

confident that hope for the company as a whole you still look at 85% of what you did last year?

Anil Gupta: As of now during the four months whatever we have sold more than that we have received the new orders in institutional segments so that is the actual reality.

Vinod Bansal: Okay, your order book looks slow from...

Anil Gupta: Normally in our cable division, it happens always like this, generally we are having only not more than three to four months order book position and everyday we are getting order, everyday we are selling and everyday we are quoting also. We are serving more than 1300, 1400 institutional customers in the country, very well diversified customer basis.

Vinod Bansal: I was just looking at cables order book it was Rs.2000 Crores in March 2020, dropped to Rs.1800 Crores in Q1 2021, so does it bother you at a...

Anil Gupta: This is Rs.626 Crores Extra-High Voltage cable is the cable order, Rs.1112 Crores cable domestic Crores and Rs.118 Crores is the export order and whatever order of 1100 of EPC out of that 30% is cable.

Vinod Bansal: This is helpful. Thank you.

Moderator: Thank you. The next question is from the line of Rita Tahilramani from Invesco. Please go ahead.

Rita Tahilramani: Congratulations on good set of numbers. Two clarifications, what would be the absolute capex which we would incur in FY2021?

Anil Gupta: FY2021 absolute capex not yet known, but whatever the maintenance capex will be Rs.10 Crores, Rs.12 Crores and the balance capex of Silvassa will be Rs.10 Crores, Chinchpada. With regards to new, it is not known now. It will be may be in next financial year.

Rita Tahilramani: Sure, and when we say the working capital expected to normalize by October, do we mean that this will come back to the FY2020 level?

Anil Gupta: Yes, it will be FY2020 level.

Rita Tahilramani: Okay.

Anil Gupta: By year end you will see again FY2020 level.

- Rita Tahilramani:** Year end you will see FY2020 level you are saying?
- Anil Gupta:** By third quarter it will be.
- Rita Tahilramani:** Okay, if working capital gets normalized by October and we are not to incur additional new capex in that sense and why will there not be an improvement on the debt side?
- Anil Gupta:** There will be improvement, so that is why interest cost is going down and it will be...
- Rajeev Gupta:** There will be improvement in the debt size, once we start doing capex for the new projects which was conceived then the debt will come back to the last year level, otherwise debt will remain low.
- Rita Tahilramani:** Okay, just to an extension, if you do not invert capex, the additional new capex, where would your debt be compared to FY2020 level in FY2021 end?
- Anil Gupta:** May be nil, because FY2020 debt was only Rs.152 Crores.
- Rita Tahilramani:** Okay. That is, it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Nikunj Bahety from LIC Mutual Fund. Please go ahead.
- Nikunj Bahety:** Thank you for taking my question. My question is regarding the export side of the business. We are quite optimistic there given the strong order book intake we have seen, so I just wanted to know what is the kind of client profile which we are looking to serve and what would be the average timeline for each project which we are executing in the export market?
- Anil Gupta:** The customers export profile in the export market is mainly in the Middle East, it is oil and gas companies and petrochemical companies which we are directly catering to them and other markets in Australia, it is mostly solar and wind projects and also we have bid for metro projects in Sydney and some other cities. We are also approved in Australia by many transmission and distribution utilities, so now we are doing good amount of sales, we will be having good amount of sales in other parts, because in Australia manufacturing is not there, so there is no internal manufacturing of wires and cables. In Africa, it is a combination of transmission and distribution projects, mostly distribution jobs which contractors are carrying out and buying our cables. We are approved in many distribution utilities in Nigeria, Ghana, South Africa and similarly many other countries of Africa, we are supplying to many UNDP project, United Nations Development Projects in Africa through EPC contractors operating there. So, this is our customer profile and in surrounding

countries we are selling our cables to Bangladesh, to Nepal, to Sri Lanka and there the customer profile is mostly the power distribution utilities.

Nikunj Bahety: And Sir timeline for the project considering an average timeline that we will need to get for the export orders?

Anil Gupta: Normally after export order comes if it is a supply order within three to four months or maximum five months we complete the order and we can do it even faster, but customer delivery requirement has to be met, but in case of overseas EPC, whatever orders we have they are ADB funded projects, their timeline is around 24 months from now.

Nikunj Bahety: Okay Sir, my second question is on the government side of the business, what kind of orders we are taking in for exports you had said that we are talking in oil and gas kind of client base so from the government side of the business, does recent order book has been with respect to what kind of projects like, is it more of a rural based project and/or more of a infrastructure based project, so if you could throw some light over there?

Anil Gupta: These are more of the infrastructure-based projects out of transmission systems projects of power grid or state transmission companies and various projects of distribution companies for underground cable taken by various EPC contractors and they in turn have placed cable order on us. Similarly, many EPC companies who are executing exports EPC in overseas countries, they are also buying substantial amount of cables from us, but it is not counted as export from our point of view. Next point is the construction projects like which are executed by national building construction corporation and such agencies, they are building up a lot of ESI hospitals and other like exhibition centers in Dwarka, this kind of construction projects where we are sending our cables through EPC contractors and plus the smart city projects which are under execution by many EPC companies, they are buying cable from us, plus the metros, railways, this tunnel ventilation projects in north east or J&K executed by many turnkey contractors.

Nikunj Bahety: That was helpful Sir. My last question was considering that we have a lot of orders from the government side I assume so what would be the percentage of our trade receivables from the government side and when are we expecting that to normalize say I assume that it is government staff paying out in a full fledged manner, so what is our view on that and what is your percentage of trade receivables from the government business?

Anil Gupta: All the EPC business we do that is our government business, otherwise our major business is with the large EPC contractors and other institutions basically and in EPC contractor basically the institutional sale, so these payments are not coming because they are getting the payments from governments as we are receiving our payments from the government for

EPC division, so that is why said in that normal which was we are having in the month of March holding period of the debtors, it will be resumed by October.

Moderator: Thank you. The next question is from the line of Nishit Shah from Equitas Investment. Please go ahead.

Nishit Shah: Good afternoon Sir. I wanted to focus on EHV, so this quarter we saw sales if you compare it to last sales, so any reason over there?

Anil Gupta: Last year itself we had said that we had a very strong order book position in Extra High Voltage Cable and even now also the order book in Extra High Voltage Cable is Rs.627 Crores, so in this cable portion itself is around 65% to 70%, the value of the cable itself in these projects is because it is major cables and joints and then 10%, 15% is the execution portion, so that is the reason that the cable sales in this segment is very strong and will remain strong in the rest of the years. These orders are mainly from the power transmission utility.

Nishit Shah: Can you give us outlook on the demand side of the industry, you are looking at in EHV tenders coming up or anything we have bid?

Anil Gupta: Yes, we are continuously bidding new tenders and I think around Rs.400 Crores to Rs.500 Crores worth of tenders are under evaluation at the moment and every month we are bidding around Rs.250 Crores to Rs.300 Crores worth of tenders.

Nishit Shah: Okay and Sir we were planning to double the capacity of EHV, so even that plan is off as of now?

Rajeev Gupta: In the new Greenfield capex it will be done.

Anil Gupta: But in existing factories ...

Rajeev Gupta: We have already doubled know.

Anil Gupta: Already we have doubled.

Nishit Shah: That is differed for the new Greenfield EHV.

Anil Gupta: Greenfield we will do in the next financial year that we said from fourth quarter onwards we will be looking for the Greenfield projects.

Moderator: Thank you. The next question is from the line of Nishit Shah from Nepean Capital. Please go ahead.

Nishit Shah: Thank you for the opportunity. Sir, just kind of broader question on our strategy going forward, so we are seeing that we are doing exports, you are doing extremely well, so just wanted to understand as to who are we competing in the export market and normally you see bids for Rs.500 Crores, what is the bid conversion rates, so what are the projects which are getting converted and who are we competing in the export market?

Anil Gupta: Normally in cables, our competition from India is very limited, major competition we face from European companies, from India only in Dangote, Polycab was there which took good amount of share, but otherwise in our other export markets we are competing with only international players.

Nishit Shah: Okay and bid conversion rate?

Anil Gupta: Whatever we are bidding, we are almost getting around 35% to 40% of the orders.

Nishit Shah: Okay and also just again a broader question, on the housing wire side of things, are we seeing any kind of slowdown, because with the kind of stress that developers are currently, so are we seeing any stress going forward and this is all not for this year, this is for next year or on a broader sense, because this year will be bad and most of the unorganized developers will come under stress, so there is going to be substantial issues which the developers are going to face, so are you seeing anything?

Anil Gupta: In last three months May or probably June and July, we have seen very strong sales coming from B class and C class cities and that too from the segment where the smaller residential projects are there or where the people who are making their own independent houses. Demand from big developers is definitely very, very weak and we feel that it will remain weak throughout the year because of the obvious problems of labour and execution and may be low demand, but the demand from B and C class cities and then through C class cities, the goods are going to rural areas that demand is very strong and that we have witnessed and that has brought us very strong sale in June and July.

Moderator: Thank you. The next question is from the line of Vaibhav Gogate from Ashmore. Please go ahead.

Vaibhav Gogate: Thanks for the opportunity. Could you give some colour on the Chinchpada capex that you are doing?

- Anil Gupta:** We have already done capex of Rs.71.5 Crores around another close to Rs.18 Crores to Rs.20 Crores capex is pending which will be done in next two to three months, because we had slowdown on this capex because of this lockdown and since the markets were also closed, so we delayed the completion, but I think by September the second phase will also be completed and the investment will be over.
- Vaibhav Gogate:** This is mainly towards housing wires, right?
- Anil Gupta:** Correct.
- Vaibhav Gogate:** Thank you.
- Moderator:** Thank you. The next question is from the line of Manish Agarwall from Edelweiss. Please go ahead.
- Manish Agarwall:** Sir, this is small bookkeeping question, the other income has risen considerably to around Rs.8 Crores this year, is there someone off or this is a sustainable number for a quarterly basis?
- Rajeev Gupta:** It is basically interest on fixed deposit and close to Rs.6 Crores is the foreign exchange gain.
- Manish Agarwall:** Foreign exchange gain on our imports, right?
- Rajeev Gupta:** Export and import both together.
- Manish Agarwall:** Okay, thanks.
- Moderator:** Thank you. The next question is from the line of Nishit Shah from Nepean Capital. Please go ahead.
- Nishit Shah:** I just got dropped of the line, so just completing on that question, you mentioned that tier 2 and tier 3 towns demand is extremely good, so what proportion is that now versus pre-COVID?
- Rajeev Gupta:** Pre-COVID C class cities was closed to 41% and again it has improved by another 3%, 4%, so it has gone to 44% now.
- Nishit Shah:** Okay and just on the export bid again the last question from my end, so export going forward how do we see that progressing in the next two, three years like what proportion of our sales would be exports and do we make better margins on that?

Rajeev Gupta: Export, we do into the institutional export sale, as we do institutional sale in the domestic market, so whenever there was a large order last year like Dangote, so because of the capacity we have not participated in the local domestic order because of the constraint on capacity, now that order has complete, so it will be replaced from the domestic institution side, but our CMD Sir concern like he wants always a very diversified customer base and very diversified geographical base, so that is why every year our target is 15% to 20% growth in the export as well as in the local domestic institution apart from the dealer distributor growth.

Nishit Shah: Okay and do we make better margins on them?

Rajeev Gupta: Margin is slightly better at least 1.5% because of the specialized cable and the good cash flow, because we are getting almost 50%, 60% cash from there.

Nishit Shah: Thank you so much.

Moderator: Thank you. Ladies and gentlemen due to time constraint we will take that as a last question. I now hand the conference over to Mr. Amit Mahawar for closing comments.

Amit Mahawar: Thank you. Sir, you have any closing remarks.

Anil Gupta: Thank you very much for joining us on the investor conference call. We hope that we have been able to answer most of your queries. If still anything is left out, you can approach us for any clarification. I can reassure that our business model is very strong whatever we have stated, we are always little conservative in our approach and the company has always performed better than what we have stated and with these remarks I convey my thanks and regards to all of you for supporting our company in the capital market. Thank you so much.

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