"KEI Industries Limited Q4 FY-21 Earnings Conference Call"

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MODERATOR: **MR. ANUBHAV RAWAT – MONARCH NETWORTH CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY21 Earnings Conference Call of KEI Industries hosted by Monarch Networth Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0"on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anubhav Rawat. Thank you and over to you sir.

Anubhav Rawat: Thank you Rutuja. Good afternoon everyone. I hope everyone is safe and healthy. We are pleased to host the senior management team of KEI Industries. And today we have with us Mr. Anil Gupta – Chairman and Managing Director of the company and Mr. Rajeev Gupta – CFO of the company.

Let us start this call with management's initial comments about the results. And then we will take your questions. Over to you Anil sir.

Anil Gupta: Good afternoon to everybody. Friends, I'm Anil Gupta – CMD, KEI Industries Limited. It's very nice interacting with you. I'll give you a brief about the Results of Q4 of Financial Year 2021.

In Q4 of 2021, the company has achieved a net sales of Rs.1,246.31 crore as against Rs.1,258.5 crore last year. So, it is almost at par with last year, maybe down by around 1%. The company was able to maintain its sales because of our strategy and focus on developing and improving the retail sales through our dealer network. Our sales has grown by approximately 44% in quarter four in spite of lower revenue and EPC and exports which is down due to execution after a very large export order of Dangote Oil Refinery last year same period.

EBITDA margins over net sales in this quarter has improved to 11.56% as against 9.77% in the same period of the previous year. And profit after tax over net sales margins has improved to 7.16% versus 4.84% last year same period. So, thus improving of net profit by around 2.4% in percentage terms in this Q4 compared to last year.

The dealer retail sale has contributed around 36.24% in quarter four against last year same period which was 25.52% of the total sales. However, on the total active working dealers of the company as on 31st March 2021 was 1655.

Now, I'll give you a brief about the result summary of whole financial year of 2021:

Net sales in FY2021 is Rs.4,181.49 crore against Rs.4884 crore. The decline in net sales is around 14.39% over corresponding period which was mainly due to lockdown and business restrictions in Q1 of the FY2021 because of COVID. Other than that, the sales which has declined in EPC segment which is as per the management strategy to reduce the dependence on EPC business and restricts its turnover number.

However, the EBITDA/net sales margin has improved by 1% to 11.49% in the whole year, as against 10.49% in the same period previous year. Profit after tax in 2021 is Rs.273.31 crore against Rs.255 crore in the same period in the last financial year.

The company has pending orders of 2561 crores overall in which EPC is 806 crore which includes the export order in Nepal ADB-funded projects of 316 crore. Extra high voltage cable turnkey projects 506 crores, cables from the domestic customers 1198 crore and export order of 51 crores.

We expect a growth of approximately 25% in FY22 in domestic institutional sales and a retail sale growth of around more than 35% in this financial year as per the current estimates.

Company's credit rating from ICRA and Care is A+ for long-term rating and A1for short-term rating. The book value of the equity share of the company is 197.83 as against 168 last year.

The total borrowings including channel finance of Rs.157 crore as on 31st March so the total borrowing of the company is 305 crore including channel finance and cash and bank balance of Rs. 221 crore as against borrowing of Rs. 367 crore and cash and bank balances of Rs. 214 crore as on 31st March 2020.

However, the creditors against letter of credit acceptances as on 31st March 2021, is down to Rs.323 crore as against 770 crore as on 31st March 2020. So, the net debt including acceptance has reduced to Rs.408 crore as on 31st March 2021 as against Rs.922 crore as on 31st March 20. So, the net debt is down by 515 crores in the current period. So, consequent to this the finance cost has decreased to Rs.57.31 crore as against Rs.129 crore previous year same period. So, the percentage of financial charges on net sales has decreased this period to 1.37% from 2.64%.

The company has used operating cash flow for cash purchases resulting into reductions of trade payables acceptances, substantially by Rs.447 crore which has further reduced finance cost during the year. Though it may impact certain financial ratios like working capital cycle and ROCE, but it has benefited the company in the form of reduction in the finance cost.

So, I will come to the future outlook:

The working capital of approximately 150 crore is expected to be released during financial year 2021-2022 from EPC debtors, which is a more of a retention money which will be used for increased sale of cables and meeting the CAPEX requirements in current financial year. So, the company will have sufficient cash flows to meet its working capital and growth requirements for future.

The company is at a transformation stage, consultants who are making strategies and policies are increasing our sales through retail dealer network by approximately 35% in this financial year. To maintain retail sales growth, the company has also recruited more than 100 manpower in various sales branches at different levels in last four months all over India.

Present capacities utilized during 2021, 59% in cable division, 61% in house wire division and 85% in stainless-steel wire business. So, the company has sufficient capacity in place to achieve growth for next few years by the time the new capacity will also be available.

Overall, the company's targeting growth of 17% to 18% in current year and will do CAPEX of approximately 600 to 700 crores from internal accrual in next four years to maintain a CAGR of 17% to 18%. As against as achieved CAGR of 15% during last 15 years.

I will give a brief about the industry outlook:

We have been observing continued focus of government on infrastructure projects and focus of the government on CAPEX as announced in Union budget. We are seeing a lot of tunneling and ventilation projects in Indian railways and different railway projects and across India. Underground cabling projects of transmission and distribution in Metro cities Tier-A and Tier-B cities, conversion of overhead lines into underground cabling either to extra high voltage cable or HT cables. Modernization of railway stations and platforms and metro rail project, smart city projects as announced by the government, modernization and development of tourists places, pilgrimage places and heritage places across India, announcement of new airports across India and modernization of existing airports. Metro rail projects and suburban train projects being under execution at various places in India as well as the bullet train project. Construction of roads and highways which leads to a lot of undergrounding of distribution and transmission system across highways. Solar power projects, nuclear power projects and new projects coming up. Oil and gas sector, refinery expansion, fuel upgradation and capacity upgradation in various state owned oil refineries going on across India. Steel industry expansion, other industrial growth projects, private CAPEX across industries, we expect a lot of private investment due to this PLI scheme announced by the government.

And we are also working on developing new export markets in Africa, Latin America, Brazil, et cetera. Although there are restrictions in traveling, so it is taking little time. But we are hopeful that we will be developing new markets at these places.

Thank you very much and I now request you to read any queries whatever you may have, and we'll be happy to answer that. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirav Sheth from Emkay Global. Please go ahead.

Nirav Sheth: Few questions from my end. First you explained on receivable part that there is close to around 165 crores, 160 crores pending as a retention money which will be released but, this year somehow your receivables have not reduced despite of the fact that revenues have declined. So, are there payments which are stuck with government authorities and will be released in first quarter of this year. That is my first question. Second is this the same reason why your capital employed in cable and wire has increased on year-on-year basis as well. And third on the dealer addition. So, this year there has been only five new net dealer additions. Now, you are have set targets on retail revenue growth and added Salesforce as well. So, any number you would want to add over here in terms of what kind of numbers apart from the long term 10%, 11% CAGR, which is there on dealer addition number as well. Thank you.

Rajeev Gupta: As far as the receivable is concerned Mr. Rajeev Gupta, EPC division the sale has reduced, but the retention payment which was not due which is due only in the last quarter. So, now it will be received in the first half hopefully, approximately 150 crore will receive it will again will be used for working capital requirements of the incremental sales. The second ROC, we have reduced 447 crore of these creditors, where in we have already benefited in terms of the LC interest and LC bank charges approximately Rs.23 crore. So, ultimately it is in the interest of the company to purchase through cash if we are having the cash available in the system. So, we have a good cost operating cash flow that’s why we have used this operating cash flow to buy the metal particularly aluminium and copper in cash. So, because of that the creditor has gone down by close to Rs.450 crore, because of that you might be seeing that capital employed increase.

Apart from this the number of dealer distributor increased because last year as we said, we were at a transformation stage, we have focused on the existing dealer distributor network to strengthen that and we are focusing to each and every and existing dealer distributor network should increase their retail network under them. So, because of their focus we were able to increase our sales in the fourth quarter also. And in the current financial year approximately 20% dealer distributor new we are finding because we have inducted more than 100 people in the retail team as we said and the growth in the retail sector as a whole will be close to +35% in this coming financial year.

Nirav Sheth: Understood. And my last question is on exports, the order book has fallen this quarter. So, any sense how export order book will be built up as you enter the new territory or there will be challenges this year also as we have entered the second wave of COVID there are travel restrictions, some thought over there also sir.

Rajeev Gupta: Can you see last year we have almost did around a 600 crore of sales. So, that kind of export sale will be maintained in this year also. Because other than that we did these kind of sales, close to 550 to 600 crore export sale will be there, we have already started export into Latin America site because where we have taken the approvals also for the solar cables. And as we already existence in Africa and Australia market and Middle East market from where we are getting the regular orders from there.

Nirav Sheth: Sure. And sir you want to share any progress on your expansion into electrical products where we are now. Any timelines you want to say?

Rajeev Gupta: Another thing I said, that more than 100 people we have inducted into the wire business, whereas we are focusing more-and-more on the consumer wire out of the 35% growth of the retail, our target to grow pure consumer wire business in this financial year is almost double. So, once we get this, so over the total dealer distributor network sale will be more than 40% this year. And we will be trying to reach now for 50% and hopefully after achieving this in this financial year, product turnover after receiving this kind of dealer distributor growth of +35%., definitely we will be having two, three more products on the counter of the retail counters.

Moderator: Thank you. The next question is from the line of Saurabh Padhwa from HTFC Mutual Fund. Please go ahead.

Saurabh Padhwa: So, just wanted some broad thoughts on the EHV side. So, we've been doing really well in last few years. But, I believe now the other companies are also trying to get into this business, specifically say maybe Finolex Cables, so do you believe there is increasing competition in this side because so far we were competing largely from players outside India, is anything changing there?

Anil Gupta: I don't think that Finolex J-Power is any threat because they do not meet need qualifying requirements anywhere. So, their total turnover in a year is less than their yearly expenditure, so they are a completely loss making company and hence, they do not meet technical and financial QR of any tenders. So, they are not a threat. However, we hope that and we believe that there will be good growth in this market, the movement is economy starts opening up maybe from July once this COVID restrictions are over and good amount of work will come.

Saurabh Padhwa: And second was on the solar and other renewable power side which you just briefly mentioned. So, what kind of product specifically we sell there or who would be the competitors there because that market would expand very fast in coming years?

Anil Gupta: See, we are selling their high tension cables and HT cables and LT cables and also in some of the projects extra high voltage cable which is mainly used to connect the power witHTrawal to the grid transmission system of the state. So, this type of projects consumes all type of cables, also we are supplying solar wires which are used in the solar panels inside the panels, that is also a product we are TUV approved for these products.

Saurabh Padhwa: Who would be the competition over there sir?

Anil Gupta: Main competitors in this segment is mainly Polycab and Apar Cables.

Saurabh Padhwa: Okay. Sir just one last question if I can just squeeze in, any thoughts on the second wave and how it would have impacted because there are mixed views from when we speak to multiple companies, some believe the impact would be larger, some believe it could, as the lockdown start opening easing out the demand would come in sharply. So, your thoughts on the same sir?

Anil Gupta: At the moment, definitely May is impacted in terms of sales because of the lockdown and because of the closure of the sites where the projects are getting executed all of this, and this has been in the most parts of the country. But we feel that cables sales is intact, but wires the retail sale will not be impacted maybe we will be able to improve the sales in the coming months as soon as this lockdown is over, because there will be a pent up demand. And suddenly the customers will be out in the market to buy the product and for building their houses.

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

Lavina Quadros: Sir just on the debtor side, now that EPC doesn't go down further, retail proportion should rise, where do you see this debtors numbers stabilizing in the next two years, because it's moved up by about 20%. So, I understand the optics of lower EPC revenues, but where do you see that headed?

Rajeev Gupta: so, you see in the next two years as you said that it will be close to 2.25 to 2.5 months' holding, because now EPC revenue is going down where the debtor period was 6.5 months but now in the current financial year the 2021 balance sheet which you are seeing though the EPC sale has gone down but the retention money has not received so retention money is due now. So, it will be received in the current financial year, then it will be a reflection of the true picture of the receivables. But in future going ahead, our work working in the receivable side, the retail sale is going to increase year-on-year basis and EPC sale will not increase from here. So, the total overall receivable will be less than three months, maybe 2.5 to 2.7.5 of the balance sheet.

Lavina Quadros: Understood and sir on the EHV side any thoughts on the tender pipeline or bids that are coming up over the next 12 or 18 months. I understood the color that was given.

Rajeev Gupta: We are already holding more than 500 crore of the pending order though we are having the capacity of close to 450 to 470 crore and more and more overhead cable projects are converted into underground cabling as the MD sir has said. And the demand is always higher than the industry capacity in India available, so always there they import. So, that is not the challenge in the ESP side only the execution part was the challenge in ESP because of the construction site was stopped due to this pandemic.

Lavina Quadros: Okay. And sir lastly can you give me a split please of the interest cost, the breakup?

Rajeev Gupta: Yes, you can note down, the interest on term loan was close to 4 crore as against 14 crore. Working capital interest was close to 24.5 crore as against 58 crore. As the interest was 9.55 crore as against 26.36 crore, bank charges on LP was 4.6 crore as against 7.3 crore. Bank charges on bank guarantee was 9.3 crore as against 13 crore and other bank charges was 5.2 crore as against 6.9 crore. The total was 57.3 as against 129. So, you see the major benefit was in the LC interest and bank charges of approximately 23, 24 crore and the other working capital also there was close to 23 crore benefit.

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

Rahul Agarwal: I had three questions actually. Firstly, on the Greenfield expansion, can we have some finer details, analyze the location land, project finance, what products we are talking about here. Obviously, I know it's more to do with EHV, LTHT but any finer detail possible?

Anil Gupta: Actually, in the month of February we have gone for Gujarat almost were in the finalized stage we have identified three locations in Gujarat. But unfortunately in the month of March again the pandemic started again and stuck. So, now after June again we will go and we will finalize this and hopefully we will be starting in the second quarter this CAPEX because now we need to do this CAPEX. So, we're in almost, already we have in our mind 150 to 175 crore, we need to spend from our internal accruals because in this current financial year of 21-22 because almost project will also take 18 months' time. So, by the time we have sufficient capacity for this year and next year, but by the time this new capacity will come for LT, HT, XI voltage power cable and you will also add the few new electrical products as we are discussing in the next financial year.

Already we have expanded our capacity in the house wise division in Silvassa. So, that capacity is available for next two year we are having sufficient capacity to grow more than 80%, 90% year-on-year basis.

Rahul Agarwal: Got it. So, as I understand, LT cables and housing wire has a lot of scope to grow because of capacity but HT, SS stainless-steel wire and EHV has capacity constraints is that correct as of now I'm saying?

Anil Gupta: HT we are also having but EHV is the constraint wherein we cannot sale more than Rs.470 crore as a cable product which we have already sold 417 crore as a product. That may go up to 470 or for maybe 500 crore but that's it.

Rahul Agarwal: So, peak sale possible for housing wire was 1600 crores, for stainless-steel wire is about 150 and for EHV is about 500 is that correct?

Anil Gupta: Yes, you are right.

Rahul Agarwal: And overall company level it was 5800 crores is that correct?

Anil Gupta: Overall company level we can go up to 6500 crores.

Rahul Agarwal: Okay, got it. And one last thing on capacity utilization. You said cables was about 59 and stainless-steel wire was, I missed the housing wire number if you could help me with the capacity utilization?

Anil Gupta: That is 61% around.

Moderator: Thank you. The next question is from the line of Pritesh Chedda from Lucky Investment Managers. Please go ahead.

Pritesh Chedda: Sir, I had couple of questions one, for your industry what is the importance or contribution of power sector as a percentage of total sales and how does the dynamic changes under the rising solar installations empower versus the conventional, thermal or wind. Does the cable intensity goes up and by what proportion?

Anil Gupta: See the proportion of cable at present in through the power sector which includes power generation, transmission and distribution put together is close to 30% at the moment, rest 70% goes to infrastructure sector and construction sector which includes housing also. Now, basically the thermal projects are almost negligible now, it is only some additional unit somewhere or the other being installed in the current power projects in thermal sector, major expansion is in the solar light and some expansions are in wind power also. So, the cable demand is coming from the solar side and it is from for the evacuation of power from the solar generation side to the grid which includes extra, very small quantities is of extra high voltage cable and then majorly 33 kV cables and HT cables and low voltage cables.

Pritesh Chedda: Does the intensity rise for a megawatt of solar project versus a megawatt of thermal project in terms of cable consumption?

Anil Gupta: Yes, because mostly the evacuation on the power from the solar projects is through cables and in the earlier times, when the large thermal projects were coming, there the evacuation of power was mainly from the overhead transmission system. So, the cabling route was used very less. Hence the intensity rise in this case.

Pritesh Chedda: And sir my second question is and it links to the debtor reduction to 2, 2.5 months. So, one will be the EPC business cap side on certain number your mind in terms of size and what will be the net debt figure in 22 and 23 for the company, considering this reduction in debtor days, changing mix and I don’t know what is your assumption on EPC business?

Rajeev Gupta: Net debt is already apart from the acceptances this is cash surplus company because there is a 157 crore is the channel financing, channel financing is not practically the debt basically, because of IndAS adjustment we have to show here, otherwise term loan and working capital minus cash is cash surplus company. So, as we said that whatever receivable we will be realizing in this financial year from APC side, we will be using this money for incremental sales as well as the CAPEX, so there will not be any growth in the debt, the debt numbers will decrease from here also because whatever we will be accrue further from here, we will be utilizing this fund to the cash purchase. So, LC level which is now a 723 crore as compared to 770 crore, which will further go down. So, our focus not to maintain the capital employed, but our focus is to reduce the interest cost and use this operating cash flow to the interest of the company where in we are saving interest cost, bank charges and getting additional cash discount by way of cash purchase, rather than keeping the money in the fixed deposit.

Pritesh Chedda: Anywhere indicative number is 400 crore that we see as total which you have mentioned in the presentation after acceptances. What number is 400 crore should go to the next two years?

Rajeev Gupta: 400 crore in this financial year it will be close to 350 crore and it will be further reducing every year because now, whatever CAPEX we are indicating you to 150 to 175 crore per annum, wherein our cash profit will be more than Rs.350 crore. So, almost 50% in the CAPEX and then as 50% we are still keeping for the working capital. So, our focus to reduce the debt further from here also to reduce the interest cost further from here also, so that we can improve the cash profit from here and we can be a cash rich company in future.

Pritesh Chedda: My last question is sir, what is the challenge that you're facing in housing wire in 21 for not able to generate growth?

Rajeev Gupta: Repeat your question.

Pritesh Chedda: What is the challenge you're facing in housing wires for us not able to generate growth?

Rajeev Gupta: No, sir, housing wire as a whole was not growth because of the total retail sale was not because of the Q1 was bad. But if you see the Q4, Q4 we have grown by 44%. And every company has grown not only KEI, because the demand is very good. Whether you talk about our competitors, they have also grown into 35% to 50% range, we have also grown in this range. That's why in future in 21-22, we are targeting pure retail house wire sale almost going to double but as a whole retail we're in the flexible wire, the housing wire and cable sales to the retail sector. The combined put together the retail sales, we will grow close to 35%.

Pritesh Chedda: And it has, what percentage margin higher than the company level how much percentage higher**?**

Rajeev Gupta: Margin you see now in the retail is close to earlier it was 11%. Now it has moved to another 11% to 12% range earlier the institutional margin was close to 9.5% it has moved to now 10% to 10.25% margin. So, that's why the overall EBITDA margin has improved to 11.5% in this quarter also in 11.5% range as a company as a whole also.

Pritesh Chedda: Institutional has moved from 9.5% to 10.5%?

Rajeev Gupta: Yes, institutional has also improved because the demand is improving and pre-qualification criteria the company is having. So, all the top companies are benefiting, smaller companies, those who are in the range of 200 to 500 crore are not able to cope up with the working capital requirements.

Pritesh Chedda: Okay. So, the company level margin of 11% that we see in the year gone by is a sustainable numbers?

Rajeev Gupta: Yes, that's a sustainable number. And with the interest cost also, that is also now in the reducing mode now, from here onwards.

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

Charandeep Singh: One if you can just highlight to us in terms of the price hike which would have taken in the retail and the institutional side, the quantum and do you intend to take any further price hike in Q1?

Anil Gupta: Actually there is some disturbance from where you are speaking.

Rajeev Gupta: Charandeep please repeat your question?

Charandeep Singh: Sir, just in terms of the price hike, can you just elaborate what's the kind of price hikes which you would have taken at the retail level or for the institutional sales also and in Q1 also do intend to take any further price hike, that's my first question.

Anil Gupta: Price hike in the house wire has gone up to 40% in last six to seven months because of the rise in copper prices. And so far as Q1 is concerned, yes, there will be some price rise of 8% to 10% which is in-line with the increase in the copper prices during April and May. But any further price rise or price reduction will depend on the movement of copper price.

Rajeev Gupta: Charandeep, whenever copper goes up, the price goes up, whenever copper goes down, the prices goes down. Only this is the year where the continuous price was rising otherwise it was not happening in so many years where the continuous rising, it is always sometimes goes up sometimes goes down.

Charandeep Singh: Okay. And on the retail channel front, what is the benefit which an retail dealer would see from KEI perspective is it a better margin or a better product portfolio mix which you think that could affect them to start selling more of KEI products and in terms of any regions, where we are trying to focus more in terms of this retail channel expansion, if you can give more inputs on that?

Rajeev Gupta: We are working on retail expansion all over India. So, we do not have a reduced focus anywhere we have built up our retail field steam in all our 27 branches, in all the zones so, we are not very specific that where our focus is, we are focused on entire India.

Charandeep Singh: So, in terms of our channel margins versus the competitor channel margins how different were we. And in terms of their ROEs and ROI for any dealers, do you think it will make more sense to go ahead and start selling KEI fans?

Rajeev Gupta: Actually that channel margins, we are able to give a good channel margins to our channel partners, because of the strategy that we are not allowing them to compete with each other in their same territories, I do not know most companies do track the channel margins of their dealers and that is a practice in this industry.

Charandeep Singh: Okay, and last question from my side, you also talked about as our retail channel expand further, we also could have two to three more product added into the portfolio which we would like to push from this channel. So, if you can elaborate on those product segment which you are looking segment into what could be the strategy in terms of to scale up on those category, that is all from my end.

Rajeev Gupta: We will come out with those products maybe after six months, once we see a good traction in this year up to October or November from the retail push what we are doing and additional marketing teams we have deployed all over the country. So, at the moment, this all is in planning state, actually everything is delayed for another three months due to this lockdown, because offices are not working so the strategic discussions are not taking place and people are not able to go to the market.

Moderator: Thank you. The next question is from the line of Akshay Bhor from Premji Invest. Please go ahead.

Akshay Bhor: Sir, my first question was on unallocable has reduced substantially in the quarter and there is some movement on the cable margin as well. Can you clarify what's happening there?

Anil Gupta: You are talking about this segment result?

Akshay Bhor: That's right sir.

Anil Gupta: Yes, in the segment result this time, the GST has issued a concept of the cross charge, cross charge means, all the head office expenses which were earlier shown in the unallocable expenditure. Now, the unallocated expenditure has moved to a respective head of cable and stainless-steel wire and EPC division. So, we have received the first six month charges which we have shown in unallocated, so that entry was done only in the fourth quarter, approximately 26 crore of unallocated expenditure was reverse in this quarter, which was related to previous quarter. So, because of that, you are seeing only the margin, but otherwise we will see if you reduce this 26 crore for add in the margin of the segment result in the cable you add Rs.26 crore then you will find the 11.61% EBITDA margin is there.

Akshay Bhor: Got it sir. So, the 26 crore is coming from the cable segment?

Anil Gupta: Yes, it is basically the cost charge we are in all the head office expenses salary, et cetera. Now, we need to allocate to the branches and the factories actually, earlier we were showing only into the unallocated expenditure. So, that is why in a whole year you will see against 129 crore expenditure, you must be witnessing only 36 crore expenditure and unallocated. So, in future onwards every time unallocated expenditure will be very, very minimum because everything needs to allocate actually now.

Akshay Bhor: Got it. And sir just one more clarification in terms of 2.5 months that you indicated was that for the overall working capital or that's only for receivables and if that's the case, then what's the?

Anil Gupta: Overall working capital will also be 2.4 months, hopefully in this year also 2.5 months. If everything goes well then 2.5 months will come down to this year itself. Because in EPC the retention is due so if that come and we are not increasing the EPC sale, we are having the EPC sale only in the range of 450 to 500 crore. So, that will be in the range of. So, if at present also you see in the working capital cycle, the creditor has reduced close to 0.8 months. So, if you consider that, then still you will see the working capital cycle is not that bad that we are seeing from the balance sheet, it is looking like because we are utilizing our cash to pay the creditors early. It is mainly because of that only. Not to keep the fixed deposit, rather we should avail the benefit of the cash by purchasing in cash and get the discount also.

Akshay Bhor: Just one last clarification from my side, the elevated capital employed on working capital is that also because you're copper prices have gone up and your quantity would have remain the same either with dealers in terms of outstanding or inventory for you. Is that also a factor that is played in?

Anil Gupta: Yes, that's why I said in spite of increase in the prices, everything is in inbuilt now, whether it is the stock, whether it is the debtor, whether it's creditor.

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

Atul Bhole: So, just one question given you are doing a guidance of 35% growth in the retail side, while you have taken 40% price hike. So, does that mean that a large part of the growth will be price hike related and you're expecting muted volume growth for the next year, so within the guidance can you provide the bifurcation of volume growth?

Rajeev Gupta: Sir, actually nobody knows whether the copper price will remain at this level or it will further reduce, if we talk of the last complete year, the copper has increased on an average is only 17% not more than that. If we compare in a particular quarter, then we see it has increased a lot, but if we talk of the total year, then it has not increased more than 17% of the average copper rate on a monthly basis. So, nobody knows that this copper rate will maintain or not, definitely if this copper rate will maintain for full year then the growth will be much higher. But we are assuming always on the average basis sometimes copper goes up, sometimes copper will go down also. So, on that basis, financial year growth as a whole of close to 20% including the institutional sale, exports sale, EHB sale, dealer distributor sale every year. But the retail sale growth will be much higher because of this penetration in the market and number of increased sales manpower, number of retailer more growth will come from the retail side and while we will continue to decline EPC business gradually.

Atul Bhole: But is it possible to provide volume growth guidance for the retail business, on expansion you are doing under distribution side?

Rajeev Gupta: In 21-22, the volume growth will be close to +25%.

Moderator: Thank you. The next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

Shrinidhi Karlekar: Sir, I just have couple of question, a bit of hypothetical question. Sir, if we assume that copper prices remain where they are now, throughout the rest of the financial year would you say your margin would remain in the guidance range of 11.5?

Rajeev Gupta: Sir margin has nothing to do with the copper price because, copper is the item where no one can absorb the pricing. It is like a gold, if the gold is higher than the jewelry rate will also be higher so it is like same, if copper price will go up our cable or wire price will go up, if it goes down then it will go down also, it is not the case that it will maintain.

Shrinidhi Karlekar: Yes, so the question raised is that, do you think from a pricing point of view more of a margin thing, more from a contribution profit. So, it appears to think more from a margin like even the industry think more from a margin point of view?

Rajeev Gupta: Sir margin is almost, in our industry the margin is not like 18% or 20% margin we are operating, we are operating only between the 10% to 12% margin. So, there is not much scope to the upside or to the downside.

Shrinidhi Karlekar: Great. And sir you have guided something 15% to 16%, growth right on a consolidated company level?

Rajeev Gupta: Consolidated Anilji has said 17%, (+18%) growth, but seeing in the penetration in the retail, et cetera, definitely we will grow more than 5000 crore turnover in this financial year. And as you said, if these kinds of copper rates remain as it is for full year, then it will be further improved from more than 5000 crore. Sir growth was never a challenge for KEI in the last 15 years if you see the balance sheet of KEI, we have always grown more than 15% CAGR in last five years, the KEI have grown almost 20% CAGR except the last financial year, because last financial year because of the pandemic, et cetera. So, growth was never a challenge for KEI because it's a 50 year old company, all the institutional demand through the pre-qualification comes to us, export we have already well-established and extra high voltage power cable only the two companies in India. So, that's why these are the sectors where no one can compete with us.

Now, in the retail we are penetrating because now, neither we will be borrowing more because we are increasing the more and more into the retail side, we are in working capital cycle is very, very less close to one month as compared to three months in the institutional side. So, that's why in future also, the borrowings will be going further down from here, even though we are going to CAPEX for 175, 150 crore year on basis. In spite of that, the company will be the cash surplus company.

Moderator: Thank you The next question is from the line of Santosh Y from AMSEC. Please go ahead.

Santosh Y: I had couple of questions sir, just first the bookkeeping question. Could you please share the revenue mix on the wires business for A, B and C class cities for FY20 sir?

Rajeev Gupta: Sir, on the retail side?

Santosh Y: Yes, sir.

Rajeev Gupta: In the house wire segment approximately, A class city business is close to 35% to 40%, again the C class business is also close to 37% to 42%. And whereas 17%, 18% to 20% business is from the B class city. Our A glass city categorization is only the metro cities.

Santosh Y: So, these numbers are referring to FY20 sir?

Rajeev Gupta: FY 2021. It's more or less, whether you talk of 21 or 20 hardly 1% or 2% here and there. Sometimes because of the pandemic last year basically the rural sector, the C class city was more than the A class city by more than 2%.

Santosh Y: Sir, I am just trying to understand it was the second consecutive year when the industry de-grew in FY21 as per IUMA numbers. And if that is the case then already most of the cities we are seeing a lockdown kind of a scenario. What gives us the comfort that even for the remaining 9, 10 months of this year you would see a strong growth because nothing has changed much when you compare to FY21 scenario, then the growth was not there right in housing wires we saw just 6.5% growth?

Rajeev Gupta: I will answer you for this, last year suppose we did 4200 crore with this means, we have grown by 14%, but if you remove EPC business, then we don't have a degrowth last year. Because we did 500 crore of EPC business degrow, that is our intention to degrow.

Santosh Y: Sir, I am referring only to the housing wire growth, I am trying to understand how would things change?

Rajeev Gupta: In spite of that we were maintaining the same level, suppose our dealer distributer sale was 1413 crore and despite of the pandemic, et cetera, we have achieved around 1408 crore So, this means almost at par, in spite of the pandemic, So, lockdown is not as big as last year. So, in spite of that we will grow further from this.

Anil Gupta: And we have to be optimistic, we can't see that country will remain in lockdown ultimately vaccination has started and if by June this lock downs are open, then nine months enough to grow very fast and there will be unsaturated demand.

Santosh Y: So, understood sir. Sir one last question if I may. So, the share of exports in Q4 declined, the share of retail increased. So, even if I consider the number of 165 crores of retention money to be released. So, is it that the on a Y-o-Y basis the retail working capital has got a bit stretched?

Rajeev Gupta: So, retail working capital is not more than one month or 1.25 months, because in retail we have the channel financing. So, all the receivable in the retail side is hardly one month as compared to the institutional size is 2.5 months in the cable division. But in the extra high voltage power cable, the receivable is close to four, four and a half month because of the EPC segment over there. So, we supply the cable then we execute. But in the APC side, the receivable cycle is close to 6.5 month because of that retention money. So, already there is only one month particular receivable.

Moderator: Thank you. The next question is from the line Parth Bala from Prabhudas Lilladher. Please go ahead.

Parth Bala: Just one question from my side, sir of this EPC excluding cable for the fully year that we did of around 460 crores what would be the EHV contribution on that, if you can just help with that?

Rajeev Gupta: Repeat your question please.

Parth Bala: So, of the EPC X cable for the fully the number that we did of 460 odd crores, what would be the EHV contribution the EHV, EPC here in this number?

Rajeev Gupta: EPC business complete year was if we talk about EPC then, EPC other than cable was close to 400 crore cable, out of which close to 150 crore relate to EHV and 250 crore relate to EPC.

Parth Bala: Okay, so 150 would be EHV alright.

Moderator: Thank you. Ladies and gentlemen, this will be the last question which is from the line Sparsh Raina from Mirabilis Investment. Please go ahead.

Sparsh Raina: I had just one question. Sir could you give a comment on how the employee costs have reduced for this quarter, and are these sustainable or will they go back to the last year's number?

Rajeev Gupta: No employee cost is sustainable, because in the EPC there was much more employee more than 300, 400 employees because now the size of the EPC has reduced to 45%. So, because of that, that employee cost has reduced and it is sustainable, because we are not going to increase the EPC.

Moderator: Thank you. Ladies and gentlemen, as this was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Anil Gupta: I thanks of our business associates and market associates for signing this conference call. If you have any further questions you may write to us or contact Mr. Rajeev Gupta. Thank you very much.

Rajeev Gupta: Thank you very much to all.

Moderator: Thank you. On behalf of KEI Industries and Monarch Networth Capital, that concludes this conference. Thank you for joining us and you may now disconnect your line.