"KEI Industries Limited Q4 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to KEI Industries Limited Q4 FY2022 Earnings Conference Call hosted by Monarch Networth Capital Limited. As a reminder, all participant lines will be in 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. Rahul Dani from Monarch Networth Capital Limited. Thank you and over to you, Mr. Dani!

Rahul Dani: Thank you, Neerav. Good afternoon, everyone. We are pleased to host the senior management team of KEI Industries today, and we have with us Mr. Anil Gupta – Chairman-cum-Managing Director of the company and Mr. Rajeev Gupta ED (Finance) & CFO of the company. Let us start this call with the management's initial comments followed by Q&A. Over to you, Anil Sir!

Anil Gupta: Good afternoon, everybody, I am Anil Gupta and joining with me Rajeev Gupta – Executive Director Finance & CFO. Warm welcome to all of you on this conference call; I will give a brief about company's performance in the Q4 and then followed by yearly achievement.

In Q4 the company has achieved net sales of Rs.1791.7 Crores against Rs.1246 Crores last year. The growth in the net sales is 43.76%. Company has achieved highest ever quarterly sales in this quarter. EBITDA achieved is Rs.179.9 Crores against Rs.140 Crores last year in the Q4, growth is around 28.46%. EBITDA oblique net sales margin is 10.03% as against 11.23% in the same period previous year. EBITDA margin declined mainly because of some expenses normalized back to Pre-COVID level and sharp fluctuations in the input costs as well as in case of export orders the sea freight rate. Profit after tax this quarter is Rs.115.88 Crores against Rs.86.1 Crores last year. Growth in the PAT is 34.57%.

Company has achieved highest ever quarterly PAT during this quarter. Profit after tax oblique net sales margin is 6.47% against 6.91% last year same period.

The domestic institutional wire and cable sales through direct sales B2B is grown by 47% in this quarter and domestic institutional extra high voltage cable sales is Rs. 146 Crores growth is approximately 103% compared to last year. Export sales in this quarter is Rs.177 Crores against Rs.126 Crores growth is approximately 40%.

The total cable institutional sale contributed 53% in fourth quarter against last year same period 50%. Sales through dealer network in this Q4, is Rs.717 Crores in fourth quarter against Rs.464 Crores last year growth is approximately 55%.

From the beginning of the year 2021 company has been working on strengthening its dealer and distribution network and has recruited more than 150 additional marketing people from electrical and other FMEG product background at different levels pan India basis, resulting into good growth in the dealer and distribution segment. We expect further boost in this as the active working professionals all over India in the marketing are now established and we expect better results this year as well.

The total active dealer for the company as on March 31, 2022, was approximately 1805 numbers. The total sales contributed through dealer network out of the total sales of the company, is 40% through the B2C segment. I have mentioned that in this quarter we have grown in volume terms also by 19.7% in wire and cable division. Out of that the sales from EPC department other than cable is Rs.109 Crores as against previous year Rs.133 Crores decline is approximately 18% in fourth quarter. Out of that total sales of EPC, the sales of extra high voltage power cable EPC is Rs.37 Crores. The sales of stainless-steel wire in Q4 in 2021-2022, is Rs.61 Crores against Rs.45 Crores in the same quarter last year growth is approximately 34%.

Now I come to the results summary for the full year of financial year 2021-2022. The total net sales achieve is 5726.55 Crores against Rs.4181 Crores in the last year growth in the net sales is approximately 37%. EBITDA in the financial year 2021-2022 is Rs.603.57 Crores against Rs.475.5 Crores. The growth in EBITDA is around 27%. EBITDA oblique net sales margin is 10.54% as against 11.37% in the previous whole year.

The profit after tax during the year is Rs.376 Crores against Rs.269.5 Crores last year. Growth in the PAT is 39.5%. Profit after tax versus net sales margin has improved to 6.57% versus 6.45% last year. The domestic institutional wire and cable sales contributed 33% as against 30% last year. The total extra high voltage cable sales is Rs.512 Crores against Rs.418 Crores in the previous year growth is approximately 23%. Export sales in 2021-2022 is Rs.585 Crores against Rs.608 Crores the decline is approximately 44%, export contributes approximately 10% out of which cable contribute 7%, EPC 1% and stainless-steel wire 2% as against 14.5% last year. Sales through dealer networks that is B2C sale achieved is Rs.2319 Crores as against Rs.1408 Crores growth in this segment is 65% compared to last year. So the sales through dealer network, has contributed 40% of the total turnover against 34% last year.

Now the sales of EPC department other than cable is Rs.380 Crores against previous year Rs.466 Crores decline is around 18% this is in line with our previous guidance to lower EPC business and restrict it to 10% to 12% of the total revenue. EPC contributed approximately 7%. Out of the total sales of EPC extra high voltage cable EPC execution portion is Rs.128 Crores as against Rs.105 Crores last year. Stainless steel wire sale in financial year 2021-2022 is totally contributed Rs.226 Crores against Rs.140 Crores last year the growth achieved is 61% over a full year period.

The pending order position is approximately Rs.2419 Crores out of which the EPC orders pending are Rs.959 Crores, which includes ADB funded turnkey project in Nepal Rs.202 Crores, and Gambia which is again a world bank funded project is Rs.410 Crores. Incidentally, we are not book any new EPC order in the last financial year from the domestic market however we did booked the turnkey project orders of extra high voltage cable wherein the 80% of the value of the order is only cable which is manufactured by us and the execution portion is very small. The pending order position of extra high voltage cable is Rs.224 Crores and domestic cables Rs.1100 Crores and export order pending is Rs.137 Crores, the total is Rs.2419 Crores. Besides that, we are L1 in orders of approximately Rs.61 Crores in extra high voltage cables.

The company's credit rating from ICRA, CARE and India Rating is AA- for long-term bank facilities and A1 plus for short-term bank facilities. The book value per equity share of the company is Rs.236.98 as on March 31, 2022, as against Rs.197.83 as on March 31, 2021.

Company's net debt including acceptances is Rs.270 Crores as on March 31, 2022, as against Rs.408 Crores as on March 31, 2021, it was Rs.922 Crores as on March 31, 2022.

During financial year 2021-2022 finance cost has decreased to Rs.40.39 Crores against Rs.57.31 Crores in the previous year same period. Percentage of financial charges on net sales has decreased to 0.71% from 1.37%.

Now I will give you a brief about the future outlook. Our strategy is to increase continuously the retail sale and through our B2C segment downsizing EPC business is working well, and in future within two years' time our retail sales will reach at least 50% of the total sales of the company with annual growth of 30% to 35% per annum in the retail business. The retail business offers superior growth prospects with better margins and lower working capital requirements.

The capacity utilized during FY2021-2022 is 76% in cable division, 59% in house wire division and 84% in stainless steel wire division. So, the company already has capacity base to achieve growth for the current financial year. Company is in the process to expand the capacity by setting up a Greenfield projects for low tension, high tension, and extra high voltage cables with a investment of approximately Rs.800 Crores staggered over three to four years' to maintain a growth of 17% to 18% CAGR in the coming years. For last 15 years we have achieved a CAGR growth of approximately 15% and in last five years the CAGR is 20%, except 2021 due to the COVID. Overall, company is targeting approximately 18% to 20% growth in the current year with strong order book in hand and good inquiry pipeline and good demand from government and private Capex and also by increasing our footprint through our dealer network.

The demand drivers and the industry outlook; we see a robust demand from government Capex and infra spending especially from oil and gas sector refineries expansion and fuel upgradation projects, solar power projects, and tunneling and ventilation projects in highways as well as railways, similarly the metro rail projects, etc. In the private sector side, the strong Capex has seen in solar power projects, real estate projects and we see a strong industrial demand due to this PLI schemes given by the government and we are seeing revival of Capex especially in steel, cement, and many other miscellaneous industries.

So, with this brief, I thank you very much and request and invite you to ask any questions whatever you may have. Thank you very much.

Moderator: Thank you very much. The first question is from the line of Mahavir Jain from Avendus Capital. Please go ahead.

Mahavir Jain: Thanks for the opening remarks. My first question is on the order book breakup; I am really sorry I could not get it. Can you repeat it?

Rajeev Gupta: Total order book is Rs.2419 Crores out of which EPC order is close to Rs.959 Crores, extra high voltage power cable is Rs.224 Crores plus Rs.61 Crores is the L1 order, and domestic cable order book position is close to Rs.1100 Crores and export order book position is Rs.137 Crores.

Mahavir Jain: My second question is on the margin guidance. Since we are seeing a high-cost inflation in terms of metal prices so any guidance on that, any sense on that.

Rajeev Gupta: Margin we are able to maintain close to 10.5% to 11% range it is all depending on the input pressure, but we are in the range.

Mahavir Jain: Last question on the capital good side any sense on that.

Anil Gupta: At present we are strengthening our dealer distributor network and for that from the last financial year as last quarter we have engaged one retail sales head also who is taking care and that background is from the switchgear, but at least for another six months we will further strengthening our dealer distributor network because we want to grow further from here. Already we have reached close to 40% our target to reach 45% to 47% contribution from dealer distributor network in this current financial year. So when we will be reaching to that level then we will be adding slowly, slowly one or two product in a year.

Mahavir Jain: For now switchgear is the prime product.

Anil Gupta: Yes, but not for now it will be at least after six months.

Mahavir Jain: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Prakash Goel from ICICI Prudential Asset Management. Please go ahead.

Prakash Goel: Thank you for the opportunity. I just want to understand why there has been a change in accounting method with respect to inventory.

Anil Gupta: Basically the ERP does not support the FIFO method. So in FIFO we need to calculate them manually actually. So because of that the ERP supports only moving average. So all the big companies are now having only the inventory method is through moving average. So we have also shifted to moving average.

Prakash Goel: Which ERP system is this Sir?

Anil Gupta: Yes, that is a BAAN now in, in for.

Prakash Goel: I will take it probably work. I just wanted to understand what is the impact of this.

Anil Gupta: Impact has already been disclosed in the result notes.

Prakash Goel: Not for the previous year for this quarter how much profit has been understated because of shifting.

Anil Gupta: That is a very small amount that is already written there.

Prakash Goel: No that is what I wanted to understand as to why the accounting…

Anil Gupta: It will be difficult to automate. It is sort of too automate and bring the inventory calculations on the ERP because the ERP system was not supporting FIFO method.

Prakash Goel: Majority of the companies we track are on FIFO and suppose SAP supports FIFO, but I will take it offline to understand it in greater detail.

Anil Gupta: No, we have the BAAN. Now most of the companies whether you talk of Havells or other companies they have already moved to moving average. Moving average is more scientific actually.

Prakash Goel: No, that is true, but what happens like the advantage of changing these besides the…

Anil Gupta: No it is not advantage, it is just automate actually, because we want to automate actually.

Prakash Goel: Thank you, that is all from my side, all the best Sir.

Moderator: Thank you. The next question is from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: Thank you for the opportunity, Sir. Couple of questions, if you can highlight what is the status of capacity expansion plan, has the land been totally procured now. So by when it will be operational.

Anil Gupta: Almost 35% land has already been registered and every week few registries are going on. So earlier we were thinking that by 31st of May we will be acquire complete land, but at present it seems that at least two months will take place to acquire the land. So far it is a 100-acre land, so we have already registered 30% now.

Naval Seth: So basically then it will be operationalized only by end of FY2024. Is that fair assumption.

Anil Gupta: Yes, in third quarter of 2024.

Naval Seth: Capex what you have stated is Rs.800 Crores over three years so FY2023 capex any guidance on that?

Anil Gupta: 2022-2023 capex will be in the range of Rs.150 to 200 Crores.

Naval Seth: This will include the land cost.

Anil Gupta: No, land cost then it will be Rs.200 Crores.

Naval Seth: In terms of order book the same has kind of dipped non-sequential bases and marginally grown on Y-o-Y basis. So what has been the reason for the shortfall are we back on track in April, how we are sensing 1Q over there.

Anil Gupta: In the order book the normal low-tension, high-tension power cable that order book is mainly in the range of Rs.1100 Crores to Rs.1300 Crores range. In extra high voltage power cable sometimes it may go up to Rs.400 Crores and at present it is close to Rs.300 Crores. So once the one order come it is almost Rs.100, Rs.250 Crores single order. Actually the earlier our order book position used to be in the range of Rs.3000 Crores approximately in last three, four years. It was mainly because of the EPC orders. Since we have reduced the EPC business that is the reason that order book looks lesser, but because we are normally executing orders maximum within three to four months and secondly in the B2C side of the business, which is constituting now 40% there is practically no order booking. The order comes and dispatched from the stocks. So it is a sort of instant order and instant sale. I hope I am clear.

Naval Seth: Yes, you are clear over here. In terms of receivables so last year FY2022 we would have got Rs.150 Crores as retention money from government. So the similar amount can be expected this year also.

Anil Gupta: Yes, this year additional Rs.125 Crores will come. Last year we received more than Rs.150 Crores, so this year another Rs.125 Crores will come. So our receivable has already gone down from 3.87 months to 2.9 months.

Naval Seth: So this has been your target 2.9 months and it will sustain over here.

Anil Gupta: Yes, it will reduce further from 2.9 to our target to reach 2.5 months because our retail sale is increasing, so it will be in the range of 2.5.

Naval Seth: And 2.5 will be achieved in FY2023 or will take two years time.

Anil Gupta: It will be trial in 2023.

Naval Seth: In the past because we had stated as our focus is high on retail distribution and retail revenues, which will also be margin accretive going forward because of the commodity inflation and because of the logistic cost increase. So the margin increase guidance, how we should look at it, has that got now postponed to FY2024 or we will still see some benefit coming in, in the current financial year.

Anil Gupta: See earlier also we were in the range of 10.5% to 11% and last year we achieved 11% but in 2021-2022 we achieved 10.5% mainly because of the inflation in the input cost, but once they settle in this current financial year we will again be going towards 11%.

Naval Seth: If I remember in between there was some guidance of 100 plus basis point expansion because of that retail sale. So that would be done in FY2024 once everything settled down.

Anil Gupta: Yes, once everything settled down and due to increase in retail and the increase in the pricing from the next year as earlier spoke that from the next year onward we will be improving our pricing once we are at a 50% contribution level. So it will further strengthening every EBITDA margin by 0.25 to 0.5 basis point each and every year.

Naval Seth: Last question is on volume. So can you provide volume details for house wire segment in 4Q and what is your expectation of that 18%, 19% revenue guidance growth if you can bifurcate that within the segments for FY2023?

Anil Gupta: See the last year our volume growth was close to 21% as a whole where in the last quarter was the 19.7% but as a whole for full year, in the whole wire and cable division we have grown by 21% volume.

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

Manoj: Thanks Sir. Most of the questions have been answered. One thing I would like to understand is what would be the strategy or the mindset behind the new categories that we are trying to venture into over next six months like what would be the overall thought process apart from building strong distribution network because that would be one of the key driver, but other than that what would be the thought process, what would be the other initiative that how we target to scale this business over next two to three years.

Anil Gupta: At the moment, we will be able to give you some guidance about the new products maybe after six months because we are yet still discussing at the moment we are strengthening our network for improving our sales of house wires and cables and then we will gradually take a call on which segment to go about. The prime purpose will be to utilize the same dealers and manpower to sell some additional products, but we will be able to really give some idea maybe after six months.

Manoj: If you look at now for several years we have been doing extremely well in the house wire segment. So eventually if you look at the B2C business has been doing extremely strong. So now in fact even in the current period what I understand that you have definitely done better than industry in the house wire segment. So what is leading to this strong growth, this continuous growth and what influencing your channel partners to stock more of KEI products or replace some other brands. So what is happening at the ground level that would be very helpful?

Anil Gupta: You see I will state it like this, since our base was low as compared to others. So what we did was first improved our branding secondly increased our reach to the areas where we were not present, where we had no marketing team or we did not have the dealer, we tapped those areas and did micro level planning about towns and districts and push the dealer and influencer scheme to get some more market share. We are still comparatively far behind the other players like Havells or Polycab in the wire segment so there is still a lot of room exist to grow in this area.

Manoj: Sir that I can complete agree to that and my question would be just follow-up on this like how would the gross margins differ for house wires as compared to other brands like cables probably Polycab.

Anil Gupta: In our case the EBITDA margin is close to 11% in the wiring segment or maybe plus but in the institutional sale our EBITDA margin is close to 10% to 10.5% and export is also in the 11% range. So that was earlier also communicated to you, but after the current financial year once we will be reaching towards 50% sale contribution through dealer distributor then the gap of the files between the top players and the KEI they will be basically narrowing down in the coming years.

Manoj: One last question if I may squeeze in. On the margin side Q3 we had highlighted like there were some old price orders that we had executed especially in the EHV side and we were confident that probably 4Q would not take a major hit and in fact sequentially what we have seen is gross margins have declined and so probably FY2023 largely when you are talking about margin improvement on Y-o-Y basis, so that would be led by product mix or whether there would be some normalization in pricing strategy and how do you see it.

Anil Gupta: We work as a company as a whole sometimes even in spite of the input cost rising, but we increase our sale or we were able to increase our sale in fourth quarter. So that the expenses percentage versus sale has gone down and we were able to maintain the EBITDA as well as PAT and the whole year also because of the lower interest cost we were able to maintain our PAT percentage as compared to last year was also higher. So that is the basically the management efficiency wherein if we are losing at some front then we are giving at another front. So in future also you will see. So that is why we generally communicate the EBITDA margin is close to 10.5% to 11% range because the excess what has come, that will come, but we are trying to maintain almost PAT level close to 6.5% range now.

Manoj: This was very helpful. Thanks a lot and wish you all the best.

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

Rahul Agarwal: Good afternoon Sir and congratulations for a great set. I think actual continue to beat the guidance given at the start of the year. Firstly, there were revised filing of results from the stock exchange I just saw five minutes back before the start of this call any material change.

Anil Gupta: No, just one figure people was actually not able to read from the file uploaded yesterday. So that was in the scan image figure was appearing as Rs. 8454.11 Million while in actual original signed copy it was Rs. 6454.11 Million. So that is why we have revised our submission to stock exchange. It was pointed out by Amit Mahawar of Edelweiss Capital. So otherwise the numbers are ok it was only because of scan image.

Rahul Agarwal: Got it, sir. Moving on to question, so on the category-wise peak revenue, I obviously understand the guidance and Amit Ji mentioned that capacity is in place to meet Rs. 6600 Crores topline next year, but broadly if I look at the full year performance for LT, HT, EHV, housing and stainless steel and I am also assuming there has been some capacity expansion happened during the year also. There are some volume number available in terms of these capacities let us say for example EHV is somewhere about 900-kilometer, LT cable about 1.2 lakh kilometers, housing wire almost like 1.2 million kilometers, stainless steel was about 7200 tons. Could you help me understand by March 2022 are there any material changes within this segment in terms of capacity and what is the peak revenue possible through these segments and not connecting it to the guidance.

Rajeev Gupta: Peak revenue with this capacity available with us we can reach out to Rs.6800 Crores to Rs.7200 Crores because already as Anil Ji had communicated in the cable division, we have utilized 76% so almost more than 20% capacity there is the house wire since we have set up a new plant in 2019 so almost 60% capacity we are utilizing so almost 40%capacity ideal for house wire, but for extra high voltage power cable we are already utilizing 95% capacity. So there is not much scope. But we are definitely working every year and doing debottlenecking process and by debottlenecking process and efficient improvements we are able to improve our capacities from the same plant by 5%. So this year also we will be working on in terms of some changes in the replacement of some machinery and debottlenecking process which will further get up the capacity to 5% to 7% extent that is a continuous process.

Rahul Agarwal: Sir, fair to say EHV full year should be like Rs. 600 Crores run rate and housing wire at about Rs.1800 Crores run rate fair to say that.

Anil Gupta: Yes.

Rahul Agarwal: Second question was essentially on the margin. Now we lot have been discussed around it, but the way we analyst understand that generally it is a pass through in cable and wire segment it was pretty straightforward relatively smoother versus other electrical product and purely because it is related to copper and aluminium, but now if I look at gross margins and the way I am calculating it is basically sales minus raw material cost there are historical lows for KEI 24% now the long term average will be like 30% for last six, seven years, Would I really understand why is this happening even though we are trying to pass it and what has to happen to take it to come back.

Anil Gupta: I will explain. First of all we have reduced our EPC sales, in our EPC sale were almost supplying 25% to 35% of the cable where the cable margin was much, much higher. So now we have reduced EPC sales. So the average percentage of gross margin has gone down because of that number one. Number two the input cost has sharply fluctuated in the last financial year so because of that there is a lag effect of 15 days in the retail market because in every 15 days we are revising the list price and mostly we are having three to four months the pending order position, but we are having 2.5 to 3 months inventory. So almost 25 to 30 days lag effect is there in the institutional side. So because last year the prices were going only in the one direction if they were going up and down there it is average out. So because of that impact was there, but we have make up that because of high sales volume in the fourth quarter as well as the whole year. So because of that we were able to maintain the EBITDA as well as the PAT.

Rahul Agarwal: So should I assume that the gross margins ever go back to 30% because one is the product mix change.

Anil Gupta: We are not working for gross margin, we are working for EBITDA level because sometimes the aluminium cables we are selling, sometime copper cable we are selling, so EBITDA margin will be in the range of 10.5% to 11% and our PAT margin will be closer to the 6.5%.

Rahul Agarwal: Done sir, best wishes to you ahead for fiscal 2023 thank you so much for answering my questions.

Anil Gupta: Thank you Rahul Ji. As we have seen the last five years you will see the sustainable growth in the next five year also.

Rahul Agarwal: Sure Sir.

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

Shrinidhi: Thank you for the opportunity and congratulations on good set of numbers both P&L and balance sheet. Would it be possible to give some more color on your growth guidance of 18% to 20% what really driving this strong guidance particularly given copper prices we are seeing softening and probably growth has to be driven much more by volume rather than price.

Anil Gupta: I have already mentioned that there is a good pipeline of inquiries from government infra spending especially in the railways, metro rail, tunnel ventilation projects, oil, and gas sector like refineries upgradation in terms of fuel upgradation projects as well as capacity expansion project and private Capex also including real estate and the construction sector. So that gives us the confidence and what inquiries are in hand, what orders we are looking every month that gives us the confidence of the growth which we are projecting and I can say that our monthly order intake, new order intake is in line with our projections what we are going to them. So far as copper prices are softening we cannot say that how much it has softened these are temporary fluctuations and we are more driven by the volumes. If we are able to improve the volumes we are more satisfied than just growing by due to the cost of input prices. As you have seen the last year also we have grown the volume comes close to 21%. So whatever capacity we are having at least 18% volume terms we can grow. Prices we cannot control but at least volume terms we will be definitely growing close to 18%.

Shrinidhi: Good to hear that, and with company turning net cash can investors expect increased the dividend payout ratios in coming years.

Anil Gupta: Because we are into expansion, so every year we need to spend around Rs.200 to Rs.250 Crores and we are reducing our financial cost by way of the cash purchases. So little bit increases every year we are doing indeed in terms of the dividend payout. So in future also that kind of increase will be there.

Shrinidhi: One last bookkeeping questions out of 2300 odd revenue through dealer distribution network. Can you bifurcate that between housing wire and HT, LT cables?

Anil Gupta: The dealer distributor division close to Rs.1284 Crores of the buyer and balance of Rs.1033 Crores of the HT, LT cables through dealer distribution.

Shrinidhi: Thank you Sir, those were my questions. All the very best for future. Thank you.

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

Harshit Kapadia: Thank you for the opportunity and congratulations first of all for a very good set of numbers. Just wanted to check we have seen the inflation in the commodity price are continuously rising. Now is there any some softness and demand which you have seen in the month of April or part of May if you can highlight that would be helpful.

Anil Gupta: No, we have not seen any softening of demand it is basically only deferment of purchases by 15%, 20% two to three weeks by the customers because of the very high LME of aluminium, copper and even steel. So the demand has not gone anywhere it is there and we are seeing a very good order booking now because the markets have softened, prices are softened and we have seen a very good booking now at the moment.

Harshit Kapadia: That is good. Secondly what we have seen looking at yours as well as your competitor results it looks like people are chasing as in companies are chasing market share rather than taking the adequate price increase to offset the inflation. So how much more price hike is required to reach KEI to reach to a 10.5% EBITDA margin level. Right now we are at 9.6%.

Anil Gupta: No, that 9.6% is basically the institutional orders which we are in at least one month lag effect is there so now if the prices are settled so then again the margin will be in the range of 10.5% to 11%. So far as my price hike is concerned, I think whatever price hikes were to be done due to input cost increases have already been done and now no more price hikes are needed at least for our industry unless the LME goes up at present.

Harshit Kapadia: Any color you can give us on the export portfolio because we have been trying to get into new countries. Right now we are at Rs.400 Crores and you are looking to raise it to Rs.700 plus Crores. So any strategy on this would be helpful.

Anil Gupta: First we are focusing on increasing the sales in the existing countries of exports plus we are working on certifications in some more countries. So that it and forming teams exposing ourselves to more and more international execution since they have started to get more net agents and network in some new countries like South America, North America and similarly some African countries also. So it will yield dividend. For last two years we were not able to our exports were stagnant mainly because there was no traveling anywhere by our export teams.

Harshit Kapadia: Understood, and how much could be the number any suggestion you can have for FY2023 in terms of exports.

Anil Gupta: At least 10% to 15% growth will be there in export also.

Harshit Kapadia: Okay that is good to hear and just a bookkeeping question to Rajeev Sir, if is it possible you to share the interest cost breakup for FY2022.

Rajeev Gupta: Yes, interest on term loan was Rs.1.97 Crores, and working capital interest was close to Rs.20 Crores, LC interest cost was very less Rs.0.57 Crores, bank charges on LC was Rs.0.63 Crores, bank charges on bank guarantee was Rs.10.6 Crores and processing charges etc., was Rs.6.39 Crores. So put together Rs.40.39 Crores.

Harshit Kapadia: Just final question with this new product that will be launching in switchgears you will be having a separate team.

Rajeev Gupta: No, new product launching is just after six months because we are focusing only and only on the house wire and improving our dealer distributor network and the sales to the level of 50% because in the existing we can make the profit. For any new product we cannot make profit at least for five years.

Harshit Kapadia: But there would be a new separate team would be there for this.

Rajeev Gupta: No the same team those who are casting we have already divided our dealer distributed team in two parts, one is taking care of consumer and another taking care of the dealer distributor those who are working for the projects.

Harshit Kapadia: Fair enough, Sir. This was really helpful and all the best for the future. Thank you.

Moderator: Thank you. The next question is from the line of Nikunj Gala from Sundaram Asset Management. Please go ahead.

Nikunj Gala: Sir is it possible to give us copper volume consumed in the FY2022 versus FY2020 or FY2019.

Rajeev Gupta: FY2022 versus FY2021 I can give you right now. So copper consumed, copper means copper and aluminium both because they are either by metal or in copper aluminium so financial year 2022 we have consumed 67978 metric ton as against 56107 in the previous year so almost growth is 21%.

Nikunj Gala: In case possible you take the FY2019 volume also.

Rajeev Gupta: Not I am having this right now but in the call I will give you that.

Nikunj Gala: No problem and secondly is it possible to just help us in the understanding of working capital going forward. So is there any liquidity constraint you are seeing in the market or what kind of a level you are comfortable with.

Rajeev Gupta: No you see our receivable cycle has already gone down, our inventory was 2.19 months last year which is in 2022 is almost same 2.26 months but our debtor has already gone down from 3.87 months to 2.92 months and our creditor is depending on the cash available we are having. So this year we were having sufficient cash, so we have gone for the cash purchase and the creditor holding was only 1.6 month as against 2.13 months.

Nikunj Gala: So anything in a sustainable basis what is the number of days you are working with 80 days or 90 days.

Rajeev Gupta: At present as for the balance sheet our working capital cycle is 3.41 months wherein the creditor is only 1.6 months normally creditor is close to 2.5 months so if we consider that then the working capital cycle is already less than three months.

Nikunj Gala: So that is a sustainable one can assume in going forward also right.

Rajeev Gupta: You see the receivable and inventory is sustainable as I said receivable we are targeting 2.5 months in this financial year and the inventory will be in the range of 2.25 months and creditor again depending on the cash we are having in hand because we are getting benefit on the cash purchase.

Nikunj Gala: Okay thank you.

Moderator: Thank you. The next question is from the line of Harsh Shah from Jefferies India. Please go ahead.

Harsh Shah: Thank you. Actually my question has been answered.

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

Rahul Agarwal: Sir thanks for the follow-up. Just one question, you said the new plant will start in phases sometime in 3Q of fiscal 2024 is that correct.

Rajeev Gupta: Yes.

Rahul Agarwal: So now your peak capacity you are talking about Rs.7000 Crores I think you will be very close to that number next year so first half of fiscal 2024 nine months of fiscal 2024 we will need some kind of capacity right to further grow from there so any thoughts whether I am doing this calculation right.

Rajeev Gupta: I have already mentioned that every year we are improving the capacities by 5% to 7% in our existing plants by debottlenecking process and we will be having adequate capacity to cater to our requirements before our new plant comes up for production. Already Anil Ji has taken a decision to adding the capacity in our Chinchpada plant of house wire.

Rahul Agarwal: Got it Sir that clarified. Thank you Sir.

Moderator: Thank you. The next question is from the line of Khadija Mantri from Sharekhan. Please go ahead.

Khadija Mantri: Good afternoon Sir, congratulations on good set of numbers. First of all I would like to say that this volume and value market share in wires and cables. I understand that you are at a low market share as compared to Havells and Polycab, but can you just give a color on your market share at least in the organized segment and whether it has increased in the last year or in the last quarter gone by.

Rajeev Gupta: You see the market share in the wiring segment our market share is close to 6% house wire segment, but in the institutional side our cable market share is close to 12% to 14%.

Khadija Mantri: And I want to understand more about the PLI scheme and some of the companies like Blue Star then you said that it is going to be an incremental revenue. So I just wanted to have your perspective on the same and how is it going to be accounted for in the future for these upcoming capacities.

Rajeev Gupta: See from PLI scheme it will be bringing in a very heavy new Capex by several companies in the private sector, in the manufacturing of solar equipment solar power equipments batteries mobile sets white goods and many other equipments so they will be setting up new industries and the cables are required heavily when any new industry comes up and it gives a multiplier effect to the power needed as well as the industrial requirements in those projects.

Khadija Mantri: Thank you. The next question is from the line of Bob from Falcon. Please go ahead.

Bob: Hello. You mentioned that you had been increasing your sales increase dealer penetration because you are starting off from a low base. So when is that expected to level off because once you have dealers in most areas of the country your growth should level off should not it?

Anil Gupta: No, I mean, that is what I was talking about of the house wire because our base has been low it will take I think another three years for us to reach to level off. How much it will level off; I cannot say because if we are growing other companies will also strive to grow. So our aim is to grow, but not to compete and go in a rat race of others that how much market share we gain. We want a decent growth and a profitable growth that is our aim.

Bob: I know. I understand that. My point was more that once you have a dealer in an area that has not been serviced before there will be an initial spurt of growth but after that there would not be much growth correct because the dealer is already there.

Anil Gupta: There will be growth, but it will be maybe 20%, it may not be 15% that will be the difference that is all. Once we reach to a significant base.

Bob: And that you are saying will take two to three years.

Rajeev Gupta: Yes, you see the existing company is also growing you may be talking of the Polycab, Havells and they are also is still there. They are having so many dealer distribution but if the market is growing they are also growing.

Bob: Yes, but the growth rates are not as high as yours.

Rajeev Gupta: No, if the base is higher than the percentage growth will be not to that kind.

Bob: Right, yes, that is what I meant actually because your growth rates are now much higher than the industry growth rate that is it driven by the low base. So once the base gets higher then it obviously will start coming down right. It will be similar to the industry growth rate.

Rajeev Gupta: Yes, but after three, four years.

Moderator: Thank you. The next question is from the line of Devang Patel from NAFA Asset Managers. Please go ahead.

Devang Patel: Sir have you not changed the accounting policy what would our Q4 margins look like.

Rajeev Gupta: No, it is only Rs.3, Rs.4 Crores impact not much impact of the inventory.

Devang Patel: So that was the impact for last year in FY2021 right.

Rajeev Gupta: FY2022 also.

Devang Patel: What is the impact for last year.

Rajeev Gupta: No if it is very minor impact because moving average sales/average then the FIFO metal sales are first in first out. So it is not much impact.

Devang Patel: Sir secondly what is our revenue contribution from renewables.

Rajeev Gupta: From renewables.

Devang Patel: Yes renewables energy, solar, etc.

Rajeev Gupta: We are not quantified, but we can answer it later on.

Anil Gupta: For us it is the industry because whether it is goes to solar it is goes to again it goes to thermals. For us it is the power sector actually.

Devang Patel: Yes, but earlier call you mentioned that in solar much more DC cables are required.

Anil Gupta: We can quantify it and we will let you know.

Devang Patel: Okay that is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Harsh Shah from Jefferies India. Please go ahead.

Harsh Shah: Sir, is it possible to repeat the interest cost breakup please.

Rajeev Gupta: Interest on term loan is Rs.1.97 Crores, interest on working capital is Rs.20 Crores approximately, then LC interest is Rs.0.57 Crores, bank charges on LC is Rs.0.63 Crores, bank charges on bank guarantee is Rs.10.6 Crores and other processing charge, etc., to bank is Rs.6.39 Crores.

Harsh Shah: Okay thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as a last question. I now have the conference over to the management for closing comments.

Anil Gupta: Thank you very much colleagues for attending our con call on the financial year 2021-2022 results. If you have still any other questions, please reach out to us. I really thank you for your support and trusting us. Thank you.

Moderator: Thank you very much. On behalf of Monarch Networth Capital Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.