



**“KEI Industries Limited Q1 FY-23 Earnings
Conference Call”**

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**MODERATOR: MR. RAHUL DANI – MONARCH NETWORK CAPITAL
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the KEI Industries Limited Q1 FY23 Earnings Conference Call hosted by Monarch Network Capital. As a reminder to 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. Rahul Dani from Monarch Network Capital. Thank you and over to you, sir.

Rahul Dani: Thank you, Anju. 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 and Managing Director of the Company and Mr. Rajeev Gupta ED & CFO of the Company. We start the call with initial remarks from the management followed by Q&A. Thank you and over to you sir.

Anil Gupta: Good afternoon, everybody. Thank you very much for taking our time for this conference call. I’m Anil Gupta, Chairman and Managing Director of the Company. So, I’ll give a brief about the performance of Q1. In Q1 of financial year 22-23 the Company has achieved a net sales of 1565.41 crores against Rs.1017.56 crores in the same quarter last financial year. So, the growth in net sales is 53.84%. EBITDA in this quarter is Rs.163.16 crore. So, this has led to a growth of 40.05% compared to previous quarter of the last year. EBITDA/ net sales margin is 10.42% as against 11.45% in the same period previous year. Profit after tax this quarter is Rs.103.76 crore against Rs.67.12 crore. Growth in the profit after tax is 54.59%. PAT/ net sales margin has improved to 6.63% from 6.6% last year same period.

The total domestic and international sale through the B2B is around 49% of the total sales. Domestic Institutional Cable sale of high tension and low tension cable is 472 crore in the first quarter against Rs.414 crore last to last year, growth is approximately 14.06%. However, the Domestic Institutional cable fell off extra high voltage cable is Rs.100 crore in the first quarter against Rs.29 crore in the previous year same period. Exports sale of the cable in this quarter is Rs.247 crore against Rs.93 crore. The growth in the export sale is approximately 167%. The sales through distribution network which is B2C was Rs.652 crore in the first quarter against Rs.387 crore in the last year same quarter the growth is approximately 68%. We are continuously in the process of strengthening our dealer/ distribution network and the total active working dealer of the Company as on 30th June 2022 was 1800.

The distribution, sales through distribution network contributed approximately 42% in the first quarter against 38% in the last year same period. EPC sales, engineering procurement construction project sale other than cable is Rs.84 crore, as compared to Rs.86 crore almost flat. Out of the total sales of EPC the extra high voltage EPC is 36 crore in this total Rs.84 crore sales. The sales of stainless-steel wire in the Q1 of FY2021 is Rs.61 crore against Rs.48 crore same period last year. Growth is approximately 26%.

Pending order as on 23rd July 2022 is approximately Rs.2741 crore. And besides that, we are L1 in another Rs.229 crore worth of orders, which are expected shortly. In this Rs.2741 crore

the EPC order for 878 crore, which is basically Nepal ADB funded project and Gambia World Bank funded project.

Extra high voltage cable projects is 353 crores, the domestic cable orders pending are 1428 crore and export orders of cables are 82%. The 42% sale which the Company is doing through KEI retail network or distribution network, we do not add up any orders in the order book because these orders come and execute it from the stock or executed within a week to 15 days. So, we do not add them into the pending order. The India Rating and Research has upgraded and assigned IND AA/stable rating to long term bank facilities from IND AA- and reaffirmed the IND A1+ rating to short term bank facilities and commercial paper availed by the Company. The book value of the Company per equity share is Rs.248.62 as on 30th June 2022 as against Rs.236.98 as on March 31, 2022.

The total borrowing including channeled finance as on 30th June is Rs.88 crore. Sorry, total borrowing is Rs.101 crore and cash and bank balances of Rs.172 crore as on 30th June, 2022 as against total borrowing of Rs.331 crore and cash bank balances is of 360 crore as on 31st March 2022. Acceptance creditors as on 30th June is Rs.103 crore as against Rs.299 crore as on 31st March 2022. So, the net debt including acceptances of LC has reduced to Rs.32 crores as on 30th June as against Rs.270 crore as on 31st March 2022 and Rs.336 crore as on 30th June 2021. During this quarter finance cost has decreased to Rs.9.23 crore as against Rs.11.42 crore previous year same period. Percentage of the financial charges on net sales has decreased this period to 0.59% from 1.12%. So, the Company has used operating cash flows for cash purchases resulting into reduction of trade payables acceptances and substantially by Rs.195 crore.

As future outlook, as communicated earlier working capital of approximately Rs.100 crore is expected to be released during financial year 22-23 from EPC data retention money which will be used for increased sale of B2B and B2C sales of the Company and as well as the CAPEX requirement of the current financial year. So, the Company will be having sufficient cash flow to meet its working capital and growth requirements in the future. We are aiming of increasing the sales through distribution network by approximately 30% to 35% this year, so as to achieve a projected 16% to 17% overall turnover growth in this financial year. The capacity utilized during Q1 financial year to 22 to 23, 78% cable in cable division, 65% in house wire division and 80% in stainless steel wire division. So, Company has already has capacity in place to achieve growth for the next financial year by the time new capacity mean will also be available.

The Company expects to have a CAPEX of approximately capital expenditure of approximately Rs.200 crore to Rs.250 crore for next three years to maintain a CAGR growth of 17% to 18% per annum, as against achieved CAGR of 15% during last 15 years. And that's the outlook, we see a strong growth in the infrastructure segment, especially from power generation, through solar and wind and other energy sources, transmission and distribution and industrial sector like steel, aluminium, cement, fertilizer and refinery expansions, which are underway at the moment. And also the government's emphasis on infrastructure development projects such as national

infrastructure pipeline in important areas such as energy, railway, metros, construction, road and highways, building projects, hospitals, ports and airports and modernization among others.

Increasing government attention and funding support for rural and railway electrification projects. And higher and more efficient transmission and distribution infrastructure is also attracting good demand for underground cables. So, this is from management side, you are requested to raise any queries, we'll be happy to answer the same. Thank you.

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

Naval: Couple of questions. First, you stated in your opening remarks that target is for 30%, 35% distribution expansion and this number for revenue to achieve that 16%, 17% revenue growth is for consolidated if I'm not mistaken, is that correct?

Management: Yes.

Naval: And sir, because if I look at, you had guided for 16%, 17% revenue growth at the end of June also in one of your media interview and since then, commodity prices have seen a sharp correction. So, you still see this number achievable because of the strong volume growth outlook?

Management: Yes, we still feel that this number will be achievable.

Management: Because we are having sufficient order book position.

Naval: Okay, understood. Second in terms of the land parcel acquisition, Rajeev last time, you had stated that almost 35% of the total land parcel has been kind of acquired, can you give some update on that, what is the status and progress over there?

Management: It will take further more one, one and a half month more to acquire the full land, because agricultural land they are taking some time, but we are in the process and definitely we will do expenditure in this financial year.

Naval: And there is no delay because of this one, one and a half month delay on capacity expansion?

Rajeev Gupta: No, because in these kind of projects one to three months delay, is not a delay but for the capacity expansion Anilji has taken a step further ahead, because in our Silvassa plant, we are putting a low tension power cable facility there, where our house ware unit is there, so that for the coming financial year and last quarter of this financial year, the growth momentum can be maintained from there itself. So, we are taking care for the growth of 17% to 18% in the next financial year also.

- Naval:** Understood. And on the balance sheet, as you rightly stated on retention money recovery and other aspects which have been benefiting you on working capital aspect. So, the current net debt number of 1Q is that fair to assume that should be the ongoing run rate going forward as well because cash generation will be enough for CAPEX as well as working capital?
- Rajeev Gupta:** Yes, that's right. We are already having the +170 crore fixed deposit in our account. So, whatever CAPEX requirement that fund has already been accumulated, so, there will not be any further requirement from any loan or etc. Loan has already been nil, that working capital loan has already been paid full. Only the 13 crore term loan is outstanding, which will be repaid in the next three quarters. So, by March 23 all the term loan will also be repaid because this is external commercial borrowings. So, we cannot pay it early that is why it is there in the books.
- Naval:** Got it. And sir lastly, if you can repeat your order book breakup, I missed couple of numbers there.
- Rajeev Gupta:** Order book number is 2741 crore in which EPC order book is 878 crore and extra high voltage power cable order book is 353 crore and cable low tension high tension and other cable domestic order from institution is Rs.1428 crore and export order of cable is close to Rs.82 crore. Apart from this extra high voltage power cable we are L1 in 229 crore order book. So, we include this and it will be closer to 3000 crore order book.
- Moderator:** Thank you. Next question is from the line of Parin Gala from SageOne. Please go ahead.
- Parin Gala:** Sir, the export number for steel is that 193 crores and Y-o-Y it's very large. So, is it just cyclicity, the last quarter being COVID affected the numbers were lower or this was a steady number of something one off has happened in exports?
- Management:** It is not on the quarterly number we should assume anything, sometimes the order is to be deliverable in a particular quarter. So, we have to deliver in this quarter itself, but normally the composition of the exports will be 10% to 12% of the total profit and loss.
- Management:** So, we expect the total export on the full year basis between 700 to 750 crores.
- Parin Gala:** Okay, so is it order book based on this generally on even on a spot basis where you do selling?
- Management:** Order book.
- Parin Gala:** Okay. And sir lastly again, the CAPEX number which you mentioned of 200 to 250 crore this will be over and above the retail investment which will happen of about 600, 700 crore which was mentioned earlier, is my understanding correct?
- Management:** In the new projects which are going to be happening in the Gujarat region, when in we are acquiring the land, there the investment size on a per annum basis will be 200 to 250 crore for next three to four years.

- Moderator:** Thank you. Next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.
- Rahul Agarwal:** Few questions from my side. Firstly, your peers Havells when we talk about Polycab they saw some kind of destocking during the quarter, could you share your own experience between across your cable and wire segments, what was the experience with KEI, how did the channel behave, what is the channel inventory right now, and copper obviously, last two weeks has bounced back again by 10%. How do you see in second quarter, third quarter panning out in terms of demand, that's my first question.
- Management:** Rahul, thank you for that. First of all, copper is always fluctuating, sometimes it's a more fluctuating, sometime little bit in the range-bound fluctuation. So, last year, there was a the full year which was increasing. Now, again, it has come to the situation where copper will increase or decrease in a particular quarter. So, it will increase also, it will decrease also though these momentum we are seeing since last so many years so we are used to it. With regard to the destocking in the channel. Sometimes people are worried about the more of the copper going down. So, sometimes they are holding the position for 8, 10 days. So, it will not impact much because everybody has the inventory of 15 days with each dealer, distributor. So, they are playing with that inventory and by that time the price stable and they again start buying.
- Management:** Rahul you are right that some destocking has taken place, because it is very natural when the prices are unstable and going down naturally anybody will not stop they will take the material whatever is immediately needed by actual customers. But we have not seen very big impact of this in the first quarter and we are trying to revise and adjust our list prices as soon as possible so that the scale is far maintained.
- Rahul Agarwal:** Got it sir. So, to understand it correctly, the channel inventory right now should be pretty low and it should be a pickup in second quarter, is that the way to understand?
- Management:** Yes, it should be very good.
- Rahul Agarwal:** Okay, got it sir. But we couldn't see your numbers have not really fluctuated in the first quarter been very stable for KEI so that is why I was wondering that destocking didn't really impact KEI versus the other player actually reported lot of de-growth, any specific reason for this?
- Management:** See the companies who are very heavy in retail, they are impacted more like Havells or Polycab. We are also now going heavy on retails for maybe in future we may face the same problem, but at the moment we have not faced.
- Management:** Rahul nobody has been impacted everybody got growth. This is not the case where they have not grown, they have also grown in the first quarter.

- Rahul Agarwal:** Yes, for sure I understand where you're coming from. So, I'll move ahead to my second question, on the CAPEX, sir I just need a recap on the entire Baroda CAPEX this 200, 250 crores per year we have broadly talking about 800 crores of CAPEX in total for the project between that could you help me break down into what is the land cost and what is going to be the construction plus the machine cost just to get a clear opinion how much is maintenance CAPEX for the Company every year and how much is Baroda CAPEX in total and you spend obviously 200, 250 every year but, if you could help me understand the project cost better will really help.
- Management:** So, our maintenance CAPEX in our Company is hardly 20 to 25 crore in a year that is number one. The project cost for the new project costs it will be decided only once the land is fully acquired, because construction cost will depend on how many acre we have acquired. But overall, in our industry the CAPEX ratio is 1:5 so we want to create a 4000 to 4005 crore, 4500 crore sale from there. So, that we are in resizing investment of 800 crore over there. Put together all, the land cost will not be more than 50 to 60 crores because it's agriculture land so land cost is less amount.
- Rahul Agarwal:** Got it sir, that really helps. Sir could you help with volume growth number for cable and wire segment for this quarter, the revenue growth was 61%, how much was volume?
- Management:** Volume growth for the, the metal has grown by 27%, Aluminium and copper put together.
- Rahul Agarwal:** This is Y-o-Y right?
- Management:** Yes, it's Y-o-Y.
- Rahul Agarwal:** And you are talking about aluminium copper consumption for first quarter?
- Management:** Correct, first quarter yes.
- Rahul Agarwal:** Okay, got it. And lastly just a follow up on exports. As you said you are targeting 10% to 12% and this quarter number looks high and 700 to 750 crores for the full year as Anil said, overall how does the pipeline look like, is there anything happening for certain geography where we would see something like a Dakota happening again, where you could see a very large number or it's right now pretty steady state?
- Management:** No. Nothing sort of Dakota happening now, so it will be the sale export to our regular and stable customers.
- Moderator:** Thank you. Next question is on the line of Tanush Mehta from JM Financials. Please go ahead.
- Tanush Mehta:** Sir, I have a couple of questions. The first question is, do we have some kind of hedging policy in our wires and cables business or an overall Company level?

- Management:** No, we are not hedging we are under natural as we have communicated earlier also because we are having three to four months pending order position from the domestic distribution side and close to two to two and a half months we are carrying inventory in our shop floors. So, that is under natural hedge actually.
- Tanush Mehta:** Okay. Sir, my second question is that, when we see our business between the dealer and the institution part how difficult or easy or how do you define the lag in which a price increase can be passed on in both the cases or the price increases at the same time?
- Management:** In case of B2B sale, whenever we are making an offer to anybody it is based on the current prices and also the forward looking outlook that what do we perceive as a buy situation during the validity period of the offer, maybe the validity period is one week or 15 days. In case of utilities whenever we are making tender 80% to 90% tenders are on the price variation basis and only 15%, 20% are on firm prices basis, so that much of inventories we are always carrying. So, the validity period normally we are maintaining within 15 days to one month. So, far as distribution network is concerned, in case of cable we are adjusting the prices on every two weeks basis, fortnightly basis and so is the house wire are flexible?
- Tanush Mehta:** Okay. And sir just a last question. So, we've seen a lot of traction in the renewable sector that's, catching a lot of pace and a lot of power companies and etc. putting up a good money there. So, actually how much content of wires and cables or maybe from our order book how much of our sales are we seeing there, or is there any inquiry coming from that end or what is the potential from that sector?
- Management:** We are having substantial sale to all the solar power developers who are setting up their projects, either to them directly or through the EPC contractor who are constructing their projects. So, I can't give you immediately any number that how much is it out of solar, but we can take it out and send it to you later, but at the moment, I cannot tell you exact number, but the sales to solar companies are substantial.
- Moderator:** Thank you. Next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Sir, what would be our channel finance as a percentage of retail sales currently with recourse and without recourse collectively?
- Management:** Almost 60%, 65% is under channel finance.
- Akshay Kothari:** Okay. And I am assuming that our with recourse has come down because without recourse has increased I guess?

- Management:** Yes. So, now the limit was set up with the banks were in we are recourse of in one bank is 50%, in another is 30%, in few bank it is 100%. So, as a whole recourse will be close to 60% on an average.
- Akshay Kothari:** Okay. And what would be the percentage of RMC, like copper aluminium and can you give the breakup if possible?
- Management:** It depends on the order to order actually because sometimes the copper order is more, sometimes aluminium order is more like in this quarter we consumed around 18,109 tonne aluminium and copper out of which copper was 7909, and aluminum was 10,200 metric tonne.
- Akshay Kothari:** Okay, that's it. And sir this release of 100 crore working capital, when is it expected in which quarter?
- Management:** In the whole financial
- Akshay Kothari:** Okay. And sir lastly on the retail revenue growth side we have seen that there has been significant jump in the retail and focuses on B2C. So, how has this journey been and what were the triggers and how could we, is it only because of our distributorship increase and what were the steps which we had taken and going forward, how do we plan to grow this you have given a guidance of 30% to 35%.
- Management:** It is a whole mix of strategy when you want to grow some section or vertical of the business it includes an efficient marketing team close to the region and stocking points where you can deliver fast, then business development activity who are censored or specifier in that area. So, that our teams are connected to them, who are doing description of cables in their tender documents or who so ever is buying it. Dealer is only at front, so ultimately a whole lot of business development activity has to be carried out to enable them to sell. So, it is a complete strategy and management of the dealer and prevailing surrounding to enable the same.
- Moderator:** Thank you. Next question is from the line of Sanjay Dam from Old Bridge Capital. Please go ahead.
- Sanjay Dam:** Sir, did I hear right you gave a guidance of 17%, 18% kind of top line growth in the context of lower commodity prices is that correct?
- Management:** Yes, we are trying for that only.
- Sanjay Dam:** Right, no I just thought I'll confirm it.
- Management:** We will try more to increase the volume so that we maintain 17%, 18% growth.

- Sanjay Dam:** So, the second question that brings me to the second question is that, what would be a reasonable aspiration to have in terms of market share gain in the next two, three years probably you could put it in the context of the last two, three years, five years and the next five years?
- Management:** Market share continuously definitely in the houseware segment we were very small player. Now, we have reached to the level of 6%, 6.5% market share and the unorganized sector market share is shrinking year-on-year basis, every year 1.5% to 2% market share of unorganized sector is shrinking. Apart from this small companies those who are in the range of 300 to 500 crore small companies, few are listed, few are unlisted, they are also struggling with the working capital and they are not having that kind of management bandwidth which the KEI is having. So, because of all these factors, where in now KEI is having sufficient working capital we have reduced the debt. So, we are more focusing on increasing the market share year-on-year basis. In last 15 years, our growth of the Company is close to 15% wherein all ups and down in the market was there. So, in future next five years' time we have taken a target we should grow at least 17% to 18% CAGR. Because earlier growth was with the EPC, now we are reducing the EPC and we are growing in the same fashion. But it is mainly because of the buyer and cable segment the market share we are able to take.
- Sanjay Dam:** And if I look at your commentary for last two, three years, you'll have outlined your retail strategy and things have worked out quite well. Could you give us some sense of how the next three, four years is going to be. So, from a base perspective I understand, it won't be probably, that difficult. But how do you kind of like to, would you be more concentrating on the larger urban areas or you'd like to kind of spend more in proportion to how your geographical presences is, if you could give some sense on that?
- Management:** Definitely, we are putting our best efforts to increase our geographical footprint because then we target the larger area of delivery, the sales comes from white spaces where we were not present. So, that gives you extra revenue without stretching a particular market. So, definitely we are taking all steps for improving the sales in the existing areas where we are strong by putting more business development activity and also in the areas where we were not present and we were however weak. So, we are strengthening our geographical footprint.
- Management:** And as we have mentioned that the 30%, 35% growth, at least for three years from here, we will be looking from the dealer distributor segments. So, that kind of guidelines, we have set in, that kind of infrastructure and the manpower we are engaging in that kind of growth from the dealer distributor market.
- Sanjay Dam:** Yes, see the context actually from which I was coming is that the larger centers and larger tier one cities and the next may be 25 or 50 cities and the next 100 towns, they have some sort of a differentiated profile of buyers. And as you go deeper into the hinterland, the nature of distributors and the clients, both of them change. So, they could be larger in number, but maybe lower ticket size. So, having traveled quite a reasonably successful journey so far, do you think

that your next leg of journey in the retail strategy would be any different from what you have done in the last seven, eight years?

- Management:** We say that the top cities is still we have not covered fully, at least for two, two and a half years we will be covering those cities first, because that's why we are targeting a 30%, 35% growth in the coming three years time. Apart from that, then we will be focusing to the rural part or the town side of the country. Lot many things to do because at present we are having only 1800 dealer distributor, we have to double this dealer distributor strength in next three years' time.
- Sanjay Dam:** So, when you double that, so would you say that the top 50 cities and towns in this country have the bandwidth of doubling your distributor base, in whatever timeframe it takes?
- Management:** We are working on the number at one side. Second side we are working on the geography to be covered, then we will be covering the rural sector. So, it is at least three years away in our strategy to covering the rural segment.
- Sanjay Dam:** But your doubling of distributors would kind of take how much time?
- Management:** Mainly three years, so because of that we are saying that at least 30%, 35% growth we will be maintaining year-on-year basis.
- Moderator:** Thank you. Next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.
- Shrinidhi Karlekar:** Sir you gave a good guidance on revenue growth for this year as well as medium term. Would it be possible to share some guidance on margin for this year as well as medium term?
- Management:** Sir margin in our industry, in our Company we are close to 10.5% to 11% range we are there. Last year also in spite of so much volatility we were able to close over margin close to 10.5%. This year also we will be in the range bound 10.5% to 11%.
- Shrinidhi Karlekar:** Okay. And isn't retail contributing more to your overall business mix should support margins in medium term, or it's unlikely to happen?
- Management:** Please repeat your question because something we have missed.
- Shrinidhi Karlekar:** Yes, I was just wondering your contribution from the retail segment is increasing. So, just wondering, can't that help you in doing better margin than what you've done in the past?
- Management:** No, it is already helping us, but volatility of the material which was sharp this last one year, whether it is upward or whether it is downward. So, in that case there is a certain things it is not manageable, but if these situations does not arise and the normal fluctuations are there, then definitely the margin will be much, much more because our expenses versus percentage has already come down. So, because of that we are hopeful that the margin will not be difficult to maintain.

- Shrinidhi Karlekar:** Okay. But isn't like there should be like as the volatility kind of reduces is there a scope to do higher than 10.5% and 11% margin?
- Management:** Definitely.
- Shrinidhi Karlekar:** Okay, great. And sir second is on the EHV segment opportunity I just want to know how large is the Indian EHV cable market and how much of that demand is actually served by the import of the cable?
- Management:** See EHV market at the moment I believe is close to 3000 crore a year and so far as imports are continuously vanishing now, because up to the highest level of voltage grade like up to 400 KV we are manufacturing and we have executed the projects. We are focusing that no utility should import the cables. If some import is coming up in some package or some overall project constitution that maybe there but we are not really aware of we are really focusing that it should be done by Indian manufacturers.
- Shrinidhi Karlekar:** Okay. And correct me if I'm wrong, there are two players in the Indian domestic market who services EHV demand is that right?
- Management:** No, apart from us it is the Universal Cable who is significantly working on this, but one player is more like LS Cable, etc. who are also doing EHV cables which is a Korean Company set up a factory in India.
- Shrinidhi Karlekar:** Okay. And this 3000 crore odd compares with about 500 crores what KEI did last year right?
- Management:** Correct. Actually last year the market size was less now the markets are consistently growing, the demand from the transmission utilities.
- Shrinidhi Karlekar:** Understood. And sir how much are our utilization levels in the EHV cable segment?
- Management:** We are almost utilizing 80% to 90% capacity, but we are having some space by debottlenecking so we will be able to grow by another 20%, 25% from here on.
- Shrinidhi Karlekar:** Okay. And the last bit on this again on EHV, is this business about 3%, 4% point higher margin business then your portfolio margins of 10.5% to 11%?
- Management:** Yes, definitely.
- Shrinidhi Karlekar:** Okay, great. And sir last one if I may. So, we have seen very strong performance on working capital particularly on receivable days. And if I remember correctly, in the last call, you had mentioned a scope to improve receivable days by about 15 days just wondering our receivable days likely to improve much what you have guided of 15 days?

Management: Yes, receivable days will be close to 2.4 to 2.5 months as compare last year it was 2.9 months and before that it was 3.8 months. So, in March 22 it has come down to 2.9 months. So, on average for the current financial year it will be closer to 2.4 to 2.5 months.

Moderator: Thank you. Next question is from the line of Bobby Jayaraman from Falcon. Please go ahead sir.

Bobby Jayaraman: Can you explain what the 103 crores of expenses is?

Management: These are the LCS expenses.

Bobby Jayaraman: From your export customers?

Management: No, it is for the purchase, import.

Bobby Jayaraman: Okay, the imports were your copper and your raw materials?

Management: Yes, this is part of the creditors.

Bobby Jayaraman: Okay and how long is that for usually?

Management: It is normally 90 to 120 days escalator.

Bobby Jayaraman: And you don't pay an interest on this?

Management: Yes, it is interest bearing, 5% to 6% interest per annum.

Bobby Jayaraman: So, why did you take this?

Management: Pardon.

Bobby Jayaraman: So, why don't you avoid these interest charges by paying earlier?

Management: No, because we are avoiding while we are purchasing from the local market we have converted into the cash purchase now, since these are the import purchase so we have to open the LC.

Bobby Jayaraman: Okay, so they will reduce going forward?

Management: Yes, we have already reduced earlier in 19-20s the LP purchase was more than 800, Rs.900 crore. Now, it has further reduced to now only Rs.100 crore as of March 22 it was close to Rs.300 crore, now it has reduced Rs.100 crore. So, we are opening the LC only for import, we are not opening LC for the domestic purchase now.

Bobby Jayaraman: Domestic is all cash?

Management: Yes, all cash we have converted because we have sufficient cash in hand.

Bobby Jayaraman: And the other question is, how long is your dealership aggressive roll out of the dealership network that you continue?

Management: Please repeat your question?

Bobby Jayaraman: How long is the aggressive rollout of your dealership network going to continue till such time that it stabilizes as well?

Management: So, we already have a aggressive rollout of dealer network, ultimately dealership also comes along with our marketing teams to make efforts on the business development activity and bringing dealers on board where we can help them to grab the orders.

Bobby Jayaraman: I know I understand that, what I'm asking is right now your rollout is very fast, right, it's a pretty aggressive though, at one point there will be saturation of the dealership network?

Management: Maybe after two, three years, there may be stability or saturation. But at the moment, we don't see that and with excessive, even strong growth of the Indian economy, the demand will also be going up and strengthening. So, more and more people are coming into businesses across India. We will also get to know more markets maybe in the semi urban markets or rural markets so it's difficult to predict that what will be the saturation point in this.

Management: But at least for next four to five years. We will be growing number of dealer distributor at least by 10%, at least for five years.

Bobby Jayaraman: 10%?

Management: Yes, 10% to 12%.

Moderator: Thank you. Next question is from the line of Amber Singhanian from Nippon Mutual Funds. Please go ahead.

Amber Singhanian: Sir one thing I wanted to understand, as you mentioned that you're aiming around 17%, 18% kind of growth. We all have seen that commodity has corrected significantly in last couple of months. So, that would require a significantly higher volume growth of upwards of +35% to achieve these kind of growth numbers. So, what is giving you the confidence of such a high volume growth is achievable in this scenario where we are already seeing some from the off take?

Management: We perceive that there is a good infrastructure pipeline and projects and a good inquiry flow from our customers. Different project verticals. So, that gives us the confidence and normally we never over project and we have never over predicted what we say. And we will try to achieve what we say. Rest the year end will tell us.

- Amber Singhania:** And sir if you can give some color about the demand scenario currently, are we seeing any deferment or delay in the demand coming in from B2B and all assuming the prices will come down further?
- Management:** No, we are not seeing any deferment of demand, in fact with the commodity prices correction, the demand is coming back on the table. In fact the demand has become stronger.
- Amber Singhania:** How much prices we have reduced from the peak in a couple of months?
- Management:** Around 10% to 12%.
- Management:** For your information in 18-19 and 19-20 was the year where the commodity price has gone down but we have grown by more than 20% year-on-year basis.
- Amber Singhania:** Okay. Fine sir, and lastly on the margin front you mentioned that you will be maintaining the margin of last year 10.5% to 11% but on a falling commodity prices when we are seeing the realization is coming down but EBITDA per tonne may remain constant so logically the margin should go up. So, how exactly we work on the margin part, are we purely focusing on the percentage terms or per tonne EBITDA?
- Management:** So, we are mainly focusing on percentage terms.
- Amber Singhania:** Okay. So, in that case sir in the falling commodity prices, our per tonne EBITDA comes down?
- Management:** Margin whatever will come, will come definitely but what we are working is for the 10.5% to 11%. So, this means in each and every adverse circumstances also we need to keep in the cross and we are working for that. Whatever we are quoting we are quoting on that basis only. Something or others in every year is also happening. So, for that reason also we need to guide properly to you. Because we don't know what other things will come in the market.
- Amber Singhania:** Understood sir. Sir, what I am trying to understand here is that with this kind of correction in the commodity prices almost 20% to 30% from the peak, is it possible for margins to go significantly higher, let's say 12.5%, 13% kind of range?
- Management:** Not at all.
- Moderator:** Thank you. Next question is from the line of Santosh Kumar Kesari from Kesari Wealth. Please go ahead.
- Santosh Kumar Kesari:** I just had one question. Looking at the financials for the last 10 years I can see that in fact our interest burden has gone down earlier we used to pay something like +100 crore of interest now we are paying just 40 crore a year. And what I can see the dividend that we have been to shareholders, that appears to be (inaudible) 53:42 if I can comment that way, like it used to be 10%, 12% way back in 2013 and since then, it has never crossed 10% except in one year. And I

can see that all borrowings are now mostly paid off and there is some CAPEX requirements and as you said earlier that the CAPEX to sales ratio is 1:5. So, I have two questions on this, one is that are we looking at increasing the dividend payout to shareholders or buy back. And secondly, you are guiding about CAPEX in terms of 1:5 ratio, what is the payback period for this CAPEX in terms of profitability?

Management: So, normally the payback period is close to five years because as per industry norms, 1:5 or 1:6 is the sale versus CAPEX ratio. So, we are going to invest around 800 crore worth of rupees. So, we can take the top line of +4500 crore from this investment. Taking with regard to dividend so, we have already paid in the month of March. So, whatever will be the cash flow and the CAPEX position we will decide only in the fourth quarter, but definitely the payout will be it more as compared to last year because now our borrowing has gone down. But still we will be more focusing on the growth of the Company, we are in more number of increasing EPS you may see in our balance sheet.

Management: And then most more focused that if we are strengthening the balance sheet, the capital appreciation also goes up improve to the shareholder.

Santosh Kumar Kesari: Yes, that's right but rewarding the shareholder in terms of bonus issue or dividends or buyback actually makes them a little better off because they get cash.

Management: Definitely after the second quarter we will be reviewing this and definitely whatever your advice and suggestions we will be discussing internally in our board.

Moderator: Thank you. Next question is from the line of Bhavin Pandey from Trust Plutus Family Office. Please go ahead.

Bhavin Pandey: So, I just had one question, so as we are witnessing that proportion of sales, why are the distributors has gone up it's not a 40% now as compared to 38 in the previous quarter. So, I was just wondering like in long run, how much do we expect this proportion to be and can you just throw some light on economics of going through this approach a bit more asset light, a bit more margin lucrative is it both coming in. Thank you.

Management: Distribution as we said that 10% to 12% year-on-year basis the number is increasing, because we are finding new distributor or we are converting the weak dealer distributor to the good one. So, that is the restructuring of the dealer distributor, network is going on. We are focusing on to increase the sale of the existing distributor dealer network as well as for the new dealer distributor network.

Management: Your question was basically that, the sales through distribution network has gone up from 38% to 42%. It is because of the increased focus of and geographical advancement by where we were not present, appointing distributors in those territories, so that our footprint in untapped areas grows and from there the sale is improving.

- Management:** So, within two years time we have taken the target to reach 50% contribution through the dealer distributor network, that is also our mission.
- Moderator:** Thank you. We'll take the last question from the line of Khadija Mantri from Sharekhan. Please go ahead.
- Khadija Mantri:** I just had one question, so was there any price hike taken in Q1 in the month of April and May. And are we looking for any price cuts in the next few quarters?
- Management:** Price revision are done either up or reduce the prices based on the input costs. So, because of some corrections in the input costs, cable prices have already been corrected in last two months. And now it is levelized and regarding houseware and flexible also, the prices have been reduced around to the level of 8% to 9% in last one, one and a half month and it has been corrected in line with the present copper price. So, we don't see any immediate revision of prices in next one month.
- Moderator:** Thank you. We have reached the end of question-and-answer session, due to time constraints I would now like to hand the conference over to the management for closing comments.
- Management:** Thank you very much our investors and colleagues for attending taking out time for this investor conference. I hope that we've been able to satisfy you with our answers. But if still you have any queries, you may reach us back and we will definitely give you clarification. Thank you very much.
- Management:** Thank you very much to all.
- Moderator:** Thank you. On behalf of Monarch Network Capital that concludes this conference. Thank you for joining us and you may now disconnect your line.