



“KEI Industries Limited
Q3 FY '23 Earnings Conference Call”

January 24, 2023



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

Moderator: Ladies and gentlemen, good day, and welcome to KEI Industries Limited Q3 FY '23 Earnings Conference Call hosted by Monarch Network Capital Limited. As a reminder, all participant line 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 star then zero, 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 Limited. Thank you, and over to you, sir.

Rahul Dani: Thank you, Faizan. Good afternoon, everyone. We are pleased to host the senior management of KEI Industries today. And 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 the call with the opening remarks from the management, and then we'll move to Q&A. Thank you, and over to you, sir.

Anil Gupta: Good morning. Good morning to everybody. I'm Anil Gupta, CMD, KEI Industries Limited. Welcome to this conference call for the quarter 3 earnings. I'll give a brief about the -- although you have all the data with you now. I will give a small brief about the performance, we achieved in the three months and the nine months of this financial year.

Net sales in Q3 of FY '23 achieved is INR 1,784 crores against same quarter in the previous year, INR 1,563.85 crores. So the growth in net sales is 14.1%. EBITDA this quarter is INR 195.95 crores against INR 158.54 crores. Growth is 23.6%. EBITDA/net sales margin is 10.98% against 10.14% in the same period previous year.

Profit after tax this quarter is INR 128.61 crores against INR 101.25 crores, in the same quarter in the previous year. Growth in the profit after tax is 27.03%. And profit after tax/net sales margin is 7.21% versus 6.47% last year same period. The total cable institutional sale contribution is 48% as against 51% in the last year's same quarter.

Sales through dealer network achieved is INR 796 crores against INR 634 crores last year. So the growth is 26%. So the contribution of sales from the distribution network is 45% in the third quarter against 41% in the same period last year. The EPC field other than cable is INR 95 crores, which is almost at par with the previous year, same period of INR 93 crores.

Out of the total sales of EPC-EHV, EPC sale is INR 25 crores as against INR 38 crores in the same quarter last year. The sales of stainless steel wire in Q3 is INR 54 crores against INR 65 crores in the last quarter. The volume increase in the cable division on the basis of production and metal consumed in Q3 of FY '23 is approximately 20% compared to last year.

Now I'll give a brief about the nine months achievement the -- from April to December. Net sales of nine months of FY '22-'23 is INR 4,957.8 crores against INR 3,934.8 crores last year. Growth in the net sales is 26% in over nine months period. EBITDA in nine months is INR 524.96 crores against INR 423.87 crores. Growth in EBITDA is 23.85%. EBITDA/net sales margin in nine months is 10.59% against 10.77% in the same period, the previous year.

Profit after tax in nine months of FY '23 is INR 339.27 crores against INR 260.34 crores, in the previous year. Growth in the PAT is 30.31%. Profit after tax/net sales margin is 6.84% versus 6.6% achieved. The domestic institutional cable sales for wires and cable achieved in nine months is INR 1,678 crores, against INR 1,292 crores. Growth is approximately 30%.

Domestic institutional cable sale of extra high-voltage cable is INR 246 crores in nine months against INR 366 crores in the previous year, same period. Export sale in nine months of FY '23 is INR 530 crores against INR 408 crores achieved in the last year. Growth is approximately 30%. Total cable institutional sales contribution in nine months is 46% as against 49% achieved last year, in the same period.

Sales through dealer network, dealer/distribution networks achieved in nine months is INR 2,208 crores, against INR 1,601 crores, in the same period, last year. Growth is approximately 38%. We are in the process of strengthening our distribution network by replacing existing weak dealers, with new stronger dealers and distribution, while also strengthening the existing dealers by helping them in sales and financially. The total active working dealer of the company as on 31st December was approximately 1,900. Sales through dealer/distribution network contributed approximately 45% in nine months against last year's same period, 41%.

The EPC sales other than cable is INR 270 crores, almost flat as against previous year, same period INR 271 crores. The sales of stainless steel wire in nine months of FY '22, '23 is INR 185 crores against INR 165 crores achieved last year. Growth is approximately 12%. The volumes increased in the cable division on the basis of production and consumption of matter in nine months is approximately -- in FY '23 is approximately 23%.

The pending orders as on 20 January '23 is approximately INR 3,443 crores, which includes INR 1,051 crores of EPC orders. This includes ADB funded project in Nepal, which we are executing approximately INR 130 crores and Gambia, a World Bank funded project, INR 380 crores. The extra high-voltage cable and EPC projects, INR 429 crores, Cable domestic INR 1,679 crores and export orders of cable INR 284 crores.

External ratings in India ratings and research, ICRA and CARE has upgraded rating -- upgraded the company's rating to AA from AA- for long-term bank facilities and a firm A1+ rating for short-term bank facilities. The book value per equity share of the company is INR 274.46 crores as on December 31, 2022, as against INR 236.98 as on March 31st, 2022.

Total borrowings, including channel finance, of INR 126 crores is INR 163 crores. Total borrowings is INR 163 crores, which includes channel financing of INR 126 crores. Acceptance creditors, as on 31st December is INR 128 crores as against INR 299 crores on 31st March 2022.

So the net cash is INR 85 crores as on 31st December '22 against net debt, including acceptances of INR 270 crores as on 31st March 2022. The finance cost in nine months has decreased to INR 24.62 crores, which is percentage of financial charges on net sales has decreased in this period to 0.5% from 0.77% last year.

Future outlook, as communicated earlier, working capital of approximately INR 100 crores is expected to be released during FY '23 from EPC data retention payments, which will be used for increased sales of cables to institutional and distribution and capex requirement of in current financial year, so the company will be having sufficient cash flow to meet its working capital and growth requirements for future. Capacity utilized during nine months of FY '23, 87% in cable division, 78% in house wire division and 88% in stainless steel wire division.

Company is doing brownfield capex of INR 40 crores to INR 45 crores in Silvassa plant, which will generate an additional top line revenue of LT power cables of INR 500 crores in the next financial year. This will enable us to grow by approximately 15%, in the next financial year. Overall, the company is targeting a growth of 18% to 19%, in current year and will do capex of approximately INR 100 crores from internal accruals, in the current financial year. And further, we will be spending a capital expenditure per year, approximately INR 200 crores to INR 250 crores for the next three years to maintain a CAGR of 17% to 18% per annum as against achieved CAGR of 15% during last 15 years.

Industry outlook. There's a substantial pipeline, in the increasing private and government investments and energy intensive industries, such as iron steel, aluminium, cement, fertilizers and refineries. And the government emphasis on the infrastructure development projects, which includes highways, energy, railways and metro constructions, roads, ports and airports and apart from Greenfield, the modernization of the existing infrastructure projects.

Increasing government attention and funding support for rural and railway electrification projects. Structural demand for higher and more efficient, T&D infrastructure, to improve our cost distribution capabilities of the power distribution company. A good demand from real estate sector in housing construction and other construction projects.

Increased renewable energy focus especially in the solar, with a substantial investment in the solar projects. In addition, government initiatives on multiple fronts, including energy, housing, infrastructure will generate a substantial amount of businesses for the industry in addition to oil and gas, railways, metros and other specialized areas.

The sector now anticipates the supply of cables for solar and wind power applications, given the government's emphasis on promoting renewable energy. So thank you very much. This is from management side. You are now requested to raise any queries. We will be very happy to answer this. Thank you.

Moderator:

First question is from the line of Rahul Agarwal from Incred Capital.

Rahul Agarwal:

Sir, four quick questions. Firstly, if you could help me with peak revenue capacity right now? And if you could give it, combined for LT-HT, housing wire, EHV and stainless steel, just need to understand the quarterly volatility. So maybe a full year capacity number will really help value-wise? That's the first question, sir.

Rajeev Gupta: You see the full year number will be close to INR 8,000 crores numbers, wherein we can -- we are utilizing the full capacity. So as Anil ji had just spoke about, at present, 87%, we have utilized in our LT-HT and extra high-voltage combined together, but if we talk and houseware division is 78% and stainless steel wire division is 88%.

So as we are increasing the capacity in our Silvassa plant, by investing another INR 40 crores, INR 45 crores, which will enable us another INR 500 crores, plus the houseware capacity is available and balance it close to 13%, 14% capacity available for LT-HT. So put together all, we can go next financial year, we will be available capacity up to INR 8,000 crores.

Rahul Agarwal So the capacity utilization number you have given is value capacity, right?

Rajeev Gupta: Yes, value capacity.

Rahul Agarwal: Sir, second question on EHV. Largely, I thought we will be doing INR 500 crores to INR 550 crores this year. Just in terms of your understanding, how should we look at this year and next year in terms of EHV capacity?

Rajeev Gupta: This year, this number will be close to INR 400 crores. But now the order book is strong. And so the next financial year, we will be doing close to INR 550 crores again. Because sometimes the projects get delayed in extra high voltage because these are the underground cabling subjects.

Anil Gupta: Some projects are delayed because of the ROW issues. So they could not be executed.

Rahul Agarwal: These are India or export orders?

Anil Gupta No, Indian orders.

Rahul Agarwal: Indian orders, okay. And sir, lastly, on capex, you mentioned grew about INR 100 crores this year. If you could provide some update on what is happening with Baroda plant and fiscal '24 capex, please? I understand you will do INR 250 crores on an average. But will there be a catch-up from this year because this year capex is low, right?

Rajeev Gupta: Yes. This year, we are catching up now because now, the landfilling has already started over there. So now from April onwards, the construction will be infusing. And this year, we are just adding the capex and adding the land of the Baroda. So this is the investment for INR 100 crores, just on India highlighted.

Rahul Agarwal: So next year, it should be like INR 300 crores to catch up for this year?

Rajeev Gupta: Next year, It will be close to INR 250 crores investment, in the same plant. It may be more also, but it will depend on the delivery, of the machines and the construction going on.

Rahul Agarwal: There is one small question, sir. Other income is INR 14 crores for the quarter. Any reason why this be high?

Rajeev Gupta: No, this is mainly -- one is the -- INR 6 crores is the exchange fluctuation income. And INR 6 crores is the interest on fixed deposit, whatever cash approval we have generated. So we have the cash balances of INR 376 crores approximately, right now. So this is INR 6 crores in the interest on fixed deposits, which is showing in the other income.

Moderator: The next question is from the line of Sujit Jain from ASK Group.

Sujit Jain: Sir, just one question in this volatile environment of raw material prices of copper, etcetera. You've been able to maintain margin in a narrow band, whereas some other listed players, their margins are fluctuated wildly. How has this been achieved by the company? And is it safe to assume that irrespective of the environment, your margins will be in a band going forward?

Anil Gupta: I think we have been maintaining for quite long that we are really balancing our raw materials versus the orders booked and meticulously matching the raw materials in the factory and in pipeline and the orders. So that is how we have been able to maintain margins in a very-very narrow band. So -- and I think that's the same policy is being followed continuously, and we will be able to maintain our margins irrespective of the environment.

Sujit Jain: Do you book your RM back-to-back when you book an order?

Rajeev Gupta: No, it's basically, as we have earlier communicated, we are working under the natural hedge because we are having three to four months pending order position and we are having 2.5 to three months inventory, in our shop floors. So in that way, it is under natural hedge. Just little bit 15, 20 days order book is open. So that is 0.5% to 1% fluctuation in our EBITDA margin is also there. So that will remain there, but not the volatility behind 1%.

Sujit Jain: Another question is on the receivable days, there's a substantial improvement. In this quarter, your EHV revenues have come off, export revenues are down. Is it a function of the mix that the receivables days that come off? And what would be the normalized receivable days in the business?

Rajeev Gupta: See the normalized business mix is basically we do LT-HT domestic institution. We do LT-HT export, we do extra high-voltage. We do EPC business and we are having some stainless steel wire division also. And we do the retail dealer distributor. So sometimes, the retail is giving the post sometime. CHP sometimes exports. So it is basically a combination of all the products. It is not the case in each and every quarter, we will grow in a same way in each and every project. So it's a basically a basket. So that's how we are growing.

With regards to the receivable, you see in 2021, our receivable was 3.87 months, which went down last year in financial year '21, '22 to 2.92 months. And by end of this year, this receivable will be close to 2.4 months in this financial. As of December, this receivable has come down to 2.37 months.

Because the fourth quarter sale is always higher. So the receivables will be close to 2.4 to 2.5 months level. So practically half month receivable has already gone down because of the EPC

sale has gone down and the collection of retention money and the retail sale has gone up substantially. These are the combinations.

- Sujit Jain:** So this is likely to continue?
- Rajeev Gupta:** Yes, Next year, again, the data level will come down further from 0.2 months at least. So next year, our prediction for receivable will be 2.2 months.
- Sujit Jain:** And one last question on exports. Is the business completely order driven? Or is it also through distribution? And if not through distribution, will it be volatile and episodic?
- Anil Gupta:** No, these -- our business in export is completely order-driven. We are not doing any distribution, at the moment. But definite -- but I don't think that there will be any worry what volatility in that because we are growing our export markets product-wise and geographically also. And I think our export and exports will be grow better every year. I think we gave a projection of around INR 700 crores of exports in this financial year, and we will definitely surpass it.
- Moderator:** The next question is from the line of Harsh Shah from Jefferies.
- Harsh Shah:** Sir, just one thing, can you please provide the interest cost breakup for the quarter?
- Rajeev Gupta:** In this quarter, the term loan interest is INR 0.08 crores and working capital interest is close to INR 3.5 crores. And the bank charges is on LC and BG is close to INR 1.23 crores. And the other bank charges is INR 2.85 crores. That is the processing fee, etcetera. So put together all INR 7.7 crores.
- Moderator:** The next question is from the line of Praveen Sahay from Prabhudas Lilladher.
- Praveen Sahay:** First is related to the wire and winding wires. Where we have seen sequentially, there is a de-growth. And if I look at the peers, they had done a little better in that segment. So can you give some highlights of what happening there?
- Rajeev Gupta:** In our dealer distributor business, it is basically growing. And if you talk of the nine-month sale of our buyer, we have grown by 32%.
- Praveen Sahay:** So for this quarter, basically, so just comparing to the peers, it looks like some lower side?
- Rajeev Gupta:** No, I don't know because we can compare only from the other sales. So our sale in this quarter has also as compared to the previous year same quarter by 17%. Like last year same quarter, we did around INR 356 crores sales in this quarter for the wires. So previous quarter, we did around INR 406 crores sales. And in this quarter, we did around INR 418 crores sale for the batch.
- Praveen Sahay:** Yes, So next question, sir, is on volume. Can you able to give the volume numbers for cable and wire, how much is the volume growth for the quarter?

- Rajeev Gupta:** And the overall, the 20% was the growth. But if you talk of the buyer, the volume growth in this quarter for us, was close to 29%. And in nine months time, the volume growth was 40%, of the wires.
- Praveen Sahay:** And next is related to the--you had given the cable domestic order book, how much is that just can you give again?
- Rajeev Gupta:** Domestic order book is also very strong. We have the INR 1,679 crores order book from the domestic low tension and high tension power cable business. And extra high voltage also, we are having order book position of INR 429 crores. And the cable export order, which was lower in the last quarter, now it has also improved to INR 284 crores because in the last year, because of the COVID, we were not able to acquire the new customer. So now this process is complete, and now we are having a good order book position, in the export also, close to INR 84 crores.
- Praveen Sahay:** And in the EHV segment, last quarter, you had given a commentary like 18% down. So that is because of some non-clearance on the certain orders, from the utility. This quarter also, we had seen on the lower side. So -- and definitely at this time, sir, has given there is a reason for that, that's ROW issue. So, do we have any target for a year for this EHV?
- Rajeev Gupta:** See, EHV, for this year, it may go to INR 350 crores to INR 400 crores, as compared to last year INR 500 crores -- INR 515 crores sales. Because it always will be happening. Sometimes EHE will be higher, sometimes export will hire, sometimes dealer distributor high. Ultimately, we have to grow in volumes. So like Anil ji has said that in the metal case, we have consumed in a nine-month basis, 23% higher as compared to last year. So the volume growth almost -- you see that 20% to 23% in this environment is a good growth.
- Praveen Sahay:** Yes, So there is no competition or peer pressure on that in the EHV?
- Rajeev Gupta:** No, In EHV, the only competitor is universal cable in India or the other companies, from the import side. Actually, we are not dependent on any one product because that is our-- duty of the sales. We are into the different-different segments, with complete basket. So any one product, which not impact, on our sales.
- Moderator:** The next question is from the line of Bobby Jay from Falcon Investments.
- Bobby Jay:** Regarding the EHV cables, are they all EPC?
- Rajeev Gupta:** Please repeat your question?
- Anil Gupta:** Yes. I think around 80% is -- we do it on a turnkey basis and 20% is the sales of extra high-voltage cables to contracting companies.
- Bobby Jay:** So when you say that you want to get the EPC volumes down, that indirectly means your EHV volumes would come down too, right?
- Anil Gupta:** No.

- Rajeev Gupta:** No, they...
- Anil Gupta:** They are not -- our target is not to reduce the extra high-voltage cables turnkey projects. We are bringing down the EPC projects on the distribution side, not on the extra voltage cable, which is predominantly 80% of the value in the EHV cable project is cables only, which is our own product.
- Bobby Jay:** So you don't face payment issues with EHV, EPC projects?
- Anil Gupta:** We do face cash flow issues. But this is a very small portion of our business, and we are able to maintain the profitability in spite of the delayed cash flows. The nature of the turnkey projects, especially with the utilities, this remains the same.
- Bobby Jay:** And regarding the competitive scenario there, you mentioned that is universal cables, right? a major player here. And you also have the foreign cable companies like LS cables competing on a tender basis?
- Anil Gupta:** Yes, LS Cable is a foreign company, and they have set up a manufacturing plant in India. So they are also there, in this segment. And to a very small extent, KEC also competes in some areas.
- Bobby Jay:** And we just heard this result season that Polycab is also setting up EHV plant?
- Anil Gupta:** Yes. But they will take four, five years to really come up with the -- after they start meeting the up prequalification requirements. It's a journey.
- Bobby Jay:** And they're also doing it with your joint venture partner, Brugg, right? It's the same one that you're doing it here?
- Anil Gupta:** Yes. Because our -- now our cooperation with Brugg Kabel remains in 400 kV segment. In the rest of the segment, we have already completed 12 years with them. So we -- so there was no logic of continuing that, paying continuous fees to them for beyond 12 years, when we ourselves qualify everywhere, and we are technically, absolutely strong in that direct, in that same segment.
- Bobby Jay:** I see. So you don't say -- you're not a joint venture partner currently with them. You're doing it alone?
- Anil Gupta:** No, we are a joint venture partner with them for 400 kV voltage segment. But up to 220 kV, we -- that we have discontinued very recently.
- Bobby Jay:** And also regarding your dealer count, it hasn't changed from last quarter. So was that intentional?

- Anil Gupta:** We are -- dealer counts -- our sales have grown substantially. So we are strengthening the existing dealers. It is not necessarily that we keep on increasing the accounts of the dealer. It is important to increase each dealer performance wise. Their sales has to grow.
- Bobby Jay** Yes, that makes perfect sense. I was asking because you had a target of doubling your dealer count over three years, right? You have mentioned that before.
- Anil Gupta:** That cannot happen in a year. We are gradually increasing our dealers by around 20% every year. So that is our goals.
- Bobby Jay:** And in terms of the infrastructure cycle that the country is going through, where do you think we are in this stage because this has been going on for -- since 2014 almost, right? the railways, the bridges, the road projects and all that. So where do you think at what stage of the cycle are we in that?
- Anil Gupta:** I think we are still in the early stages only. This infrastructure pipeline will continue. India is a large country, and our infrastructure, has always been weak. So it will continue for decades now. This is our perception. And also, after some time, the need comes for revamping the old infrastructure.
- Bobby Jay** Obviously, it will go on for decades, but there are very -- there are times when it really accelerates. And then it slows down a bit. So...
- Anil Gupta** In the foreseeable future, we don't see -- foresee that. But what happens after five years, I don't know.
- Bobby Jay:** And when you talk about exports, what is the advantage that you and Indian companies really have because you import copper, you import aluminium, import PVC mostly? So what is the cost advantage really for competitors like you, when exporter are vanished?
- Anil Gupta:** We are importing very less copper now because the copper is refined in India. So -- and so the copper is available domestically. Although these companies are pricing the copper and aluminium at landed price of the imports. So that is only the pricing thing, which is being done. But typically, these materials are available, within the country. And we have a cost advantage in terms of manufacturing costs and lower overhead, as compared to Western countries. And also in many of the countries, now India is getting some preference and advantage compared, to China.
- Bobby Jay:** And the PVC, do you make that in-house?
- Anil Gupta:** Yes. PVC compounds, we make in-house. We purchase PVC resin from resin manufacturing companies and the other chemicals and -- but compounding, we do ourselves.
- Moderator:** The next question is from the line of Smitesh Sheth from Raedan Securities.

- Smitesh Sheth:** So with continuing with regard to the previous participants, which are the dominant region, which we cater in export?
- Anil Gupta:** Our -- the maximum exports at the moment are going to Australia, Middle East, some of the African countries, there are a few. And also, it is very -- until a year back, we had been exporting a lot to Sri Lanka, but that is not happening now for last a years. We have exported substantially to Nepal, as well as, Bangladesh also. And now we are targeting our exports towards US and there will be a good amount of exports envisaged, in this quarter to even United States.
- Smitesh Sheth:** And my next question is, could you please suggest how big is the unorganized market in India? So the difference between the unorganized market and the organized market?
- Anil Gupta:** Sir, I don't think that unorganized market is very big now at the moment. It may be maximum, in my opinion, 15% to 20% of the total industry size. So -- and it is shrinking year-after-year because of after implementation of GST and also because of the working capital stress, these unorganized sector has.
- Moderator:** The next question is from the line of Shubham Aggarwal from Axis Capital.
- Shubham Aggarwal:** Just one question on the trade channel inventory. Could you give us some colors on the inventory, as of December end? And how does it look right now in January end?
- Rajeev Gupta:** You see in the trade, it's average inventory is 15 to 20 days. Every distributor dealer is keeping with themselves. Sometimes it may go to further 10 days, sometimes it may go to 25 days. But on an average, it is a 15 to 20 days inventory.
- Shubham Aggarwal:** As on December, did you see any uptick, I mean, any up-stocking because the copper prices are going up. I mean that's what I was trying to understand?
- Rajeev Gupta:** That is a normal tendency. So -- but if you go for averaging, it does not impact whether copper goes up or copper goes down. Because in a three-month cycle for a quarter, it does not impact.
- Moderator:** The next question is from the line of Akshay Kothari from Envision Capital. The audio is unclear from the line. We'll move on to the next question. Mr. Kothari, please re-join the conference call. The next question is from the line of Abhishek Agarwal from Naredi Investments.
- Abhishek Agarwal:** As we compare with one of our competitor, your EBITDA margin is not increased accordingly. So do you want to say something?
- Rajeev Gupta:** So our EBITDA margin is close to 10.5% to 11%, as we have earlier communicated because of the first half, the EBITDA margin because of the volatility of raw materials, there was less. But now in the nine-month average, we have close to 10.59%. And on a year-on-year average also, we will be moving from 10.5% to 11% range.
- Abhishek Agarwal:** And then what is guidance for EBITDA margin for next two years?

- Rajeev Gupta:** Pardon?
- Abhishek Agarwal:** Sir, what is EBITDA margin in next year? What kind of margin...
- Rajeev Gupta:** Next year will be close to 11%. 11% EBITDA margin will be there.
- Moderator:** The next question is from the line of Rahul Agarwal from InCred Capital.
- Rahul Agarwal:** Sir, first question I had was on the gross margin. The way I'm calculating, it is basically sales minus material cost. Pre-COVID, the company used to average about 30%. Obviously, last two years, that number has come down because of a raw material volatility? Do we...
- Rajeev Gupta:** Rahul ji, gross margin, you could not calculate directly on the results because these are the combination of the various product mix, like EPC. So, in EPC, there is a very less raw material. So that is not the way. So that's why we are always talking about the EBITDA margin. And my request to follow the EBITDA margin or operating profit.
- Rahul Agarwal:** So basically, given the nine-month performance, we should assume, the material margin you'll be report or that should continue similar fashion. Is that correct?
- Rajeev Gupta:** Yes, little bit improvement will be there as it was down by 0.5% because of the volatility of raw materials. So now it is again improving. Little bit, it has improved in this quarter, third quarter and balance it will be improved in the fourth quarter also. So that we can reach to the 11% EBIT margin.
- Rahul Agarwal:** Sir, where I was coming from was improving revenue share for housing wire? Does that change that number or no?
- Rajeev Gupta:** A little bit it is changing because the EBITDA margin is higher there because it is there is 11%. And in the normal domestic institution, it is close to 10.5%. So while it is improving, the dealer distributor sales, EBITDA margin is also improving.
- Rahul Agarwal:** And one question was essentially on the earlier participant. I think he was trying to ask, that the housing wire sale, which was INR 466 crores this quarter has grown about 13% Y-o-Y. The same quarter last year it was 412. Any specific reason for this growth rate to be down to 13%? Or is this a one-off and it will catch up? I understand nine months to 32% weren't amazing. But you know...
- Rajeev Gupta:** As we earlier also communicated, quarter-to-quarter is not important, the year to number -- year to number is more important. So for whole year, we have given a target of 30% to 35% growth. And already in nine months numbers, we have grown by 32%. Our overall target to grow by 35% through our dealer distributor business of the buyers. So we are on our target. .
- Moderator:** The next question is from the line of Akshay Kothari from Envision Capital.

- Akshay Kothari:** Sir, I just wanted to know what was the fees which we used to pay to Brugg Kabel AG in up to 220 kV?
- Anil Gupta:** This is a commercial information. I mean, at the moment, we don't have that data. But I don't think that this kind of information should be given.
- Akshay Kothari:** And there was no royalty arrangement, right, on this?
- Anil Gupta:** There were. And so the royalty was very, very low.
- Akshay Kothari:** 440 kV, do we have an exclusive tie-up with Brugg Kabel? Or is it -- it's not exclusive?
- Anil Gupta:** No, It is completely exclusive.
- Moderator:** The next question is from the line of Manoj Gori from Equirus Securities.
- Manoj Gori:** Sir, just one question. So if you look at housing wires, we have been doing very well over last few years, in fact, many years now. When do we expect the base to normalize? Because when we talk about 17%, 18% growth, so roughly when we do some of the -- like as per maths, so probably for cables, you are expecting roughly around 14%, 15% growth.
- EPC should be flattish and then housing wire business should be the key driver for that incremental 2%, 3%, at the company level. When do you expect like the low base should normalize probably FY '24 or '25. And then we expect roughly around 14% to 15% kind of volume growth?
- Rajeev Gupta:** By '26, '27. At least for next five years, our focus will be there. Because -- market share, we are having at present only close to 5%. So our target to reach by 9% to 10% market share of house wire overall.
- Manoj Gori:** So in that case, if you look at probably the 30%, 35% growth should continue during FY '24 to '26 period as well and probably from '27, it might normalize?
- Anil Gupta:** We can't say exactly 30%, 35%, but definitely, it will be higher compared to the normal growth of the company.
- Manoj Gori:** Right.
- Anil Gupta:** It is really very difficult to predict every number.
- Manoj Gori:** And sir, with regards to cable in the domestic business, how do you see the overall environment? Probably if you look at cables for us during the quarter has grown faster -- so what's actually driving the growth, whether it's maintenance led capex that the industries are doing its new capex or government spending has increased. Can you throw some color over there?

- Anil Gupta:** It is basically brownfield extension, by the companies than some new projects and a lot in the infrastructure pipeline spending by the government.
- Manoj Gori:** So probably even for the next couple of years, we can expect the similar momentum from the government side?
- Anil Gupta:** Yes.
- Manoj Gori:** Right, Sir, one thing. So we had obviously delayed our plans to enter into new categories. Any update over there, probably in FY '25, probably still we are not sure?
- Anil Gupta:** We are still not sure because we have not made up any plans in that direction.
- Moderator:** The next question is from the line of Mahek Talati from Yellow Jersey Investment Advisors.
- Mahek Talati:** My question was what is the peak revenue which we can achieve from the EHV capacity?
- Rajeev Gupta:** Close to INR 550 crores to INR 600 crores.
- Mahek Talati:** INR 550 crores to INR 600 crores. So at present, we are having a INR 400 crores -- we achieved around INR 520 crores of revenue in FY '22. And due to delay in some orders -- what to say, we have -- we will be reaching around INR 400 crores. Are we planning any capex expansion in this stability expansion going forward?
- Rajeev Gupta:** In the Greenfield capex, we are planning.
- Anil Gupta:** See, I will explain you. The capacity, what we have created for extra high-voltage cable, the same plant and equipment are also used for manufacturing medium voltage cables of 33 kV and 11 kV. So at no point of time, these capacities remains idle, even if there is a lower production of extra high voltage cable. Because the facilities can be tweaked.
- Moderator:** We'll take the next question from the line of Saket Kapoor from Kapoor & Co.
- Saket Kapoor:** Sir, firstly, if you could give some more color on the EHV segment in terms of our order booking and our market share? And how is the order pipeline currently shaping for the EHV segment?
- Anil Gupta:** See, this extra high-voltage cable are normally procured by transmission utilities. And now a lot of industries, large industries, which are coming up, they are drawing their own lines to draw large power for their plants, including some data centers. But they have to install these lines under supervision of the local transmission utility, of that state because they are all interlinked transmission infrastructure. So there will be a good pipeline of this projects. Quantification at the moment is not there, but we can definitely answer it separately to you. At the moment, I don't have that data.
- Saket Kapoor:** Sir, our market share in this segment?

- Anil Gupta:** Our market share in this segment is close to around 25%.
- Saket Kapoor:** And number of players, which are dominant players present in this segment?
- Anil Gupta:** The number of players at the moment are around, three are significant and players like KEI, Universal Cable and LS Cables, which is a Korean company and set up a plant around eight years back and eight or nine years back in the country and a little bit of KEI, KEC International and some sectors are also supplied by Sterlite Cable also.
- Moderator:** The next question is from the line of Hitanshu Bhatia an Individual Investor.
- Hitanshu Bhatia:** On the market share front, I just wanted to confirm I mean could you break up the market share with the leading players like what would be the share commanded by Universal Cable, if you were at 25%? And how -- what would be our strategy to take the market share from other players?
- Anil Gupta:** See the -- it is very easy to gain the market share by -- because in utility business, you have to be L1. So you reduce your price and gain market share. Our aim is to maximize the revenue based on the profitability.
- Hitanshu Bhatia:** So margin level would be that would be -- sorry, please go on.
- Anil Gupta:** We have a reasonable market share with good margins. So we don't want to go into unwanted competition.
- Rajeev Gupta:** So that is one thing we are having extra high-voltage power cable like you are asking the market share, how much sales we can improve. INR 100 crores to INR 150 crores on a turnover of INR 8,000 crores company in future, whether it is a matter of INR 100 crores to INR 200 crores sale, I think it is not better to us. Because we are driving from other business also. So this INR 100 crores-INR 200 crores sale, in a company, where the INR 8,000 crores company is like this. So it is not the matter for any one product.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Anil Gupta:** So thank you very -- Anil Gupta here. So thank you very much for joining this earning call. And I hope that we are able to answer most of your queries. If still something is left over, you can always reach out to us. And we assure you that companies are in very good prospects in terms of market products and our strategy and will continue to grow and take care of the investors very well. Thank you very much.
- Rajeev Gupta:** Thank you very much, everybody. And still you have any question, please let us know.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Monarch Network Capital Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.