



“KEI Industries Limited
Q4 FY '23 Earnings Conference Call”
May 03, 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 Q4 FY '23 Earnings Conference Call hosted by Monarch Network Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and zero on your touch tone 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, Zico. 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: Yes. So thank you very much. I am Anil Gupta. Welcome to this conference call of KEI Industries Limited investor conference call. I welcome all of my esteemed investors on this call. We'll brief you about the Q4 numbers and then the annual numbers of FY '23. In Q4 of FY '23, the net sales achieved is INR1,954 crores against same quarter in previous year INR1,792 crores. So growth in net sales is 9.06%. However, the volume growth in this quarter is around 13% because of the lower prices of metals during third quarter and having affected this quarter as well.

EBITDA in this quarter is INR208.88 crores against INR179 crores last year same quarter. The growth in EBITDA is 16.23%. So EBITDA/net sales margin is 10.69% against 10.03% in the same period previous year. Profit after tax is INR138.11 crores against INR115.88 crores last year. Growth in the profit after tax is 19.19%. So consequently, the profit after tax/net sales margin is 7.07% versus 6.47% achieved last year during the same period. Domestic institutional sale in this period is INR712 crores against INR660 crores last year, with a growth of 8%.

The sales of extra high-voltage cable is INR102 crores against INR146 crores same period last year. Export sale in this quarter is INR164 crores against INR177 crores in the same period last year. Total cable institutional sale contribution is 48% as against 52% in the last year's same quarter. Sales through distribution, dealer / distribution networks, that means B2C, was INR822 crores in the fourth quarter against INR717 crores. The growth is approximately 15%. So the B2C sale contributed approximately 42% in the fourth quarter against 40% in the last year. The sales of EPC division is INR135 crores against INR109 crores.

The growth is approximately 24%. Out of the total sales of EPC, the sales of extra high-voltage cable EPC turnkey execution is INR65 crores against INR37 crores in the same quarter last year. Sales of Stainless-Steel Wire is INR63 crores against INR61 crores in the same quarter last year. The volume increase in the Cable division on the basis of production and consumption of metals in Q4 of '22-'23 is approximately 13%. Similarly, in House Wires, the sales, in Q4 is INR478 crores against INR466 crores last year, a [inaudible 0:04:58] of 2.55%. However, the volume growth in the House Wire sales is 13%.

The value sales has come down because of the decrease in the copper prices by approximately and consequently, the selling prices by approximately 10% in this quarter. But, however, the full year increase in the sales of House Wire and Winding Wire is 23.21% over full year of '22-'23.

Now, I'll come to the full year of '22-'23. The net sales achieved in full financial year FY '23 is INR6,912 crores against INR5,727 crores in last year. The growth in net sales is 20.7%. EBITDA/net sales margin is 10.62% against 10.54% in the previous year. Profit after tax is INR477 crores against previous year INR376 crores. The growth in the PAT is 26.89%. The PAT/net sales margin is 6.91% versus 6.57%. The domestic institutional cable sales, wires and cables is INR2,390 crores in FY '23, achieving a growth of 22%.

Sales through dealer network is INR3,030 crores against INR2,319 crores last year. The growth is around 31%. The export sales in FY '22-'23 is INR693 crores against INR585 crores last year. The growth in the export sales is 18%. The active working dealers of the company as on 31 March '23 was approximately 1,910. The B2C sales through dealer network contributed approximately 44% in FY '22-'23 against previous year 40%. The total EPC sales other than cable is INR405 crores against INR380 crores achieved last year.

The growth is around 6%. The growth in the sales is mainly due to the EHV-EPC sale. The extra high-voltage cables turnkey sale. The total sales of EPC and EHV-EPC is INR147 crores against INR128 crores in last year. The sales of Stainless-Steel Wire division is INR248 crores in the full year against INR226 crores last year. The growth is approximately 10%. Overall, volume increase in the Cable division on the basis of production and consumption of metal is approximately 20%. Pending orders as on 28 April '23 is approximately INR3,568 crores. Out of which EPC INR945 crores, extra high-voltage cable, and EPC INR850 crores, cable domestic INR1,440 crores and export order of cables are INR332 crores.

Total borrowings as on 31 March is INR135 crores only for channel finance. Otherwise, the credit limit utilization is nil and cash and bank balances of INR537 crores as on 31 March '23 as against total borrowing of INR331 crores and cash and bank balances of INR350 crores as on 31 March '22. The acceptances, that is creditors against LC as on 31 March '23 is INR219 crores against INR299 crores in FY '22. So the net cash on the books is INR183 crores against net debt, including acceptances of INR270 crores as on 31 March '22.

During '22-'23 financial year, the finance cost has decreased to INR34.71 crores as against INR40.39 crores in the last year. The percentage of financial charges of net sales has decreased this period to 0.5% from 0.71%. Interest income earned on fixed deposits is INR16.49 crores against INR1.87 crores earned in financial year '21-'22, which is included in the other income. Now, I will come to our future outlook of the company, whether the company has repaid all its debt, including term loans and it is a debt-free company.

And whatever cash accruals will be there, it will be used for capex for future growth and additional working capital. Capacity utilized during FY '22-'23 is 91% in Cable division, 79% in House Wire division and 87% in Stainless Steel Wire division. During financial year '22-'23, company has spent INR98 crores on capital expenditure. And during the current financial year,

company is doing a brownfield capex of around INR45 crores in our Silvassa plant, which will generate an additional top line revenue of LT power cables of approximately INR500 crores.

This will enable us to grow by approximately 16% to 17% in current financial year. Apart from this brownfield capex, in FY '23-'24, we have planned INR250 crores to INR300 crores capex on greenfield expansion for cable and wire in Gujarat. The construction of building commences somewhere in June, and production of which will commence within 18 months of the commencement of construction. That is by end of September to December '24. We'll be spending every year around INR250 crores to INR300 crores every year in next 3 years to maintain a CAGR growth of 17% to 18% per annum, as against achieved CAGR of around 15% during the last 15 years.

The industry outlooks. India is emerging as the fastest-growing major economy in the world. And due to its very strong infrastructure pipeline and focus by central government and state governments on infrastructure, especially railways, metro railways, urban railway systems, highways and the large buildings on hospitals and other infrastructure, we expect a very strong momentum in the cable demand in the coming financial years. And apart from that, we hope that even real estate should be doing well.

There is a very strong growth seen in solar energy projects. So we are seeing a good traction in the solar -- the demand from solar developers. And then the present renewed distribution strengthening scheme by various distribution companies in India, which is funded by PFC and REC, good demand from power distribution companies are there for RDSS projects. We are also seeing demand growing up from the manufacturing sector. And we expect that manufacturing sector, and the private capex will also show a very strong demand, especially from the steel, oil and gas, petrochemicals, cement, and miscellaneous industries. The government emphasis on PLI schemes will definitely boost the investments in the manufacturing sectors. So with this, I conclude my brief. Now, I'm available for any possible questions. Thank you very much.

Moderator: Thank you. We will now begin the question-and-answer session. Our first question is from the line of Rahul Agarwal from InCred Capital.

Rahul Agarwal: Hi Good afternoon. Thanks for the opportunity. Congratulations for achieving the guidance for the year. Sir, just 2 questions to start with. Firstly, for the next -- current fiscal '24, what are the 3, 4 things you are working on to achieve your top line target? As you're saying, obviously, capex is a much more focused area. Could you highlight another 3, 4 things you are working on to achieve your 16%, 17% growth on top line and 11% margins that you've guided earlier for fiscal '24? That's the first question.

Rajeev Gupta: Yes. As you see, we are already focusing on increasing our sales to the retail dealer distributor network, which has already contributed around 44%, which we have guided last year to reach out to 44% to 45%, so almost we have reached to 44%. Again, for the next financial year, we are targeting for 48% to 50%, reaching through the dealer distributor sales out of the total sales. So, again, we are focusing on that.

And then second part, we are more focusing on the export. So earlier, we were not available in the U.S. exports and now a few of the product got approval from the U.S. market. So now in this financial year, even the last quarter of the last financial also, we started exporting to the U.S. market. So this year, our exports will also increase. So at present, last year, our export contribution is close to 10%. So now we are targeting this contribution from 10% to 12% of the total sales and then we are also focusing to -- the brownfield capex in our Silvassa plant, so that the capacity will be available for the second half of the current financial year, which will enable us to again grow by 16% to 17%.

Rahul Agarwal: Got it, sir. Sir, one second question was for Anil ji. Sir, there has been -- starting June '21, almost 3 million shares have been sold reported on the stock exchange, about INR270 crores is 3% of equity. There have been some concerns when we interact with your shareholders and other investors regarding this. Whatever clarity, if you could help us to understand and if you don't mind sharing the purpose for this? And is this now done with? Or should we expect something more?

Rajeev Gupta: No. I think it is done with; we have already clarified to our large shareholder also. And again, we are clarifying here also. So whatever he was intend to sell, he has completed his sale. So no future sales will be there.

Anil Gupta: And this was basically intended for buying a house property for personal use and which was long overdue. I still didn't have even a residential house in the city for which we have invested.

Rahul Agarwal: Got it, sir. I appreciate that reply. And lastly, on the Gujarat plant set-up saying the construction will pick up speed now, we should expect the first output from there sometime in September, December of next year, is that correct?

Anil Gupta: Yes.

Rahul Agarwal: Thank you so much, I'll come back in the queue.

Moderator: Thank you. Our next question is from the line of Alok Deshpande from Nuvama. Please go ahead.

Alok Deshpande: Good afternoon, everyone. Congratulations to the entire KEI team for the great performance. Sir, 2 questions from my side. One, if you could give us some sense on the volume growth for Q4 in cable and wires and also for the entire year? So that's my first question.

Rajeev Gupta: Sir, volume growth in the cable is close to 13% in Q4 and 20% for the full year.

Alok Deshpande: Okay. And this is only for cables or cables and wires? I mean, the House Wires...

Rajeev Gupta: Cables and wires. Yes. Wire and cable put together.

Alok Deshpande: So 13% for Q4 and 20% for the entire year, right?

Rajeev Gupta: Entire year, yes.

- Alok Deshpande:** Yes. And sir, my second question was, when we look at your raw material cost or your gross margin, sir, when we look at spot prices of, let's say, aluminium or copper, does this affect you with a lag in the sense that the prices which were there for Q3 of FY '23, would that would have had an impact on how your margins were in Q4? Or how should we -- or is it like an immediate basis?
- Rajeev Gupta:** Actually, it is basically a lag effect for 15 to 25 days because in the institutional sales, we are having inventory of 2.5 months, but we are having the pending order position for 3 to 4 months. Same case with retail, every 15 days, we are revising the prices. So there is a lag effect of 15 to 25 days.
- Alok Deshpande:** Okay. So on a blended basis, is it fair to assume 20, 25 days is the lag effect, right?
- Rajeev Gupta:** But on an average, when you average out for a year, it will not impact, actually.
- Alok Deshpande:** Okay. And sir, just -- if I may just ask this last one question. Now, Anil ji mentioned in the start that INR250 crores to INR300 crores annual capex for the next 2, 3 years. Given where the prices are currently, I'm sure compared to last year's prices, the prices currently would be lower given that aluminium and copper prices are now lower. On this additional capex for the next 2 or 3 years, what sort of asset turn can we expect in terms of revenue addition on the current base?
- Rajeev Gupta:** See, the asset turn in our industries in the initial year is 1:4, then it goes to 1:5. That is in the Cable section. But if it includes the wire, then it is 1:6.
- Alok Deshpande:** Okay. So 1:6 is at the highest potential you mean the highest utilization?
- Rajeev Gupta:** For the Cable division products, it's a fair reasonable assessment is 1:5.
- Alok Deshpande:** Sure, sir. Understood. I get back in queue and all the very best.
- Moderator:** Thank you. Our next question is from the line of Riya Mehta from Aequitas Investments. Please go ahead.
- Riya Mehta:** Hello sir, thank you sir for giving me the opportunity. My first question is in regards to the EHV cable. What kind of demand are we seeing in -- how is the export market for the same?
- Rajeev Gupta:** See, in the EHV cable last year because of the execution delays of sales was a little bit lower compared to the '21-'22. But as of now, we have the strong order book position of more than INR850 crores. So it is a very good position now, and the demand is also very good. So in this financial year, we will be doing close to INR550 crores to INR600 crores sale for that high-voltage power cable and all.
- Riya Mehta:** Okay. And where is the demand? So will it be domestic or international also for the same?
- Rajeev Gupta:** Domestic as well as international also.

- Riya Mehta:** Okay. And in terms of housing wire, what kind of inventory is there at the distributor levels? And how do we see the entire scenario?
- Rajeev Gupta:** At any given point of time, whenever we were discussing the inventory of the dealer distributors, they will not be having more than 15 to 25 days inventory.
- Riya Mehta:** Okay. And in terms of raw materials, so basically, what kind of decrease in costs have we seen on a Q-o-Q basis? And going forward, what would be your guidance?
- Rajeev Gupta:** No. Because we cannot guide for the raw material price for the future because that's the international LME rate. But if you compare for the Q4 of this current year versus last year Q4, so the copper has decreased by 10% at the LME rate.
- Riya Mehta:** Thank you that's it from my end.
- Moderator:** Thank you. Our next question is from the line of Mr. Pranav from ASK Investment Managers. Please go ahead.
- Pranav Gupta:** Thank you for the opportunity. Sir, just one question regarding the volume growth that you pointed out that 13%, considering the copper prices would have declined by, say, around 1%, 1.5% on a year-over-year basis. I just want to compare it..
- Anil Gupta:** Sir, you were talking of the volume, then we are talking only for the volume. We cannot correlate with the price because price is separate, and the volume is separate.
- Pranav Gupta:** So if you could just give a breakup of what the volume and price -- volume is at 13% and price, what kind of a decline you would have seen year-on-year?
- Anil Gupta:** The LME is a 10% price decline.
- Pranav Gupta:** For Q4 year-on-year basis?
- Anil Gupta:** For full year, the LME decreased by 12%. And the aluminium LME has also decreased by close to 9% for the full year basis. So basically, for a full year basis, the copper LME decreased by 12% and aluminium decreased by 9%.
- Moderator:** Thank you. We move to our next question. Our next question is from the line of Abhineet Anand from Emkay Global Financial Service.
- Abhineet Anand:** Thanks for the opportunity. Sir, I just want to understand, over the last 5, 6 years, we have had a very decent growth of anywhere between 15%, 18%. But on the margin side, it has ranged at 10.5%, plus/minus [10 to 25 bps] basis points. So when does the operating leverage actually kick in, I mean, to 11%, 11.5%? Can you guide on that?
- Rajeev Gupta:** See, in future when this greenfield capex will be done and the commercial production from there will be started. So our administrative overhead and the head office overhead will not increase to

that expenses and the marketing expenses also will not increase to that expenses. So that in next 5 years' time, by '26-'27, our EBITDA margin will improve at least by 1.5%.

Abhineet Anand: So currently, we are at 10.5%, you're saying that -- on an absolute basis, you're seeing this or for the current year?

Rajeev Gupta: Currently, we are having close to 10.5% to 11%. Actually, it depends on the volatility of the raw material prices. But otherwise, it is 11%, sometimes it is 10.75% like this.

Abhineet Anand: So, sir, just basically you're saying this 1.5% increase. So this is for the incremental supply you're saying from Gujarat or as whole you are saying?

Rajeev Gupta: As a whole, because company is same, legal entity is same.

Abhineet Anand: Okay. So in next 5 years, is it fair to assume this 10.5%, 11% can go to 12%, 12.5%?

Rajeev Gupta: Yes. But you see we are more focusing on the absolute number because we don't want that we should not increase in terms of the value and we increase the margin, but the absolute number will not be there. So we are focusing that we should grow at least 15 to 17 kind of percent range in terms of the value, even though we can increase a little bit in the EBITDA and the PAT because our interest cost is not increasing even though our sale is increasing. So ultimately, our PAT is increasing year-on-year basis. So ultimately the cash profit available to the company is more year-on-year basis.

Abhineet Anand: But is it fair to assume that with the new large plant coming up, and I assume, sir, told that around INR250 crores to INR300 crores for the next 3 years. So this is like INR800 crores to INR1,000 crores investment, right, over the next 3 years?

Rajeev Gupta: And all will be from internal accrual. Because right now, we are having close to INR400 crores to INR500 crores balance available with the company. And every year, we are accruing close to INR600 crores cash profit.

Abhineet Anand: Okay. And just on the current capacity wise, while you did mention in terms of the utilization cable is at 91%, Capex at Silvassa plant is INR45 crores, I suppose the benefits will probably come in H2 of this year, right, not in H1?

Rajeev Gupta: No. H1 also. Last year, we invested around INR98 crores. So close to INR45 crores we invested in Silvassa alone. So that capacity has already increased because of that -- yes, that has already come up. So from April onwards we are taking the sales from there. So we did actually 2 brownfield capex in Silvassa, one has completed, and one will complete in September.

Abhineet Anand: Okay. So the one that you have done was INR98 crores, the second will be of INR45 crores, fair to understand that?

Rajeev Gupta: That's how we are targeting the growth of 16%, 17% on the basis of the capacity available in the wire and the cable and the brownfield capex.

- Moderator:** Mr. Abhineet Anand, may we request you to join the question queue for follow-up questions as there are several participants waiting for their turn. Our next question is from the line of Srinidhi from HSBC.
- Srinidhi:** Hi. Thank you for the opportunity and congratulations on good set of numbers. Sir, just one clarification on capex. We're guiding for INR250 crores to INR300 crores this year. Does that include INR45 crores brownfield capex at Silvassa?
- Rajeev Gupta:** No, that is in addition to that.
- Srinidhi:** Okay. So probably then INR300 crores to INR350 crores FY '24 capex, right?
- Rajeev Gupta:** Yes.
- Srinidhi:** Okay. And second, I think we gave overall volume growth for the cable and wire business. Is it possible to break that into wires business? Like how much is it for housing wire for quarter and the full year?
- Rajeev Gupta:** Wire is 13%.
- Srinidhi:** That is for Q4, we said, right?
- Rajeev Gupta:** Q4.
- Srinidhi:** And for full year, sir?
- Rajeev Gupta:** And for full year the wire is 31%.
- Srinidhi:** 31%. Okay. And last, sir, we had a very good improvement in the working capital in last couple of years. Do you see there is scope to improve working capital intensity further on both inventory, as well as receivable days?
- Rajeev Gupta:** Inventory will remain the same level. But receivable days, which is right now is 2.4 months. So in the current financial year, it will reach to 2.2 months because our retail will increase.
- Srinidhi:** Right. Inventory, sir, particularly has come down a lot, wondering can these levels sustainable?
- Rajeev Gupta:** Yes, this level is sustainable.
- Srinidhi:** Okay. And last, sir, may I ask order backlog breakup? I couldn't note it down.
- Rajeev Gupta:** Order backlog is INR3,558 crores, out of which EPC is INR946 crores, extra high-voltage power cable, which includes the cable, as well as the EPC portion that is INR850 crores. And domestic cable institutional order book is INR1,440 crores, and export order for the cable is INR332 crores.
- Moderator:** Thank you. Our next question is from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead.

- Keyur:** Two questions. First is on the EHV cable. We have seen degrowth for FY '23. And now I think you are guiding for a much higher number for FY '24. So what transpired in FY '23? And why it will come back in '24? That is first question. And second question, when you talk about 16%, 17% overall revenue growth. What segments will grow above company average? And what will drive the overall revenue growth just a breakup of this?
- Rajeev Gupta:** See, in extra high-voltage cable, we had orders in FY '23, but a lot of large orders could not be executed because the clearances from the transmission utility and right of the way permissions were not there. So hence, it could not be converted into sales. Presently, the order book of extra high-voltage cable is INR850 crores. And even the new orders will be pouring in further. So we are absolutely confident that of achieving around INR600 crores sales in this financial year.
- And the second question was, 16%, 17% growth. It will be majorly coming from low tension cables and House Wire sections. And also, we have the capacities in HT and EHV also. So overall, we have projected a growth of around 16% to 17% in FY '24.
- Keyur:** Okay. Sir, just one follow-up on this. When you say 91% capacity utilization in cables overall. And while B2B segment is growing, but B2C real estate have seen some kind of slowdown and overall slowdown. Plus we have reached a certain scale. So in that context, how practical is it to grow the retail/wires -- House Wire segment above company level average?
- Anil Gupta:** You see, for company, whether we grow in extra high-voltage, we grow in export, we grow in low tension, high-voltage because as of now, it is only just a projection. But overall, in the past also, sometimes we have grown in exports. Sometimes we have more growth in the retail. Sometimes we have more grown in the institutional wire and cable. So these kinds of things will remain as it is. But we don't know which sector will grow more, which sector will not grow more.
- But overall, because you see as an institutional sale, in a year, we are serving more than 2,000 clients, institutional clients in a year. We are having more than 1,900 dealer distributors all across the country. We are having our sales and export market in more than 60 countries and the U.S. has been added in this. So that's very diversified customer base, which we are having. On that basis, in the last 15 years, also, we have grown by 14% to 15% CAGR. So now we are projecting a 16%, 17% growth, which we are already doing in the last so many years.
- Keyur:** Yes noted. Thanks a lot and all the best.
- Moderator:** Thank you. Our next question is from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.
- Praveen Sahay:** So my question is, how much of the revenue for a full year for EHV-EPC revenue?
- Rajeev Gupta:** Full year EHV-EPC revenue, please note down. INR147 crores as against INR128 crores last year, EHV-EPC

- Praveen Sahay:** Okay. And regarding clarification on the EHV order book, how much is that? That's INR350 crores or INR850 crores?
- Rajeev Gupta:** INR850 crores.
- Praveen Sahay:** Okay. And then lastly, sir, you had earlier guided for the housing wire growth of 17% to 18% for '24. So is it largely...?
- Rajeev Gupta:** No, no. 2024, we have guided to overall sale of 16%, 17%.
- Praveen Sahay:** Overall. So in the earlier call, actually, you had given some housing wire number for 17%, 18%. So you are revising to lower numbers that is largely on the volume side only you are guiding for or [inaudible 0:36:35]?
- Rajeev Gupta:** No. For the guidance -- we will be growing more than the average company sales. In the past also, we have grown more than in the House Wire segment. Like in the current year, we have grown 20%, but the House Wire sales grown by 23%. So in future also, that trend will remain same.
- Praveen Sahay:** Okay. And that is largely on volume growth?
- Anil Gupta:** At present, you were talking about of the value, so I am talking to you to the value.
- Moderator:** Thank you. Our next question is from the line of Devansh Nigotia from SIMPS. Please go ahead.
- Devansh Nigotia:** Yes. Can you elaborate a bit more on the export opportunity that you mentioned, especially we emphasized on U.S? And what are the sectors which are gaining significant traction in exports?
- Rajeev Gupta:** In export because we are dealing in so many countries, earlier we were not approved in the U.S. market. So now our few of the products with low tension power cable and the solar cable has been approved, and the HT cable also approved by the U.S. market. So we will be starting export into U.S. market.
- Anil Gupta:** Basically, we need to take certain approvals from the Underwriters Laboratories in U.S. To sell in U.S., you need UL approval for specified products, which we have obtained after a effort of around 2 years to become eligible to sell in the market. And hence, the distributors over there are approaching us now, and we have already commenced sales from January '23 onwards and continue.
- Devansh Nigotia:** Sir, the question was because a lot of export in cables have been significant traction in the last 3 to 6 months. So is it like -- for us, it is only the company on acceptances that we have received or overall for India, there has been some significant change in the preference towards the Indian supplier in exports of cable? Has anything of that played out? Any perspective if you can share over here?
- Anil Gupta:** Of course, I mean, a good acceptability of Indian products has come in the developed countries. And hence, we are having the opportunities for that.

- Devansh Nigotia:** And which sector are gaining traction in export cable? There is no significant sector?
- Anil Gupta:** Basically, power cable and solar cables.
- Devansh Nigotia:** Power and solar cable. Okay. And in case of EHV cable, we mentioned order backlog INR850 crores, but our execution was low. So can you elaborate a bit more on the demand environment here? This is mainly domestic demand? Or it also includes export?
- Anil Gupta:** See, at the moment, we are only talking of domestic demand.
- Moderator:** Thank you. Mr. Devansh, may we request you to join the queue as there are other participants waiting their turn. Our next question is from the line of Ravi Purohit from Securities Investment Management Private Limited. Please go ahead.
- Ravi Purohit:** Thanks for the opportunity and congratulations on good set of numbers. Sir, most of my questions have been answered. I just wanted to kind of briefly understand between 2019 and now, what would have been like our overall aggregate volume growth versus price growth? Because, I mean, prices are like still 40% -- 50% higher in terms of underlying commodity like copper and all. So if you have like a 3-year or a 4-year view between volume and value, how much would account for?
- Rajeev Gupta:** See, every year close to 13% to 15% volume growth is there. Like in the last financial year, if the prices are stable, so like our volume growth is also 20% last year. And the value growth is also 20%. So if the price in a particular year has sharp fluctuation then it is something different, but otherwise, on an average, the price and volume almost similar.
- Ravi Purohit:** Because see, if I look at '19, our overall revenue was about -- a little over INR4,000 crores. We are right now a little less than INR7,000 crores. That's about 65% jump over a 4-year period. Commodity prices are also like 40% higher, 45% higher. So what was, let's say, per kilo price of copper or aluminium 4 years back? It is probably like 40% higher even today. So in that sense, does it make -- would you say that volume growth would have been slower -- I mean, much lower over a 4-year period average?
- Rajeev Gupta:** See, in '17-'18 versus '18-'19, the copper was going down. 2018-2019 versus '19-'20, again, copper going down. Only then this '19-'20 versus '20-'21 started copper going up. So it is on an average, sometime the copper goes down, also sometimes copper goes up also. But we need to have both in terms of the value. So as a company, we are always focusing on the value, whether copper has gone down or copper has gone up, we are maintaining the growth of 16%, 17% year-on-year basis. You talk of this '18-'19, we have grown more than 20%. In '19-'20, again, we've grown more than 18%, 19%, 20%, even though both the years our copper price was going down. So for us -- because we need to have the balance sheet in terms of rupee, so we need to maintain the profit and we need to maintain the sale in terms of value. That's how we are increasing our customer base, increasing our geography for the products to market, whether it's exports or in domestic market or in retail markets, that's how.

- Moderator:** Thank you. Our next question is from the line of Mr. Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Yes, good afternoon, sir. Thank you for the opportunity. Just 2 questions. One is a clarification on the recent comments you just made with respect to the value growth. Now, if I were to ask you, sir, if the copper price were to be down, say, 20% in FY '24. But when you're talking about focusing on value growth, does that mean that the volume growth you will try to grow by 25% to 30%, how do we understand the pricing part of it?
- Rajeev Gupta:** If anything goes exceptional, nobody can control. If it is in the range of the normal fluctuation, then it will be controlled. If your share market crashes, then how you will control the portfolio profit.
- Achal Lohade:** Got it. But sir, in terms of the pricing, where you are...
- Rajeev Gupta:** Normally, see, last year, the correction was 10% range, then it is manageable. But if it is 20% correction, then it will not be manageable. Because then in terms of value also, we will hit. Maybe from 16%, 17%, we may go to 11%, 12%. But it will not be the case, we will be flat because in the last 15 years, it was 2009 also, 2013 also, 2020 also every year was there, and we have grown average CAGR growth of 14% to 15% in the last 15 years, wherein we have seen all kind of fluctuations. The numbers are available with you for 15 years for our balance sheet.
- Achal Lohade:** Understood. Sir, just a clarification on the pricing. You work on your prices or the margin on a rupees per meter or rupees per unit or...
- Rajeev Gupta:** We maintain our EBITDA margin in terms of percentage. We calculate the cost of material and expenses, then we'll load our margins. That's how it is going on in the industry.
- Achal Lohade:** Even for the industry as well. Understood. And just one clarification on the exports, sir. Which are the top 5 countries and what's their contribution? And how much of our total exports is under own brand?
- Anil Gupta:** All our exports are under our own brand. We have not exported any product in somebody's else brand. And our top export markets are Australia, Middle East. In Middle East, basically, Abu Dhabi and Kuwait. And thirdly, a few African countries in which Nigeria and Ghana are the main. And...
- Achal Lohade:** And the total contribution of these countries in the total exports? Would that be 60%, 70%?
- Anil Gupta:** Yes, around 60%.
- Achal Lohade:** Thank you very much for the clarification and wish you all the best.
- Moderator:** Thank you. Our next question is from the line of Shubham Agarwal from Axis Capital. Please go ahead.

- Shubham Agarwal:** Hi, thanks for the opportunity. Sir, I was just listening to the call, a rough calculation shows that the incremental sales from greenfield capex that we will need to generate a 13.5% EBITDA margin for the overall company -- sorry, margin lift -- we need to lift the margins for the company by 1%, right, at the overall level. So we need a 13.5% EBITDA margin on the incremental revenue if we get from the greenfield capex. I just wanted to understand what will help us generate this 13.5% EBITDA on the incremental sales from the greenfield? The products are going to be the same, right, which already been retained 11% margin at the most.
- Rajeev Gupta:** See, when we will be doing this capex, we will not be increasing the fixed overhead like head office people or the top management and the marketing. So because of that, the EBITDA expansion will be the there, number 1. Number 2, our retail will be increasing further, and exports will increase further. So a little bit EBITDA margin will be -- expansion will be from there. So we are targeting not much EBITDA expansion, but we are targeting only 1.5% EBITDA margin in the next 4 to 5 years.
- Shubham Agarwal:** Okay, sir. Okay. And secondly, can you give me the volume of copper and aluminium consumed in FY '23 by the company?
- Rajeev Gupta:** The total metal consumed is 81,800 metric tons in '22-'23 as compared to 68,000 metals consumed in '21-'22.
- Shubham Agarwal:** Okay. This includes copper and aluminium total, right?
- Rajeev Gupta:** Yes, copper, aluminium, both.
- Shubham Agarwal:** Thank you. That's it from my side.
- Moderator:** Thank you. Our next question is from the line of Mr. Raj from Ambit. Please go ahead.
- Raj:** Two questions from my side. First is, if you can give any color on the active dealers. So what has been the expansion for this year? And what is your guidance for the next 2 to 3 years as you are increasing the retail mix as a percentage of your sales?
- Rajeev Gupta:** See, last year, our dealer expansion was close to 6% because we were having 1,800 number and now 1,900. And this year also, we are targeting at least 100 to 150 dealer distributors to be adding in this financial year.
- Raj:** So as a percentage, that would be...
- Rajeev Gupta:** Close to 7%, 8% of our target to increase number of dealer distributor. That is the net. Strengthening the existing dealer are actually because we are more focusing to strengthening the dealer wherever the dealers are there, we are replacing with a new dealer.
- Raj:** Okay. Yes. And the second question is that, when you see the gross margin or the raw material mix as a percentage of the sales, that used to be around 70% pre-COVID or up to '19-'20, but now we have seen that increased to 73% to 74%. So how do you see this going forward?

- Rajeev Gupta:** You see the EBITDA margin in our case because earlier the EPC scale was higher. So in EPC, the material was less, and the manpower cost and the contracting cost was more.
- Raj:** Okay. So going forward, these types of raw materials...
- Rajeev Gupta:** Always it will be on an EBITDA basis, actually.
- Raj:** Okay. So just to guess this -- so the percentage would remain same going forward as it has been delivered...
- Rajeev Gupta:** It depends on the product-to-product basis, like in extra high-voltage is something different, wire is something different, the cable is something different. It's like that.
- Raj:** Okay. Sir, and also, if you could say in which pockets are we seeing more increasing demand from solar or from the data centres or where has been the demand being very strong going forward? Or is it currently quite strong?
- Anil Gupta:** Yes. The demand is very strong from the data centres, this 5G network, which is coming up, then metro rails, urban rail transportation systems and the railways as a whole. And then the highway construction where a lot of overhead lines are removed to make them underground. So that is also a big opportunity. And a lot of tunnel ventilation projects are coming up in the railways and new railway lines and also the highways, which consumes substantial amount of cables. Apart from that, solar power is a big opportunity, then power distribution and transmission companies are buying a lot. And the next is the solar -- and the industry like steel and expansion in steel, cement, petrochemical, oil and gas, capex by all the oil companies. So these are the major opportunities, which drives the cable.
- Moderator:** Thank you. Mr. Raj, may we request you to join the question queue for follow-up questions. Our next question is from the line of Mr. Hardik Rawat from IIFL Securities. Please go ahead.
- Hardik Rawat:** So my question was with regards to the metal consumption that you just stated that you stated that roughly you've consumed about 81,800 metric tons of metal. And I presume that aluminium and copper are the 2 main metals that you source. So I just wanted to understand if you could give me a rough breakup of what percentage of it would be aluminium and copper as of date?
- Rajeev Gupta:** That data is not available right now. We will give you later. But the total metal consumption is available, it is 81,800 versus 67,900.
- Hardik Rawat:** All right. And basis the estimates that you've given, you expect the EHV segment to grow roughly by about 60% in terms of sales value. So do you see that mix of sourcing changing.
- Rajeev Gupta:** No. Nothing changes. Actually, we are having the capacity to produce close to INR650 crores worth of material of EHV, wherein, we were having the order last year also, but the issue was the clearances from the companies, those who are buying from us, that is the transmission companies that was not available, either their site was not ready or something else. So at present, we are having order book of INR850 crores as against we cannot produce more than INR650

crores. And this is the year beginning. So lots of new order will also come. So we will be easily selling INR600 crores worth of material for extra high-voltage power cable this year.

- Hardik Rawat:** Absolutely, and one last question, if you'll allow me. What are the major countries that you source your metals from like top 2, 3 countries if you can mention?
- Rajeev Gupta:** Please repeat your question?
- Hardik Rawat:** Top 2 to 3 countries from which you are sourcing the metals that you consume.
- Anil Gupta:** The raw materials we are sourcing or what we are exporting?
- Hardik Rawat:** Raw materials, the metals.
- Anil Gupta:** So we are majorly sourcing our metal requirement from India, especially copper from Hindalco and Vedanta and aluminium also from Hindalco and Vedanta and NALCO. So the small quantity is being imported, which is against advanced licenses against exports. But we are definitely importing XLPE compounds and some other specialized materials for special cables and extra high-voltage cables.
- Moderator:** Thank you. Mr. Hardik, we move to the next question. Our next question is from the line of Harsh Shah from Jefferies. Please go ahead.
- Harsh Shah:** Can you just provide the interest breakup for the quarter?
- Rajeev Gupta:** Please note down. For this quarter, the working capital interest is close to INR7.77 crores. And the bank charges is close to INR2.5 crores.
- Moderator:** Thank you. Our next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Yes. Thanks for the opportunity. Sir, my question is on the supply side. So apart from the major players, we know on the organized side, which are also doing a lot of capex on the wires and cables. Are we seeing any supply from the unorganized/unbranded players also coming up?
- Rajeev Gupta:** In the cable, there is no unorganized because cable is an approval-based process.
- Anil Gupta:** No, we are not aware of any unorganized player coming up significantly in the capex for further expansion of their capacity.
- Akshay Kothari:** Okay. And based on your experience in this industry, whenever there is a supply. So supply actually comes at a point of time and then demand will come over a period of time. So do we see any downward pressure on the margins in the initial phase of the utilization?
- Anil Gupta:** So far, we have not seen, but we don't know the future markets.
- Akshay Kothari:** Understood. Lastly, sir, we are the sponsors for RCB. And how has been the response from the Southern market post this?

- Anil Gupta:** Actually, it has been good. But basically, this sponsorship in RCB is not region-specific. It is for all India basis. Ultimately, the spectators who see cricket, they see all over the country. And the major medium is either TV or digital. How many people goes into the stadium to see/watch the matches? So it's major effect comes from TV or digital media, the OTT, digital media, where nowadays people are watching these cricket or matches, etc. on digital or the TV.
- Akshay Kothari:** So can you just tell the advertisement expense as a percentage of sales, how much would it be?
- Rajeev Gupta:** On a yearly basis, we do around INR35 crores.
- Anil Gupta:** Which is around 0.5% of our sales.
- Akshay Kothari:** Okay, thanks a lot and all the best.
- Moderator:** Thank you. Our next question is from the line of Prashant Kothari from Pictet. Please go ahead.
- Prashant Kothari:** Hi, thank you for the opportunity. Just 2 questions. One is that the dealer distribution channel revenues if I look on a quarterly what's happening, the growth was about 31% in the second quarter, 25% in the third quarter and now there's 15%. So is there a slowdown out there in that channel?
- Rajeev Gupta:** Sir, repeat your question, what you said?
- Anil Gupta:** You said that in Q4, it was 15%. That is what your question is?
- Prashant Kothari:** Yes. And it used to be much higher earlier on. So is there a slowdown in that...
- Anil Gupta:** Actually, what happened because of the continuous decrease in the copper prices. So there was a little bit of destocking at the distribution level. So hence, the primary sales went down in the fourth quarter. But I'm sure that the stock levels in the distribution -- distributor sales is very, very low. So it will pick up.
- Prashant Kothari:** Sir, would you expect higher growth rate in retail.
- Rajeev Gupta:** Yes, always, it will be higher because in the last year also as the overall growth in the dealer distributor business is higher as compared to the total increase in the sales. So in the future also, the same kind of trend will remain same. For a particular quarter, we cannot say, but for a full year basis, our dealer distributor sales will be higher for the growth.
- Prashant Kothari:** Understand, sir. And on the working capital side, excellent management of working capital so far. But you also said that the future cash accruals will be used for capex, as well as working capital. Are you thinking that the working capital days might expand going forward?
- Rajeev Gupta:** You see only the inventory will remain the same, only the receivable cycle, which is right now has reduced to 2.4 months, which will further reduce to 2.2 months.
- Moderator:** Thank you. That was the last question for the question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Anil Gupta: So thank you very much dear friends for patiently listening to this investor call. I again reassure you that we are on the right track. We are very, as you know, focused on our business. And the growth in the economy and the demand in the international market, the company will continue to grow as guided. There may be some deviations in the growth rate in different product lines, but overall growth will be maintained as guided.

And if you still have any further questions, you can always reach out to us. Thank you very much for you patiently listening to us. Thank you.

Rajeev Gupta: Thank you very much.

Moderator: Thank you. On behalf of Monarch Network Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.