"KEI Industries Limited

Q1 FY27 Earnings Conference Call"

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MODERATOR: **MR. ACHAL LOHADE – NUVAMA INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to the KEI Industries Q1 FY27 Earnings Conference Call hosted by Nuvama Institutional Equities. As a reminder, all participant lines will remain 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 the operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Achal Lohade from Nuvama Institutional Equities. Thank you and over to you.

Achal Lohade: Yes. Thank you. Good afternoon, everyone. On behalf of Nuvama Institutional Equities, we are glad to host the senior management of KEI Industries Limited to discuss the Q1 FY27 earnings. We have with us Mr. Anil Gupta, Chairman cum Managing Director of the company; Mr. Rajeev Gupta, Executive Director of Finance and CFO. We'll start the call with the opening remarks from the management and then move to Q&A session.

Thank you and over to you, sir.

Anil Gupta: Thank you, Achal. Good afternoon. I'm Anil Gupta, CMD, KEI Industries Limited. I hope that you must have received a brief of our Q1 results, it must be with you. I'll give a brief. So, the net sales in Q1 of FY26-'27 is INR3,185 crores against INR2,590 crores last year. Growth in net sales is 23%.

However, the total wire and cable sale in Q1 has grown by 24.4% against previous year. During Q1 '26-'27, operating margin has improved to 12.43% Margin has improved mainly because of the product mix and operational efficiencies.

EBITDA in this quarter is INR415 crores against INR297 crores last year. Growth is around 39.5%. EBITDA/sales margin is 13.04% as against 11.49% in the same period previous year. Profit after tax in this quarter is INR274 crores against INR195 crores. Growth in the PAT is 40%.

PAT/net sales margin is 8.61% against 7.56% in the previous year same period. Domestic wire and cable sale in this quarter is INR2,784 crores and it has registered a growth of 29%. Export sale in this quarter is INR341 crores against INR375 crores previous year.

The export is impacted because of non-dispatch of – non-execution of several orders of Middle East because of the war with Iran and also due to the custom duty issues in United States. However, for full year guidance, the export will be growing substantially and will be in line with our guidance which was given earlier.

Total sales of extra high-voltage cable is INR186 crores against INR126 crores in the previous year same period. Growth in EHV sale is 47%. The contribution of sales through distribution network that is D2C is 59%. Total active working dealer of the company as on 30th June is 2,128.

EPC sales is INR43 crores against INR61 crores last year. Out of the total sales of EPC, PHV EPC execution sale is INR18 crores. Sales of stainless-steel wire in Q1 is INR53 crores against INR51 crores in the previous year same period. Pending order book is INR4,292 crores; out of which EPC is INR271 crores, extra high-voltage cable INR793 crores, cable domestic INR2,400 crores and export orders pending are INR822 crores. The long-term rating from CARE India Rating and Research and ICRA is AA+ and short term is A1+. Book value as on 30th June is INR725.94 against INR697 as on 31st March 2026.

Cash and bank balances as on 30th June is INR1,054 crores, which includes QIP balance of INR303 crores. Interest income from bank deposits or others in Q1 is INR14.59 crores, which is included in the other income. It was INR28.77 crores last year in the previous year. The company had raised INR2,000 crores through QIP on 28th November 2024, out of which company has utilized QIP fund of INR1,785 crores up to 30th June and unutilized amount is INR303 crores, which includes the interest on FDRs of QIP amount.

Future outlook. During Q1, the company has incurred a capital expenditure payment of INR191 crores, out of which Sanand capex is INR180 crores. Total capex done in Sanand up to 30 June '26 is INR1,722 crores. Another INR300 crores will be spent in this financial year. Company is expected to incur capital expenditure of approximately INR600 crores to INR700 crores annually for next 3 to 4 years.

Capacity utilized during Q1 is approximately 72% in cable division, 61% in house wire division, 91% in stainless steel wire division and 45% in communication cable. Sanand capacity addition is taking time to ramp up and in coming months, capacity utilization will increase month after month. So now also we have sufficient capacity to grow in wires and flexible segment for next 2 to 3 years.

Based on the strong demand in domestic and overseas market, we are hopeful to grow more than 20% in next 2 to 3 years. There is a good demand in data centers and related energy segment in power transmission and distribution segment, renewable energy like solar and wind, electric vehicles, infrastructure, railway electrification, urban infrastructure, manufacturing in domestic as well as in global market.

Also, the wire demand is strong in housing sector and in commercial spaces. So this is the commentary from the management side. We are very bullish about the market. We hope that with a strong market outlook in domestic as well as our export markets, company will outperform in the domestic as well as export markets and will be continuously growing year after year. Thank you.

Moderator: **Thank you, Ladies and gentlemen. We now begin the question and Answer session. Anyone who wishes to ask question may press star and one their touch-tone telephone. If you wish to remove yourself from question queue you may press star and two. Participants are requested to use a handset while asking a question. Ladies and Gentleman, we will wait for moment while question queue assembles.** We take the first question from the line of Natasha Jain from PhillipCapital.

Natasha Jain: My first question is on the wires and cables margin. Now there has been a sequential sharp rise in wires and cables from 12.4% to 13.6%. If I see sequentially the opex number, that's pretty much flat despite we've gone aggressive on the retail side, which is a high margin, but a high spend channel and then even full commissioning of the Sanand plant should bring in some cost on the P&L. So could you throw some light here that what line item has remained consistent? Because ideally opex probably should have grown faster and even on a year-on-year run rate, this is the slowest that we've grown in terms of opex.

Rajeev Gupta: As we have earlier also highlighted that as the incremental sale is going up so the fixed expenditure does not increase in that way. So accordingly, the expenditure versus sales percentage if you compare, it is low and little bit because of the product mix, it is getting changed and some export, we have the good margin order.

So all are reflecting in the P&L of the balance sheet. And we have already crossed now a hurdle which was earlier that less than 11% operating margin we were operating. So now that hurdle we have crossed and we hope that now we will be in the range of 11% to 12% operating margin for the coming year.

Natasha Jain: Sir, you mentioned that you've got in some high margin export orders. I remember in the previous many calls, you've always highlighted that export is a similar margin business for you as like it's in domestic. So have we now got orders which are better margin?

Rajeev Gupta: It is always when the demand is strong and in the global market, the demand is strong so little bit it is increasing. As you also witnessed that earlier our retail sale was close to 51% contribution, which has now increased to 59%. So put together all, it's all reflecting in the P&L.

Natasha Jain: Got it. And sir, on the Wires & Cables segment, the next question is I mean the value growth has been 25%. But if I see now given all peer set numbers have come out, I think the industry has grown by 35% -- 33% to 35% given pricing growth in itself is north of 28%. I know you don't give volume breakup, but could you at least tell us qualitatively as to are we prioritizing EHV or losing market share on the LV side or what's happening in the volume mix?

Rajeev Gupta: It is not the case of the losing market share because the demand is very, very strong because every sale required the capital. So whatever capital we are having, we have earlier guided also to grow close to 20% plus kind of growth because we are continuously having a CAGR growth target of 20% plus.

Accordingly, we need to put more and more also on the capital expenditure. And yesterday, we also announced our new capital expenditure in our Bhiwadi factory that is Salarpur where we will put around another INR700 crores to put another factory in next 2 years' time.

So, it will go hand in hand. So, we need -- so whatever capital we are having, we are allocating at the same time towards the growth of the company as well as for the creation of the capital expenditure. So, because of that, we are not comparing anyone else whatever they are doing, but we are growing whatever we are. So close more than 20% our target was there and we are continuously focusing that.

Natasha Jain: Got it. And sir, Salarpur is INR500 crores plus this additional INR700 crores, right, which takes it to INR1,200 crores?

Rajeev Gupta: No, no, no. As in the commentary, Anilji said every year our target is INR700 crores per year. So our total capex of Salarpur is INR700 crores. So in the current financial year, INR300 crores will be remaining capex of Sanand and another INR300 crores to INR350 crores we will use in Salarpur.

So then in the next year also, we will put the balance expenditure in the Salarpur and then we will use another capital expenditure in the new land that may be in Baroda or maybe in some adjacent location.

Natasha Jain: Got it. And sir, just one quick question, the last one. If I see inventory in your balance sheet, that has also increased sharply. So could you also throw some color in terms of what proportion would be, say, the exports which we could not do sitting in our inventory versus any inventory gains?

Rajeev Gupta: Major part of the inventory is increased mainly because of Sanand capacity is ramping up. So when the factory is new, the full inventory we need to create over there. So the major increase due to only Sanand only.

And another nearly INR60 crores to INR100 crores in the finished goods, maybe sometimes it is delay in dispatch or in the export case even though the sale has happened by way of bill, but because of the Ind AS adjustment, if the finished goods has not reached, we need to reversal. So because of that, the inventory is highlighting high and the export is low. But actually the sale has happened.

Natasha Jain: Understood, sir. Thank you so much. I have more questions. I will be back in the Queue.

Moderator: We take the next question from the line of Praveen Sahay from PL Capital.

Praveen Sahay: **Thank you for the Opportunity.** Just further clarification on the margin side because in the P&L, we can see there is a change in the inventory, which is on the higher side nearly around INR600-odd crores. So is there an inventory gain as well you had to book for this financial -- this quarter Q1?

Rajeev Gupta: See, the inventory gain or loss is part of the every quarter-on-quarter and year-on-year because prices are up and prices are down. So that is not the major factor for the inventory increase. Inventory increase, as I just explained, because of the new factory of Sanand where all the raw material and work in process and finished goods is starting to have that kind of capacity. And second, when we do the export sale or institutional sale at the quarter end, there is a reversal if the material has not reached to the customer. So because of that, even though the sale has happened, but as per Ind AS, sale has to reverse. So that's why the inventory is looking like this.

Praveen Sahay: Okay, sir. Second question related to Sanand. So how much of the Sanand contribution for this quarter or what you are expecting for FY27?

Rajeev Gupta: So Sanand Phase 1 capacity has already reached to 50% utilization as on today and in coming months, it will ramp up further from there.

Praveen Sahay: So just referring to the media interaction. Sir has highlighted nearly around INR3,000-odd crores of additional revenue from the Sanand for this financial year. So this financial year, you are INR3,000 crores looking for from the Sanand and how is that?

Anil Gupta: No, no. Actually in media interaction, actually it was a little bit of a slip of tongue. We expect around INR1,500 crores to INR2,000 crores revenue from Sanand in this financial year, which will come in the contribution in this particular -- in FY27.

Rajeev Gupta: But the overall growth, Praveen, will be more than 20% because as you see when the new factory is there, there is lots of challenges for manpower, then machine, then the other environmental factors. So that's how it is taking time and month after month, the production is getting increased over there.

Praveen Sahay: Thank you, sir, and all the best.

Moderator: **Thank you, Participants who wishes to ask the questions please press star and one.** We take the next question from the line of Raman KV from Sequent Investments.

Raman KV: **Hello sir,** Can you hear me?

Rajeev Gupta: Yes, yes.

Raman KV: Sir, with respect to Sanand, we have already spent around close to INR1,700 crores for the capex and we will be spending another INR300 crores. You initially guided that we can do from Sanand facility around INR6,000 crores of revenue. Am I right?

Rajeev Gupta: Yes, sir.

Raman KV: So yes, sir, I just want to understand in Sanand what kind of products are we catering to? And the Phase 2 in which we will be spending the additional INR300 crores to INR350 crores this year, are we planning to add the existing capacity or are we planning to add new high margin cable and wires facility?

Rajeev Gupta: So Sanand project is not yet completed. Phase 1 has completed that is for low voltage and medium voltage power cable. Then we added the machinery over there, which is operational now in the second quarter for the electron beam cable.

And now we are in the execution for the extra high-voltage power cable for which we are making a 152 meter tall tower over there. So by March 2027, our extra high-voltage power cable project also will get commissioned. So by next year, the full capacity will be available and close to overall capacity in the next financial year, 70% to 75% we will be in a position to utilize for next financial year.

Raman KV: So the entire INR300 crores will be spent on the extra high-voltage cable?

Rajeev Gupta: No, it is part of the project. The total cost of the project was INR2,000 crores. So already we spent INR1,722 crores and balance remaining will be spent in the coming 6 months.

Raman KV: Just a follow-up here. You said around 70% to 75% utilization you will try to achieve next year. That closely translates to INR4,000 crores of revenue. Is my calculation right?

Rajeev Gupta: Yes, yes.

Raman KV: Okay. Understood. And sir, with respect to the margins, in the earlier guidance you mentioned that there was change in product mix, which led to the margin expansion. Is it because we had -- there was a good amount of contribution from extra high-voltage cable or can you just specify what kind of product led the margin expansion?

Rajeev Gupta: It is a mix of 3, 4 things. One is extra high-voltage power cable contribution has increased. Second is the overall retail dealer distribution contribution has increased. And because of the top line higher, the expenditure versus sales ratio has gone down. So it's a combination of 3, 4 things.

Raman KV: And sir, just a follow-up here. What will be the incremental margin, if you can give ballpark figures when we are producing -- when we are selling an extra high-voltage power cable versus low and medium power cable?

Rajeev Gupta: Our extra high-voltage operating margin was close to 15% as compared to low voltage and medium- voltage power cable institution side was 10.5% and retail side was 11% and export was more than 11%.

Raman KV: So out of the INR6,000 crores of revenue expecting from Sanand, can you give a split between how much can we do with respect to extra high-voltage? I just want to understand.

Rajeev Gupta: INR1,300 crores capacity belongs to extra high-voltage power cable and balance for low voltage and medium-voltage and electron beam cable.

Raman KV: And sir, with respect to the INR700 crores capex every year which you want to do, is it on the extra high-voltage side? I just want to understand the market of extra high-voltage.

Rajeev Gupta: The new investment will be for low-voltage and medium-voltage, which we have just announced yesterday. Because extra high-voltage power cable capacity we will be expanding further only here only itself in Sanand. Whenever we need, we will add more lines.

Raman KV: And sir, what is the total market opportunity from extra high-voltage?

Rajeev Gupta: As of now, it will be more than INR3,000 crores.

Raman KV: Okay. And you are the only player or is there any competition?

Rajeev Gupta: No, there are Universal Cable also and there are import also.

Raman KV: **Understood sir, Thank you.**

Moderator: **Participants who wishes to ask questions press star.** We take the next question from the line of Umang Mehta from Kotak Securities.

Umang Mehta: Congrats on a strong margin trend. Sir, first question was again on margin. So you mentioned product mix and efficiencies in the operations. Actually, sir, 5% going to 6% won't move the needle too much, right? And secondly, in terms of operational efficiencies, if you can share some more color? And thirdly, I just wanted to check have you changed anything on wires pricing? You were earlier looking to reduce the discount versus peers. Is that something that is helping your margins?

Rajeev Gupta: As I said, Umangji. There are three, four things where the pricing played a role. Then the overall growth of the company and resulting in expenditure versus sales ratio. So in each and every market, we are trying to build our product well placed because we are spending in the advertisement, we are pushing through the IPL. So our brand are very popular. That's how our dealer distributor sale is also reflecting from 51%, we have now reached to 59%.

So our focus is to shift the market where the lower working capital are there, how we can improve the margin whether from retail or from exports. And ultimately, this is resulting to increase 1%. So now we are in the trajectory for the future where 11% to 12% operating margin we will be operating. So earlier our hurdle was reaching out to 11% plus. So now we have crossed that hurdle actually.

Umang Mehta: Understood, sir. And sir, second question was on this growth versus margin trade-offs. I understand where you come from where you don't want to grow or maybe from working capital perspective, you want to restrict growth to a certain percentage. In counters where peers are growing faster or where you might be letting go of some business, is it easy to win that back when the situation turns? How do you think about that I mean on competition front?

Rajeev Gupta: Sir, we are very old in this market and continuously since last 15 years we are growing at 16% to 17%. Then we started our growth rate to 17% to 18%, then 19% to 20%. Now we are targeting 20% plus because we are a debt-free company now and we are continuously allocating our capital in 2 parts, one for working capital and another for the capital expenditure. So certain discipline and capital allocation needs to be there in the company so that long-term goal sustainable manner we can achieve.

So that's how we are going ahead with our original plan of which we given you in 2024 while we were raising the QIP. So the same kind of growth plan we were maintaining and we will be maintaining. So this kind of discipline also we will be maintaining. And those who are -- those investors, those who are dealing with us since last 5 years or even 10 years also. So we are very conservative people. Whatever we say, we try to deliver more than that.

Umang Mehta: **Got it, sir. Thank you so much, and all the best.**

Moderator: We take the next question from the line of Disha from Trinetra Asset Managers.

Disha: Most of my questions have already been answered. Just few questions from my side. Could you share the current utilization level across cables and wires for this quarter? And I think I heard it correct, is it 70% to 75% of ultization would be by this year, right?

Rajeev Gupta: No, no, no. First of all, at present because of increased capacity of Sanand, our utilization rate is 72%. And for the future, somebody was asking that how much capacity will be for the next plant, INR6,000 crores plant. So as I explained, 70% to 75% we will be utilizing by next year.

Disha: Okay. For the next year. And sir, at what utilization would the company require another major capex cycle beyond this ongoing expansion as you see the demand clearly coming up?

Rajeev Gupta: To maintain a CAGR of 20% plus, we need to continue growth of the capacity also. So for that, we have given our guidance to do the capital expenditure of INR600 crores to INR700 crores year after year because we need to grow every year. So then we need to add the capacity every year because whenever we go for a greenfield capex, it takes us to complete the process for the 2 year actually.

Like yesterday, we announced for the Salarpur project where we will be investing around INR700 crores. So there also it will take another 2 years to complete construction, plant machinery, trial run production, like this. In the current market, the demand is strong because of the electric vehicle, data center infrastructure boom and the global demand is also very, very strong. Yes, please, you are asking something?

Disha: Yes sir. I was asking about this new capex plan that you have announced. That would be for EHV cable, right? You answered that question, sir.

Rajeev Gupta: No, no. It is for low-voltage and medium -voltage power cable.

Disha: Got it, sir. And one on the EHV cable segment side. Could you please update how much of this customer approvals or order inflow is coming from EHV and at what point do you expect that EHV business will become a meaningful contributor to the consolidated revenue and margin? And any further increase in the margins of the company?

Rajeev Gupta: No. Whatever capacity we are adding for extra high volage power cable, close to 9% to 10% will be the contribution from EHV cable.

Disha: **Okay, got it, sir.**

Moderator: We take the next question from the line of Achal Lohade from Nuvama Institutional Equities.

Achal Lohade: **Thank you for the opportunity.** First, in terms of the global markets, if you could talk a little bit in terms of how we are playing across the regions? Where are we in terms of the scale up? What kind of mix can we expect over next 2, 3 years in the export segment across different geographies? If you could comment a little bit on that?

Anil Gupta: Yes. I'll comment on that. In different markets, we are targeting different sectors. Like in U.S., we are steadily working with oil and gas sector and also with data centers projects and now we are also working with some distribution projects in U.S. Secondly, in Australia we are mostly working with solar and wind energy projects and also some manufacturing factories, industrial projects as well.

In Middle East, our major customer base is oil and gas refineries and upstream facilities of oil extraction. So, our majorly oil and gas market is there in Middle East. In Africa, we are working with distribution and transmission utilities and also the oil refineries. So, this is the major focus areas in a few of the countries where we are working in our export markets.

Achal Lohade: And any possible mix you would talk about, let's say, in 3 years' time?

Anil Gupta: See, it is very difficult to determine product mix because it keeps on varying. Whatever -- we have a very versatile product range and production facilities. So, we are able to adapt to any change in the type of products in our factories as per the market demand. But how the market demand emerges is very difficult to predict.

Achal Lohade: Got it. Sir, second question I had was with respect to Sanand plant. Given INR2,000 crores of capex and the EHV and the non-EHV mix, how do we look at the asset turn and the total revenue potential from this facility?

Rajeev Gupta: So Achal, earlier we told that this total INR2,000 crores will give us the production of INR6,000 crores. But in the past experience whenever we go for a greenfield project, after the commissioning of the full project, there is a scope for the balancing of equipment. So then another INR100 crores, INR200 crores we are putting for balancing of equipment, which will give another INR1,000-plus crores turnover. So the total capacity will reach around INR7,000 crores within 2 years' time in Sanand.

So that's how we executed in the past also. If you see our Chinchpada plant, it was only for the wire. Then we added the power cable over there, then we added a few more capacity over there. So as of now, this plant is giving us very huge turnover, approximately INR225 crores to INR250 crores per month turnover is coming from the Chinchpada plant. So that's how the balancing of equipment work actually.

Achal Lohade: Got it. Sir, if you could just -- you did make a comment demand is strong, but if it is possible to get some more color in the domestic market, how the different verticals within the demand drivers are doing, if you could talk a little bit on that as well.

Anil Gupta: See, demand is there in India mainly in power generation, transmission and distribution sector and also the power energy user sector, which includes data centers, manufacturing plants, urban infrastructure and railway infrastructure. There is a strong demand in the housing and commercial spaces also. So these are the major sectors where the domestic demand is there. And now even the thermal power projects are also in strong construction phase. So that will also be bringing substantial demand in India.

Achal Lohade: Understood. Any of these are particularly doing very well and a little bit weak, if you could call out a little bit, sir, on that?

Anil Gupta: No, I have no comment on that.

Rajeev Gupta: Achal, always it happens because it's a rotating demand. Sometimes demand comes from transmission, then comes from distribution, then again from the generation. So it's basically move on. So sometimes the refinery projects are there, sometimes fertilizer projects are there. So the demand is also rotating because in every year the capital expenditure is rotating from one sector to another sector.

Achal Lohade: Fair point. Just last question from my end, sir, and we again go back to the queue. In terms of the demand supply, we see that practically everybody is adding capacity. How do you see this demand supply scenario? Is there any risk of overcapacity over next 1, 2 years in your opinion or things are pretty much tight for next 2 years?

Rajeev Gupta: Sir, whenever there is an addition of capacity, it takes 2 years, 2.5 years' time to put up a project. Then another 1 year time for ramping up the production facility. You see in our Chinchpada plant. We started in 2023, now almost 3 years is there. So now the project has commissioned, still we are ramping up. So it takes time. So from your angle, you must see that so many projects are coming.

But those companies, those who are putting the projects, they are putting the projects -- the construction time of the project is also 2.5 years to 3 years' time. Then for utilization of capacity is also 3 to 4 years' time. So it is not the case that whatever we put, we will use the capacity only in 1 year.

So that's how we are again guiding for the disciplined growth that 20% plus CAGR growth we will maintain. So we are never targeting for a growth of 35% or 40%. So that's how we are having the discipline and accordingly, the market is available.

Achal Lohade: **Thank you, got it. I'll get back in the queue.**

Moderator: We take the next question from the line of Manoj Gori from Equirus Capital.

Manoj Gori: **Yeah, Thanks for the opportunity, sir.** Congratulation on strong margin performance during the quarter. So ideally the barrier of 11% has been great help. So my only question to you would be that if we look at the end of fourth quarter FY26, we were talking about roughly around 18% volume guidance. In the media interview, we said around 25% kind of value growth for the current year and now we are talking about 20% value growth on Y-o-Y basis. So if you can clarify?.

Anil Gupta: Now also I'm sure that our growth in this financial year will be more than 25% in financial terms in revenue terms. But normally in the interactions, we generally like to be conservative instead of giving too bullish numbers.

Rajeev Gupta: Manojji, the issue is that whenever we say a percentage, you add 2%-3% more to it. You increase our difficulty. So, that's why we want to be conservative.

Manoj Gori: Sir, you outperform, so we should also increase it.

Rajeev Gupta: You got 25% out of sir's mouth. Now, you will say 25% is limited. Now, you will increase it. We will not be able to do that. Very frankly, we refuse to increase it. Because it is not a discipline. Because to chase any value growth, capital is required. Demand is there, but it is not the case we need to put all our capital only for growth. Then how we will maintain future growth if we are not putting the capacity. So, we need two-type of capital.

So that's why we want to be little bit conservative, but still the same kind of growth you will see for full year whatever you have seen in the quarter 1 because the demand is here, we have the capacity. But our request to all of you not to add into that expectation. So that is my humble request to all of you.

Manoj Gori: Okay, sir. The only reason I asked was because if you look at, there has been prolonged issues in Middle East so the West Asia crisis definitely would be hurting to some extent on the exports also. So just wanted clarity because of the macro uncertainty. I do understand that the domestic growth opportunities remain very strong and robust. This is just for clarity this question.

Rajeev Gupta: Manojji, we also explained in the past also, we need to grow whether we need to grow from export, from domestic institution or from the retail network. Ultimately, sale is sale for anyone. So our purpose to focus on all the markets so that if any time any market is having some problem like the Middle East problem is going on, we can compensate our sales from the other markets. So that is the major focus area where we are trying to build that whether marketing from export, marketing from domestic or institution.

So we need to focus on all these sectors. We cannot know in advance which sector will do good, which sector will not do good. So that's why that is our duty to focus all these sectors and that's how we are continuously doing since last so many years. And your earlier wish was that when we will cross that hurdle of 11%. So, with all of your blessings, we have crossed that hurdle and in future we will be operating more than 11% EBITDA margin. That we are very hopeful.

Manoj Gori: Thank you, sir, and wish you all the best. And I hope you break many more hurdles like this.

Rajeev Gupta: **Thank you, Manoj jii. Thank you very much.**

Moderator: We take the next question from the line of Akshen Thakkar from Fidelity International.

Akshen Thakkar: Am I audible?

Rajeev Gupta: Yes.

Akshen Thakkar: Congratulations on a very strong margin performance. Just one clarification. In the past when you have guided for EBITDA margins, you've included other income in the same. So right now when you're saying 11% to 12%, it is we should read it as EBITDA plus other income or this is only pure operating EBITDA margins?

Rajeev Gupta: It is the operating margin I'm talking because you people always evaluate us only on operating margin and that's how the operating margin we are doing.

Akshen Thakkar: Okay. So this doesn't include other income then, right?

Rajeev Gupta: Yes, sir.

Akshen Thakkar: Okay. Great. And second, sorry to belabor this point. But on Sanand, if you were to -- like Anil ji was saying, it should do INR1,500 crores to INR2,000 crores this year even if it were to come up in a gradual manner and exports will pick up. I'm just trying to think that what's the constraint to growth?

I think you mentioned working capital a little bit couple of times in the past and today as well. Just if you could help us understand a little better because I think what's happening, frankly, is that Street extrapolating the metal price increase and thinking growth should be higher and obviously you're doing very well and no complaints there and it's along the guided lines. But just to understand the constraints to growing faster and 20-25 – it would not be more than 25, why it cannot be 35?

Rajeev Gupta: Constraint is basically the capital.

Anil Gupta: Sir, I'll tell you. In a greenfield project, the production ramp-up takes time in terms of manpower and machinery stabilization. So hence, I said that month after month our new facility -- if it is a brownfield expansion, it is easier to stabilize. But in a greenfield expansion, it has taken time. That is why month after month our production ramp-up is coming up. And capital allocation is definitely a discipline, which Rajeev has talked about. And what I'm saying is that we will be growing more than I mean what we are saying, much more than that, but we don't want to give very high numbers as a guidance.

Akshen Thakkar: I think that philosophy is very well understood. We just love to see little more aggression on growth. Margin, what you had promised you have delivered, margins have come up. Very, very happy and all the best to the team for the upcoming year.

Moderator: We take the next question from the line of Rahul Maheshwary from Ambit Investment Advisors Private Limited.

Rahul Maheshwary: Excellent execution. Just two questions. First on wires. Can you elaborate what kind of growth are we witnessing? And also, the dealer contribution has gone to 59%. How much more scope is there? This is first question. And on second, can you highlight that big projects like what the leader is executing on the BharatNet, etcetera? How are we planned in those directions of executing the big order projects of the government?

Anil Gupta: Sir, BharatNet is mainly for optical fiber cable supply and execution. We are not in the manufacturing of optical fiber cables. So that is out of our product range. And second question was?

Rahul Maheshwary: The wires. Sir, I was mentioning big ticket size.

Rajeev Gupta: Growth is already more than -- wire growth is already more than the cable growth because the construction phase is going on in the country. So overall, the domestic wire and cable business is very, very strong.

Anil Gupta: No, no, please. BharatNet I have already answered that we are not in the production of optical fiber cable. So we don't produce cables for BharatNet.

Rahul Maheshwary: And just, sir, one other this thing that as you highlighted a lot of times that it requires capital and then it takes time to ramp up the capacity. But if the industry growth rate for next 2 years is happening at 30% or near about those levels, is it fair to say that you will up your guidance or you will like to maintain at a guidance which you mentioned conservative at 20% plus?

Anil Gupta: We will be growing more than what we are guiding and we will be to the level of industry standard, but we don't want to give very high numbers. That is not our policy.

Rahul Maheshwary: **Thank you, sir, and best wishes.**

Moderator: We take the next question from the line of Pathanjali Srinivasan from Sundaram Mutual Fund.

Pathanjali Srinivasan: **Hello sir, and thank you for the opportunity.** I have couple of questions. So firstly, our gross margin is at like a 4 or 5-year kind of high. I think we were at 25% gross margin back in FY22. So can you tell me if this gross margin level that we are at today is sustainable? Last 2, 3 quarters we have seen a very sharp improvement in terms of gross margin.

Rajeev Gupta: Sir, because earlier the EPC portion was higher. Now the EPC portion is not there. Only the pure, pure cable and the wire portion is there because of that and the product mix and the export and the retail market. So if you see the continuous last 4 quarters from June onward last year; September, December, March and this first quarter; quarter after quarter whatever we have planned for the next year, we have reached the situation where we were in the margin range of 11% to 12%.

As I explained, whenever a margin increase of any company, there are 3, 4 leverage. One leverage is the mix of the product, then second is the mix of the market, then the expenditure ratio versus sales ratio. So all these three are contributing towards the profit and loss. It is only the one case where the margin has increased.

Pathanjali Srinivasan: No, sir. That point is understood, sir. Just that can we expect that the gross margin should be in this range, but I get what you say.

Rajeev Gupta: Gross margin -- because as I said, the gross margin will be in this range only because -- but sometimes you see, sometimes the volatility in the market by way of the rate or by way of the demand scenario, always 0.25% to 0.5% margin fluctuates quarter-to-quarter basis that you will see or you will witness in the past results also. But for the full year, it is averaged out always. So now we are in the trajectory where we will operate 11% to 12% EBITDA margin that is operating side.

Pathanjali Srinivasan: Got it, sir. Sir, I just have few more questions. I think one of the things you mentioned that export share of revenue will come back again. I think you mentioned this quarters has been on the weaker side. What would our target on a full year basis? What would we want to have our exports on?

Rajeev Gupta: Ultimately, as I said and Anilji has said that growth will be close to 24%, 25%. So the first target figure will be that. Out of that, sometimes the export will grow more, sometimes the retail will grow more, sometimes domestic institutional will grow. It will always happen from sector to sector. But our target to reach at least 17% to 18% for the current financial year. Even the last financial year, also it was 16%. So that we will be there.

Pathanjali Srinivasan: Sir, just one last question. I wanted to confirm something you mentioned. You said there's INR2,000 crores of capex that we have done or we are underway, the revenue it can generate is how much you mentioned? I think I heard it as INR7,000 crores, but I just wanted to confirm.

Rajeev Gupta: Sanand revenue originally was INR6,000 crores. But in future when the project get completed with a few crores of balancing equipment, we always increase the production facility over there. So that's how it will increase to INR7,000 crores within 2 years' time.

Pathanjali Srinivasan: This is LV and EHV all put together you're saying INR2,000 crores will give around INR6,000 crores to INR7,000 crores?

Anil Gupta: I can -- what Rajeev wanted to say that instead of asset turns of 3, it can go up to 4 turns.

Pathanjali Srinivasan: **Sir, thank you for taking my question.**

Moderator: We take the next question from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: Sir, this has been two quarters where not you, but most of the industry has not spoken much about volume growth and revenue growth has been phenomenal. What I'm trying to understand is that your commentary, some of your peers' commentary also on demand has been extremely positive in terms of how they are looking at the outlook. So as analysts like are we not looking at the right thing?

I'm trying to understand with volume growth not being there, is it just that the nature of the product has changed? Are you doing more high-value products and that's how the business is going to set? I'm just trying to understand why that disconnect between volume growth, value growth and the positive commentary that is coming from you as well as some of your peers. Just help us understand that a little better.

Rajeev Gupta: Pulkitji, first of all, why we are talking on value growth because the government expenditure budget maintained in the value terms only. So if in the budget they have allocated INR11 lakh crores, whatever the price has gone up or gone down, can this budget expenditure they have fixed for the capital expenditure will change?

I think it will not change. Same can be with the state government also. Same can be with the power generation, transmission, distribution also. Everything allocation of the budget is there so that's how the value presents actually. So because of that, that I have also explained in my investor conference why we are reluctant to give the value growth.

Even in the past, if you go back to 2018-'19, '19-'20, even in '17-'18; continuously the copper price was going down. But despite of that, all the cable companies were growing. Mainly the rationale behind was that the capital expenditure allocation in the budget was in the value.

So because of that, we will take the demand from the infrastructure, from the government, from the bridges, railway, power transmission, distribution, generation. So everything relates to the value only actually. But that is my humble submission.

Pulkit Patni: No, fair point, sir. And your commentary is reflective of the strong outlook. I was just trying to understand that like so your view is in a scenario that copper prices go down, then volume will do the heavy lifting so that the revenue number comes close to where we are thinking.

Rajeev Gupta: Because if the INR11 lakh crores government budget is there and state government budget is INR6 lakh crores, that budget will remain as it is whether the copper price or aluminum price or steel price going up or going down. So because of that, ultimately they spend in the value not in the volume. Everybody made their balance sheet in the value not in the volume. So if that excel is available in the value terms, it will also go into the order book.

Moderator: We take the next question from the line of Shirom Kapur from Jefferies.

Shirom Kapur: **Hello, sir. Thanks for the opportunity.** Just wanted to ask you on your exports bit. So you just gave a target range of around 17% to 18% of your exports this year -- of your sales this year to come from exports. Just want to understand that just based on FY26 numbers, that would imply around 30% to 40% growth in FY27 in exports itself. In the first quarter we've seen a decline actually of 7%, 8%.

So does that mean you're expecting in the balance 9 months to grow at over 50% in exports especially given same time last year the balance 9 months also saw 50% plus growth in exports. So is that -- what gives you that confidence of growing at 50% in this financial year?

Anil Gupta: Yes. I think you're right because we could not dispatch lot of goods in the first quarter because of the Middle East crisis and shipments were not available, which has started now but albeit at a high shipping cost. And similarly, U.S. also has opened up, which was stalled. So, the markets are positive and we will be able to achieve what we are seeing.

Rajeev Gupta: Sir, one more humble request to all of you is that sometimes what happened even in the last year. When export grows more so some of the analysts say that the domestic demand is weak. So if you see if we need to grow 24%, 25%, whether we grow in export, grow in retail, grow in institutional market; it will be again into the 24%, 25%.

Shirom Kapur: Right, sir. Just secondly, in your presentation in previous quarters, you would normally give that breakup of your sales across house wires, low-tension, high-tension cables. But this time that breakup was missing. So, if you could just share what was your house wires figures…

Rajeev Gupta: No, sir. We cannot give that figure because now the competitor was using those numbers actually. So that's why we have decided not to go for individual product-wise number actually.

Shirom Kapur: Got it, sir. And just lastly, on the retail sales, which has risen to 59% this quarter. Is that a number you see sustainably going ahead because 40% growth in the first quarter, is this growth sustainable or do we -- just elaborate on that?

Rajeev Gupta: As I said, we are more focusing towards retail mainly because of lower working capital requirement. But sometimes when the export order is more so we need to book. So we need to sell to the export market also. So this mix can get changed internally, but overall growth rate will remain.

Shirom Kapur: Got it, sir. Just lastly, on your other income, could you explain the drop in your other income from about INR40 crores?

Rajeev Gupta: Last year other income was mainly because of the QIP plus the interest cost. Because QIP money was lying in the FDR so interest cost was high there.

Shirom Kapur: Right. So the other income that we saw from in FY26 that is unlikely to sustain in FY27.

Rajeev Gupta: Yes, yes.

Moderator: We take the next question from the line of Bhavani from Axis Capital.

Bhavani: Congratulations on good set of numbers. Sir, just wanted one clarification. What is the kind of price hike we have put, sir, in Q1?

Rajeev Gupta: So price hike, it is not a percentage. It is basically on the -- depend on the how much the copper content is going up or going down. So accordingly, that formula is there. It is not a base case. It is depending -- directly on that depending on the price fluctuation.

Bhavani: Understood. And sir, most of the prices has been passed on, right? The cost inflation has been passed on?

Anil Gupta: Yes, yes.

Bhavani: **Understood sir. Thank you so much.**

Moderator: We take the next question from the line of Bharat C Shah from BCS Capital Ideas Private Limited.

Bharat C Shah: **Namaste, Anil ji, Namaste Rajeev, ji.** Now when we see, most things seem to fall in place. We now have better production capacity available with a good runway ahead for growth to capitalize on. The export situation is also shaping up well unless Mr. Trump comes up with something peculiar again. But other than that, overall situation looks very healthy there. And given our greater business in value-added products and increasing retailization of our wires business and the size of opportunity continues to keep expanding at a rapid pace.

In scenario like this, it is easy to feel overconfident and less worried about probably challenges which may be lurking around. What in your opinion could be potential spots of trouble or what can really be a spoiler in -- may not be a spoiler, but it can dampen if at all any issues that worries your mind?

Anil Gupta: Bharatji, the kind of business we have created, which is with so much of widespread of customer base in India as well as in different geographies, the purpose of creating this kind of base is that we insulate ourselves from any possible impacts, risks from any particular geography or territory. Even if we have seen blockade from U.S.A., we have seen the wars in Middle East, which led to stoppage of shipments; but still we have been able to grow from wherever our customer base is there. So risk factors will always -- nobody knows about in today's time what geopolitical politics does.

But our aim is to remain risk-free in terms of our financial goals and our marketing goals so that we are spread over in so many countries that we are able to make up our sales from somewhere or the other. Similarly, now we are a debt-free company. So to that extent, risk of any some markets or some lower sales. So we are insulated from that. So see, you can't have 0 risk ever. But how do we mitigate the risk? That is what we have been doing.

Bharat C Shah: Absolutely. All those points have been very much in evidence in terms of the prudence in which we have conducted our balance sheet, we have conducted our business and in a very deliberated way we have continued to grow. So I understand that external threats or challenges could materialize over which we do not have any really control. But internally, are you seeing any constraints or any issues that need to be mindful of or to be sorted out?

Rajeev Gupta: Internally, as we have discussed even in the past few years where we have highlighted earlier that the risk for the sustainability or for the capital allocation that we have fully addressed and even for the debt risk, we are fully now a debt-free company. So whatever risk any investor has highlighted to us or internally we envisage, we try to mitigate those risks. And accordingly, we have disciplined ourselves even though in spite of in this one hour call, everybody was saying why can't we grow 30% or 35% even though the market is there, the debt can be arranged easily.

But we are still reluctant to say that we will not grow more than that only because of the discipline and the proper capital allocation policy. So that is how we have learned over a period of time in the past and it has paid us well also. So we will be keeping in our mind that good capital allocation, proper risk mitigation and long term at least for 5 years sustainable business plan we are already guiding you as well as to the complete market. And accordingly, we are going ahead with that.

Bharat C Shah: Rajeevji, when do we once again cross or touch 30% or higher return on capital employed? Will it be '27-'28?

Rajeev Gupta: No, sir. So because of the capital expenditure is going on so as of now, we are having 23%, 24%. And the second question, because our creditors are very low because of the good financial health of the company so we are buying our metal on cash. Otherwise, if we buy metal against the LP, it will be seeing at least 28% as of now itself. Because of the creditors which was earlier used to be 3.5 months, it is now only less than 1.5 month.

Bharat C Shah: I was asking Rajeevji, it should be 30% by '27-'28, isn't it?

Rajeev Gupta: No, sir, not by '27-'28 because we have kept the creditor level low. We are saving interest cost. So, if we increase the creditor level, it will be done immediately, sir.

Bharat C Shah: Yes, I understand. And last question, in the year of '27-'28, is it possible to think of the turnover INR20,000 crores or it is just being too greedy?

Rajeev Gupta: Sir, whatever we are guiding, we are guiding accordingly. So, and that capacity we have created, we have not created only for 1 year. It will be created for another 2 years because the net plan which we announced yesterday, it will take another 2 years. So, we need to utilize that capacity year after year.

Bharat C Shah: So, it should be in '28-'29, the 20,000 milestone which we were planning.

Rajeev Gupta: Sir, we have given you the target of '29-'30 for 25,000. We will fulfil it and give it to you.

Bharat C Shah: **Thank you, Rajeev ji and Anil ji, and all the very best.**

Moderator: Ladies and gentlemen, with that, we conclude the question-answer session. I now hand the conference over to the management for their closing comments.

Anil Gupta: Thank you very much for joining this conference call. We are always available to answer any other questions or queries you may have. Thank you so much for joining us.

Rajeev Gupta: Thank you very much, sir.

Moderator: Thank you, sir. On behalf of Nuvama Institutional Equities, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.