“KEI Industries Limited

Q2 FY27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the KEI Industries Q2 FY27 Earnings Conference Call hosted by Nuvama Institutional Equities. 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, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Achal Lohade: Yes. Thank you. Good afternoon, everyone. On behalf of Nuvama Institutional Equity, we are glad to host the senior management of KEI Industries Limited to discuss the Q2 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 very much. I'm Anil Gupta, CMD, KEI Industries Limited. Thank you for attending this conference call. I'll give you a brief of quarter 2 of '26-'27 financial year. So net sales in Q2 of FY27 is INR 3,776 crores. So we have achieved a growth by 38.52%. However, the total wire and cable sales in Q2 has grown by 39.5% against previous year same period.

During Q2 FY '26-'27, operating margin is almost at par at 9.97% against 9.88% previous year same period. EBITDA in this quarter is INR 401crores against INR311 crores last year, which margin EBITDA margin over net sales was 10.62% in this quarter. The growth in EBITDA is 28.69%.

Profit after tax this quarter is INR262.45 crores against INR203.51 crores in last year. Growth in the PAT is 28.96%. Profit after tax/net sales margin is 6.95% versus 7.46% previous year same period. Domestic wire and cable sale is INR 3,184 crores with a growth of 46%.

Export sale in this quarter is INR 493 crores against INR 472 crores last year. We have very good order book position from overseas market, particularly United States. We are quite hopeful that in coming quarters, exports will grow substantially.

Total EHV sale this quarter is INR 217 crores against INR 172 crores in the previous period last year. EPC sale is INR 46 crores against INR 47 crores. Stainless steel wire sale is INR 61 crores against INR 53 crores previous year same period. Domestic institutional wire and cable contribution that means B2B sale is 26% in the overall sales.

Sales through B2C sale against distribution network is 59% and contribution of export is 13% and balance 2% is domestic EPC and domestic stainless steel wire. For first half of 6 months in FY 27, net sales achieved is INR 6,961 crores. So the growth in H1 is almost 31%. But however, total wire and cable sales growth is 32% against previous year same period.

During H1, operating margin has improved to 11.09% and EBITDA achieved is 11.73% against 11.46% in the same period previous year. Growth in EBITDA in first half is 34%. Profit after tax is INR 536.59 crores. Growth in the PAT is 34.4%.

Domestic wire and cable sales, total growth in domestic wire and cable growth is 38%. Export sale is INR 834 crores as against INR 846 crores last year. Total sale of extra high-voltage cable is INR 403 crores as against INR 298 crores last year.

The total active working dealers of the company as on 30th September is 2,146. Total order book at the moment in Wire and Cable segment is INR 4,927 crores, EPC INR 258 crores. And out of this order book, around INR 991 crores are export orders. External rating, long-term ratings from CARE India Ratings and ICRA is AA+ and that of short term is A1+.

Book value of the company per equity share is INR 753 as against INR 697 as on March 31, 2026. Cash and bank balances on 30th September is INR 698 crores, which includes QIP balance of INR 169 crores.

During H1 FY '26-'27, company has incurred a capital expenditure payment of INR 402 crores, out of which Sanand capex is INR 333 crores. Till 30th September '26, total capex payment incurred for Sanand is INR1,876 crores. Another INR 200 crores approximately will be spent in balance 6 months of FY '26-'27.

Company is expected to incur capital expenditure of approximately INR 600 crores annually for next 3 to 4 years. At present, company is having total metal consuming capacity of approximately 1,83,000 metric ton per annum, including both copper and aluminum. The planned commercial production of Phase 2 of extra high-voltage cable and HT cable in Sanand will commence by end of March '27.

Capacity utilized during H1 '27 is approximately 77% in Cable division, 64% in House Wire division, 91% in Stainless Steel Wire division and 43% in the communication cable capacity. Sanand capacity addition is taking time to ramp up and in coming months, capacity utilization will increase month after month. Also, we have sufficient capacity to grow house wires production and sales for next 2 to 3 years.

Now based on the strong demand in domestic and overseas markets, we are hopeful to grow in the current year by more than 25% and in next 3 to 4 years by 20% CAGR. There is a good demand and demand growth of our wires and cables in data center, power, T&D, renewable energy like solar and wind and also even the thermal power projects now coming up in a big way, electric vehicles infrastructure, railway electrification, metros, urban infrastructure as well.

Also manufacturing -- new manufacturing projects in domestic as well as in global markets are also attracting good demand. Wire demand is strong in housing and commercial spaces. Thank you very much. This is a brief from my side.

I would be glad to answer your any queries, if you have. Thank you very much.

Moderator: Thank you, sir. We will now begin with 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. Reminder everyone to ask question may press star and one We have the first question from the line of Natasha Jain from PhillipCapital please go ahead.

Natasha Jain: Thankyou team good afternoon everyone. I have 2 questions. First on gross margins. Could you explain the Y-o-Y gross margin decline? Now what I understand is EPC losses, if I take that even as a percentage of gross profit, that explains 80 basis point decline, leaving another 100 basis points. Your commentary on export is bullish. EHV has grown very strongly. B2C growth has been strong.

And today morning interview on CNBC also, I mean, the MD said that Ultravolt entry will not trigger pricing wars. And in 1Q, you had said that we'll maintain the gross margin guidance with a further 50 basis point improvement. So could you please categorically explain the 100 basis point decline?

And second question is on the wires and cables outlook. So if you see copper has been oscillating close to almost 14,800. So how do you see this wire and cable market evolving if copper crosses the 15,000 mark? Could there be a dent in demand itself? And what are the key risks that you see standing today in the wire and cable market? Thankyou.

Rajeev Gupta: Yes, thank you, Natasha. I'm Rajeev Gupta. So first of all, Natasha, in the earlier call of the first quarter, we maintained that the overall EBITDA margin will be 11%, mainly because the Q1 was not the representative of the margin because of the certain valuation of inventory.

So if the valuation increased in the first quarter because of some reason, it has to affect in the subsequent quarter. So because of that, it looked like that. But if we compare the whole half year position, you will find the same thing which we have said earlier also. And in the past, if you compare our 5-year number, our operating margin was close to 10.27% to 11% in H1. So slowly, slowly, it is increasing and it has reached to 11% now in H1.

So we should not compare as we earlier requested for Q1 or Q2, it is an annualized basis. We always guided in the past that annualized basis the margin will be there because growth is also on an annualized basis because in Q1 or Q2 or Q3 growth may here and there because of certain dispatches or certain inspection get delayed.

So because of that year-after-year and quarter-after-quarter, we always guided that the growth rate will be for the full year and the margin will also be for the full year basis because of the valuation impact and everything else.

With respect to the wire and cable market demand since last 15, 17 years, in spite of so many new competitors came in, in last 15, 20 years, company has grown almost 17%. If we talk of the last 3 years, we have grown more than 18%, 19%. So that kind of history we are maintaining and we are communicating and we are guiding.

So whatever we are guiding in terms of the growth or in terms of the margin, keeping in mind the new competition, keeping in mind the geopolitical situation, everything we keep in mind, that's why we give you the guidance. So whatever guidance this year, we have upgraded to grow by 25%, so we are still maintaining that we will grow more than 25% because nobody knows that in future copper price will go up or copper price will go down.

So whatever conditions at present are available, whether it's a pricing or it's a geopolitical situation, or some other environmental, or some other political situation, we need to consider each and everything into the aspects. That's how we are guiding. So our guidance is still maintaining that we will be growing at a 25%-plus growth rate and our EBITDA margin will be close to 11%.

In our EBITDA, other income part is very small. It is basically the interest on our FD or some exchange gain or loss, it depends on quarter-to-quarter. It is not very heavy amount. If we exclude the interest or exchange gain or loss, then another 0.3% or 0.4% we may exclude.

So whatever Anilji is saying that we will be maintaining 11% EBITDA margin, in the past also, we were saying, in the last quarter, we maintained that 11% to 12% guidance. So that was a range-bound guidance because of the Sanand.

Once the Sanand is fixed and the capacity is ramping up and we are going to utilize to 60% to 70%, our EBITDA margin will definitely cross to 11%. So that's how we have guided and still we are firm on our guidance, whether the competition was there or the competition in future will be there.

Export is increasing robust way. And in the coming quarters, the export will also grow. But our growth rate will be depending on the geopolitical situation, competition as we repeatedly saying that will be 25% plus and EBITDA margin will be 11%, where we grow from export or we grow from the dealer distributor or we will grow from the domestic institution side.

As of now, the pending order position is very, very strong. Export order is also very, very strong. So demand has very, very strong and the visibility of the demand is also very strong. Yes, Natasha, from my side is over. If you have any query, please let me know.

Natasha Jain: Thankyou sir it is comprehensive and all the best.

Moderator: We have the next question from the line of Aditya Bhartia from Investec.Please go ahead

Aditya Bhartia: Good afternoon Sir. Sir, my first question is on the revenue growth that we saw this quarter. Historically, you've always kind of maintained a very tight range of, let's say, 20%, 25% revenue growth. And in first quarter also, you had kind of spoken about keeping revenue in a similar range irrespective of whatever happens to RM prices.

This time around, we have seen a stronger revenue growth. So should we start thinking that the focus would be on getting volume growth as opposed to anchoring ourselves to a revenue number?

Rajeev Gupta: Sir, earlier in the past also, we're repeatedly saying that value growth will be there because government makes the budget in value, corporate makes the budget in value and individual makes the budget in value. So ultimately, the value will prevail.

Whatever capital we will be having, to that extent, we will be growing because at present, we don't have the concern for the capacity because of the Sanand Phase 1 started. So capacity is not concern as long as we have the working capital availability, because at present, we are running a debt-free company. We will be running a debt-free company. So we will be maintaining and we will be increasing our top line.

Aditya Bhartia: Sure. Given that we still have a net cash position, will it be fair to assume that revenue growth can be far stronger than what we have seen in the next few quarters as well? We have capacity, we have net cash position and realization benefit is likely to persist at least for another 1, 1.5 more quarters. So can we assume a much stronger revenue growth than what we've been -- we've become habitual of seeing?

Rajeev Gupta: Sir, you see at one side, everybody is concerning about the new competition. At the other side, everybody is also expecting to grow. If we can grow faster and you are expecting we can grow faster, then why there is a concern for that? So basically, because all the things we need to balance. Because of the balancing, we are guiding for a 25% growth. But whatever we can add, we will be definitely adding.

As I said in the past 15, 17 years, our history is available. In past 15, 17 years, so many new companies have come, but we will be able to maintain because of our large customer base position and our large export base position.

Aditya Bhartia: Sir, the reason why I'm asking a 25% kind of revenue growth essentially implies a significantly slower revenue momentum in second half versus the first half. That's why I'm kind of trying to get greater clarity.

Rajeev Gupta: Sir, for the guidance purpose, it will be 25% plus. But whatever it will be, it will be available in the balance sheet because as you have already seen in the first half, we have grown almost 30%, 31% plus. Because whenever we guide more and if we something lose, then we have to answer. So we need to cautious about guiding.

Aditya Bhartia: Sure. That's a fair point, sir. Completely understand. My second question is on margins. Wherein only in the last quarter, we have spoken about 11% to 12% margins, this time around, you are speaking about 11% margins.

I know it's not a big deal. It's a small kind of a change that we made. Should we read anything more into this? Is it that margins are likely to be lower than what you were envisaging earlier? And what is really leading to this change?

Rajeev Gupta: Sir, margin was -- our guidance was close to 11% for the current financial year because in the same call, we were referring in the month of May, we were -- at that time also, we have said that first, we will go to 11% to 11.5%, then we will go from 11.5% to 12% because as the Sanand

capacity will ramp up, the margin will get improved because of the export market, because of the EHV increase, because of the economy of scale.

So our guidance is intact. As I said, that 11%, as we said, we are maintaining. And as the Sanand capacity ramp up, we will be moving towards 11% to 12%.

Moderator: Reminder to all the participant. Please press star and one for asking question. We have the next question from the line of Kunal from 360 ONE Capital.

Kunal: Thankyou for the opportunity.Sir, my question was similar to what was asked by previous participant that -- so essentially, what we are seeing is that this year's margin will be around 11% and margin will slowly move towards 12% because of the various factors that we mentioned, right?

Rajeev Gupta: Yes, Kunalji, you are right. Because the Sanand capacity as -- which is ramping up, margin definitely will improve towards the more than 11% side. So because of the current year environment and competition in mind, the 11% EBITDA margin will be there.

Kunal: Sure sureThankyou.

Moderator Thankyou. We have the next question from the line of Saumil Mehta from Kotak AMC.

Saumil Mehta: So one question from my side, Rajeevji. Now as rightly highlighted that no one really knows how copper prices will play out. Assuming copper prices stay stable, I'm not believing in either going up or going down meaningfully, are you still confident of maintaining a 20% revenue momentum into FY28 for the full year?

Rajeev Gupta: Definitely, the CAGR, which we highlighted on the basis of the working capital available and the cash flow available, we will grow at a 20% CAGR in future.

Saumil Mehta: Even if the copper prices remain stable. Essentially, next year, we are looking at a more volume growth and less pricing growth given we will have incremental capacity from Sanand. Is that the way how we should look at?

Rajeev Gupta: Sir, volume -- every time we all discuss about volume, but I always keep reminding you that everything sold in the volume comes first.

Saumil Mehta: No, sir. I'm just looking at your mathematic, assuming copper price don't really move, essentially 20%, to meet that revenue growth will be more...

Rajeev Gupta: Sir, if copper prices don't move from here, then definitely 18%, 20% volume growth will be there automatically. And if copper price goes down from here, then the volume growth will be higher than that, it is implied, sir.

Because in the past 15 years -- sir, in past 15 years when I was saying that 17% CAGR, so a few of the years where the copper price was going down and down and down, but still we were growing at 15%, 17%, even in the downward trend.

Saumil Mehta: Absolutely. Absolutely. Sir, my second question is with respect to working capital. Obviously, first half, we saw a decrease, which was an industry-wide, not particularly to us. Do we believe from here on working capital number of days has peaked and we should gradually see that number going down into second half and going into FY28?

Rajeev Gupta: Sir, number -- sir, already, if you see the debtors number, it is already down. Only the inventory portion because of the new Sanand capacity is ramping up. So there the whole inventory will get started because at one time, we need to fill the full factory. So because of that, the inventory has gone up.

But at the same time, the creditor level has not gone up because our cash was available. So we saved the interest cost, and we use the cash. So working capital is the factor of inventory plus debtor minus creditor. So we have not increased creditor because we are having the cash. So that is not the case, our working capital has increased actually.

Saumil Mehta: Sir, I understand that. Sir, from -- I'm looking from here on, do you believe inventory days have stabilized?

Rajeev Gupta: Sir, inventory days from here it will go down.

Moderator: Thankyou. We have the next question from the line of Anupam Goswami from SUD Life.

Anupam Goswami: Good afternoon Sir. Sir, my question is on the -- how we have passed on the prices for cables, and what's our strategy now how frequent we can pass through it?

Rajeev Gupta: Sir, as I said, in last 15, 17 years, price trend was increasing or decreasing trend. We have the mechanism under the natural hedge because we are carrying 3 to 4 months institutional order book, and we are carrying 3 to 3.5 months inventory in factory and in transit. So our inventory and order book is under natural hedge.

So old order gets served with old inventory. That's how we are passing on. Whenever we are quoting a new contract, we are quoting on a prevailing market price. That's how we are passing on month after month, quarter after quarter, these prices to institution. In the case of retail, twice in a month, price gets revised, either upside or downside depending on the movement of the metal. So practically, prices are passed on.

Anupam Goswami: Got it, sir. Sir, and next question, if you can throw some light how the consumer behavior, let's say, if the copper prices stay stable from here or even slightly goes down, do we see higher traction in the volume stocking or so? How do we see from here, both in cables and wires?

Rajeev Gupta: Sir, one thing is very, very simple. When the prices of the copper will go down, the volume will get increased. Prices will go up, the volume will get decreased, but the overall sale value will increase. In the history, like financial year '16-'17, '17-'18, '18-'19, the copper price trend was going down and down and down. But our industry was growing at 16% to 17% CAGR.

Anupam Goswami: Thankyou sir.

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

Achal Lohade: Yes, sir. Thank you. Just a couple of quick clarifications. First, the EBITDA margin, what you're saying is including the other income, right? Just to clarify.

Rajeev Gupta: Achalji, in our case, in the past also, we have discussed so many times in EBITDA versus operating profit, there's not much difference. It is hardly in a quarter, INR15 crores to INR20 crores difference is there because of interest on FD or the exchange gain, sometimes exchange loss also, sometimes exchange gain also. So it is not much difference actually. It is hardly 0.2%.

Achal Lohade: Right, right. No, for the second quarter, sir, the difference was 60 basis points. And given...you know.

Rajeev Gupta: Achalji, so many times in the past, we have discussed that whenever we are guiding or always we guiding EBITDA margin. So EBITDA margin is 11%. Operating margin, it may be 0.2%, slightly less. Because in the last year only, in last 2 years, when the QIP money was there, FD income was higher actually. But now it is not the case. So interest income will be very, very less actually.

Achal Lohade: Got it. Got it. And in terms of the institutional the momentum, how has been the offtake? Is there any weakness, slowdown? Or how is the demand scenario in various pockets of the cables?

Rajeev Gupta: Yes, Achalji, since last 7, 8 years, whenever we are discussing, we are discussing you say you are not seeing the demand, you are not seeing the offtake. But every year, we say that we are seeing so many offtakes because so many projects in the private sector or government sector is on the ground.

At present, you see the energy sector is very, very strong, whether it's renewable, wind, solar, even the thermal, even the nuclear. And if you go for the infrastructure projects, whether it's road, rail, metro, airport, seaport, everything is in the traction.

The government is investing INR11 lakh crores to INR12 lakh crores. But everything will remain in the value, not will be in the volume terms. That we need to keep in our mind that government makes the budget only in the value terms.

You see the expansion in the refinery, expansion in the steel, fertilizer, pharma, even the real estate, whether it's commercial or it's residential project, each and every city, there is a construction going on, sir. Because of that, if the GDP is able to grow by more than 7%, and there is no estimation that GDP will not grow, unless and until the GDP is growing and there is no indication of GDP will not grow 7%, how we can say that demand will not be there?

Achal Lohade: No, no, fair point. I was just trying to check the current trends as to if there is any weakness given the increase in the price of the raw material, if the.

Rajeev Gupta: Sir, raw material price -- sir, raw material price increase or decrease, it always passes on. It has nothing to do with our margin. And last, if you see the latest 5-year results, you will not find

much volatility in the EBITDA margin. EBITDA margin is -- always was 10% to 10.5%. So now it is moving towards 11% because the new capacity and the new sale is increasing. So economy of scale.

Achal Lohade: Got it. Just a quick clarification. Is there any exchange loss or anything in this quarter and also in Q1?

Rajeev Gupta: At present, there is an exchange gain, there is no loss.

Achal Lohade: Okay. Can you quantify, sir, exchange gain for Q2?

Rajeev Gupta: Yes, please. Sir, INR 8 crores exchange gain.

Achal Lohade: What is it for Q1, also sir, if you have it handy? First half, yes.

Achal Lohade: Yes, yes, Q1 also similar, sir?

Rajeev Gupta: No, Q1 was very less actually. Less than INR 1 crores.

Achal Lohade: Less than INR 1 crores. Okay. Got it.

Rajeev Gupta: Actually, interest cost was higher earlier because of the QIP money.

Achal Lohade: Correct.

Anil Gupta: It has interest income...

Achal Lohade: Thank you got it sir.

Moderator: **Thank you.** We will take the next question from the line of Umang Mehta from Kotak Securities.

Umang Mehta: Thank you for the opportunity. Sir, on exports, you are targeting 17%, 18% salience this year. First half, we are flat because of the war. But you mentioned about a very strong order book. Two questions there. One is how much is U.S. in your order book of INR1,000 crores? And second is, how do you see export growth for the full year as of now?

Rajeev Gupta: Sir, export growth almost it is flat because INR 493 crores versus INR 472 crores in this quarter. But the export order, which is INR 991 crores, it is from the Middle East, from Australia, from America. America order is almost 50% of the order book.

Umang Mehta: 50%, okay. Got it.

Rajeev Gupta: At the current timing, the America is very, very strong demand, whether it's industry or it is from energy side. On both the sides, the demand is very strong from USA.

Umang Mehta: Understood. Sir, from a full year perspective, any guidance you can share in terms of absolute export revenues or growth?

Rajeev Gupta: Sir, first of all, everything -- if the export increase so much, then a little bit decrease in the domestic institution because if the overall growth -- overall growth will remain the same, na, sir. Because we need to be sub-part of the export, retail or institution. Overall, growth either from here or from there.

Umang Mehta: Sure sir, thankyou and all the best.

Moderator: Thankyou. We will take the next question from the line of Vidit Trivedi from Asian Markets Securities. Please go ahead

Vidit Trivedi: Hi Sir, thankyou for the opportunity. Just a quick question on the capex-related side. So our CWIP has increased to almost INR1,300-odd crores as of September. So could you please provide an update on the key projects driving this increase and the commissioning time line?

Rajeev Gupta: Basically, the Sanand project is only the driving. By March 2027, our Phase 2 of EHV and HT cable will commence. So then almost all the CWIP will go towards capitalized.

Vidit Trivedi: Got it, sir. Just wanted some clarification on the inventory side. So we have seen an almost INR 1,200-odd crores of increase in inventory in first half, significantly impacting our operating cash flows. Could you please elaborate on the key drivers of this buildup? And additionally, when can you expect the inventory to...

Rajeev Gupta: Sir, main inventory increase in the Sanand, because it's a new plant. So as the capacity is increasing, so at one time we need to fill the full factory. Almost more than INR 600 crores, INR 700 crores inventory increase only in the Sanand, and balance because of the valuation from the existing factory, the copper price have -- because of that only.

Vidit Trivedi: Sir, and when can we expect it to normalize post H2?

Rajeev Gupta: So it is by the end of the year, it will get normalized to the earlier level. The holding level will remain same by the March '27.

Vidit Trivedi: Got it, sir. And can you please call out the volume growth for this quarter?

Rajeev Gupta: Sir, volume growth, as I earlier said repeatedly that everything we sold in the value. The government budget always in the value, and we have the capital constraint, so we can sell only in the value terms, no, sir. So that's why the value growth is always prevail because balance sheet we make in the -- only in the value terms.

Vidit Trivedi: Got it, sir. Thanks a lot.

Moderator: Thankyou. We will take the next question from the line of Rahul Agarwal from IKIGAI Asset.

Rahul Agarwal: Good Afternoon sir, A few clarification. You said balance sheet inventory should go back to 90 days of COGS by March '27. Is that correct?

Rajeev Gupta: Yes, it is correct.

Rahul Agarwal: Okay. Sir, I joined the call a bit...

Rajeev Gupta: Because by that time sales will also increase. Rahulji, by the time the sales will also increase, no? So again, the holding level will remain same.

Rahul Agarwal: Yes, sir, I understand that. I joined the call a bit late. I just wanted to understand the reason for the EPC segment, whatever small EBIT loss we have reported, what is the reason for that?

Rajeev Gupta: EPC, since we are closing down, so now whatever left-out job is there because the new job in EPC is not there, so small, small closure issues will be there. So it will be -- like in the first quarter also, there was a INR 5 crores loss, in second quarter, INR 8 crores. So in next 1 or 2 quarters, the INR 5 crores to INR 7 crores loss will be there because we are almost closing down the EPC.

Rahul Agarwal: Okay. So full year, we should budget like about a INR 20 crores kind of EBIT loss for the full year. And then from next year, there is no EPC. Is that correct?

Rajeev Gupta: Almost EPC has -- EPC revenue is close to 1%, 1.5% as of now.

Rahul Agarwal: Okay. Got it, sir. Got it. And just one clarification on exports to the previous participant's question. So first half flat, I understand full year we'll grow 25%. It doesn't matter whether it's domestic export. But this INR990 crores order book will have a finite time line, right?

Rajeev Gupta: Yes. It will be sold within 3 to 4 months. Sir, whatever pending order book is almost 3 to 4 months, not more than that.

Rahul Agarwal: So you're saying this entire INR 1,000 crores of export order book will get fulfilled in the next 4 months?

Rajeev Gupta: Sir every month order comes and every month order is sold. So order book will be there, but it will be sold within 3 to 4 months.

Rahul Agarwal: Okay, okay. Got it. And sir, last question on EHV. After the plant commissions for Sanand by March, the peak revenue for EHV would be how much? What should be the capacity?

Rajeev Gupta: So new capacity additional will be more than INR 1,500 crores to INR 1,700 crores in terms of value or maybe more depending on the metal valuation. But it will take some time to reach peak.

But quarter after quarter from the September quarter of next year, the EHV sales will get increased because March, we will start the commercial production; 3 months' time, it will take to settle down and for the approval process. So then from the second quarter, the sale will heading of EHV from the Sanand plant.

Rahul Agarwal: And this is over and above the existing INR 700 crores of capacity. Is that correct?

Rajeev Gupta: Yes, yes. Sir, existing is now INR 700 crores sales.

Rahul Agarwal: Okay. And sir, full year capex, you said INR 600 crores every year for the next 3 years. That is what we should budget?

Rajeev Gupta: Yes, sir, because we need to increase the capacity to grow by 20% CAGR. So now we have just started the Salarpur. So it will take another 2 years' time. So their investment will be going. That's how we are targeting and allocating the budget for capital expenditure.

Rahul Agarwal: And this includes the maintenance capex for existing factories?

Rajeev Gupta: Yes, maintenance capex is INR100 crores to INR150 crores, not more than that.

Rahul Agarwal: Got it.

Rajeev Gupta: In all the plant.

Rahul Agarwal: Got it Sir. Thankyou so much and festive greeting to all of you.

Rajeev Gupta: Thankyou so much and apko bhi sir.

Moderator: Thankyou. We will take the next question from the line of Kevin Shah from Aditya Birla Capital Institutional Equities.

Kevin Shah: Hi and thankyou for the opportunity.So my first question is on the volume front. So in the interview today morning you mentioned that volume for FY27 will be somewhere around 10%. So -- and which is more -- it's conservative than your earlier guidance of 16% to 17%. So can you throw some light why is that conservative and how much?

Rajeev Gupta: Sir, if you see the volume growth 16% to 17% and price has increased by 50%, this means you are talking of a 67% to 70% sales value growth. Is it right or wrong? Hello?

Kevin Shah: Yes. Yes, I get it.

Rajeev Gupta: So 70% which is not possible at all because for growing any company, it needs the working capital and working capital does not support more than 25% to 30% growth rate. So it is very, very clear, sir. So whatever we will grow, we will grow in value terms. So that's why we are again and again emphasizing on the value terms because of the capital requirement to grow.

Kevin Shah: And how much of this will be coming from Sanand contribution? And what is the current utilization at Sanand?

Rajeev Gupta: For Sanand, as of now until last month, it's reached INR200 crores per monthly bill. Within this quarter, we are targeting INR150 crores to INR200 crores per month, and third quarter will be close to INR 250 crores to INR 300 crores on that type of thing in the monthly basis.

Kevin Shah: Thanks. And secondly, on the margins, if we compare the Q-on-Q margin decline, so in Q1, you mentioned that the operating efficiencies EHV and the retail contribution was the key lever for the margin -- solid margin trajectory. And if we see even in this quarter, those 3 levers are intact. So could you help understand the key reasons for the sharp decline in Q-o-Q margin?

Rajeev Gupta: Actually, there is no decline. When there was a last quarter call, at that time also I clarified because of the valuation, inventory is high, because of that, the margin was looking like improving. But if the closing stock somewhere at the high value, again, it has to be adjusted in the subsequent quarter, so that it has adjusted.

So if you combine for 2 quarters, it has averaged out. It always happens because of the current price fluctuation. So there is no decline. Practically, annualized basis, if you see, there will not be decline, rather it will be increased, whether it's the operating profit, which we are talking.

Kevin Shah: Okay. Understood. And lastly to get a sense on your strategy in the retail channel, the dealer channel. So if we are seeing an increase, additional capacity, the new entrants coming in the retail channels.

So what are you looking at a strategy to lower channelize your mix between the retail and HT? And can we see the retail mix going down from here due to that? Or is there a deliberate approach to that, or will you be speaking as it goes on?

Rajeev Gupta: Sir, dealer distributor contribution is already 55% to 60% range, and we will be operating in this range. Because those dealer/distributor are working for us, they will be working for us.

Kevin Shah: And have you seen any pricing changes or any dealer incentive change in the dealer channel?

Rajeev Gupta: Pricing, it is a continuous process is increasing or decreasing because depending on the metal price, as I said, that twice a month price gets revised for the retail, twice a month. So it's a continuous regular normal process, nothing new, nothing abnormal.

Moderator: Thankyou . Ladies and Gentlemen in order to ensure that the management is able to address all the question from the participants in the question queue we request you to kindly limit the question 2 per participant. If you have the follow-up question please join the queue again. We will take the next question from the line of Rahul Maheshwari from Ambit Investment Advisors. Please go ahead.

Rahul Maheshwari: Yes. I have 2 questions. First, if we see from past 2, 3 years, your dealer -- active dealer count, if you look at this time you have disclosed at 2,146, and last year, same period, it was at 2,340 something. Why the active dealer count has been -- remained steady state? Have we reached to our full potential in terms of distributor count or the penetration, etcetera?

Rajeev Gupta: Sir, dealer distributor count is normally in the range of 2,100 and our existing dealer distributor are few of them, those who are not working, we are closing down, and few of the new potential dealer distributor, we are increasing. That's how the number is in the range.

And our existing dealer distributor are working hard for the company. That's how our overall retail dealer distributor sale in last 5 years has grown from 40% contribution to now 59% contribution. So we are quite satisfied with our existing dealer distributor, and they are also very loyal to the company, those who are selling.

Rahul Maheshwari: Sir, I got that, that dealer distribution mix is improving. I'm just asking from a penetration perspective that if in India, XYZ is the number of dealer count, have you reached to that potential, that is why on a net basis, it's not on an increasing trend is my question?

Rajeev Gupta: Slowly, slowly it is increasing also. But few of the dealers, those who are not selling our product, they are also decreasing also. So because of that, the net number is not increasing. But ultimately, the valuable dealer distributor is increasing.

Rahul Maheshwari: Okay. Okay. And sir, these would be your exclusive dealers, 2,146?

Rajeev Gupta: Sir, normally 15%, 20% of the total dealer count are the exclusive, but balance are the multi-brand dealer distributor. They must be selling 2 or 3 brands. That's the normal practice of the industry.

Rahul Maheshwari: Right, right. And in terms of serviceability, can we say that how many pin codes are we able to map through these dealer retail touch points, how many we have been able to clock?

Rajeev Gupta: Almost in each and every city we are available, sir. Each and every city of the country, we are here.

Rahul Maheshwari: Okay. Sir, just a second question...

Rajeev Gupta: We are the second largest company of the country for the value.

Rahul Maheshwari: No, no. That's known, sir, been tracking for more than 12, 13 years. So from a perspective from the peer or the new entrant who has been able to start this business. So just wanted from a reach perspective. Sir, second question is Sanand, wanted to.

Rajeev Gupta: Sir, one thing I would answer for the reach point, more than 25,000 retailers are working all across the country and more than 2 lakh electricians we have been connected so far. Yes, sir, you are asking something.

Rahul Maheshwari: Yes. And -- but this you have reached, can you give on an industry basis, sir? That will be really helpful that how much more potential is there for KEI to grow?

Rajeev Gupta: It may be double also, sir, in next 5 to 10 years because the potential is huge, in the country is so big.

Rahul Maheshwari: Okay. and sir, just last question on Sanand. As you -- in your initial remarks, you said that ramping up is taking time. But last year, you mentioned that it might take 2 to 3 years for full ramp up. Can you give at what year we can see the peak utilization for Sanand?

Rajeev Gupta: FY 28-'29. Sir, that guidance is still intact. So in FY 28, '29, you will see the peak revenue from there.

Rahul Maheshwari: And how much asset turn, in the range of 2 to 3 or better?

Rajeev Gupta: More than 3.

Rahul Maheshwari: Okay. Sir, more than 3 means should we take 4x or what kind of assest turn because EHV will also be there.

Rajeev Gupta: As of now, more than 3, sir, less than 4.

Rahul Maheshwari: Okay. Sir, thankyou sir, best wishes sir.

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

Bharat Shah: Namaskar Rajeev ji, namaskar Anil ji. One long-range question. We aim to grow at about 20% plus over next 4 to 5 years.

Rajeev Gupta: Yes, sir.

Bharat Shah: So should I assume that our operating profit pool growth would be ahead of that top line number?

Rajeev Gupta: Sir, that was always in the past also. If you compare past 15 years, our CAGR growth was 16% to 17%, but our profit growth was close to 24% in the past also, sir.

Bharat Shah: Right. So for the 20% value growth in turnover for next 4, 5 years, what kind of operating profit pool growth one should probably be able to pursue?

Rajeev Gupta: Sir, at least 3% to 4% higher than the top line.

Bharat Shah: All right. And profit after tax, will it be fair to assume will be a little higher than the operating profit growth?

Rajeev Gupta: Overall, the profit after tax will be higher, 3% to 4% because of the interest and the above operating margin will also be higher a little bit because of some operational efficiency and economy of scale. So overall profit after tax, you can count that 3% to 4% will be higher than the top line growth.

Bharat Shah: Than the top line?

Rajeev Gupta: Yes.

Bharat Shah: So 20% top line growth will mean 23%, 24% operating profit growth and profit after tax would mean probably about 25%?

Rajeev Gupta: Because there is a tax payment also, no? So the growth below the line -- I am talking of the below the line growth basically. I'm not talking of the operating growth. I am talking of the final profit after tax because in the past history, when even the interest was there, we were growing 17% and our profit after tax was growing 24%. So there the difference was higher because of interest. But now the interest cost is less. So if we grow by 20%, at least profit after tax will grow by 24% to 25%.

Bharat Shah: And operating profit growth, should we assume 23%, 24% compared to 20%?

Rajeev Gupta: Operating profit, I cannot comment, sir, as of now because I have not calculated because in the history, I have calculated on the top line and the bottom line. So accordingly, I have given you the answer.

Bharat Shah: Okay. And what should happen to return on capital employed, which was last year obviously reduced due to...

Rajeev Gupta: Sir, return on capital and return on equity as it was in the history, ROE was 19% to 20% and ROCE was close to 23%, 24%. From the next year onwards, you will see that kind of ROCE and ROE. Because when the Sanand will get completed and the top line will be from there, so the same will get reversal, sir.

Bharat Shah: Terrific. And the capex you mentioned, but I couldn't really get that number. Regular maintenance capex will be INR 100 crores to INR250 crores. And what is the growth capex?

Rajeev Gupta: **Sir,** INR100 crores to INR250 crores and another INR450 crores to INR500 crores will be for the new capex, the infill capex.

Bharat Shah: Growth capex over next 4, 5 years?

Rajeev Gupta: Yes, sir. Because we need to continue growth and we need to continue capex also, sir, because we need to invest 2.5 year advance.

Bharat Shah: Okay. Okay, sure. And one last thing. Since we conceive our business plan in terms of the top line, and as you have many times articulated that there may be underlying raw material price fluctuations, so volume growth also may reflect synergistic effect. But the best way to conceive overall business model is in terms of the top line.

And if that be the case, should we really focus on operating margins that we talk about that it is likely to be 11% current year and over time, it will improve to maybe say 12% because that operating profit is really an outcome of this model. Therefore, will it not be better to focus on top line is one number and operating profit growth is a percentage growth is another number rather than focusing unduly on margin percentage.

Rajeev Gupta: Sir, you are right. As we said that even in the current year, our earlier guidance was 20% because of the capacity available and capital available, we reached to the line where we have set the target of 25% plus. And first half, we have already grown by 30%.

And in the margin, we have guided that because of the economy of scale because of the current scenario and the mix of the retail has increased and export has increased, our EBITDA margin earlier was close to 10.5%, which we have guided for 11%. So both the things are intact.

In future also, 11% margin will go towards the higher range. And ultimately for us as a company, the availability of the cash profit, profit after tax plus depreciation. So profit after tax will be close in the range of 7% to 7.5%. So that will be available for our future growth. That's how we measure our growth actually, sir.

Bharat Shah: No, that I appreciate. My simple question is, for value creation in a business, what is important on a long-term is how the overall business is growing, how our profits are growing, and how our cash flows are growing. And along with that, whether return on capital employed, capital efficiency is improving or not. Margin is just an outcome in that number.

Rajeev Gupta: Margin is improving, sir. Earlier margin was 10.5%. It has improved to 11%.

Bharat Shah: No, no, I understand that.

Rajeev Gupta: And we are guiding also for future once the Sanand get commissioned fully. So in the next year, another 0.5% margin will get improved.

Bharat Shah: No, no, I understand that.

Moderator: Sorry to interrupt in between, Mr. Bharat.

Bharat Shah: No, no. I need to complete this question, please.

Rajeev Gupta: Please hold for one minute. Bharat ji is asking something. Yes, Bharat ji, please.

Bharat Shah: Yes, I was saying that basically margin percentage is not a particularly important factor in value creation. Value creation resides in top line profit and cash flow growth along with the capital efficiency improvement. So margin is merely a noise rather than any meaningful signal. And therefore, unnecessarily too much discussion and too much focus goes on margin.

Rajeev Gupta: You are right. You are right. But sir, most of the analysts they are always talking of the margin that increase margin or decrease margin, but they are so that's why we need to focus and because they are focusing on the margin. But otherwise you are right because as a company, we finally need the cash flow and the efficiency of the capital.

That's why we always focus -- whenever we make our business plan, we always make that how much cash is available with us, that is profit after tax plus depreciation. After paying dividend, that cash is available to us. So we, as a company, always focus on that only, sir, which you are guiding us. No one has seen this company more than you. You have been our witness for the last 25 years. Whatever we are saying, we are trying to deliver more than that.

Bharat Shah: Thankyou Rajeev ji and Anil ji.

Rajeev Gupta: Thankyou sir.

Anil Gupta: Thankyou sir.

Moderator: Thankyou. We will take the next question from the line of Darshan from Jefferies. Mr. Darshan you may proceed with your question.

Darshan: Thanks for the opportunity. I just had one clarification regarding the margins. So earlier, we were guiding for 11% to 12%. Now we are guiding for 11%. So is it that we are being conservative and guiding towards the lower end of our previous guidance? How do we read it?

Rajeev Gupta: Sir, there is no confusion. The guidance is 11% to 12%. 11% to 12% was also for the next financial year. In the last call also, if you read our call, we said that first, we will go from 11% to 11.5%, then we will move to 11.5% to 12%. Guidance is intact.

Sometimes there is a little bit confusion with the understanding or whatever we are -- we want to communicate, maybe it's a little bit difficult that -- again, I'm saying that our guidance for growth will be 25% in value terms.

For the margin, our guidance will be -- EBITDA level margin will be 11%, 11% to 11.5% because when the Sanand is going to complete by March '27, it will move first from 11% to 11.5%, then 11.5% to 12% because until 2024, '25, our margin was 10% to 10.5%. '25, '26 even the margin was close to 10.5% operating margin.

So now this margin is improving and it will improve. So guidance is intact. So please take note that the guidance of EBITDA margin 11% to 12% will be completing in '27 and '28, 2 financial year. It will not be, sir, quarter-to-quarter. Whatever we are saying, it is an annualized basis. Once again, I'm requesting to all of you, sir.

Darshan: Got it, sir. Thank you so much for the clarification. So there's no guidance cut. Got it.

Moderator: Thank you very much. Ladies and gentlemen, with that, we conclude the question-and-answer session. I now hand the conference over to the management for the closing comments. Over to you, sir.

Anil Gupta: So thank you very much, friends, for this interactive conference call. If you still have any further questions, please reach out to us. Thank you.

Rajeev Gupta: Thank you very much to all.

Moderator: Thank you, members of the management. On behalf of Nuvama Institutional Equities, we conclude this conference. Thank you, everyone, for joining with us today, and you may now disconnect your lines.