



# KEI Industries Limited

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**KEI/BSE/2023-24**  
**The Manager,**  
**BSE Limited**  
**Listing Division,**  
**Phiroze Jeejeebhoy Towers,**  
**Dalal Street, Mumbai- 400 001.**

**Date: 01.02.2024**

**Sub: Transcript of Analysts/Investors Call pertaining to the Financial Results for the third quarter and nine months ended on 31<sup>st</sup> December, 2023**

**Dear Sir/Madam,**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform the exchanges that the transcript of audio call recording of the Company's Analyst Call held on Wednesday, 24<sup>th</sup> January, 2024 to discuss the Un-Audited Financial Results (Standalone and Consolidated) for the third quarter and nine months ended on 31<sup>st</sup> December, 2023 is attached herewith.

The transcript is also available on the website of the Company:

This is for your information and record.

**Yours truly,**  
**For KEI INDUSTRIES LIMITED**

**(KISHORE KUNAL)**  
**AVP (Corporate Finance) & Company Secretary**

**CC:**

<b>The National Stock Exchange of India Ltd.</b> <b>Listing Division, Exchange Plaza, Plot No. C/1,</b> <b>G Block, Bandra Kurla Complex, Bandra (E),</b> <b>Mumbai – 400 051</b>	<b>The Calcutta Stock Exchange Ltd.</b> <b>The Senior Manager, Listing Division,</b> <b>7, Lyons Range, Kolkata-700001</b>
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“KEI Industries Limited  
Q3 FY '24 Earnings Conference Call”  
January 24, 2024



**MANAGEMENT:** **MR. ANIL GUPTA – CHAIRMAN AND MANAGING  
DIRECTOR – KEI INDUSTRIES LIMITED  
MR. RAJEEV GUPTA – CHIEF FINANCIAL OFFICER –  
KEI INDUSTRIES LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to Q3 FY '24 Earnings Conference Call of KEI Industries hosted by Monarch Network Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Dani: from Monarch Network Capital. Thank you, and over to you, sir.

**Rahul Dani:** Thank you, Muskan. Good afternoon, everyone. On behalf of Monarch Network Capital, we're delighted to host the senior management of KEI Industries. And we have with us Mr. Anil Gupta, Chairman and Managing Director of the company; and Mr. Rajeev Gupta, CFO of the company. We will start the call with opening remarks of the management and then move to Q&A.

Thank you, and over to you, sir.

**Anil Gupta:** Thank you. So good morning to everyone, and I welcome all of our esteemed investors to this conference call. I'm Anil Gupta, Chairman and Managing Director of the company. Just a brief of the results, although you already have all the rest with you. So the net sales in Q3 is INR2,061.72 crores. So the growth in net sales is 15.55%. EBITDA in this quarter is to INR228.72 crores. Growth is -- in our EBITDA is 16.72%. EBITDA/net sales margin is 11.09% as against 10.98% in the same period previous year.

Profit after tax this quarter is INR150.67 crores against INR128.61 crores in the previous year same quarter. Growth in the PAT is 17.15%. So the PAT/net sales margin is 7.31% versus 7.21% last year.

Domestic Institutional Cable sales Wire and Cable is INR556 crores in third quarter against INR630 crores last year. Domestic Institutional sales of extra high voltage cable is INR184 crores against INR93 crores previous year. So the growth is 97%. Export sale in this quarter is INR284 crores, out of which, Cable is INR195 crores, which was INR103 crores last year. And overall, all products put together, the Export sale is INR284 crores. So the growth in the Export is 98%.

Total Cable Institutional sales contribution is 45% as against 46% in the previous year time period. Sales through distribution network is INR949 crores in the third quarter against INR816 crores in the same period last year. Growth is approximately 16%. The sales B2C sale, that is sales through distribution network, has contributed 46% in third quarter.

The sales in that EPC division other than Cable is INR146 crores as against INR95 crores last year. The growth is 53%. Out of the total sales of EPC, the EHV cables EPC sale is INR32 crores as against INR25 crores in the same quarter last year.

The sales of Stainless Steel Wire is INR46 crores against INR54 crores last year. Volume increased in the Cable division on the basis of production for consumption of metal in Q3 as compared to previous year. Same period is approximately 13%.

Now I will come to the results summary of 9 months as on 31st December 2023. Net sales in 9 months is INR5,791 crores against INR4,958 crores last year. Growth in the net sales over 9-month period is 16.8%. EBITDA growth is 19.41% and EBITDA margin is 10.82% as against 10.59% previous year. PAT in 9 months of FY '24 is INR412.27 crores against INR339.27 crores. Growth in the PAT is 21.51%. PAT/net sales margin is 7.12% versus 6.84%.

Overall, domestic Institutional and Cable sale is INR1,560 crores in 9 months against INR1,574 crores last year. Sales of extra high-voltage cable is INR402 crores against INR237 crores last year. Export sales in 9 months is INR840 crores against INR530 crores last year. The growth is approximately 59%.

Total Institutional Cable sales contribution is 45% as against 44% last year. And sales through distribution network is INR2,714 crores in 9 months as against INR2,320 crores last year. Growth is around 17%.

The total active working dealers of the company around 31st December 2023 was approximately 1,975. B2C sale contributed 47% in 9 months, which is at par with the previous year same period.

Sales of EPC is INR370 crores as against INR270 crores last year. Growth is approximately 37%. And Stainless Steel Wire sale is INR162 crores as against INR185 crores last year same period.

Volume increase in the Cable division on the basis of production for convention of metals in 9 months in FY '24 is approximately 22%. Pending orders at the moment is INR3,826 crores. Out of this, INR934 crores is EPC orders, INR594 crores are the orders, which are pending from extra high voltage domestic cable INR1,823 crores and Export orders INR475 crores. So this is the overall summary of the pending orders.

Ratings. India Ratings and Research Private Limited has affirmed its long-term rating as AA with positive outlook. ICRA and CARE long-term rating is AA stable. Short-term rating from India Rating, ICRA and CARE is A1+. The book value per equity share of the company is INR333 as against INR287 as on March 31, 2023.

Now I will give you financial outlook of the company for the future. Capacity utilized during 9 months in FY '24 is 95% in Cable division, 70% in House Wire division and 89% in Stainless Steel Wire division.

During 9 months, company has incurred a capital expenditure of approximately INR308 crores. Out of this Chinchpada and Silvassa, INR65 crores; Pathredi INR30 crores; Sanand INR167 crores; and other plant locations, around INR46 crores.

Company is doing a brownfield capex at Chinchpada plant in Silvassa with a capex of INR110 crores, which will add a capacity of -- for House Wire and LT power cables, approximately 800 crores to 900 crores, out of this which, 240 crores capacity has been added in October '23 and balance capacity will be operational by end of this financial year, that is by March 31, 2024.

Another greenfield and brownfield capex is going on at Pathredi with an approximate cost of INR110 crores, which will increase the capacity for LT power cables approximately 800 crores to 900 crores per annum.

It will be operational in the first quarter of FY '24-'25. This brownfield capex will enable us to grow by approximately 16% to 17% in the current financial year and also 15% to 16% growth in the next financial year.

Apart from this brownfield capex, company has planned INR300 crores capex on greenfield expansion for Cable and Wire in Gujarat, commercial production for which will be commenced by fourth quarter of FY '24-'25. We have already purchased the land and initial construction work has started.

Further, we will spend approximately INR400 crores to INR500 crores of capex in the next financial year each year on the Sanand Plant, and another INR400 crores each year for next 2 subsequent years. It still allow us to maintain a CAGR of around 15% to 16% per annum as against in the next few years.

Industry outlook. Demand scenario is good for our company from public sector capex as well as private sector capex. And India has emerged as a fast-growing economy in the world, and there are substantial opportunities available for exports as well. So we expect good growth in our Wire and Cable segment in the next few years.

India, the structures are mainly solar capacities, which are being added. Another capex pipeline in the infrastructure like highways, metros and railways and even in the power sector as well. And even the construction sector is also doing substantially well, which includes large construction-filled projects like hotels, hospitals and other real estate sectors.

The manufacturing sector in India has a good potential to grow with a lot of PLI scheme and private sector adding capex in the manufacturing sector. So increased investments in the telecom sector is also giving boost to electrical cables, especially in the telecom infrastructure.

**Moderator:** Sorry to interrupt, sir. Like there's a disturbance in your side. Please clear this now.

**Anil Gupta:** Pardon?

**Rajeev Gupta:** Now it is clear?

**Moderator:** Yes, sir. It's clear.

- Anil Gupta:** So this is a brief from my side. I welcome now please put your questions, whatever, and we'll be glad to answer.
- Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Rahul Agarwal: from InCred Equities. Please go ahead.
- Rahul Agarwal:** Thank you so much for the opportunity. Good afternoon, sir. Sir, firstly, I can see from the numbers that Housing Wires is actually doing better than Cable for KEI when the industry trend is actually the reverse and the entire industry has seen low single-digit volume growth for wires last 2 to 3 quarters now. What has got KEI market share gains? Could you just give some color and understanding of how you've gone about this, please?
- Anil Gupta:** So it is basically improving our geographical push by having dealers in the vacant areas and also those schemes and advertising. One factor I can attribute is that maybe we are having lower base as compared to the Havells and Polycab, which you are might be talking. So that may be. I don't know, but these may be the factors.
- Rahul Agarwal:** Okay. So just to extend this question, when I look at the regional dealer sales, which you report in your presentation, it looks like North and East have grown way, way faster versus South looks like low single digits. Could you share some feedback on demand trends in these regions just so that I can tie it up based on why Wires are doing way better than Cable for KEI.
- Anil Gupta:** No, no, no. I don't think that Cables are not doing better.
- Rajeev Gupta:** Because the capacity...
- Anil Gupta:** Capacity constraint in the Cables.
- Rajeev Gupta:** In the Wire, we have capacity utilization is close to 70% wherein the Cable we have utilization at 95%. And slowly, slowly we are adding the capacity with the brownfield capex, so then we will be increasing the Cable space in our city. That's how our growth we are targeting of 16% to 17%.
- Rahul Agarwal:** Got it, Rajeevji. The question essentially was also on the regional side. When I look at the numbers, it looks like North and East are doing 15% to 20% and South is low single digit. West is recovering these last 3 quarters...
- Rajeev Gupta:** And here also I will explain to you that it's basically the leadership position from the company side. Those who are aggressive in the market, like in the North, always holding good. And now the East is also being very good now. So now our focus and thrust will be in the southern part. So in the next year, we will see the conversion in the southern part also.
- Rahul Agarwal:** Okay. Got it, sir. Sir, on the capex, one question. I understand you gave plant-wise capex. I couldn't capture everything. What I wanted to know is if you can help me, full year numbers for consolidated capex for the company for fiscal '24, '25 and '26. That will help.
- Rajeev Gupta:** '24 will be close to INR450 crores, around. And next year, it will be close to INR500-plus crores.

- Rahul Agarwal:** Okay. So we should assume INR450 crores for this year, INR500-plus crores for next year?
- Rajeev Gupta:** About INR500 crores or INR600 crores depending on the construction work going on in the past in extra high-voltage power cable segment.
- Rahul Agarwal:** Got it, sir. And last question on volume growth. You said 13% for third quarter. Is it possible to give 9-month number?
- Rajeev Gupta:** For 9 months, it was 22%.
- Anil Gupta:** and for 9 months the volume increase is 22% in Cable.
- Rahul Agarwal:** Congratulations for another consistent quarter and comeback in the queue. All the best.
- Rajeev Gupta:** Thank you Rahulji.
- Moderator:** Thank you, the next question is from the line of Bhavin Pande: from Athena Research. Please go ahead.
- Bhavin Pande:** Good afternoon, everyone. I hope I'm audible.
- Rajeev Gupta:** Yes, yes. You're audible.
- Bhavin Pande:** Sure. Sir, we could see that subcontracting expenses for EPC have gone down both on a sequential as well as Y-o-Y basis. So if you could throw some light on that?
- Rajeev Gupta:** No it is depends on the projects that are going on. Sometimes the supply portion is more, sometimes the erection portion is more.
- Bhavin Pande:** But sir, even when we look at quarterly numbers, margins have expanded for EPC. So we were wondering if some cost initiatives are working?
- Rajeev Gupta:** So what it is we're doing for the completion because most of the old orders are at completion stage. So all the provisions, etc., has been accordingly provided. Earlier, it was reverse. So accordingly, it has been done. Because right now, we are having only 3 to 4 contracts going on. All the old contracts are getting completed now.
- Bhavin Pande:** Okay. And sir, the numbers you gave for capex, INR450 crores and INR500 crores. So all of it is for EHV segment or a certain portion would be...
- Rajeev Gupta:** Oh, no. We are in our Ahmedabad, Sanand project, we are going for a greenfield project for extra high-voltage, high-voltage and low-voltage power cable, all the 3 segments. So the first phase that our CMD given you the figure that by fourth quarter end of next financial year, low-tension power cable and medium-voltage power cable production we'll get it started. And after the 6 to 7 months, the extra high-voltage power cable will be started over.
- Moderator:** The next question is from the line of Riya from Aequitas Investments. Please go ahead.

- Riya:** Thank you for giving me an opportunity. My question is in terms of we've seen that Exports have significantly increased. So in terms of the current issues, which are happening on the freight, could you help us on how are our contracts placed? And are we passing on the incremental freight costs and the impact of the current geopolitical issues?
- Anil Gupta:** Yes, yes. We are passing on the incremental freight to the customers. So freight is not an issue.
- Riya:** And are you seeing any decrease in demand because of that or any delay and inventory clogging?
- Anil Gupta:** No. On cable, it's a high-value item and the increase in the freight element may increase the prices of cable by maximum 1% to 1.5%, which is insignificant and the companies who are doing the projects or the capex, they can't afford to delay the projects just because of 1% to 2% increase in the cable prices.
- Riya:** Got it. And in terms of our capacity expansion of EHV compared to the current capacity, how much will we be increasing?
- Rajeev Gupta:** We can do around 600 crores worth of it.
- Anil Gupta:** No. EHV which will come in, the sanand will be equal or even more than this for at least 2 years from now. Because the EHV project take more time than the low-tension or medium-voltage cables.
- Riya:** So we will be producing almost 2x the capacity we are currently producing, am I right?
- Anil Gupta:** We are almost operating at 95% capacity utilization.
- Riya:** Right. Got it. And in terms of margins, do we see any -- are we maintaining the margins going forward?
- Anil Gupta:** I think we are definitely going to maintain the margin, which we have achieved around 11%. And I think we'll try to improve by 0.25% or 0.5%, but the margins will remain in this vicinity.
- Riya:** Got it. And any guidance in terms of where their export demand is coming from in cases? Export as well as EHV, where is it coming from?
- Anil Gupta:** So it is coming from at the moment, we are exporting EHV cables only in Australia, But we will develop new export markets for EHV cables once the new capacity comes up. Because at the moment, we are constrained with that capacity. There is no point in doing sales effort when we cannot produce and deliver.
- Riya:** Ok got it, thank you so much sir.
- Moderator:** The next question is from the line of Praveen Sahay from PL India. Please go ahead.
- Praveen Sahay:** Thank you for taking my question. Sir, first question is on the domestic Institutional business. So that number there, we see a degrowth on the Y-o-Y side. So is it only the capacity constraint or something else?



- Rajeev Gupta:** It is not. Basically - the degrowth is basically allocation of the capacity because once we got the export orders, so we have allocated that capacity to export. Otherwise, the demand is very strong. So whatever capacity we are having as and when we can sell to the domestic Institutional or to the export Institutional. So if the order has come from exports, so we have to serve first to the export. We are going by the order's buyer entry.
- Praveen Sahay:** Okay. Okay. Allocation.
- Anil Gupta:** Where we can allocate the capacity, that is the issue.
- Praveen Sahay:** Right. And you are making a higher margin in the exports, so there you are allocating. Fair to understand this, right?
- Anil Gupta:** Yes. Yes.
- Praveen Sahay:** Second question, sir, on the EHV cable. There also, there is a very strong growth we have seen for a quarter and even for a 9-month. So can you guide for the way forward how you are seeing the EHV numbers to improve from here onwards?
- And also to add on, the capacity allocation also is the function over the year, like more of the EHV you are producing in place of the other cable and the growth is there and the demand is high?
- Anil Gupta:** No, EHV numbers will remain similar next year also because, here, EHV capacity cannot be reallocated from medium-voltage or LT side. It has a separate set of machines where EHV can be manufactured. However, on this capacity, we can manufacture medium-voltage cable. But on medium-voltage machines, EHV cable cannot be manufactured.
- Praveen Sahay:** Okay. And what utilization in EHV you are at?
- Rajeev Gupta:** Almost 90% to 95%. Actually, in EHV, we can produce up to INR500 crores to INR600 crores worth of business in a year.
- Anil Gupta:** Cable.
- Moderator:** The next question is from the line of Alok Deshpande from Nuvama Institutional Equities. Please go ahead.
- Alok Deshpande:** Yes good afternoon, Anil sir and good afternoon Rajeev sir. Sir, my question is on Exports. Sir, what is the kind of working capital cycle that we should look at on the Exports business?
- Rajeev Gupta:** See, either in an Export domestic institution or domestic institution, the receivables cycle is, on an average, 2.5 months.
- Alok Deshpande:** Okay. So similar to the domestic Institutional business is what we should...
- Rajeev Gupta:** Yes. Receivables cycle is same.

- Alok Deshpande:** Okay. And sir, last time, you mentioned that the margins should sort of start going up towards - more towards 11% kind of zone. So with all the new capacities coming up, especially the brownfield ones, is there more certainty of that happening moving towards 11% EBITDA margin? 11% of -- I mean...
- Rajeev Gupta:** So our CMD has already said that in the next year also, we will be maintaining close to 11% EBITDA margin. In this quarter also, EBITDA percentage is almost 11%.
- Alok Deshpande:** Okay. So I was, sir, looking more from excluding the other income part. So from the...
- Rajeev Gupta:** The 50% is exchange fluctuation. So that is part of the operational actually. But you are seeing separate than that, actually.
- Alok Deshpande:** Yes, yes, yes. Okay. Sir, no problem. Congratulations on a good set of numbers, and good luck to the entire team.
- Moderator:** Thank you. The next question is from the line of Mahek Talati from YellowJersey Investments Advisors. Please go ahead.
- Mahek Talati:** Am I audible?
- Rajeev Gupta:** Yes.
- Mahek Talati:** Thank you for the opportunity. Congratulations on a good set of numbers. There are a couple of questions. First is a clarification. So are we doubling our capacity in the EHV segment?
- Rajeev Gupta:** Yes. We are adding the capacity by financial year 2006, almost 1.5x more than the existing facility.
- Mahek Talati:** Okay. And in terms of the volume growth, so you mentioned that the 9-month volume growth is 22%. Is this for the Cables or it includes both Cables and Wires?
- Rajeev Gupta:** This includes the metal consumption for Wire and Cable, both.
- Mahek Talati:** Okay. So if I check the revenue growth for the 9 months, it's close to 17%. So realization is a decrease in this quarter or in these 9 months?
- Rajeev Gupta:** No. It was basically the pricing effect, no? The copper and volume pricing effect.
- Mahek Talati:** Okay. Okay. And in terms of the demand for the EHV, so you mentioned a few quarters back that the capacity -- the current capacity can generate...
- Rajeev Gupta:** We can produce up to 550 crores to 600 crores, then only we can sell up to that figure only.
- Moderator:** Thank you. The next question is from the line of Shrinidhi from HSBC. Please go ahead.
- Shrinidhi:** Thank you for the opportunity. Sir, just want to understand some of the growth opportunities. Does EHV cables also go in some of the HVDC projects?

- Anil Gupta:** Can you repeat the question, please?
- Shrinidhi:** Sir, just want to understand, there's a lot of demand coming from the HVDC projects. So I just want to understand, does cable go in some of the sections of these HVDC projects, high-voltage direct current transmission?
- Anil Gupta:** See, at the moment, in overhead transmission projects, we are supplying cables for HVDC project. But that is mostly medium-voltage and control cables for the substations and that kind of applications.
- But in HVDC segment, in the times to come, EHV cable -- will be coming. And for that, we are developing our capabilities and the -- in our new capex, which is coming up at Sanand in that direction. So that -- once that project is commissioned, we are able to supply extra high-voltage cable -- extra high-voltage DC cables also, high-voltage DC cables also which are meant for underground transmission.
- Shrinidhi:** Right. And just similarly, want to understand how is the demand intensity for a conventional coal-based thermal power plant. Like how much demand comes from a typical 1-gigawatt, or let's say, 800-megawatt thermal power plant? How has the demand come?
- Anil Gupta:** At the moment, I think government of India has again started developing some 30,000 to 40,000 megawatt of new coal-based thermal generation capacity and -- for which, demand will surface in the next financial year. Although in next -- last 2, 3 years, we have supplied substantial quantity of cables to thermal power plants set up by various state governments.
- Although it was not on the radar, but some projects were coming up and we have always utilized those opportunities in supplying -- continuing our cable supplies to thermal power plants. And in the next 5 years, a lot will come up because of the additional thermal capacities coming up.
- Shrinidhi:** Great. So sir, I wanted to understand, is there a way to generalize like for a 800-megawatt, how much worth crores of cable typically grows at the current pricing?
- Anil Gupta:** I think it should be around INR15 crores to INR20 crores for 800-megawatt capacity.
- Moderator:** The next question is from the line of Swati Jhunjhunwala: from BOB Capital. Please go ahead.
- Swati Jhunjhunwala:** Thank you for taking my question. Most of my questions have been answered. Just one, could you just give the breakup of the order book?
- Rajeev Gupta:** Order book is not down. The EPC order book is INR934 crores. Extra high-voltage power cable order book is INR594 crores. Cable from domestic Institutional order book is INR1,823 crores. And cable export order is INR475 crores. Put together, all is INR3,826 crores.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Congratulations for great set of numbers. What I wanted to ask, sir, given the capacity addition by us and the peers, how do you see -- and the kind of demand what you're seeing and this question is more on the cable front, how do you see the demand/supply for the cables in each of the segments? If you could talk a little bit on that.

**Rajeev Gupta:** For next 4 to 5 years, we have given the guidance for a growth of 16% to 17%. In the last 15 years, we have grown by 14%-plus. So in the same range, we have given you the guidelines, and accordingly, we are adding the capacity. We are not adding the capacity where we are saying that 30% growth we will do, we are not doing that.

So the kind of industry is growing -- industry is growing 12% to 13%. And we are giving the guidance to grow 16% to 17% because we are the -- among the top 2 companies in the country. We have exports. We have extra high-voltage power cable. So put together on, we have given guidance for 16% to 17%.

So sale was never a challenge to KEI because of the entry barrier. So lots of institutional customers we are serving in a year. More than 2,000 institutional customers we are serving in a year. More than 60 countries we are exporting our products. That's why our growth target will be maintained. So we are not seeing any ceiling from the supply part.

**Anil Gupta:** Demand part.

**Rajeev Gupta:** He was asking the other companies are also suppliers.

**Achal Lohade:** Yes. So sir, actually, I completely get your point. What I was trying to ask is that what we hear in the market is that given the capacity shortage, obviously, there is a slight element of price premium, which is being charged. Given the kind of capacity additions are happening, could there be a risk to the pricing? I get your visibility on the demand and the growth, what you are factoring is obviously very realistic.

But I'm just curious to understand, from an overall industry perspective, could there be a case of excess capacity, and hence, if at all, any price premium going away or normalization of the prices?

**Anil Gupta:** First of all, there is no price premium. There is no excess capacity. Whatever capacity is coming up, that will be saturated with the continuous increased demand. So at the moment, I can only say that our production is just 10% of what China is producing in a year.

So I don't think that the capacity will be overcapacity. And -- our products, wires and cables, are used in every sector of economy. So what -- even if there is a slowdown in any particular sector, some -- other 10 sectors are always open.

**Moderator:** The next question is from the line of Rahul Maheshwary from Ambit Asset Management. Please go ahead.

**Rahul Maheshwary:** Yes. Am I audible?

- Anil Gupta:** Yes, yes. Please.
- Rahul Maheshwary:** Yes. First of all, congratulations to entire KEI Industries management team for consistent performance. Two questions, sir. One, can you help us to understand the total opportunity size for the specialty segments like solar, EV and how your R&D and the process in terms of talking with the OEMs and how much time it will take to replicate or the revenue to slow down for this specialty segment?
- I'm not talking from an infrastructure and power sector point of view, but the new emerging sector where the government just recently talked about the rooftop solar. So can you give some color on that, that will be very helpful.
- Anil Gupta:** See, we are already supplying to the various OEMs and customers in rooftop solar segment and also the solar power developers who are executing mega projects in -- locations. So I mean there is a question of starting the dialogue with the OEMs. We are already there.
- Rahul Maheshwary:** Can you quantify, I mean, how big it can become if currently you are supplying to the data centers and EV, etc. I don't want an absolute number, but even if you can give a ballpark range that how big it can contribute to your sales.
- Rajeev Gupta:** For any capex, as we have already explained, the cable demand is 3.5% to 4%. So whatever segment, whether it's a solar or data center, or say, EV, anywhere, the consumption of the cable is close to 3.5% to 4% of the cost of the project. So one can calculate in this way only.
- Anil Gupta:** I think exact data cannot be given, but the demand from the solar developers or rooftop solar OEMs is significant. At the moment, we don't have the exact data or quantifiable data to answer your question.
- Rahul Maheshwary:** And the second question. As you maintained that KEI is building capacity because they are envisaging the growth, the growth which you have guided for 16% to 17%, is it a conservative growth when you are looking from a -- sitting from a Board point of view?
- Rajeev Gupta:** It depends on the capacity we are creating, whatever capacity we are creating year-on-year basis. On that basis, we have given this number actually. In the future, it may increase also. But right now, whatever capex we have taken for the Sanand project and the brownfield projects, from there, for next 2 to 3 years, the growth will be like 16% to 17%.
- Moderator:** The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Thank you for taking my question. Sir, couple of questions. First one is we recently heard this announcement on INR1 crores rooftop solar projects likely to be put. Any rough sense on what is the kind of cable opportunity that this could create assuming that entire INR1 crores was to be installed? That's question number one.
- Anil Gupta:** Yes. Please go ahead.
- Pulkit Patni:** Okay. Should I ask the second question?

- Anil Gupta:** Yes, yes.
- Pulkit Patni:** So my second question is the number one player in the industry, obviously, recently had these tax issues. My question is, one, does it change anything in the industry structure in terms of industry practices?
- Secondly, you being the second largest player, is there a possibility of rebenefiting in terms of market share, etc., more dealers wanting to work with us? Just -- I mean to whatever extent you can share about -- I mean, I don't intend seeing how it benefits us, but just that we are the second largest player, does it change the industry dynamic in any way in our favor?
- Anil Gupta:** To answer your first question about the solar requirement, the rooftop solar, which government has announced they will put INR1 crores rooftop solar, there, the requirements of small wires will be there, because you are not -- you are connecting the rooftops with the house, which is beneath it.
- So there's no distance that the cable is required to connect the electricity system of that house with the rooftop. So it will generate the small demand for the small wires, 4 square mm or 6 square mm wires, but it will not generate any demand for the cables.
- So regarding your second question about the -- benefiting out of it, I think we don't see opportunities out of anyone else's problems. So we are working on our own path and I would not -- we would not like to comment on that.
- Moderator:** The next question is from the line of Rahul Agarwal from InCred Equities. Please go ahead.
- Rahul Agarwal:** Thank you for the follow-up sir. First question on the price gap between KEI wire and the leaders, what is that right now?
- Rajeev Gupta:** As earlier explained also, basically 3% to 5%. Right now, slowly, slowly we are improving 1% price year-on-year basis. Our target, to catch up within 4 years' time.
- Rahul Agarwal:** Right. So that was my next question, essentially to understand how far are we to basically be at similar pricing. I think that was the intention?
- Rajeev Gupta:** As I said that every year, our target is to increase by 1% only.
- Rahul Agarwal:** Okay. Got it. Secondly, Rajeevji, I think we have reached to pretty optimized level of working capital. It shows 90 days now of sales, excluding cash. Henceforth, this is where the company stabilizes organically?
- Rajeev Gupta:** We are stabilizing. And whatever cash we are having, we are utilizing either to pay creditors or to -- for the capex. So that way, we are very, very comfortable with respect to inventory holding and receivable holding.
- Rahul Agarwal:** Right. So henceforth, it's all going to be like year-on-year whatever efficiency improvement we can get, we can get. But most of that EPC thing is out of our way, right?

- Rajeev Gupta:** A little bit receivable holding will go down year-on-year basis because our sales through the dealer/distributor will get increased further to 50%. Our same vision is there, to maintain 50%. So by that time, our receivable holding right now, which is 2.3 months, which was earlier 2.4 months, which may go down to 2.2 months by next year or 2.1 months by next year. So there is a little bit of scope here.
- Rahul Agarwal:** Okay. Got it. And lastly, an easy one question to you. Interim budget is next week. Your sense of what could influence cable and wire sector? Of course, we know that higher capex allocation is a known factor. But from a change perspective, anything in your mind, which could help business trends or sustain current business trends?
- Anil Gupta:** I think you have answered the question yourself, that the demand creation is done only by higher capex spend. Because our industry is capex-oriented, so more is the capex in the economy, either in that from the government side or from the manufacturing industry, the more will be the demand for cables and wires.
- Rahul Agarwal:** Anything from a raw material perspective? Let's say, any duties or PVC supplies which you use for protection of cables, anything from that perspective could change?
- Anil Gupta:** No, no, no. Nowadays, budget -- hardly any duty changes are affected in the budgets. Budgets are more of the revenue and expenditure statement.
- Rahul Agarwal:** I agree, sir. I agree. Just trying to understand it.
- Anil Gupta:** We need to pass on also, Rahul. Whatever changes in the raw material prices is always in the pass-on mode actually. So it does not affect any profitability of the company.
- Moderator:** The next question is from the line of Bhavin Pande from Athena Research. Please go ahead.
- Bhavin Pande:** First, just wanted to check on the trend of advertisement and promotion expenses, how they have sort of been for this quarter?
- Rajeev Gupta:** Close to 0.5% in a year, we are expanding actually. Sometime in one particular year, they're a little bit higher. In one particular year, this -- the first quarter, a little bit lower. But in the case of the first quarter we have the IPL matches are there, so they are maybe higher for like this only. But for a year basis, we are spending around 0.5% of the sale.
- Bhavin Pande:** Okay. And sir, coming to the IPL. So last year, I think we switched our franchisee because we wanted more sort of reach and discovery in the Southern market. So given the -- looking at the payback that has come, so are we sort of looking to renew it? Or maybe we'll choose a different route this time?
- Anil Gupta:** It is already renewed. So you will see us again in the IPL with the Royal Challengers Bangalore team.
- Moderator:** The next question is from the line of Shubham Agarwal from Axis Capital. Please go ahead.

- Shubham Agarwal:** Congrats on the consistent set of results. I think I just got dropped off while you were talking about capex in the opening remarks. If you could repeat, that will be great?
- Rajeev Gupta:** Overall capex for the current year on the payment basis, we have done for INR308 crores. Out of which, close to -- you want unit wise now?
- Shubham Agarwal:** Yes.
- Rajeev Gupta:** So in our Silvassa Chinchpada plant, we have spent around INR65 crores. In Pathredi, we spent around INR30 crores. And in Sanand, Ahmedabad we spent around INR167 crores in part of the land. And another INR46 crores is in the balancing of equipment in our existing plants.
- Shubham Agarwal:** And the capex going forward, I think you were also...
- Rajeev Gupta:** Going forward, another INR150 crores will be spent in this quarter. So close to -- and next year, it will be close to INR500 crores-plus expenditure. That will be mainly for the Sanand project.
- Moderator:** The next question is from the line of Kalpit Manish Narvekar from EFG. Please go ahead.
- Kalpiti M. Narvekar:** Congratulations on a good set of numbers. So my first question is basically on industry growth. So you spoke about 12% to 13% kind of industry growth. But some of the other building materials like cement are seeing some kind of slowdown in the near term.
- So do you actually -- and I do understand medium-term growth being like around that level because of capex and etc., But do you expect some kind of a slowdown maybe for -- in the near term for a few quarters or so because of election or also on the [insti side]? That would be my first question.
- Anil Gupta:** Sir, election will be there only -- elections may affect anything maximum for 3 months. But in our business, projects are going on and the work never stops. So I don't think that elections will have any impact on our business and the growth. We are not seeing any slowdown.
- Kalpiti M. Narvekar:** Great. And my second question is more on the Retail side, which, I guess, used to be like, while you're still selling to dealers, it should be 45%, 50% of total sales, right? So in this piece, I just want to get some sense around how you think the dealers behave in situations of copper price movement. So basically, I mean, recently, copper price has corrected a little bit in December. And -- so do you -- how does destocking and restocking kind of work on the dealer side?
- Anil Gupta:** See, we are -- first of all, the movement of copper anywhere between 3% to 5% is always there. And in House Wire segment, the companies are very cautious that we increase or decrease the prices in a systematic manner on a 15 days average.
- Secondly, in case of Cables, the prices are given to a project or through -- to a dealer on a firm price basis, either for stocking or this time for a project.



So it does not matter whether the, right, copper prices are going down or up. So both sides honor their commitment. We have not seen any such things in the industry that, because of the movement of copper prices, dealers are backing out from their cable orders.

And in the Wire segment, sometimes it impacts a little bit in stocking and destocking, but those issues are separately handled with the dealers. It is only for the House Wire segment.

**Moderator:** The next question is from the line of Mudit Kabra from Elara Capital. Please go ahead.

**Mudit Kabra:** Just one question, sir. Is there any impact on exports in the Europe region or somewhere else because of the Red Sea crisis, the geopolitical impact over that area? Any deferment during the quarter?

**Anil Gupta:** Mudit, so far as our customers are concerned, we have not seen any deferment of any orders so far. There is a small impact on the cost due to increased rates, but that is hardly -- because cable is really a high-value item, the impact is not more than 1%, either to us or to the customer.

**Mudit Kabra:** Okay. So there are no impact on orders as the price impact is there?

**Anil Gupta:** Price impact is very small, so there is no impact on the orders.

**Moderator:** The next question is from the line of Raj Shah from Ambit. Please go ahead.

**Raj Shah:** Sir, congratulations for the good set of numbers. So I have a long-term question. So now we are close to around \$1 billion of revenues. So just wanted to understand that going forward, say, in the next 4 to 5 years, do we want to become more of a consumer company, so our advertising expenses still are less than 1% of our sales?

So do you want to take the shift from an industrial company to a consumer company? Or still want to remain focused on cables and wires and not foray into the other segments -- other consumer segments like appliances or other segments?

**Anil Gupta:** No. At the moment, our focus is only on the wires and cables. And at the moment, there is no plan to add any consumer products.

**Moderator:** As that was the last question, I would now like to hand the conference over to management for closing comments.

**Anil Gupta:** So thank you very much for participating in this conference call. And I hope that we are able to satisfy you with our answers. If still you have any queries, you can write to us and we'll be glad to answer.

And I reassure our investors that the company is doing all -- everything to boost our growth -- the company's growth in sales and margins. And we'll keep our investors apprised of anything what we do. Thank you.

**Rajeev Gupta:** Thank you very much to all of you.



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