



“KEI Industries Limited  
Q2 FY '25 Earnings Conference Call”  
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**MODERATOR:** **MR. RAHUL DANI – MONARCH NETWORK CAPITAL  
LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 FY '25 Earnings Conference Call of KEI Industries hosted by Monarch Network Capital. As a reminder, all participants' 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 touch-tone phone. Please note that this conference is being recorded.

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

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

**Anil Gupta:** Yes. So good afternoon, everyone. Thank you very much. I'm Anil Gupta, Chairman and Managing Director, KEI Industries Limited. I welcome all of you on this conference call. I'll give a brief summary of this quarter and first half.

Net sales in Q2 in financial year '24-'25 is INR2,279.64 crores against INR1,945 crores last year. The growth in net sales is 17.21%, EBITDA is INR237.52 crores with a margin of 10.42% EBITDA/net sales margin as against 10.88% in the same period previous year. Profit after tax in this quarter is INR154.81 crores against INR140.2 crores last year. So, growth in the PAT is 10.42%. Profit after tax/net sales margin is 6.79% versus 7.21% in the previous year.

Domestic Institutional cable sale, wire and cable is INR615 crores against INR511 crores with a growth of 20%. Domestic Institutional cable sale, extra-high voltage cable is INR73 crores against INR169 crores in the previous year. Capacity of extra-high voltage cable has been used for medium-voltage and high-voltage power cables. So, export sales in this quarter is INR241 crores against INR249 crores last year. The total Institutional cable sales contribution is 39% against 44% in the previous year same period.

Sales through dealer network dealer and distribution network is INR1,258 crores in second quarter against INR923 crores last year. Growth in this segment is 36%. B2C sale distribution network sale has contributed 55% in the second quarter as against 47% in the previous year same period. EPC sale other than cable is INR80 crores against INR113 crores last year. Out of total sales of EPC, EHV EPC sale is INR39 crores against INR44 crores in the same quarter last year. Stainless steel wire sale in Q2 is INR59 crores against INR58 crores last year.

Now I will give a summary of first half, that means April to September. Net sales in H1 in this financial year is INR4,340 crores against INR3,725 crores last year. The growth in net sales is 16.5%. EBITDA is INR469.93 crores against INR398 crores. Growth is 18% in EBITDA. EBITDA/net sales margin is 10.83% as against 10.69% in the same period previous year. Profit after tax in H1 financial year '24-'25 is INR305 crores against INR261.59 crores. Growth in PAT is 16.62%. PAT/net sales margin in 6 months is 7.03% versus 7.02%.

Domestic Institutional cable sales growth is 19% in the first 6 months at INR1,189 crores. EHV sale is INR152 crores against INR218 crores last year. Capacity of extra-high voltage cable has been used for producing HT power cables. Export sales is INR474 crores. So, the total Institutional sales contribution in H1 is 39% against 44% in the same period previous year.

Sales through dealer network is INR2,343 crores against INR1,765 crores. Growth is approximately 33%, again through dealer network, that is B2C sales. The total acting working dealer of the company as on 30th September was approximately 2,038. B2C sale has contributed 54% in H1 as against 47% in the same period last year.

Volume increased in the Cable division on the basis of production for consumption of metals in H1 is against as compared to previous year same period is around 14%. Pending order as on 13th October '24 is INR3,847 crores, out of which EPC is INR603 crores; extra-high voltage cable, INR301 crores. We are L1 in orders of INR186 crores of Tata Power 220 kV cables, which is yet to be officially come. Domestic cable order is INR2,368 crores and export order spending are INR575 crores.

External rating. CARE has upgraded company's long-term rating as AA+. Long-term rating from India Rating and Research Private Limited and ICRA is AA. Short-term rating from India ratings ICRA and CARE is A1+. Book value. The book value for per equity share of the company is INR382.96 against INR348.87 on March 31, 2024. The total borrowings in this at the moment is INR314 crores; channel finance, INR109 crores; cash and bank balances, INR245 crores as against total borrowings of INR134 crores as on 31st March, '24. Acceptance of creditors as on 30th September '24 is INR357 crores as against INR506 crores in March '24. So, the net debt is INR426 crores as on 30th September '24.

During H1 '24-'25, finance cost was INR27.49 crores against INR16.47 crores in the previous year same period. So the percentage of financial charges on net sales has increased in this period 2.63% from 0.44% in the last year. Interest income from bank deposits/others in H1 is INR13.32 crores, which is included in the other income. It was INR9.83 crores in the previous year same period. The future outlook of the company during H1 of FY '24-'25, company has incurred a capital expenditure payment of approximately INR312 crores, out of which Sanand, INR169 crores; Chinchpada in Silvassa, INR48 crores; Bhiwadi, INR25 crores; Pathredi, INR38 crores; and other plants and locations, INR32 crores.

Brownfield capex at Chinchpada and Pathredi to add further capacities of wire and power cable has been completed in H1 and fully commissioned. After the completion of brownfield capex, capacity utilized during H1 '24-'25, approximately 78% in the Cable division, 71% in the House Wire division and 93% in the Stainless Steel Wire division. This brownfield capex will enable us to grow by 16% to 17% in this financial year.

Apart from the brownfield capex in FY '24-'25, company has planned a total capex of INR900 crores to INR1,000 crores on greenfield expansion at Sanand for expansion for LT, HT and EHV cables in Gujarat, commercial production for which will commence by first quarter of FY '25-'26. We started the construction in FY '23-'24. Further, we will spend another INR600 crores in

the next financial year to complete the project to maintain a CAGR of 15% to 16% per annum as against achieved CAGR of 14% to 15% during the last 15 years.

So this is a brief summary. Thank you very much. And now you can come with any questions you may have, and we'll be pleased to answer it. Thank you.

**Moderator:** Thank you very much sir. The first question is from the line of Mr. Rahul Agarwal from IKIGAI Asset Management. Please go ahead.

**Rahul Agarwal:** Hi, very good afternoon Anil ji and Rajeev ji. Thank you for the opportunity. Sir, first question was on the QIP fund raise. Based on whatever cash flow projections we understand of the business and based on your guidance for fiscal '25-'26, my sense was a INR400 crores to INR500 crores debt would have been suffice to incur all the capex given the interim accrual improvement for the business. And so could you explain sir, what is the rationale? And any change in the capex plan? Where do you plan to invest this money?

**Rajeev Gupta:** Actually, after the brownfield capex where we had already invested INR250 crores plus and the additional expenditure on the Sanand project, wherein the INR1,800 crores to INR1,900 crores will be required to complete the full project by next financial year. So, considering in mind, then while going for the term loan, if we take as a INR600 crores, which we have already sanctioned from the bank also, there will be another requirement for working capital loan also for the next financial year.

Because if we spent all our cash accruals only for capex, then we need the further amount for working capital as well. So that's why we thought that without the having further borrowing or additional borrowing, we should go ahead with this project if we raise some fund from the market. So that was discussed in the Board, actually.

**Rahul Agarwal:** Okay. Got it. So obviously, my sense is working capital is you have done a great job over years on the working capital side. So we're still trying to get it down further. My sense is this INR2,000 crores obviously also have a growth angle to it. Any sense, could you like to give some direction in terms of where most of this capital will get used for?

**Rajeev Gupta:** As you said, that we have for the current year, we have the plan for Sanand itself is close to Yes, Rahul ji.

**Rahul Agarwal:** Sir, you were asking the question for, where will the growth capex be used for? That is where the line got disconnected.

**Rajeev Gupta:** Yes. So this fund will be fully utilized for the Sanand project mainly so that we will be having sufficient internal accrual to fund the additional working capital requirement for the '26-'27 and '25-'26.

**Rahul Agarwal:** Okay. Fine, sir. Second question was on the quarter itself. It seems like the Institutional sales and exports both have been weaker, while all the growth was driven by dealer sales, which is the channel sales. Could you help understand this better what exactly happened? My sense is...

**Rajeev Gupta:** You see earlier also we are explaining that. It does not matter to us whether export is increasing, retail is increasing, EHV is increasing. Matter to us is how we are utilizing the capacity. So if the retail is pushing more in this quarter, so we have sold there. So ultimately, we need to utilize the capacity. So accordingly, our sale has already improved 17%. A little bit impact on the EBITDA margin, mainly because of, as we were earlier explaining that, if the copper or aluminium prices get fluctuated, so in 1 particular quarter, it get increased or decreased, which will be adjusted in the another subsequent quarter.

So if you compare the last quarter, wherein the raw material consumption was lesser by close to 1%, the same get adjusted in the same this financial year. So once it is averaged out, if you compare the 6-month results, it is already averaged out. So there is no impact on 6 months or the full year balance sheet.

**Rahul Agarwal:** So what it means is the margin which is whatever it is...

**Rajeev Gupta:** For the full year, as Anil ji has already guided that our 17% growth will be there because we have the capacity to maintain that kind of growth. And EBITDA margin will also be there as we have earlier guided 10.5% to 11%.

**Anil Gupta:** We have already in H1, in 6 months, our EBITDA margin is at 10.88% if we look at the total EBITDA margin of April to September.

**Rahul Agarwal:** Got it, sir. And lastly, one clarification on the volume growth for cable and wires. My sense is last quarter, we did 18%. You said first half, we did 14%. The 2Q volume growth looks lower. Any reason for that, please?

**Anil Gupta:** Because some of the materials could not be dispatched and in exports as well as the EHV. So the finished goods inventory has increased. So it led to a little lesser sale. That's why it is showing lesser metal consumption in the sale.

**Rajeev Gupta:** But Rahul ji, it will always be happening actually in quarter-to-quarter. As I said that on an average basis, we will be growing at a 17% CAGR. So quarter-to-quarter, maybe up or down. But for a full year basis or half yearly or 9-month basis, on the basis of the accumulated sales, we will be growing at a 17% CAGR.

**Rahul Agarwal:** Perfect sir and the understand that, thank you so much for answering the questions.

**Moderator:** Thank you. The next question is from the line of Nikunj Gala from Sundaram AMC. Please go ahead.

**Nikunj Gala:** Good afternoon sir. Thanks for giving opportunity. Sir just on the QIP front, when we announced this Greenfield capex and at that point of time the requirement was INR2,000 crores. Even at that point of time we were envisaging the incremental working capital requirement of the INR600 crores for the next 2 years. Considering the cash flow which we will be generating, still we will be having that kind of a surplus then what's the need to raise INR2,000 crores at this

point of time because the same situation was there 1 year ago when we announced this Greenfield capex also?

**Rajeev Gupta:**

At that time the Brownfield capex was not there to maintain the current year capacity addition and to maintain the sales growth of 17% in the current financial year. We need to go with the Brownfield capex where we had already invested more than INR250 crores last year and in the current first half. So that money has also gone. So that was not earlier planned. Earlier was the planning only for the Greenfield capex.

And now because of the expenditure going on and if earlier we were having the debt-free company. So now if we are going ahead with the same plan then the debt will be there for term loan at least for INR600 crores and additional working capital loan for next financial year and in financial year '26-'27 will also be there. So when the term loan and the working capital loan will be there then the cash accrual will not be available for the future capex which is beyond '26-'27.

**Nikunj Gala:**

Okay. So out of this INR2,000 crores there will be additional capex requirement for which we are raising this INR2,000 crores like apart from the Sanand, is there a further plan?

**Rajeev Gupta:**

Further every year we need to spend around INR500 crores to INR700 crores in future so that maintain the growth. Because if we need to maintain a growth of 17% plus we need to have the capacity in place well in advance because it takes almost 2 years before because we started this project last year and it will take two full years to execute or to reach at a level of sale.

**Nikunj Gala:**

Okay sure. And just one clarification on the TV interview which MD gave in the morning, is there the comment which was made that after a few months, we will again we'll be looking for a buyback of the shares? So that point was not clear?

**Anil Gupta:**

No, actually the anchor was asking that will you be buying the shares or will you increase your promoters holding by acquiring shares from the market. I said we will after a few months, we will look at it that was so the actually the question was different. So we just said that we'll look at it. That's all.

**Nikunj Gala:**

Okay because we are raising money and then again buying back the shares that doesn't reconcile?

**Anil Gupta:**

No. There is no question of buying back the shares. They were saying that will you increase the promoter holding. That was the question.

**Nikunj Gala:**

Okay. Thanks a lot for the clarification. All the best.

**Moderator:**

Thank you. The next question is from the line of Nithin Arora from Axis Mutual Fund. Please go ahead.

**Nithin Arora:**

Hi. Thank you sir for the opportunity. Just moving away from this QIP thing to the business side. Can you talk about how's the demand, overall demand right now given that you have such high visibility, you're putting Greenfield also. And I think you also talked about that we want to

increase even the Brownfield capex where that QIP comes into play. So has anything again materially changed?

I mean, whatever the growth the industry is seeing is pretty strong. That's what the sense you gave it last quarter in the con call as well, but has materially something changing where you're seeing some more levers coming in and that's the reason suddenly it's upsizing the capex? Just your take on that?

**Rajeev Gupta:**

No. Capex we are doing which we have already planned for it. Only changing, instead of taking the debt now we will not be taking the debt, that is the only difference. So that whatever capacity will be in place by '26. So in '26-'27, when the full capacity will be available to sale, the working capital will be required. So if we have already taken the loan and we have adjusted our cash accrual to the capex then the working capital loan will also be there at that time. So we thought that instead of taking the loan and addition of the loan in future if we go with this kind of fundraising so then the debt will not be there in the books. So interest costs will also be not there in the books as it was not in the last year balance sheet.

So that was the main so when the cash accrual will be available, we can start investing in the new plant which will be available capacity for '27-'28 onward because this plant will be generating close to INR5,000 crores capacity which will be utilized only by '26-'27 or '27-'28 max. So the 17%, 18% growth rate is there and the market is available for that. Our order book position is evidence for that.

The domestic cable power book is already INR2,368 crores and export order is INR575 crores and the retail is increasing. So if the retail is also increasing and the domestic demand, institutional side is also order book is strong. Only we are lacking behind with the capacity actually.

**Nithin Arora:**

So that's what my question was that can you elaborate a little bit more quantitatively, let's say, the end market? Obviously you said 17% is something we are looking on a growth side, but sector-wise because there is a thought process that after the election, the things have really slowed down, whether it's the railways, whether it's the other retail markets. So just we wanted your take how you are looking at different pockets of the market number one which you always talk about. So if you can talk in a little detail, segment, sector-wise if you are seeing any slowdown on how you're seeing the market?

And second, I think what is your guardrail in terms of net debt-to-equity where you are more comfortable as a promoter because see the point is not that you are raising fund is an issue. The point is the surprise element because we were thinking that you will not eventually the cash flow will be there and not requirements. So if you can throw some light what is as a promoter, as a company we are comfortable with that?

So as an analyst we can assume that if you do beyond that much capex, eventually that has to come from the promoter doing QIP and all. So just your take on the net debt-to-equity side, your guardrail?

- Rajeev Gupta:** Yes. Before answering by Anil ji for the market demand, I will clarify that we want to run a debt-free company. As we have earlier spoken for that also. So the same guidance for future also because we want to run the debt-free company, that's why this fundraising option came into the picture. Now for the demand side Anil ji will update.
- Anil Gupta:** See from demand side, the solar renewable energy is having substantial demand, solar and wind both. Secondly now the transmission sector also has a substantial demand coming up with the I think Government of India had announced almost INR9 lakh crores worth of transmission evacuation plan for the next 6 years. So those projects are coming up.
- Then other sectors like a lot of thermal power projects and this pump storage projects are there for which the cable demand is there. A lot of tunnels highways tunnelling and railways tunnelling projects are there. Data centres are very strong. So demand scenario is strong and that is the reason that every company is showing good growth in the sales.
- Nithin Arora:** Got it. It's clear. Thank you very much. I will come back in the queue. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from Nuvama Institutional Equities.
- Achal Lohade:** Good afternoon sir, thank you for the opportunity, Sir, two questions. One is any particular reason for the EHV weakness? Is it entirely for the exports? Or how do we look at this particular sub-segment in terms of FY25 and then FY27 onwards, given the new capacity?
- Anil Gupta:** See, sometimes this is a segment which is normally only the government utilities in the transmission sector, they buy. So a little bit of variation in the demand, in the tender process, in the clearances at site for the execution are always there. Order book is there. But projects are not executable because of the ROW issues and non-clearances. Overall, in the full year period, it will improve. But sometimes, even 2 years back also, we saw a similar situation. And this year also, we are seeing similar situations. But overall period, it will improve.
- Achal Lohade:** Got it. And just with respect to your comments on various sectors, renewable, wind, transmission, etc. Is it possible to get a sense in terms of our mix, KEI's mix in terms of these sectors? Possible to have that kind of a split at this point in time?
- Anil Gupta:** No, at this moment, it is not possible. But we can work it out tentatively. But it's very difficult to extract this so much of data because we are selling to dealers, EPC contractors. And sometimes we are not record it in our system, that for which sector this cable is going.
- Achal Lohade:** Understood. And just one more question. In terms of margins, do they vary basis whether the sale is B2G, B2B or distributor through?
- Anil Gupta:** See, margins are sometimes 1% here and there. I think margins are similar in nature.
- Achal Lohade:** Even for export?



- Rajeev Gupta:** For the full year margin, you will see the similar kind of things, which were there last year. You will not see any surprises on that, actually.
- Anil Gupta:** Our margins are as per guidance in the full six months of the April to September, first half.
- Achal Lohade:** No, I was not asking for that, sir. I was just trying to understand in terms of whether the margins vary, whether it is domestic or export or within domestic, whether it is B2G, B2B or distributor sale?
- Rajeev Gupta:** A little bit, 0.5% margin is here and there in export and dealer distributor versus the domestic institution.
- Achal Lohade:** Got it. And just one last question, if I may. With respect to working capital, how do you see that evolving over the next couple of quarters? Would this normalize immediately or it will take a couple of quarters to normalize?
- Rajeev Gupta:** Earlier, we had guided that our receivables will go down. So last year, our receivable was 2.25 months. Before that, it was 2.4 months. So, in this financial year, it will come down to 2.1 months. Inventory will be close to 2.25 months. In this first half, the inventory is a little bit higher, mainly because of the capacity increase. So, the holding will also be increased for that period actually. But by the third quarter, it will again be for 2.25 months, which right now is 2.4 months.
- Moderator:** The next question is from the line of Manoj Gori from Equirus Capital. Please go ahead
- Manoj Gori:** Thanks for the opportunity. Sir, a couple of questions. In the opening remarks, Anil ji highlighted like we used EHV capacity for HT. Can we throw some light because if you look at EHV margins would be relatively better versus HT.? So, what made us take this decision to actually make more HT than EHV? Was it lower demand for EHV or anything in specific?
- Anil Gupta:** I have already mentioned that it is the inconsistency in execution of the orders because of the ROW issues and non-clearances from the utilities for executing the contract. That is why the EHV sale has been impacted. It will normalize. It is a pattern of this kind of work because of the heavy rains, road cutting permissions were not there anywhere in the country. So how do you execute a project? We can't manufacture and dump the cable at site. So, these are the issues. On a full year basis, it will normalize. So, when you are not manufacturing in EHV cable on a CCV line, we have to utilize that capacity to produce similar identical products, for which it is capable of. These capacities are always alternate. They can be used for any type of cable.
- Rajeev Gupta:** Manoj ji, last year, in the second quarter, we sold high-tension power cable at INR271 crores. In the current quarter, it went to INR431 crores mainly because we utilized that capacity of EHV. With regards to the differential margin, there is 4% to 5% margin differential. But on a INR70 crores, INR80 crores additional or INR100 crores additional sales for HT, it may be INR3 crores, INR4 crores margin, that's it. But it will not be more.

- Manoj Gori:** Correct, sir. Sir, my second question would be on the fundraising part. Sorry to follow up on that. If we look at the working capital requirement, probably, as you rightly highlighted, it would be close to around INR600 crores. Even if we adjust that, we should be doing cash flow from operations of close to around INR1,200 crores to INR1,300 crores during FY25 and FY26. And we are planning to raise somewhere around INR2,000 crores. Any other plans other than the greenfield and brownfield capacity additions that we are looking at currently?
- Rajeev Gupta:** See, next year, our cash outflow for the Sanand project itself is INR600 crores. And our cash profit is practically close to INR700 crores to INR750 crores. So, there is no room for additional working capital requirements. So that's why once we have assessed now because now our project is almost in the halfway for completion, and within 7 to 8 months, we will start selling from there, so then we would require additional working capital also.
- Moderator:** The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Sir, just one question. Historically, you've said that you want to, over time, reduce the EPC business. And it's been very volatile. So, could you give us a sense of how should we be looking at our EPC business going forward? Because the revenue fluctuation happens to be pretty wide in that particular segment.
- Rajeev Gupta:** In EPC, we are already reducing the sale quarter. And in the current year, our EPC will not be more than 5%, 6% sales.
- Anil Gupta:** We have already substantially cut down the EPC business.
- Pulkit Patni:** No, sir, I understood that. But because there's a lot of quarterly volatility, so just wanted to understand that like...
- Anil Gupta:** Basically, the quarterly volatility is there because of the site situation heavy rains were there, and there was no ROW permissions anywhere, wherever the projects are going on. So and these are all projects are executed in the open areas because our distribution strengthening projects. So that is why the sale has also gone down. And we are not taking we have to take one order in a year to maintain a section of staff.
- Otherwise, the old outstanding's also, we had to maintain the projects which we have done in the past as a warranty and also recover the payments from the old projects. So we have to maintain a certain amount of staff. To keep them engaged, we just take one order in a year.
- Rajeev Gupta:** Normally close to INR250 crores to INR300 crores will be the sale for a year from the EPC division. And slowly, slowly, it will get away once you see, our collection has already reduced. Earlier it was INR340 crores debt. So now it has already reduced less than INR250 crores of debtor level from EPC. So slowly, slowly, the business is going down and the debtor level is also going down.
- Pulkit Patni:** Okay, this is useful thankyou sir.

**Moderator:** The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Co.Limited. Please go ahead.

**Keyur Pandya:** Two questions. First, on the capacity side. So, this probably INR1,000 crores potential revenue capacity in Diwali would help us grow in, say, FY '25. So what will drive do we have enough capacity to grow in FY '26? That is first question. And second question from the balance sheet perspective, you mentioned that you would want to keep your balance sheet debt-free. If I just take ballpark 15%, 16% kind of growth, say, for the next two, three years.

Annually INR1,500 crores to INR1,700 crores kind of incremental sales would be required. And that will require incremental capex plus working capital of around INR800 crores, INR900 crores, considering capex plus working capital. So now is it fair that if the annual requirement of capital is INR800 crores, INR900 crores, till that time, you won't raise further funds going ahead also?

Basically, when your OCF or operating cash flow meets your capex plus working capital requirement, there won't be any fund raise?

**Rajeev Gupta:** No. This fundraise, we have already explained that considering in mind to be a debt-free company. So out of the total fundraise, we will spend major amount only on the Sanand project. With respect to the growth of 17% plus growth, we have the capacity for current year as well as we have the capacity for the next financial year. By that time, the next financial year, the Sanand project will be fully operational.

So part growth will be coming from the Sanand, and part growth will be coming from the balance capacity for the current financial year.

**Keyur Pandya:** Just clarification. So next year's growth, part of it depends on the, say, commissioning of the Sanand plant, correct? And that commission...

**Rajeev Gupta:** Sir, irrespective of anything, we will be growing at 17% plus because that kind of capacity we have already created in our existing divisions. For the Sanand project, for your consumption, we have taken only additional growth of INR900 crores that's it from the whole project for the next financial year. So that will be coming from the existing capacity, which we have already implemented.

So that's why we are quite confident that we will be growing 17% plus for next financial year also.

**Moderator:** The next question is from the line of Nikhil Kale from Invesco. Please go ahead.

**Nikhil Kale:** thankyou Sir, just one clarification I had. So you talked about like project capex for FY '25 and '26 in Sanand. Can you just help us understand what is the total capex, right? At a company level, what is the total capex that you're planning for this year and next year, including maintenance capex that you kind of...

- Rajeev Gupta:** This year will be total capex will be close to INR1,100 crores plus. And next year, the total capex will be INR600 crores to INR700 crores, including the maintenance capex.
- Nikhil Kale:** And just for my understanding, steady state, I mean, what how should we look at maintenance capex? Is it like as a percentage of sales, typically, how much...?
- Rajeev Gupta:** So it is maintenance capex is close to INR50 crores in our existing locations...
- Moderator:** The next question is from the line of Harshit Kapadia from Elara Capital.
- Harshit Kapadia:** thanks for the opportunity, Congratulations for a very strong results again. Just wanted to clarify on the Sanand plant, we are spending INR900 crores, and that will only be for the cables manufacturing. No wires would be manufactured, right? And secondly, within cables, what proportion would be EHV, LT and HT? Could you give us some colour on that, sir?
- Anil Gupta:** See, EHV and HT have similar plant and machinery and they are always replaceable in terms of capacities. So we have not for any segment, of the reason, we have never kept any of our capacity idle. So secondly, LT cable I think later on, we can give you the you can explain.
- Rajeev Gupta:** Yes. For the Sanand, that total capacity will be close to INR5,000 crores. Out of that, close to INR1,200 crores to INR1,300 crores belonging to the extra-high voltage, close to INR1,500 crores belonging to the high-tension power cable and balance will be for low-tension power cable.
- Harshit Kapadia:** And HT and EHV is fungible. So that will be INR2,700 crores if, let's say, if you want to do completely HT or complete EHV on demand?
- Rajeev Gupta:** No, no. It's only one way around. From HT, we cannot make EHV. But from EHV, we can make HT. So basically, EHV we will be limiting to INR1,200 crores to INR1,300 crores, but HT maybe INR1,500 crores to INR3,000 crores.
- Moderator:** The next question is from the line of Shrinidhi Karlekar from HSBC. Sir, the participant has left the queue. I'll just reconnect. Yes. May I request Rohit from Nvest Analytics Advisory LLP to go ahead.
- Rohit:** Sir, our year-on-year margin has been impacted. Could you please provide a specific reason for this? Are we seeing increases...?
- Rajeev Gupta:** The specific reason is because of the volatility of the metal prices, raw material consumption increased by 0.5% to 1%, which was less in the last quarter. So because of that, if it is averaged out, then it is common. So for 6 months, there is no impact. From quarter-to-quarter, it is impacted.
- Moderator:** The next question is from the line of Arshia Khosla from BOB Capital Markets.

- Arshia Khosla:** Sir, I just wanted to understand on the export side. So in the previous quarter, our export declined because of some logistical issue at the customer end. So any if you could just highlight something for this quarter, have they been resolved or...?
- Rajeev Gupta:** Export earlier, we have guided to maintain for 12% to 13% for the full year level. Already we are having 11% export contribution in the first half. So we will be maintaining 12% to 13% depending on the order we are having. And it does not impact our overall sales whether export is higher or retail is higher or the domestic institution is higher as long as we are growing overall 17% plus, so we are utilizing our capacity.
- Arshia Khosla:** Okay. And sir, I just wanted the order book bifurcation.
- Rajeev Gupta:** Pardon, you want the pending order?
- Arshia Khosla:** Yes, the order book bifurcation, the pending order book.
- Rajeev Gupta:** Yes. So pending order is EPC division order book is INR603 crores. Extra-high voltage power cable order book is INR300 crores, and cable from domestic institution order book is INR2,368 crores, and export cable order is INR575 crores. So, put together, INR3,847 crores. And out of and apart from this, we are having L1 INR186 crores order for extra-high voltage power cable. So order book is very strong.
- Arshia Khosla:** Yes. Can you please the L1 number?
- Moderator:** I'm sorry to interrupt. Ma'am, can you please re-join the queue? The next question is from the line of Nikhil Kale from Invesco.
- Nikhil Kale:** Just one follow-up. So since you're looking at like the next phase of growth when you're looking at the QIP fundraise beyond like FY'27 and FY'28, just wanted to understand that this next phase that you're kind of envisaging, would it be more like a greenfield or would it be more of a greenfield or is it brownfield wherein you have Sanand space in Sanand and it will be kind of expansion there?
- Rajeev Gupta:** It will be both actually because once this plant will be operational, then automatically there is a lot of scope to improve the capacity over there by balancing of equipment. That is our past experience. So we will do that. And apart from this, we will go ahead with the future capex for the greenfield also. We have already bought land in Baroda, which we are in the process to acquiring. And within 6 to 8 months' time, we will be having a sufficient land for the further growth.
- Moderator:** The next question is from the line of Nithin Arora from Axis Mutual Fund.
- Nithin Arora:** Sorry, sir, just one follow-up. As you stated that we always want to be now a debt-free company, the cycle of capex will continue. So, I just wanted to know your thoughts that if your capex, given the first round will happen now, the brownfield and the greenfield, both. And eventually we keep spending INR400 crores to INR500 crores until we decide after 3, 4 years another greenfield. So now when you've done your math, how one should look this debt-free argument?

Because when you put your new capex, let's say, greenfield comes after 2 years where you decide to put another one. Now we are confident that this will remain as a debt-free? Or that time also eventually, the working capital will always remain, right? That is the nature of the business. And that time also, you will say that, okay, suddenly, we didn't envisage the working capital that time, but now the working capital also needs to be done. So, this argument which you're giving of, debt-free, what we wanted to know, this is something even a new greenfield announced after 2 years or 3 years that we are sticking to.

**Rajeev Gupta:** We have calculated the projections for next 5 to 7 years. Accordingly, we have taken this decision. So we will not require for any further amount either from the debt or from the fundraising for the future growth of 17% plus.

**Moderator:** The next question is from the line of Sandeep Jain from Baroda BNP Paribas MF.

**Sandeep Jain:** Yes. Partly has been answered in the previous question of Nithin. Just one clarification. In terms of if I look at the debt raising part, right, FY'24, we have done somewhere around INR800 crores of free cash flow. So just wanted to understand the thought process that even at a 17% growth and even if we don't take any equity raise now, whatever the debt we required in FY'25 or FY'26 that can be paid off by FY'27, right, because of the cash flow generation ability?

**Rajeev Gupta:** No, then the growth will be sacrificed. If we take the debt and we use the cash accrual for the debt repayment, then from '27-'28 onwards, from where we will invest?

**Sandeep Jain:** No, we can raise at that point of time. That is the only point which I'm trying to understand.

**Rajeev Gupta:** So if we would like to defer that, so that we can defer, then that will be along with the risk attached for the interest and repayment also, because if INR600 crores for term loan and the INR600 crores for working capital, so the interest cost will be there, the repayment of term loan will be there. So it will impact the future investment.

**Sandeep Jain:** So currently, we have a net debt of INR69 crores, INR70-odd crores kind of thing if I remove the acceptance, right?

**Rajeev Gupta:** Yes. You see, acceptance is basically the interest-bearing because from Hindalco, Vedanta or anywhere else, it has to be through the letter of credit. Letter of credit is bearing the interest. So then the interest cost will be there.

**Sandeep Jain:** Okay. No, that I understood.

**Rajeev Gupta:** If we are buying through the cash, so then also there will not be any interest cost.

**Sandeep Jain:** No, that I understood. That will always be there whether you raise the fund or don't raise the fund, the acceptance will bear the interest. That will be the pack and parcel of the business, right? You cannot just substitute that.

**Rajeev Gupta:** Acceptance in the last 2 years in last 2 to 3 years 3, 4 years before, acceptances was INR900 crores. It has reduced substantially. Only in the current year, it has again increased a little bit.

But otherwise, acceptances were very less to only INR200 crores only for import. For the domestic purchase, we were using the cash because we were having the cash in our books.

**Sandeep Jain:** So as a management, when you take a debt, you include the acceptance also that acceptance also be 0?

**Rajeev Gupta:** Yes. So the INR426 crores debt, that is the net debt, including acceptances. In my presentation, also, we have shown those numbers.

**Sandeep Jain:** Okay. Thanks.

**Moderator:** Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Co. Limited. Please go ahead.

**Keyur Pandya:** Thanks for the opportunity again. Sorry to harping again on the fundraise. Just the question is being asked because the promoter holding is already below 40%. So, the thought is that the working capital requirement that you mentioned for the incremental INR5,000 crores of sales, however, that will be gradual. So every year probably incremental INR250 crores to INR300 crores kind of working capital requirement would be there based on the 15%, 17% growth number.

I mean, that is not onetime requirement will come gradually, whereas the fundraise would be onetime front loaded and that could impact the basically ROCE and balance sheet. So just wanted to understand, just like previous participants suggested, can we do it at the time when it is actually required? That is first. And second, just on the export side, are we seeing any structural challenge since export is low for you as well as for other players for the last few months? So just more color on the export.

**Anil Gupta:** No. I think there is no structural problem in the exports. So yes, it is taking time to pick up. But I don't see any problem going forward in the growth of exports.

**Rajeev Gupta:** Sir, with respect to fundraise, we have already explained the situation why we want to raise the fund so that we will be having the capex funded through this fundraise. And whatever cash accrual will be there, will be available for the working capital for next financial year.

**Keyur Pandya:** Okay. Thank you.

**Moderator:** Thank you. The next question is from the line of Amber Singhania from Nippon India AMC. Please go ahead.

**Amber Singhania:** Yes. Just 1 clarification I'm looking for. You mentioned roughly around INR2,000 crores kind of capex in Sanand plant, which will give you INR5,000 crores kind of revenues. That works out to be around 2.5x asset turn. Just wanted to under isn't it too low compared to what we are already enjoying or what we are already delivering as well as what we are seeing in other industry players are achieving? Isn't it too low on that?

- Rajeev Gupta:** It is mainly because of the extra-high voltage measure capacity we are going to add over there, wherein heavy structure or building, heavy machines and heavy testing equipment and heavy cranes are there. So only in extra-high voltage power cable, the asset turn is less than 1:2. But otherwise, normally it is practically 1:3.5 nowadays.
- Anil Gupta:** Because nowadays, the cost of creating assets as compared to what we have previously created has substantially changed over the last whatever the factories we've built up 5 years back, now the construction cost has doubled. Plant and machinery has almost gone up, almost doubled. So but after once the factory is built, there are always scope to improve the production and productivity by adding some balancing machines. But that happens only once the production starts.
- Amber Singhania:** Okay. Because you're mentioning that even after that INR500 crores to INR700 crores kind of run rate will continue. What I understand is current capacity is sufficient for '25 and '26. The Sanand capacity will suffice your '27, '28. Despite that, we will be doing another INR500 crores each year on '27 and '28 for the Q3. So just wanted to understand, is the asking rate going forward, apart from Sanand factory as well is...
- Rajeev Gupta:** Apart from Sanand factory, whatever we will stand, we will spend for the new facility, which will take another 2 years to implement. Because we need to spend 2 years before, then only we will have the capacity in place after 2 years. So whatever we will spend in '26, '27 and '27, '28, the capacity will be available in '28, '29. So that's why we always prepare a plan for the next 5 financial years. That's how we are doing a 17% kind of growth for the each 5 years.
- Amber Singhania:** And sir, I know it is slightly premature, but can you also highlight the new capacity which we are planning after Sanand plant? That would be in the line of EHV side only or it will be...
- Rajeev Gupta:** No. It will be for low voltage and medium voltage. It will not be EHV. So there, the cost of the project will not be that high debt that is there in Sanand.
- Amber Singhania:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Raman Kv from Sequent Investments. Please go ahead. Thank you. The next question is from the line of Sukant Garg from Equible Research Private Limited. Please go ahead.
- Sukant Garg:** So most of my questions have been already answered. I just wanted to know one thing that which are the major sectors that we are currently serving? And if not the customers, exactly which sector is going to be the major focus in the next quarter or the coming quarters?
- Anil Gupta:** See the focus sector will be energy sectors. Especially solar, wind or other power generation sectors, transmission and distribution sector in the power and data centre. But this is just tentative. Our focus remains on every sector wherever the demand is there, wherever because we have channel partners. We have sales team everywhere. So whatever opportunities are there, all opportunities are tapped. It is not a question of that we just focus on because we are



manufacturing cables for all sectors. But our focus the major demand drivers will be solar, wind or energy sector, basically.

**Moderator:** Thank you. Ladies and gentlemen, this will be the last question. That will be from the line of Vaibhav Jain.

**Vaibhav Jain:** Sir, just new to analysing your company and the business. So I just wanted some clarification on channel finance and acceptances. What kind of debt is this? What kind of cost of debt and what...

**Rajeev Gupta:** In the channel finance, the cost is borne by the dealer itself, and we are giving them the cash discounts. In the case of acceptances, the interest rate is close to 7% to 8% per annum.

**Vaibhav Jain:** Okay, sir. Most of my other questions have been answered.

**Moderator:** Thank you. As that was the last question. I'll now hand over the conference over to the management for closing comments.

**Anil Gupta:** So thank you very much for having interaction with us on this conference call. If you still have any further questions, you can reach out to us. Thank you very much, and look forward to your working together. Thank you.

**Rajeev Gupta:** Thank you very much.

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