



“KEI Industries Limited  
Q3 FY '25 Earnings Conference Call”  
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**MODERATOR:** **MR. ACHAL LOHADE – NUVAMA INSTITUTIONAL EQUITIES**

**Moderator:** Ladies and gentlemen, good day. And welcome to the KEI Industries Q3 FY '25 Earnings Conference Call, hosted by Nuvama Institutional Equities. As a reminder, all participants will be in 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. 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 Equities, we are glad 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, Executive Director, Finance, and CFO. We will start the call with opening remarks from the management and then move to Q&A. Thank you and over to you, Anilji and Rajeevji.

**Anil Gupta:** Thank you very much. Good afternoon to all of you. I'm Anil Gupta, CMD, KEI Industries Limited. I'll give you a brief of the summary of Q3 of FY '25. And net sales in Q3 FY '25 is INR2,467.27 crores. So we have grown the net sales by 19.81%. EBITDA is INR254.45 crores. The growth in EBITDA achieved is 11.25%. EBITDA/net sales margin is 10.31%, as against 11.11% in the same period last year. Profit after tax this quarter is INR164.81 crores, and growth in the PAT is 9.38%. PAT/net sales margin is 6.68%.

Domestic institutional cable sales of wires and cables, is INR809 crores. Growth in -- is up 45%. The domestic institutional extra- high-voltage cable sale is INR41 crores, against one -- so there is a decline of around 78% during this period. I will give an explanation that this decline is due to non-receipt of ROW and permissions and clearances in doing the work. During this period, however, we have used this capacity of EHV cables for manufacturing HT power cables, so that is why there is a jump of 45% in the HT cable sales compared to last year.

Export sales this quarter is INR301 crores, against INR284 crores last year. Growth is approximately 6%. Actually there is a growth of around 30% in the wire and cable exports, but the decline in numbers is due to the EPC degrowth in the export sales from the for from our Gambia project. Last year, the Gambia project, we exported INR69 crores. And this year, it is INR13 crores.

So it is due to this factor the EPC degrowth is there in the exports. Total cable institutional sale contribution is 45%, same as in the previous year. Sales through the distribution dealer network achieved is INR1,247 crores. The growth in the sales through B2C is 31%. B2C sale has contributed approximately 51% in third quarter, as against 46% previous year same period.

The EPC sale, engineering procurement construction projects, other than cable is INR60 crores, as against previous year same period, INR146 crores. Decline is approximately 49%. This is against our stated policy with -- around 3 years back that we will gradually reduce the EPC business. And we will maintain the EPC business maximum within INR400 crores to INR500 crores on an overall basis.

Out of the total sales of EPC, EHV institution sale is INR21 crores, against 32 crores in the same period last year. Sales of stainless steel wire in Q3 is INR54 crores, against INR46 crores last year. Growth is approximately 49%.

Now I will read the 9-month summary. The net sales in 9 months of FY '25 is INR6,807 crores. The growth in the net sales is 17.68%, in the 9 months period. EBITDA is INR724 crores. Growth in the EBITDA is 15.56%. EBITDA/net sales margin is 10.64%, as against 10.84% in the same period previous year. We are hopeful and expect to maintain the previous year EBITDA on a full 12 months basis in this financial year.

So the profit after tax in 9 months has grown by 13.97%, which is INR469.87 crores. So the profit after tax/net sales margin is 6.9% versus 7.13% last year. That, we'll also -- we hope to maintain the same in this financial year also.

Domestic institutional cable sales, wires and cables, is INR1,998 crores in 9 months period. The growth in the institutional cable sale is 28% over 9 months period. Export sales in 9 months period is INR775 crores versus INR840 crores last year. This is due to the decline in the EPC sales to our EPC project in actually Gambia, which is -- which clearly is not there this year, but actual wire and cable sale in exports have grown by around 30% overall. Total cable institutional sale contribution in 9 months is 41%.

And sales through distribution network was INR3,590 crores. The growth in the sales through B2C network is 32%. The total active working dealers of the company as on 31st December was approximately 2,060. B2C sale has contributed 53% in 9 months period, as against 47% in the same period last year. EPC sales other than cable is INR271 crores, against INR370 crores last year. Decline is approximately 27%.

Volume increase in the cable division based on the production for consumption of metal in 9 months of FY '25, as compared to previous year, same period, is approximately 19%. Pending orders as on 18th March '25 is approximately INR3,871 crores. Out of this, export, pending EPC pending, is INR554 crores. Extra-high-voltage cable and connected EPC is INR598 crores. Domestic cable is INR2,148 crores. And cable export order is INR571 crores. I will give you a brief on the future outlook.

During 9 months period, company has incurred capital expenditure of payment of INR426 crores; out of this, Sanand INR252 crores, Chinchpada INR57 crores, Bhiwadi INR27 crores and Pathredi INR49 crores and other plants and locations INR41 crores. Brownfield capex at Chinchpada and Pathredi 2 is completed, and it will add further capacity for wires and power cables. And this capacity addition has been completed.

After the completion of the brownfield capex, capacity utilized during 9 months of FY '25: approximately 85% in cable division, 69.7% in house wire division and 91% in stainless steel wire division. This brownfield capex will enable us to grow in volumes by 16% to 17% in this financial year. Apart from this brownfield capex in FY '24-'25, company has planned a capex of around INR800 crores to INR1,000 crores on greenfield expansion for LT, HT and EHV cables in Sanand, Gujarat.

Commercial production of first phase of low-tension and HT cables will commence by end of Q1 FY '25, '26. We started the construction last year, somewhere in March '24. We will spend further around INR700 crores in the next financial year to complete this project. This will allow us to maintain achieved -- growth of CAGR 19% to 20% in volume terms, as against achieved CAGR of 14% to 15% during the last 15 year.

Company has raised INR2,000 crores through QIP on 28 November '24 to fund the Sanand project and repayment of outstanding debt and for general corporate purposes, out of which INR1,450 crores is for Sanand; INR240 crores, general corporate purposes; and INR276 crores, term loan repayment; and INR34 crores, QIP expenses.

The market outlook remains strong. And we are quite bullish on our -- the demand for our products in domestic market as well as international market. We are getting a good traction from our various customers in the international market. And we will be able to grow both domestic and international business as soon as our HT capacities and other capacities comes onboard in Sanand. Thank you.

So this a brief. I now request you to raise any questions or queries, whatever you may have. And we'll be glad to answer. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Saumil Mehta from Kotak Mutual Fund.

**Saumil Mehta:** Sir, quick question from my side. While you mentioned the EHV segment had some weakness which in -- which was there even in Q2 and continue in Q3, when should we expect some sort of traction in this business? And was this weakness got to do with large domestic orders? I mean if you can give some color on this. How should we look at EHV segment going into FY '26?

**Rajeev Gupta:** So as of now, our order book has now start building up. As of -- current position is close to INR598 crores of EHV orders now we are carrying. So now, from the quarter end of next financial year, we will be again in that normal range of production for EHV cables.

**Saumil Mehta:** So should we expect a meaningful step-up in terms of the specific business related to EHV going into '26 given FY '25 will have a very favorable base?

**Rajeev Gupta:** So apart -- you see. In the EHV cable business, if we talk of the last 3, 4 years: So the -- in 1 year, it is almost INR600 crores, INR500 crores to INR600 crores. Another crores is close to INR350 crores. So sometimes, these kinds of problems are there earlier also. So by next year, again it will be going up towards the INR550 crores to INR600 crores sale -- for the next financial year for EHV.

But in the meantime, whatever EHV capacity was ideal, we have utilized that capacity for high-tension power cable product range. So our capacity was not ideal, but a little bit of EBITDA, we lost. Because if we sold more than INR200 crores of worth extra-HV cable, additional 4% to 5% of EBITDA, we will be generating. So only to that extent we lost actually.

- Saumil Mehta:** Okay, okay. And for this particular quarter, given copper prices are volatile, what was the volume growth? And if you can just broadly quantify the inventory losses, if there were any for the quarter?
- Rajeev Gupta:** As we are increasing our production capacity because of Chinchpada and Pathredi 2 is operational. So if you talk of the -- only for the particular quarter 3: In quarter 3, volume productions increased by close to 28% because -- that's why our finished goods inventory has also increased, because now our base will be close to INR2,700 crores to INR2,800 crores per-quarter-basis sales in future.
- So that kinds of inventory, we will be carrying now. So on the basis of the whatever sale we did, approximately 16%, 17% was the volume growth, but in terms of the production, the volume will be higher. So that's why, in fourth quarter, it will be reflected in our sales also.
- Saumil Mehta:** Great. And sir, my last question, in terms of the retail business. Obviously it's showing traction, while I understand this will also include a wire business. Now from competitors, at least our inference is that the wire market is still very down, so what are we doing especially? Or are there any specific segments where we are growing meaningfully when it comes to our retail business? That's my last question. Thank you
- Rajeev Gupta:** Whatever we were doing earlier, we are doing the same things. We are focusing, increasing our retail presence, increasing our geography and increasing the influencer activity and the sales team. So accordingly, we are growing. So in the retail business, since last 3, 4 years, if you see, we are continuously growing close to 20% to 25% range, but in the same year also, in the 9 months basis also, we are growing in the same way.
- Moderator:** The next question is from the line of Rahul Agarwal from IKIGAI Asset Management.
- Rahul Agarwal:** Hello sir, good afternoon, Sir, two questions. Firstly, if, I mean, you could talk about next year across segments. You talked about EHV, but if you could talk more on institutional sales, housing wire sales, exports, how do you see growth and margins for fiscal '26? That's my first question.
- Rajeev Gupta:** '26. Rahulji, as we have earlier guided, that we will be growing close to 19% to 20% because we will be creating additional capacity. And our brownfield capex at Chinchpada and Pathredi already completed, so we will be easily growing 19% to 20% in the next financial year. With regards to the EBITDA level, EBITDA level in next financial year will be close to 11%, as we have earlier guided.
- Rahul Agarwal:** More specifically on exports and housing wires, how do you see growth there?
- Rajeev Gupta:** Actually, in each and every year, you will see in the sales number sometimes exports increase. Sometimes, domestic institutional increase. Sometimes, retail increase. So from this point of view, we can't comment on individual specific segment, but overall, whatever capacity we will be having, we will be utilizing all -- with all the segments. But our focus remains strong as well

as -- in retail as well as in export continuously. In export market, I will request Anilji to update about the placement of the new people in the overall geography areas. So Anilji please explain.

**Anil Gupta:**

Yes. We expect a substantial growth in the export business, especially from US and Australia, next year. And even our Middle East business and the African business is also growing. I -- this year, as I mentioned that -- we expect 30% growth in our overall full year basis in the -- in our exports in wires and cables. So in numbers, it will reflect a little less because of the decline of EPC exports, which was last year around INR160 crores, which is not there this year because that project is over.

And -- but next year, we expect close to -- it's 30% to 35% growth in the export business from this financial year level. And as soon as our -- more capacities comes up onboard, we'll be able to scale up the exports, for which we will be able to comment once our first phase of production commence in Sanand.

**Rajeev Gupta:**

Because Anilji's vision is to reach export, within 2 to 3 years time, at 15% to 17% of the total sales.

**Anil Gupta:**

Because we need a little bit of -- after commencing the commercial production, we will need 2 to 3 months over there to stabilize the production; and also factory-specific audits from the customer, which takes a little time, when we shift our production to a new facility for export customers.

**Rahul Agarwal:**

Got it, sir. So this export order book right now, you said, was -- is about...

**Rajeev Gupta:**

INR571 crores.

**Rahul Agarwal:**

Right. That is executable over what period?

**Rajeev Gupta:**

This is executable, I mean, 3 to 4 months because whatever pending order is basically executed in 3 to 4 months.

**Rahul Agarwal:**

And how would that be for EPC and EHV order book, EHV INR598 crores and EPC INR554 crores?

**Rajeev Gupta:**

INR598 crores will be executable in 4 to 6 months time.

**Rahul Agarwal:**

And EPC INR554 crores?

**Rajeev Gupta:**

EPC INR554 crores is basically in 2 years time. So EPC always is longer period of time.

**Rahul Agarwal:**

Perfect, sir. And last question, on creditors. Sir, if I look at KEI pre COVID to post COVID, consciously we have decided to pay creditors faster. Earlier, we used to be like 120 days of COGS. Right now we're almost half to 60 days, which is very good. I just wanted to understand. The benefit of this is reflected purely in interest cost savings. Or should we look at...

- Rajeev Gupta:** Yes, yes. Rahulji, whenever we were purchasing the metal from the Hindalco, Vedanta or import, it is already on the cash basis; or through the letter of credits, where interests was borne by KEI. So now we are having the cash, so we are purchasing on cash actually. So we are not opening the -- this letter of credit also. So as against we were earlier utilizing the letter of credit through acceptances close to INR1,000 crores, now it is hardly INR100 crores.
- Rahul Agarwal:** Perfect, sir. So it should -- does it reflect any benefits on the margins also, gross margins or EBITDA margins?
- Rajeev Gupta:** It is basically interest cost benefit as well as -- because we are having the funds then by -- to utilize the letter of credit and bear the interest costs on the company. If we will not have any working capital, then we will be utilizing the letter of credit and the credit period from the supplier side for 90 days. So this is liquidity available to the company actually. So as of now, we are having cash, so we are purchasing through cash.
- Moderator:** The next question is from the line of Natasha Jain from PhillipCapital.
- Natasha Jain:** Sir, my first question is on -- is a continuation of what Saamil asked. So in terms of EHV now, I understand there had been delay in clearances execution, but now this is no more a 1-quarter phenomenon. We've seen this for almost the entire year for FY '25, so just want to understand. What is the fundamental reason behind these delays. Are projects getting canceled? Or if you could throw some light on that, firstly?
- Rajeev Gupta:** First of all, our object is to utilize the capacity, whether with that machine we are making the EHV cable or we are making the HT cable. The only difference, while we are making the EHV cable, a little bit, EBITDA margin of 4% to 5% is higher in case of EHV project, okay? But in the -- at the same time, 1.5 to 2 months working capital, also required more in the case of EHV. So earlier, like last year, we have utilized close to -- more than INR600 crores sale through EHV. This year, the sale will be close to INR350 crores to INR400 crores.
- So what additionally we lost is only on INR200 crores sale, only 4% EBITDA. That is INR8 crores for full year basis. So that is a difference between the product-to-product range, so we are more focusing on the utilization of the full capacity with respect to products with respect to the segments.
- So sometimes, orders are there. Sometimes the ROW issues are not there. Sometimes it's there. And in the last 4 years -- I will give you the numbers. In '21, '22, yes, we have sold INR514 crores. In 2022, '23, we sold again INR366 crores, so low sale. Again, in '23, '24, we sold INR659 crores. Again, in '24, '25, we will be selling close to INR300 crores to INR350 crores sale. Again -- in '25, '26, we will be reaching out to more than INR550 crores again. So, that is the trend. It is going on it does not matter to us.
- Natasha Jain:** Understood. Sir, the reason I was asking is because, even though, like you said, you just want to fungibly use the capacity, it does impact our EBITDA. Sir, having said that, in fourth quarter, the fourth quarter, the ongoing quarter, has clearances come through? Or is there still a execution delay that's happening on the ground?

- Rajeev Gupta:** Fourth quarter sales will also be close to – INR50 crores to INR60 crores because, as of now, we are heavy order book position of HT power cable. And so we need to execute those order first.
- Natasha Jain:** Understood, sir. And my second question is broadly on the domestic market for wires and cables. Now we're entering the seasonal quarter, so can you just throw some light as to how the order book is looking like for the current quarter and a little bit sense on export as well for the current quarter?
- Rajeev Gupta:** As we said, that the order book is strong. As of now, the -- our domestic cable division order is INR2,148 crores. while, we are not reflecting in the order book because, while, we are currently booking order from the retail. And within 7 to 8 days, we are supplying the system.
- Anil Gupta:** Supplying from the stock.
- Rajeev Gupta:** We are having the depots all over the country, so we are supplying all our dealer distributor for wire from the depot itself. So as Anilji has also explained, the market outlook is very strong. Because since last 2, 3 months, we are very slow in order booking of HT power cable because order is more than our capacity.
- Normally, as a natural hedge, we were carrying order book of 3 to 4 months and we are carrying inventory of close to 3 months. So in last 2 quarters, because of the heavy demand, HT power cable booked more from the customer side, which was not the capacity available from our side. So market outlook for us is very strong. So that's why we are estimating, for the next financial year, growth is also 19% to 20%, because we will be having the capacity.
- Moderator:** The next question is from the line of Pranay Sahay from Prabhudas Lilladher Capital. Please go ahead.
- Praveen Sahay:** Sir, my first question is related to your guidance for FY '26. You had given a 11% of EBITDA margin for FY '26. So is that because of EHV expected to improve? That is the one reason. On account of that, you are saying. Or something else as well to read through?
- Rajeev Gupta:** So with regards to EHV, even if INR300 crores sale we do or we don't do hardly matters because, on a INR300 crores sale, additional EBITDA will be INR12 crores. Of a full year balance sheet, that INR12 crores EBITDA is nothing actually because we are having a more than INR1,000 crores EBITDA. So whether that INR12 crores EBITDA or INR15 crores EBITDA may come or may not come, it will not impact in our balance sheet EBITDA level. So our guidance is based on the capacity which we are going to create and the order book we are having; and the market for exports we are doing, and for retail.
- Our earlier vision for reaching the retail was 50%. So now we have crossed that 50% vision, and now -- so now our future is -- we are targeting for export to grow more than the local growth, so we are targeting our contribution of export, which is -- right now is 11% to 12%, to 13%, maybe in 15% to 17% in next 2 to 3 years. So that's how we are marketing, more from exports.



- Praveen Sahay:** Yes, really helpful, sir. Second thing, on your capex for this year and the next year, if -- financial year's numbers, if you can give?
- Rajeev Gupta:** So capex, we have already done close to INR400 crores. And balance INR400 crores, we will be doing in this quarter itself. And in the next financial year, balance INR600 crores to INR700crore, we need to do, so almost in next 15 to 18 months, we need to spend around INR1,100 crores to INR1,200 crores, whatever the balance is for the Sanand project.
- Praveen Sahay:** Right, sir. Last question, sir, related to the -- maybe it's a repetition, but it's related to the wire volume. And already you had said that there are a lot of retail activity, which led to the improvement in your numbers. But if I look at entire 9 months, the past quarter or even the Q1, for industry, we have seen quite soft numbers. But your numbers are still way ahead of industry. So is that the market share gain you are getting in? And if you can, some color more from which segment of the wire you are getting in?
- Rajeev Gupta:** Normally, you see we are continuously growing in the retail market, wherein we are selling wire as well as we are selling cable also. In the retail, we are targeting a 20%-plus growth over a period of time. And since last 3, 4 years, we have grown previous level. Neither we are saying that we will grow 30%, 35%. Neither we are saying that we will grow 14%, 15%. So we are maintaining the 20% growth.
- For that, we need to deploy more and more manpower, increase more and more number of dealer and distributor and increase the geography. So accordingly, whatever we have planned 2, 3 years before, we are continuously going ahead there. That's why we are able to give you the guidance for 1 to 2 years in advance.
- Like in the next financial year, we are again giving you the guidance of 19% to 20%, as against achievement of 17%-plus in the current financial year. But what happens, sometimes there may be the chance and export grow more than the retail. So, ultimately, the overall portfolio of the company will grow 19% to 20%.
- Moderator:** The next question is from the line of Shrinidhi Karlekar from HSBC Securities. Please go ahead.
- Shrinidhi Karlekar:** Congratulations on impressive growth rates. Sir, would it be possible to comment on which end markets are driving very strong growth for you, as well as outlook for the domestic institutional business?
- Anil Gupta:** Domestic institutional business is at the moment driven by solar power projects and solar-related projects. And in the same energy segment, basically, the power distribution companies, they are very strong in their underground cabling projects. So these are the 2 segments which are driving -- which are going very strong. Secondly, rest all other segments, like infrastructure-related projects or data centers, they are also driving the demand.
- Shrinidhi Karlekar:** And sir, would it be possible to give some color in terms of breakup? How much of your business is actually coming from the solar and the power distribution end market?

- Rajeev Gupta:** Actually we are supplying to EPC contractors. So that's why we are not segregating the ultimate user actually, because the same EPC contractor, he is using for solar. Same EPC contractor, he is using for distribution and for data centers and the industry.
- Shrinidhi Karlekar:** Yes. And sir, second question is there are a lot of HVDC projects being announced. I'm just wondering, does EHV cable business benefits from these HVDC project spends?
- Anil Gupta:** Yes. We are coming up with HVDC cable capabilities in our Sanand project. But that facility will start by March '26, because this is a very large facility. It is in the second phase of our project, it will come up, which is the final phase. We are already working on equipping the company with the type test and pre-qualification tests on HVDC cable.
- And we have already developed the cables and done this testing in our existing plant. But on a commercial scale, we can manufacture only in our new plant coming up at Sanand because of the long length and big drums required for this. So we will definitely be benefited with the HVDC projects in the coming years.
- Shrinidhi Karlekar:** Right. And Rajeevji, one question on depreciation and amortization expenses. Given new plants are coming up in a phased manner, would it be possible to guide us on what we should build in our model for the next financial year depreciation and the following year depreciation expenses?
- Rajeev Gupta:** Next year -- you see, the phase 1 will commence by June, but the second phase will commence by maybe 31st March. So for the second phase, the depreciation will not come in the next financial year. So that will come only in '26-'27 actually.
- Shrinidhi Karlekar:** And would you have some numbers, sir, what should we build or...?
- Rajeev Gupta:** I will give you that separately, the number.
- Shrinidhi Karlekar:** Yes. Last one, if I may. On the cable and wire export business, the 30% growth that you alluded for the cable and wire's part, which countries has driven that?
- Rajeev Gupta:** Which countries we have exported it to?
- Anil Gupta:** See. Our major exports are to -- at the moment to 4 regions. One is, Australia is our at the moment biggest market. Second, coming up is now US. And then the third is Middle East, and then Africa.
- Shrinidhi Karlekar:** And sir, what are typical freight costs when you export to US particularly?
- Anil Gupta:** Freight costs in -- freight costs comes to typically 8% to 10%.
- Shrinidhi Karlekar:** 8% to 10% of sales, sir.
- Anil Gupta:** Around 8%.
- Moderator:** The next question is from the line of Bharat Shah from ASK Investments Manager Limited.

- Bharat Shah:** One fundamental long-term growth issue that we were seeking to address in a particular way earlier is a steady 15%, 16%, 17% kind of growth at which we've relentlessly chugged along for a long period of time. And now we are very clear I presume and judge from the various statements that 20% kind of -- close to 20% kind of volume growth is something on a more sustained basis over a period of time through various strategic initiatives would be very predictable and strong outcome. Is this something, apart from being strategic intent, a very strong reality as you see it?
- Anil Gupta:** Bharatji, ofcourse we are aiming for more than 20% growth year-after-year. And you see this is -- even in this quarter also, the growth is 20%, but we are just waiting for the large capacity to come on board. Because in certain product segments, especially HT cable and LT cable, where the demand is very strong, we are still struggling for the capacities. But we are very confident that we will be able to maintain this growth rate at this level, I mean maybe for the next financial year itself.
- Rajeev Gupta:** So Bharatji, for long-term point of view for 5 to 6-year perspectives, as we have earlier spoken also, that we are setting up this plant of Sanand, where the capacity will be close to 5,500 to 6,000. And another expansion will be there from the next year onward. So our overall target is to reach INR25,000 crores turnover by 2030. So now we are working for the INR25,000 crores turnover, sir. For that number, you are also the inspiration for us.
- Bharat Shah:** So that now is a clear reality that we see. And this is not merely a strategic priority, but at an operational level, we see it as a clear reality either through product portfolio, capacity expansion, focus on exports and approvals needed or specific portfolio needed for exports or people at ground level because we'll need to strengthen the manpower team. Finance, of course, we have strengthened with QIP that we did. So all strategic inputs are now in place to drive that growth, apart from the clearly opportunity being there, so can we say that all the pieces in the -- which can make that outcome happen now are firmly in place?
- Anil Gupta:** We are absolutely very confident that -- our 2030 vision will be reaching to INR25,000 crores. And we will be growing with 20% CAGR from the next year. Even this year also we'll be very close to that but definitely may not be 20%, but next year onwards -- because we are just building up our capacities to grow with that number.
- Bharat Shah:** Sure. And as we get into this journey of accelerated growth, compared to decent 15%, 16% kind of a growth that we've constantly done which is basically doubling every 5 years instead, at 20% plus then we are essentially doubling in less than 4 years time. Our margins logically should improve. And return on capital employed also should logically improve because the exports produce better margins.
- Our EHV drive will produce better margins, also upgradation of the product portfolio, logically and operating leverage. So all of these levers put together, not only the top line growth at an accelerated level, but steady and clear improvement in margins is something now a very clear reality rather than these 10% to 11% band that we seem to be in for a length of time?

- Anil Gupta:** As we progress towards higher sales and higher -- with the streamlining of new projects coming up we expect that from FY '27 onwards, we should be able to maintain EBITDA level of close to 12.5%.
- Rajeev Gupta:** Yes, by '28.
- Anil Gupta:** Yes.
- Rajeev Gupta:** By financial year '27, '28.
- Anil Gupta:** Yes.
- Bharat Shah:** So from '27, '28, Rajeevji, about 12.5% and further improvement thereafter as we progress. Until '27, what kind of margin improvement can be envisaged?
- Rajeev Gupta:** In financial year '27, we can expect 0.5%, but by '27, '28, we will be crossing 12% EBITDA margin.
- Bharat Shah:** And improve thereafter as we chug along?
- Rajeev Gupta:** As our economy of scale will improve, this margin will go improvement. This is a -- 5-year plan is completely -- on the ground because we have taken two, three classes from you also and we deliberately -- I mean Anilji has set for himself the target to grow export to the level of 17% to 18% in next 2 years to 3 years time. Retail vision, he has already completed, which he has taken 4 year, 5 year before to reach out 50%.
- So now we are crossing 50%, so now we will be setting up a new target for the retail, maybe another 2%, 3% over, but the employment is recruiting the persons in the retail as well in the export market to reach the vision.
- Bharat Shah:** Okay, fantastic. And Rajeevji, last thing return on capital employed also will improve as we move ahead on that?
- Rajeev Gupta:** Yes. Return on capital employed as of now is also 24% to 25%, but within 3 to 4 years time, sir, it will again improve to 28%.
- Bharat Shah:** Thank you and all the very best.
- Moderator:** Thank you. The next question is from the line of Naushad Chaudhary from Aditya Birla Mutual Fund. Please go ahead.
- Naushad Chaudhary:** Thanks for the opportunity. Just one clarification, sir. We understand the EHV is a better-margin product and would be a growth driver, but looking at from the overall business economics point of view in terms of the -- of overall trade terms in terms of the length of the contract in this business versus our base business and given the kind of the raw material we deal with, don't we think incrementally from a business economics point of view, volatility point of view we are

heading -- incrementally it will be slightly weaker versus what we have today in the -- terms of overall business because the -- within your...

**Anil Gupta:**

Sir, but if we have to retain our market leadership and to remain in the market, we have to cover all type of cable -- electrical cable products right from 1 kV to 400 kV or 500 kV and HVDC. So some margins are -- some businesses are -- their margins are high, but the working capital is also long. And some business are very quick where the margins may be low, but the rotation of money is very fast.

So we are developing a business with a long-term perspective to maintain our market leadership in all the segments of the economy and the industry, especially in the -- where electrical cables are concerned, whether it goes to energy sector or real estate or industry, it is a overall objective of the business we have to watch. And the business is developed in that way.

**Naushad Chaudhary:**

We understand and appreciate that, but just -- and I understand from a growth point of view, we have to be in all the products, but it was just a clarification that given a choice of if you get decent growth in your base business, would you still be -- I know we have to do EHV, but from an understanding point of view, would you rate your base business economics are much better than -- versus the EHV business?

**Rajeev Gupta:**

So normally we are not dependent on a particular product or a particular segment. If you see our history of last 10 years, our last 10 years growth rate is close to 17% in that sometimes export is higher sometimes, EHV is higher, sometimes, retail is higher, sometimes LT, HT is higher, sometimes low. So it's combination.

It's just like a portfolio which you are managing. We are also managing the whole portfolio with respect to the product, with respect to the segment of sales. That's how overall EBITDA margin comes to 10.5% to 11%, close to that. So now we have already reached last year, 10.84%, but in the current year, because of certain fluctuation of the raw material, et cetera -- so a little bit EBITDA margin, we were -- lost in the last two quarter.

But again, as -- I mean we said that for the full year basis our EBITDA will be maintained to the level of 10.8% finally, the -- after the fourth quarter sale. In future also, whatever product range, whatever segment we are maintaining. We will be maintaining a growth rate of -- against the 17% growth rate we will be maintaining a 19% to 20% growth rate with an EBITDA of 11% to 12%, 12.5% within 2 years to 3 years time.

**Naushad Chaudhary:**

Yes, I take your point, sir, of growth and EBITDA margin should improve, but because of the EHV thing, do you think the volatility in the business going forward should increase because of the nature of these business?

**Rajeev Gupta:**

You see, first of all, for next year if I talk of the total sale close to maybe INR11,000-plus crores sale, the INR600 crores is the capacity for EHV cable. So INR600 crores with respect to percentage terms, it is not more than 6% of our total sale. 6% of the total sale if we are earning 14%, 15% or if we are having sale of maybe instead of 6%, maybe 4%, it will not impact the profitability of the whole company because the sale is very negligible in the balance sheet.

Maybe individually it looks very attractive at a 14%, 15% EBITDA margin, but of INR11,000 crores company sale, only INR600 crores sale belong to EHV.

**Naushad Chaudhary:** All right.

**Rajeev Gupta:** So that's why we are explaining it will not impact. And it is not impacting even in the current year. Even the sale of extra high voltage is almost 50%, but still the EBITDA is -- for the 9 months, EBITDA is 10.64%, as against 10.84% last year. And that too, sir, when the numbers of the fourth quarter come, we will recoup that too.

**Moderator:** Thank you, The next question is from the line of Achal Lohade from Nuvama Institutional Equities please go ahead

**Achal Lohade:** Thank you for the opportunity Sir, just a couple of questions. One, if you could talk about, since we are on the topic of margins, just a broad sense what typically are the margins for exports in terms of cables when it goes through the distribution channel, what margin if it goes through institutional. Just a ballpark range or stacking of the margin. Which is the highest margin, and which is the lowest margin? If you could give some order, that will be very helpful.

**Rajeev Gupta:** Sir, Margin in export is close to 11%. In retail, it's close to 11% -- and close to -- this low-tension and high-tension power cable institutional business is 10.5%. In extra-high-voltage power cable, the margin is 14% to 15%. In EPC business margin is 12% to 14%, but with the combined, we are getting margin of 10.7% to 11%. But in future, when the economy of scale will get raised and fixed overhead will not get increased to that extent -- so because of that, our EBITDA margin will improve by 1%, 1.5% within 3 years' time. So that will be the range of the margin.

**Achal Lohade:** Fair point, sir. And I presume, when you're talking about the export, retail LT, HT margins, etcetera, these are excluding the other income. Is my understanding right?

**Rajeev Gupta:** In other income, it is basically the -- only the 2 income. One is the interest on fixed deposits. One is the exchange fluctuation, and the export incentive -- only major 3 incomes are there. Against the interest on fixed deposits, there is an interest downside also. Export incentive is pure operational income. So we are always talking of the EBITDA whenever we are speaking to you all. In our case, we are not running a treasury, so there is no income from treasury side.

**Anil Gupta:** And export incentive, it is actually...

**Rajeev Gupta:** Operating, operation...

**Anil Gupta:** That is taken into consideration while doing export pricing.

**Achal Lohade:** Absolutely makes sense, sir, makes sense. The second question I had, in terms of the -- so one is the Sanand plant. You've already talked about potential revenue of INR5,500 crores to INR6,000 crores. How about the next round of expansion to achieve the INR25,000 crores revenue? If you could give some sense on that as well?

**Rajeev Gupta:** So, we have already -- in acquisition of the land at Baroda, wherein we bought a good size of land, almost 60-acre land we have accumulated. So, by next year, once we complete the Sanand project, we will do another expansion for low-tension and high-tension power cable for the further expansion and further growth from the Baroda itself. So the land is already having -- in hand.

And from the internal accruals, we will be doing additional INR700 crores to INR800 crores yearly expenditure over there for 2 years. So that, again we will be creating a INR5,000 crores to INR6,000 crores top line factory over there. That's how we are making a target of INR25,000 crores turnover by 2030, existing locations plus Sanand, plus Baroda.

**Achal Lohade:** Understood. This is very helpful, sir. And just last question: How much of the cables go through the distribution channel as of now? And how do you see it evolving?

**Rajeev Gupta:** From the distribution, almost 50% sale, of wire; and 50% sale, of cables.

**Moderator:** Thankyou The next question is from the line of Akshay Gattani from UBS. Please go head

**Akshay Gattani :** **Hi sir thank you for the opportunity**

**Moderator:** **Sorry to interrupt Mr. Akshay I would request you to please use your handset**

**Akshay Gattani :** **Ya I am on handset is it clear?**

**Moderator :** **Yes**

**Rajeev Sir :** **Yes, Now Akshay this is clear.**

**Akshay Gattani:** Thank you Sir, So my query is on export business. Which products do you sell in export market? And you have talked about export business margin, but with EHV capacities coming up by end FY '26 -- so does this open opportunities for EHV export as well, like, from a meaningful perspective?

**Rajeev Gupta:** Yes, yes. That's why we are setting up that plant which will cater the export market for EHV. Because we're in the -- length in one single drum, we will provide almost double as we are doing right now.

**Anil Gupta:** And that is basically hindering our exports of EHV cable because we cannot supply the desired length on a drum from the existing factory.

**Akshay Gattani:** Got it, sir. And margins on EHV export are higher than domestic EHV sale? Or they are broadly similar.

**Rajeev Gupta:** Almost -- a little bit similar or maybe sometime higher. If we are going ahead with HVDC, then it will be higher.

**Akshay Gattani :** Got it Sir that's all from my side

- Moderator:** **Thank you** The next question is from the line of Vidit Trivedi from Asian Markets Securities. Please go head
- Vidit Trivedi:** **Thank you Sir** All the questions have been answered. Just one clarification: Did you say the volume growth is 19% for this quarter?
- Rajeev Gupta:** Volume growth. In terms of the production, if we talk, we consumed 28% more metal in this quarter, but in terms of the sales, the growth rate of the cable business was close to 24%.
- Moderator:** **Thankyou** The next question is from the line of Saket Kapoor from Kapoor & Company Please go ahead
- Saket Kapoor:** Sir, when we look at the segmental reporting under the EPC projects, we find a sequential decline also and a substantial decline on a year-on-year basis in the revenue and
- Rajeev Gupta:** EPC has 2 kind of revenue reporting. One is pure EPC. Another is the EHV EPC. So whenever we execute the context of EHV supply cum lay income commissioning -- so that is also coming under EPC. So this year, our EHV business is already declined. And EPC, as stated earlier, 2, 3 year before, that we will be maintaining only 4% to 5% -- INR400 crores to INR500 crores business. So that is also on that strategy.
- Saket Kapoor:** Okay. And sir, like you said, the interest, other income and other finance costs that you mentioned, our finance cost in the first 9 months is INR41 crores compared to INR27 crores. So, what are the key reasons, sir, why our interest costs are higher? And we have raised also, I think, some QIP money. So, how are we using that and the debt numbers?
- Rajeev Gupta:** Interest costs, because in the last few years, we did not have capex. So, all the money was ours. So, we were utilizing it all in cash. But now, last year, I mean, in this current year, when our capex started, then a little bit of LC utilization and plus the bill discounting interest cost came into account. After that, we thought of QIP in October. Then, by the end of November, we completed QIP.
- So, now our interest expenditure will decrease again. Because now the money of QIP money will go into the capital expenditure. So, our money will be saved for our working capital. So, it will come back from cash purchase. So, the interest cost will come down again.
- Saket Kapoor:** Sir, for this year, how much capex have we done in 9 months? And what is the annual target? And how much capex will we do next year?
- Rajeev Gupta:** Sir, the target for next year is about INR1100 crores capex. And the balance of 3 months is also about INR400-INR500 crores. If this INR400-INR500 crores is less in the fourth quarter, then the next year will increase. So, all together, the target of 15-18 months is this combined target.
- Saket Kapoor:** Okay, sir. And, sir, as you said, we are very well eluded to the fact that 6%-7% of the total revenue will be in the EHV segment. So, currently, sir, in this...



- Rajeev Gupta:** Capacity is that much, right now. When it comes in the year, it will increase in the year. But in the percentage terms, the capacity will still be the same.
- Saket Kapoor:** Yes, sir. My question, sir, is that in the EHV segment, what are you seeing as growth pillars? And, sir, this segment, perhaps, the entire government is focused on capex? Whatever capex capacity you are putting in, its main buyers will also be utility, power utilities, which are funded by the state and central governments. So, taking into account the way the government is moving backwards from the front of its capex, so what gives us the confidence? And what are the pillars in the EHV segment going ahead? Take to the side, please?
- Rajeev Gupta:** The EHV cable basically buys the transmission wing of the discount. Or private companies like Tata Power, etc., buy such companies when they take big projects from the government. Or big projects like refineries, etc., are used there. So, the capacity of our cable is INR600 crores. As I explained, last year there was a sale of INR600 crores plus. There was a sale before that as well.
- There was a sale more than that last year. There was a sale of INR514 crores. So, this is the capacity, INR600 crores. Now, we are putting a new Sanand plant. There, we are adding a capacity of INR1000 crores for EHV. So, all together, you can think that by adding both the capacities of INR17,000 crores, we will have an EHV of approximately INR1600 crores.
- In a turnover of INR17,000 crores. Because the capacity of EHV is the same. And even in that, whether it is less or more than INR200 crores, INR300 crores, there is not going to be a big impact on the balance sheet. I have just explained it to you.
- Saket Kapoor:** Sir, what I want to understand is that the entire focus of the EHV segment is on the government's capex.
- Rajeev Gupta:** Sir, EHV can be big for you. It is not a big business for me. Because I have only 6% business. So, why am I worried about that?
- Saket Kapoor:** Okay, sir. And the total market size...
- Rajeev Gupta:** Sir, the total market size of that business is INR2,500 crores. Why are you worried about it? Because the market is of INR1 lakh crores, INR85,000 crores to INR1 lakh crores cable market is there. In the entire market, the portion of EHV is INR2,500 crores. 2.5% market share, 2.5% market, whether it goes up or down, who is going to care? We are talking about the entire cable industry. The market is of INR1 lakh crores from INR85,000 crores. And EHV is only INR2,500 crores.
- Saket Kapoor:** And lastly sir, on the other expenses front, is there any one-off item because of which our revenue has increased?
- Rajeev Gupta:** That is the percentage, sir. The percentage of revenue is less. As the sale increases, if you see the percentage.
- Saket Kapoor:** Lastly, sir, as we can see, instead of copper, aluminum is being replaced a lot. Because of that, sir, our revenue is a bit...

- Rajeev Gupta:** Sir, it is nothing new. All this is old, sir. We have told you our growth of 10 years. It is 17%. Sometimes copper will get an order, sometimes aluminum will get an order. This is normal, sir. Sometimes the product will go up, sometimes it will go down. Sometimes the segment will go up, sometimes it will go down. Sometimes there will be a cable of aluminum, sometimes there will be a cable of copper. This is a normal thing. This is completely normal for us. There is nothing new for us in the cable industry.
- So, there is no difference in our segment. If you look at the growth of Polycab, if you look at the growth of KEI, if you look at the growth of Havells, the three companies that have grown in the last 10 years, there is a growth of 16%, 17% of all three companies. And the EBITDA margin of all three companies is also maintained. So, there has been a fluctuation in the last 10 years. Everything has happened. So, we are very disciplined in that way, actually.
- Saket Kapoor:** Sir, my last point was that in the EHV segment, who is the market leader of this segment? If we are in the total space, after the capex...
- Rajeev Gupta:** KEI and Universal Cable.
- Saket Kapoor:** KEI and Universal will be the major ones.
- Rajeev Gupta:** Yes, because these two are the major Indian suppliers.
- Saket Kapoor:** Yes, sir. They are also doing capex right now.
- Rajeev Gupta:** All of them will do it. That is how much the market is growing.
- Saket Kapoor:** Okay. Thank you very much, Mr. Gupta.
- Rajeev Gupta:** Thank you.
- Moderator:** Thank you. The next follow-up question is from the line of Natasha Jain from Phillip Capital. Please go ahead.
- Natasha Jain:** In terms of export, can you call out, what is your percentage contribution from U.S. in your total exports?
- Rajeev Gupta:** It's negligible U.S. contribution.
- Anil Gupta:** This year -- I can tell you. This year, expected contribution from U.S. should be around INR200 crores, but from next year, we expect it to go up to around INR500 crores, next year.
- Natasha Jain:** Okay. And sir, the sharp increase of -- it's good to know that, from INR200 crores, you're moving up to INR500 crores, but given the current stance of the current government in the U.S., any risks, sir, in terms of supplying cables to the U.S. market?
- Anil Gupta:** These are very small numbers from a country like U.S., where the market size is, I mean, at least 8x to 10x of India. So the -- I mean these are peanuts. We have to grow substantially from these numbers, as soon as our new capacity comes up onboard.

- Natasha Jain:** Got it, but then at least you do not see any risk in terms of any slowdown. The market looks robust for you?
- Anil Gupta:** See there's no -- I don't see any risk of slowdown. Rest, if the government policies -- somebody imposes a huge amount of custom duties and -- that is not in our hands.
- Natasha Jain:** Understood, sir. And just one feedback that we have got. Sir, while the product has been very, very well accepted by the channels -- just that the replenishment cycle of the product is a little longer than the peers. I know you're expanding your channel. So that's deeply appreciated. So just this feedback. Thank you so much.
- Anil Gupta:** That is related to the capacity, because we are building a product. We are increasing our capacity to improve the restocking.
- Natasha Jain:** Understood, sir. Thank you and all the best.
- Rajeev Gupta:** Thank you for your feedback.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.
- Anil Gupta:** So, thank you very much to our investors and for attending this conference call. I hope that we have been able to answer most of your queries. If still you have any other queries, you can reach out to us. Thank you so much, and have a good day.
- Rajeev Gupta:** Thank you very much to all of you.
- Moderator:** On behalf of Nuvama Institutional Equities. That concludes this conference. Thank you for joining us, and you may now disconnect your lines.