



**“Finolex Cables Limited  
Q1 FY '24 Analyst Conference Call”  
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**MODERATOR: MS. MAMTA SAMAT – PERFECT RELATIONS**

**Moderator:** Ladies and gentlemen, good day and welcome to the Finolex Cables Limited Q1 FY24 Analyst Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. I now hand the conference over to Ms. Mamta Samat from Perfect Relations. Thank you and over to you, ma'am.

**Mamta Samat:** Thank you, Zico. Good evening, everyone, and thank you for joining us on the Finolex Cable Limited Q1 FY24 Analyst Conference call. Today we have with us the senior management represented by Mr. Deepak Chhabria, Executive Chairman and Mr. Mahesh Viswanathan, Chief Financial Officer. Before we begin, I would like to say that some of the statements that will be made in today's discussion may be forward-looking in nature. We will begin the call with the opening remarks from the management, after which we will have the forum open for the interactive Q&A session. I will now request the management for the opening remarks. Thank you and over to you, sir.

**Mahesh Vishwanathan:** Good afternoon and welcome to this call of the first quarter results of Finolex Cables Limited. I am Mahesh Vishwanathan speaking on behalf of the company. A quick recap on the quarter that went by. Revenue, we posted fairly strong results. Revenue was up by about 19% on a comparable basis and almost similar to what was what was done in quarter 4 last year. At the EBIT level the numbers improved substantially from close to 14% PBT as against 12% in the corresponding quarter of last year and post-tax results were about 11% compared to 9.3% earlier.

In absolute terms the post-tax results were actually 38% higher than the corresponding quarter of last year. Within these segments electrical segment the revenue was up by about 22% compared to the corresponding quarter of last year, almost similar to what was achieved in quarter four last year as well. Communication cables was flat, whereas there was growth in the copper segment from INR300 crores to about INR383 crores. At segment level, the electrical cables line stabilized at about 13.1%.

We have traditionally been around 13%, 13.5% in the past, except for one or two quarters last year where because of commodity price movements we had to take a cut in the margins. But now we are back on track there. In volume terms the electrical wires which is one of the, which is our largest selling product required a volume increase of about 29%. Power cables grew by about 3% and communications cables, the segment grew about 17 percent. There was price erosion in the communication cables side, mainly on the fiber prices.

Globally fiber prices declined substantially over the last six months and the effect was felt in the – on the top line. We have, together with other industry members, participated -- made a representation to the government on the quantity of fiber that was being dumped into the country from overseas. The government has taken note of it and last week issued a corrective mechanism whereby there is an imposition of anti-dumping duty on imports from those countries. So we hope that going forward the correction to the realization will take place.

It will not happen immediately but over a period of time that should steady. The last part that I would like to touch upon is that on the communication cable side, two weeks ago the cabinet approved a spend of approximately 1.4 lakh crores on the last month collectivity on broadband under the BharatNet program. I think this will, over the next couple of years, add more to the top line of the company, and it fits in line with our expansion programs on those areas. So with this brief background, I now open it up for questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. Our first question is from the line of Rahul Agarwal from Incred Capital. Please go ahead.

**Rahul Agarwal:** Hi, good evening. Thanks for having this call. You know, one clarification and then three questions. Firstly, on volume growth, the press release mentions electrical wires as 29% volume growth and power cables separately. So if I understand it correctly, electrical wires is excluding all cables, right? The auto, agriculture and power, is that correct?

**Mahesh Vishwanathan:** I know power cable is separate, electrical wires when I say that includes auto as well as agricultural applications.

**Rahul Agarwal:** Okay, get it. So now getting into questions, firstly on revenue growth, you know obviously we're all seeing that cable and wire is getting disproportionate growth right now into up cycle of the industry. For full year fiscal 24, across your three segments, what kind of revenue growth would you expect? So electrical cables, I understand copper is down, Y-o-Y, but still you're managing 20% plus. So I would imagine that should continue. So in case just your thoughts on electrical cable segment and FMEG and communication cable, both have been flat this quarter, but what's the way out ahead, please?

**Mahesh Vishwanathan:** On the electrical segment, a lot of it is driven by growth in the infra segment. So that could be reality, that could be housing, I mean, that could be housing, that could be infrastructure, that could be other government spends. So as long as those spends continue on the same trend as we have seen over the last six months, then you're right, a similar growth is possible. On the communication cable side, while the volume growth was there, the value growth was kind of flat, like I mentioned earlier, primarily due to the depressed prices of fiber.

First quarter, I think the average price of fiber was about \$3.2. So I think once, now that this anti-dumping duty has come into place effective last week, we should see realizations getting back to some sense of normalcy going forward. The demand is still there and with the additional announcements from the cabinet, those should translate into demand. Maybe not in the immediate term, but in the medium and long term it should bounce back strongly.

On the appliances and FMEG part, the rains in summer kind of disrupted the whole scene. I think this has been a common theme across many participants in the industry. So that has had an impact on the volumes. Secondly, while inflation has come down from its high, I think there is still a lot of hesitancy in terms of discretionary spends. But if the housing momentum keeps going on, I think those should also bounce back in the short and medium term.

**Rahul Agarwal:** On communication cables, largely assuming the price remains flat, let's say in a base case, what should be the growth for fiscal 24?

**Mahesh Vishwanathan:** We should see tenders coming up now. It depends on when those tenders are you know opened up and that will drive volume so that's something that I'm not able to really comment with a degree of certainty there.

**Rahul Agarwal:** But in terms of existing order book what kind of visibility will we have?

**Mahesh Vishwanathan:** We will have visibility for about 6 months. So from the private sector you have got Bharati and Reliance investing in 5G and they are doing a lot of good rollouts. So they, I mean while the rate contracts are fixed for a year, the quantity is placed every month and so but we do expect that because of the 5G rollouts the demand should be robust. They would still go on purchasing. Everyone knows about the rollout. Other than that the company has taken steps to do some EPC business. So we started in Gujarat, where we are installing and laying the fiber optic cables also and giving to them. So this activity we are going to try and replicate and grow in more states. So we see the demand for cable will also pick up a little bit from the EPC contracts as well.

**Rahul Agarwal:** Got it, sir. And FMEG, just to summarize what you said, obviously I understand demand is weaker because of rains, but we are pretty small. I thought we are focused on increasing market share and new product launches. Shouldn't that help you to, on a smaller base, to at least grow on this base?

**Mahesh Viswanathan:** Well, yes and no. When the overall market spend itself is depressed, it will have an impact on smaller players as well, right?

**Rahul Agarwal:** Okay, okay, got it. Next question was on communication cables again. In terms of capacity, I just wanted to know what is it right now and based on the current price, what could be the peak revenue we could achieve, both for metal-based and OSEs?

**Deepak Chhabria:** One second. Fiber attention. Fiber will go to your commissioner. So, on the communication on the fiber optic if you want to know capacity, we have a capacity on the cabling side of 8 million fiber kilometer and we draw the fiber is about 4 million fiber kilometer at present. So that is the present capacity.

In the expansion plan what the company is doing where we are adding additional capacity on the cabling side, we will go from 8 to 10 million fiber kilometer and we are going to increase on the towers from 4 to 8 million and we are also adding preforms as a backward integration, which in the first phase would be 4 million. And then later on, the second phase will take place of 4 million. It will be in two branches.

**Rahul Agarwal:** Get it. So to understand this correctly, let's say if we're doing like 150 crores a quarter of communication cable business right now, that number can go up to at current pricing can go up about 8 to 10 million, 8 million goes to 10 million, so that's about 25% increase. Is that correct?

**Deepak Chhabria:** That's on the cabling side. But instead of buying fiber from outside, we'd be growing our own fiber, so you will add more value addition and profit in the company and as time goes we would be adding preforms the project is underway right now so in a year's time we would have

4 million of preforms so it the end cable product may not be going up but the value addition in the organization would be going up. The profits will go up.

**Rahul Agarwal:** Understand, sir. The margins will go up, basically.

**Deepak Chhabria:** The margins will go up, Yes.

**Rahul Agarwal:** Yes, Yes. And lastly, sir, and pardon me for this question, we've seen stock exchange piling on the pending legal matters. I think no decision was made there. It was more of a disclosure. There's been a lot of discussion last one know, last one year on amicable settlement, and stock is almost more than double based on rumors on an insider information on WhatsApp and a lot more other sources. You know, whatever legitimate update you can provide, you know, based under the law, it's a good help shareholders to understand, you know, whatever you can provide, what is really happening on the family settlement lease? That's my last question, thanks.

**Deepak Chhabria:** See, the problem is that since there's so many cases like you mentioned the matters are sub judice so I am not allowed to comment on the same I'm restricted but you have to excuse me.

**Rahul Agarwal:** I understand, sir, but it's still very material for shareholders, isn't it?

**Deepak Chhabria:** You know but I do follow the law and I cannot break the law. Because it's all in court, I can't comment one way or the other on that. I can say it's not over, it still continues, but other than that I can't say anything about the case.

**Rahul Agarwal:** Got it, sir. So no decision has been made, is that correct? Is that understanding correct?

**Deepak Chhabria:** Yes, the status is still the same as it was earlier.

**Moderator:** Thank you. Our next question is from the line of Shivam Mittal from Purnartha Investment Advisors Private Limited. Please go ahead.

**Shivam Mittal:** Thank you so much for the opportunity. So a lot of peers is talking about China plus one strategy that is going in US market. So US customer actually don't want to dependent on Chinese suppliers itself. So they are looking for India. So how are we looking like export opportunities?

**Mahesh Viswanathan:** We haven't looked at US at the moment. We are, we have some exports, not very large, but we have some exports to the Middle East and parts of Africa. And so that's where our focus has been so far. We have not looked at the U.S. at this point in time.

**Shivam Mittal:** All right. Thank you so much. So what is the current capacity utilization as a whole and in wires, electric wires specifically?

**Mahesh Viswanathan:** Wires at the moment we should be somewhere around 70%.

**Shivam Mittal:** Right, and company as a whole?

- Mahesh Viswanathan:** It's very difficult to, you know, add wires and other product lines. But let me make an attempt. I think it should be somewhere around the 65% to 68% mark.
- Shivam Mittal:** So, capex for FY '23 and '24 you guided for INR250 crores for '24 and INR100 crores next, so is this remain same?
- Mahesh Viswanathan:** Yes, that's on track, that is on track, nothing much has changed there.
- Moderator:** Thank you. Our next question is from the line of Sonali Salgaonkar from Jeffries. Please go ahead.
- Sonali Salgaonkar:** Sir my first question is in the electrical wires of 29% volume growth, which are the key end user segments and if you could quantify them as well please?
- Mahesh Viswanathan:** Actually growth has been fairly broad-based. Construction wire has gone up by about just under 30%. Industrial wire has gone up by about 20%, agriculture has gone up substantially but then we had a lot lower base last year it's almost up double and auto is up by about 30%.
- Sonali Salgaonkar:** Right and is it fair to say that almost 65% of our electrical wires is catering to construction?
- Mahesh Viswanathan:** Yes.
- Sonali Salgaonkar:** I understand. So my second question is regarding pricing actions. You mentioned that the price of optic fiber has eroded. Could you quantify what was it about six months back? You just did \$3.2 is the average price in Q1. What was it six months back?
- Mahesh Viswanathan:** It was close to 4.5 I think.
- Sonali Salgaonkar:** Okay, all right. Sir, about the ADD input, what's the percentage of ADD and on which countries is it imposed?
- Mahesh Viswanathan:** It's between 5% and 15% and the countries involved are China, I think Indonesia and a third country.
- Sonali Salgaonkar:** And this is some immediate effect right?
- Mahesh Viswanathan:** This is from the 5th of August.
- Sonali Salgaonkar:** Alright sir. So thirdly on the operating margin of the company as a whole, we have improved year-on-year to about 12%, but earlier, say about three, four years back, we were even higher at about 14% to 15%. And in the interim during COVID, we resorted to discounting, wherein our margins came down to 12% or sub 12%. So what could be required for us to regain that 14% to 15% mark on the operating margins as a whole?
- Mahesh Viswanathan:** I think the prior realizations on the communication cable sector, an improvement is required. I think this ADD would help and that should flow through into the margin space. While it may not bridge the entire gap, I think it is part of the reason why it is a little depressed at this point in time. And of course we have also started a higher spend over the last three years on our

advertisement and sales promotion expenses. So that is also taking a bite out of the margins. So as we improve top lines, as we improve volume, I think the recovery will start coming in there.

**Sonali Salgaonkar:** Got it, sir. And on the Cables & Wires part X communication in the electrical side, were there any material pricing actions that we saw in Q1 or in Q2 so far?

**Mahesh Viswanathan:** Q1, yes, we did. We did two price reductions in May and one price increase in June.

**Sonali Salgaonkar:** And the quantification of that, please?

**Mahesh Viswanathan:** Net I think net reduction would be around 2.5% I think. Twice we reduce prices and once we increased.

**Sonali Salgaonkar:** Increased so net reduction is 2.5 got it sir. Then last question from my side approximately of our overall mix how much is cables versus wires?

**Mahesh Viswanathan:** For us?

**Sonali Salgaonkar:** Yes.

**Mahesh Viswanathan:** Cables versus wires is an it's a small number it's about it's about 15% or 10% to 15% of the total.

**Sonali Salgaonkar:** No sir, so of our overall mix product mix how much is cables and how much is wires.

**Mahesh Viswanathan:** Yes that's what I'm saying.

**Deepak Chhabria:** How much is cable number total and how much is wire number total.

**Mahesh Viswanathan:** You are talking in terms of value.

**Sonali Salgaonkar:** Yes sir.

**Mahesh Viswanathan:** Okay so out of the INR1,000 crores, INR200 crores Yes out of the INR1,000 crores, INR200 crores for the quarter, wires is about 1,000 and cables is about 34.

**Moderator:** Thank you. Our next question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

**Natasha Jain:** Hi, sir. My question is just a follow-up on what one of the previous participants had asked. Sir, the BharatNet project, I believe the third phase is going on and there are tenders that Cable & Wire have submitted. So I want to know if you have submitted tenders and has the allotment been done? First question is that. Second question is what kind of a top line contribution can we see from these tenders and how over how many years will the top line kick in?

**Mahesh Viswanathan:** So Phase III that was announced two weeks ago where the cabinet has approved the spend is about INR1.4 lakh crores for various items to be used in the last mile connectivity. So it is not just cables, it could be electronics, it could be other stuff as well.

Now those tenders are not yet out. They have just, the cabinet has announced that yes we are okay, ready to spend this money but the tenders were not yet out. Earlier to this the about two years ago Yes about two years ago an attempt was made tender was floated but the tender got scrapped because they were trying to do it on a PPP basis and there were way too many questions for which the answers were not very clearly visible how would the participation happen how would the participant be allowed to charge what kind of fee they would be allowed to charge all those were questions which were for which there were no real answers so I think at that point in time, the tender was scrapped.

Subsequently, whatever they have been buying, they've been buying to fill in gaps and not really large scale rollouts. This would be a large scale rollout and we are still awaiting the tender. And like I mentioned earlier, I don't believe this is going to get done in any hurry. Deployment would take time and you are looking at probably a three to five year program.

**Moderator:** Thank you. Our next question is from the line of Reshab Sisodiya from Sameeksha Capital. Please go ahead.

**Reshab Sisodiya:** This is a question on the FMEG part So if you could just give us a broad target for the year and what is the current inventory in the channel, which is one of the reasons why we saw a 7% decline Y-o-Y basis?

**Mahesh Viswanathan:** I think the channel inventory, which got blocked during quarter three last year, the depletion is slowly happening. There have been changes, especially in the fans category, there have been changes in regulatory requirements. In fact, there was one yesterday as well. So that part is happening, but what created issues during this quarter was the unseasonal rains that we had in summer in many parts of the North.

And season is when you sell most of it, and that's the bank that offtake really did not happen. And like I mentioned earlier, while inflation has come down, discretionary spend till people are not so lose with their wallets yet.

So there is a little bit of sluggishness in the market. We tried to compensate for that by introducing newer models, but the activity levels need to increase before we get back on track. And when we last spoke, we said we would like to see this segment hit a number of about INR500 crores in 2 years to 3 years. So, that target number is still alive for us. We've not gone back on that and we will increase our efforts on the ground to make sure it does [inaudible] 26:17]

**Reshab Sisodiya:** Okay that's helpful.

**Mahesh Viswanathan:** So, we are adding efforts on the advertisement side. So, maybe in another month or so, you should see newer ads on the screens around each of these products. So, that should give us better visibility and hopefully, that should give us better pool as well.

**Reshab Sisodiya:** Understood sir. The next part is on the capex could you reiterate your FY24 and 25 capex guidance?



- Mahesh Viswanathan:** I didn't get you. What was your question?
- Reshab Sisodiya:** The capex guidance for the year and the company?
- Mahesh Viswanathan:** For the year. I think we mentioned that we would be spending close to INR300 crores over the next 18 months to 20 months and that is still on. So we -are E-beam program is progressing well. We expect the machine to be -- at least one of those machines to be commissioned by end of this calendar year and both going live by quarter 1 next year. The construction work on the preform project is due to start any time now. For the optic fiber expansion, the building is already ready. All we need to do is to complete it with equipments so that process is on.
- On the regular expansion in terms of replenishments that program continues. Additionally, I think we are increasing capacity on the auto cable side in one of our sites.
- Reshab Sisodiya:** Okay. So cumulative, it should be around INR400 for FY'24 and '25 inclusive of the replenishment capex that you mentioned, should be around that number and currently, you are running at a 65% odd utilization mark. So, for this year most of the capex would get 100% utilized by mid-FY'26. Is that a correct understanding?
- Mahesh Viswanathan:** Yes.
- Reshab Sisodiya:** We would be announcing another capex down late next year, FY'25, right?
- Mahesh Viswanathan:** Yes once this is done and the program are finished then we will look at if there are additional gaps there.
- Reshab Sisodiya:** So just the last thing so accounting with this next capacity and the current one that should be supported enough to reach almost 6,000, 6,500 top line?
- Mahesh Viswanathan:** Yes.
- Reshab Sisodiya:** Thank you. That's it from my side.
- Moderator:** Thank you. Our next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.
- Sushil Choksey:** Congratulations on stable results. Mahesh I have one question from the last concall, you had answered that your aspirational turnover is INR10,000 crores to INR11,000 crores, and you will be doing INR2,000 crores of capex if that has been met, out of which you are indicating INR400 crores of capex typically in the next 12 months of run rate. Can you guide further on this aspiration turnover on capex and elaborate from where we were last quarter and now?
- Mahesh Viswanathan:** Yes I'm thinking it over in my mind. So yes, so over the next 1.5 years, from what I remember, we had talked -- I don't know whether it was you or somebody else, what I recall, we had talked about aspirations to get there INR10,000 crores, INR11,000 crores, and we would get there in various means. So, one of the means was expansion of the existing product lines in terms of capacity. Now just to take you through what we've done. On the -- we started our PVC conduit business more than a year ago. We've expanded it twice.

Today, we are producing 25 lakh pieces a month. There is no space to expand into this plant is in Goa. So, now we are looking at a new plant and to put it in the East and as well as in the North. Mahesh didn't talk of that, but that is another expansion coming up, which will happen in the next 12 months. Then in the automobile sector, we have actually sold out capacities are in full. We are expanding 50% capacity. We've ordered some machines recently, and the deliveries are about 12 months.

So you will see a physical expansion happening with capacity in about 12 months in the automotive side. We have big plans for the optic fiber business, where we are increasing capacity in the cabling in the draw towers as well as in the preform. So, this part is about INR300 crores expansion where we are accounting preforms at INR4 million in the first phase, but we are making the building ready for INR8 million because we don't -- this is a clean room environment kind of business where you don't go expanding piece meal at a time. But the second phase will be another INR4 million, which will happen in the next 2 years. And so there will be more capex planned there and it will also contribute to the turnover.

From only making fiber optic cable will be selling fiber and fiber optic cables as we expand in those lines. We started the EPC division, and we are trying to grow that division investments will take place in that area. We have electron beam two lines coming on. When they go live, there are quite a few products which will come out of this electron beam. No, one has asked that question. So I'll just want to update you on that. We are putting two lines.

One is a smaller line one is a larger line. The smaller line will run wires. So, even in the house wiring sector, we can have a premium product, which is coming out because with radiation technology, you are able to enhance the properties of the installation to withstand higher temperature, higher current rating and higher aggressive existing properties for open use. We will be launching from the bigger line solar cables.

We'll also be launching products for railways and there are a lot of high-speed railways coming in. We require instrumentation cable. Those have been made in the E beam. While Mahesh talked of the E-beam building, there's a lot of other equipment required for making these products like you require trending lines, drawing lines, extruding lines before they actually go for E-beam.

So if you really count all these projects, it will be more than INR500 crores happening in the next 18 months. Now these are things we have in hand, which is already planned out for growth of the company. There is always going to be more products as we go along and new ideas that come along. And if you recall on the FMEG products, we had talked that our first goal was to reach INR500 crores as a turnover in all those five, six product lines. But the minute we cross INR100 crores in a singular line we will set up a plant because today, we are getting the product made from outside.

The design is our's, the [inaudible 0:34:31] our's, but we are getting it manufactured through a third-party manufacturer because the volume is not sufficient to justify a plant. If you want to invest in a plant and you want a state-of-the-art plant, which is automatic, robotics, high-quality, didn't require higher volume to justify the plant. Otherwise, you will make losses.

So, we are waiting for that to happen before we invest, and we believe in this run of this INR10,000 or INR11,000 crores, we will have those plants also coming up in the next few years to support the activity and to grow that business, we are working a lot on advertisement, which using Bollywood stars we are making spend on [inaudible 0:35:14] strengthening the distribution network with the 2 Tier network, and we hope to see results with that happening in the next couple of years.

So these expansions and as Mahesh has also said in the past, we are looking for acquisitions. There are a couple of places where we are evaluating. We have not been successful as yet, but the evaluation continues in product lines, which are natural extensions of our product lines and the minute we click one or two of those, I think the expenditure will also happen and we will also reach our goal and our aspiration target of INR10,000 crores. So, this should take a couple of 3 years at least to reach that target.

**Sushil Choksey:** Between the current capacity utilization to optimum capacity and the value addition plus the capex of INR500 crores, what kind of top line can be added based on INR500 crores capex in the next 18 months?

**Deepak Chhabria:** At least INR2,000 crores.

**Sushil Choksey:** And value addition percentage?

**Deepak Chhabria:** No. The top line will be INR2,000 crores with that capex can be added.

**Sushil Choksey:** And the value addition because of integrating various materials on optic fiber and various other things, what will that be in percentage terms?

**Mahesh Viswanathan:** I think it should add a couple of 2 -- at least 2 to 3 percentage points on the EBITDA number.

**Sushil Choksey:** And this is without any protection on imports or -- this is a natural course of action based on value addition you are seeing, right now, those are being made by imports, right?

**Deepak Chhabria:** Yes, correct.

**Sushil Choksey:** If there is a duty protection that will be added to it, right?

**Deepak Chhabria:** Yes, I see the preforms are in today, we draw the preforms. We import them, it's all 100% imported. There is only one Indian manufacturer making preforms. So, we will be the second one. There is a good value addition in there. It always a volume gain. That's why we planned it to be an INR8 million unit, but we are implementing in 2 phases of INR4 million crores because we want to get a hand wet and make sure it is all stable before you add the second phase.

But real values come in as the entire -- the infrastructure when you spend on a larger building on the gases and all the supporting infrastructure will be made for Phase 1 and Phase 2. So initially, you may see for one year, a different payback, and it will change going into the second year.

- Sushil Choksey:** Okay. My next question is compared to auto cables and currently as the world is moving from IC engine to EV. And second thing is on solar cable, what's your outlook based on our products?
- Deepak Chhabria:** You see in auto cable, even if the world is changing to EV, the harness is still required, because inside the car, it's about the wires, which are connected to the various places like your windows, doors, music system. All that is going to remain, it's not going to vanish. The -- just that the driving the car, I mean, the engine was driving the train. Now it's a motor with the battery at the back, which is driving it.
- Sushil Choksey:** So, my question was more about how much more value addition will you do from ICE to EV that is more I understand the cables are required. The value addition will increase or it will remain at the same level?
- Deepak Chhabria:** No, the harness wire remaining same value addition remains same, but the volumes are growing.
- Sushil Choksey:** Solar cables?
- Deepak Chhabria:** Solar cable is a complete new product line, which is going to be manufactured in the EV plant from scratch. So, that will add additional value to the turnover to the company and value addition, both.
- Sushil Choksey:** What kind of capacity are we putting up sir. Annualized production government thinking is to add 20,000, 30,000 gigawatt of capacity and [inaudible 0:39:40] 10%, 20% market share will be serviced or we will not be able to service?
- Deepak Chhabria:** No, with two lines that you are not servicing 10%, 20% market share is much smaller. We are going to make that and then expand further with more lines.
- Mahesh Viswanathan:** This is our first step in that.
- Sushil Choksey:** Correct. Our first step would be for 1,000 gigawatts or more?
- Mahesh Viswanathan:** No, we, I don't have the number with me right now, the calculation, but it's about, if I'm not mistaken, about 2,000 odd kilometers a month, somewhere there.
- Sushil Choksey:** Okay, and how is the pricing trend on that compared to normal cables?
- Mahesh Viswanathan:** The construction is different so the pricing is going to be different. The question is when we are ready at that point in time where the market would be. Today you have cables which are cured chemically as well as cured through this radiation process and the price points are slightly different.
- Sushil Choksey:** When the project was conceived where we were and where the price trend is, it is stable or it is up or down?

**Mahesh Viswanathan:** See we conceived the project doing all parts of the project, which includes thinning process, includes wire drawing, extrusion as well as this E-beam process that goes with it. So value addition happens in all the places. When we conceived the entire project, the payback was at about four years or 4.5 years and it should remain the same.

We had looked at two options where a compound, this is a very difficult compound to manufacture, people normally import it. We have done R&D, we are able to make our own compounds and that brings more profitability in the project. Now, I do not have an exact number for you in terms of what that value addition is, but I told you the payback number.

**Sushil Choksey:** Thank you for answering all my questions, all the best for the years to come.

**Mahesh Viswanathan:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead. Mr. Bendre, your line has been unmuted. Please go ahead with your question. May I request the management that we move to the next participant? Mahesh Bendre has dropped out of the queue. Thank you. Our next question is from the line of Bhavani Kumawat from Philip Capital. Please go ahead.

**Bhavani Kumawat:** Yes, thank you, sir. Thank you for the opportunity. Just a data-driven question. Can you just let me know about the active touch points in Q1 vis-a-vis Q4 last year?

**Deepak Chhabria:** So, the active touch points last Q, well I don't have Q4, but I have Q1 to Q1 I have. 50,730 has gone to 60,390.

**Bhavani Kumawat:** Okay, and any plans to expand it further, sir?

**Mahesh Viswanathan:** Absolutely. Our goal is not at 60, 60 is not enough. We should be, we have a universe of about 1,75,000 people and out of those 1,75,000, 60,000 have been billed at least once during the quarter. There have been many, who have been billed twice, thrice and more than three times, but unique billing has happened to about 60,000 people. That the target that we have given to the field force is that you increase the 60,000 towards the 1,75,000 and the quicker we close that gap the better because then you have presence across all the geographies.

**Bhavani Kumawat:** Okay. Thank you so much for it sir. Next question is on, how much will we have a share of silver cable in Q1 compared to Q4 and Q1 last year, same period?

**Deepak Chhabria:** Share of what cable?

**Bhavani Kumawat:** Silver cable?

**Deepak Chhabria:** For silver, it will be about half.

**Bhavani Kumawat:** Sorry sir,

**Deepak Chhabria:** 50%. Yes, it will be about half.

- Bhavani Kumawat:** Okay, got it sir. In last quarter you mentioned somewhere around 75,000 plus retail touch points, active touch points. Just wanted to confirm that, is it...
- Mahesh Viswanathan:** Actually, quarter four is the highest, and then the buying pattern is slightly different. If you go back in history also, the highest revenue is always in quarter four, and quarter one, immediately succeeding that has a lower number.
- Bhavani Kumawat:** Okay. Just last question from my side. Just want to, can you just give the revenue guidance and margin guidance for FY '24?
- Mahesh Viswanathan:** Okay, normally I don't give a guidance out, but all I can say is this, if you have the kind of bottom support in the form of infrastructure growth or housing sector growth that we have seen over the last four to six months, then a similar reflection of the revenue in our financials can also be seen. So it depends on how the base infrastructure works.
- Bhavani Kumawat:** Okay, similar level will be shown in the margins as well, right sir?
- Mahesh Viswanathan:** Absolutely.
- Bhavani Kumawat:** Thank you so much for it, sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of Rahul Agarwal from Incurred Capital. Please go ahead.
- Rahul Agarwal:** Yes, thanks for the follow-up opportunity. Sir, three questions. Firstly, on electrical cable segment, the EBIT margins, when I look at fiscal '17, '18, '19, '20, used to be about 15% to 16% on an average. We are now back to 13%. Do we get back to that 15%, 16% range?
- Mahesh Viswanathan:** In the earlier days, there was also a little bit of, we were selling everything directly. We didn't have a distribution set up at that point in time that started coming in towards the second half of 2021. So there is a cost associated with distribution which then eats into your margin, that is number one. Number two is our A and S spends have been higher than in the earlier years. That also comes out of the margins. So steady state, what is sustainable is anywhere between 13% and 14%. Got it, sir.
- Rahul Agarwal:** Secondly on this E-beam, just wanted to simplify whatever we discussed and Deepak explained earlier. What is the capex spent here for both the lines put together?
- Mahesh Viswanathan:** The total project cost is about INR85 crores or INR88 crores, somewhere around that.
- Rahul Agarwal:** Okay, and given current pricing, are these orders going to be short cycle? For example, if one line starts in fourth quarter, would you book revenue as well? Like, could you get sales in fourth quarter itself? Or how does this work?
- Mahesh Viswanathan:** Maybe one quarter following. So if I'm able to complete it, let's say by December, then the quarter of March, we should be able to go credit.

- Rahul Agarwal:** Okay, and both lines put together, the top line expected on this INR88 crores, should we expect like a similar asset turn for 5x? Is that fair? Obviously, the pricing is going to be higher, but will 5x asset turn be fair for this business?
- Mahesh Viswanathan:** Over a longer period, yes, but not in the immediate short term.
- Rahul Agarwal:** So the time to ramp up is pretty long, is it, for E-beam facilities?
- Mahesh Viswanathan:** It will be at least one year, because right from day one, you will not be able to show an asset turn of 5x. That takes a little bit of time to stabilize and increase the turn.
- Rahul Agarwal:** Got it, sir. And lastly, on communication cables, we're approaching elections sometime in March, April, I would imagine till January starting, we'll have some kind of protocols to be followed. Assuming new tenders take a bit of more time to come out from phase three, and based on the current order book, you said you have six months visibility, but would you say that, you would increase the revenue from last year? Like last year, you were about 580. Is it possible to increase that based on whatever visibility we have right now?
- Mahesh Viswanathan:** I think so. As long as the prices hold, no issues.
- Rahul Agarwal:** Okay. So that could still grow based on the current order book like 15%- 20%, is that possible?
- Mahesh Viswanathan:** That's possible, yes.
- Rahul Agarwal:** Okay. So any particular reason for that being flat this quarter?
- Mahesh Viswanathan:** No, like I said, volumes have gone up because of pricing pressure, the values have remained kind of flat.
- Rahul Agarwal:** Right. So from here, if pricing stays flat, we could reach, which we could do 15%- 20%?
- Mahesh Viswanathan:** Yes
- Rahul Agarwal:** Okay, I get it. Thank you so much. Thank you for answering.
- Moderator:** Thank you. Our next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.
- Mahesh Bendre:** Hi, sir. Thank you so much for the opportunity. Sir, we are very strong on the wire side. Cable side, our product portfolio is very limited. And what we have been witnessing right now is demand for cables, for solar cable, or whatever. I mean, T&D and all kinds of stuff is really growing. So our expansion plan that you just talked about, that is what we want to focus on, that we want to increase the presence in cable side?
- Mahesh Viswanathan:** On the solar part of it, yes. But on the T&D side, we are a little bit choosy. You are exposed to distribution utilities and maybe sometimes at the higher end of the chain you are exposed to transmission utilities. But their financial strength is, what it is. So we have always been a little choosy and we have not therefore consciously not participated in that side of the business and

that's a large business we understand that but it also means a larger working capital outlay. It also means chasing around for money.

More importantly, it means that you have to be, it's an entirely tender driven business and therefore you have to be L1 all the time to get into a business. So you might end up sacrificing margins for volume. So it's something that we have avoided so far consciously and we have been only looking at opportunities, which makes contractual sense to us.

**Mahesh Bendre:** But sir, the industrial side, if you are not comfortable, I understand, SEV has its own payment problem, but on industrial side, the cable requirement is huge. So on that part also, can we expand, or even for export side, many cable manufacturers are exporting to the US and other countries, so that part is also not being addressed from our end. So I'm just trying to understand, are there any plans of looking into that particular business? Because that size of the business opportunity seems to be very high.

**Mahesh Viswanathan:** It is. And in fact, it's not that we don't address the industrial requirements. So if there are large industrial houses, which have got expansions, we do consider those opportunities. We participate in those opportunities. Exports, you are right, we have not done that so far. That is something that we will have to look at and take a follow-up. And I do see quite a number of our peers are reporting that, they have very good export numbers. So it's probably something that we should look at as well.

**Mahesh Bendre:** Sir, last question from my end. So post-2008, we have become quite conservative in terms of growth and balance sheet and overall business opportunity and how we address it. But now looking at the capex plan and new segments we want to go over next two years, is it fair to assume that, we as a company has become slightly aggressive or in a sense more, growth focused rather than sticking to the more old business or you can say the traditional business?

**Mahesh Viswanathan:** So our focus on growth has been there. You're right, around the time of 2008, '9, '10, there were other issues that were facing the company and therefore we had to fix those. So, we spent some time in getting those fixed. And now that those are behind us, our focus is back on growth, adding new avenues of revenue, and at the same time, maintaining a certain level of profitability. You want to balance it out, it cannot be all focused on one area or the other. So we're trying to do the best we can at this point in time.

**Mahesh Bendre:** Sure, thank you so much, sir.

**Moderator:** Thank you. Our next question is from the line of Anupam Goswami from STUD Life. Please go ahead.

**Anupam Goswami:** Hi, sir. So you mentioned about a INR500 core capex, and that would give about a top line, additional top line of INR2,000 cores. So given that, is mostly on the fiber expansion and preform and all those cables, so let's say on a FY '25 on an already a base of INR4,000 crores, what sort of growth in the current business that you are anticipating?

**Mahesh Viswanathan:** No, he actually, he was very clear. He said on fiber, that would be, effectively we would expand from about INR8 million to INR10 million. That will add to the top line. Most of the



capex on the preform and draw would actually add margin to the bottom line. The growth would come from automobile expansion and automobile cables. The growth would come from the E-beam facilities going live. The growth would come from conduit plants getting expanded and additional growth in FMEG.

- Anupam Goswami:** Right and so what is our capacity utilization right now in the electric wires?
- Mahesh Viswanathan:** Somewhere around 70%.
- Anupam Goswami:** Okay, sir and your overall you are anticipating INR2,000 crores by FY '25 or should it be later than that?
- Mahesh Viswanathan:** You add one more year because if this program is going to complete towards the middle of '25 then all the resultant revenue is not going to happen in the same year. It will take three years.
- Anupam Goswami:** And sir, what is our retail to institution mix right now?
- Mahesh Viswanathan:** Well, wires are mostly retail. We sell them through two channels. One is a distribution network and the other one is direct to our channel partners, who are stockists. So that is entirely retail oriented. Some of the communication products are also retail oriented. So close to around 65% to 68% depending on which quarter it is would be retail oriented. What is not retail oriented is what goes to the automobile harness manufacturers and what goes to telecom operators and some power grids.
- Anupam Goswami:** Okay. So, going forward, there will be more sort of growth since new capacity in the non-retail side, right?
- Mahesh Viswanathan:** Solar cables, if you talk about it, can be sold through a distribution outlet also. And it is probably going to be a mix of both institutional and retail. Auto cables will be largely institutional. And so will the optic fiber cables. But then we also talked about conduit pipes, we also talked about FMEG, that will all be retail.
- Anupam Goswami:** Okay, and the margin improvement in the wires, you're sensing all the optic fibers aligned right, mostly?
- Mahesh Viswanathan:** No, I didn't understand your question.
- Anupam Goswami:** Where is the margin expansion mostly coming, anticipating from?
- Mahesh Viswanathan:** On the optic fiber business.
- Anupam Goswami:** Okay. Thank you, sir. I'll join back.
- Moderator:** Thank you. Our next question is on the line of Manoj Gori from Equiris Securities. Please go ahead.
- Manoj Gori:** Yes, thank you. Thanks for the opportunity...

- Moderator:** Sorry to interrupt. Mr. Manoj Ghori may be requesting you to use your answer, sir. You are not audible. Sir, may we request you to rejoin the queue as your line is not clear, sir. Thank you. We move to the next question. The next question is from the line of Dhruv Aggarwal from Niveshaay Investment Advisors. Please go ahead, sir.
- Dhruv Aggarwal:** Yes. Thanks for the opportunity, sir. So in case of high-tension cables, in which industry do you see the major demand coming from, sir?
- Mahesh Viswanathan:** Let me repeat your question. You said, in the case of high tension cables which industry...
- Dhruv Aggarwal:** Which sector, do you see the major demand coming from, sir?
- Mahesh Viswanathan:** Well it's going to come from utilities on the transmission side and some from the distributions plus people who are putting up large projects will have a requirement.
- Dhruv Aggarwal:** Okay, so like basically can you just throw some color on that, which industry to be very specific, sir?
- Mahesh Viswanathan:** It is any industry. So let's say you're putting up a new factory, it will require an incoming power source, so that has to be a high-tension power source.
- Dhruv Aggarwal:** Okay. Right.
- Mahesh Viswanathan:** And there are one more... Also require them in transmission utilities, when they are converting the overhead lines to underground cables, they will require it. You will also require them in distribution utilities.
- Dhruv Aggarwal:** Okay. Right, sir, what would be the sales mix in case of cable segment between low, medium, high and extra high tension cables, sir?
- Mahesh Viswanathan:** I don't understand your question. You want to know the segmentation?
- Dhruv Aggarwal:** Yes, sir?
- Deepak Chhabria:** He wants to know the segmentation of what do you mean by low, medium, high, and extra high voltage?
- Mahesh Viswanathan:** So, generally, up to 3.3 kV is called low voltage cables.
- Dhruv Aggarwal:** No, sir. I got that, sir. In case of sales mix, sir, like out of your total revenue, what would be the contribution?
- Mahesh Viswanathan:** Our sales mix is largely in the low voltage wires.
- Dhruv Aggarwal:** Okay. And sir, can you quantify also? It would be a great help, sir.
- Mahesh Viswanathan:** So, somebody else asked me this question before. Out of the INR1,200 crores of sales that we had, let's say INR1,050 crores is wires and cables. Out of that INR1,000 crores is wires of different kinds and about INR50 crores is the cable part.

- Dhruv Aggarwal:** Okay, right.
- Mahesh Viswanathan:** That makes it clear?
- Dhruv Aggarwal:** Right, sir. And sir, like, there is a target of government like to do the 500 gigawatt by 2030. So do we expect any demand from that, sir? In case of renewable energy, sir.
- Mahesh Viswanathan:** So you are talking about renewable energy, so that is wind and solar power.
- Dhruv Aggarwal:** Right, sir.
- Mahesh Viswanathan:** Yes, so as more of those plants get set up, then obviously they will need cables for evacuating them. So yes, it will translate into business for us and yes, that is why we are we are setting up this electron beam facility so that we can participate in the market.
- Dhruv Aggarwal:** Right sir, like if you can like share some percentage of that sir, how much contribution do you like -- our share would be out of that, sir?
- Mahesh Viswanathan:** We are just setting up the facility, so it's a little too early to say that I've got X percentage share or Y percentage share.
- Dhruv Aggarwal:** Okay. Right, thank you sir, thank you for answering all my questions.
- Moderator:** Thank you. Our next question is from the line of Manoj Gori from Equiris Securities. Please go ahead, sir. May we request you to rejoin the queue with a different connection to ask questions. Mr. Manoj Gori, you may write to us for any further queries at [mamta.samatl@dentsu.com](mailto:mamta.samatl@dentsu.com).
- Thank you. Ladies and gentlemen, that was the last question of our question and answer session. On behalf of Finolex Cables Ltd, that concludes this conference. Thank you for joining us and you may now disconnect your lines.