

Finolex Cables

Earnings Conference Call

(June 30, 2020)

Moderator: Ladies and gentlemen, good afternoon and welcome to the Finolex Cables Earnings Call organized by Batlivala & Karani Securities India Private Limited. At this moment, all participants are in the listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press '*' and '1'. I would now like to turn the conference over to Mr. Kunal Sheth. Please go ahead, sir.

Kunal Sheth: Thank you so much and welcome everyone. I would like to welcome the management of Finolex Cables on the call. From the management, we have Mr. Deepak Chhabria who is the Executive Chairman and Mr. Mahesh Viswanathan who is the Chief Financial Officer. I would request sir to give us some opening remarks and then we will open the floor for a Q&A. Over to you, sir.

Mahesh Viswanathan: Good afternoon. This is Mahesh from Finolex Cables. Welcome to this earnings call today. I think you must have seen the results, you must have seen our press note as well as the results which were published in the newspaper as well as in the BSE website. So very quickly what I can say is, quarter 4 was impacted by COVID. We had 21% drop in revenues when compared year-on-year and for the full year, again the impact of quarter 4 persisted on the full year numbers as well. We had 7% lower revenue this year as compared to the previous year.

On the volumes, while quarter 4 had substantial impact, on the full year level on wires which is our major product, we were marginally higher than the previous year, we were about 1% higher. In communication, again due to the issues that we are seeing this year on optic fiber line especially with both the government sector as well as the private sector, the issues that were there in that particular sector, we have seen a drop in that area. Besides optic fiber, there are multiple product lines there and of them, the LAN product line was best performer and all the others had a decline. Broadly, this was on the traditional areas.

On the nontraditional area, the recent introductions in terms of fans and other product lines had a significant growth in the year between 25% to 60% in volume terms. Of course, the value numbers are still below 100 crores at this point in time, but for COVID, we would have crossed I think about 115 crores or so.

Fourth quarter like I mentioned was impacted by COVID and our estimate is that we lost approximately 200 crores of sales in the last one month and of course, the consequent profit and so on. Profit for the quarter was about 135 crores as against 140 last year. There is a decline of about 3%, but considering the fact that volumes were down, this is considerably a decent performance. In post tax, of course the adoption of the lower tax rates helped us and we posted a post tax profit of about 402 crores versus 344 last year.

So with these brief remarks, I will open the floor for questions and so we will be happy to take any questions that you have.

Moderator: Certainly sir. Ladies and gentlemen, we will now begin the question and answer session. We have a question from Viraj Mehta from Equirus Securities. Please go ahead.

Viraj Mehta: Sir, you mentioned that we lost approximately 200 crores of orders because of the lockdown and the COVID impact, is it that a part of that chunk is coming in this quarter or that sales which is lost is lost?

Mahesh Viswanathan: I don't think it is possible to correlate that one to one, some part of it might have come subsequently, but I really cannot say that. It is very difficult to correlate it one to one because there has been a gap of 3 months before we could start again.

Viraj Mehta: And sir today, as we have just started, currently what will be the utilization at which our plant should be running?

Mahesh Viswanathan: Likely, more than one third I think, may be 40%.

Viraj Mehta: 40% of capacity or 40% of last year?

Deepak Chhabria: The question what you asked previously at the March end, normally we have high sale because there are many targets given to distributors and they have schemes running and so normally there is a pile up of stock at their end, so now when COVID happened and there was a lockdown, that sale was lost and it doesn't get covered later on, to answer what you were asking earlier to Mahesh. As we have opened after lockdown, at different times we have opened up different plants in May and earlier, it was lower capacity which was being used, but slowly people have been coming back and it has been rising, so there are two kinds of labor, we have permanent work force and contractual labor. Permanent work force has mostly come back by now, but the contractual labor is difficult to find with all the migration of the labor and there is a shortfall. So depending on the product line, your capacity available for production is anywhere from 50 to 80% depending on the product line.

Viraj Mehta: And sir, just last one question on our dealer rollout that we have been very vocal about over last few quarters, if you can just give a little update on that?

Deepak Chhabria: So when we started the last year program that we will do a distribution network, we had targets of software system for distribution management, so you have to have a target of 500 distributors, about 1 lakh retailers to reach out to for which we have done a survey all over India. We managed about 380 distributors and some 42,000 retail outlets which got registered and started buying from. We did not do what we set out to do in the full year, but we are continuing with the same reach and trying to reach the same target of 1,50,000 this year. It is difficult with people wanting to travel out and meet new customers and try to bring them online, but even since opening, we have been adding retailers, so we hope that we can achieve that target this year.

Moderator: Thank you, Mr. Mehta. We have a question from Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Sir, on the resumption activity, what are our current sales say in May 2020 and June 2020 compared to May and June 2019?

Mahesh Viswanathan: Obviously, it is going to be lower than last year numbers because of the logistics involved, because of transportation availability and because of the demand situation. At this point in time, I don't think it is fair to talk numbers because the results have to be announced anyway in a short time from now. So while I wouldn't go into the numbers, obviously the quarter wise numbers would be lower than last year first quarter.

Sonali Salgaonkar: Sir, and on the capacity utilization, please correct me if I am wrong, but did you mention that the average capacity utilization is 40%?

Mahesh Viswanathan: Yes, what Mr. Chhabria said is depending on the product line, the output could be anywhere between 40 to 80% depending on product we are talking about because we have several products that are running and so in some lines, you need more people on the line and the proportion of permanent workers to the contract workers differs from product line to product line. Now depending on where that requirement is higher for contract laborers, then the capacity available would be low, but where it is entirely managed by our own force, then yes, availability is close to 80%. That doesn't mean that we are producing 80%, so it will go by what the demand is.

Sonali Salgaonkar: Sir, and approximately what percentage of our sales is emanating from rural versus urban?

Mahesh Viswanathan: That is difficult to answer because the flow of material happens all over the place. So while the customer might be located in a large urban center, he might be distributing or selling through the wholesale market into rural areas as well and with the introduction of the distributor framework, we were hoping to get better idea on the secondary market and how things move, but our program is still partly over, so at this point in time, it is difficult to say exactly what percentage goes into rural and what percentage gets consumed in the urban areas. But if you look at construction primarily, then a larger portion of consumption happens in the urban and semi-urban areas, so it would follow that trend, I am guessing.

Sonali Salgaonkar: Sir, could you help us with FY20 volumes for electrical cables and communication cables?

Mahesh Viswanathan: Electrical wires I said, it was up by 1% compared to last year, overall.

Sonali Salgaonkar: And communication volumes?

Mahesh Viswanathan: Communication cables, the largest contributor from communication cables is optic fiber cables and that was down by 35%.

Sonali Salgaonkar: Sir, any indication of CAPEX for FY21?

Mahesh Viswanathan: Our program still remains the same. The only issue informed was when we would be able to complete it would depend again on availability of manpower for construction because typically if you see, most of the construction manpower is migrant labor and that is one. Secondly, we have lost the first 3 months of the year when generally construction activity is at peak level. Now, with rains coming, in any case that would have come down a little bit, so when we are able to restart those projects will depend on two things: one, the availability of manpower there with the contractors and number two, the onset of monsoon. As we explained last year, we had multiple projects going, one was at Goa which is to manufacture polyvinyl pipes there the construction has been completed, equipment has been installed, but the proving of the equipment has to happen with technicians from overseas. With travel ban in most places, so that part is still, we are awaiting those people to come and prove the machinery. In Pune, we had 2-3 projects going on, one was on the e-beam where again the construction has got installed in the final time and subsequently, the construction has also to move to two lines where we would be backward integrating with copper coated steel and plant for solar wires. Now again both those, the construction first will have to start and the issue is what I had mentioned before, but overall our spend level plan is still the same that over the next 18 months, the 200 crores we have spent is in the plant.

Sonali Salgaonkar: Sir and the orders last that you mentioned of Rs. 200 crores because of this COVID lockdown, were they mostly from electrical cables or communication cables?

Mahesh Viswanathan: They would be across the product lines, so that would be wires, that would be communication products, that would have also been fans and lamps and switches and switchgear as well. The entire market was closed and the first 2 months, the newer products actually were doing very well.

Sonali Salgaonkar: Sir, FY21 is we understand very choppy because of what we have seen in Q1, but any sense you would like to give on the margins because our electrical margins have always been very strong, so any sense or any target you have for the margin front?

Mahesh Viswanathan: I think we are looking at a period when there are so many uncertainties. We do not know which market at which point in time is going to remain open, we do not know which market at which point in time is going to be in a containment area or lockdown or whatever. We thought that the market had opened up and suddenly Tamil Nadu closed Chennai and now they have extended it again for another 12 days. We hear similar move in Calcutta from 3 days ago. So how things are going to move will depend on how the virus is being contained and how that is being managed and so it is very difficult to predict what volume of sales will happen and margin is a fallout from two things, what revenue we achieve, what volume we achieve or growth we achieve. So that is something that I am not wanting to predict at this point in time. Our focus right now is how do we contain cost, how do we make sure that people are safe while at the same time we don't let loose of any opportunity and make sure that avoidable cost are actually avoided and we get better efficiencies in the way that we are working. So where automation is possible we will do that, where better efficiencies can be squeezed out of the equipment, we will try and do that. So those are all our margin protection mechanisms which we want to call them and in that connection, we have had extensive conversations within the company. We utilized 2 to 2-1/2 months' time period that we were all locked at home to work on those ideas. Some of them required investments, some of them are things that you could do in any case, so those are activities which are going on where we are tracking them on a week to week, month to month basis and to make sure that we really come out with leaner and meaner outfit. Beyond that, obviously our attempt will be to protect the margins, but how much we succeed or are we able to better that, that only time will tell. I think 1-1/2 months post lockdown is too early to say anything.

Sonali Salgaonkar: Sir and my last question, any cost rationalization initiative that we are running during this period of lower sales?

Mahesh Viswanathan: That is what I mentioned, that is exactly our focus at this point in time. How do we get better efficiencies from the organization, whether it is by improved automation, whether it is by getting more output on the machines or whether it is by going back to zero based what we are doing to question every expenditure whether it is required yes or no.

Moderator: Thank you. We have a question from Mr. Sumit Jain from ASK Investment. Please go ahead.

Sumit Jain: Just wanted to know what kind of demand environment are we seeing on the optic fiber side, optic fiber cables?

Mahesh Viswanathan: Demand?

Sumit Jain: Yes, are there orders on the BharatNet side or any other orders that we are witnessing on the optic fiber side?

Mahesh Viswanathan: We have got the same 2 days ago, 3 days ago, Tamil Nadu has been directed to change their terms and conditions, so while this demand is there, it is not yet get converted into and not just for us, for anybody because that process of going through the tender, finalizing the tender awards that is still in process. So in that sense, where is some work happening in Tamil Nadu by the local government, I think Karnataka is preparing a preliminary note basis which they will formalize their tender. I think the similar job is happening in Bengal as well, but beyond that whatever orders were issued out last year, if some residual work is going on that is what is currently being done. In fact 2 days ago, there was a small tender from BSNL as well and there is one more coming next week.

Sumit Jain: Sir, what is the size of orders that have come up in Tamil Nadu, Karnataka, BSNL, all put together would be how much?

Mahesh Viswanathan: Tamil Nadu, the opportunity size was somewhere around, I think that tender was about 2000 crores, but of course it is going to be a while before they bring the tender out again and I think Karnataka and Bengal also will be of similar numbers.

Sumit Jain: And this 2000 crores would involve product and project execution both or this could only be a product supply?

Mahesh Viswanathan: No, this would be everything, all together, it would be turnkey.

Sumit Jain: How much would be product within this?

Mahesh Viswanathan: That would depend on actually the route length to be done, so depending on that the EPC portion would come up. I think that particular tender got cancelled even at the very early phase. As soon as they announced it, there were issues and it got cancelled.

Sumit Jain: And in FY20, within communication cable, what was the share of optic fiber cables?

Mahesh Viswanathan: Out of the 408 or 409 crores, I think more than 50% was optic fiber.

Sumit Jain: And margins there would be?

Mahesh Viswanathan: If you see the communication cable sector, the margin last year had dropped from 14 to 6 or 7% and primary reason for that was the drop in volumes from optic fiber because then you have to absorb the entire fixed costs. The typical margins should be around 11-12%.

Sumit Jain: And optic fiber and nonoptic fiber, both the businesses would have kind of similar margin or would there be differences between the two in communication cable?

Mahesh Viswanathan: There could be minor differences depending on who your customer is. If it is the market, then the margins were slightly better, if it is an OE, then you have a price risk.

Sumit Jain: And within electrical cable business, what is our revenue mix between industrial cables, domestic wires, technical cables, so on and so forth?

Mahesh Viswanathan: About 60% is construction wire.

Sumit Jain: So construction wire would be ?

Mahesh Viswanathan: Then you have 4 major categories that would be industrial, agricultural, auto and power and each one of them would be between 12 and 15% each.

Sumit Jain: It still not add up then, if 65% is wires, then it is only 35%?

Mahesh Viswanathan: I know the number crosses to beyond 100, but I am giving you a range, so it will be between 10 and 12% range.

Sumit Jain: And within these four on the cable side, which one would be the largest?

Mahesh Viswanathan: Construction I said.

Sumit Jain: No, 65% is construction and the balance 4 that you talked about, within those 4 which are each 10 to 12%, anything which is the largest of the four?

Mahesh Viswanathan: I think agri would be the largest of the four.

Moderator: Thank you. We have a question from Tarang Bhanushali from Yes Securities. Please go ahead.

Tarang Bhanushali: Sir, one question on the other income, it was sharply lower on a Y-o-Y basis this quarter, so any particular reason in that?

Mahesh Viswanathan: Sharply lower?

Tarang Bhanushali: So 30% on a Q-o-Q basis and 22% on Y-o-Y basis, so?

Mahesh Viswanathan: I am sorry, I don't understand, the other income is what you are talking about, right?

Tarang Bhanushali: Yes, sir.

Mahesh Viswanathan: So last year was 24 crores and this year is 58 crores.

Tarang Bhanushali: For the quarter?

Mahesh Viswanathan: Yes, for the quarter is what I was saying.

Tarang Bhanushali: Sir, it is 18 crores against 26 crores last year Q3, so again why the sequential drop in, so my question was on that only?

Mahesh Viswanathan: No, there is no drop here, it is 58 crores, not 18.

Tarang Bhanushali: Sir, on the consolidated level sir?

Mahesh Viswanathan: At the consolidated level?

Tarang Bhanushali: Yes sir.

Mahesh Viswanathan: Because I have to eliminate the dividend. The dividend from FIL, I have to eliminate in the consolidation, so that will move from share of income from associates and joint ventures.

Tarang Bhanushali: Sir, second question is on the J Power JV, so what was the performance in FY20 and what would be the order book currently with us?

Mahesh Viswanathan: Sales wise, we move from 47 crores close to 72 or 73 crores. Losses also came down from 40 crores to 26 and we start the year with an order book of about 110 crores.

Tarang Bhanushali: Sir, what do we expect in terms of FY21 this subsidiary because we were seeing some green shoots in the EHV segment, so are there any orders in the near term and what do you think how the subsidiary will perform this year?

Mahesh Viswanathan: As I said, we are starting the year with an order book of about 110 crores that is number one. Number two, this is a business where revenue recognition is subject to completion of certain stages of the order. Supply alone doesn't allow you to claim the revenue, you also have lay. Now with the kind of restrictions that are there on public work, I am not too sure how much of the laying can be completed, in fact we have four projects going on in Chennai at this moment while the supply for those 4 orders are ready and available at Chennai. We are unable to lay anything on the ground because of the lack of permission to do any laying. So that is the one thing and that could be different in different cities depending on how critical the virus management is there at any point in time. I think as the country opens out more, maybe I can give you a better answer, but at this point in time, I am really not able to give you much in terms of specifics.

Tarang Bhanushali: Sir, on the automobile side, we had added a new plant, I think in FY20, so what is the progress and have we added more plants on that front?

Mahesh Viswanathan: There are 4-5 large harness manufacturers and they had multiple sites making products for different automobile manufacturing at different places. So when I said our customers over last year, what I meant was more price from each set of customers because then our product gets to go into more vehicles or more brands, so that is what brought about the increase in the first 3 quarters. So obviously that will continue, there are more in the pipeline, but having said that while I have to also look at the entire auto industry to see what they are going to achieve this year. They have multiple troubles as you know, one is they are migrating to BS6 and that brings with its own certain complication and of course now with COVID, what will be the demand situation as something what we will have to see over a period of time. I think it is going to be impacted very heavily or may be the first one month or so when we opened up, they saw some activity but I honestly suspect that they will see a growth, they will I think see a degrowth this year.

Tarang Bhanushali: Sir, my question is again post the lockdown, so on the demand side, have you seen the rural demand picking up faster compared to what we have seen in metros and to what levels would have been the rural demand coming back, so any color on that?

Deepak Chhabria: I will give you my perspective. What I think can happen, instead of looking at urban and like Mahesh was explaining, all over India, everyday situation changes, some places are containment areas, and some are certainly out of containment and lot of restrictions come and go and the movement of product is also a problem. You don't even have proper transport facilities or getting drivers to move products in time. There are lot of issues in supply chain in running successful manufacturing operations, but I believe that as we go forward through the pandemic and I think we will be facing this problem for little time to come, there are going to be opportunities as well, there are going to be companies which have teething issues, in the market, people who are probably giving credit to the customers and not getting paid back will see some sales go down and as you are aware, our company sells all the products with advance payment basis, so we are in a situation where we don't have outstanding except for some OE or government bodies, majority of our businesses in the market is on advance payment basis, so we have that kind of an opportunity to sell and expand our business. So there is also going to be companies which are from the unorganized sector who may close shops and so such a market could get a little bit for us as you go forward, so it is a mixed thing and we are positive and we are trying the level best to actually gain market share.

Tarang Bhanushali: Sir, in our FMEG segment, what would be our largest contributor in terms of product and what would be the large segments, large products may be?

Mahesh Viswanathan: Our fan and lights.

Tarang Bhanushali: And that would be what, more than two thirds of the overall revenue?

Mahesh Viswanathan: Our fans and lights, yes, both of them put together..

Moderator: Thank you. We have a question from Mr. Ashish Poddar from Anand Rathi. Please go ahead.

Ashish Poddar: Sir, just wanted to understand the difference of consolidated and standalone numbers, so this quarter I feel some large difference, if you can explain why it is for the quarter and even for the year, number is quite significant?

Mahesh Viswanathan: If you have the consolidated income statement in front of you and you put the P&L basic difference you will see will be in the line item, other income.

Ashish Poddar: Sir, that is visible, that is similar for every second and fourth quarter, but there are other line items also which is making differences higher?

Mahesh Viswanathan: No, the only other line item where you will find a difference is other expenses.

Ashish Poddar: No, sir even on the deferred tax item side or even on the other, there are few other line items in the other expenses which is making differences high, this is what I wanted to understand?

Mahesh Viswanathan: Yes, I am coming line by line, so if you look at other expenses, you will find differences. That is because in the case of the standalone financials...

Ashish Poddar: Sir, last year same quarter, it was -18 crores, this year it is +7 crores.

Mahesh Viswanathan: Where did you get -18 crores?

Ashish Poddar: This is the difference for the last Q4 FY19.

Mahesh Viswanathan: Which line item I was asking you?

Ashish Poddar: Other expenses.

Mahesh Viswanathan: Other expenses this year, March quarter it shows 73 crores in the consolidated and last year was 42 crores and for the full year, it is 261 versus 202, so the major item of elimination there between that and the standalone financials is the impairment that we have taken in the standalone books for the investment in the JV. So that is the main difference, there is nothing else.

Ashish Poddar: So in the coming year you will not find this kind of difference which we saw in FY20?

Mahesh Viswanathan: No, the difference is on account of a principal. The principal is what in your standalone books you have JV as an investment. So if you are impairing that item, so you take the charge in the standalone books. When you are consolidating it, why do you take the impairment because the JV has made a loss, right. So when you are consolidating it, then you have to eliminate the impairment because in March figure it comes there as part of, when you consolidate the numbers.

Ashish Poddar: That I understand. What I wanted to understand is the PAT level, before share of profit in JV in FY19 the difference was 37 crores and this year the difference is about 90 crores, so I just wanted to clarify on that number?

Mahesh Viswanathan: When you are talking difference, I don't see it in the chart here, so you please explain to me where are you getting the difference from? Which is line item you are trying to...

Ashish Poddar: So as I said apart from other income, there are other line items also where I find difference in the current quarter in Q4 which was not there meaningfully in the earlier quarters.

Mahesh Viswanathan: So tell me for example which line item, so then I can understand?

Ashish Poddar: I think I will take it offline, I think it may be distracting other further, I will take it offline for this.

Moderator: Thank you, Mr. Poddar. We have a question from Mr. Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: Sir, though you have already put some light on the current scenario, just wanted your thoughts on two key focus areas, one is does the higher lockdown or the severe lockdown in major hubs like Mumbai, Chennai is impacting your company more because this being a more B2B company and these are large distribution areas and they being under severe lockdown, is this impacting more? That was one. Second, what is

your thought on this migrant labor who were many electricians etc. would have migrated back to their hometowns and many metro cities all over the country, there may be demand but since there is no labor to small jobs or the home renovation kind of jobs, just wanted your thoughts on these two areas, sir?

Deepak Chhabria: Our company has a strong following in the South, more than 50% of our sales comes from South India. We are reasonably strong in the West and we are weaker in the North. So where the containment or issues happened, then of course it hurts us for example we are very strong in Tamil Nadu, has gone under lockdown, it certainly hurts our business. Mumbai where we do very good business, but Mumbai is not one of our strong hold points and so if Mumbai is under lockdown, we are not hurt that badly. So it depends on product and the market share we have in the particular territory, but overall all these things are definitely affecting the business. It is not a smooth and straight selling and I think it will impact us in the year. The next part of the question was, what is the impact on...

Saurabh Patwa: Was on migrant labor?

Deepak Chhabria: So if you look at it last year, the real estate sector has been facing a slowdown, anyway we are on the electrical wires, we are directly linked and whether new projects are being launched, if there is effect on sale of flats, apartments, commercial building, it affects our business. It affects more in the luxurious segment and if you see the last year, the midsize and the small 50 lakh flats have been selling more than the bigger ones, so anyway we were pretty stressed last year with the real estate sector. Now the lockdown is the same story, we can forget the electricians, there is no labor to do any construction. Laborers just vanished, even at our plant what Mahesh was saying earlier of the electronic beam, there were 100 labor station there and the contractor was paying them salaries and giving them an additional bonus to hang on there by taking care of all their needs, but the minute capacities or some transport open, not a single person stayed back, everybody vanished, so everywhere around you see construction is halted and not taking place. Obviously, that will have an impact because the wiring happens after the construction, so the labor has gone. It is going to affect our business, but as I was saying earlier, luckily there are other opportunistic things for us like people of smaller companies who had cash flow issues, unorganized sector, not able to function in these kinds of times, so our business gets an added boost from that side while we lose out in the other. So let us hope that in this turbulent time, we come out on top.

Saurabh Patwa: Just one more question if I can chip in was on realization, what was FY20 average realization on the blended basis for wires and cables?

Deepak Chhabria: What is affecting the realization for this year?

Saurabh Patwa: Yes, FY20 realization?

Deepak Chhabria: Are you asking what the realization was?

Saurabh Patwa: Yes sir.

Deepak Chhabria: That again is slightly difficult to give you an average number because when you are comparing dissimilar products and making an average out of them.

Saurabh Patwa: Sir, broadly sir, whether it was up or down broadly because many of these products would be linked to the raw material, so any idea on volume?

Mahesh Viswanathan: It would be slightly lower because the LMA was depressed comparatively.

Moderator: Thank you. We have a question from Mr. Siddharth Mohta from Principal Asset Management. Please go ahead.

Siddharth Mohta: Sir, regarding this J Power loss, can you please repeat the same, your voice was not that clear, you said that losses has reduced from 40 crores to 26 crores, is that the correct number?

Mahesh Viswanathan: Yes, last year it was close to 40 I think and the sales is about 26.5 or 26.6.

Siddharth Mohta: And sir, this is at the PBT level or it is at the?

Deepak Chhabria: At the PBT level. Revenue recognized was up from 46 or 47 crores to 70 or 73.

Siddharth Mohta: And this is for 100% J Power or this is our share?

Mahesh Viswanathan: No, this is at the company level.

Siddharth Mohta: So out of that we have been having.....

Mahesh Viswanathan: Our share of the losses will be 49%.

Siddharth Mohta: Sir, I do understand you have expanded not only supply but laying is a bit of a challenge, so just removing this couple of quarters, so at what revenue level we can make profit at J Power and whether all our product or most of our product, it has been approved by different discoms?

Mahesh Viswanathan: The second part of the question, I will answer first. That is the dynamic situation, so as you keep getting qualified in utilities, you know how things happen in our country, somebody goes and manipulates different qualifying requirement in another player, so there you again have to go and fight, so that is going to be a never ending process. It is going to continue until we become really established player, so that part I think I will answer and your first part of the question is what?

Siddharth Mohta: Sir, regarding the breakeven point for J Power, at what revenue we will be?

Mahesh Viswanathan: I think at 200 crores, we breakeven.

Siddharth Mohta: And sir, one more question is on this CAPEX part, you said that you were still on 200 crores of CAPEX which is to be spread in 18 to 20 months, so some of them will be backward integrated and some of them will be the capacity expansion of existing products, so on that 200 crores of revenue of CAPEX, how much revenues we can generate? And just to add to this question whether it will enhance our product SKU or some many new segments that we will be targeting?

Mahesh Viswanathan: I think the revenue growth will be, let us say two times the expenditure in a full year when fully operational and sorry, second part again I lost?

Siddharth Mohta: Sir, any new product line or any new segment that we will be targeting within this 200 Cr of CAPEX? E-beam, I think is a one new segment that you will be targeting or one new product, so apart from that, within OFC you are increasing your capacity, so any new product or any new segment which was not there with Finolex Cable now you will be targeting?

Mahesh Viswanathan: There could be newer designs or products.

Deepak Chhabria: In the backward integration, when we are adding this building and we are installing our plants to make tinned copper, we are looking at instrumentation cable as a new line of business which has grown in potential. In the e-beam, we are looking at solar cable and we are looking at other high temperature specialized wires for various applications and due to the new product line itself as it stands, but even other than this projects on an ongoing basis, we always go on increasing our range even in the standard product lines like now we have developed fiber to the home product where we are seeing a huge requirement coming up right now suddenly after lockdown, everybody wants to have fiber to the home because everything going digital and being locked at home. The requirement gets suddenly jumped up and we had designed such products and given it for trial and now we are suddenly seeing a large increase of order, so standard products in the range anyway keep getting developed in the company down the year.

Siddharth Mohta: And sir, this fiber to the home segment that you said, it has been designed and approved at most of the places, so that can be a major growth driver in the sense whether it can be like 10 to 15% of our electrical cable or might be communication cable wherever it fall, might be in 2 years that is FY21 or 22 will?

Mahesh Viswanathan: Fiber to the home at a very small fiber town, but it is specialized product with high strength bringing the fiber in the home, but the fiber count is very low. If you want the business volume to really go up, then there are different kinds of products and we make them range up to 96 fiber or even higher. Those will drive the real value up in the business. So the telecom network has to become more profitable which means the private network operators will become more profitable and they will expand for cables till that it will be under pressure.

Siddharth Mohta: And sir, last question from my side, this BSNL sir they were talking about the 4G and the other opportunity, so in the foreseeable future, do you think that again the OFC demand it will come back, might be from BSNL or might be from some other players?

Mahesh Viswanathan: Eventually, the country needs a lot of fiber. Now whether the private sector or whether BSNL installs them, anyway we need a lot of fiber. The whole question comes out financial power, you know the balance sheets of the various companies and the problems we face we read in the newspaper, so they need to become more healthy for them to making the investments and BSNL is also in the same position. Their balance sheet is also not that very healthy, so while their tenders coming out, we have to wait and see and hope that they buy.

Moderator: Thank you. We take the last question from Mr. Ajay Sharma from Cycas Investment Advisors. Please go ahead.

Ajay Sharma: I appreciate if you could just give us your view of the industry over the next 1-2 years, what do you think might happen from a competitor point of view, the consolidation, what your strategy is? Would the company ever think about expanding credit to the dealers, just the broad thoughts, please?

Mahesh Viswanathan: Long term, I think, the process of the company basis the product lines that we are in. It is all related in some form or the other to infrastructure, whether it is building infrastructure or whether it is power infrastructure or whether it is communication infrastructure and the company needs of those items. So in that sense, the potential for demand is still high, the need for the product is still high and I think we should be able to grow profitably. That being said, from time to time, the issue has been ability of the various participants to spend the kind of money that are required to be spent or decisions to be taken in the speed in which the decisions needed to be taken. So let us say for instance, you are talking about power infrastructure, there still needs to be quite while we have reached power to everybody at least that is the government's claim today. The quality of power that we will get is still not something that is always reliable. So you do need to enhance the carrying capacities, you need to modify language in different places, you need to reduce line losses, you need to reduce the theft and all those require changing their existing network models into something different and that requires a lot of investment and their tenders do come out, but decision from tenders, stake, stages to happen. So our ability to therefore predict something with reliability that you are happy with that is consequently lacking, so that is one issue that we face or if you look at the telecom sector, within no brainer that you need much more investment in that but on the other side, the willingness to pay for that is not really there because people have got used to living on 3Gs, so that has to change and so therefore when telecom operators face these on 4G, we need technically on 4G but you don't get the experience of 4G, so which means there are capacities that need to be upgraded, there are lines that need to be added and so on and those investments again are dependent on their ability to fund that money and over the last few years, there has been a lot of confusion over the licenses, now last year over the AVR related payments. So I think we are going through a period of some volatility and when that will subside, when that will change, I really do not know, but the long term still looks promising.

Ajay Sharma: If we were to assume that this COVID situation would last in the next 1 or 2 years in the worst case scenario, how long do you think until the industry and the companies would be on a sustainable growth track? Let us say last for 2 years that we have this overhang for 2 years?

Deepak Chhabria: I think a lot depends, let us say there is no vaccine coming and so it is going to last for long time, but I think people as a whole will start going back to normal life as time goes on. They will take precautions for protection, but people will start consuming products and go back to a normal life, so a lot depends on the demand scenario of the nation and based on that, we will be having a degrowth and I think all the products we made are required for a normal life. It is not for a luxurious life, it is like people may not go to a mall, may not see a movie and so that can get affected more and people may not travel on a holiday, but you will have to build a home, you will want a light, a bulb, a fan, a switch, a wire inside the home, you want connection to the TV with high speed internet, so all these products which will make us for everyday life, so I don't think they are going to be hit in the long run.

Ajay Sharma: And do you think that the competitive position of the company would only get better?

Deepak Chhabria: We as a company has taken a direction to have our products available for wide distribution network into small retail outlets. So I personally believe that if we are able to achieve this objective, we will keep seeing growth in our company because the product which was not reaching the interiors and availabilities were restricted to some large good shops is now going to get available everywhere and that will help our sales.

Moderator: Thank you, Mr. Sharma. I would now like to hand over the call to the management team of Finolex Cables for closing comments. Please go ahead sir.

Mahesh Viswanathan: Thank you all for participating. I think somebody from, I think it was Anand Rathi who had a question that was to be answered offline, please contact me sometime tomorrow and I will try and sort it out.

Moderator: Ladies and gentlemen, this does conclude your conference for today. Thank you for your participation and for using iJunction conference service. You may please disconnect your lines now. Thank you and have a great evening.