



“Finolex Cables Limited Q1 FY-21 Earnings Conference
Call”

August 20, 2020



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**MODERATOR: MR. DEEPAK AGARWAL – PHILLIPCAPITAL (INDIA)
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Moderator: Ladies and gentlemen good day and welcome to the Finolex Cables Limited Q1 FY21 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. 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 ‘*’ then ‘0’ on your touchtone phone. I would now like to hand the conference over to Mr. Deepak Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you sir.

Deepak Agarwal: Thanks, good morning all. On behalf of PhillipCapital we welcome you all to Finolex Cables Limited Q1 FY21 earning call. Today we have with us management represented by Mr. Deepak Chhabria – Executive Director and Mr. Mahesh Viswanathan – Chief Financial Officer. We would like to thank the management for getting is the opportunity to host this call. I would like to hand over the call to management for their opening remarks, post which we will open the floor for Q&A.

Mahesh Viswanathan: Good morning everyone. This is Mahesh Viswanathan. Thank you for joining us on this call this morning. I will have a brief opening remark. The presentation is already on the website and I’m sure you have also seen the recipes as well as the results release both in the BSE and NSE websites. So without taking too much of times the opening remarks I will just get into that.

As you all know that the quarter was substantially impacted for most people by the ongoing COVID pandemic and so were we. As we mentioned in the last call, we had to shut down the plants, all our operations in fact on 22nd of March and subsequently sometime around 19th-20th of May the plant started reopening in a gradual manner. Branches, again depending on which state they were in and how the lockdown positions were there, started reopening shortly thereafter. But not everybody opened up on same day. It was a gradual opening up over the second half of May and parts of June. Effectively for the quarter we had approximately 30% of the 90 days is what we were able to transact and operate and so the results should be looked at in that perspective.

Overall against a revenue of 807 crores in the corresponding quarter of the previous year we did about 377 crores in the current quarter, so that’s about a 54% drop in value. There was a slight drop in margin as well. When I talk about margin here I’m just talking about the revenue less cost of material. That used to be around 27%-20% in the past. This quarter it is up to about 25%. There is a reason for that. Basic reason is that our terms with our customers include discounts and schemes related payments which are paid at a subsequent date, so there could be targets, there could be scheme related performance, requirements and depending on the achievement at 100% level certain payments are made out. Those costs used approximate about 8% at 100% achievement levels whereas actual payouts used to be somewhere around 6%. What we did in the current quarter was looking at the pandemic scenario, looking at the market requirements we have given the entire 8% on the invoice itself as a straight reduction. So in that sense the cost has gone up. What I believe it has done is to ensure that and pass on a message to the trade that we are with them in this time and that their well being is as important as our well-being. So to

that extent we have taken a higher cost. We believe that in the long run this will be up. Beyond that in the period during the lockdown we had spent considerable time in looking at what are the ways to reduce or contain costs. We have come up with several measures which will yield results over a period of time; not every experiment that we are doing there is going to result in a result immediately but will take over a period of time the benefits to come in. We estimate that we will save close to 40-45 crores from our cost base over the period of time once all these programs are completed. So some impact of those cost savings have come-in in the current quarter, more will come in the future as we go by.

The one other point that I would like to mention here is that during this period of lockdown we made sure that employee safety was taken care of, we also ensured that not one single employee whether they were permanent or contractual were laid off. Everyone was paid their entire entitlements through the lockdown period. There was no deduction, there were no layoffs, there were no reductions. Post the lockdown and reopening there have been difficulties in the contractual labor coming back to work because many of them were migrant people and they had gone back to wherever they came from. So availability of people post reopening has been a struggle. What has also been a struggle post reopening has been the transportation and supply-chain bottlenecks. They are slowly easing but I wouldn't say we are yet at the same level as we were in December or January. So those are issues that are ongoing.

What do we seen the future? As long as the rate of infection remains, there is a possibility of additional lockdowns as we saw in Maharashtra in Pune in July, depending on which way the infection is contained or not. So we do see potential disruptions going ahead but one is not able to predict as to what exactly will happen or how it will happen or where it will happen. So we will have to face as those as they come up. All we can say is that we are prepared having gone through two lockdown experiences we are now clear as to what needs to be done and I think the government is also making some announcements earlier so that some preparations pre-work can happen.

So with these remarks I will open the floor, so any questions that you all have they are very happy to take that.

Moderator: Thank you very much. Ladies and gentleman, we will now begin the question and answer session. We take the first question from the line of Ankur from HDFC Life Insurance.

Ankur: One you spoke about these higher incentives that we paid out during Q1, so this was in your opening remarks of close to about 2% if I got that number right. Is that continuing into Q2 and onwards or have you kind of rolled back that?

Mahesh Viswanathan: As of now it continues.

Ankur: So we could see that impact at least for this quarter if not longer.

Deepak Chhabria: This is Deepak Chhabria, maybe I would like to add something over here. What Mahesh was trying to explain earlier was, normally for all the customers—the channel partners—we have schemes or incentives based upon targets, so because of the lockdown and the way things were opening all over the country, some states were opening or districts were opening earlier, shutting down again. So if you kept target for them they would not be in a mood to purchase because no one knows whether he can reach the target. It was not a stable environment. So what we did was, we removed the targets and so whatever schemes or incentives which were planned for them based on targets were passed on in the invoice itself. So what Mahesh was saying is normally we would have saved 2% because not everyone reaches the target, here we passed on all the incentives in the invoice so there was a 2% gap. It's not an additional incentive which was given; no additional money was going out in that sense.

Ankur: So even if they would not have reached their targets would have still pay them 8% given lockdowns would have been there across nation.

Deepak Chhabria: Yes, exactly because you cannot tell him that you didn't reach the target, so unless stability comes we don't want to start putting the targets out there because it would be uneven based upon how long he is able to operate in his district based on lockdowns which get put there suddenly.

Ankur: Second question would be, four is obviously the South and the western parts of the country are the two critical regions in terms of our regional distribution, our geographical reach also. So as we are getting into August, what are your utilization levels at your plants at this point based on the kind of demand you have seen and—I know it's a difficult question but—when do you think you can reach back to normal sales as last year, would it be Q3-Q4 if you had to take a guess?

Deepak Chhabria: There are certain issues which are still pending which means like Mahesh said earlier we were facing manpower issues, so we still are facing manpower issues, for example when in the lockdown people left us and went away to their homes and these are trained operators, would take few years to them, they are skilled operators who run the machines. Many of them didn't come back because their families don't want them to go back because they are scared of the disease, catching COVID. So there are still certain people to come back and some machines are unmanned, so even if there is a demand we may not be able to fulfill it because of not having sufficient people and we are trying to train more people. The contract labor hasn't come back because the migrant labor was gone, so there is a deficiency in all the plants in terms of manpower even today. So the sooner that is resolved we can be at full capacity. I don't know how long that will take, of course in the last 3 months you have seen the percentage going up, people have come back, we have even arranged for people to get picked up, some places for highly trained workforce we have been paid for their flight tickets to come back. But we are not at full capacity as yet and really we will reach full capacity when the fear of the person coming to work we go away.

Mahesh Viswanathan: So also one can't really predict which way the infection is heading. Couple of days it seems to on the downward trend and then suddenly again it's spikes up again. Regionally also if you see

there are spikes and changes quite often, even in Quarter 1 if you recall Chennai was shut down for almost all of June. Then we had this problem in Maharashtra in July and then you keep hearing some parts of Bengal are now shut. So I think as the disease spreads different places at different times, so the quicker that the solution is available and that is not in anyone's hand, I mean none of our hands. I think then stability will come. To be able to guess is actually making a wild guess at this point in time. We hope that it will be sooner than later but that's about the best that we can do.

Ankur: Any number you can share, where we would be on utilization levels at the plant at this point, any numbers you can share?

Mahesh Viswanathan: Quarter 1 was slightly around maybe 40% if I take all the 3 months put together and maybe now we are just crossing the halfway mark.

Ankur: Just on the end basket, so for us I guess 70% odd of the cable business or the wire for us which primarily would be going on to the real estate sector and obviously what we hear is that both because of labor issues on the construction residential real estate, commercial real estate are under the stress for these reasons and of course because of the demand also being sluggish. So just wanted to get some sense because what we heard from some of your peers is that June did see some pent up demand because developers wanted to get the complete the work before the monsoon sets in, so there was some demand coming in from wires specifically and then it kind of gone down again. So just wanted your sense because obviously you would have a better insight into this segment, so if you could tell us what are you hearing, what are you seeing in terms of demand for the wires?

Deepak Chhabria: You are right when we opened there was a pent up demand and another factor also has been that copper has been climbing and because of that prices have been going up and sometimes that also creates demand for stocking in the pipeline. That pent up demand is not there now and what you are hearing from others is probably right that there will be a little bit of a slowdown in terms of off-take. But as far as we are concerned, we have done well in these months and there hasn't been a reduction for us. But going forward I think there will be.

Ankur: So you would expect some weakness, obviously its monsoon also, it's a seasonally weak quarter as well, so that's one.

Deepak Chhabria: Yes.

Ankur: Even beyond that there could be obviously given the sector...

Deepak Chhabria: The real estate sector position you know and actually the way I look at it is construction activities may slowdown in the monsoon but wiping activities don't necessarily slowdown because when the building is up and its casting is done inside were can carry on. But overall there is a little weakness in the sector.

- Ankur:** Lastly on the ex revenue, the fan lighting business, the other segment there where clearly the degrowth has been much lower than the other segment, so I am assuming you would have done better there. So what was the outlook there on the other segments, I would assume fan demand would probably have been a little more stable than others, so some sense there what are you hearing?
- Deepak Chhabria:** In these other sectors, our numbers are much smaller than the competition because we are new entrants. So in that sense we are not affected as much as the competition who's having large volumes in there. We have done well in those segments; we could have done better had we been able to source some of those products, for example fans are not manufactured, we sourced them and they have had issues the companies who would supply and so we had issues getting the product. To that extent we were affected, so we can't compare ourselves to those large manufacturers of fans in that sense. Compared to wires these other products are still growing and we have been working through the last few months to ensure that our sales network is growing what we always maintain and every month we are adding more distributors and more retail points to our network, so we see good progress based on that.
- Mahesh Viswanathan:** Actually but for those supply chain disruptions like you mentioned, we probably could have done better than what we did last year same quarter and in fact in water heaters and lighting our volume numbers were almost close to what we did last year. So we were able to do in 1.5 months or less than 1.5 months what we did in the 3 months period in the previous year. But that was good but for this disruption we probably would have done much better than this.
- Moderator:** The next question is from the line of Sudeep Gandhi from Astute Investment.
- Sudeep Gandhi:** Just had one question, so copper prices are rising quite a bit and it is one of the important material for us and industry in general, so if you could give any numbers how was margin compression could be because of this and for us also and maybe for industry as a whole?
- Deepak Chhabria:** The copper has been rising and it's at about \$6500 level now. We normally have a policy that there is no compression of margins. We normally pass on the copper price increase or a decrease when it happens to the customer. So in this last 2 months we have increased prices by three times, normally there would be a slight lag. We wait for the copper to stabilize before we give a price increase and pass it on but other than that there is no margin compression that takes place.
- Mahesh Viswanathan:** The lag is slightly longer when the prices are going up and quicker when the prices are coming down but it also depends on what the fall or rise is. If it is a \$50-\$60 change one way or the other, maybe there may not be a change in the prices. But when the change is \$200-\$300 in a shorter period of time then of course you will need to take those corrective actions immediately. So I think that lag, our policy has always been to follow the market, so we don't lose out on the market.

- Sudeep Gandhi:** But then my question is due to current sluggish demand, there might be issues in raising the prices if the demand itself is low that is what I understand?
- Deepak Chhabria:** It is not inelastic. There is a certain level up to which you can increase and beyond that if there is no demand there is not you can do. In which case all we have to do is to look at our inventory levels and start monitoring and control the inventory at our end. So you will be able to increase prices to the extent that the market will bear it.
- Moderator:** We take the next question from the line of Sonali Salgaonkar from Jefferies.
- Sonali Salgaonkar:** My first question is regarding the performance of communication cables during this quarter. We understand that with the past few quarters we are seeing a weak off-take in communication cables as the investment cycles of telcos is largely behind us. But just wanted to understand your thoughts because this time I think even on the margin front we have had a slight negative in the EBIT margin.
- Mahesh Viswanathan:** Correct because the plants were reopened towards the end of second of May and as I mentioned we have paid out everybody's salaries and so the fixed cost remains and there is no revenue. So obviously it is going to impact your margins. So that's broadly the issue there.
- Sonali Salgaonkar:** But from the demand perspective how are we seeing the off take—forget about Q1 which was the disruptive quarter—but especially in communication cables how do you see the demand panning out over the next 2 or 3 quarters?
- Mahesh Viswanathan:** Who is the largest spender in this space? The largest spender is the government. And in the last 1.5 years there has been a lot of talk about investment but really no money has flowed in from the government, so that's more than 50% of the market?
- Deepak Chhabria:** No bigger, maybe 70%.
- Mahesh Viswanathan:** So 70% of the players that has an impact on the 70% of the market is only talking at this point in time.
- Deepak Chhabria:** On the government side the biggest buyer is BSNL or BBNL and BBNL also purchases their products through BSNL so that is the largest buyer. There were tenders in telecom which came out, they have been finalized and then they have been closed. I mean no orders placed and they are coming out with new tenders. So there has been no buying taking place, there have been tenders from different states in the past 1 year and in the recent past also like let's say in Tamil Nadu there was a big tender and it was stopped again and the ones which so not everyone placed orders which were just state and center plans for telecom roll out, whether center was supporting with partial money and the state has to come up with their own money. They have problems in terms of payments so the rollouts are not happening. So we have got some order booking positions where we could supply but the customer doesn't pick it up because he is not getting

paid forward. There are issues with our company payments also from BSNL where there are certain outstandings for close to 3 years where BSNL has not paid the money and including, during lockdown Finance Minister did mention that the PSUs will pay out money to all the companies. We have been following up but we haven't gotten paid. So there are issues of while a demand of telecom is there for the country and in the long term that demand will be there and country needs those cables and the rollouts will happen but there is a funding issue which is causing particular slow down and our plants are not loaded in telecom the way it should be.

Sonali Salgaonkar: My second question is regarding the CAPEX. Last quarter we said that we stick to our outlook of spending about 2 billion over the next 18 months though it might be deferred by say one or two quarters. Do we still stick to that guidance?

Deepak Chhabria: Yes we stick to that guidance, those projects are on. They did slow down because of the lockdown and no manpower for construction but they are on right now, the work has started.

Mahesh Viswanathan: Construction work at Urse has started and the new plant in Goa for conduit pipes is practically ready. We are now waiting for the machine builder to come and prove it and so travel restrictions are an issue at this point in time. So as and when that happens then that plant can also become operational.

Sonali Salgaonkar: My third question is regarding new products. I mean we have seen better performance as you have also mentioned to one other participant's earlier question. So what generally for breakeven of this segment, what is the kind of revenue that we need to target?

Mahesh Viswanathan: I think annual revenues of somewhere around 150-160 crores should be breakeven.

Sonali Salgaonkar: Again going forward on March front are electric cable margins have generally being steady state at about 15% for almost so many quarters and years right now. So barring Q1 which was a disruption any thoughts on where the margins could stabilize for the coming few quarters both in electrical and communication cables?

Mahesh Viswanathan: I think Communication will continue to be depressed. It depends if you are able to get few more off-takes that could improve slightly but it will be depressed until the funding issue is clearer there. As far as electrical cables is concerned what you saw in Q1 should be something that is there as long as the COVID-related disruptions are there. Once we are back to normal then we should be back to our previous levels.

Sonali Salgaonkar: Also wanted to understand about our raw material procurement if it all any supply chain in China and also what was the quantum of price increases in the final product that you mentioned earlier that you have taken in the past 2 months due to rise in copper prices?

Mahesh Viswanathan: I didn't understand the second part of your question.

- Sonali Salgaonkar:** The quantum of price increases over the past 2 months?
- Deepak Chhabria:** So on the raw material, the first part on the raw material from China the only raw material we used to get from China is the coating material for the fiber and we have developed a new source in Korea and made the trials and stabilized it. So we are not dependent on China anymore for any raw material going forward. So that risk is not there. In terms of price increase the three price increases would have been roughly I don't know the exact number off-and but roughly 10%.
- Sonali Salgaonkar:** Cumulative?
- Deepak Chhabria:** Yes cumulative.
- Sonali Salgaonkar:** What about the distributor and retailer touchpoints as of now because you mentioned that we have been focusing on expanding that?
- Mahesh Viswanathan:** The thing is we had done quite a bit of work until March when people were able to travel and move and talk to and attract new distributors. Post that it has been more about how do we improve their reach in the market. So how many retailers are they able to effectively sell on a daily basis or on a monthly basis. I think once the semblance of normalcy returns, our target of reaching that 500 distributors and reaching a potential retail population of 1,50,000 is still there but the last 3-4 months have been quite disruptive in our ability to reach people to various markets and do development work. That should now start coming back on track so maybe in other 2-3 months you will see that numbers going back again.
- Sonali Salgaonkar:** And my last question is on the demand resumption. So as of now probably compared to similar period last year what is the kind of demand that we are seeing overall? That's it from my side.
- Deepak Chhabria:** So demand is different for different product lines. We have seen a demand for electric wires for the housing sector is still strong. Maybe I am guessing could be because of the unorganized sector being impacted and not being able to supply. Otherwise the real estate sector is little weak but we haven't seen weakness as yet. Price increases as I have mentioned also could cause certain weakness which we know as we go forward in that part. In terms of the second product line which is strong for us is 3 Core Flat cables which is normally for the agriculture sector. The demand was strong in the summer, now with the monsoon it drops off and that's quite normal for it to drop off and re-emerge post-monsoon. So that's happening right now. The other bigger products are Auto cable there the demand is weak; the Auto sector is weak and initially when we started and opened up, we were only at 10% of requirements which has climbed now to 30%-40% but it is still weak. It hasn't come back in Auto cable. In other product lines like Flexibles there is an impact, these products go to OEMs for panel building and all that so there is an impact there in terms of demand may be by 50%.

If you come to telecom products, LAN cable is still in demand, whatever you make get sold off. Coaxial cable there is a strong demand because more and more people are at home and they need connectivity, data transfer and so those products are in demand. We are not able to make full capacity because of manpower availability but whatever you make is getting sold off. In telecom product which is for actual networking the demand is weak even from the private sector. We talked earlier about the government sector but even if you go to the private sector there are three big players and their purchases are very low. Tenders have happened but orders haven't flowed and everyone knows their issues of payments and everything what they are facing what we keep reading in the newspapers. So there is a demand impact on telecommunication products as such. Even in companies like Jio for example they are buying but they are buying cables with low fiber count because like we mentioned about more demand because of work from home kind of requirements. So low count fibers are going for the last mile connectivity so but that doesn't add value to your pocket.

Mahesh Viswanathan: They are not laying the long-distance product. The network is complete, they are looking at fiber to the home products which are just one or two fibers these are new products we have developed and we are also supplying to them but it doesn't take the volumes up.

Sonali Salgaonkar: Would you be able to quantify the demand as in percentage as compared to last year? Overall I am saying.

Mahesh Viswanathan: For the company?

Sonali Salgaonkar: Yes.

Mahesh Viswanathan: It's about 0.5 roughly.

Sonali Salgaonkar: 50% as of last year, right now?

Mahesh Viswanathan: Yes.

Moderator: The next question is from the line of Ajay Sharma from Cyncas.

Ajay Sharma: I just had two questions. The first question was if you do could just comment a little bit about the industry landscape and you noticed there is any consolidation that's happening among cable manufacturers or among dealers and do you see any opportunity to increase the company's market share?

Deepak Chhabria: I haven't heard of any consolidation from the cable manufacturers. One or two companies I know have gone into liquidation like Shilpi and there was some one more I don't recall the name and normally we don't see any consolidation to which happens at the dealer level. Very rarely have we seen those and we haven't heard of any major ones in these last 3 months. What was the other part of the question?

Ajay Sharma: The Company's market share, do you think there is any room to increase it in the next few quarters?

Deepak Chhabria: Yes so I believe that looking at the impact of the pandemic there would be an opportunity for us to increase market share because the unorganized sector may feel the pinch in terms of money for purchasing raw materials and manufacturing and selling it in the market and once we are able to move in maybe the consumer will get attracted and will stay with our brand and we should be able to get some market share increase. So that's why...

Ajay Sharma: So as of now have you seen any of these players leave the market?

Deepak Chhabria: As of now we know the unorganized sector is impacted. We cannot compare market shares because the whole market is not there so how do we compare it to earlier. We are all guessing the percentage of market purchase operating right now. It's quite distorted and it's very different in every state, the way it is but I do see on the sales side even in this pandemic when we are trying to improve our network and our reach we are able to do it and we are tracking, let's say we may appoint a lot of retailers but how much do these retailers buy, how many are active retailers per month because not everybody buys every month. These are even small-small retailers which come in there. We are seeing those numbers climb so when things will stabilize, I believe we will see that impact in the market share at that time.

Ajay Sharma: My last question was on I understand that the company has a broad policy of not extending any credit to our dealers and distributors but I can't help and wonder is that an optimal policy, if the company were to extend some credit wouldn't the off-take of the company's product will be little bit higher?

Deepak Chhabria: So, from the time I have been in this company and that's more than 30 years. The company had a policy of selling the light duty cable products through a distribution network on advance payment basis. We have got programs where we are arranging credit from banks for these customers to channel finance. So company wants to have advance payment so that you don't get into a position wherein the dealers are always owing you money but when you are looking at certain sectors of the company's product profile like power cables or telecom we have to offer credit. So there is credit given on those product lines to OE parties as well as to government customers and private customers buying those larger products. So it's a mixed bag for the company and that's the policy we have adopted and been successful in that.

Ajay Sharma: But what's the rest of the initially doing for this light duty cables, are they also crediting advance payments or are they extending credit?

Deepak Chhabria: Well Havells is now into advance payment following us. I understand Polycab also is now trying to do that and they faced a lot of difficulty. Some of these companies were giving credit and when the pandemic started then those customers they are not making payments and then you don't want to lend out more because there is an outstanding. So it stops and creates a problem

in the cycle. So we stayed clear of that by not having that issue because only one who pays in advance or goes through a channel finance system where the risk is taken by the bank do we supply the material to them. So it worked well for us that we don't get into an issue of holding back material from our channel partner.

Ajay Sharma: One last side comment that I have is a one of your competitors Polycab has fantastic Q1 disclosures, the Q1 statement reads like a may be annual report. Would be nice if the company's management decided to copy a similar phone and provide a little bit more disclosure, it would provide a bit more confidence to investor community, just saying.

Deepak Chhabria: Okay not an issue.

Moderator: The next question is from the line of Kamlesh Kotak from Asian Market Securities.

Kamlesh Kotak: Just wanted to have some insight about how much is our dealer distribution network for both wires as well as the consumer product as of now vis-à-vis the last year March? If you can just share some detail on that.

Mahesh Viswanathan: We have as on date 388 distributors and the retailer reach is around 1,12,000. Now that doesn't mean all 1,12,000 have bought from us that's the retailer population that these 388 people can address at this moment in time. I think number of people that have made the purchases is around 40,000. Beyond this we also have channel partners the people that they used to exist in the past.

Kamlesh Kotak: And this was for wire, right? How about the consumer...

Mahesh Viswanathan: This is for wires, this is for fans, lights, everything maybe not all of them sell all products but the channel is common.

Kamlesh Kotak: And this we target to take it to 500, right?

Mahesh Viswanathan: Yes, plan what's that we should have achieved 500 by March-April this year and giving a potential coverage of 1,50,000.

Kamlesh Kotak: Any geographic color in terms of where we need to expand further in terms of our range vis-à-vis the other regions?

Mahesh Viswanathan: I think we coverage in North and East can still expand. It is much different than before but it still can expand, there is potential.

Kamlesh Kotak: Secondly can you just share some insights about the extra high-voltage cable segment. How the order book has been? How the execution there and what's the outlook there?

Mahesh Viswanathan: The execution in the EHV segment unfortunately because of COVID has not changed much since March because all our project sites are under some form of lockdown or the other. We won

quite a few projects in Tamil Nadu and we still haven't gotten permission from the civil authorities to reopen and restart the laying operations. We had four projects running there out of which for three the cables have been manufactured, for two of them the cables are at site. But I'm not able to lay them because we still haven't got the permissions to start the digging and trenching. Once that happens then we can complete those two projects. The third one, the material is made it's in Pune, we need to ship it out there, as soon as they give us the permissions we'll start moving it out. What it means is in terms of revenue generation there would be time delay because these are composite orders and we can recognize revenue only when the job is completed. Beyond that there are enquiries happening every day, tenders are being floated, we are participating in tenders. But decision making on tenders has gotten delayed over the last 3-4 months. Even earlier there were delays but now because of pandemic nobody's looking at these items. So I think there will be some delays this year also. I think maybe second half we can expect some decisions to come out and then things could go back on track.

Kamlesh Kotak: And lastly when you say CAPEX of (+2) billion, so is that also includes part of the Plainfield plant we which are supposing or is it still other than this or what is your status on that?

Mahesh Viswanathan: For that 200 crores we had said that we will invest money in the Conduit Pipe plant at Goa, that's almost finished. Then we talked about investing in an EBM facilities in Urse and additional facilities in Urse for tinning and copper clad steel, so civil constructions for all these three items are on. They've been delayed because of lockdown. It has restarted now. So it'll probably take us about a year to complete the civil work and then the equipment can come in. The only thing that has got pushed out for the time being is the expenses on the optic fiber cable. We were wanting to add another building in another line at Urse. That will probably now happen only when the situation in the optic fiber cable telecom market starts improving.

Moderator: The next question is from the line of Anchal Lohade from GM Financial.

Anchal Lohade: Just wanted to check if I heard it right, you said the overall aggregate run rate of the electrical cables is about 50% even as of now?

Mahesh Viswanathan: Yes. We've talked about capacity utilization.

Anchal Lohade: Yes capacity utilization is still 50% you were saying?

Mahesh Viswanathan: Right.

Anchal Lohade: And pardon me if I'm asking a very basic question if you could help us for FY20 a broad break-up in terms of the consumer wires and the cables mix in our electrical cables?

Mahesh Viswanathan: On the electrical cables approximately 60%-65% is wires. Then we have four other broad categories. There are wires meant for agricultural applications, there are wires meant for automobile applications, there are wires meant for industrial applications. So these are the

flexible wires and finally the power cables. Power cables is slightly under 10% for us and other three are more or less the same size. So if you say 65% in wires about 10% in power cables that's 75% and the other three make up the 25%.

Anchal Lohade: And with respect to the new product categories, where are we on that in terms of the run rate?

Mahesh Viswanathan: Like I mentioned, first quarter we actually did very well except for the fact that first 1.5-2 months was a wash out. Had that time also been available, our numbers would have crossed definitely what we did in the corresponding previous last year, probably also what we did in the last quarter of FY19-20.

Moderator: The next question is from the line of Anurag Patil from Roha Asset Managers.

Anurag Patil: So after our demonetisation and GST implementation, did we witness any credible increase in our market share, specifically for electrical cables?

Mahesh Viswanathan: Post demonetization the market actually went down. Because quite a few of the unorganized space disappeared and whereas our numbers were steady so from that perspective, yes we gained some share. The difficulty here is there is no credible data available in terms of saying what the market in X year and Y year was. And that is primarily because of the very large presence of the unorganised sector. At one point of time demonetization or GST time or prior to GST, estimate was that the unorganized sector was close to half the overall market. It has still not completely disappeared but it is not half now. So where is it at this point in time is anybody's guess. Could be 30% could 25% could be 40% we really don't know because there is no credible count there.

Moderator: The next question is from the line of Vineet Prasad from Investec Capital.

Vineet Prasad: Just one clarification from my side, was I right in understanding that current demand levels are roughly 50% versus last year's now?

Mahesh Viswanathan: Yes.

Moderator: The next question is from the line of Adman Shah, individual investor.

Adman Shah: This question is specifically for Mr. Chhabria, I'll be glad if you can answer. The company is now sitting on substantial cash and cash equivalents. And our free cash flows are also going by the day. And CAPEX is also very much under control. 200 crores CAPEX over 18 months or 24 months, we can even meet from our yearly free cash flows. So shouldn't we be looking at some kind of a special dividend or buy back as a part of better treasury management? The company doesn't need that kind of 800-1000 crore of cash the company is sitting at.

Deepak Chhabria: Yes you're right. So it was discussed in the board and what the board members felt is that we need for growth we need to have some acquisitions and so we are looking at options of how to expand and so we are retaining cash for that so we don't have to borrow for an acquisition. So

if something comes along which is in the same line or in a product line which is parallel to ours which makes sense, so we are looking at those options. If it doesn't happen then we'll have to like you suggested the board will have to take a call on what's the best option for returning the money to the shareholders.

Adman Shah: And my second question is with electrical vehicles, will the demand of the wires in the vehicles go up in value and volume terms and do we have some products to cater to that kind of a demand if it is there?

Deepak Chhabria: In an electric vehicle you will have the battery running the vehicle but the wiring inside the car or two-wheeler is still remaining the same. Dimensions may change and that's very simple for us to change cooling but the wire as a demand will remain. It doesn't go away. But if you go into luxury cars, per car the kilometers of wire go higher up because there are lot of automation which all need to connected through wires from which both the signals will go. So if you are asking a question how will it change going forward, as India progresses from a simple car and more people want to buy a higher end car, the demand for wire will go up per car whereas electric or combustion engine it doesn't matter.

Adman Shah: But electric like we can say that the volume of wiring in an electric car is more than a combustion car?

Deepak Chhabria: No. In an electric maybe the battery cable would be more because you have a larger battery and you're feeding from that out but the smaller wires will go in a harness which connect let's say to your window or to the rear lights or front lights. All that remains the same basic car is the same. The drive chain is gone and the battery is feeding the power so the battery cable is extra required and a charger cable at your home when you want to connect it to the battery to charge it is an additional quantity so those are little larger cables. They are not called auto cables, they are called battery cables. So battery cables demand will go up. Auto cables will remain the same. Auto cables will go only go up if the car goes to higher end that means more automation in the car.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand over the conference to Mr. Deepak Agarwal for closing comments.

Deepak Agarwal: Thanks everyone for joining this call and we would like to thank management for giving their precious time for this call and also given us the opportunity to host this call. Sir will you like to make any closing comment?

Deepak Chhabria: Just want to thank everyone for their questions and we hope we've answered them to their satisfaction.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited. this concludes this conference. Thank you all for joining, you may now disconnect your lines.