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Script Code: 543981

Symbol: RRKABEL

Sub.: Submission of Transcript of Earnings Conference Call held on 25 October 2024

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on 25 October 2024.

Kindly take the same on your record.

Thanking you,

Yours sincerely,

For R R KABEL LIMITED

Himanshu Navinchandra Parmar
Company Secretary and Compliance officer
M. No. – F10118



“R R Kabel Limited Q2 FY'25 Earnings Conference Call”

October 25, 2024



**MANAGEMENT: MR. SHREEGOPAL KABRA – MANAGING DIRECTOR, R R
KABEL LIMITED**

**MR. RAJESH JAIN – CHIEF FINANCIAL OFFICER, R R
KABEL LIMITED**

MODERATOR: MR. RONAK JAIN – ORIENT CAPITAL



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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 FY'25 Earnings Conference Call of R R Kabel 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Ronak Jain from Orient Capital. Thank you and over to you, sir.

Ronak Jain: Thank you. Good afternoon. On behalf of R R Kabel Limited, I extend a very warm welcome to all participants on Q2 FY'25 Earnings Conference Call.

Today, on this call, we have Mr. Shreegopal Kabra – Managing Director and Mr. Rajesh Jain – Chief Financial Officer.

Before we begin this call, I would like to give a short disclaimer:

This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions, and expectations as of today. These statements are not guarantees for our future performance and involve unforeseen risk and uncertainty.

With this, I hand over the call to Shreegopal Kabra, sir. Over to you, sir. Thank you.

Shreegopal Kabra: Thank you. Hello and good afternoon, everyone.

On behalf of our R R Kabel Limited, I wish you Happy Diwali in advance and extend a very warm welcome to all the participants on our Q2 FY'25 Financial Results discussion call. On this call I have with me our CFO – Mr. Rajesh Jain.

Despite facing a few challenges and achieving more than volume growth, we are pleased to report our highest ever quarterly and half yearly revenue. This growth was primarily driven by double-digit volume expansion in our domestic wires and cable business. Our FMEG segment also delivered a strong revenue performance given by robust volume growth and improved product mix, maintaining its status as the faster growing player among peers. With current growth momentum and gross margin improvement, we expect to achieve breakeven in FMEG business by early FY'26.

Our numerous strategic initiative including capacity expansion, the introduction of high margin products, new launches with international accruals and the expansion. Our distribution channels continues to progress as plan. These initiatives are designed to enhance our performance with a major focus on achieving double-digit margin in the coming years.



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With that, I would like to hand over the call to Mr. Rajesh Jain to take this Discussion Forward.

Rajesh Jain:

Thanks, Shreegopal ji.

India's growth story remains intact with its core drivers, consumption and investment demand gaining strong momentum. This foundation coupled with the buoyant real estate sector is set to make a substantial impact on India's GDP, potentially contributing to double-digit growth. The resilience of the domestic environment has played a key role in supporting our volume growth in the Indian market, particularly in our cable and wire business. The export market, especially in Europe, has been impacted due to delay in shipments impacting our export demand. The slightly sequential volume decline along with the impact of a higher base year-on-year is something we are addressing with the strategic focus on strengthening our domestic growth and exploring new opportunities internationally. Despite these short-term challenges, we are optimistic about our long-term prospective and remain confident that the momentum in the domestic market along with our ongoing initiatives will lead to a better performance ahead.

Now, let's walk through the Financial and Operational Highlights of Q2 FY'25:

We are pleased to report that in Q2 FY'25, we achieved our highest ever quarterly revenue of approximately Rs 1,810 crores, reflecting a strong year-on-year growth of 13%. Similarly, we also posted a 13% growth in the first half of FY'25 marking our highest ever half yearly revenue over the same period last year. This growth was primarily driven by domestic volume expansion in our wire and cable segment and more particularly in cable segment.

Similarly, our FMEG top line has also grown by an impressive 25%. Our EBITDA for the quarter stood at Rs.86 crores while profit after tax was Rs.50 crores. The reduction in EBITDA and PAT was largely influenced by a contraction in contribution margin driven by heightened volatility in metal prices during the quarter. However, we remain optimistic about overcoming this temporary headwinds.

Looking at the segment-wise performance:

Our wire and cable business recorded a revenue of Rs.1,612 crores in Q2 FY'25, up from Rs.1,450 crores in Q2 FY'24, marking a growth of approx. 11%.

On a half yearly basis. We saw a similar 11% growth with revenue reaching to Rs 3,190 crores in H1 FY'25 compared to Rs.2,874 crores in H1 FY'24. This growth is primarily attributed to volume expansion of approx. 4% on YoY basis and 8% on half yearly basis. The EBIT margin for the segment stood at 5.1% impacted by copper price volatility and delay in passing the cost instantaneous.



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Our export market showed resilience contributing around 27% of total revenue in Q2 FY'25, up from 24% in Q1FY'25. Despite some challenges, we believe our ongoing efforts in both domestic and export market position us well for sustained growth moving forward.

When we talk about guidance of our wire and cable business, given the situation of high volatility in copper prices during the first half of the impact on demand due to shipment delays in export markets, we have revised our guidance to reflect a more measured outlook. For the second half of FY'25, we now expect a volume growth of approx. 15% which should help us to achieve an overall volume growth of 10% to 12% in FY'25. We anticipate a stronger performance in H2 FY'25 and expect our EBIT margins in the wire and cable segment to improve back to the range of 8% to 8.5% for the second half of FY'25.

On the export front, while shipping delays may persist for a while, we are actively addressing these challenges. We are in process of getting key product approval in both the European and U.S. markets, which once secured in the near future, will enable us to introduce higher margin products to these regions. Despite short-term hurdles, these efforts are aimed at strengthening our position and drive sustainable growth in the long run. We remain confident that the measures we are taking will set us up for an improved performance ahead.

In the FMEG business segment, we are pleased to report a solid revenue of approximately 198 crores in Q2 FY'25, reflecting an impressive growth of 25%. For the first half of FY'25, we have delivered a remarkable revenue growth of approx. 29% over H1 FY'24. This growth was driven by sustained volume increase across key product categories such as fan, appliances and switches.

Our segment margin improved, benefiting from an enhanced contribution margin driven by higher sales volumes and a favorable product mix. This performance has allowed us to maintain our position as the fastest growing player among our peers in FMEG segment.

Additionally, we have successfully maintained our working capital days at 63 as of September 30th, 2024, further underscoring our commitment to sound financial management and operational efficiency.

Our strategic and initiatives remain firmly on track and we are on course to complete the current CAPEX cycle, which will enable us to achieve our future growth. In parallel, we are actively working on our next CAPEX cycle for the coming three years and we look forward to updating you as we mark progress on this front.

Our FMEG segment is also well on track with continuous initiatives such as new product launches, investment in brand transition and increased advertising efforts. These steps will help us to move



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closer to break even in the near future. With these initiatives, we are confident that our strategy will drive long-term growth and profitability.

With this overview, I would now like to open the floor for questions. Thank you for your attention and continued support.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Praveen Sahay from PL India. Please go ahead.

Praveen Sahay: My first question is related to the volume growth. Sir, can you explain how is the volume progressing now as you had already given a guidance of a 10% to 12% for a year or a 15% for a next half, so how you are seeing from a soft volume in the Q2 to Q3 of October, how that's progressing and what exactly the confidence you are getting from the market for 15% of the growth for the next half?

Rajesh Jain: Praveen, when we see this first half growth, like our growth was around 8.5% in first half of this year and based on our historical growth and looking to the market conditions even in wire and especially in cable where we are aiming to grow at a much higher pace. So, this gives us confidence that we can achieve a growth of 15% in the second half, which will enable us to get the growth of 10% to 12% on yearly basis. Even if we now also see, in spite of some challenges in export segment, still, we were able to achieve this volume growth of 8.4% in first half.

Praveen Sahay: So, if you can highlight like from where wire is doing well or expected to recover or the cable growth to continue for you for the next half as well looking at? And also, the new capacity which you had highlighted earlier that is expected to come in the stages in the financial year FY'25. So, how is the situation here for cable especially?

Rajesh Jain: Out of total CAPEX plan for FY'25 or till March '25, already some of the capacity is available for production and based on that only like when I am talking about approx. 15% volume growth, by thumb rule we understand that approx. 10% growth can come from wire and 25% growth can come from cable which will give us weighted growth of around 15%. More particularly, though our base is very small in cable, but looking to the industry side, looking to the demand cycle, and the way we have orders in pipeline and even the Indian infrastructure is working, we are expecting that we can achieve this growth of 15%.

Praveen Sahay: Sir, next question is related to the margin. Also, in the margin front you had given 8%, 8.5% of margin guidance, whereas 6% of the margin in the wire and cable EBIT margin you had delivered in the first half. So, the contraction in the margin is only because of a fluctuation in the raw material prices or more to do with the product mix changes, why that's got impacted 6% and from where you are getting that 8, 8.5% of a margin to achieve actually?



Rajesh Jain: So, when we see figures of this quarter or even for this first half of this year, the major contraction has come at the gross margin level only. So, it was reflected by two things: one, copper price volatility, and secondly, like passing on this impact to consumers in timely phase. So, in this quarter, we were not able to completely pass on the impact of higher prices to consumers and that is why our reduction is approx. 4% when I compared to last year, but the same thing reflected our transit in EBIT level also. So, the major difference was at gross margin level only. And at the same time when we are talking about the 8% to 8.5% kind of EBIT level, which we could have achieved in last year also, so at same level we are expecting that in H2 of this year we'll be achieving the same which are normal level for our business, EBIT margins of 8% to 8.5% for wire and cable segment.

Praveen Sahay: Without considering any fluctuation in RM prices?

Rajesh Jain: Yes.

Praveen Sahay: Sir, last question is related to the FMEG, because from the last couple of quarters, you are delivering a very strong growth. So, this quarter also this 24% of a growth, if you can highlight, is that more to do with the value growth or the volume growth is also there, and if the volume growth is there, from which segment you are getting this volume growth, if you can highlight the segment as well as geographical mix?

Rajesh Jain: Praveen, in FMEG businesses, it is not exactly you are directly linked with volume growth because you have different, different units be it fan, lights or switches. So, ultimately if you see we have achieved very good growth in fan, appliances and switches. So, majority of the contribution have come in spite of the challenge in like price pressure or price correction in lighting, in spite of that, we were able to achieve this growth of 24%. So, it is mix of like shifting some sales from economic category to premium and mid-premium category which are high margin products and even getting new prices from new product launches what we have done in last year.

Moderator: Our next question is from the line of Rahul Agarwal from Ikigai Asset Management. Please go ahead.

Rahul Agarwal: Firstly, to start with, did I get the volume growth numbers correct? So, on domestic cable and wire, you said the overall growth was 8.5%. Is that number correct?

Rajesh Jain: No. So, my 8.5% is on H1 versus H1 of previous year, while my domestic volume growth is more than 10% if I just compare quarter-on-quarter basis.

Rahul Agarwal: So, 10% volume growth for India business for the second quarter of fiscal '25?

Rajesh Jain: Yes, yes on YoY.



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- Rahul Agarwal:** And how much was international YoY for second quarter?
- Rajesh Jain:** YoY we were negative since our last year base was at a little bit higher side due to delay in shipment it is almost negative by 9%.
- Rahul Agarwal:** One more question I had was that in case we were unable to pass on the price hike, my sense is from a pricing perspective in India, RR Kabel was pretty competitive versus other brands in the quarter. So, despite that the volume growth looks like when we compare it to listed peers, the data what we have right now with us, looks like we are the lowest in that hierarchy and which basically means that you have lost market share. So, if our prices were lower, then we would have done better, right? So, was there a regional divergent in terms of how you performed, another performed, could you elaborate a bit on this.
- Rajesh Jain:** Rahul, as per my understanding, the impact on pricing was with all competition also. If you see their margins have also reduced in the similar line what we have done. The thing was that since the fluctuation in copper prices were very high and whatever the approach we have to pass on this price in systematic manner with some lag impact to consumers, this time this cycle could not be completed as there were some delays in implementation of new prices or effect of giving new prices. So, there was a reduction at gross margin level, and I think it is similar with my peers also.
- Rahul Agarwal:** Peers have reported better volume growth. So, I was just concerned with that. Margin, I understand.
- Rajesh Jain:** I do not have that data, but just if I compare the gross margin level of peers and myself, then there is similar kind of contraction in gross margins.
- Rahul Agarwal:** One clarification I wanted was in export business. Our margins when we export I think 70:30 is the mix between wire and cable in exports also. Our margins are better than India or lower than India?
- Rajesh Jain:** So, again, there are two segment. In wires, the margins are less when I compare with India, but in cables, margins are better in export market when I compare with Indian market. So, it is both way, in cable it is higher and wire it is less in export market. But since we started our export journey from wire only, so still majority of our export is coming from wire only. But now we are focusing on changing the product mix to have higher profitability and our cable exports are increasing as my capacity is also enhancing and we are getting good demand from the export market, but this is a continuous process.
- Moderator:** The next question is from the line of Huseain Bharuchwala from Carnelian Capital. Please go ahead.
- H Bharuchwala:** Sir, just wanted to understand from you, basically your competitor who is the largest player in the segment has said that his growth in the wire segment was 2x that of cables and you have a better mix



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of wires compared to cables, right? Your business, your volume should have been better. So, what went wrong in terms of the volume growth, because I understand the margins, but what went wrong in the volume growth? The street was estimating much better numbers when it comes to demand and real estate is in a good cycle. So, ideally your volume growth should have been much higher.

Rajesh Jain: So, what happened like when copper prices were very volatile at the end of Q1 and that impacted the demand of June as well as July and till mid-August. So, at the end of this quarter there were good volume upbeat also, but it's still like the initial first half of this quarter have impacted us to a large extent in terms of wire demand.

H Bharuchwala: My point is volatility in the copper prices we understand, that is completely there, but if your competitors are able to grow much faster in the wires and you are being the leader, so have you lost market share in terms of wires, that is we can basically understand from you market share?

Rajesh Jain: Since we do not have exact data of how much growth in wire and cable, but still we are giving the understanding what you are saying if others have gone higher in wire and we are almost flat in wire. So, by that logic it seems there may be some impact in our market share. But we do not have exact data.

H Bharuchwala: Secondly, sir, on the export side, can you give us some color how it's spanning out in the export market, have we got any approvals or any registration there, how we are seeing the export market, what is the status in Europe, is the demand better in Europe or things are better going forward, can you give us some color on that front?

Rajesh Jain: So, overall, see, we are very strong on the export front. We have more than 42 international product approval, also like our export market is established, we are the largest exporter, as well as almost 25% of my revenue is coming from export. So, in that way we are doing very good. At the same time Europe is my largest export market and due to some delay in shipments, what happens like if it was taking 25 days, now it is taking 35 to 40 days. So, this has delayed some shipments also and even some few parties changed their orders from us to maybe some other suppliers also. So, there was some temporary impact on my wire demand from European market, at the same time like we are in process to get approval of my cable products or some special cables in U.S. market also which is in pipeline and we are expecting that by this quarter end, we'll get those approvals and slowly we'll get additional business from new product lines also.

H Bharuchwala: If you can give us a ballpark figure of your US share in your total exports?

Rajesh Jain: As of now, US is almost 10%, Europe is maybe 50% to 55%, in that way we are very good in developed countries.



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H Bharuchwala: Do you think your US will share with time will go up and pricing if I suppose it will be better in US compared to Europe?

Rajesh Jain: It is not about Europe and US, but it is related to product. If we are in cable exports or maybe specialized cable products. So, in the US we are focusing only on high value-added products only, and same way Europe also our focus is increasing the cable segment where we have higher valuations. So, overall we are focusing on how we can increase our sales in high value added products in export market.

H Bharuchwala: But in the domestic market in the overall segment, I think there are a lot of very small players who have also entered in the market. So, do you see heightened competition in the segment when it comes to wires and cables with the new small players, a lot of players have got funding recently, so they are also competing on some of the tenders, so is there something that you're seeing?

Rajesh Jain: So, still as per our understanding like 65% to 70% market is only with organized player and rest is with unorganized. Though over time we have seen very good improvement in market share by an organized player and what we understand that every brand has their own strength like geographical strong presence. So, every company is doing their best and competition will always be there, but we have our own strategy to expand my sales base and getting higher volumes in wires also in domestic.

H Bharuchwala: And last thing on BharatNet tenders are supposed to get announced, and a lot of your competitors are basically bidding for those BharatNet tenders. So, what I understand is a Rs 50,000 crores sizable opportunity in cables. So, are you bidding for some of those tenders and what are you eyeing in that front, so if you have some color on that?

Rajesh Jain: So, as of now, not on BharatNet, because we have very limited capacity in cable, but still we have already good demand from government as well as private sector. So, we have sufficient demand in current customer base only. As of now we have not participated in those tenders.

Moderator: The next question is from the line of Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade: Two questions. First is with respect to competition. Now as we have seen in case of margin impact as well, has that continued in the month of October? Is this one-off? Is this a new normal according to you? In terms of the pricing, how do we stack up against the peers in terms of pricing our product -- are we at par, are we at premium compared to the market data? That's my first question.

Rajesh Jain: So, if we see, it seems that Q2 which was extraordinary and one-off only in terms of reduction in profitability, but as a normal practice and based on the historical data also and based on our experience we will always keep on passing this price impact to our consumers in a systematic manner.



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Though there will be some lag impact and there may be some impact when we see month-on-month basis, but when we see at longer time origin, then we will always be able to pass on this price. The effect in Q2 especially was like one-time only where all of a sudden the huge volatility we are not able to pass on both the sides like at increase time also and that reduction price time also. So, there was a one-off impact. But otherwise, you see every company has their own brand positioning, brand pricing, so we are at par with competition and the price movement is almost similar for all companies.

Achal Lohade: I missed that guidance. So, you said you are looking for a 15% volume growth for the second half. And what margin guidance you have given sir?

Rajesh Jain: 8% to 8.5% EBIT margins for wire and cable for second half.

Achal Lohade: Does that assume normal pricing scenario, or it assumes a weak pricing scenario compared to competition, the aggressive pricing or anything of that sort?

Rajesh Jain: It is based on current pricing scenario like not very strong or weak, but it is like how industry is behaving currently, it is based on that scenario only we are assuming.

Achal Lohade: With respect to the distribution, can you help us understand what are our target we're looking at in terms of the distributor and the retail account for FY'25 and FY'26 and what is it currently if you could spell that out?

Rajesh Jain: So, for a distributor and retail level, what we think is that our current bandwidth is sufficient enough to serve my current expansion plan also and growth also. The only thing now we want to increase the depth of my distribution. So, per distributor sale should increase and in that way we are working. At the same time, our focus on retail and electrician is a continuous process and we are working, earlier also, we are always focused like we have more than 1.25 lakhs retailers or maybe more than 4.5 lakhs electricians in our loyalty management program. So, that focus will continue to be there. The only thing on my distribution level is now we are focusing on increasing the depth.

Achal Lohade: Do you think the breadth is already there? We want to have more extraction out of this current setup in terms of the sales support. Is that right now?

Rajesh Jain: Yes, yes, exactly right.

Achal Lohade: Capacity utilization for cables and wires for the second quarter.

Rajesh Jain: It was similar to last time only like almost 90% to 95% in cable and 65% to 70% in wire.



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- Moderator:** Our next question is from the line of Venkat Samala from DSP Investment Managers. Please go ahead.
- Venkat Samala:** Earlier, you used to guide for 20% volume growth for us for the full year, right? Now, we're talking about recovery in H2, but still we're talking about only 15% growth, right? So, what has led to some moderation in our guidance versus the earlier expectation?
- Rajesh Jain:** So, when I see the current H1 growth and some impact on my export market also, so like overnight, I don't want to overcommit that our growth will be something, when we have achieved a growth of 8% then what we see 15% is quite a moderate growth and first we want to achieve this only and then we'll see how market moves ahead.
- Venkat Samala:** So, the impact essentially is on the export side but since earlier expectation. Domestic side, you don't see a challenge?
- Rajesh Jain:** No, see competition is there, always it will be there, but even 15% is a good growth, though it is below our earlier guidance, but first we want to achieve this figure and then we'll see.
- Venkat Samala:** That I understand. I am just saying versus the earlier expectation, domestic has changed or export?
- Rajesh Jain:** Export has changed like as you have seen like we had degrown in this quarter in export market. So, ultimately it will have some impact in my export growth. Domestically, things have not changed that much.
- Venkat Samala:** In response to your previous question, you did mention losing out for some of your orders to another vendor. Can you elaborate that?
- Rajesh Jain:** So, what happened like earlier what we were making export to Europe, like they were taking regularly from us, but when there were delays in shipment, so they might have some purchased some quantity from Turkey or similar places which are very nearby to them. So, in that way we might have lost some order.
- Venkat Samala:** Is it to an Indian guy or somebody else?
- Rajesh Jain:** I am saying Turkey because Turkey, see, their transit time is hardly 7-8 days while it is taking almost 35 days from here. So, in that case some of my orders, since there were delay in shipment, some customers might have shifted some orders to Turkey, nearby country there.
- Moderator:** Our next question is from the line of Amol Rao from One Up Financial Consultant. Please go ahead.



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Amol Rao: Would you be kind enough to tell us what could be the possible quantum of any inventory loss that we may have had, I mean just because of the quarter ending copper price, not cash loss, what is the notional loss that we could have incurred, because this evens out over the course of the next few quarters, just to get a sense?

Rajesh Jain: No, it is not always possible to quantify that inventory loss because what happens here, price is moving on like fortnightly or monthly basis or sometimes even weekly basis also it keeps changing. But yes, if we see from a notional level, there may be some impact, but again this you cannot predict that for going basis also it will be in the similar fashion. So, since there were like very high volatility when I compare with just H1 of this year or even Q2 of this year, so there may be some impact that some prices we could not pass on to whatever price we were having inventory and could not be passed on and converted into sales. So, there may be some impact of say 15, 20 crores in this quarter.

Amol Rao: That limits to 15, 20 crores. Just wanted to get a sense how much because copper volatility it's been very rare to see such volatility, it does not happen very frequently in the last 10-years.

Rajesh Jain: Yes.

Amol Rao: Just curious on the profitability sides. Even though our FMEG sales the losses have narrowed, so you attributed it to a product mix change. So, what products did we favor this quarter that we got that we reduced the cash burn in this quarter?

Rajesh Jain: If you see even within fan or maybe other products or so, now what we are doing is that we are focusing to have increased sales of premium and mid premium category products. So, like always economic category have limited profits or higher competitions. So, now we are focusing that how we can achieve higher valuation by focusing on premium and mid-premium category products or new products what we are launching in market, even like if you see lights have higher volatility in pricing also. But in this quarter also though it is offseason for fan product but still we could manage good growth in fan also. So, in that way, it is like improving my gross margins and reducing the losses.

Amol Rao: I mean this product optimization, obviously, we're going to take a tactical call every quarter, but you see this to be a trend over the next few years that we are more towards the mid-premium and premium side rather than the economy side, what I am trying to ask is, will economy still continue to be a big chunk of our FMEG thing because we need to have a wholesome product?

Rajesh Jain: So, see one thing is for sure, in FMEG, you have to focus on all the categories. If you have to make higher growth, then you have to focus on economy category also. But at the same time, if you have to become a premium consumer brand, then we have to add a few products in premium or mid-premium category also. So, it will be always a mixed approach that at one side we will always focus to have increased sales of premium, mid-premium category, at the same time to spread my market



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and to have a higher presence in market we will have focus on mass sales also. So, it will be always like having good approach or equal approach on both sides.

Amol Rao: Sir, just to take that question, one step forward, sir. We have got a decent size and we have guided towards a break even in FY'26 in the FMEG business. Is it safe to assume that 1,500 crores of annual run rate would see the cash burn end? At that level we stopped burning cash because then our product portfolio is quite mature, it covers all the categories and we are making enough money to cover up everything, all our expenses, Rs 1,500 crores.

Rajesh Jain: So, we are expecting to achieve that one much before that like Rs 1,100 crores of level of top line EBIT level break even.

Moderator: Our next question is from the line of Rahul Agarwal from Ikigai Asset Management. Please go ahead.

Rahul Agarwal: I think I got dropped off when I was asking a question last time, Sir. one question was on the status of capacity expansion. If you could explain product wise what's really happening on the cable and wire side, how is that shaping up?

Rajesh Jain: So, like what we explained is that we are doubling our power cable capacity, and at the same time, we are also increasing almost 20% to 25% our wire capacity. We are on track to enhance this capacity, and this CAPEX cycle major part will be completed by end of this financial year and few machineries are already operational out of that. So, it will be an ongoing process that whatever capacity we are enhancing, this will help us to achieve the growth of next two years.

Rahul Agarwal: What I wanted to know is a bit more specific in terms of we were planning to launch power cables both for export markets as well as for Indian markets. So, has that already started?

Rajesh Jain: No, no. Few capacities have increased but still the major part of power cable will start in April '25 only.

Rahul Agarwal: Most of the October month is over, but copper has been acting funny, I don't think it's pretty stable even in this month. How are you seeing the channel behave for this month, any color?

Rajesh Jain: So, like this month is at a normal level. So, what we have seen is very good demand in September or very poor demand in July or June, but this is a normal month in terms of demand, even at copper price though we have seen volatility on day-to-day basis but on monthly average if you see like copper prices are almost 3% up than September level. So, in that way it is like a normal month for us.

Rahul Agarwal: Which means that we are better off from September to October is we are better off?



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Rajesh Jain: No, no. As I told, September was really a good month for us in terms of volume and that could make whatever we could not do in the month of July or till mid-August also, but at the same time, if we see on average basis, yes, we are doing better than previous quarters.

Moderator: Our next question is from the line of Tanay Shah from the DAM Capital. Please go ahead.

Tanay Shah: I just wanted to understand as to the guidance which we are reiterating for FY'25. How is the demand which we're kind of looking at it like what is the demand outlook -

Rajesh Jain: Can you speak a bit loudly, please. Can you repeat?

Tanay Shah: So, I just wanted to understand, given that H1 has relatively been weak versus our expectation, how are we kind of expecting the demand outlook for H2, because the ask is fairly high for H2? And similarly, apart from the demand, how are we seeing the RM price volatility kind of fairing out for us because even the margin ask per se for the EBIT margin is fairly high, so sir, if you could just guide on that, it would be great?

Rajesh Jain: First, you have to see historically also or traditionally also, H2 is always better than H1. In this industry what happens like majority of the products or real estate projects also get executed in H2 at much higher volume in compared to H1. So, one is that reason. And secondly, even when we are talking about margin improvement, what we are thinking is what we have achieved in last year like our EBIT margins for wire, cable in the range of 8.4%, so we are expecting that range only. So, like we are on back to normal situation where we could achieve whatever margins we were historically achieving. So, we are not forecasting any much, much improved version of higher targets. These are in line with our trend and industry figures only.

Tanay Shah: So, while it's obviously is in line with what we kind of achieved last year, but given the other volatility which we've kind of seen and obviously the increased competitive intensity as well, so is there any improvement in that front as to where we believe that this can kind of normalize going forward into the second half?

Rajesh Jain: As per our industry, the impact in Q2 was abnormal. If you see normally there is always a price fluctuation of volatility and there was a good system also to pass on this price impact in a systematic manner by changing your sales side and passing on this price impact to our consumers. The only thing is in this quarter we could not pass on that impact completely because there were high volatility and with a very small span of time, there were both high movement. So, that is one of the things. Otherwise, this normal price movement will always be there, and we will always pass on this impact to our consumers so that will not impact my gross margins.

Moderator: The next question is from the line of Naushad Chaudhary from Birla. Please go ahead.



N Chaudhary: A couple of clarifications. So, firstly on the margin side, if I look at the nature of the business, one or two quarters here and there is fine, but if I look at your number from that -.

Rajesh Jain: I think I am not getting exactly. Can you repeat?

N Chaudhary: So, firstly, on the margin side, sir, see, one or two quarters volatility here and there is fine, but from last 5-6 quarters consistently we are losing margin and given the nature of the business, we have not experienced this kind of consistent decline in one direction of the margin. So, is there anything else which we should understand from the business or mixed point of view or is there any unfavorable contract which is sitting in our book which is impacting this margin, help us understand it more, what exactly is there, apart from the raw material volatility which we are not able to understand with this consistency in the margin decline?

Rajesh Jain: So, here I would like to clarify one thing that we are not in a long-term contract kind of business and majority of our business is since it is more B2C, so the current prices only impact or whatever long-term orders we have is that all are having (PV) Price Variation clause. So, frankly the major impact is due to price volatility and the time gap between my purchase or my stock cost versus passing on the prices impact to consumers. When we compare on a quarter-on-quarter basis, there are some variation but if you see on a yearly basis like last year we have seen improvement of margins by almost 140 bps in my wire and cable segment. So, this year again the first half of this year was one off our normal figure, but again second half we are having target of getting that normal EBIT level or margin level only. So, we are on track on that and there is no impact other than what the volatility -

N Chaudhary: I understand that sir. Help us understand in terms of your overall length of the contract which you signed, what percentage of your business comes from the contractual business and how often you change the price?

Rajesh Jain: So, hardly 5% to 10% my business comes with that kind of long-term contract business and there also we have like 100% businesses with PV clause only. So, PV means last month raw material prices, it keeps changing on every next month supply. So, we do not have any fixed term contract either for three months, six months or one year.

N Chaudhary: No, but see nature of our export business it takes 35 days to deliver the product, so somebody has to agree on some price, if you are making the product, you're taking 15, 20 days, then 35 days to deliver the product, so in a way directly or indirectly way we get into 45 to 50 days of the contract, right?

Rajesh Jain: Yes, yes. So, this is a very good question by you. But just let me explain in export, our prices are very transparent. At the time of placing orders like three things are variable, copper price, PVC price and freight, while my conversion profitability is fixed. So, whenever they are placing the order, they



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place their order either on a monthly average basis or some average or some days average and whatever basis they are placing the order on me I also cover back-to-back on my purchase side also. So, my export business has zero risk in terms of price volatility as well as FOREX fluctuation also. Both end we are quite secure. I hope this will answer your query.

N Chaudhary: I'll take it offline. I'll just have one other question to clarify. In terms of your overall copper procurement policy, if you can help us understand what percentage of the requirement you import and why do we import it, is it because the price difference or availability and do we hedge this position, overall, help us understand your procurement policy?

Rajesh Jain: Yes, just I will answer briefly, maybe in detail we can later also. But right now what I can say you that like almost 30% of my copper procurement we are importing and the reason being since I am exporting also and my exports are covered under advanced authorization scheme where I can import duty-free material. So, that is good way to compensate my import and export balancing.

N Chaudhary: We have reduced our growth guidance, and we are giving some reasoning to the export market. So, can we be a bit more specific here when we were giving 20% growth guidance, what was the thought process there and what has exactly changed here to reduce our growth guidance?

Rajesh Jain: See, historically also, always we were in the range of 20%. This first H1 was one-off and where we could not achieve, and the major reason was export only. That's why we are just moderating for this half of our guidance and later we will see how things move. So, since we are meeting every quarter, so we'll keep updating you about it.

N Chaudhary: Yes, I take that point, sir, but if you can be more specific what exactly is changing there in the export market, Is there overall slowdown you are experiencing in the -?

Rajesh Jain: So, I think I have already answered this question that there is no slowdown but some impact due to delay in shipment, there were some orders shifted and due to this shipping time changes, there is some impact, but it is not a permanent kind of impact, still our business, demand is good and there is good presence of our brand all over Europe, and particularly in more than 85 countries. The good thing is that we export our products in our own brand, which is again a very big achievement for us.

N Chaudhary: So, is it because of the high volatility in the copper prices and nobody wants to take 35 days open exposure in the copper, that's why they are preparing a nearby supplier?

Rajesh Jain: No, I think that's not the reason, but they don't want to have that kind of material in transit. See, when they are getting at 8 days transit time then why will they wait for 35 to 40 days. So, this is just time-being, otherwise normally like -



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- N Chaudhary:** But this was the case earlier also, sir, right?
- Rajesh Jain:** There was like gap of two week only earlier like 8 days versus 25 days, now it is 8 days versus 35 to 40 days and plus, if you have seen like freight cost were also very high and since this cost is variable, so everything they were bearing. So, that was also one of the reasons.
- Moderator:** The next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.
- Shrinidhi Karlekar:** Sir, you said 10% volume growth in the domestic cable and wire business. Would it be possible to further break down in how wire has grown, now cable has grown?
- Rajesh Jain:** It's still like in domestic also we have grown at much higher pace in cable compared to cable wire. So, in domestic, our wire business has grown by 2% only while cable business has grown by 36% and I am talking this about on YoY basis for Q2.
- Shrinidhi Karlekar:** Sir, 2% volume growth particularly looks not only on an absolute basis, but very weak compared to on a relative basis compared to some of your peers. So, anything that happened like why your growth rate was just 2% in the domestic wire business particularly given there was a lot of stocking that happened in the channel because copper was inflationary towards the end of September?
- Rajesh Jain:** So, we had a high impact of lower demand in the month of July and mid of August. So, like my first 45 days or first half of this quarter was very badly impacted. Though we could make good progress in the last month of this quarter like in September, but still like it was much lower than our expectation.
- Shrinidhi Karlekar:** May I ask a second question which is on the margin front. So, do you get to track your contribution margins and the EBIT margins by product category, like how much is the domestic wire, how much is domestic cable, how much is exports cable like you do you get to track that like separately both at contribution level and EBIT level?
- Rajesh Jain:** So, to some extent, we have our MIS system where we track these margins and whatever impact we have seen in this quarter mainly in reduction in my gross margins at wire level in domestic. So, that was the big reason of sharp fall in our margins.
- Shrinidhi Karlekar:** There is 400 basis points kind of a reduction. How much would you say is basically underlying margin decline at this wire segment and how much is actually related to the cable business growing faster than wire which actually comes at lower margins, is it possible to break down in mix versus underlying decline?



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- Rajesh Jain:** Not in that way, but what I can say when we see 4% reduction in gross margin and this was again mix of both the things. One, we were not able to pass on the increased price. So, then maybe I can say 1.5%, 2% impact on that side, at the same time since my copper prices have also increased, so for example if prices have increased by 4% and I was able to pass on 2% only and there was time impact also. So, the major impact was in wire only and of course cable also there but cable was not that much impacted because there again the effect was to the extent of orders what we were having in hand only.
- Moderator:** The next question is from the line of Raman KV from Sequent Investments. Please go ahead.
- Raman KV:** Sir, can you give the volume guidance for the FMEG business?
- Rajesh Jain:** So, in FMEG, volume is very tough because all three lines like switch, lights or fan have different kind of units. But still when we talk about like 20-25% kind of revenue growth we are expecting in FMEG business.
- Raman KV:** In next quarter or in the next half?
- Rajesh Jain:** In next half also.
- Raman KV:** What is the CAPEX you're planning to do in Q3 or in H2?
- Rajesh Jain:** So, overall, our CAPEX plan was of Rs.500 crores, which was spread over two years, which is like FY'24 and FY'25. Since we are executing CAPEX only, this will be completed by March '25. So, this is like an ongoing CAPEX plan. So, particularly for this quarter or half, it is not separate CAPEX plan, but whatever we are executing is part of our master CAPEX plan only.
- Moderator:** In the interest of time, that was the last question. I would now like to hand the conference over to the management for closing comments.
- Management:** Thank you, everyone for joining this call. We appreciate your participation. If you have any questions or queries, please feel free to reach out to us directly or contact Orient Capital. Look forward to connecting with you again next quarter. Thank you. Once again, I wish you Happy Diwali, Happy New Year.
- Rajesh Jain:** Happy Diwali to everyone and thanks for joining the call.
- Moderator:** On behalf of R R Kabel Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.