



Finolex
Cables Limited
AN IS/ISO 9001 CERTIFIED COMPANY

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18th November, 2024

Corporate Relations Department BSE Limited 1st Floor, New Trading Ring Rotunda Building, P J Towers Dalal Street, Fort Mumbai – 400 001	The Manager Listing Department National Stock Exchange of India Ltd 'Exchange Plaza', C-1, Block G, Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051
Scrip Code: 500144	Scrip Code: FINCABLES

Sub: **Transcript of the Analysts/Investors Meet held on 14th November 2024 at 4.00 PM.**

Ref: **Regulation 30 read with Clause 15(a) of PART A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Dear Sir/Madam,

Pursuant to the above referred Regulation, please find attached the Transcript of the Analyst/Investor Meet held on 14th November 2024 at 4.00 pm (IST) to discuss financial results of the Company for the quarter ended on 30th September, 2024.

The transcript of recording can also be accessed on the Company's website at <https://www.finolex.com/View/Page/Analyst-meeting-transcript>.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For FINOLEX CABLES LIMITED

Gayatri Kulkarni
Assistant Company Secretary
& Compliance Officer

Encl.: As above

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“Finolex Cables Limited
Q2 FY '25 Earnings Conference Call”
November 14, 2024



Perfect Relations
The Science of Image Management



**MANAGEMENT: MR. MAHESH VISWANATHAN – DEPUTY CHIEF
EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
– FINOLEX CABLES LIMITED**

MODERATOR: MS. MAMTA SAMAT – PERFECT RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to Finolex Cables Limited Q2 FY '25 Earnings Conference Call, hosted by Perfect Relations 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Mamta Samat from Perfect Relations Private Limited. Thank you, and over to you, ma'am.

Mamta Samat: Thank you, Neerav. Good evening, everyone, and thank you for joining us on Finolex Cables Limited Q2 FY '25 earnings conference call. Today, we have with us Mr. Mahesh Viswanathan, Deputy CEO and Chief Financial Officer from Finolex Cables. Before we begin, I would like to say that some of the statements that will be made in today's discussion may be forward-looking in nature.

We will begin the call with the opening remarks from the management, after which we will have the forum open for the interactive Q&A session. I will now request Mr. Mahesh Viswanathan for the opening remarks. Thank you, and over to you, sir.

Mahesh Viswanathan: I hope I'm audible and clear. So good evening. Welcome to this call from Finolex Cables Limited. Thanks to all the participants for attending. Let me start by a few quick remarks, and then afterwards, I will take questions. So we had a bit of a difficult quarter. We started the quarter with, A, high inventories, and B, inventories which were procured when copper was also very high in terms of value.

So the first couple of months were spent more in ensuring that the stocks got liquidated, both at our end as well as at the trade end, which obviously had its impact on margins. We had to take a few price cuts during the quarter because while we were trying to do the liquidation, copper also was consistently falling. So just to give some numbers, average copper at the LME was about \$10,130 in May, which dropped to \$9,641 in June, \$9,394 in July, \$8,963 in August.

So right through the middle of August, there were situations where copper was continuously declining, and we had to keep adjusting our selling prices accordingly. There was some kind of a revival towards the end of September. And in fact, on the 29th of September, we revised our prices upwards for the first time after 4 months. The trend has been quite volatile as far as copper is concerned during the last 7, 8 months.

As we speak today, copper has dropped below \$9,000 again. So that volatility plays on the pull from the market and impacts volumes. And when the volatility is fairly sharp, like it happened at the end of first quarter, it also impacts margins. But I believe that as far as the margin corrections are concerned, the worst is behind us, and we should be more stable from now onwards.

So -- while that was the position as far as copper is concerned, overall, as a company, revenue in the quarter improved to INR1,312 crores, which is 7% higher than the immediately preceding quarter and 10% higher than the corresponding quarter of last year. As I mentioned

earlier, margins did take a hit. We dropped approximately 4 percentage points compared to the comparable quarter of last year and about 1.5 percentage points compared to the immediately preceding quarter.

Barring this aberration, I think volumes were steady, given the environment in which we were working in during this quarter. Electrical cables, I think, should start showing some signs of recovery from now onwards. On the communication cables part, we had lower realizations, both on the metal-based cables because copper was falling, and also on the fiber side, while volume was substantially high.

Quarter-on-quarter, the volume was up almost by 50%. But values realized were -- had dropped. Fiber prices have been coming down over the last 2 years. So again, to give some reference points, what used to be \$4 per kilometer 2 years ago is now \$2.6, \$2.7 per kilometer landed in India. So there is a substantial reduction in the realization of fiber. I think as the consumption of fiber picks up across the globe, we should expect to see this coming back to normal levels, probably over the next 6 to 8 months.

The opportunities on the fiber side still continue to be exciting. BSNL's tender was -- those bids, which were submitted early in August, were opened last week -- sorry, this week, and our partners have placed L1 on certain bids. So the -- once the orders are released, then we will know exactly how and in what periods our revenues will change. I expect that the ordering from BSNL to the bid winners will happen sometime towards the latter part of this quarter and supplies will commence probably around February or March.

Besides this, there are also opportunities on the 5G rollouts as well as data center requirements. But those are kind of somewhat a little long term in nature. Other products have done reasonably well. Values have climbed, and I think we are on track to hit INR300 crores this year. We did about INR228 crores or INR230 crores last year. We should be looking closer to INR300 crores this year. And like I've always mentioned, breakeven should be around INR250 crores, INR260 crores. So this year, we should have that in hand.

The last comment I would like to make is on the capex portion. We had quite a few items lined up, of which the major ones were on the e-beam facility. That is now complete, and we are expecting BIS clearances -- I mean, BIS certifications anytime now. So revenues from this investment should start flowing in from the -- anytime now.

This one, the installation is -- installation of the equipment is to commence in the next 2 to 3 weeks. The engineers from the manufacturer are expected here in the next 1 week or 10 days, and then, they should commence the installation. We expect commissioning by -- latest by end of quarter 4 and production to be available from then onwards. The other major part was the expansion of the auto cable lines in Roorkee.

The equipment have reached and are under commissioning. So we expect all that to happen and get completed by end of December. So these are the 3 major parts of the capex portion, which were underway. All of them should be then closed by end of this fiscal. What remains is the expansion of the fiber draw capacity from 4 million to 6 million. The orders for the

equipment have been placed. I think they should arrive somewhere around May or so, May or June, and then the commissioning will start from then onwards. So that's on the capex portion.

Yes. So again, to recapitulate, slightly difficult quarter with margins getting impacted, but I think, as I said before, I believe that the worst is behind us and we should see return to normalcy soon. I'm now open for questions.

Moderator: First question is from the line of Sonali from Jefferies India.

Sonali: Sir, my first question is with regards to the BharatNet that you just spoke about in your opening remarks and the BSNL order. So you're saying...

Moderator: Sonali, you're not audible. Can you speak a little louder, please?

Sonali: Yes. Is this better?

Mahesh Viswanathan: Yes, it is better. It is better.

Sonali: Yes. So, sir, my first question is regarding to the BharatNet or the BSNL order. You said that your partners have received it. Any more color you would like to give us in the sense what is the quantum of the order wherein you/your partners have been anointed as the L1 bidder? Which regions? What's the normal terms of the contract? And who is the partner of yours in this BSNL?

Mahesh Viswanathan: Okay. So the bids have been opened in the last 2 days. So in terms of the contract values and so on and so forth, that is -- it is too -- still too early to say any numbers. So we had an understanding with one of the bidders that they would use our cables. And they have won, I think, 3 of the bids that they participated in. So at this moment, I'm -- I wouldn't want to name those people, let that process get completed. I think it's little too early to talk about numbers and values at this point in time.

Sonali: Okay. Got it, sir. Sir, my second question is with regards to the electrical wires. Sir, the volume growth has been a bit of -- muted at 2% this quarter. We are a good brand. Could you help us understand about the current demand scenario? Even last quarter, I think the volume growth was in single digits, if I'm not mistaken.

Mahesh Viswanathan: It has been. It has been muted over the last 6, 8 months. Part of the reason, I think, is if you look at the commodity price volatility, it's becoming a little bit difficult to differentiate between what demand is speculation-led and what demand is actually consumption led. So it kind of gets -- one gets fused in the other. And especially in the first part of the year, March, April, and maybe a couple of weeks of May, copper was climbing and climbing pretty rapidly.

So from \$8,500 in the beginning of the year, it went up to almost \$11,000. So there was -- there were multiple price increases that were announced. And immediately after the announcement, we -- because while you announce it today, the effect of that announcement happens after a week, let's say. In that interim period, a lot of pull happened. Obviously, that

was substantially speculative. I mean, you buy it today at today's price, and you expect to sell it at a higher price a little later.

But then there was a very sharp correction from the middle of May. From \$11,000, it went down to almost \$8,200, \$8,300. So that put the brakes on any further buying from the trade and that continued all the way through August. So yes, it has been muted, but there has been some prebuying, let us use that word. And then later on, it has got consumed over the last 4 to 6 months period.

I think that volatility is also changing the consumer -- I mean, the trade behavior to some extent.

Sonali: Got it. So is it correct in understanding that there was destocking in the channels due to a sharp correction in the copper prices from \$11,000 to \$8,000 till mid of August? And after that, have the channels started restocking that? Do you see demand normalization right now as we speak?

Mahesh Viswanathan: Yes. So as I speak, that's what I -- in my opening remarks, I said, by the end of September, the average had climbed back to \$9,250, but that's the average. So spot prices could have been also \$9,700, \$9,600. But then again, as we speak today, spot prices have gone below \$9,000. It's about \$8,800, \$8,900 today. So the swings have been fairly high. And the swings have not had a very large period of stability in between.

So the peaks and valleys have been pretty sharp. And I do not know how that will continue to impact consumption going forward.

Sonali: Understood. Sir, would you like to quantify the inventory loss this quarter because...

Mahesh Viswanathan: We are back -- our inventory now is back to more or less similar levels as where we were last year September and very close to this year March. March, we closed at INR570 crores, I think, in terms of value. And in September, we were at INR610 crores or something like that, yes, INR604 crores. Not very far away from that number. And in terms of number of days, also, we are back to normal.

At the end of March, we were, I think, 52 days, all inventory put together. And we are back to the same level.

Sonali: Understood. Sir, would you -- could you quantify the price cuts that you have taken in Q2?

Mahesh Viswanathan: There were 3 corrections, all totaling to about 11%, I think.

Sonali: And since then it's been steady, is it?

Mahesh Viswanathan: Since then, we had 1 price increase in same, in September, on the last day of September. That was 2% or so. And now we'll have to wait and watch because last 1 week, LME has been dipping.

- Sonali:** Got it. Sir, structurally, do you foresee housing and capex cycles to remain strong? Are you seeing some kind of a slowdown in these 2 broader cycles? Or are you seeing them quite steady across?
- Mahesh Viswanathan:** I think they are steady, but what impacts the numbers is the kind of volatility that we've been seeing. So that kind of distorts the picture to a large extent.
- Sonali:** Understood. So largely, this impact was because of copper volatility.
- Mahesh Viswanathan:** Yes.
- Sonali:** And competition wise...
- Mahesh Viswanathan:** There is a little bit of a mix change as well. There has been more project-based selling as opposed to pure retail selling. So that also has had a slight impact on the margins, not much, but definitely there.
- Sonali:** Sir, generally, our project-based selling is about -- was about -- B2B was 25%. What is it this quarter?
- Mahesh Viswanathan:** No. When I say project-based, the channel is the same, but we know that certain products are picked up by electricians and certain products are picked up by contractors because they like longer lengths. So the longer length have sold more in quantity as opposed to the standard 90-meter boxes. So -- and the longer lengths because it goes to the Building segment directly, the pricing is a little finer than what is sold through the retail outlets.
- Sonali:** Got it. Sir, do you expect the margins to revert back to your steady-state 11%, 12% in the coming quarter? Or do you foresee this kind of mix change or volatility-based pricing to continue to impact margins?
- Mahesh Viswanathan:** If the volatility continues, then getting back to 12% might take a little longer. That's about it. It will eventually go there, but it might -- the journey might be a little longer.
- Sonali:** Got it. And just one last question on the mix change part. Within the electrical cables, autos, construction, et cetera, has there been any material change in these subsegments for you as well?
- Mahesh Viswanathan:** No, no material change except for certain season dictated stuff. So, for example, typically, in quarter 2, the agricultural applications are lower in volume because rains are there and water tables are not where you need to use large numbers of -- I mean, large quantities of wires to pull the -- to pump the water out. But other than that, no change.
- Moderator:** Next question is from the line of Shriram R, an Individual Investor.
- Shriram R:** Firstly, what is the market share...
- Moderator:** Shriram, can I request you to speak through the handset?

Shriram R: Yes, sorry. So what is the market share for us in the Buyer segment alone? And if you can give some update on the pending litigation, that would be very helpful.

Mahesh Viswanathan: Market share on an annualized basis is what I can talk about because on a monthly or a quarterly basis, that number is a little misleading. At an annual basis, and again, if I take last year's number, our wire revenue was somewhere around INR4,200 crores or INR4,300 crores out of a total wire market size of about INR25,000 crores. So slightly over -- slightly under 20% at that level. That's what it would be. Individual product lines might be different. Auto would be different, agri would be different and so on. But overall, wires would be around 18% to 20%.

Your second question was on the pending litigations. Other than what you might have seen in the public domain, I have nothing additional to add there. There was one matter before the NCLAT, which was disposed off and directions given to the NCLT to decide on the matter that is before them within a period of time.

And what is that matter between -- in front of the NCLT is basically who holds ownership of the disputed shares in Orbit, and therefore, who gains -- who gets control over all the entities. So that basic question is still to be answered. And NCLAT has given directions to NCLT to hear that matter and dispose it off quickly. Beyond that, there is nothing much that I can add or there is nothing much that the company or I know about.

Shriram R: Okay. That's helpful, sir. I mean, in terms of market share, compared to now when you said 20% in FY '24, so maybe 2, 3 years back, how much was it? I mean I'm just trying to understand have we maintained our market share at least for the last couple of years?

Mahesh Viswanathan: I think in the last 2, 3 years, we have been more or less steady. Maybe 1% here or there would have been different, but I suppose -- I mean, I think it's been more or less steady.

Moderator: Next question is from the line of Achal Lohade from Nuvama Institutional Equities.

Achal Lohade: Sir, is it possible to get the capacity what we have as of now for the electrical cables, cables and wires put together? And what is the expansion or what kind of expansion are we seeing over next 2, 3 years?

Mahesh Viswanathan: Well, we have -- if I use a standard product, then I can -- I mean if I use that standard 90-meter box as the unit of measurement, then we have the capacity to make approximately 23, 24 lakh coils per month. Utilization is around slightly over 65% at this point in time. This is on the standard wire. Then, of course, there are additional capacities for auto cables and for agricultural applications.

Auto is more or less 80% occupied. Agricultural is slightly seasonal. So last quarter was not much of an occupancy because once we have a range, then that particular product line, the demand is not very high. It is only maintenance requirements that are there. But overall, at a company level, our utilization of the wire assets would be somewhere around 65% to 70% in between.

- Achal Lohade:** Right. And if you could talk to split, let's say, FY '24 split, so you mentioned about wires, about INR4,200 crores, right? But does that also include the auto and agri cables or it's purely wires?
- Mahesh Viswanathan:** No, no, excluding that.
- Achal Lohade:** Only wires, right?
- Mahesh Viswanathan:** Yes, yes, yes.
- Achal Lohade:** Okay. Understood. With respect to the industry capacity, any similar number you have for the industry as a whole for wire and also for cable?
- Mahesh Viswanathan:** No, it's difficult. I mean, there is some information available with IEEEEMA -- I-E-E-E-M-A, that is the industry trade association, but it all depends on how transparent everybody is in terms of sharing that data. Long before, maybe before 2014 or '13, MCA used to mandate that you declare the capacities, and therefore, also what levels you're operating at. That requirement was removed at that point in time. And since then, you only have to rely on what is published by IEEEEMA.
- Achal Lohade:** Right. Understood. Second question I had with respect to the -- while the copper prices have been volatile, if you could help us understand -- because we see that the others like the market leader and a couple of others, have actually shown a 20%-plus kind of a volume growth in wires. So I mean...
- Mahesh Viswanathan:** See, everybody reports consolidated numbers. What you see is a number that is reported that includes wires, cables, everything. The total market -- the segment reporting is only at electrical cables level. And so some of our peers have a much larger exposure to the cable market, whereas we do not. I talked about the wire market being...
- Achal Lohade:** Fair, fair. In fact, in the calls, they have mentioned, sir. In the earnings call, they have talked about, like Polycab has talked about 24%, 25% volume growth in wires, so is the case with KEI 20%-plus, so is the case with Havells, wires growth was very strong. In fact, that is the reason the margins got impacted, et cetera. So I'm just curious, is there any basic difference in terms of sourcing or hedging of copper for us vis-a-vis the industry or these key players? Is there any difference?
- Mahesh Viswanathan:** I cannot comment on how they hedge us or what protection measures they take or don't take. I know what we do. We buy on month averages. And I think I've explained this in earlier calls also. We buy on month averages, we don't take long calls. So we -- for cash flow purposes, we have an understanding with the supplier as to what would be the provisional price that we will pay. And later on at the end of the month, we settled difference.
- And just to correct you in your this thing, just -- I'm looking at, for example, KEI, they have reported a 9% increase in revenue, not in quantity, in wire, and 24% increase in cables. Now if I go to Polycab, again, they have -- cable and wire, cable revenue is up 24%, EBIT margin at 12.3%, down 231 basis points. So everyone has had an issue on the wires side this year. Cable,

yes, they've all improved more. And our participation in the overall cable market is very small. Out of the market size of approximately INR25,000 crores, we do a business of less than INR200 crores. So that skews the presentation a little bit.

Achal Lohade: Right. No, I was more talking from a volume growth perspective, which they talked about in the earnings call, but I'll take that offline, sir. So you said INR25,000 crores is the power cables market size. Is that so?

Mahesh Viswanathan: Yes, yes, power and control cable. So that includes all voltage grades above 11 all the way to - - sorry, 6 above all the way to 500.

Achal Lohade: Right. And our revenue in that particular segment is just INR200 crores.

Mahesh Viswanathan: Yes. Slightly more than that. I think INR200 crores from this entity and about INR200 crores from the JV.

Achal Lohade: Right. So about INR400 crores total.

Mahesh Viswanathan: Yes.

Achal Lohade: Understood. Any plans to add capacity in this particular power cable side? How do you see the situation? Do you see this getting slow down or this is very much steady or strong?

Mahesh Viswanathan: No, it is rather -- it's a strong scenario. I don't see demand coming down there. But it is tender-driven, L1-based business. And a significant percentage of the customers are power utilities. Most of them being -- belonging to the distribution side. So risks that are there are towards collection, timing of collection. So you will find that many of my peers have that impact visible on their DSO. I have a DSO of, I think, 14 days or 15 days.

Typically, you will find most of them having DSOs of 60, 70 days. Some of them even longer than that. So it's a different environment. And some of the practices are not something that we are very comfortable with. So on the call this is all I can say.

Achal Lohade: Fair point, sir. That's very helpful, sir. Just last question, if I may. With respect to the communication cables, if you look at the segment margin, it's -- EBIT level, it's about 2% to 3% for last couple of years. One of the reason is the price correction what you've highlighted. For this particular BharatNet, BSNL orders, is it fair to say that the margins will be similar or they could be materially different or at the company level average for these orders?

Mahesh Viswanathan: It should be better than what we have today. The numbers that you see today are 2% to 2.5% as a result of 2 things. One is the price realization that has been there for the last couple of years. And the second is also the fact that volumes have not changed -- this quarter was good, but, otherwise, volumes have not moved substantially over the last year, 1.5 years. The reason for that is government, which is a very large customer in this area, did not have any procurement over the last 1.5 years. And normally, they account for about 60% of the buy during this -- in this segment.

So utilization of assets was also low, and fixed cost absorption was, therefore, affected, and that impacted margins of course. But once we -- once the procurement from the government side starts, and volumes start moving up, then these 2 will definitely start climbing back. It will take a little bit of time before it reaches the historical averages. We used to average around 7%, 8% in the past. For that to happen, it will take a little bit of time, but it should start climbing.

Achal Lohade: And what is the execution period for or supply period for these cables, sir?

Mahesh Viswanathan: The BSNL tender, I mean this current tender that we're talking about is 3 years post ordering and then followed by a 7-year period of maintenance subsequently.

Achal Lohade: And typically, what would that split be? Let's say, if it is INR100 order, how much would be the cable -- communication cable supply part of it?

Mahesh Viswanathan: Cable, our estimate is above 10%. It might differ in some of those -- there were 16 packages, so on the average, it would be around 10%. Individual packages might differ between -- it might be between 9% and 11%.

Achal Lohade: It is that narrow a difference. Okay. Understood.

Mahesh Viswanathan: Because you have -- it's not just cable supply, it is erection involved. There is lots of...

Moderator: Ladies and gentlemen, please stay connected while we re-join the management back to the call. Ladies and gentlemen thank you for your patience for the line for the management reconnected. Achal, would you like to guide sir, where the line dropped?

Achal Lohade: Sir, you were talking about this is just not the supply, and after that, it got disconnected, sir.

Mahesh Viswanathan: Okay. I'm sorry. Let me repeat that part. The -- it's not just the supply of cables. There are also electronics and other active and passive elements that are involved. So the package values or the cable supply percentage might vary a little bit depending upon the concentration of other elements in the whole package. That's about it.

Achal Lohade: Got it. Got it. And sir, if you could just comment on the capex for FY '25, '26 and '27?

Mahesh Viswanathan: So in my remarks, I said that we -- the major capex plans that we had announced about a year ago was on expanding capacity on the optic fiber cable side. Number one was we were putting up a preform plant. Preform is a glass from which fiber is drawn. So that -- in Phase 1, we were putting up a plant to generate approximately 100 metric tons of glass, which would equal to around 4 million kilometers of fiber.

That plant, the equipment is here. Commissioning is expected to start in the next 2 weeks or so. We are expecting the engineers from the manufacturer any time now. And we expect that Phase 1 commissioning would be over by quarter 4, and initial production would start from there. The second part of this expansion was to increase the fiber capacity, fiber draw capacity.

Currently, we have 4 million kilometers capacity, increase that to 8 million in 2 stages; stage 1, up to 6 million, and stage 2, later on to 8 million. For stage 1, the orders have been placed, and

equipment is expected sometime in the second quarter next year. Once that happens, the insulation commissioning of that will start.

The third part of the same business is to increase the cable capacity. Currently, we have a capacity to cable 8 million kilometers, to take it up to 10. The building is ready. So we were waiting for clarity on the BSNL tenders. And soon, we'll have to decide whether current capacity is sufficient to meet that or do we need to extend -- I mean, increase the cabling capacity.

Like I said, the building is already ready, the equipment lead time is about 7 to 8 months. So we can take a call on that once the ordering situation becomes clearer. So this is on the optic fiber business. Next to that, we had announced a program on setting up an e-beam facility with 2 e-beam accelerators, one at 1 MeV and the second one at 1.5 MeV. Both the machines are installed, commissioned and ready for some commercial use.

We have -- you have a choice of either selling your product with BIS label or not. We've opted for using the BIS label. So our BIS testing has all happened. We are expecting the certification anytime now. Once that is done, then we can launch it as an ISI-marked product. So that should happen any time now.

The third large spend was on adding to our auto cable capacity at our Uttaranchal plant, where the plan was to double the existing capacity at that plant. Machines have arrived. And they have been installed. Testing is going on. So we expect that to be commissioned by end of December. So these were the major items. All told, approximately INR500 crores was to be spent on all these programs.

Last fiscal, we spent about INR160 crores, I think. Bulk of the balance will be spent in the current fiscal with a small overflow into the next year. Beyond that, we will have to see now if -- we talked about wire demand, where it is, is it expected to grow, is it expected to be stable or what. So that is something that we are looking at. And depending on that, we will take the call, and if necessary, go ahead with this.

Achal Lohade: Sir, is it fair to say that FY '26, the capex could be, say, INR100 crores to INR200 crores?

Mahesh Viswanathan: Yes, it's possible.

Moderator: Next question is from the line of Raman KV from Sequent Investments.

Raman KV: Sir, I just have one question. What is the revenue or volume guidance for this year?

Mahesh Viswanathan: Look, last year, we did INR5,000 crores -- just over INR5,000 crores. Barring -- I mean, our numbers are always impacted by what happens on the commodity side. If copper remains steady, then that number can be towards the INR6,000 crores number. But if it keeps zigzagging, then it's a little difficult to predict. So at the moment, 6 months, we are at INR2,600 crores, I think, yes. So typically, quarter 3 and quarter 4 are about 65% -- 60% plus of the year's numbers. So that could be an indicator for you.

- Raman KV:** And so can we expect the margins to be around 10%?
- Mahesh Viswanathan:** Yes. Like I said, the second quarter margins were low, but I think we should track back to normalcy in the coming quarters.
- Moderator:** Next question is from the line of Praveen Sahay from Prabhudas Lilladher.
- Praveen Sahay:** Yes. So my first question is just on the communication cable, and that's a clarification. As your numbers suggest, it's a 2%, 2.5% of our margin business. And as you had also highlighted, it's because of a low utilization this kind of a margin you have. So once the utilization will improve from here, do you see this margin profile to improve? And if it's improved, how much you can reach in this business?
- Mahesh Viswanathan:** If you go back a couple of years, we were averaging about 7%, 8% in margins from this business. So that is something that is definitely doable. We've done it for several years in the past. So there's no reason why we should not be able to do it again. That's number one. Number two, some of the money that we're spending on capex will also help us in increasing our margins because we will be backward-integrating in terms of our raw material, which means today, what we are buying from somebody else.
- And obviously, that someone else has got some margin when he sells it to us, that will be something that we will capture in our books. And we could use it in 2 manners, either it helps us to be more competitive in our end pricing towards our end customers or we could still reiterate and increase the margin. So the margin increase could come either by keeping everything with ourselves or by increasing volume, and therefore, volume brings in more margins.
- Praveen Sahay:** And second question related to that, sir, once you bid for a certain pricing for this project, how the behavior of the raw material price pass on in such kind of projects?
- Mahesh Viswanathan:** So where we bid on a long gestation projects, typically, we have -- we try and build a price variation clause into that and see what are the major items affecting it and then that variation clause then helps us to maintain stability. There are a few cases, of course, where, for example, government contracts, the prices are required to be firm for a certain period of time. There, once we get the order, we back-to-back freeze the prices with our suppliers.
- Praveen Sahay:** And usually, lifespan of the -- any project, especially in the BharatNet.
- Mahesh Viswanathan:** Well, in BharatNet kind of a project, then we will -- this particular thing says the main installation as to be completed in 3 years. So that's the lifespan. And so when we -- let's say, I'm supplying cable to one of these bid winners, we will have to agree on our purchase -- I mean, sales contracts that there will be a price variation included so that we are protected.
- Praveen Sahay:** Okay. And lastly, related to this, sir, if you are backward integrated in terms of optical fiber manufacturer as well, is there any margin difference versus just a cable supply, optical fiber cable versus you are also manufacturing optical fiber? So is there a material difference in that or it's just the same?

Mahesh Viswanathan: In the normal course, there would be. In a normal course, there would be because fiber, depending on the design, can constitute anywhere up to 50% of the cost of the cable. And where the fiber count is very small, it may not be that high. But typically, the kind of designs that, let's say, BSNL sources, which is 48 or 96 fiber cables, there -- of course, there would be -- the cost of the fiber would make a difference.

However, the last 2 years have been slightly different because of global supply scenarios. The unused capacity in China reflecting on price trends everywhere. What used to be \$4, \$4.5 per kilometer is now about \$2.8, so -- but I don't think this luck is going to last very long. When the requirements for 5G connectivity and other applications increase, I think fiber prices will move upwards again.

Praveen Sahay: And which states you are covering in this?

Mahesh Viswanathan: I don't recall offhand where -- which bids our partner has won. But it's 1 of those 16. But this is not just the one opportunity. Besides this, there are 7 to 8 more states whose DPRs are currently under evaluation, and they are likely to come out with tenders in the next 3 to 6 months, and not all of them together, but over the period of next 3 to 6 months. And some of them are in large states. So there you have Gujarat, you've got Maharashtra, you have Karnataka, you've got AP, all these people coming in line there.

Praveen Sahay: And your utilization currently in this segment right now?

Mahesh Viswanathan: It's now -- at the moment, as we speak, the utilization is high because we are one of the largest suppliers to Bharti. Their -- so their requirement is keeping us full for almost 60% of the capacity.

Moderator: Next question is from the line of Mukesh Patil, Individual Investor.

Mukesh Patil: Sir, about FMEG business for H1, what is the number?

Mahesh Viswanathan: Sorry, I didn't get your question.

Mukesh Patil: For FMEG business...

Mahesh Viswanathan: About FMEG business, what is your question?

Mukesh Patil: H1 number?

Mahesh Viswanathan: H1 number?

Mukesh Patil: Yes.

Mahesh Viswanathan: So we are at about INR128 crores at the end of H1 against INR100 crores last year. So volumes are -- I mean we are doing very well in volumes as far as lighting is concerned, as far as switches and switchgears are concerned. Where we still need to improve is on the fans and water heater, that category. Conduits are doing very well. So I think, like I mentioned at the

beginning of the conference, we are on track to be very close to the INR300 crores mark this year, which would be almost a 40% jump from last year.

Also, like I said, I've said this in the past also, at INR250 crores, INR260 crores, we should be breaking even. And I think that position still stands. The only other point that I would like to add there is, while volumes are improving in lighting, price erosion has been fairly strong in the Lighting segment, so it's a race to be on top of that.

Mukesh Patil: And aside from volume growth, have you mentioned about what was the volume growth for our wire business during this quarter?

Mahesh Viswanathan: Your voice is again getting distorted. Volume growth on which product?

Mukesh Patil: What was the volume growth for the wire and cable business for this quarter?

Mahesh Viswanathan: Yes, that volume growth overall is about 2%.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question. On behalf of Finolex Cables Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Mahesh Viswanathan: Thank you.