



Finolex
Cables Limited
AN IS/ISO 9001 CERTIFIED COMPANY

FCL:SEC:SE:24:49

30th May 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 27th May 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,

In continuation of our letter dated 22nd May, 2024 and pursuant to the above referred Regulation, please find attached the Transcript of the Analyst/Investor Meet held on 27th May 2024 at 4.00 pm on the quarter and Financial Year ended on 31st March 2024 Earnings of the Company.

The transcript of recording can also be accessed on the Company's website.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For FINOLEX CABLES LIMITED

Siddhesh Mandke
Company Secretary
& General Manager (Legal)

Encl.: As above



“Finolex Cables Limited
Q4 FY '24 Earnings Conference Call”
May 27, 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 PVT. LTD.

Moderator:

Ladies and gentlemen, good day, and welcome to the Finolex Cables Limited Q4 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Mamta Samat. Thank you, and over to you, ma'am.

Mamta Samat:

Thank you, Seema. Good evening, everyone, and thanks for joining us on Finolex Cables Limited Q4 FY '24 Earnings Conference Call. Today, we have with us the senior management represented by Mr. Mahesh Viswanathan, Deputy CEO and Chief Financial Officer.

Before we begin, I would like to say that some of the statements that will be made in today's discussion may be forward-looking in nature. It is subject to unfortunate risks and uncertainties and the actual results could materially differ. 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:

Thank you, Mamta. Good evening, everybody. Welcome to this Earnings Call of Finolex Cables. Thank you very much for joining us today. I'd be very brief with my opening remarks, the fourth quarter as well as the full year went rather well for us. We posted a 15% increase in revenues in the quarter, in the year a 12% increase. And for the first time, we crossed INR5,000 crores revenue, I think that will be a line mark for us now.

In terms of volumes, practically all product lines showed an increase in volumes. In the fourth quarter Electrical Wires was up 15%. Cables improved 50%, while we do have a very low base 50% was still impressive. Communications, the metal-based cables all reported on average growth of about 14%. Optic fiber is slightly lower in the quarter in the year of course it is a slightly different story I'll come to the year again.

All new products are within the FMEG offerings, so the appliances, conduits, lights, all of them showed a fairly good volume growth both in the year as well as in the quarter. Full year, like I mentioned earlier, value-wise, we had a revenue growth of about 12%. And while commodity prices continue to remain volatile. We had to make price adjustments on our selling side as and when we target was appropriate by quantities we thought it was appropriate.

For the full year volume in wires grew about 15%, in cables about 26%. OFC was the only category where the volumes are lower for the full year by a fairly large number 30%. But then the year also was witnessed to no tenders floating by the government as well as delays in contracts -- contract closing with the telecom companies. We did close some contracts in February and March. So there was some volume coming in towards the latter half of the year.

But during the year, of course, that business is impacted. We still remain optimistic on the optic fiber cable side, as we continue our investment there. And we still believe that as a

country our current demand is far, far below its potential. The new product segments crossed INR200 crores for the first time. We ended the year with INR225 crores. And I think we are on track to reach the INR500 crores over the next 2 to 3 years.

In terms of profits for the quarter, INR196 crores, which was a 13% improvement. And for the full year, of INR753 crores, which was a 17% improvement from the earlier year. Similar improvements were also there in the PAT levels.

The other features during the -- operations during the year is we had a very strong cash flow this year. Our management of working capital was fairly tight. We ended the year with 11 days of receivables and about 46 days of inventories. I think that's by far the best among the peers that we have. Cash flow generated from operations was about INR575 crores, higher than the INR380 crores, around INR380 that we achieved last year.

Our expansion programs are going on track. We have three major expansion items. The first one was the E-beam, which has been delayed for a long time now. I'm happy to say that the first machine has been installed and is currently being tested before commissioning. The suppliers, engineers are currently working on the final testing, post which we will have to call the people from the ARC to give us a certification to plant. So that's one machine from -- on the E-beam side. So our -- I hope that we will have products available in the market in the next 6 to 8 weeks.

The second machine is likely to be received here sometime next month, around the second week or third week of June. By then, the first machine would have been fully commissioned and then they will start working on a second machine. So by August, September, this project in -- products from these machines will be available to the market.

The second large trend that we had as earmarked for the fiber and cabling of fiber side. There are three parts to it. The first part is the Preform facility. The structure for the facility is more or less ready, currently, the HVAC related items are ongoing. Once that is done, the equipment has been received with the inside that will be then taken inside for installation. So we still hope, and we believe that we will be ready for production some time towards the end of this calendar year. Our hope is that by end of December, we should have the first Preform out of this facility.

The second part of this program was on increasing the fiber assets. Currently, we have fiber capacity of -- fiber ground capacity about 4 million kilometres. We will double this to 8 million in two steps. And then -- so preparations are on for making that happen. Right now, the concentration is on getting the Preform facility up and running, we will take more efforts under the fiber side once that is done.

The last part is on the cabling side. We currently have a capacity to cable about 8 million kilometres of fiber, we will take this up to 10 million. And the building for that is already ready. We have not populated it with machines so far, but that is a 6- to 8-month later. We were listing for the demand side to pick up a little. And in February, when BSNL announced

its tender for the third phase of BharatNet that will provide us an opportunity to utilize our capacity.

The tender was floated in March. It is expected to -- it was scheduled to close -- open rather first week of next month. All indications are that it will get pushed back by about a month or so. So by current indications, we expect this will flow in sometime around September, October this year. We hope to get some positions in the tender.

This tender will involve on the fiber side, consumption of anywhere between 16 million to 20 million kilometres of fiber. The final length will become, of course, on the actual distance that needs to be covered between various ramp on chart on the BSNL bench. But the estimate is somewhere around 15 million to 18 million kilometres. So that will be the consumption over the next 3 years. This is the centrally sponsored program.

Besides this, there are also expectations that some of the states, which were not part of this program will come in from their Phase 3. And we expect a similar or probably higher demand from those states as well. So we believe and as we said in the past we believe that there is quite some gap between the demand potential and the actual demand that has been showing up year after year.

A company like ours should be capable of consuming somewhere around 60 million to 70 million kilometres in fiber, whereas our current dimension is about 20 million kilometre, 22 million kilometre, somewhere around that. So there is a large target, there's huge potential, and we're basically getting ready for that.

The last part of the capitalization program, last major part was expansion of the auto-cable capacity at our Uttaranchal site. How does it have been placed? We expect the equipment to come in the third quarter of this year. So hopefully, from fourth quarter onwards, that capacity will also be available. We do see a need to add more capacity there. There is a fairly large auto manufacturing environment in Delhi NCR and regulatory areas. So this facility would cater the need from there.

With this, I think I've covered whatever I wanted to say at the beginning. One last point was that at the meeting of the Board on 23rd, the Board has recommended a dividend of 400%, which translates to a payout of about 21.5%.

So that's it for the introduction. So now I'm happy to answer questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Sir, if you could help us with the capacity utilization. If you could quantify what is the capacity and the utilization for these segments, for wires, cables and OFC?

Mahesh Viswanathan: Currently, on wires, across various product lines, we are around 70%, 72%, cable to be lower. We have much more capacity than we are currently consuming. It's less than half.

On OFC, like I mentioned, -- during the year, there was not much of a demand from the government side. So the capacities were ideal for some time. Currently, of course, we are somewhere around half utilizing, about half So there is spare capacity at the moment to take care of any needs from the bid tenders at the moment. And we are building more for the future. So as the years go by, we should be able to utilize those.

Achal Lohade: Got it. And sir, if you could quantify the capacity addition, what kind of capacity addition are we looking at in wires, in percentage terms?

Mahesh Viswanathan: So typically, we start planning for additions once we crossed the 75 mark. So we are nearly there, so we should start looking at additions. So there are some plans, but again they're too early to talk about at this point.

Achal Lohade: Understood. And is it possible to know how much of our wires, like the -- if you could classify in terms of less than 1.1 kV or in that sense, what would be that mix? Like we will be more low-voltage wires absolutely right? I mean more of...

Mahesh Viswanathan: Our revenue comes broadly from wires, so not the same part. Wires account for -- within the electrical cable segment, wires is -- electrical cable segment is about INR4,200 crores, out of which about INR200 crores is cable and the rest is wires, various kinds of wires.

Achal Lohade: Okay. Understood. And if you see from, let's say, a four, five-year perspective, would we have gained market share in wires, we would have just maintained or is there any market share loss we have seen?

Mahesh Viswanathan: I don't believe we've lost share. We have not gained too much as well, but we think we have been steady.

Achal Lohade: Understood. And sorry, I missed that part on the FMEG, the new product part. You said INR225 crores revenue for the current year FY'24. But there was something you mentioned for current coming year or medium target. Any colour on that? What kind of aspirations we have?

Mahesh Viswanathan: Yes, we have set out our aspirations I think some time back. We talked about this in one of our earlier calls. We said we would like to -- our first test to cross would be the 500 number and that we were expecting to cross in the next two to three years.

Achal Lohade: Understood. And any expectation, any guidance in terms of the growth for coming years? OFC part, you kind of covered a bit, but what about the cables and wires?

Mahesh Viswanathan: Okay. Typically, I have not given a guidance in terms of numbers. But the direction what we would like to see is a growth which is 2x the nominal GDP.

Achal Lohade: Nominal GDP growth. Okay. Understood. That's very helpful, sir. I'll fall back in the queue. Thank you.

Moderator: The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: So my question here is, so you gave some outlook on the demand and buyer side. Can you throw some light, probably, from sector pieces like construction-led demand activity, autos, pharma, refinery, or [ITP 0:17:54]. So, can you give some commentary in detail on the demand side?

Mahesh Viswanathan: Sure. I think construction activity has been fairly strong over the last few quarters. And part of -- I mean, and part of the result is that you see our growth on wires at 15% odd. So that has been a driver for us. The second area where we focused and where it has helped us also has been automobiles, where again there has been fairly positive growth.

Agricultural applications this year have bounced back to what it used to be. We used to be one of the largest companies on the agricultural application side. And two years ago we had dropped down a little bit. I think we've caught up and grown there. And that is one product group where I believe that we have gained some share. Quantifying that number is slightly difficult, but I do believe that we have gained some share over there. That's on the electrical wire side.

As I mentioned earlier, on the power cable side, from where you will get into refineries, from where you will get into steel and so on, our presence in that, our distribution and transmission, our presence in that area is rather small. Out of a very large market of about INR25,000-odd crores, we get a revenue of about 200 plus. So there is nothing much that I can specifically talk about there. But I think this gives you a flavour of where we'll...

Manoj Gori: Yes. So is this understanding correct that probably on the electrical cable site, ETS segment, we should expect similar kind of growth momentum to continue during FY'25?

Mahesh Viswanathan: I think yes. I think construction, infrastructure building, if '23-'24 is a trend line to go by, I think there is definitely more to come in the coming years. If everything is normal post June 4 again, I don't see why that growth momentum that is there today cannot be.

Manoj Gori: Sir, second, on the pricing trends, so obviously the LME prices have shot up significantly, especially during April and May. So have we been able to, or probably here I would refer it to you as well as of the industry side, have we been able to pass on the entire impact and probably we should see normalized quarter with normal profitability during Q1 and coming quarter?

Mahesh Viswanathan: We've had quite a volatile period during the year. There have been times when LME had dropped. And then, of course, last 3 months, 4 months the LME has been consistently climbing up. We have taken actions as and when demanded and our effort always has been to pass on the changes either way whether it is going up or going down.

There would be a small lag when it is going on and there would be a small pull when it is going down, but effectively, yes, that's what we do. So the last price change that we announced was actually effective today. So we have been taking -- making price changes as and when it is necessary. Margins -- with the kind of changes that have happened in the last 4 months our margins might take until the coming quarter to revert to normalcy, but I think it's closed by. It is not very far.

- Manoj Gori:** Right so somewhere we can deliver roughly around 12% to 13% [inaudible 22:30] that we have been doing for the last 2 years, 3 years?
- Mahesh Viswanathan:** Yes, I think so. 12%, 13% should be doable.
- Manoj Gori:** Right, sir. And sir with communication cables especially when you look at -- so for the last 4 years, 5 years the margins have been quite volatile, and demand has also been very volatile. How should we look at from the profitability point of view?
- Mahesh Viswanathan:** At the moment the profitability does get hit if the utilization and capacity is low. And like you said the demand has been fluctuating quite a bit. As I mentioned in my earlier remarks the potential to consume is fairly high, actual consumption is substantially low. And part of the reason is who is going to fund this yet. Government is a large tender in this area, but if they delay is spending or push the spending back by half a year then we do get these kind of abnormalities.
- But we do see that the intent is to digitize the economy, the intent is to make sure that everybody is connected in some way or the other. And the intent is also to make sure that wherever you are whether how far from you are the technology should reach you in terms of connectivity. So with those plans in place and I think more importantly with budget allocations having been proposed on May it's only a question of -- is it this year or the next year. There is no question of whether it will happen, is it the question is only when will it happen.
- So I think that is a positive sign and what we have tried to do is to see how can we capture that demand, our rightful share of the demand and how can we provide a full service. So that is why we are integrating ourselves backwards into making three funds expanding on the fiber side so that we can also keep our costs within control and thus we remain competitive.
- Manoj Gori:** Sir, lastly if you can highlight what has been the quantum of price hike that we have taken during March, April and May?
- Mahesh Viswanathan:** I'm sorry?
- Manoj Gori:** What would be the quantum of price increases that we would have taken in the electrical cable segment during March, April and May month?
- Mahesh Viswanathan:** I think it will totalled to about 10%, 11%.
- Manoj Gori:** Thank you sir and wish you all the best.
- Mahesh Viswanathan:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Anirudh Agarwal from Valuequest Investment Advisors. Please go ahead.
- Anirudh Agarwal:** Congratulations on great performance. My first question was on the E-beam cable capex that we've undertaken. So basically the point is that from the capex what is the peak top line potential that you're expecting and how much time do you expect to scale up this segment in

terms of good product certification approval that you might require as well as from a sales perspective?

Mahesh Viswanathan: Okay. So we expect the -- we're putting in two accelerators. One which will one beam at 1.5 MeV and the other one at 1 MeV. The first one that is going online would be the 1.5. So this will handle the larger sized cables. So applications for the solar industry, those could start off immediately. Further applications would be in instrumentation in railways, in auto where higher temperature resistance is getting -- is coming into play. So all this is possible. So I think in a year when -- in a full year the potential could be as high as INR500 crores to INR600 crores. So that's probably the potential that we are working on.

Anirudh Agarwal: Understood. So this -- could we expect FY '26 could be that your revenue achieved closer to full potential, if not full potential given the kind of demand that we've been seeing for your fares also across these product lines?

Mahesh Viswanathan: Could be. It depends only on -- you talked about the certification parts. So -- and when it comes to instrumentation railways you do know, you do need to get to clearing from the railway authorities, from RDSO in fact. So that offhand, I don't remember how long it takes for that, barring that, I think everything else should be okay.

Anirudh Agarwal: Understood. And my second question was on the EHV cables JV that we have. So, if you can update on the order book of that segment now? And how do you see that scaling up going ahead? Because even in EHV, some of your peers have been reporting very strong growth and full order books, etc, so, how are we placed there?

Mahesh Viswanathan: Okay. The order book for the JV is very promising at this point in time. So, we have confirmed orders of close to INR280 crores at the beginning of April. Besides the confirmed orders, there are also orders worth about INR190-odd crores, where we are L1, but because of the code of conduct, which was announced, the power contract has not yet been signed. We are waiting for periods 4th of June, for that process to happen.

So, we're starting off the year in a fairly happy environment. The issue is not so much about making the cables available. The issue there is more to do with execution of projects where, typically, you get in to issue around right of way, around the routes that are finally approved by various authorities that are required to sign up. So, if you are talking of, let's say, some city like Chennai or Pune even multiple authorities get involved in the approval of laying process.

So, you have the utility sales, you've got the police, we have got the -- so a municipality and God forbid if it goes through or under the railway line then you get the railways involved or if it goes near a cantonment, then you got the military authorities involved. So, getting permissions from them and then starting the consulting working with is the one that we are facing challenges on.

So, that's an experience that we have gained from. And I'm sure that every year, we are doing better than the previous year. So we should get it right sooner than later. But I think the opportunity is fairly large there. The size of the market, I think is approximately close to

INR3,500 crores to INR4,000 crores in size, and growing. Requirements are coming in from multiple transmission companies primarily.

Some part of it is in the lower end of EHV profile, so 66 and 110 kV. And we do see some graduating towards 220 kV range as well. The market definitely is growing. And I think we are there at the right time. We need to get our act around executing that.

Anirudh Agarwal: Perfect. So this order book of INR280 crores that we have, what would be a fair estimate of the execution period considering all the challenges that we just spoke about is 12 to 15 months of fair period to assume? Or could it be longer than that in your opinion?

Mahesh Viswanathan: It depends on the site and city. For example, we've done projects in Delhi within six months. We have also taken two years in other places. It depends on the -- actually the location, the issues involving the location, how crowded it is plus what other complications come up when you start digging. Unfortunately in our country, not many certain installations are properly mapped. So many times, when you actually start digging, you find there is something else there, and then we need to make sure we're not disturbing that whatever was laid earlier.

You could have a water line, you could have shared line, you could have another power line going below. So, those are things that create a problem, especially in the city areas.

Anirudh Agarwal: Understood. Sir, is it fair to say that this business would there be some kind of inflection point now after all the -- seeing that you had to endure over the last few years. Now is this the time where in '25 onwards becomes like an inflection point wherein you see material scale up in execution, top line as well as the margins starting to come through?

Mahesh Viswanathan: I surely hope so.

Anirudh Agarwal: Perfect. Sir, final question from my side was on overall margin profile. So, I think you mentioned that 12%, 13% sort of margin band would be sustainable even at current copper price levels, what sort of margins are we doing right now in the housing wires versus our different auto, agri, industrial cable segment if you could throw some light? And any internal levers that you're exercising to increase margins?

Mahesh Viswanathan: Well, obviously, a packed product like packed in a branded. Branded product like our general wire obviously, the margin number would be better. Auto wires, we are dealing with -- it's a B2B product. So there, the margins are going to be thin. And of course, we are dealing with the other companies. So there the demand was fairly high.

And we are working really on raising numbers. So there, the number is not really comparable. I just want -- I don't want to get into the actual numbers that are being -- that we derive from each sector. Suffice it to say that general wire, agriculture wire, both are more or less at par. And let's come the industrial wire and finally sectors like automobiles.

Anirudh Agarwal: Understood. Fair enough. Perfect. Thanks and all the best.

Moderator: We take the next question from the line of Vidit Trivedi from Asian Market Securities.

- Vidit Trivedi:** So my question is on the capex front. Any guidance for the coming year?
- Mahesh Viswanathan:** Yes, we had announced a program of INR500 crores. Last fiscal, we spent 160 out of that. So the balance would be spent largely in this fiscal. There might be a small spill over to '25, '26.
- Moderator:** The next question is from the line of Varun Basrur From Julius Baer.
- Varun Basrur:** Congratulations on a good result. So my question has to do with how your distribution footprint is improving. Any commentary you could give on how you're engaging better with your existing distributors and retailers? And how -- where you see expansion potential?
- Mahesh Viswanathan:** Okay. I should have done this in my introduction, sorry. Yes, we talked about this in earlier calls as well. A few years ago, we started this program of having 2 sets of approach to the market. One is to retain our existing channel partners, who will help us more on the project and B2B side. Whereas on the retail side, we will focus on distribution.
- Like I mentioned in the past, we have around 700 distributors across the country today. Some distribute all products, some are specific to 1 or 2 product lines, depends on what we are strong at and what the market really requests. We still have some uncovered areas especially in the East and the North. So that is something that we will continue to focus on.
- As I said before, we have a technology backbone to help them monitor their progress. We focus on how many retailers is -- how many retailers are we engaging with. At the end of last year, we have made a unique billing of close to 120,000 retailers, which in '22, '23 closed at just under 90,000. So there has been an improvement there. We're also tracking to see how many are these retailers buy every month, how many of them buy more than once a month, more than twice a month. So that way, the engagement with those retailers could be improved.
- And we're looking at what -- which part of the product basket is somebody carrying, are there some missing SKUs for what reason we try and analyse those and trying to put things on track. To support all this, our market spend has also been increasing. We have budgeted for approximately 1.5% of revenue on market spend. So that could be a advertisement, it could be peers material, it could be other promotional events or expenditures.
- So this is something that has increased considerably from the earlier times when it used to be somewhere around ¾ of the quarter percentage. So there has been a recognition of the fact that at the retail end, we need to attract customers and you need to speak to the customers in a direct fashion. And at least for us, TV advertisement are social media advertisements are a fairly good way of engaging them. So those are areas where we continue to focus on and gauge the results. So that's where we are at this point in time.
- Varun Basrur:** Right. If I may add -- so what is your experience with channel financing? Do you see any benefit in sort of improving the availability of channel financing to the existing dealer and retailer base?
- Mahesh Viswanathan:** Absolutely. We do have a channel finance program, but our program is slightly different from many of our peers. The major difference is that our program is a nonrecourse program, the

Finolex. We are very clear in our mind that while we should have a tool, which helps fund the customer, we are not a bank. And therefore, credit risk is something that we are not willing to take.

So all program that we have with multiple agencies, there are banks involved, there are Fin Tech companies involved, all of them are on a nonrecourse basis. Currently, I think about INR700 crores and INR800 crores of revenue is related is generated through that. It could be much more. I heard somebody was willing to take a credit risk. But that is something that as a policy we do not.

Moderator: The next question is from the line of Shrinidhi from HSBC. Please go ahead.

Shrinidhi: Congratulations on that set of numbers. So a couple of questions on margins, sir. So do you think you can scale back high single-digit or early double-digit margins in your communication cable segment? You used to do that a few years back. So maybe not...

Mahesh Viswanathan: To say that, in the past, we used to have high single-digit in fact, we've also had double digits there. The issue is the volatility on the optic fiber segment volumes. So you have a capacity and if you do not use it then the fix cross lines on you. That's been the only issue. Barring that, I think the other product lines within the communication sector are reasonably profitable to deal with high single digit numbers.

But then with the OFC accounted for more than 60% of that sector in the present. But like I mentioned earlier, we have our -- we are fully committed to the OFC business, and we do see that the potential demand gap that is there will be realized sooner than later. It needs to be done is typically every time there has been an improvement in communication ability, it has had a positive effect on the GDP.

And I'm sure in this case also, there is no -- it's the same. So as you get into high applications and new use cases, it is going to grow our driver economic activity considerably. And like I mentioned earlier most often, it is funding the capex that is required that seems to have been the issue. As a country, we should have announced as well.

Shrinidhi: Sir. And the second one, I just want to confirm that in the electrical cable business, there you're guiding to maintaining the margin, what you did in last financial year, right broadly?

Mahesh Viswanathan: Yes, because if you look at the -- if you compare performance over several quarters, over several peers, you will find that traditionally we have been more or less double-digit there. So I think we are still there, not far. We're probably number 2 in that lot right now. But I think to sustain something beyond 14, 15 is would be a challenge for anybody else.

Shrinidhi: Okay. So sir, I'm asking like if you see in the years of '21 and '22 when there was a very high copper inflation, we saw some dip in the margins which makes sense as well because that you shouldn't pass on entire margin. But this time, you think that given the copper inflation is very high you would still be able to maintain the margin?

Mahesh Viswanathan: I think yes we should because at the moment, we are.

- Shrinidhi:** Right. And sir, last one if I may. I think you gave us some breakup on the electrical wire business, INR4,000 crores being wires and INR200 crores being the cable? Would it be possible to share the breakup of the INR4,000 crores wires business?
- Mahesh Viswanathan:** Yes, sure. Between 60% to 65% is wires which go into construction, which go into general usage. About 10% to 15% is automobile and other 10% to 15% is industrial, and the balance is agricultural. These would be the 4 large buckets.
- Moderator:** Thank you. We take the next question from the line of Parth Mehta from Vallum Capital. Please go ahead.
- Parth Mehta:** Just to continue on the distribution side, if you could just help us what is our touch points for this?
- Mahesh Viswanathan:** So, unique billing has been approximately 120,000 but we have we have a universe of 2x that much that we are interacting with. Obviously, when you meet a retailer, we're not doing the conversion on day 1, it will take multiple visits before we start occupying their sale. So that's the -- so about 200,000, 210,000 is what we are currently engaging.
- Moderator:** Thank you. The next question is from the line of Anirudh Agarwal from Valuequest Investment Advisors. Please go ahead.
- Anirudh Agarwal:** Two questions from my side. First one was on copper prices again. So what is the hedging strategy if any that may follow? So I know that in our business largely there is a pass-through that is done. But in the interim is there any volatility, any hedging that we do or how do we manage sourcing and pricing of our copper supply?
- Mahesh Viswanathan:** Okay. Purchases are largely domestic although the pricing is element-driven. What do we do, we buy on average. So for example, we are in a month of May now. All receipts of copper that I have taken in the month of May will be priced at the May average now the May average will be found out on the 2nd of June, or 3rd of June. Obviously, the supplier is not going to wait until then. So for cash flow purposes there is a provisional price which we agree on and that is what I settle each time material is received at our end. And at the end of the month, when the actual average is discovered, we set the difference. If I had paid more, I get the money back. If I paid less, I pay the difference. That is what we do.
- And so what we are effectively doing is that we are following the market. We do not take long positions on the metal. We are very clear that our ability to forecast a product, which metal prices would move 2 months from now, 2 days from now, 2 years from now. That is a year, yes, it is mine. So we don't take the risk on that on the record. We are very clear that the cost of the metal is a pass-through.
- So we will pass it through. There may be a small lag, but that's a temporary issue that we will have to manage. The flip side of this is then what do we buy, what quantity do we buy. We buy only what we can consume in a month. That estimation has been reasonably good. We are not far away, there may be a 5% variation.

But otherwise, we've been able to manage that part fairly well. So the inventory carry also we have is also rather limited. And we believe that is a risk that we can live with so if I have to sacrifice margin for a month, so be it. But then there will be a practical before that.

Anirudh Agarwal: Second one was on capacity utilization in the sub-segments of auto and Agri wires given that you've seen very strong growth this year across there. Do you have sufficient capacity for growth this year?

Mahesh Viswanathan: Agri, yes. Auto by the time we require it as our additions in [inaudible 50:58] will be online.

Anirudh Agarwal: And what is the quantum of expansion there? How much are we expanding the capacity in that?

Mahesh Viswanathan: I think we are taking that from -- I think it's a thread if I'm not wrong.

Anirudh Agarwal: Thank you. That's it.

Moderator: Thank you. The next question is from the line of Mehul Mehta from Nuvama PCG. Please go ahead.

Mehul Mehta: Congrats on great side of number. Part of my ignorance, but I have a question on EHV cables side. Apart from Universal cables, how is the conflict landscape? How many other players and what is the size of that market? Can you update on that?

Mahesh Viswanathan: Yes, I think the market size is around INR3,500 crores or so. Universal is a large player there. But then you also have other players like KEI, KEC, Polycab and LS cables, LS is a Korean company, which makes up to 220 kV here in India. And then you have Sterlite Power as well. So these are the largest players. There are some others, who were planning, but have -- they were there up to '23, but not beyond '23. Torrent is also there in 66. So that's another large player in that.

Mehul Mehta: Thank you.

Moderator: Thank you. We take the next question from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: My question here is with the retail touch point. If I'm not wrong, probably somewhere around FY'20, FY'21, we had around 35,000 to 40,000 retail test points and which we increased to roughly more than 2x test points today. But if I look at the overall performance of probably volume growth, we have been lagging versus what we would have actually aspired to do.

Given that we have been multiplying a retail presence, what do you see like what is your personal assessment over here? And probably how satisfactory the responses have been? And so that if we are lacking somewhere. So what are those the areas where we would be focusing in the coming years, which should lead to significantly better than industry growth rate?

Mahesh Viswanathan: Okay. I understand the question. First is that 40,000, 45,000 was an estimate, because we were growing by 4,000 channel partners multiplied by an average reach of 10. So that's where we

were going. We didn't really have data on how many retailers were being serviced by those partners.

Secondly, yes, you're right that while we have - we are now engaging with close to 200,000 plus partners, our billing is only to about 50% of those. Part of this is the effort that is required before we are able to convert retailers from giving us a sale space from one brand to the other. It requires repeated efforts; it requires convincing somebody that this is a product that we should sell. While the brand has excellent recall, that is helping us, but still requires a lot more effort from us to get that done. I think basically, that is one point.

The second is we now have information on what moves in a particular market, and therefore, we are able to start tailoring schemes for individual markets and individual regions. I think those should again help us in converting more of the uncommitted retailers, if I were to say that over a period of time. So these are 2 things that we should definitely need to look at.

We also need to look at how much of what range is somebody carrying. And effectively, are we delivering the kind of ROI that somebody that we promised someone at the beginning. So we did some calculations. We worked out a mathematical model from them. And if we are able to - if we're able to show them time after time that their investment is paying off in exactly the same management we said it would, I think that would help us to carry the story to the others and convince this.

Manoj Gori

Sir, one more point over here. So if I look at some of the peer companies have been talking about engaging with the influencers and ruling them under the program. And they believe like that has been one of the major drivers probably for whatever performance has been delivering, like what the update over here? Are we doing this? And what differently we would be doing a - any colour over there?

Mahesh Viswanathan

Okay. We do engage with the influencers. Now at the retail level, we engage with the electricians. We have a few programs running for them. There is a cash incentive that goes on the cable that we buy, I mean on the wire that we buy. Besides that, there are multiple training and other engagement programs that we run for them, we take a market and invite those people and spend a day with them talk to them about different practices, what should be the right way to do things and so on.

So those are measures that we've been taking. Not now, it's been there for a long time. It's been there in the company even before I joined the company. Because that at a B2B level, the engagement has to be with the architects, the contractors, the people that are in decision-making roles in either a developers firm or builders firm. That is something that we probably could do better. We have been doing that, but maybe there is a better possibility.

Moderator:

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