"KEI Industries Limited
Q1 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2022 earnings call of KEI Industries Limited hosted by Monarch Networth Capital 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. Anubhav Rawat from Monarch Networth Capital Limited. Thank you and over to you Sir!

Anubhav Rawat: Thank you Mallika. Good afternoon everyone. I hope everyone is safe and healthy. We are pleased to host the senior management team of KEI Industries and today we have with us Mr. Anil Gupta – Chairman and Managing Director of the company and Mr. Rajeev Gupta – CFO of the company. Let us start this call with management's initial comments about the results and then we can take your questions. Over to you Anil Sir!

Anil Gupta: Good afternoon Sir, good afternoon everybody. I am Anil Gupta. Welcome to this conference call of KEI Industries. I will give you a brief about the results summary of Q1. You must have gone through the communication we had sent through our stock exchanges.

Net sales in Q1 is Rs.1017 Crores against Rs.745 Crores with the growth achieved is Rs.36.53 Crores, of course it is because of the low base recorded last year because of the lockdown but even this year also the sale has been impacted due to lockdown in the April, May, and June, especially in April and May because of the severe lockdowns in retail and various other states restricting production as well as movement of goods. However, EBITDA in this quarter is Rs.116.49 Crores against Rs.84.88 Crores. So, the growth in EBITDA is 37%. EBITDA/net margin is 11.45% against 11.39%. This is after giving a set of changes in the inventory valuations in the same period previous year.

The profit after tax this quarter is Rs.67.11 Crores against Rs.39.23 Crores, so the growth in PAT is 71% and PAT/net sales has improved to 6.6% versus 5.26% last year.

The domestic sale through institutional sale of HTLT as well as the sales through the dealer network. It is practically increased by, almost is doubled in this quarter compared to last year. However, the EHV sales has declined from Rs.88 Crores to Rs.29 Crores because some Rs.75 Crore's worth of material could not be dispatched in June because of the lockdown and restriction in movement and hence the non-clearance from the utility about the dispatch, so it has been dispatched in July, which will be reflected in Q2 number.

Export sale in this quarter is Rs.93 Crores as against Rs.183 Crores, the decline is approximately 49%. It is due to mainly the large effect of sales to Dangote Oil Refinery in Nigeria, during Q1 of last financial year, the sales to Dangote Oil was Rs.96 Crores. So, that sale is not there because that was a very large Rs.450 Crore's order, which has a very high base effect. The growth in this Q1 includes due to price increase by approximately 40% to 45%.

Sales through dealer network has grown by almost 108%, so our focus remains on the improving our dealer network and retail sales pan India basis, so the total active number for the dealer as on 30 June was 1650. We are continuously strengthening our dealer network and inducted more than 150 salespeople across all branches to strengthen the retail and dealer network. The dealer sales has contributed 38% in Q1 against last year same period 25%.

The sale of EPC department is Rs.86 Crores, which was Rs.78 Crores last year, so the growth is approximately 10%. We have already stated that we want to limit our EPC business to Rs.500 Crores a year so that keeping in view, the debtors and the cash flow issues. Out of the total sales of EPC, EHV EPC sale is Rs.27 Crores as against Rs.16 Crores.

The sale of stainless-steel wire in this quarter is Rs.48 Crores against Rs.21 Crores, the growth is approximately 129% in the stainless-steel wire business. As on 28 July, the pending orders are 3022 Crores. In this, EPC orders are 1160 Crores, extra high voltage cable 502 Crores, order from domestic customer of cables 1310 Crores and export order for 50 Crores, so the total is 3022 Crores.

The company has received a credit rating from India Ratings and Research A- for long-term bank facilities and A1+ for short-term bank facilities.

The book value of the company per equity share is Rs.205 as on 30 June as against 197 on 31 March, 2021.

Total borrowings including channel finance of Rs.128 Crores as on 30 June is Rs.298 Crores and cash and bank balance is of Rs.158 Crores as against borrowing of Rs.305 Crores and cash and bank balances of Rs.221 Crores as on 31 March.

Acceptances that means creditors against letter of credit as on 30 June, is Rs.197 Crores as against Rs.323 Crores as on 31 March 2021. So, the net debt including acceptance has reduced to Rs.336 Crores as on 30 June as against Rs.408 Crores as on 31 March 2021 and Rs.922 Crores as on 31 March 2020.

During this quarter, finance cost has decreased to Rs.11.42 Crores against Rs.16.78 Crores previous year same period. The percentage of financial charges on net sales has decreased this period to 1.12% on the sales from 2.25%, so practically reducing by 1.1% in this quarter.

The company has used operating cash flow for cash purchases resulting into reductions of trade payables, acceptances, substantially by Rs.126 Crores, which has further reduced finance cost during this period. Though it may impact financial ratios like working capital cycle, return on capital employee, but it has benefited the company in the form of reduction in the finance cost.

Future outlook:

As we communicated earlier, working capital of approximately Rs.150 Crores is expected to be released during FY2021-2022 from EPC debtors from the retention money for the completed project, which will be used for increased sale of cables and CAPEX requirements in the current financial year. So, the company will be having sufficient cash flow to meet its working capital and growth requirements for the future.

The company is at the transformation stage, we had engaged consultants for making strategies and policies for increasing our retail sales through the dealer network by approximately 35% per annum.

To maintain this momentum, sales growth, we have recruited 150 manpower at different levels in the Marketing Department in last six months. It is already evident from Q1 result and as the dealer business has grown by 100% and it will be more apparent and seen in the subsequent quarter results.

The capacity utilized during Q1, 66% in cable division, 43% in house wire division and around 100% in stainless-steel wire division. So, the company has already adding some differential capacity to achieve growth by next two years before by that time the new capacity will also be available.

Overall, company is targeting a growth of 18% to 20% in current financial year and will do CAPEX of around 600 Crores to 700 Crores from the internal accruals in next four years to maintain a CAGR of 17% to 18% as against as achieved CAGR of 15% during last 15 years.

There will be a continuous focus of the company for improvement in sales of cables through dealer network as well as the institutional project is continued focus of government on infrastructure projects, the substantial growth in the tunnelling and ventilation projects across India, which are coming up in the highways as well as the railways all over India, particularly in the Northeast states. Underground cabling projects of transmission and distribution in Metro cities Tier-A and Tier-B cities. Conversion of overhead cable and transmission and distribution lines in extra high voltage cable and HT cables. Modernization of metro rail projects and railway projects including railway stations and platforms. Announcement of new airports, ports across India and modernization of existing airports. Solar power projects will be the key in bringing sales. Nuclear power projects announced in various states by the Central Government. Oil and gas sector, refinery expansion, fuel upgradation and capacity upgradation projects. Steel industry expansion as well as expansion in the general industrial projects including cement. Other industrial projects, private CAPEX across industries.

We are focussing in our major export markets to Africa, Australia, Middle East, Sri Lanka, Latin America, and neighbouring countries around India.

It is a brief summary of results. So, I now request you to come out with any questions, whatever you may have, and we will be glad to answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Naval Seth from Emkay Global Financial Services. Please go ahead.

Naval Seth: Thank you for the opportunity. I have few questions, first some clarification, the delay in dispatches were 75 Crores in EHV segment, as you stated the same has been done in July, so this would be over and above your Q2 run rate, am I correct?

Anil Gupta: Yes.

Naval Seth: Second, I missed out the dealer number what you stated during your initial remarks?

Anil Gupta: It is approximately 1650.

Naval Seth: So, Sir as stated in the last earnings call, it was 1655?

Rajeev Gupta: Somewhat the numbers becomes up and down some dealers get closed but now our focus is that we are strengthening the network, so what we are doing is we are, the number of weak candidates with us in case of dealer distributor, so we are replacing them with the new strong dealer distributor network, so that is why number is not increasing but rather the network is increasing.

Naval Seth: So, is it fair to assume then your counter share will suddenly move up substantially.

Rajeev Gupta: Yes, that has already within from the growth also.

Naval Seth: Okay and your target of 20%-25% growth on this number of 1650 remains intact for FY2022?

Rajeev Gupta: Yes, as our consultant we have engaged, so the policy is first to not only focus on the increase in number of dealer distributor rather replace the weak dealer distributor with the strong contenders, so number is not the matter but the counter share for capita should increase.

Naval Seth: And is that exercise done with where you have already replaced, or it is still ongoing?

Rajeev Gupta: It is still ongoing.

Naval Seth: Okay, understood. Can you provide break up for value and volume in your house wire segment?

Rajeev Gupta: In house wire segment, the product wise you can note down in Q1 like low tension power cable is 389 Crores.

Naval Seth: No, Sir I have that break up from your presentation, just from the number what you have reported in house wires in terms of growth, can you bifurcate that 77% into value and volume that way?

Rajeev Gupta: In value terms in the house wire segment, the growth is close to 20%.

Naval Seth: Okay and has there been further price increases in July?

Anil Gupta: No. There is no price increase in July.

Rajeev Gupta: Because copper is stable.

Naval Seth: Understood and lastly on retention money, although you have stated in your initial remarks 150 Crores, there was some payment which was expected in Q1 also from government, so have we received that?

Rajeev Gupta: Proportionately, it is coming, the 150 Crores for the whole year figure, which is the additional money we have to receive to reduce the data, so proportionately every month it is coming.

Naval Seth: Understood. Thank you and all the best. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Good afternoon. Thank you so much for the opportunity. I have three good questions. Any update on the green field facility like in Gujarat we were doing something, something happening there?

Anil Gupta: Yes, land is identified, and we are now doing that due diligence process, the legal process, so I think it should come through by September.

Rahul Agarwal: It is happening in Gujarat, right?

Anil Gupta: Yes.

Rahul Agarwal: Okay and second question on the demand side, you know into two parts, basically on the cable side, within cables, could you give some understanding on different types of cables, how is the demand panning out like which type of cable within cables and similarly on the wire side, is housing wire is purely ready to housing or is it you are seeing some kind of private and public capex diving it as well, just two questions?

Anil Gupta: Both ways. In the wire segment, it is driven by the house wire also, which is sold to real estate projects but also the wires which are being sold to various building projects for hospitals, hotels etc., which is done by company, CPWD projects or government projects where they are making military accommodation etc., so it is wherever light pitches are there, whether it is in the government projects or in the private market real estate projects and this entire business is driven by the dealer. We do not sell anything directly, so for as cables are concerned, the demand is across the high-tension, low-tension cables as well as all category of cables and also the high voltage cables, so the demand is proportionately growing in all the segment.

Rahul Agarwal: So, nothing one above the other right and within the cable like no particular segment is actually doing better than the other?

Anil Gupta: No. All are growing in the similar fashion.

Rajeev Gupta: Because wire and cable goes in the basket because power transmitted through the step-down mode.

Rahul Agarwal: Yes, got it and one last thing if you help me recollect, overall government top line contribution for the company, how would that be, when I say government it could include public sector, I mean any entity.

Rajeev Gupta: It is directly to the state electric board, we are not dealing in the cable segment, only extra high voltage, and EPC we are dealing with the state electricity board, so the cable direct sale is almost nil to the state electricity board but the PSL etc., so as a whole the power sector we are selling whether directly or indirectly close to 30% to 33%.

Rahul Agarwal: Okay, got it. Thank you so much Sir. All the best

Moderator: Thank you. The next question is from the line of Mihir Manohar from Jefferies India. Please go ahead.

Mihir Manohar: Thanks for taking my question. Sir, I wanted to get the interest cost split for the quarter?

Rajeev Gupta: Interest cost, please note down, the term loan interest in this quarter is only 0.58 lakh and working capital interest is close to 3.73 Crores and interest on LC is 0.48 Crores, bank charges is 0.28 Crores, bank charges on bank guarantee is 5 Crores and bank charges others is 1.31 Crores. Bank charges on bank guarantee is 5 Crores because of we got one large order of the EPC 400 Crores.

Anil Gupta: 400 Crores, on Gambia, it is World bank aided project and so we had to give performance bank guarantee and advance bank guarantee and entire bank guarantee charges for next three years has been taken by the bank in this quarter.

Rajeev Gupta: It is 11.4 Crores.

Mihir Manohar: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Amit Mahawar from Edelweiss. Please go ahead.

Amit Mahawar: Thank you. Sir, good morning, congratulations on great set of numbers. I have two specific questions, first is typically last 10 years, 15 years of our growth if one looks at the industry consolidation, right now we have by far the best opportunity in retail house wire. So, what are some of these steps that we will take to ensure that the bulk of market share shift that is happening from weaker players to say top four, five players in house wires come to us, that is the first question.

Anil Gupta: See, to do that basic effort is on the marketing front and creating a brand value. So, we have taken all the requisite measures in terms of first inducting and increasing the team, then making strategies of how to go to the market to add retailers in the trade segment. Thirdly, to reach out pan India, the branding exercise in terms of advertising and below the line activities, which is the schemes through the retailers and electrician connect. So, all these actions we have already taken, and results will be visible in quarter after quarter in next three quarter to four quarters.

Amit Mahaveer: Okay, are there any change in ad spend and marketing strategy that we are looking at from the next one to two years perspective, what we have been doing in the past, some numbers if you can share?

Anil Gupta: The marketing strategy is only through improving the connect with the influences like, electricians or retailers. So far as ad spend is there, ad spend will be almost the same like around close to 25 Crores in the whole year. We are aggressively doing advertising on the TV channels, also we are continuously taking properties in IPL by upper chest branding with Rajasthan Royals. So, that is a good visibility because I think entire country sees cricket and advertising, we are doing in the TV, not only on Hindi channels but also pan India in different language channels, in South India, in Western India as well as Eastern India.

Amit Mahaveer: Yes, thank you Anilji. Second question is for Rajeevji, Rajeev Sir what is the balance sheet strategy of this year, how much of debt are you targeting to cut in FY2022 and FY2023 and if you can help us with the numeric reach in wires like what is the total maybe percentage reach of KEI in wires pan India vis-à-vis the total sample size we have broadly? Thank you.

Rajeev Gupta: Amitji, as you are saying that every quarter, we are reducing the debt, whether it is acceptances or the debt, so it is ongoing process of every quarter and by next year hopefully except the channel financing there will not be any debt because already if you see the balance sheet, which we have already given, the debt portion is very, very less. So, by next year it will be almost zero, but the channel finance will be there because practically it is borrowing for us, but it has to be shown as per Ind-AS requirement. As far as the wire is concerned, this year our target to sell the wire is basically the 2S programme on and every year-on-year basis the house wire sale will grow more than 50%-60% from here onward also.

Amit Mahaveer: I am sorry Sir; I think I missed you in commitment you were saying something?

Rajeev Gupta: I am saying that the house wire that Anilji was telling you about the retail strategy, so he has taken this for the current financial year to grow by 100% in the current financial year and in the future next two year to three years' time the house wire business will grow more than 50%, 60% year-on-year basis.

Amit Mahaveer: Okay, that is helpful. Thank you very much.

Moderator: Thank you. The next question is from the line of Sharvari Joshi from Trivikram Consultants. Please go ahead.

Sharvari Joshi: Thanks for taking my question. Sir, my question is regarding the EHV cable side, so I understand there was some delay in order of around Rs.75 Crores maybe that is a year back, the overall revenue seems to be around Rs.100 Crores. So, looking at the trend I am just trying to understand the trend in EHV cables, which is a little difficult to predict. So, is this the number that we are looking at per quarter or it will be a little more after say two, three quarters down the line?

Rajeev Gupta: Madame, we are doing our capacity of extra high volage power cable is around Rs.475 Crores. So, in a year we will do this kind of turnover, last year also we did around 418 Crores. So, on a whole year basis we will do around 450 Crores, worth of business from extra high voltage power cable. This 75 Crores already the material was produced, it is only the matter where the inspection was done but the clearances was not done, so that is why this material was not moved in that quarter, but ultimately on a whole year basis whatever we have projected for extra high voltage power cable that will be made and whatever sales turnover we have projected for current financial year almost as a whole we are going to grow more than 20%, so that we will be maintaining.

Sharvari Joshi: Okay, so you just mentioned 450 Crores from EHV cables for FY2022, right?

Rajeev Gupta: Yes.

Sharvari Joshi: Okay, and my next question is regarding the margins, so if I look at say four quarters margins, we have been able to maintain around 11.1% to 11.4% margin. So, is that the range we should look at for the whole year, say 11% to 11.5% and even if you could mention about FY2023 as well?

Rajeev Gupta: Yes, 11% plus margin will be for whole year.

Sharvari Joshi: For whole year and the similar for FY2023 as well?

Rajeev Gupta: Yes, in future, the margin will further grow because once the top line will grow because at present the capacity utilization in the cable is 6%. So, once with this capacity utilization, we will be utilizing more, then operating profit percentage also will grow.

Sharvari Joshi: Right, that is for FY2023, right?

Rajeev Gupta: Yes.

Sharvari Joshi: Okay, that’s it from side. Thank you so much.

Moderator: Thank you. The next question is from the line of Balaji Vaidyanath from NAFA Asset Management Company. Please go ahead.

Balaji Vaidyanath: Good morning, Sir. I have two broad questions, just wanted to understand thought process of The company in terms of opportunity, especially the developed markets where we are seeing a combination of renewable plus electric vehicles and also increasing capacity addition by offshore wind etc., where we are given to understand that more cables are required. So, from the point of view of exports, are you looking at only Africa, Australia etc., or are you also looking towards developed countries especially in Europe, US etc.,

Anil Gupta: See, we are looking definitely for developed countries, we have already obtained UL approval which enables us to export to USA for certain category of cables and certain more category of cables UL approval is under way. So, it will take this whole year again to finalize the UL approvals for a broad amount of categories of cables, which will help us in exporting to US. So as far as offshore wind cables are concerned, they are typically submarine cables and important requirement in that is to set up a factory near the seaport or river port where we can wound the cable directly on the ships and take it inside the sea where the wind forms are located at least 10 kilometres inside the sea. At the moment, we do not have that facility but as the demand comes up in a big way, we will definitely look into that.

Balaji Vaidyanath: And this capex that you mentioned of about 600 Crores that will be broadly into which product category that you will be doing the capex for?

Anil Gupta: It will be mainly to enhance the capacity of high tension, low tension cables as well as the extra high voltage cables.

Balaji Vaidyanath: Okay, Sir just wanted to understand in India if we are talking about, for example 1000-megawatt solar power project versus 1000-megawatt coal power project what is the difference in the cable requirement between typical 1000-megawatt solar project and the 1000-megawatt coal project, Sir?

Anil Gupta: In 1000-megawatt solar project the requirement of cable is very high. The cable requirement is mainly of 33KV cables, which is used to evacuate the power from the solar project and integrate it with the transmission grid. In case of thermal power, mostly power evacuation system is through overhead conductor network. But in case of solar cables, it is mostly through 33KV cables and hence the cable requirement in case of solar power project is much higher at least I will say 3 times to 4 times higher than the thermal power project.

Balaji Vaidyanath: And in this particular area do we have any product gap from the solar side, or we are presently right in that?

Anil Gupta: No, we do not have any product gaps.

Rajeev Gupta: We are manufacturing all range of cables.

Balaji Vaidyanath: Okay, thank you so much, Sir. All the best.

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

Manoj Gori: Yes, thanks for the opportunity. Sir, my first question would be follow up to exports what we just highlighted. So, what are the things that we are targeting to achieve strong growth from export markets, because obviously lot of players have been talking about export opportunity, can you throw some light on that?

Anil Gupta: Our predominant markets of export at the moment is Australia, Middle East, and Africa. In Africa most countries are under slow down this year, so the opportunities are limited. Middle East the opportunities are strong, and we are working on various new coming up Oil and Gas projects, and we will see that how much opportunities, I cannot quantify at the moment how much opportunities we will get. However, in Australia we are seeing a very strong demand from solar and wind projects, especially solar projects and our exports to Australia are continuously growing even this year, we will grow significantly by 50% to 60% compared to last year. So, other markets like SAARC countries around India, we have done very good exports in 2019 - 2020 but this year the opportunities are limited because of the financial health and economy slowdown in these countries.

Manoj Gori: Right Sir, so talking about your long-term guidance of roughly around 17% to 18% growth, can you just highlight like what would be the contribution at that point of time, probably four years down the line from the B2C business or from the exports, just some colour on that?

Anil Gupta: See, B2C business we are aiming to achieve, at least 50% share of our business coming from B2C in next three year to four years and exports will be close to around 12% to 15% rest will be the institutional cable market.

Manoj Gori: Right Sir, one last question if I am not wrong in the previous call, Mr. Rajeev Gupta highlighted like 17% to 18% yearly guidance that we have been giving on top line. If I am not wrong, there was some assumption that copper prices may go down and if they remain at the current levels then obviously guidance would be revised upfront. Any indication on that, given that we are sitting in August and copper prices are very firm?

Anil Gupta: At the moment, we do not see too much upside on the copper prices, because copper prices have already risen too much. It has risen by around 60%, 65% in last one year, so there is a limit, I do not see too much of upside on that.

Rajeev Gupta: But Manojji, whatever we guided to grow by 20% despite of that the pandemic was there and the third wave we are listening and still few states are not opening. So, with all the restrictions etc., everything we will still grow at least by 20% and whatever more, more will be there that is for sure, because we have the capacity available.

Manoj Gori: Right Sir. That is very assuring. Thanks a lot Sir and wish you all the best.

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

Shrinidhi Karlekar: Thanks for the opportunity and congratulations on great set of numbers. Sir, just couple of questions from my end. Sir, pricing have gone substantially increased because of commodity cost, in that regards Sir, I just what to know is it fair to say that in your dealer and distribution business, most of your organised pears have taken similar price increases and post these increases clear pricing versus some of pears is what you continue to see at the desired levels?

Rajeev Gupta: Sir, the price increase is directly related to the price increase of the raw material, so it is in the same proportionate everybody is increasing because we always say that we are having a mechanism of the pass-through mechanism. So, every month whether it is a twice a month or once a month the price is revised depending on the copper prices movement.

Shrinidhi Karlekar: Yes Sir, and that still holds separate even these rounds of changes of substantial increase in commodity cost, those formulas are still intact, and the pricing decisions are still?

Rajeev Gupta: Yes, in future also it will be intact because nobody can absorb the copper prices.

Shrinidhi Karlekar: Great Sir, and same can be said about your institutional business as well, right?

Rajeev Gupta: Yes, in the institutional business whenever we quote the new tender, we always quote at the prevailing price in the market, whatever order we are having two months, three months, we are having two-month, three months inventory also, so it is under the natural hedge.

Shrinidhi Karlekar: Yes, great Sri and even if it is substantial increase that you expect institutional business compared to what inventory you have, you will have a hedging quality, right. So, there would not be a negative surprise because your institutional business feels like a tender business going up, so there is no negative surprise because of rising commodity cost, right, you will hedge according to that, right?

Rajeev Gupta: In the last 15 years you have seen the balance sheet, these kinds of fluctuations are there but in the case of the operating margins, these fluctuations are not there because of the simple rule that we are working on a pass-through mechanism.

Shrinidhi Karlekar: Right Sir, and Sir last question from my end, there is a dip in channel finance debt, largely similar to the decline that we saw in your consumer wire business, so that is how we should be reading it, nothing to do with accounting changes like wherein non-reports that you are getting and that is why you do not have to report that channel finance hit?

Rajeev Gupta: Slowly, slowly whatever channel finance we were having earlier it was having a 100% recourse, now few of the bank has reduced to 50% and we are still trying few banks that the recourse will be 25%. So, by end of the March, this debt will also go down from the books.

Shrinidhi Karlekar: Okay, great Sir. Thank you for answering my questions and all the very best.

Moderator: Thank you. The next question is from the line of Balaji Vaidyanath from NAFA Asset Management Company. Please go ahead.

Balaji Vaidyanath: Sir, just a quick follow up of the question that I asked regarding solar versus thermal. In the last 15 years, we have grown by about 15% CAGR which you mentioned, and you are guiding for growth in the coming years as well, so just trying to understand that the incremental capacity addition is happening more on the renewable side and considering the cable requirement for renewable, ideally should not your solar project related growth be much more than even the FMEG growth?

Anil Gupta: Yes, the growth due to solar projects will be much more in wires and cables and it will be reflected in the results of the most companies. I do not say that FMEG will not grow because ultimately incomes are growing and people are looking for fast moving electrical goods, more and more people are coming into that category who can afford the consumer durables and other things and better housing, so that category will also keep growing.

Balaji Vaidyanath: But that is 70% kind of growth levels that you are broadly guiding, is there a chance for more upside considering the more renewable thrust by the country?

Rajeev Gupta: You see in the last five years we have grown more than 20%. In last 15 years, the CAGR is 15% where in 2009 it is also there, and other tough time are also there like 2011 to 2013. But if you talk of this in previous five years, we have grown by almost 20%.

Balaji Vaidyanath: Okay, Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashish Poddar from Anand Rathi Research. Please go ahead.

Ashish Poddar: Thank you and congratulations on steady performance. One question on your financial, you mentioned that you have re-instated FY2021 numbers on some changes in accounting policy regarding valuation of inventory. So, will that also help in our margins going forward or even in Q1 was there any positive impact on that?

Rajeev Gupta: There is no margin impact on that because earlier we were having the FIFO method. Since the ERP is not supporting the FIFO, that is why the weighted average method we have adopted, and the industry pear group also is doing through ERP system, the weighted average method of the inventory. So, total impact in the balance sheet in the last year, if we revalue the total inventory of last year, it will impact the Rs.5 Crores minus 5. So, now the current year everything is on the moving average side.

Ashish Poddar: No, what I am asking Sir, if we were using the earlier methods then this 11.2% margin has come in Q1 then it would have been 11.2% or less then that or more than that?

Rajeev Gupta: That if you see when it is calculated by FIFO method then Rs.1 Crore or Rs.2 Crores up or down would have affected.

Ashish Poddar: So, in material difference?

Rajeev Gupta: No, now if you look at the whole year when we have re-cost so there will be Rs.5 Crore's impact on last year's balance sheet.

Ashish Poddar: Right, understood. Thank you so much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference to the management for closing comments.

Anil Gupta: Good afternoon ladies and gentlemen, thank you very much for this interactive session for our Q1 result and we have taken whatever from this conversation, the input from our investor associates and whatever we have guided we will definitely try to do better than the guidance, we have always done that. We always speak less and be conservative in our guidance but always proved better. So, if still you have any further questions, you may reach out to us through telephone or email, and we will be glad to answer, and I am again repeating that we are very positive about outlook of our business growth in this year as well as coming forward in the coming year because of our penetration in the market, our product mix, and our positioning with our customers. So, we will give good performance of the company to all our stakeholders. Thank you very much.

Moderator: Thank you. On behalf of KEI Industries and Monarch Networth Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.