



KEI Industries Limited

Registered and Corporate Office: D-90, Okhla Industrial Area, Phase-1, New Delhi- 110020 CIN: L74899DL1992PLC051527
Tel.: +91-11-26818840/8642/0242, Email: info@kei-ind.com Website: www.kei-ind.com

KEI/BSE/2022-23

Date: 28.10.2022

The Manager,
BSE Limited
Listing Division,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001.

Sub: Transcript of Analysts/Investors Call pertaining to the Financial Results for the quarter and half year ended September 30, 2022

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform the exchanges that the transcript of audio call recording of the Company's Analyst Call held on Friday, October 21, 2022 to discuss the Un-Audited Financial Results (Standalone and Consolidated) for the quarter and half year ended 30th September, 2022 is attached herewith.

The transcript is also available on the website of the Company:

<https://www.kei-ind.com/investor-relations/corporate-governance/conference-call-transcripts/>

This is for your information and record.

Yours truly,
For KEI INDUSTRIES LIMITED

(KISHORE KUNAL)
AVP (Corporate Finance) & Company Secretary

CC:

The National Stock Exchange of India Ltd.
Listing Division, Exchange Plaza, Plot No. C/1,
G Block, Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051

The Calcutta Stock Exchange Ltd.
The Senior Manager, Listing
Division,
7, Lyons Range, Kolkata-700001



“KEI Industries Limited
Q2 FY 23 Earnings Conference Call”
October 21, 2022



MANAGEMENT: **MR. ANIL GUPTA – CHAIRMAN-CUM-MANAGING DIRECTOR – KEI INDUSTRIES LIMITED.**
MR. RAJEEV GUPTA – ED (FINANCE) & CHIEF FINANCIAL OFFICER – KEI INDUSTRIES LIMITED.

MODERATOR: **MR. RAHUL DANI – MONARCH NETWORK CAPITAL LIMITED**

Moderator: Good day, ladies and gentlemen, and welcome to the Q2 FY '23 Earnings Conference Call of KEI Industries Limited, hosted by Monarch Network Capital. 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 Mr. Rahul Dani from Monarch Network Capital. Thank you. And over to you, sir.

Rahul Dani: Yes. Thank you, Michelle. Good afternoon, everyone. I would like to start by wishing everyone on the call a very happy Diwali. We are pleased to host the management of KEI Industries today, and 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 the opening remarks on the management, and then we'll move to Q&A. Thank you, and over to you, sir.

Anil Gupta: Good afternoon, and welcome to all of you on this Earnings Conference Call. I'm Anil Gupta, Chairman and Managing Director, KEI Industries Limited. I'll give a brief about the Q2 results of the company. The company has achieved a net sales in Q2 FY '22-'23, INR 1,608 crores against INR 1,353 crores. So, growth in the net sales achieved is 18.81%. EBITDA in this quarter is INR 165.85 crores. So the growth in EBITDA is 11.44%. EBITDA/net sales margin is 10.31%, as against 11% in the same period last year. Profit after tax this quarter is INR 106.9 crores against INR 91.98 crores last year. But growth in the profit after tax is 16.22%.

So the profit after tax/net sales margin is 6.65%. Our domestic institutional sale of wire and cable achieved is INR 563 crores, which has grown by 38% compared to last year same period. However, the sale of extra high-voltage cable is INR 46 crores against INR 154 crores achieved last year. So the overall growth in the institutional sale, overall will be around 15%. The reduction in EHV sale is mainly because of non-clearances of certain orders from the utilities and the delay in inspections, but it will be normalized over a period of full year.

Export sale this quarter is INR 139 crores against INR 129 crore last year. So the growth in export is 7%. The total cable institutional sale B2B, contribution in the total sale is 43% against 48% in the last year same quarter. However, the sales through dealer network, that is B2C, was INR 760 crores against INR 580 crores, so the growth in the retail sales is 31%. The sales through distribution network contributed 47% in second quarter against 43% last year.

The EPC sale other than cable is INR 91 crores, which is at par with previous year same period, INR 92 crores. Out of the total sales of EPC, the EPC sale of extra high voltage, that is execution portion of extra high-voltage cables is INR 21 crores as against INR 25 crores same period last year. The sales of stainless steel wires in Q2 this year is INR 70 crores against INR 52 crores last year, so the growth is 35%.

It is pertinent to mention that in all our cables and stainless steel wire categories, there is a correction in the input cost by around 22% overall, because of the fall in copper, aluminum and stainless steel wire rod prices.

The result summary of first half of '22-'23. The net sales of H1 of FY '22-'23 is INR 3,173 crores against INR 2,371 crores. The growth in net sales is 33.85% over a six months period. EBITDA is INR 329 crores. So the growth in EBITDA is 24%. EBITDA/net sales margin is 10.37%, and profit after tax for six months period is INR 210.66 crores, which is leading to a growth of 32.41% compared to last year same period.

The profit after tax/net sales margin over six months is 6.64%. The domestic institutional cable sales, the growth is 26% compared to last year. The sales achieved is INR 1,035 crores. The sale of extra high-voltage cable is INR 146 crores against INR 183 crores last year. Decline is 20%, but it is due to the delays in inspection and clearances from the utilities, for a period of full year, it will be normalized.

Export sale in H1, is INR 386 crores against INR 222 crores last year, so the growth in export is 74% over six months period. The total cable institutional sale B2B in the first half is 46% as a contribution in the total turnover as against 49% last year. Similarly, the sales through dealer network has grown to INR 1,412 crores against INR 967 crores. So the growth in B2C sale is 46%.

We are in the process of strengthening our dealer/distribution network and we have added a lot of new strong dealers. The total active working dealers of the company as on 30th September '22 was approximately 1,900. The B2C sale contributed approximately 44% of the H1 sales of this year against 41% last year.

The EPC sale is INR 175 crores against INR 178 crores last year, which is at par. The sales of stainless steel wire in H1 is INR 131 crores against INR 100 crores last year, so the growth in the sales of stainless steel wire is 31%. We have pending orders as on 19th October, approximately INR 3,016 crores. In this, EPC orders are INR 706 crores, the orders of extra high-voltage cable, which is cable plus EPC is INR 611 crores, domestic cable orders are INR 1,617 crores, and export orders of cables are INR 82 crores. So the total is INR 3,016 crores.

India Rating and Research, ICRA, and CARE have upgraded our rating to AA from AA- for long-term bank facilities and affirmed A1+ rating for short-term bank facilities. The book value per equity share of the company is INR 259.85 as on 30th September 2022, as against INR 236.98 as on 31st March 2022.

The borrowing and operating cash flow. I'll just give a brief that the net cash as on 30th September 2022 is INR 109 crores. This is including acceptances. It is against a net debt of INR 270 crores, including acceptances as on 31st March 2022.

During first half in FY '22-'23, the finance cost has decreased to INR 16.85 crores in the first six months against INR 21.36 crores previous year same period. The percentage of financial charges on net sales has decreased in this period to 0.53% from 0.9% last year. The company has used operating cash flows for cash purchases, resulting into a substantial reduction of trade payables by INR 247 crores, including reduction in acceptances by INR 150 crores as on 31st March 2022. This has resulted in reduced finance cost.

We expect a good industry outlook in the energy sector and the infrastructure. Increasing in private and government investments in energy-intensive industries such as steel, aluminum, cement, refineries, etcetera, and the national infrastructure pipeline in important areas as railway, metro constructions, road and highway overhead to underground stations, ports and airports, etcetera, is leading to increased demand of wires and cables.

Similarly, the uptake in the real estate activities is also giving new opportunities for increasing demand for wires and cable. Demand in the transmission and distribution sector and a lot of new orders released by distribution utilities from the funds of REC and PFC for improving the T&D infrastructure and rural electrification will be giving significant increase in the demand in the coming months and the next year as well.

So this is the brief. Thank you very much for listening to me. You may now have any questions, whatever you have, we'll be glad to answer. Thank you very much.

Moderator:

Thank you, very much. We will now begin for the question-and-answer-session. Anyone who wishes to ask a question, may please press star and one on your touchtone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets, while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants may press star and one to ask a question. The first question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal:

Firstly, one clarification. On EHV, you said sales were low because of delay in inspection by utilities. Could you please elaborate what is really wrong with that?

Anil Gupta:

See, normally, these are very specific orders from transmission utilities of electricity transmission companies. So, sometimes it is incidental that they delay the approval of manufacturing clearances in many orders because of ROW issues, right of the way issues, and also delay the inspections because of these ROW issues. The clearances, there the execution is to be done. So this leads to disruption of supply sometimes and the quarter-on-quarter performance.

Rahul Agarwal:

Got it. These are domestic orders, right?

Anil Gupta:

But overall, on a full year basis, it will be a normal sale and will be with a growth.

- Rahul Agarwal:** I understand, sir. These are India specific orders, right, you're referring to?
- Anil Gupta:** Yes. These are Indian utilities.
- Rahul Agarwal:** Okay, got it. So the INR 500 crores, INR 550 crore run rate for the full year should come back sometime in second half, right?
- Anil Gupta:** Yes.
- Rahul Agarwal:** Okay. Got it. Sir, second question was more on the industry, not specific on KEI, what we understand is B2B has improved purely post-COVID in terms of demand for cables, but B2C discretionary spending has been relatively soft in first half due to inflation and higher pricing, and lot of other issues. Obviously, for KEI, you have gained market share in B2C housing wires, and hence, your number growth is pretty high. But I wanted to get your thoughts on the industry, do you think after this festive season, once that gets over, November, December, the B2C demand should hold up purely from an industry perspective? Or you think the inflation is still catching up on demand and hence, the softness might come back?
- Anil Gupta:** See, I don't think -- I'm sure that it will catch up and so far as inflation is concerned, actually, there is already heavy correction has taken place in the metal prices and polymer prices. All the input costs have been corrected by close to on an average 25%.
- So I think the inflation effect has already gone. Now if you compare the price what it was two years back and what it's now, so we can see it is an inflation. But I don't think that those levels will come back which were two years back.
- Rahul Agarwal:** Right. So entire whatever RM benefit we are getting -- in cables obviously, it's more pronounced that is all passed through both in wires. But discretionary spend I don't think so much of benefits have been passed through, right? The price cuts have not been very significant?
- Anil Gupta:** From our end, we are always passing through the price corrections whenever it is lowered or whenever it goes up. So from our side, we are always passing through the prices. And whosoever is buying wire and cable that is not a discretionary spend, these are the essential spends. So it is not something where the demand elasticity can be high.
- Moderator:** Ladies and gentlemen, the participant has left the queue. We'll take another participant whose name is Akhilesh Bhandari from ICICI Prudential. Please go ahead.
- Akhilesh Bhandari:** Sir, can you just give us the volume growth data for the quarter and for the first half?
- Rajeev Gupta:** In the first half, the volume growth is close to 25% with respect to metal, copper and aluminum both.

- Akhilesh Bhandari:** And specifically for the quarter?
- Rajeev Gupta:** For the quarter, approximately 20% range. So overall our complete growth in H1 is 25%. Copper volume has grown by 26% and aluminum volume has grown by 24%.
- Akhilesh Bhandari:** Copper volume has had 26% growth and aluminum?
- Rajeev Gupta:** Aluminum was 24%, average is 25%.
- Akhilesh Bhandari:** Average is 25%. Okay. Sir, in quarter two, can you also call out what has been the broad price correction which you have taken in both the B2B as well as B2C segments?
- Rajeev Gupta:** In quarter two, also 23.69% volume growth.
- Anil Gupta:** No. The price correction comes gradually. Because there is always a backlog of orders for last three to four months and similarly, inventory is also there. So the price correction may be around 10% to 11% in quarter two.
- Akhilesh Bhandari:** 10% to 11% in quarter two.
- Anil Gupta:** Correct.
- Rajeev Gupta:** Actually, it doesn't seem to have a lag effect, but every 15 days may have to be prices correction, upper and lower both sides. Lag effect is not big.
- Akhilesh Bhandari:** And quarter one has seen a destocking impact in the channel now, can you just comment on what is the inventory level according to you at the dealer level?
- Rajeev Gupta:** In your world, that is destocking. I earlier also explained to everybody that on an individual level, each and every dealer distributor holds only 25 days to 30 days inventory. They are not holding more than that. So they can defer only for 20 to 25 days inventory, but ultimately, in a quarter, they have to buy. Ultimately, average comes out the same.
- Anil Gupta:** No. But when there is a lot of volatility, they defer the purchases for some days thinking that the prices will come down, and they even advice the customers maybe to hold on it if they can hold for 10, 15 days or 3 weeks. That's it.
- Rajeev Gupta:** That's it. That's why our growth is there, no.
- Moderator:** Thank you. Ladies and gentlemen, the line of Rahul Agarwal has been connected back. May I request Mr. Rahul to proceed with his question?

Rahul Agarwal:

The question I had was on Capex. We did about INR 26 crores in first half. Does this delay impact KEI in any way in terms of meeting its growth guidance? And why is there so much delay? I thought we would end up spending like INR 200 crores to INR 250 crores this year?

Rajeev Gupta:

Actually, this land which we are procuring from the farmers, so that is getting delayed. So in the meantime, what we did is, basically we have created a new brownfield Capex by investing around INR 35 crores to INR 40 crores in our Silvassa new plant, wherein we are adding approximately INR 500 crores of capacity for low-tension power cable, which will be ready within this quarter only, third quarter only.

It will take care of the growth for the next financial year. So as we have earlier guided that in this financial year, we will grow close to 17% in this financial year. Because lots of orders we are having and the current industrial scenario, and in the coming year also, we will be taking care for 16% to 17% growth with this brownfield Capex. In the meantime, next two, three months, that will also clear for the land part. So that, again, will be on track.

Rahul Agarwal

Got it. Sir, this helps. And last question, sir, capacity utilization, if you could help on cables, housing wires, and stainless steel. That would be all from my side. Wish you guys very happy Diwali.

Anil Gupta

Thank you very much for the Diwali greetings. The capacity utilization on an overall basis is around 75% to 78% at the moment.

Moderator:

Thank you. The next question is from the line of Rahul Maheshwari from Ambit Asset Management. Please go ahead.

Rahul Maheshwari:

I have two questions. We have seen or heard from the past peers that during the quarter, there was a judicious price revision that had taken place. The same has applied for you guys also that the passing of the prices to the dealers and because of cutting the raw material price has been lower as compared to what it should be, first thing? And second thing, can you give some color on the channel financing, which has happened on the active dealers, which is there? That's all.

Rajeev Gupta:

Yes. Channel financing, we are doing almost 55% to 60% dealer/distributor. And as of today, INR 113 crore is the recourse. But otherwise, our total utilization is close to INR 250 crores.

Anil Gupta:

So far as price, you're saying that price reduction was lower. Price reduction is always gradual. There are two reasons. One, we are always having inventory in our depots and stocks. So we can't lower the prices immediately. Number two, even dealers are

having inventories in their shelf. If the prices are lower suddenly, they will also incur loss.

Rahul Maheshwari:

Yes.

Rajeev Gupta:

Yes, that is a trade practice that is going on actually. On the trade sectors, we are doing it.

Rahul Maheshwari:

And also on the active dealers, can you give color how much the growth rate is there and what is the internal guidance which you are taking on the geography side?

Rajeev Gupta:

Yes, close to 10% number of dealer/distributors we are increasing year-on-year business.

Anil Gupta:

But besides increasing the number, we are strengthening the existing dealers in terms of their size and helping them to grow.

Rahul Maheshwari:

And can you give throughput of the dealer? As you said, every 15 days, prices getting revised, the dealer has to buy it because of the inventory days. What kind of throughput improvement you have seen during the years for the mature dealers, which is there.

Rajeev Gupta:

Without increase of throughput of the dealer, how can we grow our sale of 31%...

Rahul Maheshwari:

No, no. I'm not doubting on the throughput. I'm just asking the number in the project.

Rajeev Gupta:

Because each and every individual dealer/distributor sales is also getting increased as our approach is a 3-way approach. We are working on the retailers, we are working on the electrician and we are working on the dealer/distributor. So while we are holding the electrician meet every month in each and every city of the country.

So the electrician goes to the retailers. Each month, the retailer sales, we are getting increased. Then we are also working to increase the number of retailers under each distributor. And the third front, we are increasing the number of dealer/distributors. As you said that earlier we were having close to 1,700, now we are having 1,900.

So it's a 3-way strategy, increasing number of distributors, increasing number of retailers under each distributor, and increasing the sale of retailer month-on-month through the electrician.

Rahul Maheshwari:

And just to follow through this, earlier, you had said that 4% to 5% was the price gap between you and the peer on the wire side -- wires and cables on the retail side. How much that price gap has been taken care or still it remains the same?

- Rajeev Gupta:** Still that price gap is there. And we said that until the next year, we will maintain that price gap. Once we achieve our internal target to reach 50% contribution from the dealer/distributor segment, which we have achieved right now 44%, and by the end of year, target is to be 45% in this year and next year by 50%, then only we will be going through that.
- Anil Gupta:** But there is no price cap so far as cables are concerned. The price gap is only in the wires, yes, which are sold through trade.
- Rahul Maheshwari:** Only house wires?
- Anil Gupta:** Only house wires.
- Rahul Maheshwari:** And just -- sorry for extending the question, apart from the transmission and distribution utilities company, any private sector demand revival? Any color you are witnessing on many of the segments, whether it's data center, etcetera?
- Anil Gupta:** Yes. We are seeing very good demand from data centers, which are coming up all over the country. Secondly, the demand from cement industry is coming good. And some steel industries are also expanding. But miscellaneous industries are also there where we get, be it in pharma or very miscellaneous industry, I can't name, any industry which grows...
- Rahul Maheshwari:** Overall, private demand which is there, not segment to segment, but what could be the kitty you have identified through these segments which you have told?
- Anil Gupta:** I think that there is a good demand coming up from private Capex in the industry.
- Moderator:** The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Sir, our exports would be mainly on the institutional side?
- Rajeev Gupta:** Yes. Export is mainly for institutions.
- Akshay Kothari:** So do we have any plans to increase the distribution presence on the export side?
- Anil Gupta:** No, we don't plan to start the distribution in the other countries, because what our observation is that if you sell through the distributor, they load too much of margins on our prices, and we are crushed. So our strategy is to directly get our approvals from the projects and sell to the EPC contractors over there. So we don't sell it to any intermediary over there.
- Akshay Kothari:** Sir, the Capex, are we acquiring agricultural land and then we'll convert it to NA?

- Rajeev Gupta:** Yes, that's right.
- Akshay Kothari:** So we won't face any headwinds, because there are sometimes clearance delays to convert to NA, so they take lot of time?
- Rajeev Gupta:** So it will take some time, because in Gujarat, there is a defined process. So that will not be a problem.
- Akshay Kothari:** Okay. And sir, some of the competitors, though they are not that much significant, they are coming with the e-beam facility. So is there any significant advantage which e-beam wires have over the traditional ones, which we are...
- Anil Gupta:** No. In some segments like railway coaches or engines, they are subscribing that process has to be e-beam. So that is on. Otherwise, in solar wire, we are selling a lot of solar wires, which has to be TUV certified, whether it is manufactured on CV lines or on PV. So we are not losing that market at all.
- Akshay Kothari:** And sir, on the geographical distribution you have given. So I guess we had expanded a lot of distributors on the Eastern side, though the revenue contribution in the quarter is still 15%, which used to be that. So are there any headwinds which we are facing on the eastern front or something like that, because we are expanding our distribution network, but it is not getting reflected in our revenue.
- Rajeev Gupta:** Actually, we are appointing distributors not only the eastern side, but also in the southern side, because our contribution from both the markets are low as compared to North and West. So we are now appointing, which will be resulting in the coming years. But at the same time, our North and West is so strong, because the contribution there are also increasing equal amounts. So that's why the contribution is not increasing. So even on the higher base from the North and West, we are still growing in the same way.
- Akshay Kothari:** And sir, I think Anil sir did explain this point in the last call, but still I have a little bit of conundrum regarding this. The gross margins, if I look around five years back, were around 30%. And today, it's around 25%, owing to the EPC contribution and some price volatility. But sir, going forward, is it like the operating leverage which we are deriving will be compensating it in our gross margins and gross margins would reduce. So to grow, in a way, we'll have to reduce our gross margins, but it won't affect our EBITDA margin. So is there something like that you go by the gross margins?
- Rajeev Gupta:** Any contracts, whenever we are selling, is on the basis of the EBITDA margin. Because gross margin, in a clubbing of the sale, because we sell aluminum cables, we sell copper cable, we sell EHV export, 400 type of products we are selling in a year. So gross margin of each product is different. But while it is combining, so it is looking like different actually. But on an EBITDA

level, it is almost same, close to 10% to 11% range count. So that is basically focusing and our focus is also there only.

- Akshay Kothari:** Sir, my question is, if our gross margins stabilize at this level and considering the...
- Rajeev Gupta:** Gross margins are I said, for different products are different. So that's why, while we are publishing the results, it is on average, it is combined. But for each product, the margins are different, gross margin, because if you talk about wires, there are only three products like PVC compound, copper, that's it.
- But if you would talk about cable, then there is aluminum, there's galvanized steel wire, there's lead. So it is not comparable actually. While the product is getting change, these things will get changed rapidly.
- Akshay Kothari:** Okay. Thanks a lot, and wish you happy Diwali.
- Anil Gupta:** Thank you, wish you happy Diwali.
- Moderator:** The next question is from the line of Shrinidhi from HSBC.
- Shrinidhi Karlekar:** Congratulations on good set of numbers. Sir, my first question is on the guidance front. Would it be possible to update us, sir, on revenue and margin guidance for the full year '23? And you have guided for...
- Rajeev Gupta:** Revenue guidance. Our earlier guidance said that we will grow close to 17% in this current financial year and our EBITDA level will be close to 10.5% on a full year basis.
- Shrinidhi Karlekar:** And we are retaining that guidance, right, sir?
- Rajeev Gupta:** Yes, we are retaining. We are quite hopeful that we can.
- Shrinidhi Karlekar:** Yes. Second, sir, I want to understand this export business appears like -- well, overall revenue has surprised us, but export business appears like a bit soft and sequentially, it has gone down. So any reason for that?
- Anil Gupta:** Actually, this year, export business is increasing substantially. The first half sale is close to INR 366 crores, which is 74% up from last year, and present order going is very, very good. And we will be able to maintain a substantial growth in exports in this year compared to last year and even in the coming years. There is a jump of 74% in first six months compared to last year.
- Shrinidhi Karlekar:** Yes, sir. I know, but I was asking more on a sequentially, is it like some of the order shipments got impacted, something like that? Or it is expected to be a bit lumpy, like some quarter will be very strong and there could be some softness. I just want to understand that.

- Anil Gupta:** All this happens because, as I mentioned, we are exporting our products to overseas countries to the projects. So sometimes, in some quarters, the projects clearances are stronger, in some quarters, due to delay in listing the cables by the client or some other issues, it may be lesser. But overall, we expect a very substantial growth in this year. But I have said that 74% is this, and we should be able to maintain this momentum in this year.
- Shrinidhi Karlekar:** Okay, sir. This is really helpful. And sir, I have one more question on order book. I know you shared order book numbers. Sir, is it possible to share what are typically order inflow numbers for a quarter? Like, I know we went from, I think, 2,017...
- Rajeev Gupta:** Jitne Order aate hain utne hi order chale jaate hain, jaisa agar aap last quarter dekhein, us mein bhi order book position isi level par thi, 2500 se 3000 crore par. Iska matlab jitna sale ho gaya utne naye order aa gaye. That is how it is.
- Shrinidhi Karlekar:** It is an institutional business, right? I should just take the institutional...
- Rajeev Gupta:** Jitna dealer distribution business hota hai that is not covered in the order book.
- Anil Gupta:** Yes. The retail orders, which is through B2C, are never included in the order book.
- Shrinidhi Karlekar:** Okay. Yes. And sir, in the INR 3,000 crores order backlog we have, typically, what percentage of order backlog will have a passthrough of commodities?
- Rajeev Gupta:** Of course, only 10%, 15% orders, which we have from the government side, that is only the price variation class. But otherwise, institutional orders are under natural hedge, because these orders are to be supplied within three to four months' time since they are having inventory up two to 2.5 months' time. So practically, it is almost under natural hedge, little bit impact is there, but otherwise natural hedge.
- Shrinidhi Karlekar:** Understood, sir. And last one, if I may, sir. I think you had guided for some INR 100 crores release of retention money. Has that been earned in H1?
- Rajeev Gupta:** Yes. From EPC division because last year, we collected additional INR 150 crores. That's why it is reflecting in the slowing side of the receivable also, which has gone down substantially. Again this year, close to INR 100 crores additional will be coming from EPC division, whatever it is due. So again, the receivables also will be going down from 2.9 months' time, which was last year, the receivable period, which will go down this financial year write-off at the end of balance sheet, close to 2.4 to 2.5 months.
- Shrinidhi Karlekar:** Okay. And sir, last one, I just want to understand, there's a bit of divergence in the profitability of cable companies, right? And I understand it comes from business tactics and it comes from the way copper is procured, whether it's derivative embedded or not. Just want to understand, in

case of KEI, we don't do hedging. And in that context, is it fair to say that in first half of this year, probably our retail distribution-driven business would have suffered on profitability a bit.

Rajeev Gupta: Yes, a little bit, because of the inventory. If prices are going down, whatever inventories close to INR 100 crores, INR 150 crores finished goods inventory we are carrying on in depots. So it's around 0.5% to 1% in that particular quarter. But as I said in the past also, when price goes up also, goes down also.

So ultimately, on a full year basis, it is average. That's why we are saying that now the prices are stable. And we are quite hopeful that on a full year basis, we will be maintaining 10.5%. So this means the EBITDA margin in future quarters will go up.

Shrinidhi Karlekar: Right. And the same phenomenon is much less pronounced in the institutional business, right?

Rajeev Gupta: Institutional business, it is a pass on business, no, because we are having order book of three to four months, and we are having inventory also. So that is under natural hedge actually.

Moderator: The next question is from the line of Harsh Shah from Jefferies. Please go ahead.

Harsh Shah: Could you please provide the interest cost breakup for the quarter?

Rajeev Gupta: Interest cost for this quarter is very less, but I'm giving that to you. So you can note down the figures. For this quarter only?

Harsh Shah: Yes, for the quarter.

Rajeev Gupta: Quarter, the term loan interest is INR 0.17 crores. Working capital interest is close to INR 5 crores. And LC interest is not there. And bank charges on LC is INR 0.25 crores. Bank charges on bank guarantee is INR 1.67 crores and other banks charges like processing fee, etcetera, is INR 0.43 crore. So the total is INR 7.6 crores.

Moderator: The next question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Sir, can you just give an overview of the demand scenario right now? We have been guiding 17% for the guidance of sales growth. But overall, how do you see the demand environment right now?

Rajeev Gupta: See, Anil Ji has explained the demand from the transmission, distribution, railways, road, metro rail projects, solar projects, refineries, cement projects, and underground cabling projects. So these are the few. Apart from this, now government is more focusing on the PLI scheme. Lots of manufacturing companies are coming to India. So then now government is focusing on airports almost in all the B class cities. So these are the few indicators and few industries, which is leading to the demand actually.

- Devansh Nigotia:** Okay. And how would there are working capital days in the institutional cable business?
- Rajeev Gupta:** See, in the receivables side linked to institutions, it is close to 2.5 months. But while we are selling to the retail, because of channel financing, it is hardly 0.5 months.
- Devansh Nigotia:** Okay. Less than 15 days. Okay. And in retail wiring, how do you seeing the demand?
- Rajeev Gupta:** In retail, as we have guided that we will grow close to 30% to 35% on a full year basis. We don't see any change for that.
- Moderator:** Thank you. Reminder to all the participants anyone who wishes to ask a question may press star and one on their Touchstone phone now. The next question is from the line of Nikunj Somani, an Individual Investor.
- Nikunj Somani:** I need one clarification on your institutional segment. In this segment, you sell your products directly to the customers or through channels?
- Rajeev Gupta:** Institutional side, we are selling directly. It's a tender-based business. It's a high entry barrier case. Lots of approvals are required while we are selling to institutions.
- Anil Gupta:** Directly to the customers, either to the utility or the industry or to the EPC contractors.
- Moderator:** Thank you. Anyone who wishes to ask a question may press star and one on their Touchstone phone now. The next question is from the line of Chirag Fialoke from RatnaTraya Capital.
- Chirag Fialoke:** Sir, wish you a happy Diwali and congratulations on a great set of numbers. Just one clarification, sir. This quarter, given the price correction in the commodity side, could you quantify what kind of inventory write-down would have happened? Or is it minimal?
- Rajeev Gupta:** There is no question of inventory write-down, because in the same quarter, whenever price goes down, so the next month, after the price correction, inventory gets sold. So it is automatically reflected to the sales side.
- Chirag Fialoke:** And that's basically because overall we only keep two months of inventory. So within a quarter, we have the overall turnover of...
- Rajeev Gupta:** Automatically, it did gets adjusted. That's why the 5% margin gets impacted, no.
- Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Anil Gupta:** Yes. So thank you very much for joining this conference call. So I would like to wish all our investors a very happy Diwali and a very prosperous New Year. So if you still have any

questions, you may reach out to us for any clarifications. Thank you very much for sparing your valuable time to talk to us. Thank you.

Rajeev Gupta: Thank you very much. And wish you a happy Diwali to all.

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