Corporate Relationship Department
BSE Limited
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Dalal Street, Mumbai – 400 001

Script Code: 543981

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1,
Block G, Bandra – Kurla Complex,
Bandra (East), Mumbai – 400 051

Symbol: RRKABEL

November 13, 2023

Sub.: Submission of Transcript of Earnings Conference Call held on November 8, 2023

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on November 8, 2023.

Kindly take the same on your record

Thanking you,

Yours sincerely,

For R R KABEL LIMITED

HIMANSHU NAVINCHANDRA PARMAR

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

"R R Kabel Limited

Q2 FY '24 Earnings Conference Call"

November 08, 2023

MANAGEMENT: **MR. SHREEGOPAL KABRA -- MANAGING DIRECTOR -- R R KABEL LIMITED**
MR. RAJESH JAIN – CHIEF FINANCIAL OFFICER -- R R KABEL LIMITED

MODERATOR: **MR. RONAK JAIN -- ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY24 RR Kabel Limited Earnings Conference call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ronak Jain from Orient Capital, their investor relations partner. Thank you and over to you, Mr. Jain.

Ronak Jain: Thank you. Good afternoon, everyone. On behalf of RR Kabel Limited, I extend a very warm welcome to all participants on Q2 FY24 Earnings Conference call. Before we begin this call, I would like to give a short disclaimer. This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions, and expectations as of today. These statements are not guaranteed for our future performance and involve unforeseen risks and uncertainties.

With this, I hand over the call to Shreegopal Kabra Sir, Managing Director of RR Kabel Limited. Over to you, sir. Thank you.

Shreegopal Kabra: Thank you, Ronak. Hello, everyone, and good afternoon. On behalf of RR Kabel Limited, I extend a very warm welcome to all the participants on our Q2 FY24 Financial Results discussion call.

On this call, I have with me our CFO, Mr. Rajesh Jain. I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on the exchange and the company's website. I want to express my gratitude to the entire capital market, particularly with a special mention to our shareholders for their enthusiastic response to our IPO and for placing your trust in us.

Your strong faith in our company, business model, management, and industry is deeply appreciated. We are dedicated and focused on growing substantially in the coming years, and we remain steadfast in our mission to constantly generate value for all our stakeholders over the long term. As you are well informed, this marks RR Kabel inaugural earnings conference call, subsequent to our IPO, it is valuable to spend some time delving into our company's story to provide an overview, I trust this will be helpful to all participants.

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

Rajesh Jain: Thanks, Shreegopalji. RR Kabel is one of the leading companies in India's consumer electrical industry, comprising wire and cable and fast-moving electrical goods, i.e., FMEG, with an operating history of over 23 years in the country. RR Kabel is the fifth-largest player in the branded wire and cable market in India, representing approximately 7% market share by value as of FY23.

It is one of India's largest exporters of wire and cable from India, with 9% market share of export market as of FY23. RR Kabel is present in 65 countries and sells a range of wires and cable products across the world. The company has one of the largest networks of more than 325,000 electricians and more than 124,000 retailers networked across India.

Wire and cable is the dominant part of our business and during the first half of FY24, 90% of the company's revenue from operations was generated from the wire and cable segment, while FMEG has seen a significant scale-up of revenue from operations contribution of 10% from 7% in FY19.

Company preliminary sells wire and cable under the brand name RR Kabel in India and the international markets. India's wire and cable industry continues to benefit from strong tailwinds such as growth in commercial and residential sectors, government infrastructure trust, rural electrification, higher per capita consumption of electricity, 5G rollout, digitization initiative, and robust global demand with rising income and brand awareness. The industry's branded share is up from 57% in FY15 to 72% in FY23.

RR Kabel is well placed given its strong product portfolio, robust distribution network, brand image, product quality, and highly certified manufacturing facility. Our FMEG segment includes a wide range of products in portfolio such as fans, lighting, switch, switchgear, and appliances.

The company preliminary sells FMEG products under the brand name RR and Luminous, and professional lighting under the brand name Arraystorm. In May 22, RR Kabel acquired the home electrical business from Luminous which helped boost its lighting and premium and mid-premium fans offering, thereby expanding the product portfolio in the FMEG segment.

The FMEG industry in India is witnessing increased demand for premium products as consumers are showing a rising interest towards smart, ready-to-use, and technologically advanced products. RRK is well placed to capture the emerging opportunities by expanding distribution network and innovative product development.

Now here I will discuss the financial performance of Q2 of current fiscal FY24. In Q2 FY24, on a consolidated basis, we achieved a revenue of INR1,610 crores, representing a remarkable growth of approx. 18% Y-O-Y. Our EBITDA for the quarter was INR121 crores, making an impressive growth of about 93% Y-O-Y and our PAT doubled from Q2 FY23 and standing at INR74 crores.

Moving to H1 of FY24 performance, in H1 FY24, on a consolidated basis, we achieved a revenue of INR3,207 crores, representing a momentous growth of approx. 23% Y-O-Y. Our EBITDA for the half year stood at INR235 crores, marking a remarkable growth of about 129% Y-O-Y and our PAT more than doubled from INR53 crores in H1 FY23 to INR148 crores in H1 of FY24.

Now let me delve into the segment-wise performance of our business. Over the past 6 months, RR Kabel has demonstrated a promising performance, characterized by significant growth in our sales volume. Wire and Cable business segment has recorded a revenue of INR2,873 crores compared to INR2324 crores in H1 FY23, marking substantial growth of approx. 24% in H1 FY24 when compared with H1 FY23. The growth was preliminarily attributed to a notable approx. 28% increase in volumes.

Furthermore, exports contributed significantly and accounted for 29% in our total revenue. Our EBITDA has doubled from INR126 crores to INR258 crores, showcasing a remarkable growth of more than 100%. This exceptional performance was driven by margin expansion and effective cost management in line with the overall company's growth.

Now coming to FMEG business segment, we have achieved a revenue of INR334 crores compared to INR279 crores, representing a growth of approx. 20% in H1 FY24 over H1 FY23. EBIT in this segment has also improved preliminarily due to an increase in gross margin, although this was partially offset by indirect expenses.

During H1 FY '24, the company has efficiently managed its working capital days to 65 days and ensuring short-term financial obligations and expenses can be met while also contributing towards longer-term business objectives. Company continues to keep its best inventory management practice intact while improving on receivable days.

With this, I would request to open the floor for question and answer. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: Thank you for the opportunity and good afternoon, gentlemen. My first question is on the wires and cables division. Sir, is it possible if you can firstly give us the volume value breakdown and also if you can tell us growth individually in wires and cables?

Rajesh Jain: So, if you see, as I told you, we have grown by approx 28% in volume terms. If you see this H1 of current year versus H1 of previous year, in that, obviously, since our cable segment is a bit smaller, so we got more volume growth. So, if I break up, it will be around 25% in wire and 32% in cable segment in volume terms.

Natasha Jain: Understood, sir. And, sir, in terms of wires, especially housing wires, did you experience any slowdown like some of your peers had experienced or was it not the case for you?

Rajesh Jain: No, so figures itself, it is saying that we have seen 25% volume growth and majority of our revenue in wires are like coming from real estate and like in real estate, see, not only housing but there is like office segment or restaurant, hotel. So, altogether, we have seen good demand in wires.

Natasha Jain: Understood. And, sir, how did the export market do this quarter?

Rajesh Jain: So, export, again, we have done very good progress and as you can see, now export is contributing almost 29% in our revenue, which was about 25% a year back. So, we have done very good performance in export as well.

Natasha Jain: And, sir, in terms of second half, is it also a better period for you and can we expect a stronger growth in second half versus the first half?

Rajesh Jain: So, if you see our historical performance, we have grown more than industry average and our volume growth was always more than 20% and we are expecting to maintain the same growth in this half also.

Natasha Jain: Understood. And, sir, next, in terms of the capex plans for FY '24, 25 and 26, can you elaborate a little as to what capacities are coming up, what product is coming up? A little light on that would be helpful.

Rajesh Jain: So, to meet the increasing demand of the business plan, what we have made. We have made the capex plan of investment of around INR500 crores combined in FY '24 and 25. So, altogether in next two years, we have plans to have capex of INR500 crores. And this will be like expanding, we are doubling our power cable capacity. Also, we are increasing our copper wire manufacturing, PVC compound, which is backward integration and to meet the demand of wire and cable. Again, we will increase the demand of PVC compound, E-beam facility and for this, we are, already we have made the expansion plan and in the phase of execution, the same.

Natasha Jain: So, right now, I would say approximately 26 to 27% comes from your B2B, which is cables and EPC. So, once these capacities are up and running, what can be the cable contribution or rather the B2B contribution?

Rajesh Jain: So, first, we are not in EPC, but B2B, it is like almost contributing 25% to 26%. And with this increase, I can say by FY '26, this contribution can be like 70, 30 or maybe 68, 32, something like that. Because at the same time, we will also grow in wire segment also. So, growth will be in both the segments.

Natasha Jain: Understood, sir. And lastly, can you give us some growth guidance in terms of where do you see the top line and EBITDA margins moving probably in the medium term, say by FY '26?

Rajesh Jain: So, see, when we talk about wire and cable revenue, it depends on the material prices. But at least we can say, like as you have seen, we are growing more than 20% and we would like to continue in the same segment, in the same range. And at the same time, like we have seen EBIT margins of 9% in wire and cable for this half, which is a very good growth we have done already over the previous year. And by focusing on some cost optimization and better product mix and scaling up our operations, we can expect further improvement in our margins profile.

Moderator: Thank you. We have the next question from the line of Ankur from HDFC Life. Please go ahead.

Ankur: Yes, hi. Good afternoon, sir. Congratulations. Great set of numbers. Just going back to your exports on the wire and cable side, as you said, about 30%, close to 30% is exports. If you could just talk about which are your key geographies, say the top four, five geographies, how are they behaving?

Any signs of a slowdown, given we're hearing of globally things are kind of getting a little softer? So how are you seeing, say, your current backlogs? How are they in terms of inquiries, etcetera?

Rajesh Jain: So we have seen very good growth in our export business and there is a good demand also. If we talk about geography, like our export revenues are coming from Europe, comprimising UK and then USA also contributing to our exports, and UAE, Middle East. And the good part with us is that almost 90% of our sale is in our own brand, which is very big.

And this is a repeat business. And there also, the majority of our sales is into B2C segment. So we are seeing good demand and also anticipating this demand will continue and grow further in the near future also.

Ankur: Okay, so no signs of a slowdown yet, right? I think that continues to be a norm. And then, sir, within the domestic piece, if you could talk about your regional breakup, I don't know if you share numbers in terms of how North, West, East, South. I'm assuming North and West would be the stronger markets for us. So any regional split you can tell us? Also, what are you trying to do to increase your market shares in some of the weaker regions in India?

Rajesh Jain: So as rightly said by you, we are very strong in the North and West part of India. But at the same time, we are also expanding our sales in the rest of the zones, South and East. And in the previous few years, we have met very strong dealer-distributor network, retailer network, and electrician network.

And so though growth is now coming very fast from the weaker section, but since they are lower weighted, so it doesn't seem that significant. But we have equal focus to grow in all zones of India.

Ankur: Okay, and any numbers you can share, sir? I don't know, in terms of regional mix, how much would North be, how much would West be together or individually?

Rajesh Jain: So like North and West is contributing almost 65% of our total revenues.

Ankur: And lastly, on the FMEG side, losses obviously seem to be slightly on the higher side, your 12% negative EBIT margins on a Q-o-Q basis. So any outlook I understand, the industry itself overall seems to be going through a weak kind of phase, the whole consumer sector space is a little weak. But what steps are we taking? How do you see that, the path to breakeven and profitability?

Rajesh Jain: So when we see about our FMEG business, we need to see that we are very young in this area. And like we started our FMEG segment in FY 2019 only. And this is a segment where you need to give time to establish your brand, products and market itself.

So as per our understanding, we have right focus on our distribution network, correct product profile. If you see, we are present in fans, lighting, switchgear and home appliances, which is a very big segment of FMEG sector. And with our current focus on distribution, we have grown at 20%.

Like when most of the players were either flat or to the negative growth, in that time period also, we have grown at 20% Y-o-Y. And when we talk about profitability, like though right now we have a big losses of about 10%, but by growing up our scale, changing our product portfolio by moving to more premium segment, we are expecting that this losses will reduce to great extent in coming times.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.

Praveen Sahay: Yes. Hi, sir. Thank you for taking my question. So sir, related to your wire and cable volume growth, as you had already mentioned for a first half 28% of a growth. And if I look at the first quarter, it is quite on the higher side of 36%, 37%. So the second quarter is on the lower side of a growth as compared to the first quarter.

Rajesh Jain: So if I see this quarter growth was normal when we compared with only Q2, but yes, Q1 since growth was on higher side. See, this industry is expected to grow at 13%, 14%. And against that, on average basis also, we are going more than 20%. So there may be like some variation when you compare it with a very small timeframe, but overall, we are expecting good volume growth and we will maintain this volume growth.

Praveen Sahay: Okay. And the next is the export has grown a faster rate this quarter as compared of the domestic. So can you give some numbers for the domestic, like how much the domestic volume grew? Is it in the teens?

Rajesh Jain: Yes. So like I guess it's 28%. Volume growth in domestic maybe around 25% or26%. Export maybe 30%, 32%. But overall, as I said, there may be 1% or 2% up and down always. Like in product mix, maybe this ratio can be 73%, 27% or something like that. But overall, we have equal focus on our export as well as domestic market.

Praveen Sahay: Okay. So the question on the gross margin, because the gross margin has improved sequentially as well as yearly basis. So what's the factor in that, that's the one, the pricing or the raw material prices? What exactly is the reason for the significant improvement in the gross margin? And where you will see this gross margin to be in the range of way forward?

Rajesh Jain: So right now we are in the range of approx 20% gross margin. And this improvement has come from two, three factors. Like one, we have a good product mix in our sales. So we are focusing on high value added items. Secondly, also since copper prices were in stable mode. So like we could improve our margins. And now thirdly, we will also, since we are scaling up our operations, so from efficiency level also, our margins will keep improving as our volumes will grow.

Praveen Sahay: Okay. And also if you can add over here that the export gross margin versus domestic, is it similar or is there any differences?

Rajesh Jain: So both export and domestic market are different products and different markets. And even our distribution technique is also different. So in exports we have lower margins. But at the same time now since we are changing our product mix and moving towards export of high value added items, so now the difference will day by day get reduced and there will be overall improvement in our margins.

Moderator: Thank you. The next question is from the line of Vivek Gautam from GS Investment. Please go ahead.

Vivek Gautam: Basically, I just wanted to know about this foray of your tying up with the different electricians and who are the major influencers. How is that acting? How is that performing? Astral also did the same thing similar with the plumbers and that I believe was the key reason behind their success story. So is it in the investment phase or the returns have already started showing? The second question is FMEG business turnaround, why can we expect sir?

Rajesh Jain: Okay. When I talk about electrician networks, we have one of the largest networks of electricians. And as you were giving an example of plumbers and pipes, same way electricians play a role in wire segment. Whenever like you or me make home, rather than branding what brand of wire and cable you will have, most of the time electricians refer to which brand we should use.

So that's why we have this loyalty management program for electricians and our 100% this program is online and digitalized. And we have seen a very good growth in the number of electricians registered in our area. So already we have invested and made a good investment in this program and now we have seen a good number of electricians who are using our brand and referring and using our application and products. And when I talk about FMEG, your second question, so like we are expecting to break even or come into the black by FY25.

Vivek Gautam: And sir, our margins are much higher in the domestic business and exports have been our focus since beginning and despite being of the lower margin. And any temporary setback or headwinds we are facing in exports due to Ukraine war and now this is Israel crisis and other things.

Rajesh Jain: So our export focus was since beginning. Like we were the first company who startedexport ofwires in year 2001 and as you can see our export has grown like contribution from export has come to 29% from 25%, 27% a year back. So altogether we have not seen any impact in our demand due to Ukraine or geopolitical demand what situation we have seen in recent past also.

And since we are exporting to more than 65 countries and this is a regular business so we do not foresee any change. There may be like some changes in geopolitical, but we have sufficient markets where we can mitigate the risk and fulfil the shortfall if any comes from any one sector we can fulfil that other sector, other geography, other product. So we do not foresee such shortfall in demand.

Vivek Gautam: Okay, thank you.

Rajesh Jain: Yes, thank you.

Moderator: Thank you. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: Yes, so thank you for the opportunity. My question was on the export piece. We have seen that the growth in this quarter was better than the domestic business. So is there any seasonality element here or structurally our company's revenues will be inclined towards the export business? Just wanted to get your sense on this element?

Rajesh Jain: Yes, so sorry the line got disconnected. So here the thing is like our export has increased from 25%, 27% a year back to 29%. But there is no such seasonality aspect. There will be always a variation of 1% or 2% up and down in this ratio. But since we are growing more than 20% in both the segments, so there is no seasonality effect, but it is like just a time where there may be some variation in demand in both the sectors. But otherwise, we will maintain this ratio of 25% to 30% export and 70% to 75% domestic. And we have equal focus in our export and domestic market.

Deepak Lalwani: Sure, got it. And so given that we have lower margins in the export business, but in this quarter we were able to show higher margins despite higher export mix. So is there any change in the product mix that you have done in the export piece? And how is the profitability improving in the export business?

Rajesh Jain: So like both the markets are different, export and domestic. So there are different kinds of products, different kinds of valuation. But yes, we have focused now to convert our export business in more high value added items. And as you can see, we are not only growing in volume but also in profitability. We are growing at both the fronts. And our focus will always be to improve our margins and revenues in the coming time also.

Deepak Lalwani: Got it. And sir, what will be the utilization of our current capacity? And if you can give us a sense of how much capacity addition would come with this INR500 crores capex?

Rajesh Jain: Yes, so like right now we are at almost 70% of our capacity utilization. And in this industry, 70% is considered a very good capacity utilization looking to the vast range of products and the category of SKU we handle. And now with this capex, like we are doubling our power cable capacity. And also in copper wire, our capacity will increase by almost 20%.

Deepak Lalwani: Okay. So the entire INR500 crores would come in in one go or will it be in cases? And when should this plant commission? And do we have enough capacities? Since, you said 70% is optimal, do we have enough capacities and enough room to grow another 20% in the second half of this year?

Rajesh Jain: Yes, so this capex we are expecting to get completed by end of FY25. And revenue will start coming in FY26 from this capex. But since few of the capex like small capex is already undergoing, we have enough resource to fulfil the demand of at least 20%, 25% in the coming year.

Deepak Lalwani: Sure, sure. Thank you, sir. Thank you.

Rajesh Jain: Thank you, Deepak.

Moderator: Thank you. The next question is from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead.

Keyur: Congratulations to the team for strong results. First question is on the profitability. If I just back calculate the last year second half profit EBITDA margin blended, were around 7.5% and we are already there in the Q2. So, from here on, should we expect further improvement in margins or probably these are more steady state margins at least in the near term for next two, three quarters? That is first question.

Rajesh Jain: So like we are in range of 7.5%, 7% to 8% and we will maintain and we will try to improve these margins. Though there may not be a very big difference, but of course there will be improvement due to focus on right product mix due to by better efficiency in our manufacturing itself and same time improvement in our FMEG profitability as well.

Keyur: Understood. This margin improvement is now function of price hikes and reducing the gap with competitor or it is a function of cost optimization and what are the levers for margin improvement from here on?

Rajesh Jain: So it will be combination of two, three factors. As rightly said by you, there will be, of course there will be improvement in our pricing also. At the same time, we will achieve some cost efficiency due to more utilization or better utilization and third also in changing product mix. Like as we said in FMEG, now our focus is to have more premium and mid-premium category of products where we can have improvement in our margins. So this will be combination of all the factors which will lead to improvement in our margins.

Keyur: Okay. Second question is, as you mentioned 70% utilization. So the future growth at least till FY26, how will this drive the volume growth? Which are the brownfield expansions or the existing capacities? How will you expect them to grow looking at 70% utilization?

Rajesh Jain: So see, we have continuous expansion plan like a few of the machineries where we have bottleneck to improve our capacity utilization. We are focusing to remove that bottleneck net.

So this growth of like or at least to meet this extended demand of 20%, we have sufficient capacity in pipeline which can meet the increased demand till FY25. And the capex plan what I have described of INR500 crores rupees that will help us to meet the increased demand in FY26 and onwards.

Keyur: Okay. Understood. Thanks a lot. All the best.

Rajesh Jain: Yes. Thank you.

Moderator: Thank you. The next question is from the line of Akash Javeri from Perpetual Capital. Please go ahead.

Akash Javeri: Good afternoon and thank you for the opportunity. My question is on the FMEG side. How is the current demand in the fan segment and how is the premium BLDC segment performing in fans and what is it as a percentage of our overall fan sales currently?

Rajesh Jain: See, fan contributes almost 48% in our FMEG segment. And though first half of current fiscal year was very muted and there was not that much demand due to some weather changes and there was rain even in north India in the month of April and May. So fan was not that much great for first half.

But now in second half, again, fan season starts in the month of December and we could estimate good demand in the second half of current year. As much as we talk about BLDC, this is new budget in this industry and since there will be electricity and power saving also, so we see good replacement demand due to introduction of this BLDC fan. And we already have that product range in our FMEG portfolio.

Akash Javeri: How do you see the BLDC segment growing over the next few years? Like what percentage can it become of our overall fan sales?

Rajesh Jain: So this is very big game changer in fan industry. As we have seen from basic phone to mobile phone revolution, what we have seen, we are expecting the same change in fan industry also. We have very huge electricity saving and now people are quite congnizant to energy saving. So I see full improvement and good scope in BLDC fan utilization.

Akash Javeri: Sure. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Bhavya with KRIIS. Please go ahead.

Bhavya: Congratulations on great set of numbers. So I just had a question like do we cater to the government business in any direct or indirect way? So do we apply for any tenders or from any EPC guys?

Rajesh Jain: So directly we have very small sector. Hardly 1% of our revenue comes from direct government supply. But indirectly of course we are supplying to some of the projects through contractors.

Bhavya: Will it be possible for you to put a number to it? Like what percentage?

Rajesh Jain: So we have very broad classification of our revenue in terms of like 75% of our revenue coming from B2C and 25% from B2B. But furthermore, we do not have that much visibility because most of the sales comes from our distributor and dealer. So we do not have that kind of data readily available with us.

Bhavya: Got it. Got it. Also what is the capacity utilization and cables and wires?

Rajesh Jain: So in cable already we are at 80% of utilization while in wire it is like around 68%, 70%.

Bhavya: Perfect. Perfect. And we expect to break even in the FMEG space by FY25 right?

Rajesh Jain: Yes. Yes.

Bhavya: Perfect. Also, I mean with the IPO issue we had I mean we received some money in our other entity right? Ram Ratna Wire. So I mean what are we planning to do with that money?

Rajesh Jain: No that is not our purview. I cannot comment for that company.

Bhavya: Promoters are the same right?

Rajesh Jain: But still both are limited company, public company. So we cannot comment on strategy of other company. I hope you will agree with that.

Bhavya: Got it. Yes. Yes. Sure. Thank you. Congratulations.

Rajesh Jain: Yes. Thank you.

Moderator: Thank you. The next question is from the line of Simar from Negen Capital Services. Please go ahead.

Simar: Yes. Hi. Good afternoon. Thank you for the opportunity. So I have couple of questions. One being the previous year's acquisition for Luminous Power. How much do you in the FMEG segment, how much do you think is the revenue? Like what is the revenue for this financial and how much do you think, what are you targeting for FY'25 and FY'26?

Rajesh Jain: So like last year we acquired Home Electrical Business of Luminous, which was comparison of their fan and lighting segment. And like, I see now it is contributing almost 40% in our total revenue. But going forward since products are similar and even, so it will not be possible to track both the segments separately. But in FMEG overall we are expecting to grow like around 30% year-on-year basis for at least next two years.

Simar: Okay. Got it. And any further strategic acquisitions in the same sector?

Rajesh Jain: No. Right now we do not have any acquisition plan and our focus will be to strengthening our current business and to use to great extent to whatever current product profile we have.

Simar: One last question. Any EBITDA margin guidelines that you can give? I believe the previous panellists had asked the same question where you mentioned you would be increasing the EBITDA from 9% and more. How much, can you give a ballpark figure? Would it be in your teens?

Rajesh Jain: No. See our focus will be to improve that, but we cannot give exact guidelines. But yes, of course you can see from our historical records that we will keep improving in terms of volume and that will result into the improvement in margin by forecast approach in our business.

Simar: All right, sir. Thank you for this and wishing you and your team a very happy Diwali.

Rajesh Jain: Yes. Thank you and wish you the same.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.

Praveen Sahay: Yes. Thank you, sir, for taking a follow-up question. It's related to the borrowing. Can you give the end of September, how much is the total gross borrowing?

Rajesh Jain: Yes. We were having gross borrowing of around INR670 crores, which is mainly our working capital facility only. We do not have any term loan as of now.

Praveen Sahay: Okay. And second thing on the capex, that's the INR500 crores of capex. Is it funded through the internal accrual or the borrowing is also…

Rajesh Jain: It will be completely funded through internal accruals. We have sufficient cash flow to meet that capex plan.

Praveen Sahay: Okay. And lastly, sir, on your working capital, is there a scope for improvement from here onwards as well?

Rajesh Jain: So, see, currently we have net working capital days of 65 days, which is very good, one of the very good working capital days in this industry. But still we will keep improving. But though I do not foresee a major or any significant changes now going down from this level.

Praveen Sahay: Why I'm asking, sir, is because your export is also increasing. So is that the export have a higher working capital as domestic? Is it like that?

Rajesh Jain: Yes. To some extent. My receivable days are only 35 days. But since, see, our exports are sometimes, it is to Europe and US, where even transit time itself is 25 to 30 days. Therefore, we have some higher days. But still it is contributing not that much high. And like 35 days are reasonably good receivable days.

Praveen Sahay: Okay. Great, sir. Thank you. Thank you for taking my question. All the best.

Moderator: Thank you. We have the next question from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead.

Keyur: Sir, just to better understand the export business, generally what kind of visibility you have in exports looking at higher transit time? So is it more order-based and you have three-month or five-month, six-month visibility? So how does export is different versus, say, domestic business? And what kind of visibility do we have?

Rajesh Jain: So the good part in our export business is that our export is also like repetitive business and it is distribution-led business. And where we good- very well-planned demand order before two months or three months. So there we have pipeline of two months, firm pipeline of two months and rotational pipeline of another one months or two months. So in that way, we can manage our production and logistic part effectively and efficiently.

Keyur: Okay, understood. And just from the growth perspective, which segment do you expect to grow faster, domestic business considering good real estate pickup or export on a low base?

Rajesh Jain: Both. See, we have equal focus. As I earlier also said, see, when you are targeting more than 20% growth, you have to keep equal focus on domestic as well as export, or even like new product, new geography, and even on current product also. So we have equal focus on that and we'll keep growing in domestic as well as export market.

At the same time, when we see about the factors which are affecting the increase in demand, we have seen very good demand not only from residential or real estate sector, but also in infrastructure, in renewable energy. We have seen a lot of investment coming in solar, wind, power.

And even when we talk about electrical vehicles, so there is like two, three kinds of demand, not only for manufacturing or electrical demand, but also to making infrastructure for EVs. So altogether we see very good demand, not only in India, but domestic also, we have seen good demand. In spite of people when they talk about slowness or negative demand in Europe or something, but we have seen good demand.

Keyur: Okay. And last question. If I look at FY '23, second half was stronger than first half. Now, is this the case, generally? Or in actual sense, second half had higher base in FY '23?

Rajesh Jain: So this is general trend of this industry that normally H2 is always little bit higher side from H1 side, but it is not any something fixed trend. But we are expecting same trend will remain to continue and H2 can be more stronger.

Keyur: Okay. And the kind of growth that you have witnessed in quarter two of this year, in percentage terms, will we continue with such kind of growth as base goes higher in next, over next two quarters or three quarters?

Rajesh Jain: So again, as I was saying, we are focusing in volume growth. We will try to maintain the growth of more than 20% in wire and cable and 30% in FMEG. And we hope this will continue for next two quarters- three quarters.

Keyur: Understood. Thanks a lot. All the best.

Rajesh Jain: Thank you.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we will take that as the last question. I would now like to hand the conference over to Mr. Shreegopal Kabra, sir for closing comments. Over to you, sir.

Shreegopal Kabra: Thank you. Certainly, India's wire and cable industry continues to benefit from strong campaigns, such as Government'sInfra and Make In India Initiatives and Policy Reforms, promoting production, export and ease of doing business, etc. We believe our cable is well positioned to capture significant shares of this growth due to its existing market share, brand recognition and diversified product portfolio, ability to innovate, scale up operations, sizable and certified manufacturing facilities, and infrastructure quality and safety of products.

And vast distribution reach with potential to scale up its FMEG business well. With this, I would like to thank you for joining with us today. In case you have any follow-up queries, please do connect with us. Thank you and have a great day ahead. And I am wishing you a Happy Diwali and a Happy New Year.

Moderator: Thank you. On behalf of RR Kabel Ltd, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.