



“Finolex Cables Limited  
Q3 FY '23 Analyst Conference Call”

February 13, 2023



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**MS. MAMTA SAMAT – PERFECT RELATIONS**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Analyst Conference Call of Finolex Cables Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone telephone.

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

**Mamta Samat:** Thank you, Melissa. Good evening everyone and thank you for joining us on Finolex Cable Limited Q3 Analyst Conference Call. Today, we have with us the senior management represented by Mr. Mahesh Viswanathan, CFO. Before we begin, I would like to say that some of the statements that will be made in today's discussion may be forward-looking in nature. We will begin the call with the opening remarks from the management, after which we will have the forum open for the interactive Q&A session.

I would now request Mr. Mahesh Viswanathan for the opening remarks. Thank you, and over to you, sir.

**Mahesh Viswanathan:** Thank you, Mamta. Good evening, and a very warm welcome to everyone participating in this conference. Very briefly -- I'm sure you must have also seen the results announcement as well as the presentation that we have posted on our website.

To **recapitulate**, quarter 3 was a good quarter for us. Revenue was up **at** about INR 1,150 crores, about 18% higher than corresponding quarter in the previous year and about 6% higher than the preceding quarter. For the 9 months ended December, our revenue was up at INR 3,256 crores, up from INR 2,582 crores.

Electrical cables had a fairly good quarter again, INR 947 crores versus INR 826 crores in the corresponding period of the previous year, **and** INR 878 crores in the immediately preceding quarter. Likewise, the 9 months ended December also saw a good increase, INR 2,651 crores versus INR 2,167 crores.

We saw volume increase across the product chain, whilst the volume increase was about 24% in the quarter. And in the communication cable segment, the metal-based cables were up by about 30% -- sorry, 40%, whereas optic fiber cables grew even higher. The last quarter was somewhat of an aberration where we had to take a hit on the margins, especially in the light of higher opening inventories, which were at a higher cost. That has, I think, been fully absorbed. And I think we are seeing a return to normalcy in terms of margins. EBIT numbers were at about 14%.

I think overall, the business scenario seems to be getting back to normalcy. For the first time, most of our product lines are showing growth rates, which we saw last in 2019 pre-COVID. So in that sense, I think we are seeing a return to normalcy. The economy seems to show signs of getting back on its feet. And I would say that largely, the fears of COVID are behind us.

Profits for the quarter were at about INR 135 crores up from INR 95 crores 1 year ago. And for the 9 months ended December was about INR 367 crores up again from INR 300 crores 1 year ago.

So with these brief remarks, I'm happy to answer any questions that you may have.

**Moderator:**

We have the first question from the line of Rahul Agarwal: from Incred Capital.

**Rahul Agarwal:**

I had three questions. Firstly, to start with on communication cables, could you help us understand which products are actually driving this segment revenue growth? We're almost back to highest ever revenues, but margins are obviously lower. Last time, you explained that they are lower because of some new orders, which are very thin margins, but if could elaborate in terms of what the sustainable revenue trend and margin trend here over the next 1 to 2 years will really help. That's the first question.

**Mahesh Viswanathan:**

Okay. I think across the product chain on the segment, we have seen increases. Fiber and fiber-based cables almost doubled in volume. But like I mentioned earlier on, the contracts with the telcos, now **are** annual contracts. So while we try to factor in whatever possible changes there could be in your input price, you will have to absorb any variations that may come to us. And secondly, all telcos now resort to **reverse auctions**. So the margins are fairly thin.

On the metal side, metal-based communication products, we have LAN cable, you have coaxial cables, you have telephone cables, you have a few other product lines. All of them have improved volumes by between 30% and 40%. But there, if it is metal based, then I think there is a slight bit of commodity risks that we carry, but the contracts are not as long as one has with the telcos. So margins are slightly better at this stage on those products. But I think going forward, volumes are going to come from the optic fiber side.

As you know that in the recent budget also, the Finance Minister has announced quite a hefty capex around BSNL, around 5G and so on. So all that -- while it will not happen in 1 year, I think that momentum will continue for the next few years. The 5G rollout, again, it will continue for a few years and then added applications that might need more fiber will drive the business forward. Also, we are seeing in the past quarter, a lot of interest in companies wanting to set up fairly large data centers in the country. And that, again, might -- will consume not just optic fiber, but also other products that the company produces.

**Rahul Agarwal:**

So in terms of revenue, I mean, we are hitting like INR 150 crores a quarter on an average. Could you give us a sense in terms of what should we assume over the next 1 to 2 years in terms of annualized revenue run rate and margins, please?

**Mahesh Viswanathan:**

Well, if the government spends actualize in terms of what they have committed, then it can be at least INR 200 crores per quarter. So like I've been saying in the past also, a large contributor to this sector is going to be spends from the government. So while announcements keep happening, that also needs to follow -- that also needs to be followed by actual spends on the ground. And sometimes that is where the **delays** take place. And that is one reason why you do see variations between year-on-year and the growth is not -- it's not linear. So you do have

bumps in between. But barring that, if that spend happens as promised, where I think INR 200 crores is not a difficult number to achieve.

**Rahul Agarwal:** And margins?

**Mahesh Viswanathan:** Margins, I think at the moment is going to be single digits. We will have to see when value-added propositions come out there.

**Rahul Agarwal:** Got that. My second question was on FMEG segment. Could you elaborate like how many products do we have here? My understanding is fan switches, irons and users are largely the products. And breakeven, I think, is almost done at INR 200 crores of sales. I think you've already achieved that. What should we expect there in terms of growth and margins over the next 1 to 2 years?

**Mahesh Viswanathan:** Well, currently I mean, this quarter, actually, irons were introduced in January, so it is a current-quarter introduction. But so far, therefore, it has been light, fans and water heater products, around those appliances. Like I said, we have introduced irons now. There would be more coming, but we've not made an announcement, so I'm not talking about it right now. There would be more coming.

And I think our immediate goal of INR 200 crores for the current year is not very far away, that should be reasonable. And going forward, our intention is to hit this INR 500 crores number in the next 1 to 2 years and then take it up significantly. Margins, I think, like I mentioned earlier, breakeven would be around INR 200 crores. We should see incremental numbers coming in afterwards. It also would depend on what new additions we have to the product profile. So if -- and that's a choice that we have to make to see that those products are incremental in margins and not the only one.

**Rahul Agarwal:** So INR 500 crores in 2 years, is that all organic? Because I think demand is not as...

**Mahesh Viswanathan:** That's the ask that I have. How we get there could be organic and to some extent inorganic. We have a cash pile that we are willing to use providing the valuations are right. So far, we haven't found anything where the valuations have been acceptable to us. The ask has been a way beyond what we are prepared to pay, and so we are growing very slow on that.

**Rahul Agarwal:** So that includes inorganic as well, right?

**Mahesh Viswanathan:** Yes, absolutely.

**Rahul Agarwal:** Okay. And lastly, on capex, I think first half, as per cash flow statement, I think it was pretty low INR 15 crores. What's the budget for '23 and '24? And if you could help us with the current utilization across products and where do you add capacity?

**Mahesh Viswanathan:** So capacity additions are happening at our cable plants in Goa and at Urse. In fact, that is more or less completed. There is expansion happening on the optic fiber of the clearing plant, additional line is being put there. The -- finally, I think we should see the end of light for the electron beam project soon. That should be -- that money should be spent in the next 8 to 12

months. So the program that we announced of INR 200 crores over 2 years, that should get completed next year.

**Rahul Agarwal:** And utilization, where are we across products?

**Mahesh Viswanathan:** I think we are close to 70% now. Some plants are fully booked, but overall, if I take the company average, it would be around 70%.

**Moderator:** We have the next question from the line of Sonali Salgaonkar from Jefferies India.

**Sonali Salgaonkar:** My first question is, we have seen a very notable increase and expansion in gross margin on a Q-o-Q basis. Sir, what could be the reason for that? Is it only because of copper prices? Or have we changed the business mix to a higher yielding product?

**Mahesh Viswanathan:** The large part of it is actually what happened in the last quarter. We have not changed our procurement policies, those continue. It so happened last quarter that there was a very sharp dip between -- with later stages of quarter 1 and the early stages of quarter 2 in terms of the copper price. And that left us holding high-priced inventory at the beginning of the quarter last year -- last quarter. And therefore, we had to take the price returns on these items. That is normalized now. So traditionally, if you see -- if you've noticed our EBIT margins have been around the 14%, 15% on the electrical cable side. And we've gotten like this. I think that's about all that has happened.

**Sonali Salgaonkar:** And secondly, we did mention most of the quarters last year that we were resorting to some sort of discounting post the COVID to incentivize the dealers, etcetera. Is that behind us? Or are we still discounting?

**Mahesh Viswanathan:** No. We didn't say we were resorting to different kind of discounting, no. What we mentioned was pre-COVID, there were multiple schemes that were running. And those schemes could have been around festival or around the season and so on. And those were quantitative -- I mean the schemes were quantity based. So if in a base period, somebody has purchased X and during the scheme period purchased X-plus, then they were entitled to a certain incentive.

Now we used to cost for the maximum amount of incentive that could be paid off, but the actual payout was less. Whereas then COVID hit us, the entire amount that we would budget for such a scheme or a discount was passed on the invoice directly. That was the only difference. I think we are slowly getting back to schemes. We're not fully transitioned yet. There are a couple of schemes running, and there are some discounts which are given on the invoice. So at the moment, these are still transitioning back to normalcy there.

**Sonali Salgaonkar:** Sir, and secondly, on the demand scenario and this is more from the industry perspective, are you not at all seeing any slowdown or softer offtake in construction? And what are the kind of inventory levels in the channels?

**Mahesh Viswanathan:** See, the last 6 months have been characterized by two things happening. One, on one side, construction activity has picked up. And therefore, there is a certain level of demand, which

continues. Also, there have been instances when commodity prices have moved both north and south. As it moves north and we announced that in the next 10 days, prices are going to be hiked. In that 10-day period, there is a lot of stocking up.

And if the movement stays at the level where it has gone up to, then buying continues, there might be a small lull for a couple of days or a week in. But if there is a price drop afterwards then the movement starts. So we have seen a little bit of growth. So I think the volume increases to some extent is demand-driven, and I think to a smaller extent is commodity price driven.

**Sonali Salgaonkar:** Understand. Sir, what is...

**Mahesh Viswanathan:** How much is what, I really don't know.

**Sonali Salgaonkar:** No, no, that's fine. So what's -- can you kindly quantify how much price increase you took from, say, first of October up till now?

**Mahesh Viswanathan:** In quarter 3, we took one price increase, I think that was about 3% or so -- 3% or 4%.

**Sonali Salgaonkar:** Across most of the product categories?

**Mahesh Viswanathan:** Wherever metal was involved.

**Sonali Salgaonkar:** Understand.

**Mahesh Viswanathan:** That is between October and December.

**Sonali Salgaonkar:** And nothing from January?

**Mahesh Viswanathan:** So from January, we have had, I think, two hikes.

**Sonali Salgaonkar:** And what would those be?

**Mahesh Viswanathan:** Those would be another 5%, 6%.

**Sonali Salgaonkar:** Cumulative.

**Mahesh Viswanathan:** Yes.

**Sonali Salgaonkar:** Of both the hikes. Got it. Sir, lastly, in FMEG, you did mention in the earlier calls that you had increased the distribution network. So what would be the number of your overall distributors? And how much of them would be exclusive FMEG?

**Mahesh Viswanathan:** Exclusive, I think, there are very few. There are people who deal in all the products that we -- or a combination of multiple products that we have. So I don't think there are very many exclusive distributors. The last distributor count was about 688 or 689.

**Sonali Salgaonkar:** For the company as a whole?

- Mahesh Viswanathan:** Yes.
- Sonali Salgaonkar:** Understood. And sorry, last thing on communication cables, how much of our overall business in communication cables is from government? And what is our market share over there?
- Mahesh Viswanathan:** BSNL has not got much in the last in the last 9 months, there was actually only one tender. Most of the product sales have been to non-government agencies. BSNL/DoT are anyways planning a large buy in the coming period. So we'll have to see how much of that we are able to get.
- Moderator:** We have the next question from the line of Nimit Gala from Ace Lansdowne.
- Nimit Gala:** So most of my questions are already answered. So that's a single question. How do you plan to deploy almost INR 2,200 crores cash, which you're holding currently? I understand that we cannot go for expensive acquisitions right now and total capex line, which you guided around INR 200 crores. So what about the rest? Are we planning to increase dividend payout ratio or something else?
- Mahesh Viswanathan:** I think we have seen this question coming up in earlier calls also. The money can be used -- it either goes back to the shareholders or is used to expand business. And we are actively looking at multiple opportunities to expand business. But the price that we would like to pay should be something that is acceptable.
- I'm sure you'll all agree that valuations today are way beyond what any sane person should pay for. So I think that is where the deployment is held back a little bit. But if we are not able to do that, then I think the only other channel is the money can go back to the shareholder. So when and how that the Board will discuss. But from my perspective, these are the 2, 3 areas that we can go to.
- Moderator:** We have the next question from the line of Praveen Sahay from Prabhudas Lilladher.
- Praveen Sahay:** The first is related to the price hike you had given that's 5% to 6%, that is related to the electrical cable or...
- Mahesh Viswanathan:** Right. Not just electrical cables, there are some communication cables which are metal based where copper is used that also has been increased.
- Praveen Sahay:** Okay. And the contribution of fiber in the communication cable, how is that? Optical fiber?
- Mahesh Viswanathan:** Of the communication cable sales, approximately 2/3 would be fiber related.
- Praveen Sahay:** And on your high-voltage and extra high-voltage power transmission line, how is the performance there? Is there any traction?
- Mahesh Viswanathan:** Okay. The things are slowly -- we are seeing light at the end of the tunnel. The order book is filling up. Currently, we are sitting on about INR 350 crores worth of orders. The challenge now is to ensure that execution happens on time so that the margins can be realized. So -- and

order booking has been fairly robust. So if that continues, then I think losses should soon be a thing of the past.

We have now an order book that stretches across the EHV spectrum. So there is 110 kV, 220 kV and also 400 kV. So that's good. And on the other hand, from the market side, we do see quite a number of tenders opening up for the higher sizes. So as we have more turnover on those sizes and experience on the sizes, then more avenues open up in terms of qualifications in terms of possibilities to participate. So I think that part is now slowly doing well.

**Praveen Sahay:** And out of this INR 350 crores, how is the timeline execution? Is it near term or 12...

**Mahesh Viswanathan:** The plant is booked for the next 9 months. So what can delay things now are production clearances from the utilities; So execution, what I mean is we are not just supplying a cable there, we also have to lay the cable and commission the cable across its route length.

And typically, that is where we have issues in India. It starts with right of way, then it is with permissions. And unfortunately, you don't have a single window permission package for any of these places. So you have to go to multiple authorities to get permissions from. So if there are delays there -- and typically, you also know that you might have seen this even in road building, you have vested interests which come and delay things. So those are the only things that can delay the process. Otherwise, it should now be smooth.

**Praveen Sahay:** And the last question related to electrical cable. You had given a 24% of growth in the wire. Can you give some more colour on that from where it's coming?

**Mahesh Viswanathan:** Largely from construction wire, automotive wire. Agriculture wire has been kind of flat, but construction, automobile and to some extent, also industrial wire.

**Moderator:** We have the next question from the line of Priyank Chheda from Vallum Capital.

**Priyank Chheda:** I have two questions, both related to distribution fund. So we have a retail touch points, which has been stagnant around, say, 1.5 lakh touch points versus one of the Chairman's guidance in the media which said that you plan to reach to 2 lakh retail touch points by this financial year-end. Request if you can provide some clarity on that?

**Mahesh Viswanathan:** Okay. So as we are appointing more distributors, we ensure that the distributor has an opportunity size of at least 300 retailers in his geography or her geography. So currently, we are at about 688 distributor, I think. And on average, each one of them have an opportunity size of 300 each. So that takes it to above 190000 opportunities.

The challenge there is how do you convert all the 190,000 retailers to become Finolex customer? Last year at the year-end, we had invoiced to just under 1 lakh retailers unique. I think we should surpass that number fairly easily this year. And then the next task is to see how regularly do they buy, what wallet share of their value do we capture [inaudible 0:29:14]. So it is not a journey that gets completed in a short time, it takes a little while to get there.

But I think in the last two years since we started this journey, from less than 40,000 retailers, we have gone over or close to – we almost touched 1 lakh like last year. And this year, we should cross that number further even.

So 200,000 is still a target. But as we get near it, the target will again get moved to maybe 300,000. So it is going to be an expanding target or increasing target. And I think we are doing the right thing there. I think what we would probably have to have more distributors in a particular district. Currently, we are ensuring that there is at least one per district. Then, we like to look at the density of retailers in a particular place and then probably add more. So that is work in progress. But I think the job is on the right track.

**Priyank Chheda:** Right, right. So if I understand correctly, the current retail distribution strength or where we can touch points to the retailers would be around 1.9 lakh retail points versus 1.5 lakh that has been highlighted in the presentation. Is my understanding correct, sir?

**Mahesh Viswanathan:** That is correct.

**Priyank Chheda:** Right. And on the second point, within the distribution part. So we have taken multiple initiatives like you highlighted. Can you share your learnings and outcomes regarding the distribution strength that you would like that you would have learned over the last 9 to 12 months since you have implemented your learnings with respect to the wallet share that you can increase and rest of the things. So if you can share your learnings and what can be the further improvement in the quality of the current distribution strength that we can see?

**Mahesh Viswanathan:** I think there is -- it all depends on the diligence and the discipline, with which the field teams implement the plan that they have. No one person is going to buy from you just because you make one single call. There has to be patience. There has to be discipline in making sure that you reach them on a promise date every week, every month, every fortnight, whatever that particular date there was.

And also to listen to his voice, which are the units -- I mean which are the product lines that are selling there most? Do he have any issues in getting those products? Has he had issues in settling complaints? You have to listen to their voice consistently. It cannot be a onetime effort. And that coming with practice that comes with repeated calls to the distributor, calls when I am in physical visits and handholding the distributor. So I think we are learning to do that job better every day. **Can I say at any point in time that we have done all the learning?** No. I think we're slowly getting there.

**Priyank Chheda:** Right, right. Sir, just last question on the overall strategic part with respect to the electrical wires, we have seen there are a few other incumbents within this segment who have been aggressive with the similar retail touch points. They have a throughput of more than 3x of what -- or 2x of what we would be doing it.

So as a strategic steps, what are the steps that we have undertaken to revive this growth within these segments? If you can share your plans with respect to why do we stand -- where do we

stand as the right to win within this whole of the segment? What is the growth that we are looking at versus the industry growth that is there? So thanks for that.

**Mahesh Viswanathan:** I think I know which peer you mean. We focus primarily on wires. We are not a very large player on the cable side, except on the -- where we have put some effort on the extra high voltage side. But in the **medium** voltage and high voltage action, we are a very small player there. So if you exclude that, then our share is somewhere around 22% of the remaining market.

Could we do better? Absolutely. What can we concentrate on? I think we have a wonderful brand value. The brand has -- it stands for quality, it stands for safety, it stands for its commitments. So I think we can do a better job of capitalizing on those. I think that is what we need to focus on. Together with better distribution, improved customer service, I don't see why we cannot regain our rightful place in the industry. It requires effort, but I think it is not something that is not doable.

**Moderator:** We have the next question from the line of Bhavin Shah from Sameeksha Capital.

**Bhavin Shah:** Yes. I -- the general impression that we get is that we are not very aggressive in the marketplace. There have been a couple of competitors who are far more aggressive, both in terms of appointing new dealers, providing incentive, as well as product availability and so on and so forth. So what is the overall strategy around this? Are we responding to it? Are we responding in which way, and which geography? Could you just talk about that?

**Mahesh Viswanathan:** Yes. So the last question was also around, I think, something similar and I mentioned the improved service to customers. So yes, I recognize the part about availability. And that is where I think the -- there is a lot of effort happening around, ensuring that no order goes unserved for lack of products, for lack of a particular SKU at that point in time. So, we are revamping our supply chain arrangements and we should start seeing a change in the availability fairly soon.

Having said that, I have not heard of a major complaint in the last 3 to 4 months. [**inaudible 0:37:21**] when you say aggressiveness, do you mean credit? If that is so, then we're fairly clear that that's not a space that we want to be in. We can arrange for credit through a financing agency, but we do not want to take that credit exposure on assets. That is something that we are clear about. I think slowly, the others are also moving towards this direction.

What else was there? Price. In terms of price, I think we are probably at par with the other two leading players in the segment. There may be one of the SKUs where we are higher, there may be a few SKUs that they're higher. But on an average, I think we are more or less at par. Does that answer you or am I missing something?

**Bhavin Shah:** Sir, can you go deeper in a particular geography? Or how are we looking at -- because I see -- I know that some of your peers or competitors are kind of going aggressively in your geography.

- Mahesh Viswanathan:** That's true. But then price war is something that nobody's going to **win**. Eventually, it's not going to help the players.
- Moderator:** We have the next question from the line Akshay Kothari: from Envision Capital.
- Akshay Kothari:** Sir, can you give the geographical breakup of your retailers in terms of North, South, East, West? What would be that?
- Mahesh Viswanathan:** Retailers. I think we still have more presence in the South and the West, but unlike in the case of volumes, the Eastern and North are not too far beyond. It's not exactly 25% each, but South and West would probably account for 60%, while the rest account for 40%.
- Akshay Kothari:** Understood. And I was reading some of the reports, which mentioned that the copper content in Finolex cables is the highest. Now what is the reason for that? Is it something to do with our quality or because other players have already reduced their copper content in the wires and cable? So is there a hope for margin improvement? Or what is the thought process behind that?
- Mahesh Viswanathan:** Well, there is a standard. There is a design that is related to the standard and then the rest of it is mathematics. So I do not know which report you're referring to. So I'm not able to answer from the top of my head. But if you can share that report with us, then maybe I can...
- Akshay Kothari:** No, it was a report -- sell-side report, not any technical report. But what is the copper contained in our wires and cables, if you can give the breakout there.
- Mahesh Viswanathan:** It depends on the size. Now we have multiple size. There are multiple SKUs, there are close to 1,000 SKUs. So each SKU will have a different weight of the conductors, and that would then decide what the total content is. It depends on which application is going to be used for finally. So typically, applications which consume a higher load will have a higher copper content, applications, which consume a lower load, like, for instance, your lighting will have a lower content. But that's true for any wire maker. So if you can share that report, then I think my answer would be **better** -- I'm answering this on the **flight** - It may not be right.
- Moderator:** We have the next question from the line of Rahul Agarwal from Incred Capital.
- Rahul Agarwal:** My one question related to what participant asked, but in a different manner. My sense is that volume growth for the quarter was obviously very high. I'm assuming that Finolex did much better than the industry in the 9 months, which went by. Obviously, we're looking at RR Cables, APAR, KEI, all these names doing pretty aggressive and expanding distribution in South and West largely because they are weak there.
- Overall comments on market share, I mean, obviously, you mentioned 22%, but just in the context that last 10 years, I think we wobbled a bit. We had some loss of market share. Right now, are you happy where we are? And obviously, you mentioned that you can increase this going further. But any comments there related to this context?
- Mahesh Viswanathan:** No. There is more that we can move to gain our rightful share. I think the competition has been fairly intense over the last few years. And there are competitors who have been extremely

aggressive on price over a period of time and probably that's cost us some amount of share. We will have to build on our brand. And I think the way to sustainable growth is building on the brand and not just on -- not only on the price.

So finally, at the end of the day, you're also going to ask me, fine, you've sold so many tons of material in the market. But if all that means is 3% margin, what is the big deal. So we need to do a balance in there. And we'll have to see that while at one go, we ensure that there a fair market share that we have. We also need to ensure that, that is at a reasonable profitability that satisfies the investing community. Have we reached the balance, I don't think so, there is scope to improve there.

**Rahul Agarwal:** Could I safely say that the lost incremental market share loss has stopped for the company, and we are right now retaining whatever we have.

**Mahesh Viswanathan:** Yes, that is true. What I have has been retaining for the last 2 years, but where we were 10 years ago, we still have some time -- some ways to catch.

**Rahul Agarwal:** Got that. Second was on FMEG. This INR 200 crores business, would you split that between light, fans and users like largely approximate number? And how does the aftersales really work for Finolex durable business?

**Mahesh Viswanathan:** Well, aftersales in the sense are within [inaudible 0:45:21] fans now for a few years. And in terms of warranty costs or complaints, it is less than 1%. So in that sense, the quality of the products have been fairly good. We haven't had too many issues on the product side. That's one part. So after sales is related to parts getting replaced or warranty issues. Those have **not** been a major issue at this point in time.

Having said that, in terms of the share, lights and fans are larger than water heaters because water heater is a very seasonal product where it is, yes, there is a season, but then there is some quantity that is sold the rest of the year also. Lights and fans would be the major ones in that number.

**Rahul Agarwal:** Like 70% plus light and fans, is that fair?

**Mahesh Viswanathan:** No, I think we also have switches, switchgears and all that sort, it's probably half.

**Rahul Agarwal:** Got that. And lastly, EHV, I think this is part of the J-Power JV, and that was accounted as a single line item a share of profit from joint venture. Is that correct?

**Mahesh Viswanathan:** Yes, right. Yes. That's right.

**Rahul Agarwal:** And my understanding is that annually, I mean, if you look at the past numbers, this line had losses about INR 25 crores to INR 30 crores coming from this entity. Is that correct? Your share.

**Mahesh Viswanathan:** No. The total losses would have been around INR 25 crores. So our share will be approximately half.

**Rahul Agarwal:** And that goes to 0 next year. Is that correct?

**Mahesh Viswanathan:** That's my hope. Yes.

**Moderator:** We have the next question from the line of Amber Singhania: from Nippon India Asset Management.

**Amber Singhania:** So just one thing I wanted to understand from the distribution side, you mentioned that you raised 1.9 lakh retailer assets. If you can help me with how much unique billing you have achieved in Q3 and how much is the regular billing you have achieved? And also how this trend has panned out over the last, let's say, couple of quarters?

**Mahesh Viswanathan:** Okay. So last quarter, of the December quarter, I think we did a unique billing closed to 70,000 retailers.

**Amber Singhania:** Sorry, sir, I'm sorry, I didn't hear the number?

**Mahesh Viswanathan:** Unit billing was about 70,000 as opposed to 56,000 in -- 1 year ago.

**Amber Singhania:** In the quarter ago?

**Mahesh Viswanathan:** Yes. No, not in the quarter ago, 1 year ago. So comparative order was, I think, 56,000, have become now 70,000. And the last quarter was, if I recall correctly, it was about 62,000 or something like that, so 62,000.

**Amber Singhania:** And how about the regular billing, sir?

**Mahesh Viswanathan:** When you say regular billing, what you mean?

**Amber Singhania:** I mean multiple billings. The retailer you think that which has come on board fully rather than just a unique billing kind of thing.

**Mahesh Viswanathan:** I don't have that number. I'll have to get back to you.

**Amber Singhania:** But any trend on that line, sir?

**Mahesh Viswanathan:** I do know that the wallet share is increasing. Again, I don't have a number in my head. But the -- how many people are buying repeatedly also is something that I will have to get back to you. I'm sorry, I don't have that in front of me.

**Amber Singhania:** Sir, how is the internal timeline or targets to achieve this? I mean, it's been almost 2 years now. We have implemented this process on the entire distribution overhauling as such. Now going forward, how do you see to reach, let's say, from what we were 2 years back to around 70,000, 80,000 retailer kind of regular willing to reach that level? How long do you think that can take? Any colour on the timeline or your thought process on that?

**Mahesh Viswanathan:** Yes, we started this journey about 2 years ago, but we've also been continuously increasing our targets. So when we started, I think at that point in time, we had a retailer base of somewhere

around 35,000 to 40,000 retailers. What is the total base, not everybody was buying every day or regularly. So from there, our base has increased to 190,000. We have unique billing of 98,000 or so, close, just under 100,000. This year, I'm sure we will be way ahead of that.

And the volume of sales through the distributors has also increased. I just had some numbers in front of me. Wait a minute. Just a minute. So from about INR 700 crores last year for the 9-month period, the sales has grown to INR 1,100 crores this year through the distribution network. So it is climbing. And last whole year, '21, '22, the sales through distributors was about INR 1,150 crores, which we have already crossed in 9 months. So there is definite value coming from there. As we increase the geographical spread, as we increase the serviceability there, I think this is slowly paying off.

**Amber Singhanian:**

Okay. And sir, second question is more on a macro industry level question. Now last decade, we have seen earlier part more of a renovation demand, second part more of now real estate demand, then the COVID strike through and I think went haywire from the innovation side. Now as the things are reaching normalcy, we are seeing all the drivers are falling in place, be it real estate market picking up, expected renovation demand going to pick up and also the B2B or the industrial side also is doing pretty well.

What is your sense in terms of, let's say, slightly medium- to longer-term horizon demand scenario for wires and cable as an industry? Can we expect this kind of higher double-digit or high kind of growth in terms of volumes for some longer period of time given the current drivers? What is your sense on that?

**Mahesh Viswanathan:**

My sense has always been this. As an industry, we need to be growing at least 2x the GDP growth. If somebody says GDP is about 7%, which should be growing about 15% because there are many factors where the growth rate is not 7%, it's 4%, 5%. Some of these industries have to be at much higher levels to reach an average of 7%.

I have always looked at target level of at least 2x the GDP. And I think that is something doable. So as the growth story -- as long as it continues for India, then you can see that kind of numbers. You might see periods where the numbers are higher than 15%. You might see periods where it is less than that. But if the growth rate assumption for the country is about 7%, 7.5%, then it has to be at least 2x that much for the industry.

**Amber Singhanian:**

Got it. And lastly, sir, just within that, as the commodity prices subside, are we seeing a reversal or the coming back of the unorganized players a bit? what could be the current proportion in wires and cable between organized and unorganized assets? And how do you see that panning out in the future?

**Mahesh Viswanathan:**

So that's the question today is going to be a guesstimate. So I think there are still some outlets there. So -- but it's not as much as it used to be pre-GST. Pre GST, we all **thought** it was about half-half. I think that scenario has changed. Probably there is still some beginning 15% or 20% of presence there of the total market. But in the last few years, the entry of scrap in the country has been not very high.

These are all the basic material that they used to use for making their products. So if they don't have that basic raw materials and they are starved of metal. So I think that is acting as a natural barrier to them. But I think still some beginning 15% to 20% would be there. But there again, it's a guess. There is no real data available to support this number or any other number.

**Moderator:** We have the next question from the line of Khadija Mantri from Sharekhan.

**Khadija Mantri:** Sir, most of my questions have been answered. Just 2 bookkeeping questions. One is that what would be our capex target for FY '24 and FY '25? And second is the other income is around INR 33 crores in this quarter versus INR 19 crores in the corresponding quarter of last year. So just would like to know if there was any one-off income in other income?

**Mahesh Viswanathan:** No. The other income basically is 2 things. If you see the presentation, I think there is a chart on that. This is on page -- they are in the presentation. So what we have here is the interest income, which is more or less constant, which is about INR 13 crores. It was INR 12 crores last year. But we have investments where there is a gain on fair value method. That is about INR 18 crores this year or just INR 5 crores in the previous year. That's the major difference.

**Khadija Mantri:** And sir, capex target?

**Mahesh Viswanathan:** Capex. So you asked for '24, '25, is it?

**Khadija Mantri:** Yes.

**Mahesh Viswanathan:** We haven't finalized any plans for that period. There are still some conversations happening within the organization. So maybe 3 months from now, we should be in a better position to answer that.

**Moderator:** We have the next question from the line of Surabhi Saraogi from SMIFS Capital Markets.

**Surabhi Saraogi:** Sir, just one question. Can you give some outlook or guidance regarding revenue or margin for the next quarter and the next financial year?

**Mahesh Viswanathan:** I normally refrain from doing that. I think other things being equal, then the margins should be steady. So I don't -- therefore, I mean, not too much volatility in commodity prices, or no more shocks like what we had last year to like Ukraine, those kind of stuff.

So other things being equal, the margin should -- and I think if the demand is an indicator, then there should be positive growth. Typically, quarter 4 has always been our highest quarter. I don't see any reason at this moment why that should be any different for this year as well. I don't want to get into number situation at this time, but these are the broad indicators that I can talk about.

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

**Mahesh Viswanathan:** Thank you very much.