



## “Dynamic Cables Limited Q2 FY’25 Earnings Conference Call”

**October 23, 2024**



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**PRIVATE LIMITED**



**Moderator:** Ladies and gentlemen, good day and welcome to the Dynamic Cables Limited Q2 FY'25 Earnings Conference Call, hosted by PhillipCapital (India) Private Limited.

As a reminder, all participant lines will be in listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pranay Shah from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Shah.

**Pranay Shah:** Hi, good morning everyone and a warm welcome on behalf of PhillipCapital to the Q2 FY'24 Earnings Call of Dynamic Cables Limited. It being the first ever conference call being conducted by the company, we take joy in hosting the Management and wish to continue the same ahead.

We have the management today being represented by Mr. Ashish Mangal – Managing Director; Mr. Murari Lal Poddar, – Chief Financial Officer; and Mr. Govind Saboo – IR Advisor.

At this point, I will hand over the floor to Mr. Ashish Mangal for his “Initial Remarks”, post which we will open the floor for Q&A. Thank you and over to you, sir.

**Ashish Mangal:** Thank you. Good morning, everyone. It is my pleasure to welcome all participants to the maiden analysts call of Dynamic Cables. As they say, the first is always special and we will try our best to make this session as insightful as possible by addressing your queries and providing a better understanding of our company.

As many of you would be interacting with us for the first time, so let me start with giving you a brief introduction of the Dynamic Cables.

We are manufacturers of various types of power distribution cables and our product portfolio includes low voltage, high voltage power and control cables, flexible instrumentation and industrial cables, railway signaling cables, and now onwards, DC solar cables. We supply products largely to government discoms, private distribution companies, EPC contractors, and export to more than 42 countries. Our manufacturing plants are located in Jaipur and Reengus. As the industry trends have evolved, we have consistently expanded our capacities and modernized facilities.

Our journey began in 1986 as a partnership firm producing DPC wires. We gradually diversified into manufacturing conductors, low voltage, medium voltage, and high voltage cables. In 2017, we went public by listing on BSE SME exchange, followed by a migration to BSE Main Board in 2020. In 2022, we got listed on NSE Main Board.



In Q1 FY'25, we successfully raised Rs. 97 crores in growth capital from reputed institutions and HNIs. Our post-marketing listing journey has been remarkable with Dynamic Cables emerging as one of the leading power cable manufacturers in India. Since the listing, we have delivered 21.4% CAGR growth in cable segment, 25.7% CAGR growth in EBITDA, 31.0% CAGR growth in PAT.

Now discussing our performance in Q2 and H1 FY'25, I would like to share that Dynamic Cables continues on a strong growth trajectory supported by our record order book and sustained business visibility. We remain committed to maintaining financial discipline and safeguarding operational margins throughout our growth journey.

During this quarter, we witnessed an encouraging uptick in capital expenditure across both government and private sectors, driven by investments to keep pace with the growing demand for power. This positive momentum reinforces our belief in long-term growth opportunities, and we are well-prepared to seize these opportunities with our CAPEX programs on track. With a robust order book and strong order fulfillment capabilities, we are confident in our ability to deliver sustainable growth and maintain visibility into future performance.

In response to the growing transition towards renewable energy, we are excited to announce the launch of direct current, that is DC solar cables, designed specifically for solar power plants. These cables mark another step in our journey to expand into new product categories that align with industry needs.

On the financial front, we are delighted to report our highest ever half yearly revenue and record order book. In H1 FY'25, sales grew 32% over H1 FY'24 with EBITDA rising 35% to Rs. 45.6 crores. Operating margins stood at 10.3% and PAT increased by 54% to Rs. 25.5 crores, reflecting our strong financial performance.

Segment wise contribution in H1 FY'25:

Government sales, 28.4%. Private sales, 64.3%. Exports, 7.4%.

Product wise contribution in H1 FY'25:

HV cables, 60.01%. Low voltage cables, 32.98%. Railways signaling cables, 3.97%. And conductors, 3.04%.

As of 30th September 2024, our order book stands at Rs. 595 crores, providing strong revenue visibility. Our new growth areas for next five years shall be semiconductor industry, the data centers and the renewable energy sources.

The update on our capacity expansion. Our ongoing CAPEX is on track and should be completed by Q2 FY'26.



And thank you all for your time today. I look forward to addressing your questions and sharing more insights into our plans and progress. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Piyush Sevaldasani from Sundaram Alternates. Please go ahead.

**Piyush Sevaldasani:** Congrats for a great set of results. Sir my first question is on the fund raise which we did and the CAPEX which we have announced. If you can help me understand with the current capacities which we have, what is the kind of revenue potential possible from that?

And then the fund raise which we have done, what would be the amount of CAPEX which we would be doing? So, I see that in the first half we have done Rs. 17 crores of CAPEX, so if you can help me with that. And what would be the revenue potential from this CAPEX? That is my first question.

**Management:** Hi Piyush, this is Govind Saboo. So, basically, we generally do 5.5x to 6x our gross fixed asset as our sales, sales to gross fixed asset ratio we are doing now. So, typically, with the current gross block we believe that we will be able to do around Rs. 950 crores to Rs. 1,000 crores of sales, that is our capacity. And with the new CAPEX on track, we should increase this capacity by another Rs. 200 crores or so, because our CAPEX would be around Rs. 35 crores, Rs. 40 crores, so again 5.5x to 6x it will be Rs. 200 crores to Rs. 250 crores of additional terminal capacity which will get added in our plant.

**Piyush Sevaldasani:** Sure. So, sir, this capacity will come by the 2nd Quarter of FY'26, right?

**Management:** Yes, so we will be commissioning our plant in Q1, and I think this capacity will be available by Q2 next year.

**Piyush Sevaldasani:** Sir, my second question is on the working capital, so our working capital days actually increased last year, and in the second half I see that working capital days are still around 100 days. So, if you can help us, what would be the sustainable number for working capital? Do you see them going down?

**Management:** Yes, so basically 100 days is our normal working capital days, and quarter-on-quarter it keeps on moving based on the realization and the sales trajectory which we have. But typically, we have maintained, if you look at our track record also, we have maintained around 100 days. So, 5, 10 days plus/minus here and there, but typically that is our working capital days.

**Piyush Sevaldasani:** Sure. Sir my last question is on the newer products which we have entered, the solar cable, DC solar cables. So, if you can help us understand what is the total addressable market in this? Who are the other players, firstly, on the solar cables? And secondly, on the export opportunity, any traction which we have seen there? Yes, that's it from my side.

**Management:** Yes, so there is a lot of thrust on the solar power, as all of us know. And we believe that it is a global opportunity, we would be starting with the domestic market, but we believe that it's a



global opportunity going forward. I mean, the industry data says that the market should be around, total solar cable market should be around Rs. 10,000-odd crores globally, and in India it should be Rs. 1,500 crores to Rs. 2,000 crores. That is the best estimate which we have, we have no authentic source for this data, but this is the best case estimate which we have. And there are two, three more players who are providing/manufacturing solar cables, Finolex is one of them, I think there are a couple of more players which may be doing better actually, I think, Apar is there, yes.

**Piyush Sevaldasani:**

And sir, on export side, any increased traction there?

**Management:**

In solar cables or in general?

**Piyush Sevaldasani:**

In general.

**Management:**

In general, exports are good. The only, what I would say, the bottleneck was the sea freights because they had gone up very abruptly in the 2nd Quarter, and that took us back. But we have a good order book of exports, and it will pick up in the next quarter or the next half, I think, as the sea freights normalize.

**Management:**

So, there have been some delays in the shipments, but overall traction and environment is good.

**Moderator:**

Thank you. The next question is from the line of Praveen Sahay from PL India. Please go ahead.

**Praveen Sahay:**

Sir, can you give this growth number, the revenue growth numbers of the first half and the Q2 in terms of how much is the volume growth and how the realization has moved?

**Management:**

So, it is very difficult, on a like-to-like basis on cable industry, to measure the volume growth per se. But the majority of the growth is driven by volume, that's all we can comment as of now. So, it's difficult, because it's a customized product, volume growth is difficult to measure.

**Praveen Sahay:**

Okay. So, the majority of the growth, whether it's H1 or Q2 is from volume growth?

**Management:**

Yes.

**Praveen Sahay:**

Secondly, on the order book, because Rs. 595 odd crores of order book you have, if you can get some color from which segment, like earlier you had a given like railway signaling has one of the major segment where the order book was. So, how is the segment wise indicator if you can give that would be more helpful.

**Management:**

Order book is largely in line with the revenue mix, so there is no aggravation in the order book position as compared to the revenue mix. And secondly, around 15% of the order book is comprises of export orders and rest is domestic. So, this information is what I can share.



- Praveen Sahay:** And related to the export, if I look at H1 and H1 we have seen a significant decrease on the Y-o-Y side in the revenue. So, is that because of the freight rate or the container availability or the issues in the logistical supply chain going on, is it because of that? Or is it that we had seen some softness in the market where we are exporting, what's the exact reason for that?
- Management:** No, I think the order book is very healthy for the export side, so there is no problem. I mean, you can just derive from there only that there is no softness in the demand or in the market where we are operating. The logistics and supply chain challenges are there, which keep on happening at the international markets day-in and day-out. So, we think that we will be able to pick up in the next half.
- Praveen Sahay:** And is there a difference in the margin in the export and the domestic volume?
- Management:** Not really, not much.
- Praveen Sahay:** And the full year CAPEX, how much you had said for FY'25?
- Management:** Around Rs. 35 crores to Rs. 40 crores.
- Moderator:** Thank you. The next question is from the line of Aditya Iyer from Value Educator. Please go ahead.
- Aditya Iyer:** Sir, congratulations for the very good set of numbers. So, I have two questions basically. So, we have renowned and well-established players in our segment, so how do we differentiate ourselves from them? And the second is, you mentioned that our working capital days are normally 100 days, so are we planning to bring it down or how are we working on that? So, these are my two questions.
- Management:** So, those are big challenges for management or for managing this business. I mean differentiating ourselves between our competitors and working capital management, both are the two large challenges which as a business owner everybody of us face here in the cable manufacturing business. So, we give our best attempts in developing new products, understanding the customer needs and improving our service delivery mechanism in order to differentiate ourselves among the competitors. And also, in the working capital cycle, we try to improve it over a period of time. Every day we try to improve it. But there is, I mean, we can't give a definitive plan of how we can reduce it or how much we can reduce it. But definitely attempts are there to free up the working capital as much as possible. But being into a B2B business, I think night and day, here and there, this would be the trend which will continue in the foreseeable future.
- Moderator:** Thank you. The next question is from the line of Madan Gopal from Sundaram. Please go ahead.
- Madan Gopal:** Congratulations on a great set of numbers, a very good execution. And if I look at the numbers that are coming through from the competition, the volume numbers are looking very



encouraging, the same with us as well. We are planning for the next leg of CAPEX and that will add growth for next year. But if I look at the competition, they are all looking at the next three-year plan, four year plan. So, what do you think, like we should be starting to plan for the next leg of CAPEX growth? Because this will probably cover you till FY'26, beyond that what is the visibility and how do you want to plan that out?

**Management:**

So, definitely, Madan, I mean, it's a compounding business as we have all witnessed in the past also, and in the future also it will remain a compounding business. And we have grown step-by-step in the past also and we will kind of grow brick-by-brick in the future also. So, definitely our focus or concentration is to get this CAPEX on time, get our capacities utilized. And in parallel, we are also planning for next phase of growth, because for that we would require another CAPEX to kick in. And that has to be a greenfield project which we will be planning. So, there are definite plans but nothing concrete as of now which we can kind of say. The focus is currently on timely implementation of the current CAPEX program, the ongoing CAPEX program, and then getting that utilized as fast as possible. And in parallel, also plan for the next phase of the growth.

**Madan Gopal:**

Sure. Second on new opportunities like solar cable and data centers and those things being highlighted, any traction of new customer addition so that we get our qualification also ready on time? So, any update that we can give so that when the opportunity arises, we participate. Like I think we were planning, there are two types of cables used in solar, we are already present in one and the other one we are preparing ourselves to get qualified, so where are we in that journey?

**Management:**

So, these will be the next growth areas for us, like one will be the data center and the semiconductor industry. We see huge growth in these two specific areas. The third one is renewable, we have already started DC solar cables. Like we can see the kind of gigawatt growth we foresee in the country as well as in the other parts of the world. So, we have already entered the solar cables. And these two, semiconductors and the data centers will be the next growth centers. We have not yet disclosed any kind of plans for semiconductors and data centers. But for the renewable solar cables, our test has already been done. So, we will be very soon getting the BIS license for those and then we will be officially launching these solar cables.

**Madan Gopal:**

And do they need a separate capacity when you are planning for the next leg of CAPEX?

**Management:**

So, definitely we need, but to start with, to certain size of cables, we can do with a similar plant. And for the next leg of growth, we definitely will be needing a separate capacity.

**Moderator:**

Thank you. The next question is from line of Khadija Mantri from Capri Global. Please go ahead.

**Khadija Mantri:**

Congratulations on a good set of numbers. Sir first of all, I wanted one clarification. I missed the number of the sales mix for H1 between government and private in the network.



- Management:** So, the government was 28%, Khadija.
- Khadija Mantri:** And exports is 7% and the rest is private, right?
- Management:** 7.5%, yes, and rest is private.
- Khadija Mantri:** And also, since we have already done Rs. 25 crores of PAT and about Rs. 400 crores of revenue in the first half, are we still sticking to our guidance of about Rs. 900 crores, Rs. 950 crores of revenue and PAT of about Rs. 60 crores? Or do you think that we should be able to surpass this guidance for FY'25?
- Management:** Khadija, there is no guidance as such let me clarify on record. But yes, I mean, the second half should be, I mean, generally as a trend is little better than the first half for business where we are, so we hope for the best in the second half.
- Khadija Mantri:** But you will not see any capacity constraints in the second half because normally for the cable companies also the second half is better as compared to the first half.
- Management:** Right. So, it's an industry-wide kind of habit we can say.
- Khadija Mantri:** And as far as export market is concerned, did you get any help in the U.S. market?
- Management:** At the U.S. market we have got one UL approval. We have applied for other products also for approval. And once we get those approvals in place, then I think the sales and marketing efforts will start for us. So, it will take some time. Maybe we will have to wait for four to six more quarters.
- Moderator:** Thank you. Next question is from the line of Ajay Sharma from MayBank. Please go ahead.
- Ajay Sharma:** I want to check, you have both debt as well as cash of almost equivalent amount, so is there a plan to pay down any debt?
- Management:** Hi, Ajay. So, most of our debt is working capital debt. The term loan is just Rs. 6 crores, Rs. 7 crores, so which will run down in the next two, three quarters as such naturally, so not required as such for repayment.
- Ajay Sharma:** And then where is the cash being deployed?
- Management:** So, we have around Rs. 100 crores of cash on our books, out of which one-third is basically our margin for our LC and BG facilities, which is earmarked, one third we have earmarked for our CAPEX, our ongoing CAPEX. And balance one-third, we will use it for our working capital needs.
- Ajay Sharma:** So, right now it's all sitting in current account, is it, basically?
- Management:** Yes, it's sitting in our liquid funds.





**Ajay Sharma:** Okay. And then, going ahead, how do you see the growth for the company? I mean, first half you did (+30%). I mean, is there any sort of CAGR trajectory you want to guide over the next three, four years?

**Management:** So, in last six years, we have grown at 20% around, so I think if God is kind, the trend should continue.

**Ajay Sharma:** And anything on the margin, I mean, margin has been pretty stable but any chance to improve the margins?

**Management:** So, I mean there are always efforts to increase the margin, but in last six years margins have been stable between 10% to 10.5%, and typically that has been the range. And being in a B2B business, it is very, very difficult to kind of push the margin further to be honest. So, we are trying with the new product developments and everything, but I mean it is a difficult thing to crack, honestly. So, as of now, I mean, we foresee 10% to 10.5% range to continue for some time at least.

**Ajay Sharma:** Lastly on the, I mean, earlier you were talking about covered conductors, EV cables, I mean, railway signaling as well, I mean, what is the progress in these areas?

**Management:** So, they are moving pretty well, I mean, the railway signaling contribution has reached to 4%, so it is gradually inching up, we started two, three years back. There is a huge opportunity there. Again, covered conductors, that has also moved up. So, all these products which were launched two, three years back have started contributing in high-single-digits or low-teens to our revenue contribution and they will gradually start contributing. In the meantime, we have been seeding new products every year, two, three new products like solar cables we have seeded this year and so on. So, this is a journey I think which every company of our size should undertake in order to have a good profitable growth in it.

**Ajay Sharma:** And the order book execution cycle is, for the existing order book is like over what period, six to nine months or?

**Management:** Yes, absolutely, sir.

**Moderator:** Thank you. The next question is from the line of Pranav Doshi from Ardeko. Please go ahead.

**Pranav Doshi:** Thank you for the opportunity and congratulations on a good set of numbers. So, sir, my first question is that if we see for Q2 across the cable players, we have seen there is a softness in gross margins because of elevated aluminum prices. But our gross margins have been very strong if we compare them to that. So, like is there any reason? So, like is there a delay or like what can be the reason for that?

**Management:** Pranav, so basically, I mean, there is one fundamental difference which I think we should acknowledge between the players that you are referring to and Dynamic Cables, they are into the retail segment, so they have a mix of both institutional sales as well as retail sales, wire



sales as well as cable sales. We are only into cables, and we are only institutional sales players. So, for us the margin volatility is not there because we kind of are hedged by our customer contracts. We have a price realization clause with our customers on the supply side where whatever is the raw material cost relation, it gets passed on to the customers.

**Pranav Doshi:** And sir, how frequently are we able to pass it on? Let's say there is an increase today, when is the price revision, when does it take place?

**Management:** Every order

**Pranav Doshi:** Yes. So, basically, let's say there is a price increase, so you said that we have contracts, so we might have some kind of a price revision there, right, that we are able to do the price hike for our end customers, so how frequently does it take place?

**Management:** That happens on a real-time basis, on order-to-order basis, for every supplier.

**Pranav Doshi:** And, sir, on the order book, do we only include confirmed orders in the Rs. 595 cores order book or do we also have L1 bids in our order book?

**Management:** So, what we disclose is the only confirmed order.

**Pranav Doshi:** And, sir, then in that case, what is the current bid pipeline for us for the year?

**Management:** That, unfortunately, we don't share.

**Pranav Doshi:** And, sir, just one more question. What visibility do we get from the CAPEX plans of our end customers? And what are the main CAPEX programs which are contributing to, let's say, our work?

**Management:** Largely, our business, the CAPEX happens on the distribution line, both on the upgradation, replacement, and new distribution line, which our customers are undertaking or end users are undertaking.

**Pranav Doshi:** And, sir, any major CAPEX program that you are seeing that will, let's say, help us in sales in our orders?

**Management:** CAPEX program is happening, I think, all across the country, from north to south, and this is a very unique fact that we have been increasing the per capita consumption of voltage, loads have to be increased on the distribution side. Secondly, the overhead conductors have to be now got into underground cabling, so that fixing this also is taking place. Plus, there is new electrification which is happening very, very widely. There is smart metering taking place for which cables are required. So, all these factors are largely kicking in the CAPEX program or driving the CAPEX program. And, fortunately, there is good financial support from the private side as well as from the central government and state government schemes to fund this CAPEX.



- Pranav Doshi:** And, sir, in our bid to like to move to more value-added products, we have already, let's say, moved out of, not completely moved out but reduced our exposure to the conductor segment. So, incrementally, like let's say what kind of value-added products, like, what kind of margins are we looking at from the value-added products as far as the gross margins are concerned? So, like, can it improve from the 19% odd that we are at currently?
- Management:** It will be in this range only. We try our best, but because of the competitive nature of this entire industry, it should remain, it should hover around that only. So, we can't see any or we don't see any immediate changes or variations in this.
- Moderator:** Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.
- Ankur Kumar:** Thank you for taking my question. Most of my questions have been answered, I just wanted to know how is the demand scenario looking like for this coming year?
- Management:** It's very encouraging, Ankur, because, I mean, it is well indicated by our order book also. So, incrementally we have, and this is I think the highest order book which the company is carrying on its books as of now. So, thanks to the demand scenario we have been able to build our order book.
- Ankur Kumar:** So, on this order book side, you said it will be like six months, acquisition timeline?
- Management:** Six to nine months.
- Ankur Kumar:** And on the solar side, are we seeing any traction, like with the new product that we have launched? Are we seeing any traction, or do we expect that to happen over the next year?
- Management:** See, we have just launched this product, we have got the approvals, that is the first case. Now, I mean, definitely we believe that on the tailwind side it has huetailwinds, there is a lot of demand in place, and we would be able to see what kind of market share we are able to get, I think things will be more clear in next two to three quarters.
- Moderator:** Thank you. The next question is from the line of Akash Jain from Moneycurve Analytics. Please go ahead.
- Akash Jain:** I just want to apologize upfront because I am very new to the company, so some of the questions I will ask will be very basic in nature. So, I just wanted to also understand, see the track allotment we did, when we have done, I just want to understand a little bit of a breakup of the CAPEX plan that we have, for which we have raised capital. So, we did this Brownfielding in Reengus, and then we have launched the solar DC cable, and some CAPEX is still to happen. So, I just want to understand, this Rs. 92 crores, how broadly has it been utilized in terms of the CAPEX?



- Management:** Out of this Rs. 96 crores, around Rs. 6 crores to Rs. 7 crores have already been utilized in the CAPEX, around Rs. 40 crores have been used in the working capital, and balance we have planned around Rs. 30 crores to be utilized more for CAPEX incrementally, so this is how the major breakup has been for the Rs. 96 crores.
- Akash Jain:** So, the Reengus expansion did not happen from the capital raise in a way, in the sense that it was already planned from the cash flows of the company, then you have not used the press capital for the Reengus expansion?
- Management:** We will use, we have earmarked that, because it happens gradually over a period of time.
- Akash Jain:** And sir the DC cable, the solar DC cable is a new CAPEX, or we have launched a product from the existing gross block of the company?
- Management:** We have launched it from our existing plant only, but the new CAPEX will kind of extend it further, or will give us more capacity.
- Akash Jain:** So, the capacity expansion we will do, sir, is that capacity dynamic in nature in the sense that we will be able to, from the same facility, manufacture --
- Management:** Same facility it will continue.
- Akash Jain:** So, it's not that we have to specifically put a capacity for semiconductor for solar, the cable capacity --
- Management:** Cable plants are always fungible, sir.
- Moderator:** Thank you. The next question is from the line of Shraddha Kapadia from Share India. Please go ahead.
- Shraddha Kapadia:** Thank you so much for the opportunity, and congratulations on a good set of numbers. So, basically I wanted to know the current capacity utilization, and also what are the measures that we are taking for us to optimize the process as well as enhance the capacity considering that our order book is growing considerably.
- Management:** So, Shraddha, we have around Rs. 1,000 crores of turnover capacity as of now, and we have 80%, 90% utilized capacity as of now. And we have announced a CAPEX which would increase our capacity by around 20%. So, this should take care of our next year's growth plan.
- Shraddha Kapadia:** And if you could help me, what are the key market trends that you believe will have an impact on our business in the next few years, especially as you already mentioned that volatility in the prices of your raw material does not impact much, but considering the demand supply scenario, or if you could give a brief about the current demand trends which are there in the B2B space. That's it from me.
- Management:** Shraddha, your voice is not clear, so I think you'll have to repeat it.



- Shraddha Kapadia:** Sir, majorly I wanted to understand the demand trends in the B2B space.
- Management:** So, the demand is good, I think lot of demand is there, there is encouraging demand which is coming in. Largely as the factor which I have already discussed in the previous questions, so demand looks good. I mean, the industry is expecting 12% to 14% kind of growth at the industry level for the cables for next three, four, five years. So, if that kicks in then it's a sunrise moment for the industry I believe.
- Moderator:** Thank you. The next question is from the line of Bhavya Gandhi from I-Wealth Management. Please go ahead.
- Bhavya Gandhi:** Sir, just one clarification in terms of that absolute interest cost. So, how do you see your interest cost will be eventually from Rs. 1,000 crores to Rs. 1,200 crores turnover which you are saying, so how will the interest cost move? It will remain the same? Because you have raised the capital, it looks lower at this, last four, five quarter it remained same for Rs. 4 crores or Rs. 4.5 crores. So, how do you see that going forward?
- Management:** Yes. So, basically our finance cost should remain in this range only, I would say, because the additional working capital requirement would be taken care of by our existing debt, the capital raise which we have taken. So, for the next two years I don't think there will be a substantial movement in our finance cost. We hope that it can come down a little because of lowering in our terms of debt from our bankers, if we are able to negotiate it better. So, there may be a 10% to 15% of surprise there.
- Bhavya Gandhi:** Okay. So, is it fair to assume that FY'24 interest cost of Rs. 20 odd crores, finance cost of Rs. 20 odd crores will remain same for at least the foreseeable future?
- Management:** I think it should reduce, so this Rs. 20 crores, in Q4 we negotiated some good terms with our bankers, and so it has reduced by 10% to 15% and we are in the process, it's an ongoing process, this negotiation. If one more round of negotiation happens, then it will reduce another 10%-15%. So, the absolute debt level would remain the same, but the terms negotiation can yield some benefit out of it.
- Bhavya Gandhi:** And in terms of any plans for going to the house wires?
- Management:** Not in the next one, two years, not in near future.
- Bhavya Gandhi:** And what is your contribution from your government, government CV?
- Management:** 28% in t H1, six months.
- Bhavya Gandhi:** And from the order book, what is the break-up of government?
- Management:** Almost in line of the revenue mix.
- Bhavya Gandhi:** And normally the execution cycle for this order book is what, four, five months?



- Management:** Six to nine months, yes.
- Moderator:** Thank you. The next question is from the line of Gunjan Kabra from Niveshai Investment Advisory. Please go ahead.
- Gunjan Kabra:** So, just wanted to understand that with respect to the whole transmission value chain in terms of power equipment like transformers, towers, so those segments are growing at a very good rate of 20%, 25% year-on-year and the guidance for that segment is also very good. So, what is happening and can you expect the same happening in the cable industry as well because of the TAM size now being increasing from Rs. 4.5 lakh crores to Rs. 9.2 lakh crores by the government as well? And the segment of the company because Dynamic Cables as a whole also in fact can grow at this rate or not? So, I just wanted to understand with respect to other power equipment, which is growing at a very high level, so can we expect the same in the cable as well?
- Management:** Hi, Gunjan. So, I think all the macro signals are very encouraging honestly, and the growth rates are elevated as compared to what we have seen in the past three years back, four years back, or two years back for that matter. What exactly would be the number, I can't say. This is, I think, more what we read and what we understand from economics and research that it should be growing at 12%-15%. And for Dynamic Cables, we believe that our long-term trend has been growing at 18%-20% so we should continue that. I mean, we are also conscious on the profitability front, and we would always be disciplined as our DNA. So, it would be a measured growth for us in terms of profit versus opportunity, growth opportunity.
- Gunjan Kabra:** And on the semiconductor and data center side, so like railways requires approval, solar DC requires a little bit of approval. So, on these sides also do we have to take, the approval cycle is long or is it that we can supply the way we supply other cables?
- Management:** BD cycle is always long in cables, Gunjan. So, any cable we launch, there is a long BD cycle which we have to go through for R&D.
- Gunjan Kabra:** So, data center, have we supplied anything, or do we have to take approvals and then maybe from next year we can supply or how is it?
- Management:** It is under product development stage, R&D stage.
- Gunjan Kabra:** We are R&D-ing?
- Management:** Yes.
- Gunjan Kabra:** Okay. And railways side, because I guess the margins are a little lower and the volume is high, so you are not focusing that much or are we focusing on this side or not?
- Management:** I think it has been not as good as we had envisaged, but I think it is still contributing for 4%. So, it is not a completely ignored segment for us honestly.



- Gunjan Kabra:** And the margins on the solar DC, semiconductor, data center when we supply, will they be the same margins or improved margins or low margins than the current one?
- Management:** I think we will have to test the water then only we can comment on the margins.
- Gunjan Kabra:** And one more last question. Though you mentioned that the margins in B2B remain less fluctuating, but this time aluminum and we managed it very well in terms of EBITDA margins. So, can we have some lag effect next quarter or we will be able to continue the same in terms of margins because the prices have been really very fluctuating and volatile at least?
- Management:** No, if we are disciplined then there is a 100% pass-through. So, I am again reiterating for the benefit of all our viewers that for us the commodity prices are a complete pass-through to our customers because the contracts are designed in such a manner.
- Gunjan Kabra:** Okay, so there is no lag as such, you can pass it on very easily let's say?
- Management:** Yes. Unless there is an extreme volatility, which you cannot catch, which is a very unlikely event. But generally, in a normal course of business, it's a 100% pass-through.
- Moderator:** Thank you. The next question is from the line of Aniket Nikam from AA Enterprises. Please go ahead.
- Aniket Nikam:** Sir, congratulations on a good set of numbers. My first question was you had referred earlier that with the current gross block your capacity to do is around Rs. 1,000 crores of revenue. And given you've already done, call it Rs. 235 crores, would it be fair to say you are running at almost full capacity? Or are we reading this wrong?
- Management:** I think we still have scope of another 10%, 15%.
- Aniket Nikam:** Got it. And therefore, in that context, if you think about the CAPEX you are doing, where you're saying you can go from Rs. 1,000 crores to say Rs. 1,200 crores, would it be fair to say therefore that you will have to undertake a lot more CAPEX programs over the next couple of years? Because aspirationally, obviously, we want to grow at 20%-25%, given the market context and so on.
- Management:** Yes, CAPEX program will be an ongoing thing for the company. I think because the business is into a growth phase, and company is also into a growth phase, so it has to be, I mean, CAPEX has to support growth. Or the growth is a derivative of our CAPEX only, till the time we are in the growth phase, which is likely for the next two, three years at least, the CAPEX would be coming in.
- Aniket Nikam:** No, that's fair. I guess where I was going was, why not, I mean, you've raised around Rs. 100 crores, so why not do a much larger CAPEX? Because it seems like there is some time lag, right, to get the CAPEX online and so on, it takes maybe almost a year. So, why not go for a slightly larger CAPEX, given that you're already running at full capacity?



- Management:** We had already planned this CAPEX, the current ongoing CAPEX. So, once we complete this, definitely the next CAPEX may be a little larger than the normal CAPEX. And anyways, that would be a greenfield CAPEX program, so it has to be a little larger than normal brownfield CAPEX.
- Aniket Nikam:** Got it. Thank you for that, sir. My second question was, could you tell us what proportion of your revenue comes from maybe the top five customers, just to give us some sense of customer concentration?
- Management:** I will give you a rough idea because the figures keep on varying. So, it is typically 40% comes from our top five customers. But those top five customers keep on varying, so it is not a single customer which gives us orders every year. I mean, just the qualification for that.
- Aniket Nikam:** Got it, sir. And my last question was, sir, you've talked about the high tension cables being the more value added portion of your business. Could you tell us who are the main players in this industry that you compete with, who are qualified and so on?
- Management:** So, for each product there are different players. So, I mean, it's kind of a Venn diagram in the industry where for few products there are other few players, for other few products there are other few players, so this is how it is jumbled up. It's very difficult for us to kind of map our competitors on exactly, I mean, we have to go on SQU level to be able to do that.
- Moderator:** Thank you. The next question is from Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Sir, you did allude to these facts of the railway signaling cables. So, if you could just dwell deeper what kind of capacities we have in terms of turnover and what is the target market and the orders which are there from the railways in the pipeline? Any color on the same? And the players who are competing with you in this railway signaling cables?
- Management:** There are lots of players in railway signaling and our capacity is fungible so we can manufacture railway signaling as well as power distribution cables from the same capacity. And opportunity is very huge but depending on the margin appetite we kind of take orders selectively. And currently the proportion will remain in 4% to 5% range for the current year. We don't know how the order book position moves after six months or so.
- Saket Kapoor:** Sir, I missed your last point, 4% to 5% number you mentioned for?
- Management:** Current year.
- Saket Kapoor:** Current year turnover would be, the contribution from railway signaling will be 4% to 5% of the total turnover?
- Management:** Yes, yes.





- Saket Kapoor:** And the size of the market, sir, any color you can give?
- Management:** I think it is quite large, it is around more than Rs. 2,000 crores I think, or more than that also, the exact number I don't have on hand.
- Saket Kapoor:** And what are the pillars from the railway? That means what kind of cables can they source on a yearly basis, any amount or any numbers which they have shared with you?
- Management:** No, not really. It will be difficult for us to comment on all these things.
- Saket Kapoor:** Sir, on the solar cable part also, I think so the irradiation beam technology is now more relevant, so we have developed the cables on that facility?
- Management:** We are using the latest technology, that's all I can comment. I think it will be not be fair to discuss exact technology on this call.
- Saket Kapoor:** Okay. And lastly, sir, we are not into the capacitor segment, are we looking or following into it the same or any thought process on the same?
- Management:** No.
- Moderator:** Thank you. Next question is from the line of Naman Parmar from Nivesha Investment Advisory. Please go ahead.
- Naman Parmar:** Thank you so much for the opportunity and congratulations on a wonderful set of numbers. So, firstly on the Greenfield CAPEX that you are expected to do in the future, it will be for the around 66 KV only or will it be above 66 KV?
- Management:** Sir, all the details will be shared in due course.
- Naman Parmar:** And current DC cable composition, what would be the composition of the DC cable on the raw material side? It would be only for the aluminium or it will be more contributing from the copper side?
- Management:** It's only copper, actually.
- Naman Parmar:** It is only copper?
- Management:** Yes.
- Naman Parmar:** And overall, what is the composition, means aluminium used to contribute more or copper?
- Management:** Currently it is aluminium, it is dominated by aluminium only.
- Naman Parmar:** Aluminium only?
- Management:** Yes.



- Naman Parmar:** And on the export side, what is the current order book for that? And which are major countries you are exporting?
- Management:** About Rs. 80 crores is export.
- Naman Parmar:** Rs. 80 crores?
- Management::** Yes.
- Naman Parmar:** And which are major exporting countries that you are exporting?
- Management:** Asia and Africa currently.
- Naman Parmar:** And sector-wise contribution, can you provide that, what would be the sector-wise contribution from the revenue?
- Management:** In the sector?
- Naman Parmar:** Means in future you are telling us we are entering into data centers semiconductors and renewables, so currently how much various sectors are contributing?
- Management:** Largely, currently we are more into power distribution cables, so that is a major sector for us. Railways is the second sector which is contributing around 4% of the revenue. These are the two sectors which we kind of publicly disclose.
- Naman Parmar:** So, how much do you expect renewables will be contributing in the future?
- Management:** I don't know. It is a difficult question, but it should have a meaningful contribution. See, these are early days for us so let us test the waters, maybe one or two quarters of performance behind it we can give you a lot more clear picture.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Mr. Pranay Shah for closing remarks.
- Pranay Shah:** Yes, I would just like to thank all the participants for being on the call, and especially for the management for giving us an opportunity to host and answering all the queries. Thank you very much, sir, and wish you all the very best. Over to you, sir, for the closing remarks.
- Management:** Thank you, everyone, and thank you all for showing faith in us. And we look forward to meet in FY'25 and FY'26. Thank you.
- Moderator:** On behalf of PhillipCapital (India) Private Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.