

3<sup>rd</sup> February 2024

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**Script Code: 543981**

**Symbol: RRKABEL**

**Sub.: Submission of Transcript of Earnings Conference Call held on January 30, 2024**

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 January 30, 2024.

Kindly take the same on your record

Thanking you,

Yours sincerely,

**For R R KABEL LIMITED**

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



“RR Kabel Limited Q3 FY24 Earnings Conference  
Call”

**January 30, 2024**



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

**MODERATOR:** **MR. IRFAN RAEEN – ORIENT CAPITAL**



*RR Kabel Limited  
January 30, 2024*

**Moderator:** Ladies and Gentlemen, Good day and welcome to the Q3 FY24 RR Kabel Limited Earnings Conference Call.

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 this 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. Irfan Raeen from Orient Capital their Investor Relations Partner. Thank you and over to you, Mr. Raeen.

**Irfan Raeen:** Thank you Neerav. Good afternoon everyone. On behalf of RR Kabel Limited I extend a very warm welcome to all participants on Q3 and nine Months FY24 Earnings Concall.

I hope everyone had an opportunity to go through our “Investor Deck and Press Release” that we have uploaded on Exchanges and on Company’s website.

I would like to give a short disclaimer before we begin the call:

This call may contain some of the forward-looking statements which are completely based upon our belief, opinion and expectation as of today. These statements are not guaranteed for our future performance and involve unforeseeable risk and uncertainties.

With this, I would like to hand over the call to Shreegopal Kabra sir – Managing Director. Over to you, sir. Thank you.

**Shreegopal Kabra:** Thank you Irfan. Hello everyone and good afternoon everyone. On behalf of RR Kabel Limited I extend a very warm welcome to all the participants on our Q3 FY24 “Financial Results Discussion Call”. On this call I have with me our CFO – Mr. Rajesh Jain.

As we commence our discussion, I am glad to inform you that the Company has grown approximately 19% in the current nine months vis-a-vis last year, which is higher than the industry growth. We are on our growth trajectory and moving in the right direction.

I'd also like to touch upon the Company’s perspective on recent events:

In the last quarter of the previous calendar year, our manufacturing plants, facilities and offices underwent search operations conducted by the Income Tax Authorities. The Company during that time cooperated fully in all their investigations and provided required details, clarifications and documents. We are not expecting any material adverse impact on the financial position of the Company.

Operation at the Company were running smoothly with the entire management team dedicating their efforts ensuring that the Company remains on its growth trajectory.



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

**Rajesh Jain:**

Thank you Shreegopal ji. I'd like to begin by extending Heartly Congratulations to our Managing Director – Mr. Shreegopal Kabra ji for being honored with the Global Entrepreneur of the Year Award 2024 by Hurun India.

Talking about macroeconomic landscape:

I am pleased to share positive news that the Indian GDP exhibited a robust growth of 7.7% in the first half of FY23-24 preliminary driven by a substantial expansion in manufacturing and construction activities which has registered growth of 9.3% and 10.5% respectively.

Given our significant presence in the construction and real estate sector, it is crucial to highlight the favorable trends. The construction sector is witnessing a notable upswing preliminary fueled by housing boom, and this trend is anticipated to continue in the forthcoming years. Both the construction and real estate sectors are poised for substantial growth presenting a promising outlook for RR Kabel Limited. This aligns well with our business interest, and we are strategically positioned to capitalize on the flourishing opportunities in this sector.

Ranked as the fifth largest participant in India's branded wire and cable market, RR Kabel stands out as one of the country's leading exporters of wire and cable products. With the extensive reach spanning 65 countries earlier, we are delighted to announce the addition of two more countries to our export portfolio bringing it to the total of 67 countries.

The wire and cable segment remains the cornerstone of our business contributing significantly to our revenue. In the initial nine months of FY24, a noteworthy 89% of our Company's revenue from operations came from the wire and cable market. Concurrently, the fast-moving electrical goods that is FMEG segment has seen consistent growth elevating its contribution from 7% in FY19 to an impressive 11% at present.

Let's delve into the Financial Performance of Q3 of FY24:

On a consolidated basis we achieved a revenue of Rs. 1,633.5 crores indicating a growth of approximately 11% on YoY basis. The EBITDA for the quarter stood at INR112.6 crores while the profit after tax for Q3 FY24 was Rs. 71 crores reflecting a moderate YoY degrowth.

Shifting to nine months FY24 performance:

On a consolidated basis we recorded a revenue of Rs. 4,840.5 crores demonstrating a growth of approx. 19% YoY.

The EBITDA for the first nine months of this Financial Year reached INR 347.3 crores showcasing a remarkable growth of 56.3% YoY basis. Additionally, our PAT for nine months



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FY24 surged from Rs. 124.6 crores in nine months FY23 to INR 219.4 crores showcasing a notable growth of 76%.

Now let's explore the segment wise performance:

Over the past nine months, RR Kabel has consistently delivered promising results driven by substantial growth in sales volumes. The wire and cable business segment recorded the revenue of Rs. 4,307 crores compared to Rs. 3,637 crores in nine months of FY23 marking a significant growth of 18.4% in nine months FY24.

This growth can be preliminary attributed to a notable increase in volumes by 19.3%. The PBIT increased by 43.1% in nine months FY24 reaching Rs. 372 crores driven by the increase in gross margin contribution supported by volume growth. Exports played a pivotal role contributing significantly and accounting for 27% in our total revenue.

Now turning to the FMEG business segment:

We achieved the revenue of Rs. 534 crores compared to Rs. 446 crores representing a growth of approx. 20% in nine months FY24 over nine months FY23. The EBIT in this segment continued to improve preliminary due to an increasing gross margin attributed to volume growth and a change in product mix.

During the nine months FY24 the Company has maintained its working capital days at 65 days, the same as previous quarters, and has improved from all the quarters prior to that. This has ensured the short-term financial obligations, and the expenses are met while contributing to longer-term business objectives. The Company remains committed to sound inventory management practices and has maintained its inventory turnaround and receivable days.

We are committed to a comprehensive CAPEX plan of Rs. 500 crores over the next two years that is FY24 and FY25 with the primary focus on doubling our power cable capacity, expanding copper wire production, introducing an eBeam facility and establishing PVC compound manufacturing facility. This strategic investment will be entirely self-funded. As the Company continues its focus our primary emphasis is on delivering high quality products, ensuring safety and environmental compliances and expanding our brand through robust distribution networks, sustainable growth remains a central element of our ongoing strategic approach.

With this, I would request to open the floor for question and answers. 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 Raj Shah from Ambit Asset Management. Please go ahead.

**Raj Shah:**

So, two questions from my side. First is that in wires and cables you said that we have grown faster than the industry, but if we see compare it with other industry players then they have



grown in the range of around 18% to 22%, but we have grown at 9% so assuming even 2% or 3% of price decrease volume growth comes at 11% to 12%. So, just wanted to understand how we came up with that number?

**Rajesh Jain:** See we have to see these figures of industry growth over a period of nine months when we are seeing 20% volume growth, so we are comparing nine months over last nine months and see generally by this industry trend this industry growth that is the double of the GDP growth.

So, in general, this industry is expected to grow at 13% to 14% as per our past experience and we are growing in volume terms. We are growing at 18% to 19% which is significant growth and this is also on regular basis we are growing at this pace.

**Raj Shah:** But this quarter was there any specific reason which caused the slightly lower growth as compared to previous quarter?

**Rajesh Jain:** So, first the base quarter like coincidentally both like Q3 of FY23 and Q2 of FY24 both have the higher base value. So, overall if we see this is good volume growth because even on higher base also we have grown at 10% in terms of volumes. So, this is in line with our regular business plan.

**Raj Shah:** So, if we see FMEG then we have done significantly better as compared to industry. So, just wanted to understand in the different segments that contribute within the FMEG and which segment has grown faster, so just wanted to get the basic...

**Moderator:** Raj sorry but you are losing your audio.

**Raj Shah:** In FMEG I wanted to understand which segment has done better as compared to other industry and what is the contribution for each segment like fans, lighting etcetera?

**Rajesh Jain:** So, Raj if you see in FMEG we are representing a larger part of this segment like we are present in fan segment, lighting segments, switch & switchgear segments and appliances segment and since fan and lighting are the biggest contributor in our FMEG sales and we have done like very good growth in fan segment in Q3 and overall, very good in fan and lighting both the segment when we compare nine months.

So, we have grown at 20% over previous year if I compare over nine months and in this like industry while most of other players are either muted or too negative growth and overall, this industry is also expected to grow at 8% to 10% while we are expecting to grow at 20% and this is coming through like our wide product range and now also we are planning for introducing new products. So, the growth is coming from there.

**Moderator:** Thank you. Next question is from the land of Praveen Sahay from Prabhudas Lilladher. Please go ahead.



- Praveen Sahay:** So, the first is related to the volume growth only and I can see that the export has done quite well for this quarter even though we have seen in the second quarter the export we are doing very well. So, if you exclude the export for a nine month how much is the volume growth for the domestic business?
- Rajesh Jain:** If I bifurcate our total volume growth in export and domestic then the domestic volume growth is around 12% while export is around 36%.
- Praveen Sahay:** Volume growth you are talking.
- Rajesh Jain:** Yes I am talking about volume growth.
- Praveen Sahay:** And also, if you can give some color on the export like it's largely from the wire export or is there some product mix changes is also there?
- Rajesh Jain:** So, we started our export journey through wire export only, but gradually and slowly we also developed a cable export and now cable is increasing, and we are getting very good demand from export of cable also.
- So, as of now there has been a slight change but still our main export is in wire only, but cable share is increasing day-by-day based on markets and based on even on our manufacturing capacity also.
- Praveen Sahay:** And also, if you can give the CAPEX number for this year and the next year and if possible for 26 as well?
- Rajesh Jain:** So, as of now, we have reached the CAPEX plan for FY24 and 25 to the tune of 500 crores and which includes CAPEX for expanding our power cable capacity, copper wires, PVC compound and eBeam facility and as I told earlier this two years CAPEX is in line with our plan and it is going through as per schedule only.
- Since we are planning further volume growth on a regular basis. So, our CAPEX plan will be regular and even for after FY25 also we are already we are in process to finalizing the CAPEX plan for FY26 and 27.
- Praveen Sahay:** So, club together 24 and 25 financial year CAPEX is the 500 odd crores?
- Rajesh Jain:** Yes, Praveen.
- Praveen Sahay:** And also if you can give some color on how much of the revenue you can generate out of for this 500 crores of CAPEX?



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**Rajesh Jain:** So, since this is mix of power cable and copper cable also and the further it has some backward integration of PVC compound also. So, we are expecting additional revenue of 2,500 crores from this CAPEX.

**Praveen Sahay:** As there is a commissioning in the September as well as in the March, September '24 and March '25. So, if you can give some more color like how much the capacity is getting operational by September 24?

**Rajesh Jain:** So, like for if in power cable we total ton of 1,000 tons per month in this 500 tons will be established by September 24 and rest will be in the March.

**Praveen Sahay:** Sorry, you said how much you said by September?

**Rajesh Jain:** 500 tons per month in power cable.

**Moderator:** Thank you. Next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Sir, can you help us understand a bit more on the export for the nine months you said the volume growth is 35% if I heard the number right, what is driving this any particular product, any particular country, what efforts are we making and what kind of growth are we seeing can we look at for next 3 years, 4 years and what will drive that?

**Rajesh Jain:** You mentioned correctly that in the first nine months our volume growth is 36%, but going forward also like export is also one of our key focus areas and the growth what we have achieved is some are from new markets, some are from new products also is earlier we were only in wire export, but now our cable segment is also progressing very well and since there is capacity was also available to some extent.

So, we were able to realize that capacity and growing our business in terms of new territories as well as new products and going forward also see sometimes like since we have equal focus on growth in our exports as well as domestic also.

So, quarter-on-quarter the figures may be different, but at least we are planning and till now like growth of 20% volume basis only inner bifurcation maybe here and there, but still we will grow in the tune of 20%.

**Achal Lohade:** The second question I had was with respect to the domestic you said in the domestic the growth was kind of bit subdued. Can you give the number once again for 3Q and nine months and how is the demand scenario? Is it weak particularly for us or for the industry and how do you see it evolving over the next 2 years, 3 years?

**Rajesh Jain:** In domestic we have grown at 12%, but like if we see again in longer origin then our wire business is also growing and particularly in cables since our capacity is the constraint. So, there our waiting period is a little bit higher and still we have some capacity constraint, but in last



quarter of FY23 we had done some rebalancing and some investment in some equipment and now we are increasing our capacity in power cable also.

So, going forward, we'll have again the normal pace of our growth in business volumes in the domestic market as well.

**Achal Lohade:** And sir last question if I may with respect to the margins the PBIT margin for wires and cables was at 8.0% which is kind of a reduction compared to last year same quarter or even sequentially. So, if you could highlight what has driven this margin contraction and B how do you see it for fourth quarter as well as for the next 2 years, 3 years?

**Rajesh Jain:** So, Achal as I explained earlier our base for Q2 FY24 and Q3 of FY23 was little bit at higher pace, but if we see in general like if we see our margins and if you see our business plans like we have plan for improvement in our EBITDA margins and wire cable segment by 140 bps on year-on-year basis and we are right on the track of to achieving that figure.

So, like volume growth of 20% margin improvement of 140 bps so these all are on the track. When you see only this quarter then your figure looks subdued, but even if we see for Q4 of FY24 it seems it will be in line with our projections and estimates given earlier.

**Moderator:** Thank you. The next question is from the line of Venkatesh from Axis Capital. Please go ahead.

**Venkatesh:** I was just wondering if you look at your numbers over the last four years exports have been between 19% to 25% of revenue. Now what we are seeing in the first three quarters is exports are almost 30% of revenues.

Now what we understand is because of China Plus One a lot of opportunities have opened up. And we believe at the time of the IPO while you had acknowledged the growth opportunity, you were also a little wary that export margins might be a little lower. So, priority would be given to the domestic market growth.

Now has there been a change in your economics in the export market in terms of what kind of margins you share with your distributor or things like that have the export margins improved and if it has improved what could be the drivers for it?

**Rajesh Jain:** Venkatesh very rightly pointed out by you, but at the same time we need to see. See there are two aspects. First, the change in product mix in our export market itself like either we said that our majority of exports earlier were coming from only from buyers, but later on since we started exports of power cable also or our high value-added wires also.

So, these margins are improving in exports also and we are getting good opportunity also and at the same time it is not only China Plus, but the majority of the things that in our case export this is distribution led business and also



0% of our exports are going in our own brands.

So, as our brand is also getting strong so we slowly and gradually we are establishing ourselves very well in the export market also and there is improvement in exports margins also.

**Venkatesh:** You shared volume growth on exports nine months at 36%, 12% for domestic. Is it possible to share the overall number and a similar breakup for wires and cables in nine months?

**Rajesh Jain:** So, like overall 19% on weighted basis if you see 36 and 12 then on overall basis we have achieved the volume growth of 19% and see as of now our very broad distribution among wire and cable is 70% and 30%.

So, 70% comes from wire and 30% from cable which includes power cable, industrial cables and special cables, but slightly this like slowly and gradually this ratio is changing. So, you may expect later on 68-32 or maybe 65-35, but it will be your change, but definitely growth will be in both the segments in wire as well as cables.

**Venkatesh:** What I was asking is in nine months of the year what was your growth in YoY growth in wire and what was your growth in cables?

**Rajesh Jain:** So that I will work out and we will share you separately.

**Moderator:** Thank you. Next question is from the line of Shrinidhi from HSBC. Please go ahead.

**Shrinidhi:** So, just a couple of questions on export business wondering this ongoing crisis Red Sea crisis, is that impacting growth for the export business of the Company and is it impacting margin as well?

**Rajesh Jain:** If we see, of course, there is crisis in Red Sea and due to that our shipment days will be increased, but if you see the impact of on our business since our orders are regular, so the material may reach by few days delay, but this is continuous cycle.

So, at my sales level there will be no impact and if we look at margin part since our prices are variable like the copper prices, PVC prices and crate this part are variable. So, everything will be passed on to customers. So, there will be no impact in our profitability of our export business. I hope this will answer your question.

**Shrinidhi:** So, freight also is completely passed through is it?

**Rajesh Jain:** This is variable part.

**Shrinidhi:** One more I am still struggling to understand the domestic business growth if I look at the domestic cable and wire business growth it is coming across literally flat year-on-year. So, I think you alluded to the base being very high, but are there any competitive forces wherein you



seem like that apart from industry growth, there are more competitive forces that is impacting growth?

**Rajesh Jain:** So, Shrinidhi competition will be always there, but more importantly we have to seek how my base can be improved or how we grow or how we execute our business plans. So, like if you see a flat number which means some impact, but we are working on this and we are expected to get the normal momentum in volumes also in domestic market as well, but there is no direct impact of competition, but yes always there will be indirect impacts and every Company has their own strategy, but we are working towards our own growth plan.

**Shrinidhi:** So, would you attribute largely to the base effect and the maybe the ongoing demand environment, but lesser to the competition would that be a fair assumption?

**Rajesh Jain:** Yes that is fair.

**Moderator:** Thank you. Next question is from the line of Anirudh Agarwal from ValueQuest Investment Advisors. Please go ahead.

**Anirudh Agarwal:** So, sir can you elaborate on some initiatives that you will be taking on the domestic side on housing wires front specifically to revive growth given overall industry outlook is slightly challenging near term?

**Rajesh Jain:** For domestic market our first focus like we are increasing our power cable capacity because we need to understand in wire already we are having very big capacity and good market share also, but sometimes we need to complete the product range also.

So, many times like if somebody is asking power cable and wire and if we are not able to supply the power cable range then it is not good combination for our business. So, there are two fold working we are doing in the domestic segment.

One increasing our market base with retailer and electrician base which is ongoing activity and already in the last three years we have done a lot of work, and we'll keep focusing on that. At the same time, we are coming with a complete range of power cables and my delivery period will be improved.

So, with that there will be margin improvements also and volume improvements also. So, by improvement in our service cycle we can expect good growth in our domestic business.

**Anirudh Agarwal:** Sir, what would be the retailer base today and how would that have moved in the last 6 months or so since IPO?

**Rajesh Jain:** So, like if we see retailers we keep increasing at our retailer base and already we had crossed more than one 1,20,000 retailers, but this focus will be keep continuing and now our focus will



be to increase the depth of our retailers also because we want higher per retailer sales at higher levels. So, our focus will be on both in numeric and distribution both we have to increase.

**Anirudh Agarwal:** Sir just on this domestic growth question is there any difference in regional split of this growth, so how would South versus West versus North have done for us in this quarter and nine months if you can just share the trends in terms of growth?

**Rajesh Jain:** So, like earlier our market and the West and the North was very strong while South and East still we are doing and even in South also in few areas we are doing very good. So, now in few of the South States and Eastern we could not grow our business as per our plan.

So, there are some impacts, but very major impact because it is overall 12% growth is there. So, in some area it is less than in single digit also while we were expecting higher growth.

**Anirudh Agarwal:** So, finally on this cable capacity expansion, so the way we are understanding it is today our capacity is about 1000 tons a month and we will double that over the next one year so that's correct, right?

**Rajesh Jain:** This is 1000 tons per month, and this is for aluminum and somehow some contribution will be from copper power cable also per month just to clarify.

**Anirudh Agarwal:** So, basically so then the right way to understand is if the demand scenario continues to remain similar to where it is today on the power cables front basically our cable revenue in FY26 can potentially double with the new capacity?

**Rajesh Jain:** That can be double only in power cable. See you need to understand the majority of my sales is coming from wire sales 70% is wire than 15% is special cable and industrial cables. So, what we are saying double is power cable capacity then almost 20% to 25% increase in my copper wire capacity. So, like this will be able to meet our next 2 years, 3 years target of 20% volume growth YoY basis and then we'll again like since it takes all almost 18 to 24 months for new CAPEX. So, we'll keep planning for two years ahead of our projected demand.

**Anirudh Agarwal:** So, you mentioned that gross margin this quarter got impacted due to product mix. So, you can just elaborate that we couldn't clearly understand what product mix impacted our gross margin this quarter?

**Rajesh Jain:** Product mix here again we have to see that like copper prices were like increased by 4% to 5% in this quarter and if you see there always we are able to pass on these prices, but there will be time lag because if there will be 2% to 3% change in copper prices then we will come with new price list or if there is reduction we will come with new price, but there will be time lag of 20 days to 25 days. So, this has little bit impact in our gross margins levels.



**Anirudh Agarwal:** But otherwise no fundamental or structural change. So, in Q4 if prices remain steady then we can get back to Q2 margin levels?

**Rajesh Jain:** Yes.

**Moderator:** Thank you. The next question is from the line of Rohan Vora from Envision Capital. Please go ahead.

**Rohan Vora:** So, sir my first question is on the lines of so as we understand our exports are slightly lower margin in terms of wires as comparable domestic ones. However, exports are growing faster. So, is it that we are limited by demand that the domestic demand is a little muted and hence we are choosing to export is that the case?

**Rajesh Jain:** See our export and domestic strategy are not short term. If you see we started our exports in year 2001 and we were the first exporters of wire from India and at the same time we need to understand that since we started our journey from wire and then moved to cable.

So, still our majority of the exports are coming from wire and like wire product is considered very simple product in export market and therefore their margins are on lower side when we compare with Indian wire pricing structure, but since now we are in exports of cable also so we have equal focus on wire and cable domestic and export and for one quarter you may see the this ratio may go up or down, but overall we have planned to grow at 20% and that will growth will come from both the markets domestic as well as exports.

**Rohan Vora:** And it will be equal so you're saying that over a longer term both domestic and exports would contribute?

**Rajesh Jain:** Sure yes exactly.

**Rohan Vora:** Sir, my second question was what would be the difference between the pricing of say peering the wire segment versus our in the states where we are not prominent today? What would be the percentage difference per you?

**Rajesh Jain:** If you see Indian wire market every player has their own strength market and weak market or opportunity market. So, in every area we have different players, different pricing, but since now we have overall if you see we are in the GST scenario where any dealer can move material from one place to other place.

So, you cannot keep much difference in your pricing from one state to other state. So, these are almost like only you can have some different incentive schemes or incentive plans, but otherwise your base size remains same for all India levels.

**Rohan Vora:** So, sir I was coming from a point of view that if there is scope to increase the price towards the leader once you establish the brand and would that help the margins, so that was my question?



**Rajesh Jain:** So, margins definitely can be increased by both the way by increasing our distribution, by increasing our reach to customers and at the same time getting leadership position also. So, these are mixed efforts, and we are working on the same.

**Rohan Vora:** And sir just the last one what would be your margin aspirations 3 years from now for FY27 and a breakup would help on wire and cables versus FMEG and domestic exports?

**Rajesh Jain:** If we talk light right now this year we had like guidance of increasing our margins by 140 bps and we are on part of that and even going for in next 2 years, 3 years also we are expecting our EBITDA margins in the range of 10% to 10.5% and we are on track to that and this is the more importantly whatever margin planning we are doing this is based on our world class product and also sustainable and continuous growth of 20%.

So, these margin profiles are good and in FMEG sector we are growing like more than 20% which is much better than industry average. So, while both the business will grow, but since the growth rate in FMEG maybe at higher side so this right now what it is contributing at 12% may increase to 15% to 16% in our total revenue.

**Rohan Vora:** So, overall, 10% to 10.5% over a medium term EBITDA margin?

**Rajesh Jain:** Yes.

**Moderator:** Thank you. Next question is on the line of Nikhil Kale from Invesco. Please go ahead.

**Nikhil Kale:** Sir, if I look at your distribution network so the DRHP numbers that we have as of December end and the presentation which are September end we've seen a significant increase both in our data distribute account as well as a retailer retail network.

However, if you look at the quarterly domestic revenues as one of the previous participants highlighted has been pretty stagnant at around 1000 odd crores. So, maybe can you just help us understand what is the reason why we have not been able to grow it at a faster rate because I mean Wire demand has been maybe muted compared to cables, but it's still been quite decent it's been quite positive?

**Rajesh Jain:** So, Nikhil this expansion of a retailer or network of electrician this is long term activity. First like in the states where we have very less market share of 1% or 2% there also we are creating base.

So, even if I am going there at higher pace than my industry average or my local growth, but since base is very small so progress looks a little bit slower, but this is base work which will be like giving results after 2 years, 3 years and the same you have seen is what work we started in FY'2021 this giving growth in FY'23 and 24.



So, this is a continuous process, we'll keep focusing expanding our brand, expanding our distribution network and our market share will keep increasing. So, this is long-term planning and immediately the results may not be visible, but this is base work which you need to do to grow.

**Moderator:** Thank you. The next question is from the line of Harsh Mulchandani from Kriss Portfolio Management Services. Please go ahead.

**Harsh Mulchandani:** Most of my questions have been answered just wanted to understand on the FMEG segment, when do we expect to break even or make significant money at an EBITDA level?

**Rajesh Jain:** If you see our margin in FMEG also we have improved a lot in compared to previous year and like we are expecting to break even in FY25 with volume growth in FMEG with the base keep increasing and we will be positive in next year.

**Moderator:** Thank you. Next question is from the line of Naman Parmar from Niveshaay Investment Advisory. Please go ahead.

**Naman Parmar:** So, I wanted to know what is the capacity utilization in the wires and cables?

**Rajesh Jain:** Naman as of now, we are like operating in our cable. We are already at 80% to 90% of capacity utilization while in wire it is in the range of 65% to 70% and looking to our number of SKUs and the overall product basket it is considered very good capacities utilization anything above 65 to 70.

**Naman Parmar:** And my second question is related to what is your plan to enter the EHV segment? Has the government increased the investment in the power sector and every big Company has entered that segment, so what's your plan to enter that segment?

**Rajesh Jain:** So, as of now our focus is to increase the sales of wire and cables both, but if you see two power sectors like where EHV cables or conductors are supplied we do not have any plan as of now and our focus will be continue to our existing range of building wire, industrial cables and power cables up to 66 KV. So, as of now we have capabilities to produce up to 66 KV and here only we want to grow as of now.

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

**Praveen Sahay:** Sir, it's related to the FMEG portfolio and in the nine-month FMEG the segment has given a good growth so above for 20%. So, my question is that only because of the luminous home electrical consolidation we are seeing such kind of a growth, or this is quite a structure in nature in the coming years we will see such kind of a growth.



And second is on the losses also has a minimized quite significantly for a quarter and even for a year if I look at it, it's quite significantly reduced. So, what's your guidance related to the losses when this entire portfolio breaks even?

**Rajesh Jain:** If you see in FMEG we have grown by 20% and the luminous business we acquired in FY23. So, both the figures are comparable figures with us because we acquired this business in May 22. So, this year figure also had 8 months sale in last year also. So, this growth is 20% is like combined growth of both the businesses existing business as well as luminous and it is not that only luminous growth is there.

And secondly as I said earlier we are expecting to break even this business and being EBITDA positive in FY25. So, this will be based on whatever strategy we have made to expand this business consolidating our cost and improving our margins.

**Praveen Sahay:** How is the volume growth in this segment?

**Rajesh Jain:** So, this 20% when we are talking it is revenue growth and the majority of this comes through volume growth only. Very interesting if you see the pricing of lights are almost down by 20% if you compare year-on-year basis. So, in spite of that 20% decline in prices we are able to achieve revenue growth of 20%. So, volume growth is bit higher in compared to this value growth.

**Praveen Sahay:** And any geographical concentration in the FMEG can you give like how is that?

**Rajesh Jain:** Still, our majority of FMEG sales is coming from North and West only. So, it is almost similar.

**Praveen Sahay:** And luminous accounts for around 40% of your family business?

**Rajesh Jain:** But going forward it will be difficult to segregate the sales because now everything is combined and our like even sales team and every team is also combined. So, now it is tough to segregate what we are getting from luminous or what we are getting from our.

**Praveen Sahay:** You can give some premium versus mass?

**Rajesh Jain:** Now also what we are consolidating that we have already introduced RR signature brand which will represent premium product of our FMEG segment and there that same brand will be in all across all the sectors of energy being light or fan or even switch gears everything.

So, we are getting good growth but still the base is very small. So, it makes no sense to attract separately but we have good growth in premium products also.

**Moderator:** Thank you. Next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.



**Alisha Mahawla:** So, first we did mention that on an annual basis we're looking at expanding our margins are 140 basis points. Can you share some levers or initiatives for the same or is this is primarily only going to be driven by product mix?

**Rajesh Jain:** So, there are two three factors if we see like in export also we are moving towards high value-added products being cable or special wires in export same way our on basis of our volume increase also we will get some efficiency in cost also some price improvement.

So, these are combined aspect of three or four points and also in power cable since my capacity is very small. So, our cost for manufacturing is a bit higher. So, once we got the volume in that also then my sales realization will also improve, and cost will also improve. So, this 140-bps improvement is combined impact of everything.

**Alisha Mahawla:** And we mentioned earlier that our wires utilization is at about 65%, 70% and considering the SKUs this is very good utilization. Is there scope for further volume growth there is new capacity comes in September '24?

**Rajesh Jain:** So, the way we have planned our CAPEX is so that we can get the volume growth of 20% year-on-year whatever capacity we are enhancing this will also come in phases. So, we will be able to achieve this 20% volume growth and we keep improving our capacity utilization also and to meet the additional demands our capacity it has turned in that way only.

**Alisha Mahawla:** I do understand that this will help us achieve 20% volume growth. All I'm trying to understand this till the new CAPEX comes, are we going to be slightly constrained with capacity?

**Rajesh Jain:** No, we will not have any capacity constraint. We will be able to meet whatever demand will be on 20% sequential growth.

**Alisha Mahawla:** And you may have given it earlier and I think I missed it. Can you please share the Q3 volume growth and the splits for exports and domestic?

**Rajesh Jain:** Q3 volume growth.

**Alisha Mahawla:** Yes you mentioned 19% for nine months can we get a similar number for Q3?

**Rajesh Jain:** So, it's a 10% volume growth if I compare Q3 versus Q3.

**Alisha Mahawla:** And can I get the split between domestic and exports?

**Rajesh Jain:** That is not handy with me, but more or less maybe in line with our nine months figure only, but exactly we'll work out and we'll forward you.

**Alisha Mahawla:** And just one last book keeping question the CAPEX for next two years, 24-25 is that 500 crores or 700 crores?



- Rajesh Jain:** 500 crores for these two years.
- Alisha Mahawla:** And how much will we spent in nine months?
- Rajesh Jain:** Already we have done more than 150 crores and are giving advance to our machine supplier.
- Moderator:** Thank you. Next question is from the line of Venkat from DSP Investment Managers. Please go ahead.
- Venkat:** Just to clarify so you had an issue with the base in Q3 that is you guys had a tougher base of Q3 last year. So, going forward Q4 you would expect a normalization essentially 15% to 20% kind of volume growth starting Q4, is that a fair assumption to make?
- Rajesh Jain:** Again, like if we have to achieve yearly growth of 20% and if we have already done 20% YoY basis. So, obviously we have to do 20% volume growth on Q4 of FY23.
- Venkat:** And the other part that I just wanted to understand was on the domestic side generally what we get to hear from the peer side is that the growth on the housing segment is lagging the growth on the cable side.
- So, for you to grow 15%, 20% on the domestic side you guys will have to gain market share. So, how you guys are thinking about it? Is that the way that you're thinking about it?
- Rajesh Jain:** There are two ways to see this figure. The good thing is both like housing segment as well as the industrial cable or power cable segment both are growing, but since this power cable segment is growing at much higher speed, that's why people are saying housing is not growing that, but if we see overall India level figures housing is also growing and this wire consumption is not only in housing.
- If you look at micro levels then like almost as per our understanding almost 60% of wire goes in renovation segment. People keep changing their interiors, restaurant, offices. These days the life of a restaurant is hardly three to four years or office is maybe five years. So, there is huge consumption in wire growth also.
- We see good opportunity in wire as well as cables and this 15% to 20% on sustainable basis. The more important thing is we are not talking about quarter or only nine months. We are talking about year-on-year growth.
- Already we have achieved the growth of more than 20% in historical year also and future going forward also we see a very bright chances looking to the way Indian economy is doing good, the way Indian exports are increasing. So, there is a good chance for growth of 15% to 20%.



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**Venkat:** And my last question is just in terms of exports what is the outlook there and where do we see ourselves just in terms of the proportion of exports of overall business shaping up three to four years out versus where it is today?

**Rajesh Jain:** As of now our export is contributing 27% and even going forward also it may keep in the range of 30% to 35%. Still, both the segments will keep growing domestic as well as export. Sometimes export may grow at a higher speed also due to new geography and new products also. So, it may reach up to 35% in the longer horizon.

**Venkat:** And what will be the geography that will help you get there from where you are?

**Rajesh Jain:** As of now already we are very well distributed in our export market and like our majority of exports is coming from Europe and UAE, USA, Australia and New Zealand and Myanmar, all kind of geography and we see good opportunity in all the markets.

Again, I'm repeating that since we are doing our exports in own brand and see initially it takes too much time and many efforts to establish your brand, but once this your brand has got established it is comparatively easy to gain the market share. So, we have very good growth plans from export markets and also from all the geographies.

**Moderator:** Thank you. As there are no further questions, I will now hand the conference over to Mr. Shreegopal Kabra sir for closing comments.

**Shreegopal Kabra:** So, I thank on behalf of the management to all the participants. Thank you very much and wish you a Happy New Year. Thank you.

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