



# “Finolex Cables Limited Q2 FY-23 Earnings Conference Call”

**November 11, 2022**



**MANAGEMENT: MR. DEEPAK K CHHABRIA – EXECUTIVE CHAIRMAN.  
MR. MAHESH VISWANATHAN – CHIEF FINANCIAL  
OFFICER.**

**Moderator:** Ladies and gentlemen, good day and welcome to the Finolex Cables Limited Q2 FY23 Analyst Conference Call. As a reminder, all participants 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. I now hand the conference over to Mamta Samat. Please go ahead.

**Mamta Samat:** Thank you, Eli. Good evening everyone and thank you for joining us on Finolex Cables Limited Q2 FY23 Analyst Conference Call. Today we have with us the Senior Management represented by Mr. Deepak K Chhabria – Executive Chairman and Mr. Mahesh Viswanathan – Chief Financial Officer. Before we begin, I would like to say that some of the statements that will be made in today’s discussion, maybe forward looking in nature. We will begin to call with the opening remarks from the management after which we will have the forum open for the interactive Q&A session. I will now request the management for opening remarks. Thank you and over to you sir.

**Mahesh Viswanathan:** Thanks Mamta. Good afternoon ladies and gentlemen. I am Mahesh Viswanathan – Chief Financial Officer at Finolex Cables Limited.

On behalf of the company, I extend a very warm welcome to all the participants this afternoon. You must have by now had a look at the presentation that is uploaded in our website as well as the results that were posted two days ago. As far as the top line goes, we’ve had a good quarter, the top line went up by about 17% on a comparable basis, the electrical cables business grew about 12% and communication cables business grew approximately 54% during the quarter. In volume terms, we witnessed 10% growth in electrical cables and within the communication cable segment, we have multiple product lines. So, those product lines that are metal based there the volume growth was about 24%, while the fiber-based products almost doubled. The FMEG the products that we have there the growth was kind of flat overall, partially because in the fan segment there was quite a bit of destocking because of the upcoming changes to the BE norms, as well as some effect of the continued inflation on the retail markets.

Profit after taxes was about 136 crores lower than last comparable quarter by about 8%. This is primarily an account of the higher cost inventory that we had at the beginning of the quarter, which was liquidated during the quarter. Also, we took a price reduction in July following the decrease in copper prices. And over this quarter, we also started spending a little more on market related activities. During the COVID period, our spend on ads and related market activities was somewhat less so we’re now bringing it, ramping it up as the volumes start to climb.

Overall on a revenue basis, we saw decent growth although inflation continues to be something that is on our radar, and we will have a close watch on that. We do expect the demand momentum to start picking up now. And hope that the rest of the year progresses at least in revenue terms on the same basis and margin terms we should we expect to catch up because at the moment as we speak now. Commodity prices seem to have stabilized at a certain level. So, as long as there are no more undue blips, one should see the margins climb back. That’s, about it for the opening

remarks from my side. So, I will open it up for questions now and we are happy to take questions as they come by.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from Sonali Salgaonkar of Jefferies. Please go ahead.

**Sonali Salgaonkar:** I'm sorry, I joined in a bit late so, seem to have missed your opening remarks. So, sir firstly, my question is you did mention that there was a change in the product mix in cables and wires, especially electrical cables during the quarter, which impacted margin. So, could you update us a little bit more on that and secondly, there seems to be a good revival in communication cables, especially the volumes on optic fiber cables. So, what is leading to such a good volume?

**Mahesh Viswanathan:** Okay. Yes, in our press note, we had talked about slightly different product mix which had also impacted the margins. While all the product baskets grew, there was a fairly high growth on the automobile sector and cables which go into the automobile sector that growth was fairly significant. And as you know these are products which are geared towards the auto companies and while you get volumes the margins there are fairly thin. And likewise, we'd also seen growth in the industrial products and there again the margins are not as healthy as you would see on the retail products. So, these two product lines the volumes were significantly higher. And that pulled down the margins by about 80 to 100 basis points.

**Sonali Salgaonkar:** Got it. And sir about communication?

**Mahesh Viswanathan:** On the communication side, we are seeing growth like I mentioned we are seeing growth across all the product lines, except one. The metal base products have a volume growth of about 245, 25%. Optic fiber has, like I said double in this quarter. In this year we are one of the primary suppliers to Bharti. And again, both Bharti and Reliance have started investing in fiber over the last few months. And that is kicking in. The 5G rollout is imminent, and they are planning for that. So, we do expect volumes to continue to be at these levels going forward. And as the 5G rollout accelerates with other players coming in, one should see a healthy trend there. Also today, you must have read in the newspapers, that BSNL has signed a contract with TCS for their 4G rollout across the country. So, they are and that over a period of time, I'm sure would include fiber as well. And they're also planning their 5G rollout sometime next year. So, as we go into the future, there will be a continued demand for fiber and that's good for us.

**Sonali Salgaonkar:** Got it. Sir on the demand side, the retail wires or the construction wires, which are about 60%, 65% of our electrical cables mix. Are you witnessing any softening in construction off take in Q2?

**Mahesh Viswanathan:** No, the volumes went up there also, the volumes went specifically in those construction wire products. The volumes went up by about 10% or so.

- Sonali Salgaonkar:** Got it, but overall you think demand in the housing industry is normal right now, both in the rural as well as the urban?
- Mahesh Viswanathan:** It is normalizing, probably a little shy away from where we were pre-COVID levels but we're catching up sooner.
- Sonali Salgaonkar:** Got it. Sir and on the margins, we used to be very strong in the electrical cables of course this quarter had the impact of softening copper. But where do you foresee the margins normalizing also, we do remember that a few quarters back you had mentioned that during COVID you had increased the discounting which led to impact on the gross margins. Have we stopped at discounting and where do you think the gross margin should stabilize in the coming quarter?
- Mahesh Viswanathan:** No, we have not stopped it although we have moderated that slightly. A steady state level should be around 13%, 14%. Like I mentioned earlier this quarter there has been an impact on account of the softening copper prices. But as long as stability is maintained, we should get back to those numbers.
- Sonali Salgaonkar:** Got it. Sir just one last question from my side, about the optic fiber prices globally, how are they trending right now and lastly, our CAPEX expectation.
- Mahesh Viswanathan:** CAPEX, like we've been mentioning over the last few quarters those projects are on ongoing. And we should be completing them by the end of this financial year, except probably the EB might slip into next year. But the rest of the projects that we talked about should be done by the end of this financial year. As far as, what is your other question sorry?
- Sonali Salgaonkar:** Sir optic fiber prices and sorry, one last question on your appliances side when do you expect to breakeven?
- Mahesh Viswanathan:** Sorry, I lost your question again. I'm sorry.
- Sonali Salgaonkar:** Sir optic fiber prices globally, how are they trending right now and lastly when do you expect to break even on the appliances segment?
- Mahesh Viswanathan:** Okay. We should as far as appliances segment are concerned, we had spoken about this earlier also, when our turnover on the segment hits about 180 to 200 crores we should be breaking even at that point in time. And last year, we just missed it by about 10 or 15 odd crores. So, as we grow and hit those numbers we should be breaking even. It also depends on how much we finally decide to spend on ads on those product lines. So, if our ad spends are somewhat similar to what our current run rate is, then I think that 200 number is still valid. If we want to take it up for whatever reason, then that could impact a little bit but it is in that ballpark. As far as the optic fiber prices are concerned, there is a trend towards firming up. We see locally prices firming at around Rs.360 to Rs.380 per kilometer. And it is holding at that level. So, the demand is climbing up again as major countries overseas start their 5G rollouts. The fear of the pandemic is kind of

not there anymore. So, you do see announcements around rollouts happening across multiple geographies. So, the demand is starting to come back.

**Sonali Salgaonkar:** Sir what were the prices of optic fiber at the start of this year, which you said is about Rs.360, Rs.380 per kilometer right now?

**Mahesh Viswanathan:** It's around 340, 330 somewhere around there.

**Moderator:** The next question is from Anand Jadhav of PhillipCapital. Please go ahead.

**Anand Jadhav:** Most of my questions are actually answered, just one thing sir. And that is actually directed to Deepak sir. There's one concern on lot of investors mind and which is keeping people at they and I, I'm going to just ask so that let's be some clarity on that. So, is the family dispute behind us for good, any clarity would be really helpful?

**Deepak K Chhabria:** I'm actually sorry, I'm not able to respond to you on that because the matters are sub judice. So, until that clears, I am unable to talk on that particular subject.

**Moderator:** Our next question is from Chintan Sheth of Sameeksha Capital. Please go ahead.

**Chintan Sheth:** So, sir on the growth front, so given the festive was slightly early this year, does this volume growth is what we were expecting or it slightly lower than our expectation and how do we see Q3 panning out in terms of growth given the festive around us, and there were some level of optimism in terms of consumption trend, being on the upper end side?

**Mahesh Viswanathan:** On the appliances part the issue is still around the fan segment, because the change in norms is imminent over the next, from 1st of January. And that leads to a situation where the trade doesn't want to stop they don't want to increase their stocks. And at the same time, the newer versions would be slightly more expensive so they're not very sure about what volumes they would like to keep. So, that's a bottleneck that we have to sort out. But the demand for lamps are the other product lines are continuing.

**Chintan Sheth:** And any update on how our distribution strategies are progressing, any further update around that, any learning and what more we need to do to reach out to more number of geographies and improve presence in the market if you can?

**Mahesh Viswanathan:** You are talking about the distribution part?

**Chintan Sheth:** Yes, distribution strategy.

**Mahesh Viswanathan:** Those activities continue, the last one and a half, two years the results are bearing out are move into distribution, we are refining it as we go by because each day you learn something new. And we are improving the digital platform that we have. So, that gives us access to more data. Now, no one needs to mine the data and see trends and what we can learn from that. So, it's not a

overnight learning, it takes a little bit of time, but we are doing the right or at least moving in the right direction as far as distribution is concerned. And like I mentioned in the beginning, we are also supporting that with additional market spends, not only on visibility but also on below the line items. So, that should improve our penetration in the retail counters.

**Chintan Sheth:** Right and in terms of resource, to execute this strategy are we fully, within dealer level resource planning are we done with that in terms of billing the team and having those teams at the corporate level how are we pleased and what is the status in that term?

**Deepak K Chhabria:** That will be a goalpost which will keep changing every month because as you learn then you get into new territories, it's not going to be a product that you say, at one point in time you're finished with it, but it is it is improving. But you see the network is growing and when you say dealer, we are talking of a two tire which is distribution, retailer and network instead of dealers. We call the dealer in our company channel partners who are quite stable, but the growth we are really taking in the two-tire part where the retail counters are going on being added with distribution. We put software in place where we have a distributor retailer on a software and we can actually control the number of retailers attached to a particular distributor and the billing cycle that goes with it. And there cannot be any cross distribution happening. All that is in place we can have to improve retailers sales; we can have schemes running directly with retailers who are now on the system with us. So, many things are happening and to go on strengthening this kind of a network, and we are tracking not just increase in retailers but to see how many retailers we can have in different bands for them to buy more and more clients, have a larger bucket, so various activity is being done by the marketing team in that area.

**Mahesh Viswanathan:** And the team is also tracking what level of wallet share are we getting from a particular retailer and what's the standard amount of buy that he gets, what increases are happening there. So, those information gives them ideas as to, where do we need to concentrate now, what do we need to do to secure a particular area and so on that effort is ongoing.

**Chintan Sheth:** That's, great to hear and last question from end and then I will jump back in queue. Any reason on distribution policy, the cash we hold and how should we look at this is a ongoing question which needs to ask as an investor.

**Mahesh Viswanathan:** You are asking about the liquid money that we hold?

**Chintan Sheth:** Correct. How should we look at them, that's an ongoing question, and we are bothering with you, but if you have reached to any decision?

**Mahesh Viswanathan:** We're looking at, one is the CAPEX that we had announced those we will complete, the last two years we have been a little quiet on the expansion front because of the kind of market environment that one had COVID and so on. So, where can that money go, it can go into expansion, it can go into inorganic growth or it can go back to the shareholders, those are the only two, three avenues that one has. So, we do realize that we are sitting on money which at the

moment may not look productive, but we are constantly looking for opportunities to deploy that, only thing as you know we are a little bit conservative so we would like to be reasonably sure before putting our feet into the water.

**Moderator:** Our next question is from Saket Kapoor of Kapoor Company. Please go ahead.

**Saket Kapoor:** Firstly, sir if you could give some color on our capacity utilization levels for this quarter and for the first half, for all the three categories?

**Mahesh Viswanathan:** The electrical cable plants are nearing 70% utilization at this point in time and bear in mind 70% is including the additions that we have made over the last 12 months. So, on expanded capacity now we are at about 70%. Going forward if the demand continues the way it is then we should be reaching about 80%, 85% over the next six months to nine months. On optic fiber, the fiber production is now close to we have a capacity of 3 million, we are almost at 75% at this point in time. The other communication products except for one particular line the rest are at 75%, LAN in fact is fully booked so on an average you would say around 75%, there is this one product line which is low at this point.

**Saket Kapoor:** You mentioned LAN?

**Mahesh Viswanathan:** Yes.

**Saket Kapoor:** And what kind of revenue do we post from the LAN segment?

**Mahesh Viswanathan:** LAN we are close to 200 crores a year.

**Saket Kapoor:** Right sir. Sir coming firstly to the electrical cable, firstly to the OFC part sir, when we look at the communication cable segment that attributes mainly to the OFC in the product profile of the fiber cables or we have other products also?

**Mahesh Viswanathan:** The largest would-be OFC there.

**Saket Kapoor:** Okay. So, why are we having very near margins, wafer thin margin in this segment what are the key reasons for the same?

**Mahesh Viswanathan:** Well, it is not a trade retail product and like I said this year our major volumes have come in from Bharti where the prices are determined by reverse auction. So, the margin there are, you get good volumes and that keeps your, that helps you to absorb your fixed cost completely, but the margins are rather thin and the fixed price for the year. So, we also need to then resort to hedging mechanisms so that we are safe from the FOREX volatilities because this is one product where the base raw material comes from overseas and any change to the rupee dollar parity there could impact us.

**Saket Kapoor:** So, a small point, then we are sourcing the fibers for the OFC from totally imported?

- Mahesh Viswanathan:** No, that's not what I'm saying, the base, which is the glass for the fiber, we source it from overseas. There is just one company in India which makes the glass and he is a competitor.
- Deepak K Chhabria:** So, what he means is preforms, we import the preforms and then we draw it into fiber in our plant. So, we have joint towers, but the preforms are imported.
- Saket Kapoor:** Correct sir. And sir going ahead do we have the product line for FTTH also fiber to home and other applications?
- Mahesh Viswanathan:** Yes, we do. We in fact, we are one of the approved suppliers to Reliance and to Bharti. The difference between in revenue from FTTH is a while you will get a lot of kilometers, the fiber count there is not as high because you're talking about fiber reaching your home what you need is only a single fiber coming into your home although most companies give you two fibers. The money is more in the long-haul connectivity, where the fiber count is 96 or 188 or higher.
- Saket Kapoor:** But sir still to get the margin profile correct, when we look at other OFC players are we a small margin as I said that we are only posting 2, 2.5% margins in this cable OFC cable business where the demand it's because of the launch of 5G the pipeline is in process getting a big kick up now, then also sir only 2% margin where is the missing line, is this the industry norms or we have some headwinds because of this the margin is only 2%?
- Mahesh Viswanathan:** No, that 2% is a composite margin for all the communication products. So, communication products would include telephone cables, speaker cables, CCTV applications, LAN cables, coaxial cables, and OFC. So, the margin profile for each of these products is slightly different. And the composite number is what you see in what has been published, because the segment is at a total level.
- Saket Kapoor:** Last question on OFC, so what is our market share then in this segment currently?
- Mahesh Viswanathan:** The Indian market what 18% or so, slightly under 20s is what I remember.
- Saket Kapoor:** 18% is our market share for OFC?
- Mahesh Viswanathan:** It all depends on what level of investment the government is making at any point in time. A lot of announcements are made but there is a time lag between when the announcement is made and when the product is actually procured. So, who are the regulars every year so Bharti runs a tender every year. Reliance earlier on they were taking large quantities but then they were on their rollout mode at that point in time. Currently they are spending more money on the FTTH maybe going forward in the rest of the year they will start spending on their 5G rollouts and that might require more fibers. BSNL has not spent anything over the last few years. Announcements about the Bharat NET projects have been coming from time-to-time, but procurement has been very slow. So, while the opportunity size is extremely large funding has been a constraint for the



government and that's why, while the market is there the off take is very staggered and one is not really able to predict that.

**Saket Kapoor:** Sir I you allow I have two more question for electrical cable segment or shall I join the queue?

**Mahesh Viswanathan:** No, go ahead please.

**Saket Kapoor:** Yes sir. Sir for the electrical cable segment, our product profile includes all categories that means we are present in HV, MV and LV or if you could give the specification or it is only the wires and cables that we go through in electrical cable segment?

**Mahesh Viswanathan:** We are present, we have the capability to do LV low duty medium voltage and high voltage within the company. Bulk of our product offerings would be in the low duty category. Power and high voltage cables because of their exposure to distribution utilities we have consciously not taken a very large exposure on those sectors.

**Saket Kapoor:** So, what should be the mix for electrical cable segment this 880 odd crore revenue. If you could give between the wires and the wired cable segment, the cable segment and the wires and cable segment?

**Mahesh Viswanathan:** Okay broadly there will be general construction that's about 60%. Automobiles would be another 10% to 12%, industrials would be 10% to 12%, seasonally agriculture could take another 10% that depends on the sowing season and the remaining would be power cables.

**Saket Kapoor:** Sir, I was industry wise I was looking for the cable segment and the wires and cables breakup, that is 60% is wires and cables that is what.

**Mahesh Viswanathan:** No, the power cable is about half our total revenue, about 10%.

**Saket Kapoor:** Okay. Sir power cables means.

**Mahesh Viswanathan:** Medium voltage and high voltage.

**Deepak K Chhabria:** Power cables are also in low voltage in one point when you say 1.1 KV it's called low voltage, when you go into 11 KV, 22 KV, 33 KV it is called medium voltage and then anything above that, they call it high voltage. So, that is a term used abroad in our country the 11 to 33 is called high voltage and then going higher 66 and 132 and going up to 220, 400 KV is extra voltage. We are in the entire range, in the extra high voltage we have a joint venture with the Japanese where we are manufacturing up to 400 actually capacity is 500 KV, but we get cables up to 400 KV which is required in the country. But in Finolex Cables the predominant position is majority in low voltage and some amounts in medium voltage up to 33 KV, is how we sell in the cable side. But when you are looking at wire, is in wire 10% let's say in this cable and 5% in the other products, the broad product mix of the company.

- Saket Kapoor:** Right sir. And for the AHV segment, how is the industry shaped up and do we participate in EPC contracts also or we are selling directly to the government?
- Deepak K Chhabria:** In the AHV you get both type of orders just supply of cable, but of course you have to give it with jointing kits and install it, or you have the whole turnkey where you got too late with all the civil work as well as jointing kits and terminated from one point to the other point. We do tie up with other people for doing the EPC jobs, majority is with EPC and we know these are large voltage cables you require certain amount of years of experience, certain amount of years of cable which is being operational before they qualify for quoting for tenders, so there are many roadblocks for newcomers to enter in the business, for you to quote for the tenders for approval. We've crossed all those hurdles now and while in the past because of that, we have not had a good run and made some losses, but now we are having a good order booking which is like close to 10 months of order booking.
- Mahesh Viswanathan:** Actually, more than that, close to this year they have booked almost 300 crores of orders.
- Deepak K Chhabria:** We have a one-year order book position now in EHV.
- Saket Kapoor:** That is to the tune of 300 crore?
- Deepak K Chhabria:** Yes, to the tune of 300 crores.
- Saket Kapoor:** Okay. And that means the business sentiment for the EHV part, there is a lot of strength in this segment, so, the underground cabling also from the government side does those things are getting traction or is it for the metro rails also that we are participating?
- Deepak K Chhabria:** We are participating with metro rails as well as underground utilities or even private project in large plants where they require the large cable underground, participant everywhere. Majority of the material is going to utilities.
- Saket Kapoor:** Okay sir and what is our market share?
- Mahesh Viswanathan:** Again, the market share calculation if you're looking at it basis orders one will be around 15% to 20%. But if you're calculating basis execution at the moment it will be slightly lower than it be probably less than 10%.
- Deepak K Chhabria:** Because the order book position has built up now with all the qualifications. We still have to execute this 300 crores, while earlier we have not been producing and selling 300, we just built up in this year good order book position. So, going forward, it looks good.
- Saket Kapoor:** Okay. And on the raw material front, if you could throw some more light how is that basket shaping up and how do we hedge that depending upon the volatility in the commodity prices, if you could give some more color?

- Deepak K Chhabria:** So, we have so many variety of products in copper that there are many sizes and colors, you have to stop and sell the trade items in through your depots, we have 26 depots all over the country. And you will have to have at least about one month inventory in stock to be able to satisfy the product mix and the demand of the consumer asking for immediate delivery. So, raw materials, when we get copper we buy copper on the average of the month. If you try to hedge it, there's a cost involved, if you take a natural hedge like what we've done, which is taking average of the month and the price and sell it at the average of the month, except that we have a particular stock with us, which is a one-month stock. So, when the copper prices are going like in the last quarter it went down. If you, we have to value the stock the way it is in the balance sheet. So, basically we are taking a hit as it's coming down, and we're taking a gain when it's going up. Over a long period, it evens out and that's why we don't go and pay a cost for aging, which would be otherwise a reoccurring cost on a continuous basis. And we have this natural hedge mechanism running while selling our products. But copper has come down from \$10,400 to about it came down to 7500 to 7400 last few days, it's gone to 8000. So, it's come down quite a bit in three months. And so as PVC come down quite a bit.
- Saket Kapoor:** PVC prices also come.
- Deepak K Chhabria:** Yes, PVC prices are constantly dropping.
- Mahesh Viswanathan:** If you are following the pipe company you would have seen all their commentaries, yesterday in fact there was a commentary from it was Prince.
- Deepak K Chhabria:** Yes, correct.
- Mahesh Viswanathan:** They also had an issue on the PVC price. It dropped substantially.
- Deepak K Chhabria:** It dropped yesterday also, it keeps dropping.
- Saket Kapoor:** And lastly sir on the raw material basket, what percentage would be sir this copper part out this total 744 raw material consumption. The major component percentage mix can you provide?
- Mahesh Viswanathan:** Okay. In a year out of my material cost about 65% to 70% is copper.
- Saket Kapoor:** And lastly sir on the OFC part also, do we do this interconnect also, we are already in the OFC segment, interconnect is also gaining a lot of traction with this communication business.
- Mahesh Viswanathan:** Sorry, I didn't follow what do you mean by interconnect?
- Saket Kapoor:** Interconnect sir, joining of the OFC cable.
- Mahesh Viswanathan:** We are not doing at the moment we are not on the EPC side or on the Interconnect side. It is something that we are exploring, we'll have to see how to take that forward. But at the moment

we are only supplying cables to these consumers, so the consumers could be government BSNL, BBML or any of the other agencies or the large telcos.

**Saket Kapoor:** Right sir. And the copper order are also for the communication cables, they are accessories to?

**Mahesh Viswanathan:** Copper rods are primarily for electrical cables; it is for in house consumption.

**Moderator:** Our next question is from Aksh Vora of Raj Financial. Please go ahead.

**Aksh Vora:** Most of my questions are answered, just wanted to know on the optic fiber business communication segment, it's a little bit capital intensive business and we're not making enough money on that. So, is there any plan in the distant future that we might demerge it or we might sell the business out and focus on much less capital-intensive business with higher margins. Because, at company level the margins have, margin, ratios, everything has been coming down because of the segment. So, any plans on that sir?

**Deepak K Chhabria:** Actually, fiber optic business has been dropping, like you say in the past few years. And in our country, the number of customers, the telecom operators also shrunk over the years. And so, it's a B2B product, a tendering business and a fixed price for the year, these kind of stipulations squeezed margins, but things are changing the way it is happening now is because of 5G, you will have a lot of demand on fiber optic cables. And for example, there are a number of towers for wireless phones and maybe 30% to 35% of these towers are connected by fiber optic cables. In 5G, you will need to cross 85% connectivity of towers with fiber optic for 5G to work successfully. So, imagine that number of towers would need to be connected. So, for next few years, there would be a lot of demand for fiber optic cable. 5G also requires the cell site to be made smaller. So, there is going to be a three times growth on the number of towers itself and those to be connectorized with fiber. And, and this 5G rollout is happening all over the world, which means the demand for fiber optic cables is worldwide. It's not just in India. So, actually, it's a good phase to be in going forward in the fiber optic, we will see a good business going forward for next few years.

**Mahesh Viswanathan:** In fact, a few years back maybe if you look back at our history, let us say 2017, 18 the margins used to be around 8% to 10%. But then you had funding issues in the sector which have kind of dampened the actual demand in the country. The requirement is very high but what actually has been laid on the ground has been less because of funding constraints. And that means that such of us who have set up capacities have had to absorb fixed cost and drop the margins over a period. So, like Mr. Chhabria said, it is a phase, we'll have to go through that. Because there is massive demand ahead of us, comparable numbers we have shared this earlier also. China, for instance, even today consumes close to 400 million kilometers of fiber, whereas we are at 20, 22 million fiber kilometers a year. So, there is while we will not reach the 400 million number ever, because China is geographically much larger than us, for the size of our, for a country of our size, the kind of population that we have, the kind of penetration that you expect people to

have in terms of communication abilities. The actual fiber on the ground is far far too low, so that needs to grow.

- Moderator:** We have a question from Khadija Mantri of Sharekhan. Please go ahead.
- Khadija Mantri:** Sir, I wanted to know in the last concall in Q4, you had said that the cumulative price hikes had been about 14% to 15% in FY22. Post, which we had to take a price cut of 4% to 5%. I would like to know where our product prices stand as of now, since there has been more decline in the commodity prices especially copper and aluminum?
- Mahesh Viswanathan:** No, we had to take about 6% to 7% in Q1 and again 3% in Q2. So, Q1, we did not have a call because the results were announced. I was very close after the Q4 results were announced, there's not much of a time gap. So, we didn't ideally have a large message to convey. So, we did not have a call at that point.
- Khadija Mantri:** Okay. So, the average price cut has been about 10% in the first half.
- Mahesh Viswanathan:** Yes.
- Khadija Mantri:** Also, I would like to know, our sales and advertisement expenses at a percentage of revenue. How much it is now and is it likely to go up further?
- Mahesh Viswanathan:** So, we were at about pre COVID we were at just around 1% of revenue. COVID times, we had obviously dropped that number. We had in fact, in the years 2020 before COVID hit us our plan was to take it up to 1.5% of revenue and we're slowly getting there now.
- Khadija Mantri:** And also, the channel inventory earlier, you said that the channel partners are now keeping very low inventory of just about three to five days. So, has it normalized in Q2?
- Mahesh Viswanathan:** Okay, in Q4 that because prices had gone up at that point in time, and people could see the trend reversing so they were really careful. As they loosened the purse strings yet, but as demand as they're seeing demand, they're trying to lift it so they're trying to be careful with their deployment.
- Khadija Mantri:** Okay. So, but it still hasn't reached the general level of about 30 days?
- Deepak K Chhabria:** I don't think anybody is sitting on 30 days of inventory.
- Mahesh Viswanathan:** Those days are gone. They want to place an order in the morning and they want the material by the afternoon.
- Deepak K Chhabria:** We as a company normally have 30 days or 40 days of inventory and that's because we have to have some stock at the plants. We have some in the trucks which are moving towards the depots. And then we have 26 depots with different size and color combinations stocking where to service

a consumer you will have to hold 15 days inventory in those depots at least. So, for us there is a stocking of 30 days or slightly more, but retailers normally don't keep that much inventory. They are getting serviced from those depots on a daily or alternative days.

**Mahesh Viswanathan:** In fact, after we have started this, gone under distribution thing the distributor replenishes the requirement on a weekly or two weekly cycle depending on which market it is.

**Moderator:** Our next question is from Surbhi Lodha of Anand Rathi Wealth Management. Please go ahead.

**Surbhi Lodha:** So, this quarter, and last quarter we've seen a decline in the tax rate. So, just wanted to know the reason for the same and going forward, what will you guide on the tax rate for this year and next year?

**Mahesh Viswanathan:** No tax rates, what you see on the financials is net of provisions for deferred taxes. So, the applicable rate is 25% and so that should continue.

**Moderator:** We have reached the end of the question-and-answer session. For any further questions please write to Perfect relations with your questions. On behalf of Finolex Cables Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.