

Management Discussion

Achal Lohade - Analyst, Nuvama Wealth Management Ltd

Yes, thank you. Good afternoon everyone. On behalf of Nuvama Institutional equities we are glad to host the Senior Management of KEI Industries Limited to discuss the Q1FY27 earnings. We have with us Mr. Anil Gupta, Chairman cum Managing Director of the company. Mr. Rajeev Gupta, Executive Director, Finance and CFO. We'll start the call with the opening remarks from the management and then move to Q and A session. Thank you. And over to you, sir.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Thank you. Good afternoon. I'm Anil Gupta, CMD KEI Industries limited. I hope that you must have received a brief of our Q1 results. It must be with you. I'll give a brief. So the net sales in Q1 of FY26-'27 is rupees 3185 crore against 2590 crore last year. Growth in net sales is 23%. However, the total wire and cable sale in Q1 has grown by 24.4% against previous year. During Q1 '26-'27 operating margin has improved to 12.43%. Margin has improved mainly because of the product mix and operational efficiencies.

EBITDA in this quarter is rupees 415 crore against rupees 297 crore last year. Growth is around 39.5%. EBITDA oblique net sales margin is 13.04% as against 11.49% in the same period previous year. Profit after tax in this quarter is 274 crore against 195 crore. Growth in the PAT is 40%. PAT oblique net sales margin is 8.61% against 7.56% in the previous year same period. Domestic wire and cable sale in this quarter is rupees 2784 crore. It has registered a growth of 29%. Export sale in this quarter is 341 crore out of which against rupees 375 crore previous year.

The export is impacted because of non execution of several orders of Middle East because of the war with Iran and also due to the custom duties issue in United States. However for a full year guidance the export will be grown substantially and will be in line with our guidance given earlier. Total sales of extra high voltage cable is rupees 186 crore against 126 crore in the previous year same period. Growth in EHV sale is 47%. The contribution of sales through distribution network, that is, B2C is 59%.

Total active working dealer of the company along 30th June is 2128. EPC sale is rupees 43 crore against 61 crore last year. Out of the total sales of EPC, EHV- EPC execution sale is 18 crore. Sales of stainless steel wire in Q1 is 53 crore against 51 crore in the previous year same period. Pending order book is 4292 crore out of which EPC is 271 crore. Extra high voltage cable 793 crore. Cable domestic 2400 crore and export order spending are 822 crore. The long term rating from CARE India Rating and Research and ICRA is AA plus and short term is A1 plus.

Book value as on 30 June is 725.94 against 697 as on 31st March 2026. Cash and bank balances as on 30th June is 1054 crore which includes QIP balance of rupees 303 crore. Interest income from bank deposit for others in Q1 is 14.59 crore which is included in the other income. It was 28.77 crore last year, in the previous year. The company has had raised rupees 2000 crore through QIP on 28th November 2024 out of which company has utilized QIP fund of rupees 1785 crore up to 30th June and unutilized amount is 303 crore which includes the interest on FDR of QIP amount.

Future Outlook: During Q1 the company has incurred a capital expenditure payment of rupees 191 crore out of which Sanand CapEx is 180 crore. Total CapEx done in Sanand up to 30th June '26 is 1722 crore. Another rupees 300 crore will be spent in this financial year. Company is expected to incur capital expenditure of approximately 600 to 700 crore annually for next three to four years. Capacity utilized during Q1 is approximately 72% in cable division, 61% in house wire division, 91%

in stainless steel wire division and 45% in communication cable.

Sanand capacity addition is taking time to ramp up and in coming months capacity utilization will increase month after month. So now also we have sufficient capacity to grow in wires and flexible segments for next two to three years. Based on the strong demand in domestic and overseas markets, we are hopeful to grow more than 20% in next two to three years. There is a good demand in data centers and related energy segment, in power transmission and distribution segment, renewable energy like solar and wind, electric vehicles infrastructure, railway electrification, urban infrastructure, manufacturing in domestic as well as in global market.

Also the wide demand is strong in housing sector and in commercial spaces. So this is a commentary from the management side. We are very bullish about the market. I hope that with a strong market outlook in domestic as well as our export markets, company will outperform in the domestic as well as export markets and will be continuously growing year after year. Thank you.

Questions & Answers

Operator

Thank you. Ladies and gentlemen, we will now begin the question and answer session.

[Operator Instructions] Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use their handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We take the first question from the line of Natasha Chan from Philip Capital. Please go ahead.

Natasha Jain - Analyst, PhillipCapital

Thank you for the opportunity sir. My first question is on the wires and cables margin. Now there has been a sequentially sharp rise in wires and cables from 12.4 to 13.6. If I see sequentially the OpEx number, that's pretty much flat despite we've gone aggressive on the retail side which is a high margin but a high spend channel and then even full commissioning of the Sanand plan should bring in some cost on the P and L. So could you throw some light here that what line item has remained consistent? Because ideally OpEx probably should have grown faster and even on a year on year run rate, this is the slowest that we've grown in terms of OpEx.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

As we have earlier also highlighted that as the incremental sale is going up, so the fixed expenditure does not increase in that way. So accordingly the expenditure versus sale percentage. If you compare it is. It is low and little bit because of the product mix, it is getting changed. And some export we have the good margins order. So all are reflecting in the P and L of the balance sheet. And we have already crossed now hurdle which was earlier that less than 11% operating margin we were operating.

So now that hurdle we have crossed and we hope that now we will be in the range of 11% to 12% operating margin for the coming year.

Natasha Jain - Analyst, PhillipCapital

So you mentioned that you've gotten some high margin export orders. I remember in the previous many calls you've always highlighted that export is a similar margin business for you. As like it's in

domestic. So have we now got orders which are better margin?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

It is always when in the global market the demand is strong. So little bit it is increasing. As you also witnessed that earlier our retail sale was close to 51% contribution which has now increased to 59%. So put together it is all reflecting in the P and L.

Natasha Jain - Analyst, PhillipCapital

Got it. And sir, on the wires and cable segment the next question is. I mean the value growth has been 25%. But if I see now given all peer set numbers have come out. I think the industry has grown by 35%, 33% to 35%. Given pricing growth in itself is not of 28%. I know you don't give volume breakup. But could you at least tell us qualitatively as to are we prioritizing EHV or losing market share on the LV side or what's happening in the volume mix?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

It is not the case of the losing market share. Because the demand is very very strong. Because every sale required the capital. So whatever capital we are having we have earlier guided also to grow close to 20% plus kind of growth. Because we are continuously having a CAGR grow target of 20% plus. Accordingly we need to put more and more also on the capital expenditure. And yesterday we also announced our new capital expenditure in our Bhiwadi factory, that is Salarpur, where we will put around another 700 crore rupees to put another factory in next two years' time.

So it will go hand in hand. So whatever capital we are having we are allocating at the same time towards the growth of the company as well as for the creation of the capital expenditure. So because of that we are not comparing anyone else whatever they are doing, but we are growing whatever we are so more than 20% our target was there and we are continuously focusing that

Natasha Jain - Analyst, PhillipCapital

Got it. And so Salarpur is 500 plus this additional 700 right? Which takes it to 1200?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

No, as in the commentary analysis said every year our target is 700 crore rupees per year. So the total CapEx of Salarpur is 700 crore so in the current financial year 300 crore will be remaining CapEx of the Sanand and another 300 crore to 350 crore we will use in Salarpur. So then in the next year also we will put the balance expenditure in the Salarpur and then we will use the another capital expenditure in the new lands that in maybe in Baroda or maybe in some existing locations.

Natasha Jain - Analyst, PhillipCapital

Got it. And so just one quick question the last one. If I see inventory in your balance sheet that has also increased sharply so could you also throw some color in terms of what proportion would be say the exports which we could not do sitting in our inventory versus any inventory gains?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Major part of the inventory is increased mainly because of Sanand capacity is ramping up, so once the factory is new, the full inventory we need to create over there. So the major increase due to Sanand only and another maybe 60 to 100 crore in the finished goods maybe sometime it is delayed dispatch or in the export case even though the sale has happened by way of bill but because of the India's adjustment if the finished goods has not reached we need to reversal so because of that the inventory is highlighting high and the export is low, but actually the sale has happened.

Natasha Jain - Analyst, PhillipCapital

Understood sir, thank you so much. I have more questions I'll get back in the queue. Thank you.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Thank you.

Operator

Thank you. We take the next question from the line of Praveen Sahay from PL Capital. Please go ahead.

Praveen Sahay - Analyst, PL Capital

Thank you for opportunity. Just to further clarification on the margin side because in the P and L we can see there is a change in the inventory which is on the higher side nearly around 600 odd crore, so is there an inventory gain as well? You had a book for this quarter Q1?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

See the inventory gain or loss is the part of the every quarter on quarter and year on year because prices are up and prices are down so that is not the major factor for the inventory increase.

Inventory increase as I just explained because of the new factory of Sanand where the all the raw material and working process and finished goods is starting to have that kind of capacity and second when we do the export sale or institutional sale at the quarter end, there is a reversal if the material has not reached the customer.

So because of that even though the sale has happened. But as per India sale has to be reversed. So that's why the inventory is looking like this.

Praveen Sahay - Analyst, PL Capital

Okay, second question related to Sanand. So how much of the Sanand contribution for this quarter or what you are expecting for FY27?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

So Sanand Phase 1 capacity has already reached to 50% utilization as on today and in coming months it will ramp up further from there.

Praveen Sahay - Analyst, PL Capital

So just to referring to your the media interaction, sir has highlighted nearly around 3,000 odd crore of additional revenue from the Sanand for this financial year. So this financial year you are 3,000 looking for from the Sanand. And how is that?

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

No, actually in media interaction. Actually it was a little bit of a slip of tongue. We expect around 1500-2000 crore revenue from Sanand in this financial year which will come in the contribution in FY27.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

But the overall growth premium will be more than 20% because as you see when the new factory is there, there is a lot of challenges for manpower, then machine and then other environmental factor. So that's how it is taking time and month after month the production is getting increased over there.

Praveen Sahay - Analyst, PL Capital

Okay, thank you sir. And all the best.

Operator

Thank you.

[Operator Instructions] Participants who wish to ask a question, please press star and one.

We take the next question from the line of Raman KV from Sequent Investments. Please go ahead.

Raman KV - Analyst, Sequent Investments

Hello sir, can you hear me?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Yes.

Raman KV - Analyst, Sequent Investments

With respect to Sanand, we have already spent around close to 1700 crores for the CapEx. And we will be spending another 300 crores. You initially guided that we can do from Sanand facility around 6000 crores of revenue. Am I right?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Yes .

Raman KV - Analyst, Sequent Investments

So yest sir. I just want to understand in Sanand what kind of products are we catering to? And the phase 2 in which we will be spending the additional 300 to 350 crores this year. Are we planning to add the existing capacity or are we planning to add new high margin cable and wires?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Sanand project is not yet completed. Phase 1 has completed. That is for low voltage and medium voltage power cable. Then we added the machinery over there which is operational now in the second quarter for the electron beam cable. And now we are in the execution for the extra high voltage power cable for which we are making a 152 meter tall tower over there. So by March 2027 our extra high voltage power cable project also will get commissioned. So by next year the full capacity will be available and close to overall capacity in the next financial year 70% to 75% we will be in a position to utilize for next financial year.

Raman KV - Analyst, Sequent Investments

So the entire 300 crores will be spent on the extra high voltage cable?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

No. It is a part of the project. The total cost of the project was 2000 crore.

Raman KV - Analyst, Sequent Investments

Okay,

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

So already we spent 1722 crore rupees and balance remaining will be spent in the coming six months.

Raman KV - Analyst, Sequent Investments

Just a follow up here, you said around 70% to 75% utilization you will try to achieve next year. That closely translates to 4000 crores of revenue. Is my calculation right?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Yes.

Raman KV - Analyst, Sequent Investments

Okay, understood. And sir, with respect to the margins, in the earlier guidance you mentioned that there was change in production to product mix which led to the margin expansion. Is it because there was a good amount of contribution from extra high voltage cable or can you just specify what kind of product led the margin extension?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

It is a mix of three four things. One is extra high voltage power cable contribution has increased. Second is the overall retail dealer distribution contribution has increased. And because of the top line hire, the expenditure versus sales ratio has gone down. So it's a combination of three-four things.

Raman KV - Analyst, Sequent Investments

And sir just a follow up here, what will be the incremental margin, if you can give a ballpark figures, when we are selling an extra high voltage power cable versus low and medium power cable?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Our extra high voltage operating margin was close to 15% as compared to low voltage and medium voltage power cable institution side was 10.5 and retail side was 11% and export was more than 11%.

Raman KV - Analyst, Sequent Investments

So out of this 6,000 crores of revenue expecting from Sanand, can you give us split between how much can we do with respect to extra high voltage? I just want to understand.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

1300 crore capacity belong to extra high voltage power cable and balance fall over to medium voltage and electron beam cable.

Raman KV - Analyst, Sequent Investments

And so with respect to the 700 crore CapEx every year which you want to do, is it on the extra high voltage side, I just want to understand the market of extra high voltage.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

A new investment will be for low voltage and medium voltage which we have just announced yesterday. Because extra high voltage power cable capacity we will be expanding further here only itself in Sanand. Whenever we need, we will add more lines here.

Raman KV - Analyst, Sequent Investments

And so what is the total market opportunity from extra high voltage?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

As of now it will be more than 3,000 crore.

Raman KV - Analyst, Sequent Investments

Okay. And you are the only player or is there any competition?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

No. There are Universal cable also.

Raman KV - Analyst, Sequent Investments

Okay.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

And there are imports also.

Raman KV - Analyst, Sequent Investments

Understood, sir. Thank you so much, sir.

Operator

Thank you.

[Operator Instructions] Participants who wish to ask a question, please press star and one.

We take the next question from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta - Analyst, Kotak Mahindra Asset Management Company Limited

Hi. Thanks for the opportunity and congrats on a strong margin train. So first question was again on margin. So you mentioned product mix and efficiencies in the operations. So EHV 5% going to 6% won't move the needle too much, right? And secondly, in terms of operational efficiencies, if you can share some more color. And thirdly, just wanted to check. Have you changed anything on wires pricing? You were earlier looking to reduce the discount versus peers. Is that something that is helping your margins?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

[Foreign Language] Three- four things where the pricing plays a role then the overall growth of the company and resulting in expenditure versus sales ratio. So in each and every market we are trying to build our product well placed. Because we are spending in the advertisement, we are pushing through the IPL. So our brand are very popular. That's how our dealer distributor sale is also reflecting from 51% we have now reached to 59%. So our focus is to shift the market where the lower working capital are there. How we can improve the margin whether from retail or from exports. And ultimately it is resulting to increase 1%. So now we are in the trajectory for the future where 11% to 12% operating margin we will be operating. So earlier our hurdle was reaching out to 11% plus. So now we have crossed that hurdle actually.

Umang Mehta - Analyst, Kotak Mahindra Asset Management Company Limited

Understood sir. And sir, second question was on this growth versus margin trade offs, I understand where you come from, where you don't want to grow. Or maybe from working capital perspective you want to restrict growth to a certain percentage. In counters where peers are growing faster or where you might be letting go of some business. Is it easy to win that back when the situation turns? How do you think about on competition front?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

We are very old in this market. And Continuously since last 15 years we are growing at a 16% to 17%.

Then we started our growth rate at 17% to 18%, then 19% to 20%. Now we are targeting 20 plus slab because we are a debt free company now. And we are continuously allocating our capital in two parts. One for working capital, another for the capital expenditure. So certain discipline and capital allocation need to be there in the company so that long term goal sustainable manner we can achieve so that's how we are going ahead with our original plan of which we have given you in 2024 while we were raising the QIP. So the same kind of growth plan we were maintaining and we will be maintaining. So these kind of discipline also we will be maintaining. And those investors, those who are dealing with us since last 5 years or even 10 years also. So we are very conservative people. Whatever we say, we try to deliver more than that.

Umang Mehta - Analyst, Kotak Mahindra Asset Management Company Limited

Got it sir. Thank you so much and all the best.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Thank you, Umang ji.

Operator

Thank you. We take the next question from the line of Disha from Trinetra Asset Managers. Please go ahead.

Disha Charmia - Analyst, Trinetra Asset Managers

Good afternoon sir. Most of my questions have already been answered. Just a few questions from my side. Could you share the current utilization level across cables and wires for this quarter? And I hope I heard it correct. You said 70% to 75% of utilization would be by this year, right?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

No. First of all at present because of increased capacity of Sanadn our utilization rate is 72%. And for the future somebody was asking that how much capacity will be for the next plant, 6,000 crore plant? So I was explaining 70% to 75% we will be utilizing by next year.

Disha Charmia - Analyst, Trinetra Asset Managers

Okay, for the next year. And at what utilization threshold would the company require another major CapEx cycle beyond this ongoing expansion as you see the demand clearly coming up?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

To maintain a CAGR of 20% plus we need to continue growth of the capacity also. So for that we have given our guidance to do the capital expenditure of 600 crore to 700 crore year after year. Because we need to grow every year. So then we need to add the capacity also every year. But whenever we go for a Greenfield CapEx, it takes us to complete the process for the two year actually. Like yesterday we announced for the Salarpur project where we will be investing around 700 crore rupees. So there also it will take another two years to complete construction, plant machinery, trial run production, like this.

Disha Charmia - Analyst, Trinetra Asset Managers

And that's one [Indecipherable]

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Because in the current market the demand is strong because of the electrical vehicle data center infrastructure boom. And the global demand is also very very strong. Yeah. Please, you are asking

something?

Disha Charmia - Analyst, Trinetra Asset Managers

Yes sir. I was asking about this new CapEx plan that you have announced. That would be for EHV cable, right? You answered that question.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

No. It is for low voltage and medium voltage power cable.

Disha Charmia - Analyst, Trinetra Asset Managers

Got it sir. And one on the EHV cable segment side, could you please update how much of the customer approvals or order inflow is coming from EHV and at what point do you expect that EHV business will become a meaningful contributor to the consolidated revenue and margin and will further increase the margins of the company?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Whatever capacity we are adding for extra high voltage power cable, close to 9 %to 10% will be the contribution from EHV Cable.

Disha Charmia - Analyst, Trinetra Asset Managers

Okay, got it sir. That's it from us . Thank you.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Thank you ma'a m.

Operator

Thank you. We take the next question from the line of Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade - Analyst, Nuvama Wealth Management Ltd

Yeah, sir thank you for the opportunity. First, in terms of the global markets, if you could talk a little bit in terms of how we are are playing across the regions, where are we in terms of the scale up? What kind of mix can we expect over the next two to three years within in the export segment across different geographies? If you could comment a little bit on that.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Yeah, I'll comment on that. In different markets we are targeting different sectors. Like in US we are steadily working with oil and gas sector and also with the data centers projects. And now we are also working with some distribution projects in US. Secondly, in Australia we are mostly working with solar and wind energy projects and also some manufacturing factory industrial projects as well. In Middle East, our major customer base is oil and gas refineries and upstream facilities of oil extraction.

So these are majorly oil and gas market is there in Middle East. In Africa, we are working with distribution and transmission utilities and also the oil refineries. So this is a major focus area in a few of the countries where we are working in our export markets.

Achal Lohade - Analyst, Nuvama Wealth Management Ltd

And any possible mix you would talk about let's say in three years' time?

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

See it is very difficult to determine product mix because it keeps on varying. We have very versatile product range and production facilities. So we are able to adapt to any change in the type of products in our factories as per the market demand. But how the market demand emerges is very difficult to predict.

Achal Lohade - Analyst, Nuvama Wealth Management Ltd

Got it sir. Second question I had was with respect to Sanand plant. You know given 2000 crores of CapEx and the EHV and the non EHV mix, how do we look at the asset turn and the total revenue potential from this facility?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

So Achal, earlier we told that this total 2,000 crore will give us the production of 6,000 crore. But in the past experience whenever we go for a greenfield project after the commissioning of the full project, there is a scope for the balancing of equipment. So then another 100- 200 crore we are putting for balancing of equipment which will give us the another 1,000 plus crore turnover so the total capacity will reach around 7,000 crore within two years time in Sanand. But that's how we executed in the past also if you see our Chinchpada plant, initially it was only for the wire. Then we added the low tension power cable over there. Then we added the few more capacity over there. So as of now this plant is giving us very huge turnover. Approximately 225 to 250 crore per month turnover is coming from the Chinchpada plant. So that's how the balancing of equipments work actually.

Achal Lohade - Analyst, Nuvama Wealth Management Ltd

Got it. Sir if you could just. You did make a comment demand is strong but if it is possible to get some more color in the domestic market, how the different verticals within the demand drivers are doing. If you could talk a little bit on that as well.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

See major demand is there in India mainly in power generation, transmission and distribution sector and also the power energy user sector which includes data centers, manufacturing plants, urban infrastructure and railway infrastructure. There is a strong demand in the housing and commercial spaces also. So these are the major sectors where the domestic demand is there. And now even the thermal power projects are also in strong construction phase. So that will also be bringing substantial demand in India.

Achal Lohade - Analyst, Nuvama Wealth Management Ltd

Understood. Any of these are particularly doing very well and little bit weak. If you could call out a little bit sir on that.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

No. I have no comments on that.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Achal always it happens because it's a rotating demand. Sometimes demand come from transmission, then comes from distribution, then again from the generation. So it's basically move on. So sometime the refinery products are there, sometimes fertilizer products are there. So the demand is also rotating because in every year the capital expenditure is rotating from one sector to

another sector.

Achal Lohade - Analyst, Nuvama Wealth Management Ltd

Fair point. Just last question from my end sir and we again go back to the queue. In terms of the demand supply, we see that practically everybody's adding capacity. How do you see this demand supply scenario? Is there any risk of overcapacity over next one to two years in your opinion or things are pretty much tight for next two years?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Sir. Whenever there is addition of capacity it takes two to two and half years' time to put up a project, then another one year time for ramping up the production facility. You see in our Sanand plant, we started in 2023. Now almost three years is there but so now that project has commissioned still we are ramping up. So it takes time. So from your angle you must see that so many projects are coming. But those companies, those who are putting the projects, they are putting the projects, the construction time of the project is also two and a half years to three years' time. Then for utilization of capacity is also three to four years' time. So it is not the case that whatever we put we will use the capacity only in one year. So that's how we are again guiding for the discipline growth that 20% plus CAGR growth we will maintain. So we are never targeting for a growth of a 35% or 40%. So that's how we are having the discipline and accordingly the market is available.

Achal Lohade - Analyst, Nuvama Wealth Management Ltd

Got it sir. Thank you. I'll fall back in the queue. Thank you.

Operator

Thank you. We take the next question from the line of Manoj Gori from Equirus Capital. Please go ahead.

Manoj Gori - Analyst, Equirus Capital

Yeah, thanks for the opportunity sir and congratulations on strong margin performance during the quarter. So finally the barrier of 11% has been broken. So my only question to you would be that if we look at the end of fourth quarter FY26 we were talking about roughly around 18% volume guidance; in the morning, in the media interviews we said around 25% kind of value growth for the current year and now we are talking about 20% value growth on [Indecipherable]. So if you can clarify.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Now also I'm sure that our growth in this financial year will be more than 25% in financial terms and revenue terms. But normally in the interactions we generally like to be conservative instead of giving too bullish numbers.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

[Foreign Speech]

Manoj Gori - Analyst, Equirus Capital

[Foreign Speech]

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

[Foreign Speech]

Manoj Gori - Analyst, Equirus Capital

Correct..

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

[Foreign Speech] Demand is there but it is not such that we need to put all our capital only for growth then how we will maintain a future growth if we are not putting the capacity. So we need two types of capital. So that's why we want to be little bit conservative. But the same kind of growth you will see for full year whatever you have seen in the quarter one because the demand is there, we have the capacity, but our request to all of you not to add into that expectation. So that is my humble request to all of you.

Manoj Gori - Analyst, Equirus Capital

Okay sir. But the only reason I asked was because if you look at there has been prolonged issues in Middle East so the West Asia crisis definitely would be hurting to some extent on the exports a Iso. So just wanted clarity because of the macro uncertainty. I do understand that the domestic growth opportunities remain very strong and robust. So just for clarity that question came.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Manoj ji, we also explained in the past also we need to grow. Whether we need to grow from export, from domestic institution or from the retail network. Ultimately sale is sale for anyone. So our purpose to focus on all the markets so that if anytime any market is having some problem like the Middle East problem is going on, we can compensate ourselves from the other market. So that is the major focus area where we are trying to build that whether marketing from export, marketing from domestic or institution. So we need to focus all these sectors.

We cannot know in advance this sector will do good, which sector will not do good. So that's why that is our duty to focus all these sectors. And that's how we are continuously doing since last so many years. And your earlier wish was that when we will cross that hurdle of 11%. So with all of your blessings we have crossed that hurdle. And in future we will be operating more than 11% EBITDA margin t hat we are very hopeful.

Manoj Gori - Analyst, Equirus Capital

Sure sir. Thank you sir and wish you all the best. I hope you break many more hurdles like this.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Thank you, Manoj ji. Thank you very much.

Operator

Thank you. We take the next question from the line of Akshen Thakkar from Fidelity International. Please go ahead.

Akshen Thakkar - Analyst, Fidelity International

Hi sir. Am I audible?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Yes.

Akshen Thakkar - Analyst, Fidelity International

Hi sir. Congratulations on a very strong margin performance. Just one clarification. In the past when

you have guided for EBITDA margins you included other income in the same. So right now when you're seeing 11% to 12% it is we should read it as EBITDA plus other income or this is only pure operating EBITDA margins.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

It is a operating margin I am talking because you people always evaluate us only on operating margin. And that's how the operating margin we are discussing.

Akshen Thakkar - Analyst, Fidelity International

Okay, so this doesn't include other income then, right?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Yes.

Akshen Thakkar - Analyst, Fidelity International

Okay, great. And second, sorry to belabor this point but on Sanand, if you were to like Anil ji was saying it should do 1500-2000 crores this year e ven if it were to come up on in a gradual manner and exports will pick up. Just trying to think that what's the constraint to growth. I think you mentioned working capital a little bit couple of times in the past and today as well. Just if you could help us understand a little better. Because I think what's happening frankly is that streets extrapolating the metal, price increase and thinking growth should be higher a nd obviously you're doing very well. No complaints there. And it's along the guided lines. But just to understand the constraints to growing faster. [Foreign Speech]

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

The constraint is basically the capital you see, whatever capital...

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Sir, I'll tell you. When in a greenfield project the production ramp up takes time in terms of manpower and machinery stabilization. So hence I said that month after month our new facility [Indecipherable]. I f it is a brownfield expansion, it is easier to stabilize. But in a greenfield expansion it has to take time. That is why month after month our production ramp up is coming up and capital allocation is definitely a discipline which Rajeev has talked about. And what I am saying is that we will be growing much more than that.

But we don't want to give very high numbers on as a guidance.

Akshen Thakkar - Analyst, Fidelity International

[Foreign Speech I think that philosophy is very well understood. We just love to see little more aggression on growth. Margin pair what you had promised, you've delivered. Margins have come up very, very happy. And all the best to the team for the upcoming year.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Thank you very much, sir.

Operator

Thank you. We take the next question from the line of Rahul Maheshwary from Ambit Investment Advisors Private Limited. Please go ahead.

Rahul Maheshwary - Ambit Investment Advisors Private Limited

Good afternoon sir. Excellent execution. Just two questions. First on wires, can you elaborate what kind of growth are we witnessing? And also the dealer contribution has gone to 59%. How much more scope is there? This is first question. And on second, can you highlight that big projects like what the leader is executing on the BharatNet etc. How are we planned in those directions of executing the big order projects of the government? Thanks.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Sir. BharatNet is mainly for optical fiber cable supply and execution. We are not in the manufacturing of optical fiber cables. So that is out of our product range. And second question was...

Rahul Maheshwary - Ambit Investment Advisors Private Limited

On the wires, I was mentioning big ticket size product...

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Wire growth is already more than the cable growth because the construction phase is going on in the country. So overall the domestic wire and cable business is very, very strong.

Rahul Maheshwary - Ambit Investment Advisors Private Limited

Yeah, and...

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Yeah, please carry on.

Rahul Maheshwary - Ambit Investment Advisors Private Limited

Yeah, go ahead sir.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

No, please. BharatNet, I have already answered that we are not in the production of optical fiber cable. We don't produce cable for BharatNet.

Rahul Maheshwary - Ambit Investment Advisors Private Limited

And just sir one, as a this thing that as you highlighted a lot of times that it requires capital and then it takes time to ramp up the capacity. But if the industry growth rate for next two years is happening at 30% or near about those levels, is it fair to say that you will up your guidance or you will like to maintain at a guidance which you have mentioned conservative at 20% plus?

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

We will be growing more than what we are guiding and we will be to the level of industry standard. But we don't want to give very high numbers. That is not our policy.

Rahul Maheshwary - Ambit Investment Advisors Private Limited

Okay. Thank you sir and best wishes.

Operator

Thank you. We take the next question from the line of Pathanjali Srinivasan from Sundaram Mutual Fund. Please go Ahead.

Pathanjali Srinivasan - Analyst, Sundaram Mutual Fund

Hello sir. Thank you for the opportunity. I have a couple of questions. So firstly our gross margin is

at like a four or five year kind of high. I think we were at 25% gross margin back in FY22. So can you tell me if this gross margin level that we are at today is sustainable? Last two or three quarters we have seen a very sharp improvement in terms of gross margin.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

So because earlier the EPC portion was higher, now the APC portion is not there. Only the pure cable and the wire portion is there, because of that and the product mix and the export and the retail market. So if you see the continuous last four quarter from June onward, last year year, September, December, March and this first quarter, quarter after quarter, whatever we have planned for the next year, we have reached the situation where we were in the margin range of 11% to 12%.

As I explained this, whenever a margin increase of any company there are three four leverage. One leverage is the mix of the product. Then second is the mix of the markets. Then the expenditure ratio versus sales ratio. So all these three are contributing towards the profit and loss. It is not only the one, one case where the margin has increased.

Pathanjali Srinivasan - Analyst, Sundaram Mutual Fund

That part is understood sir, just that can we expect that the gross margin should be in this range? But yeah, I get what you say. Okay sir.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

But because as I said that gross margin will be in this range only but sometimes you see sometimes the volatility in the market by way of the rate or by way of the demand scenario a lways quarter to half percent margin fluctuates quarter to quarter basis that you will see or you will witness in the past results also. But for the full year it is average out always. So now we are in the trajectory where we will operate 11% to 12% EBITDA margin that is operating side.

Pathanjali Srinivasan - Analyst, Sundaram Mutual Fund

Got it sir, I just have a few more questions. I think one of the things you mentioned was that export share of revenue will come back again. I think you mentioned this quarter has become a weaker side. What would be our target on a full year basis, what would we want to have our export [Speech Overlap] .

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Ultimately as I said, Anil Ji has said that growth rate will be close to 24%- 25%. So the first target figure will be that. Out of that sometimes the export will grow more, s ometimes the retail will grow more, s ometimes domestic institution will grow more. It will always happen from sector to sector. But our target to grow to reach export at least 17% to 18% for the current financial year. Even the last financial year also it was 16%. S o that will be there.

Pathanjali Srinivasan - Analyst, Sundaram Mutual Fund

Okay sir, just one last question. I wanted to confirm something you mentioned. You said this 2,000 crore of CapEx that we have done we are underway, the revenue it can generate is how much you mentioned. I think I heard it at 7,000 crore. But I just wanted to confirm.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Sanand revenue originally was 6,000 crore. But in future when the project get completed with a few crores of balancing equipment we always increase the production facility over there. So that's how it will increase to 7,000 crore within two years' time.

Pathanjali Srinivasan - Analyst, Sundaram Mutual Fund

This is LV and EHV all put together. You're saying 2,000 crores will give around 6,000 to 7,000 crores.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

What Rajeev wanted to say that instead of asset terms of three it can go up to four times.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

[Indecipherable]

Pathanjali Srinivasan - Analyst, Sundaram Mutual Fund

Okay. Got it sir. Thank you sir. Congrats on very good set of numbers.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Thank you sir.

Operator

Thank you. We take the next question from the line Pulkit Patni of from Goldman Sachs. Please go ahead.

Pulkit Patni - Analyst, Goldman Sachs Group, Inc.

Sir thank you for taking my question. Sir this has been two quarters where not you but most of the industry has not spoken much about volume growth. And revenue growth has been phenomenal. What I'm trying to understand is that your commentary, some of your peers' commentary also on demand has been extremely positive in terms of how they are looking at the outlook. So as analysts like are we not looking at the right thing? I'm trying to understand with volume growth not being there is it just that the nature of the product has changed?

Are you doing more of high value products and that's how the business is going to set. I'm just trying to understand why that disconnect between volume growth, value growth and the positive commentary that is coming from you as well as some of your peers just help us understand that a little better .

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Pulkit ji first of all why we are talking on value growth because the government expenditure budget maintain in the value terms only. So even the budget they have allocated the 11 lakh crore rupees whatever the price is gone up or gone down. And this budget expenditure they have fixed for the capital expenditure will change? I think it will not change. In case with the state government also same case with the power generation, transmission, distribution also. Everything allocation of the budget is there. So that's how the value prevails actually.

So because of that that I have also explained few in my universal conference why we are reluctant to give the value growth even in the past even if you go back to 2018-19, 19-20, even in 17-18 continuously the copper price was going down. But in spite of that all the cable companies were growing. Mainly the reason behind was that the capital expenditure allocation in the budget was in the value. So because of that we will take the demand from the infrastructure, from the government, from the bridges, railway transmission, distribution, generation. So everything relate to the value only actually. So that is my humble submission.

Pulkit Patni - Analyst, Goldman Sachs Group, Inc.

Fair point sir. And your commentary is reflective of the of the strong outlook. I was just trying to understand that like. So your view is in a scenario that copper prices go down then volume will do the heavy lifting. So that the revenue number comes close to where we are thinking?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Because if the 11 lakh crore government budget is there and the state government budget is 6 lakh crore rupees that budget will remain as it is, whether the copper price or aluminium price or steel price going up or going down. So because of that ultimately they spent in the value, not in the volume. Everybody make their balance sheet in the value, not in the volume.

So if the capital is available in the value terms it will also go into the order book.

Pulkit Patni - Analyst, Goldman Sachs Group, Inc.

Fair point. . Sure. That is very useful sir. Thank you so much.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Thank you Pulkit.

Operator

Thank you. We take the next question from the line of Shirom Kapur from Jefferies. Please go ahead.

Shirom Kapur - Analyst, Jefferies

Hi sir, thanks for the opportunity. Just want to ask you on your exports bit. So you just gave a target range of around 17% to 18% of your exports this year of your sales this year to come from exports. Just want to understand that just based on FY26 numbers that would imply around 30% to 40% growth in FY27 and exports itself. But in the first quarter we've seen a decline actually of 7%-8%. So does that mean you're expecting in the balance nine months to grow at over 50% in exports? Especially given same time last year the balance nine months also saw 50% plus growth in exports. What gives you that confidence of growing that 50% in this?

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

I think you're right because we could not dispatch lot of goods in the first quarter because of the Middle East crisis and shipments were not available which has started now. But [Indecipherable] at a high shipping cost. And similarly US also has opened up which was stalled. So the markets are positive and we will be able to achieve what we are saying.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Sir, one more humble request to all of you is that sometimes what happened even in the last year when export grows more. Some of the analyst says that if the domestic demand is weak. So you see if we need to grow 24%- 25%, whether we grow in export, grow in retail, grow in institutional market, it will be again into the 24%- 25%.

Shirom Kapur - Analyst, Jefferies

Right sir. Thank you. Just secondly on, in your presentation in previous quarters you would normally give that breakup of your sales across, house wires, low tension, high tension cables. But maybe this time that breakup was missing. So if you could just share, what was your [Speech Overlap]

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

No sir. We cannot give that figure because. Because now the computer was using those numbers actually. So that's why we have decided not to go for individual product wise number actually.

Shirom Kapur - Analyst, Jefferies

Got it sir. And just lastly on the retail sales which has risen to 59% this quarter. Is that a number you see sustainably going ahead? You know, because 40% growth in the first quarter. Is this growth sustainable or just if you could comment on that?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

As I said, we are more focusing towards retail mainly because of lower working capital requirement. But sometimes when the export order is more. So we need to we need to sell to the export market also. So this mix can get changed internally but overall growth rate will remain.

Shirom Kapur - Analyst, Jefferies

Got it sir. Just lastly on your other income, could you explain the drop in your other income from around 40 crores...

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

In the last year o ther income was mainly because of the QIP, the interest cost. QIP money was lying in the FDR s o the interest cost was high there.

Shirom Kapur - Analyst, Jefferies

Right. So that other income that we saw from in FY26 that is unlikely to sustain an FY27? Got it sir. Thank you so much.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Thank you very much sir.

Operator

Thank you. We take the next question from the line of Bhavani from Axis Capital. Please go ahead.

Bhavani Kumavat - Analyst, Axis Capital

Yeah. Hi sir. Congratulations on good set of numbers. Just wanted one clarification. What is the kind of price hike we have took sir in Q1?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Sir price hike, it is not a percentage. It basically depend on the how much the copper component content is going up or going down. So accordingly that formula is there. It is not a base case. It is directly depending on the price fluctuation.

Bhavani Kumavat - Analyst, Axis Capital

Understood and sir most of the prices have been passed on, right? The cost inflation has been passed on?

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Yes, yes.

Bhavani Kumavat - Analyst, Axis Capital

Understood sir. Thank you so much for this.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Thank you Bhavani ji .

Operator

Thank you. We take the next question from the line of Bharati Shah from BCS Capital Ideas Private Limited. Please go ahead.

Bharat C. Shah - BCS Capital Ideas Private Limited

Yeah. Namaste Anil ji. Namaste Rajeev Ji.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Namaste Bharat ji.

Bharat C. Shah - BCS Capital Ideas Private Limited

Now when we see most things seem to fall in place. We now have better production, capacity available with a good Runway ahead for growth to capitalize on. The export situation is also shaping up well unless Mr. Trump comes up with something peculiar again. But other than that overall situation looks very healthy there. And given our greater business in value added products and increasing retailization of our wires business and the size of opportunity continues to keep expanding at a rapid pace.

In scenario like this it is easy to feel overconfident and less worried about probably challenges which may be lurking around. What in your opinion could be potential spots of trouble or what can what can really be a spoiler, may not be a spoiler, but it can dampen if at all any issues that worries your mind?

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Bharat ji, what the kind of business we have created with so much of widespread of customer base and in India as well as in different geographies, the purpose of creating this kind of base is that we insulate ourselves from any possible impacts, risks from any particular geography or territory. Even if we have seen, block from usa, we have seen the wars in Middle East which led to stoppage of shipments, but still we have been able to grow from wherever our customer base is there. So risk factors will always, nobody knows about in today's time what geopolitical politics does.

But our aim is to remain risk free in terms of our financial goals and our marketing goals, so that we are spread over, in so many countries that we are able to make up our sales from somewhere or the other. Similarly now we are a debt free company. So to that extent risk of any dent , some markets or some lower sales we are insulated from that. So see, you can't have zero risk ever . But how do we mitigate the risk? That is what we have been doing.

Bharat C. Shah - Unidentified Participant, BCS Capital Ideas Private Limited

Absolutely. All those points have been very much in evidence in terms of the prudence in which we have conducted our balance sheet. We have conducted our business and in a very calibrated way we have continued to grow. So I understand that external threats or challenges could materialize over which we do not have any real control. But internally are you seeing any constraints or any issues that need to be mindful of or to be sorted out?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Internally as we have discussed even in the past few years, where you have highlighted earlier that

the risk for the sustainability or for the capital allocation that we have fully addressed and even for the debt risk, we have fully now the debt free company. So whatever risk any investor has highlighted to us or internally [Indecipherable] we try to mitigate those risks. And accordingly we are disciplined ourselves even though in spite of in this one hour call everybody was saying why can't we grow 30% or 35% even though the market is there, the debt can be arranged easily.

But we are still reluctant to say that we will not grow more than that. Only because of the discipline and the proper capital allocation policy. So that is how we have learned over a period of time in the past. And it has paid us well also. So we will be keeping in our mind that good capital location, proper risk mitigation and long term at least for five year sustainable plan, business plan. We are already guiding you as well as to the complete market. And accordingly we are going as the guide.

Bharat C. Shah - Unidentified Participant, BCS Capital Ideas Private Limited

Rajeev ji, when do we once again cross or touch 30% or higher return on capital employed? Will it be in 27%-28% or..

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

No, sir. So because of the capital expenditure is going on. So as of now we are having 23%- 24%. And in the second question because our creditors are very low, because of the good financial health of the company. So we are buying our metal on cash. Otherwise if we buy metal against the LV, it will be seeing at least 28% as of now itself. Because of the [Indecipherable] which was earlier used to be three and a half months. It is now only less than one and a half month.

Bharat C. Shah - Unidentified Participant, BCS Capital Ideas Private Limited

[Foreign Speech]

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

[Foreign Speech]

Bharat C. Shah - Unidentified Participant, BCS Capital Ideas Private Limited

[Foreign Speech] Last question. In the year of '27-'28, is it possible to think of the turnout of 20,000 crores or it is just being too great?

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Sir, whatever we are guiding, we are guiding accordingly. And the capacity we are created. We are not created only for one year. It will be created for another two years. Because the next plan which we announced yesterday, it will take another two years. So we need to utilize the capacity year after year.

Bharat C. Shah - Unidentified Participant, BCS Capital Ideas Private Limited

[Foreign Speech]

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

[Foreign Speech].

Bharat C. Shah - Unidentified Participant, BCS Capital Ideas Private Limited

Okay. Thank you Rajeev ji. Thank you Anil ji and all the very best.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Thank you.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Thank you very much sir for your blessings.

Operator

Thank you. Ladies and gentlemen, with that we conclude the question and answer session. I now hand the conference over to the management for their closing comments.

Anil Gupta - Chairman, Managing Director and Chief Executive Officer, KEI Industries Limited

Thank you very much for joining this conference call. We are always available to answer any other questions or queries you may have. Thank you so much for joining.

Rajeev Gupta - Chief Financial Officer, KEI Industries Limited

Thank you very much, sir.

Operator

Thank you, sir on behalf of Nuvama Institutional Equities. That concludes this conference call. Thank you for joining us.

[Operator Instructions] And you may now disconnect your lines.