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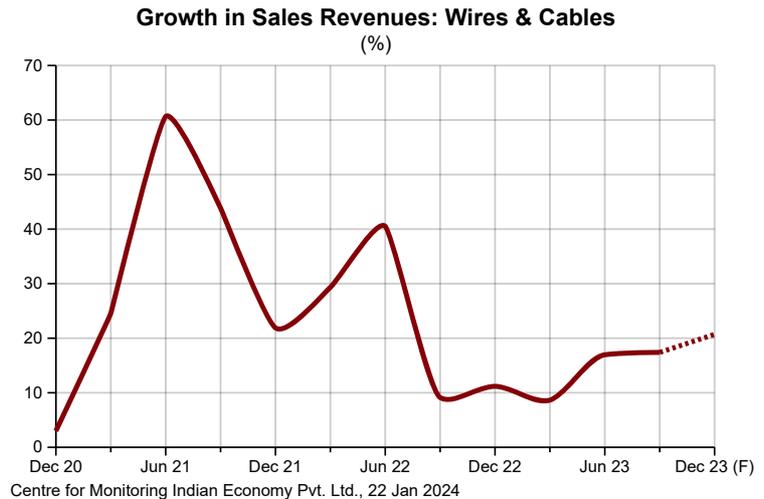
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Prajwal Shinde

## Wires & cables industry's revenues to continue to grow in December 2023 quarter

### Healthy demand and better realisations to back the growth

The wires & cables industry is likely to continue to report double-digit growth in sales revenues for the quarter ended December 2023. This will be the third consecutive quarter of double-digit growth in the top line of the industry. Improved demand for wires and cables and higher realisations are likely to drive the growth in sales.



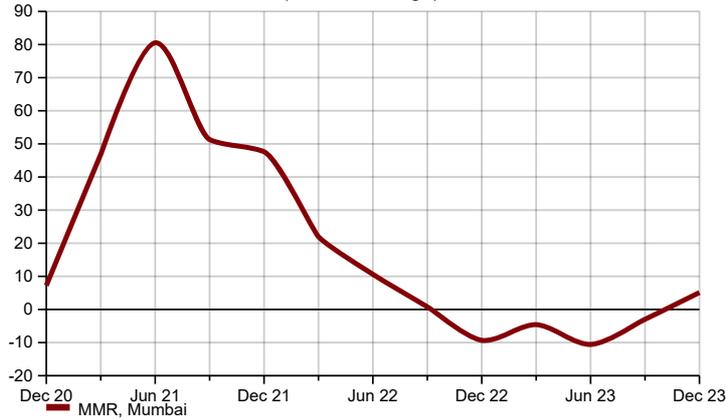
The top line of the industry has been growing since the December 2020 quarter, aided by an increase in demand from key user sectors like real estate, hotels, telecommunication, information technology (IT) and power transmission and distribution (T&D) among others. Excluding the December 2020 and the March 2023 quarters, the wires & cables industry witnessed double-digit growth in each of the remaining quarters with top line growth in the range of 20-60 per cent in the six consecutive quarters ended June 2022. Demand for wires and cables is expected to continue to grow going forward, backed by strong capex activity in its user industries.

The real estate industry, one of the major demand drivers for wires and cables, commissioned projects worth more than Rs.50.7 billion in the December 2023 quarter. In the following March 2024 quarter, project completions in the industry are expected to be significantly higher when compared to the same quarter in the previous year, due to the government's push towards commissioning of maximum projects ahead of the general elections in April 2024.

The power T&D sector, a key user industry for power cables, witnessed project completions worth around Rs.106.2 billion in the December 2023 quarter, which is over 2.5 times the investments seen in the corresponding year-ago quarter. The IT sector, which extensively uses data transfer cables, and the hotel industry, which is a major market for wires, too witnessed a surge in project completions in the last quarter of 2023. Strong capex activity in user industries indicates a healthy demand for wires and cables.

This is expected to elevate sales volumes of the industry during the December 2023 quarter.

**Prices of Copper Cathode**  
(Y-o-Y % change)



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Wholesale prices of most varieties of wires and cables increased in the range of 1-5 per cent year-on-year (y-o-y) in the December 2023 quarter. Higher volumes, as well as realisations, are expected to support the top line growth of the wires & cables industry.

Domestic prices of copper cathode and processed rubber, key raw materials used in the making of

wires and cables, rose by 5.1 per cent and 8.2 per cent, respectively, in the December 2023 quarter. However, prices of aluminium ingots, a key metal, dropped by 3.9 per cent on an annual basis during the quarter. Prices of polyvinyl chloride (PVC) were down by 7.6 per cent y-o-y, while that of fibre glass almost stagnated in the same period. Prices of most raw materials were lower in the December 2023 quarter as compared to a year ago. This is expected to aid the improvement in the industry's profits and profit margins during the quarter.

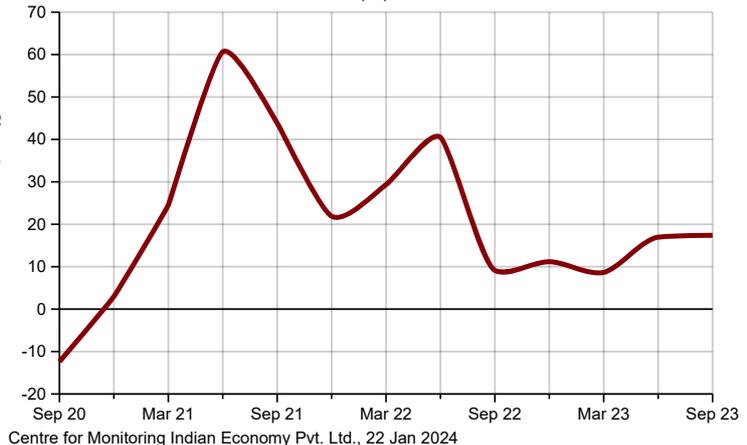
## Sales revenues jump 17.4% in September 2023 quarter

The wires & cables industry reported a double-digit top line growth for the second consecutive quarter ended September 2023. Sales revenues rose by a smart 17.4 per cent year-on-year in the quarter, backed by higher volumes as well as realisations.

Sales volumes improved during the quarter due to traction in demand for wires and cables from key user industries. The real estate industry

which includes residential and commercial construction, witnessed project completions worth Rs.131.8 billion during the September 2023 quarter. In the same quarter, the power T&D industry commissioned projects worth Rs.17.3 billion. Project completions in the IT sector more than doubled during the September 2023 quarter, while it remained at a higher level in the hotel industry when compared to the corresponding year-ago quarter. Wholesale prices of wires and cables, including fibre optic cables, increased in the range of 2-6 per cent y-o-y in the July-September 2023 quarter. The rise in prices aided the industry's realisations.

**Growth in Sales Revenues: Wires & Cables**  
(%)

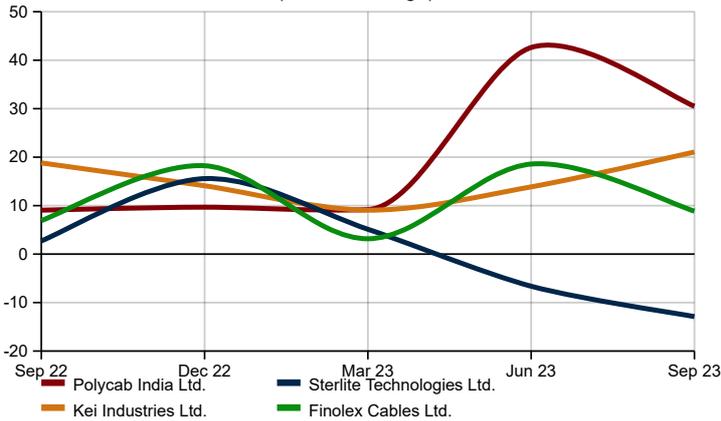


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The top five listed wires and cables companies are Polycab India, Kei Industries, Sterlite Technologies, RR Kabel and Finolex Cables. These companies account for almost three-fourths share in the industry’s top line.

Polycab India, the largest listed company in our sample, registered a strong 30.5 per cent revenue growth in the September 2023 quarter. Increased volume growth in the cable business owing to traction in user industries, drove growth in Polycab India’s sales revenues. Net sales of Kei Industries, RR Kabel and Finolex Cables increased by 21.1 per cent, 17.7 per cent, and 8.9 per cent y-o-y, respectively, in the quarter.

**Company-wise Growth in Net Sales: Wires & cables**  
(Y-o-Y % change)



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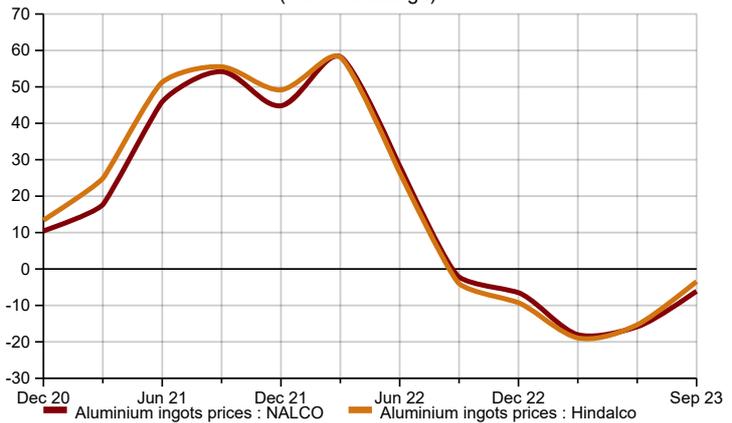
Sterlite Technologies, unlike its peers, reported a fall in its top line by 12.9 per cent y-o-y in the September 2023 quarter. Sterlite’s revenue growth was impacted by lower volumes in the optical fiber cables segment.

Small listed companies in the industry such as Ram Ratna Wires, DCX Systems and Paramount Communications reported strong top

line growth in the September 2023 quarter. Ram Ratan Wires and Paramount Communications’ net sales increased by 21.8 per cent and 17.7 per cent, respectively, on a y-o-y basis in the quarter. DCX Systems’ sales revenues jumped by 77.8 per cent y-o-y in the September 2023 quarter.

The industry witnessed a fall in most of its major raw materials. Domestic prices of copper cathode and aluminium ingots, primary metals used for making wires and cables, fell in the range of 3-7 per cent, respectively, on an annual basis in the September 2023 quarter. Prices of fibre glass and polyvinyl chloride (PVC) dropped by 5.2 per cent and 20.5 per cent y-o-y, respectively.

**Prices of Aluminium in Domestic Market**  
(Y-o-Y % change)



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Prices of processed rubber dropped marginally by 0.5 per cent y-o-y in the same period. Notwithstanding a fall in input prices, the industry’s raw material expenses rose sharply.

Raw material expenses, which account for more than 75 per cent of the industry’s total expenses, rose by 30.3 per cent y-o-y, faster than the growth in sales. The proportion of raw material expenses in net sales expanded by more than 780 basis points to 76.8 per cent. This is mainly due to higher production. Production of most varieties of wires and cables increased in the July-September 2023 quarter over and above a healthy double-digit growth seen in the corresponding year-ago period. Output of rubber insulated cables,

aluminium conductors and PVC insulated cables increased by 49.2 per cent, 15.9 per cent and 2.2 per cent on a year-on-year basis in the September 2023 quarter.

**Operating Profit Margin: Wires & Cables (%)**



On the other hand, salary expenses and other expenses rose by a slower 9.8 per cent and 7.6 per cent, respectively, vis-a-vis sales growth. Moreover, the industry reported a pile-up of inventory during the quarter. The industry piled up inventory equivalent to 3.7 per cent of total sales during the quarter.

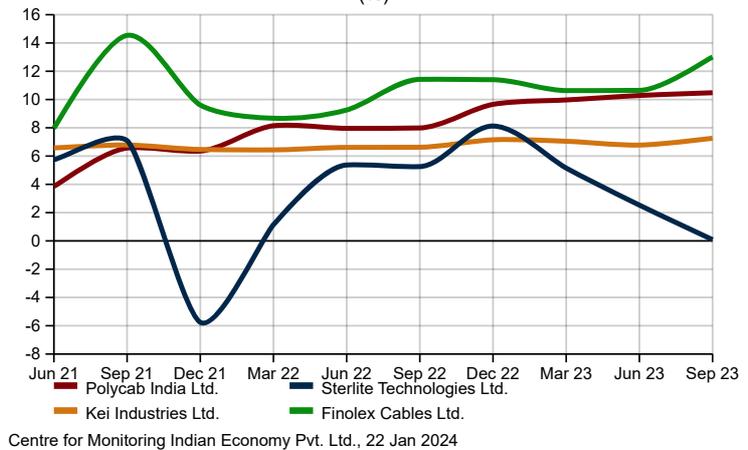
After adjusting for this, the industry's total operating expenses rose by 16.8 per cent y-o-y, slower compared to the 17.4 per cent growth in net sales. Thus, profit at the operating level increased at a healthy rate in the September 2023 quarter. The operating profit of the wires & cables industry rose by 23.6 per cent on an annual basis in the quarter. Operating profit margin remained almost at the year-ago levels of 10 per cent in the September 2023 quarter.

Non-operating expenses such as tax expenses, depreciation, and interest expenses rose by 24.3 per cent, 4.9 per cent and 12.3 per cent, respectively, in the July-September 2023 quarter. Other income of the industry surged by 45.8 per cent in the quarter.

The bottom line of the industry increased by an impressive 36 per cent to an all-time high in the September 2023 quarter. This was led by a healthy growth in operating as well as other income. The net profit margin of the industry expanded by almost 60 basis points to 6.8 per cent in the quarter. A majority of wires and cables manufacturers reported an expansion in their net profit margins for the quarter ended September 2023.

Net profit margin of Polycab India expanded by almost 250 basis points to 10.5 per cent in the September 2023 quarter. Kei Industries and Finolex Cables reported an expansion in their net profit margin by 63 basis points and 158 basis points to 7.3 per cent and 13 per cent, respectively. RR Kabel's net profit margin improved by more than 190 basis points to 4.6 per cent

**Company-wise Net Margin: Wires & cables (%)**



in the reporting quarter. Meanwhile, Sterlite Technologies' net profit margin plummeted from 5.3 per cent to a marginal 0.1 per cent in the September 2023 quarter. Lower revenues exerted pressure on Sterlite Technologies' net profit margin for the quarter.