

19-20
Annual
Report

Finolex Cables Limited

WIRED
to emerge **stronger**



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Forward-looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events. The Company has sourced the industry information from the publicly available resources and has not verified those information independently.



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The COVID-19 outbreak has disrupted lives and livelihoods worldwide. While it is still too early to predict the full severity of the pandemic, there is no getting away from the fact that the world is in uncharted waters. And yet, even while uncertainty grips us, one thing is certain: surviving this new normal will require greater adaptation and renewed collaboration.

In this changed socio-economic environment, **we, at Finolex**, are reconfiguring our operations to make our Company more efficient and more focussed on serving the needs of our customers.

We have implemented strict procedures and processes at our plant sites, offices, depots and stores to maintain productivity while help keeping our workforce and our communities safe.

Our successful history of over half a century, wherein we have taken several challenges in our stride, also speaks volumes about our ability to not only withstand tough times but also to come back stronger after every setback. The challenges may keep changing but our Company's DNA remains the same: to persevere and perform. This time, too, we shall overcome.

Finally, while the external environment may alter our short-term plans, our goals remain the same. We will continue to invest in our future growth, well supported by our well-funded and financially secure business, while managing overheads in a prudent manner. By our wider response and recovery strategy, along with our strong business fundamentals,

we are wired to emerge stronger.

About Us

Established in 1958, Finolex Cables is India's largest and leading manufacturer of electrical and telecommunication cables. We have recently diversified into the fast-moving electrical goods (FMEG) segment with the aim of becoming a complete electrical products company. Our over five-decade-long journey is anchored on the pillars of our manufacturing excellence, innovation focus and technology edge. By maintaining the highest standards of quality and service, we have built a strong relationship with institutional and retail customers.

Finolex Cables is a debt-free Company and has a turnover exceeding Rs. 3,000 crores, 5 manufacturing sites and 1,762 employees.

Our positive legacy

In our illustrious timeline, we have surmounted innumerable obstacles and redefined possibilities through our perseverance, innovation and agility. Be it in our initial years when our founders had to brave the tumultuous times of India's partition; in the 1950s when we pioneered the concept of using stranded conductors for the manufacture of electrical wires; in the late 1980s when we became the first private sector company in India to manufacture Jelly Filled Telephone Cables (JFTC), or in the 1990s when we aggressively diversified our portfolio to overcome the massive setback to our JFTC business due to the advent of mobile phones; we have risen to every occasion. Our past is fascinating and inspiring. Our future promises to build on this positive legacy of finding opportunities amid the challenges.

Wired for innovation

1st

- ▶ First in India to make multi-strand wires
- ▶ First in India to manufacture auto cables
- ▶ First in private sector to manufacture and supply JFTC to DoT
- ▶ First in India to launch FRLS wires and cables
- ▶ First in India to make co-axial cables using physical foam process
- ▶ First in India to make aerial cable designs
- ▶ First in India to manufacture LAN cables with UL verification
- ▶ First and only company in India to manufacture power cables up to 500 kV through Joint Venture
- ▶ First in the industry to be integrated backwards, capturing entire value chain

Key Numbers

Manufacturing sites

5

Retailers

50,000+

FY20 Revenue

Rs. **3,049.2** Crores

Depots

28

Employees

1,762

FY20 EBITDA

Rs. **541.8** Crores

Channel Partners

5,000+

Market share in the organised wires & cables industry

22%

FY20 PAT

Rs. **402.5** Crores



Revenue segmentation

82%

Electrical wires and cables

14%

Communication cables

4%

Electrical consumer products

Chairman's Message

Against this tough operating backdrop, we recorded Rs. 3,049 crores as revenue in FY 2019-20 as against Rs. 3,200 crores in the previous year, a degrowth of 4.7%.



Revenue

Rs. **3,049.2** Crores

PBT

Rs. **501.3** Crores

PAT

Rs. **402.5** Crores

Dear Shareholders,

As I write this year's letter, the world is confronting a health crisis unlike any other in recent history, one that not only has upended human lives but is also having an extraordinary impact on the global economy. In these overwhelming and uncharted times, we would like to reassure you that your Company remains confident in its fundamentally strong business model and growth prospects. By demonstrating unyielding resilience, we are determined to navigate the expected headwinds in the coming months and emerge from these challenges as a stronger enterprise.

The Indian economy was confronting several headwinds even before the coronavirus pandemic. To relight the economy, the government took several steps - including the steepest ever cut in corporate tax to boost

investment. However, the nationwide lockdown that ensued to contain the spread of the virus brought all economic activity to a grinding halt in Q4 FY 2019-20. To steady the economy and contain the impact of the virus, comprehensive interventions are being rolled out on several fronts by the government.

As a manufacturing entity in the non-essential category, the unexpected turn of events adversely impacted our fourth-quarter results, especially as March is historically a month of high sales due to year-end targets given to distributors. The ramifications of the fourth quarter persisted on the full-year numbers as well. Our business was also affected by sluggish growth in certain end-user sectors, especially telecommunications and real estate. Against this tough operating backdrop, we recorded Rs. 3,049 crores as revenue in FY 2019-20 as against



Rs. 3,200 crores in the previous year, a degrowth of 4.7%. Profit before tax stood at Rs. 501 crores for the year as against Rs. 532 crores for the previous year, while the adoption of the lower tax rates enabled us to record a post-tax profit of Rs. 402 crores for the year as against Rs. 344 crores in the previous year.

Notwithstanding the muted financial results, I am pleased to share that we made substantial progress in growing our B2C segment. Our recent introductions of fans and other product lines clocked between 25% and 60% growth in volume terms. While in terms of value, this business is still at a nascent stage, the impressive results corroborate that our strategy is headed in the right direction to usher a stronger performance as consumer confidence rises and demand returns.

Looking beyond immediate challenges, our capex plan of Rs. 200 crores over the next 18-20 months remains unchanged. We have multiple ongoing projects, one of which is at Goa to manufacture electrical conduits. While plant construction has been completed, the equipment testing by experts has been delayed due to travel restrictions. In Pune, we have commenced the construction of a plant for the manufacture of solar cables. The plant will be deploying electron beam accelerators, the most advanced technology for the manufacture of abrasion-resistant and long-lasting solar cables. Besides serving the renewable energy sector, these electron-beam cured cables are also being used in the construction and automobile segments due to their ability to withstand higher temperature, opening up more growth avenues. As part of our efforts to strengthen backward integration, we are installing a new line to make tinned copper and foray into instrumentation cables. While the lockdown and reverse migration of labourers from cities to villages has impacted our project timelines, we are working towards

restoring construction speed following the gradual normalisation of the economy.

In my previous year's message, I had shared with you our ambitious plan of growing our distribution network to 1,50,000 retail touchpoints by connecting with 500 distributors each reaching out to around 300 retailers. While we could achieve taking up our retail touchpoints to 50,000 retailers this year, we are continuing with renewed vigour towards the goal of 1,50,000 this year. Further, we are bringing our dealers on a common software platform to get better visibility of secondary data. By deepening our reach and leveraging technology solutions, we are upbeat about growing the sales of our consumer products. Our continued investments in brand building and channel partner engagement will also help us to strengthen our market visibility and connect.

Controlling the external environment is not possible; however, we are taking decisive actions to help ensure our continued competitiveness, financial resilience and business continuity in the new normal. Every overhead expenditure is being minutely scrutinised to contain costs where possible. To operate more efficiently and effectively, we are looking at greater automation at our sites. The lockdown period was utilised to identify new ways to make our business leaner and more agile, along with conducting various skill-enhancing training programmes for specific group of employees. At the same time, with safety of our employees, business partners and consumers our top priority, utmost precaution and the highest safety standards are being followed across all our locations. While all our facilities are currently operating at lower capacity, operations will be stepped up as and when conditions normalise. Finally, our robust balance sheet with a zero-debt

status gives us added strength to weather the uncertain times ahead.

Challenges notwithstanding in the short-term, our growth potential remains high. Our core business of wires and cables has a comprehensive range of products that are used across various aspects of infrastructure – be it in power, communication, roads or building infrastructure. The government has unveiled the National Infrastructure Pipeline (NIP), under which Rs. 100 lakh crores would be invested on infrastructure over the next five years to realise the vision of a \$5 trillion economy by 2025. Besides, the continued thrust on government flagship programmes such as Power for All, Housing for All, Smart Cities, and Deendayal Upadhyaya Gram Jyoti Yojana (to boost rural electrification) will boost the demand for electrical wires and cables. The Integrated Power Development Scheme to drive efficiency in power transmission and distribution, and the impending investments by the telecom sector to transmit data more efficiently and at higher speeds also hold promising prospects for our business in the medium to long-term.

In closing, I would like to take this opportunity to thank our talented team of employees, whose unwavering resolve and commitment has enabled us to conquer many a challenge and achieve new benchmarks. I am certain that as we navigate this unprecedented crisis, they will rise to the occasion once again. I would also like to extend my appreciation to our distribution partners, suppliers, customers, consumers, bankers and shareholders for their constant trust. Finolex has a five-decade rich legacy of thriving despite challenges. This time, too, with your continued support, we shall continue to thrive.

Wish you all good health.

D.K. Chhabria

Executive Chairman

Wired to Manage Manufacturing

Through the course of our glorious journey, we have systematically enhanced our manufacturing capabilities and invested in backward integration. Our manufacturing excellence has enabled us to meet the changing demands of a growing India. Just as we have risen in the past, we are confident of managing operations through this period of uncertainty and beyond to deliver an even stronger performance.

Diversified production base

From a single-location manufacturing company, Finolex has expanded into an organisation with multiple production facilities across India. Our five state-of-the-art manufacturing sites give us a locational advantage in ensuring seamless service and effective delivery of quality products to our customers. Our partnership with global technology providers further reinforces our expertise in manufacturing world-class products. Finolex plants are optimally automated and deploy the most modern shop floor practices. This enables us to save costs and increase our efficiency at our facilities.

Our manufacturing footprint

Plant	Product Focus
Roorkee, Uttarakhand	Electric wire for construction; wires for automobile; switches; switchgear and agricultural applications
Urse, Pune, Maharashtra	All electrical wires, optic fiber cables and all communication cables
Pimpri, Pune, Maharashtra	Telephone cables; winding wire for pump-set industry
Verna, Goa	Electrical wires, optic fiber cables, co-axial cables
Ponda, Goa	Copper rods

*Capacity utilisation levels at all manufacturing facilities at 75% except Ponda Goa

Driving the best technology

Technology Partners	Technology Area
AT&T (Lucent Technologies)	Optic Fiber Cables
Corning, USA	Optic Fiber
NSW, Germany	Winding Wires
Sumitomo, Japan	EHV Power Cables
GE, USA	Compounds
Essex Corp. USA (Superior)	JFTC Cables, Copper Rods





Unabated investment in our future

Our 50-year successful history is a function of continual investments – in good and bad times – in building our capabilities. While our immediate priorities may be realigned, the long-term focus remains intact. In keeping with this long-term focus, we remain committed to invest for the future, thereby positioning our Company to grow and prosper for decades.

As a forward-looking company, we see immense potential in the renewable energy sector. Allied to that we have commenced the construction of a plant for the manufacture of solar cables. The plant is located in Urse, Pune, and is being built with a capex of Rs. 75-80 crores. Staying ahead of the curve in technology adoption, we are deploying electron beam accelerators for the manufacture of solar cables. Solar cables are exposed to atmospheric radiation 24x7 and so the outer insulation starts becoming brittle over a period of time, leading to loss of life of the cable. Treating the insulated cables through an electron beam machine makes the insulation withstand higher temperatures with minimal wear/tear and more abrasion resistant, extending the life of the cables. We will be installing two electronic beam accelerators – the first one 1.5 to 3 MV and the second one of 0.8 MV. The different capacities will enable us to manufacture solar cables of varying sizes. The smaller capacity accelerator can also be used for automobiles where temperature withstanding ability of the cable is continuously increasing.

In addition, we envisage a strong demand for our electron beam treated cables in the construction of buildings

once the sector starts reviving. Most buildings are growing vertically with shafts that the wires pass through normally very tight and small, making rewiring or modification at a later stage difficult. Building codes globally are thus changing to make sure that the wire has a much longer life than currently available in most countries. With the electron beam treatment, this extension of life for cables is possible, opening up prospects for its use in the construction sector.

The upcoming electrical conduit plant at Goa will be completing construction later this year. Post machine installation and testing, the facility is expected to be commissioned by early next year. This will boost our capabilities in serving the conduit demand in both industrial and residential structures.

Reconfigured for the new normal

We are taking all possible precautions at our plant sites to effectively manage production through the global health crisis while ensuring safety of our workforce. A comprehensive set of policies and guidelines, including enhanced hygiene measures, compulsory face masks, physical distancing, and modifications to existing behaviours are among the measures being taken to protect our employees and operations. The practice of complete disinfection of all vehicles, consignments entering and leaving our premises, including our depots, is also being followed. (For more details on the steps being taken, please refer to page 14)

Our vast industry experience has enabled us to develop agility within our production and distribution networks to better respond to

supply chain disruption and quickly reconfigure operations to maintain supply to market demand. Our strong relationships with key suppliers should enable us to avoid any short-term interruption of inputs. At the same time, we are taking the necessary steps to build resilience in our supply chain. We are collaborating with our regular and alternate vendors to ensure that we are not overly reliant on few suppliers or geographies. As part of our inventory strategy, we are also building up stocks of critical materials to provide buffer against supply chain disruption.

The upcoming electrical conduit plant at Goa will be completing construction later this year. Post machine installation and testing, the facility is expected to be commissioned by early next year. This will boost our capabilities in serving the conduit demand in both industrial and residential structures.

Wired to Enhance Product Portfolio

While reinforcing our leadership in the wires and cables industry, we are also leveraging this strength to forward integrate into electrical products, particularly targeting the home segment. Our portfolio diversification strategy will enable us to establish ourselves as a B2C player, in addition to being a wires and cables manufacturer, making us a stronger entity.

Growing our electrical products portfolio

We have forayed into the electrical segment with a fast-growing product range that includes electric water heaters, fans, miniature circuit breakers (MCBs), switches and lighting products. Our home products have gained strong acceptance for their quality and style and are steadily growing their market share. We remain focussed on growing our consumer-focussed range and leveraging our brand equity with the aim of becoming a complete electrical products company and a strong B2C player.

Allied to that, during the year, we launched a wide range of electrical accessories such as door bell, extension box, spike guard, angle holders and batten holders. Blending contemporary designs with best-in-

class quality, these products seek to enhance the aesthetics of homes and offices while delivering on performance. With these accessories, we are upbeat about increasing the reach and visibility of our retail business, addressing growing consumer aspirations and propelling our growth trajectory.

Launch of industrial switchgears

During the year, we forayed into the MCCB product category to further strengthen our switchgear product suite. Manufactured with the latest technology, the switchgears are available in varying breaking capacities ranging from 63 to 800 Amps, along with required frame sizes. Our low voltage switchgears provide centralised control and protection of low voltage power equipment

and circuits in industrial, commercial and utility installations involving transformers, generators and motors, among others.

The Industrial and OEM segment has been a stronghold of the company with our product categories like flexible cables, communication cables, auto cables, solar cables and LT/HT cables serving this client base. The introduction of industrial switchgears will enable us to leverage our strong relationships to grow our share of business from these clients. Currently, the market size of industrial switchgears is Rs. 2,000 crores. By offering quality products targeted at the panel builder and retail outlet community, we aim to capture a sizeable pie of the robust industrial switchgear market in the coming years.

