

Finolex Cables Limited

POWERING A BIGGER TOMORROW

22 23

ANNUAL
REPORT

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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.



POWERING A BIGGER TOMORROW

Pursuing growth with perseverance and resilience has been our steadfast focus since inception, making the brand 'Finolex' synonymous with quality and high customer confidence and loyalty. Our ability to leverage our manufacturing prowess, innovative spirit and technology has allowed us to diversify our product offerings across the market and widen our reach throughout India, propelling our stature as one of the most prominent Indian wires and cables brands.

The rebound in economic activity during the past fiscal has set the right precedent for sectors to reinvent themselves and regain lost ground from pandemic-led disruptions in the past two years. Today, consumer preferences have evolved as they demand quality and aspirational products. Multiple opportunities are also unfolding in the wires and cables sector with increased infrastructure development and construction activity.

We continue to invest in product development, operational efficiencies, capacity expansion, brand positioning and the distribution network for diversifying our product categories and expanding across states to cater to the evolving needs of a larger customer base. With right growth levers and strategic investments in place, we are poised for accelerated growth and a stronger future.



FINOLEX AT A GLANCE

Founded in 1958, Finolex Cables is the most diversified and leading manufacturer of electrical and telecommunication cables in India. Over the years, we have established ourselves as a reputable and quality manufacturer supported by our strategic pillars of manufacturing excellence, innovation and technical expertise. We ventured into the manufacturing of fast-moving electrical goods (FMEG) to become a full-service electrical products company and capitalise on rising prospects in the B2C consumer segment. Our commitment to maintaining the highest standards of quality and corporate governance practices has helped foster trust and a deep connection with our customers.

Finolex Cables is a debt-free Company having a turnover of over Rs. 4,481.1 crores, 5 manufacturing sites and 1,546 employees.

POWERING AHEAD WITH A STRONG LEGACY

Since inception, our constant pursuit of growth backed by strong perseverance has seen us brave umpteen obstacles while achieving significant milestones. Throughout the year, we have focussed on continuous expansion and modernisation to capitalise on opportunities and address challenges. Our ability to reinvent ourselves, persevere and rise above innumerable challenges dates back to the time of India's difficult partition phase. During the 1950s, when we were the first to introduce the concept of using stranded conductors

for electrical wire manufacturing; in the late 1980s, when we were the first Indian private sector company to manufacture Jelly Filled Telephone Cables (JFTC); and our aggressive approach to portfolio diversification to offset the adverse effects of mobile phone usage in India on our JFTC business. Inspired by our rich and resilient past, we are poised for an accelerated growth phase amidst our relentless pursuit to tap opportunities across a challenging and demanding landscape.



Vision

To maintain Leadership as the Largest and most Diversified Cable Company in India, we prioritise total Quality, Latest Technology and the Best Customer Service.



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

OUR KEY NUMBERS

5

Manufacturing sites

26

Depots

5,000

Channel Partners

2,00,000

Retailers

1,546

Employees

22%

Market Share in the
organised wires industry

4,481.1

Revenue

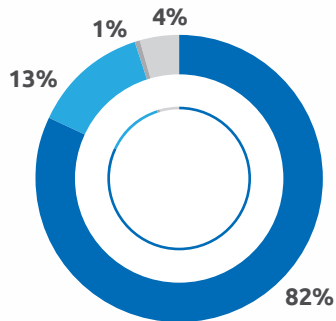
693.7

EBITDA

501.7

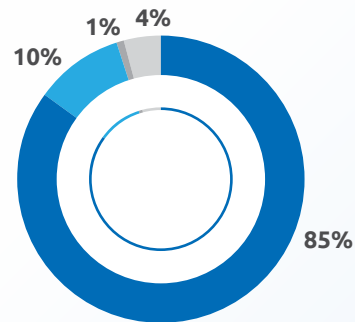
PAT

Revenue break-up (as on FY 2023)



- Electrical Cables
- Communication Cables
- Copper Rods
- Other Products

Revenue break-up (as on FY 2022)



- Electrical Cables
- Communication Cables
- Copper Rods
- Other Products



EFFICIENT MANUFACTURING CAPABILITIES

Our five modern manufacturing facilities, strategically located, are equipped with the latest technology, to enable us to manufacture high-quality products and ensure timely delivery of products to our pan-India customers. We are actively expanding our existing capacities to enhance operational efficiencies and meet the growing demand.

TECHNOLOGY PARTNERSHIPS

Our tie-ups with technology partners have helped us adapt and align our product and process capabilities to advanced technologies. Through our partnerships, we have developed innovative solutions to cater to the highly evolving Indian market segment.

PROMINENT BRAND POSITIONING

Our customers strong trust and confidence in our commitment to quality, safety and resilience has helped us emerge as an established brand and resulted in sound growth.

BACKWARD INTEGRATION

As part of our backward integration strategy, we manufacture compounds, copper rods, glass fibers and other raw materials in-house. It gives us greater control over raw material availability, pricing and quality, improving overall manufacturing efficiency and delivering high-quality products at affordable prices.

DIVERSIFIED PRODUCT SUITE

As a complete electrical products company, we offer a wide array of products comprising wires, cables, lighting solutions, electrical accessories, switchgear, fans, water heaters, LAN passive components and irons to serve the various needs of our diverse customers.

WIDESPREAD DISTRIBUTION NETWORK

Our focus on maintaining a diversified distribution network, with a specific emphasis on the FMEG sector has allowed us to deepen our market penetration and expand our customer outreach.

STRONG FINANCIALS

Our healthy financials, with zero net debt, have solidified our business growth while initiating long-term value creation for all our stakeholders.

OUR KEY DIFFERENTIATORS

OUR MANUFACTURING EXCELLENCE



ROORKEE, UTTARAKHAND

Product Focus

Electrical wires for construction; wires for automobile; switches; switchgear and agricultural applications



URSE, PUNE, MAHARASHTRA

Product Focus

All electrical wires, optic fiber, optic fiber cables, all communication and power cables



PIMPRI, PUNE, MAHARASHTRA

Product Focus

Telephone cables; winding wire for pump set industry



VERNA, GOA

Product Focus

Electrical wires, optic fiber cables, co-axial cables, jelly filled telephone and conduits



PONDA, GOA

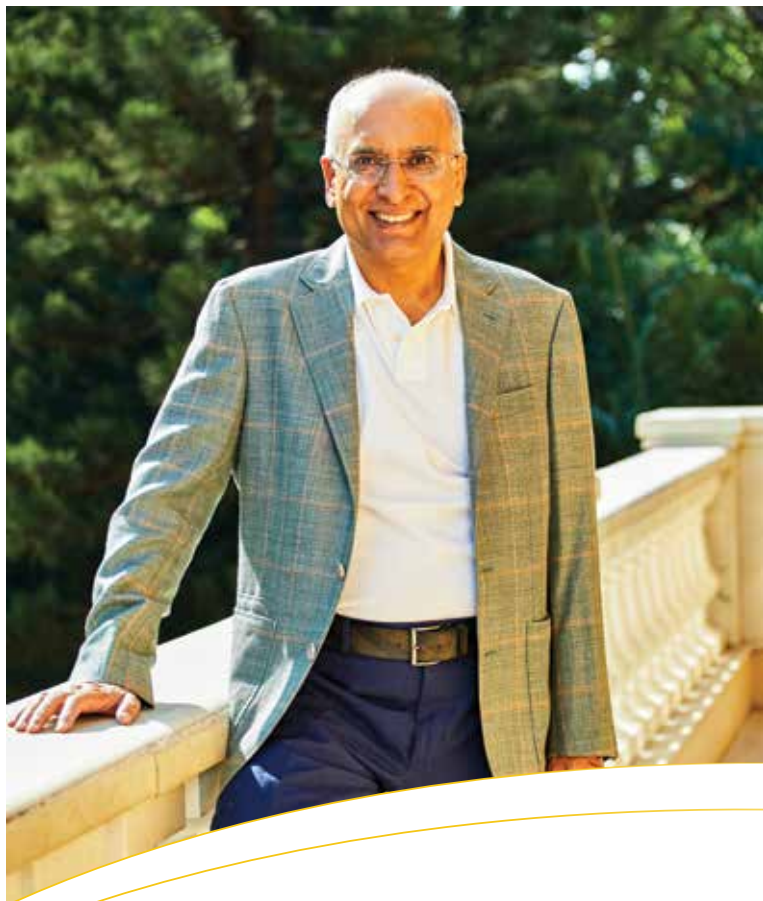
Product Focus

Copper rods



We are nearing the completion of capacity expansion at our Goa and Urse plants, which will enable us to meet the growing demand more efficiently.

CHAIRMAN'S MESSAGE



At Finolex Cables, we are well-positioned to seize the opportunities presented by these market dynamics and accelerate our performance. To effectively convert these opportunities into tangible results, we remain dedicated to strengthening our dealer and distributor channels across various regions, bolstering product availability.

Dear Shareholders,

I am pleased to reconnect with you to discuss our Company's performance and future direction. Our focussed efforts to strengthen our business and leverage improving market conditions have resulted in promising outcomes during the past year. Additionally, our plans for investments in capacity expansion using internal resources exemplify our commitment to sustainable, long-term value creation.

Entering FY 2022-23, the Indian economy witnessed a robust revival as numerous businesses returned to normalcy, driven by growing public confidence in pandemic management. Favourable macro-economic indicators, coupled with government emphasis on infrastructure development and digitalisation, created a positive environment for India's wires and cables industry. The revival in the real estate sector further fuelled the industry's growth. Our Company's performance for FY 2022-23 reflects our success in capitalising on these opportunities. The volume of our electrical wires segment grew by around 16%, optic fiber cable volumes increased by

over 50%, and all other products within the communication segment exhibited volume growth exceeding 25%.

The year, however, was not without challenges. The repercussions of Russia's invasion of Ukraine triggered significant inflation and interest rate impacts on a global scale. The Indian economy experienced a sustained inflationary trend, especially notable during the first half of the year. Escalating prices outpaced the growth of consumer incomes, resulting in weakened consumer sentiment. Consequently, discretionary spending remained sluggish, leading to muted

growth within our FMEG segment. Additionally, regulatory changes to energy efficiency norms during the year impacted the volumes of new products within our FMEG segment.

Combining our performance across business segments, we achieved revenue from operations of Rs. 4,481 crores, representing a growth of 19% compared to Rs. 3,768 crores in the previous year. This growth can be attributed to improvements in volume and increased retail penetration. Our Profit before Taxes reached Rs. 646 crores, demonstrating a growth of over 22% compared to Rs. 526 crores in the previous year. Our firm financial standing, characterised by a debt-free balance sheet and strong cash position, empowers us with the capability to internally finance our capital expenditure and working capital needs. Operationally, we expanded our distribution network by 25,000 touchpoints, reaching a total of 2,00,000 retailers while our overall plant utilisation remained healthy at 70%.

We have consistently invested in enhancing our manufacturing capabilities and capacities to meet the growing demands of our customers and drive higher growth. With the Indian economy projected to maintain its growth momentum in the coming years, the demand for wires and cables will remain robust across various sectors. Keeping the future in focus, we have planned a capital expenditure of Rs. 500 crores over the next 18-20 months to expand our plant capacities in all product categories. We are also investing in backward integration to manufacture optical fiber preforms and expand our fiber draw capacity. We are expanding our auto cable capacity by 50% and building additional compound manufacturing capacity. The upcoming capacities are slated to be commercialised by the second half of FY 2024-25. Additionally, we are progressing with the establishment of an e-beam facility as part of our ongoing expansion plans.

We also remain Focussed on improving our systems and processes to drive operational excellence. This includes closely monitoring inventory levels and streamlining cycles whenever feasible. In this regard, we have initiated a project aimed at optimising the end-to-end supply chain, leading to inventory reduction from raw materials to finished goods. Simultaneously, this project aims to improve delivery and customer service. To accomplish these objectives, we are collaborating with a reputable consultant and leveraging automation, AI and technology. Although the project is in its early stages, we anticipate significant results within a 12 to 18-month timeframe. Another key focus area will be

enhancing order execution speed to safeguard margins and drive profitability.

The wires and cable industry outlook remains highly promising, driven by demand from key sectors including automobiles, construction and industrials. The government's sustained focus on infrastructure development is expected to enhance the demand environment for the wires and cables industry. Furthermore, government initiatives such as Bharat Net Phase II, aimed at improving broadband connectivity, will continue to drive growth for communication cables. The capital expenditure by telecom players on optic fiber cables will contribute to increased demand in the communication cables segment. The Indian FMEG sector is also poised for substantial growth, propelled by macro drivers such as evolving consumer aspirations, rising awareness, increasing income levels, rural electrification and urbanisation.

At Finolex Cables, we are well-positioned to seize the opportunities presented by these market dynamics and accelerate our performance. To effectively convert these opportunities into tangible results, we remain dedicated to strengthening our dealer and distributor channels across various regions, bolstering product availability. Our focus on capacity expansion and backward integration ensures increased volumes, superior quality and safeguarded margins. Furthermore, we are committed to introducing new products within the FMEG domain and making strategic investments to enhance our brand visibility. By executing these initiatives, we are confident in maximising our growth potential.

In conclusion, I would like to express my appreciation to our employees for their contributions throughout the year. Their dedication and hard work have been instrumental in our success. I would also like to extend my sincere gratitude to our esteemed Board Members for their invaluable guidance and insights. Additionally, I want to acknowledge and thank our stakeholders, including customers, bankers, financial institutions, channel partners, business associates and suppliers, for their support. Guided by an ambitious vision that is backed by right investments and capabilities, I firmly believe that our Company is on the path to power a bigger tomorrow and deliver sustained value.

Warm Regards,

Deepak Chhabria

Executive Chairman

STRENGTHENING EFFICIENCIES TO ACCELERATE GROWTH

We are equipped with the right drivers to tap the growing opportunities across our segments. We remain committed to expanding our geographical foothold, enhancing capacities, and diversifying our business to meet rising demand, increase revenues, and drive growth.

WIDENING OUR DISTRIBUTION REACH

We continue to strengthen our distribution network and expand our retail touchpoints to explore new markets and increase our geographic presence. We have implemented a two-tier distribution approach for distributors and retailers with well-defined policy parameters. Each distributor is assigned a territory with the potential to encompass around 2,00,000 retail outlets. To help deepen our distributors and retailer connections, we initiate various activities like wallets and introduced some trading discounts during the year. Our extensive distribution network is spread across 5,000 channel partners and 2,00,000 retailer outlets covering 26 depots across the country. We intend to create a separate network for each of our product lines to increase distribution efficiency

and outreach. We maintain our brand building and channel partner engagements to make our products accessible to a greater number of customers and increase volumes.

STRENGTHENING CAPABILITIES

Strong levers have boosted the demand for our products during the year. To meet the rise in demand and maintain our growth momentum, we continue to expand our existing capacities and invest in a backward integration approach. Our five manufacturing facilities strategically located pan-India are well-suited to adapt to evolving needs of customers while ensuring timely product delivery.

With the business environment gaining pace, our capacity expansion plan is in full swing with a planned capex investment of nearly Rs. 500 crores. It includes the expansion of production capacity for fiber-optic cables, industrial wires, and the FMEG segment. Our recently launched 'Conduits' has been successful with the plant operating at full capacity. We are now increasing capabilities by adding more machines and exploring possibilities of setting up an additional plant to cater to the needs of the regional markets across North and Eastern India.

