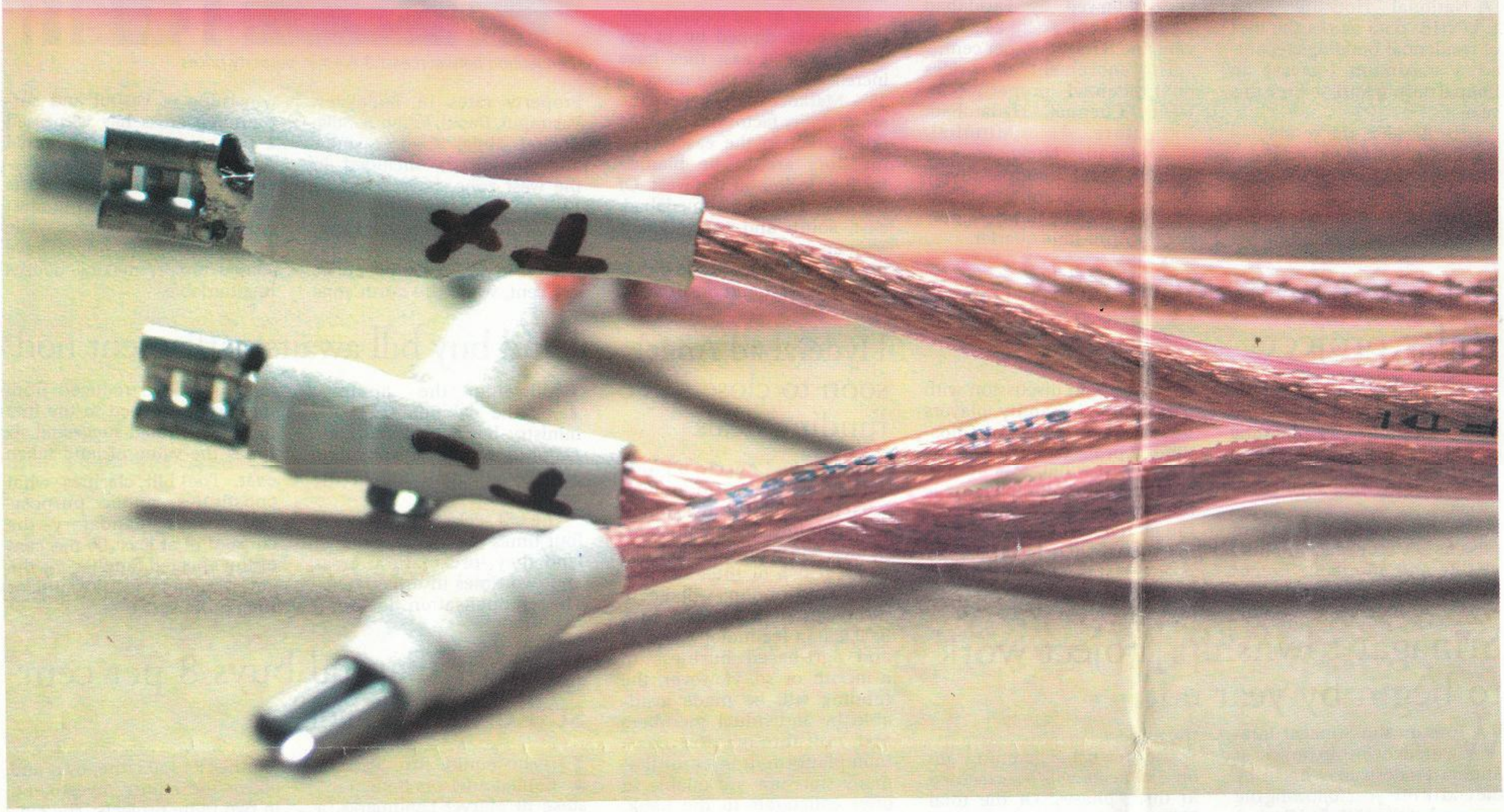
Low cost mentality is gradually fading & mkt is demanding value

The unorganised sector is large and it is driving down both the prices as well as quality standards of the cables. There is a certain amount of challenge to domestic suppliers from Chinese imports. Wires and cables industry will stand to have a sea of opportunities due to government's ambitious plans for the rural sector. However industry players are averse to serve this sector due to challenges. The export market is currently around 8 per cent of the total production and the market is poised to grow, finds **Chandrashekhar Modi** in an interaction with top industry players



The wires and cables sector in India has been shown a good double digit growth in recent times. Despite of the concerns like slowdown in infrastructure projects, rising inflation and fears of another recession, cables have grown by a whopping 59 per cent in the first quarter of 2011-12. The growth in the past two quarters was 12.3 per cent and 30.8 per cent respectively.

"Wires and cables are an integral part of any infrastructure project. With changing life style, increased automation and safety requirements, the electricity requirement is increasing. Wires and cables are carriers of electricity and therefore, its demand is bound to increase in line with or perhaps at a faster rate that GDP growth. Besides, there is lot of replacement and infrastructure up-gradation demand thereby adding to growth of wire & cable industry," comments **V K Bajaj, Chief Operating Officer, Uniflex Cables.**

V K Bajaj, COO, Uniflex Cables

Government has ambitious plans on expansion of the power sector and has earmarked a huge capex for the same. **Hiten Khatau, CMD, Cable Corporation** of India says, "The industry will grow and match the GDP provided the initiatives in power sector by the government are met with."

Vardhan Dharkar, CFO, KEC International expects government's focus on power to drive growth in the wires and cables sector. He says,"The growth prospects for the wires and cables industry are good and it is expected to do better than last year. Generally the growth of the wire & cables industry is at twice the GDP rate and it is expected to achieve this. The major growth in this industry is expected to come from the increased focus of government investment in the power sector, especially in the distribution business."

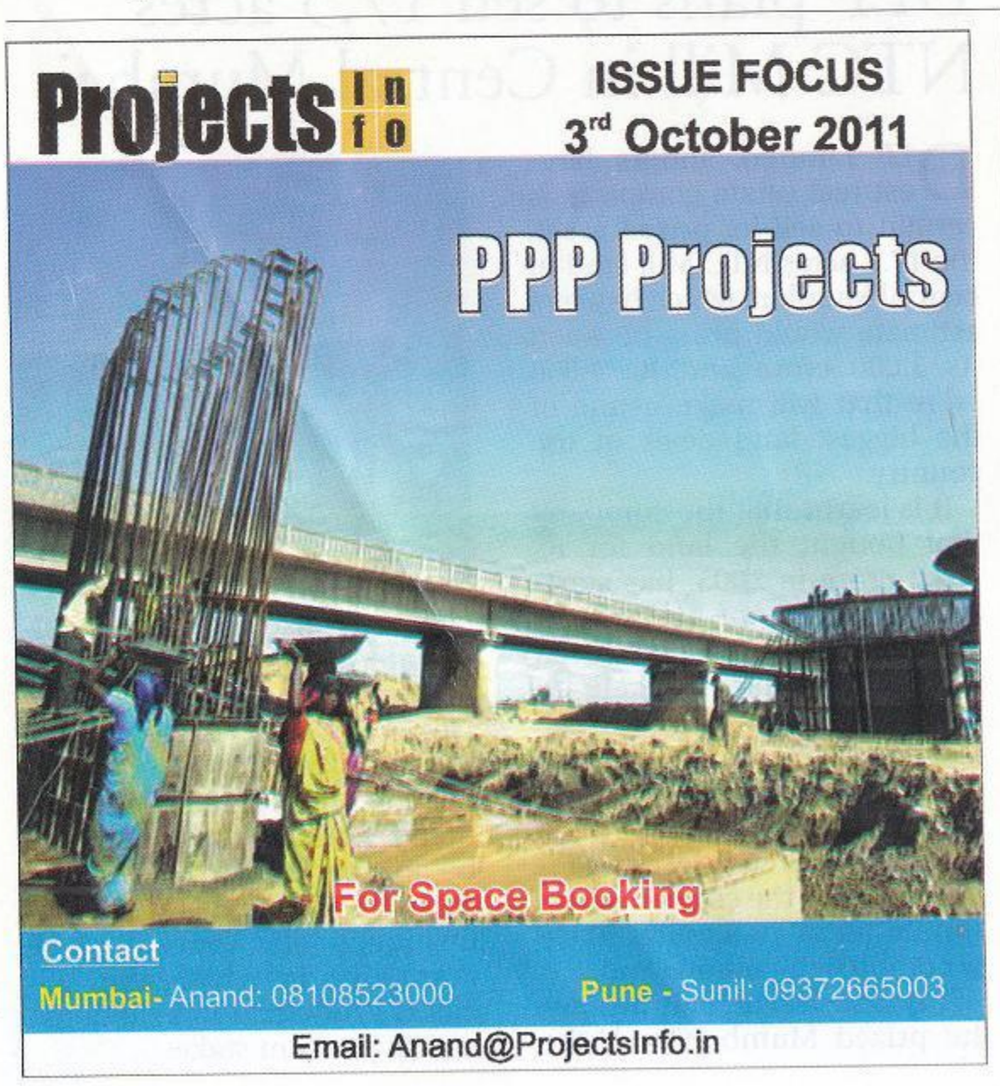
Vardhan Dharkar, CFO, KEC International

Market dynamics

Indian wires and cables industry is concentrated in the unorganised sector and there are few large and organised players. During recent times, there has been a supply glut in the market. "There is significant excess capacity in domestic cable and wire industry and low entry barrier for capacity enhancement or for a greenfield cables project. The prices of basic raw materials like Copper/ Aluminium have a significant amount of volatility and so are the prices of polymer products like PVC, XLPE and other items. All this is leading to a severe competition in domestic wire and cable industry," explains Bajaj.

Hiten Khatau, CMD, Cable Corporation

"The industry is highly fragmented with the organised sector (top 10 players) controlling 40 per cent of the market. The market has been on the recovery path for a while and more and more opportunities are coming up. KEC Cables is



"Growth of the electrical industry is generally twice the GDP globally"

...says Shreegopal Kabra, Group President, Ram Ratna Group

Will the wires and cables industry grow and match the domestic GDP this year also? Please comment.

Wire & cable industry has to grow along with the GDP. Infact, growth of electrical industry is generally twice the GDP globally.

What is your market share? The industry has just recovered, how are you planning to expand your market share? How do you foresee the export market?

Our market share in building wires is about 12 per cent of the organised sector.

The industry has yet to recover. Fortunately, in this week Government has made the announcement about Mumbai-Delhi corridor, and this will definitely help the industry to recover. As a part of expanding our business, last month we have started our new set-up at Vadodara. We have started our product marketing plan accordingly. It is not the right time to make any prediction about the export market, because of the global recession being faced now.

Please comment on the competition and challenges in the wires and cables market.

Wires and cable industry is facing big competition. However, with better marketing plan and quality consciousness, we can overcome the competition. The challenges being faced are from the unorganized sector. These unorganised sector compromise on the quality by reducing the copper content and re-using the PVC, and sell their products at cheaper rates. Usage of re-used PVC is very harmful also.

Shreegopal Kabra, Group President, Ram Ratna Group

Generally, there seems to be a compromise in quality over time and the average life of wires has reduced? In your opinion, what is the reason?

It is true, in the organised sector, they are compromising on the quality. But, at RR Kabel, we believe in quality and we never compromise on it. We are continuously improving the quality of our products. In fact, we are the only company to have maximum international approvals. We are also the first company to make our products in compliance with ROHS & REACH. Further, nowadays, people are more conscious about quality. So, the difference between quality products & non-quality products has, over the time, become thin.

Can you tell us about your R&D infrastructure? Would you like to talk about any of your new development or innovation with regards to the new environmental policies? How justified are the policies and how has it affected the industry?

We have a very full-fledged and well equipped R&D section with latest infrastructure, where continual research & development activities take place. We have established and apply an environmental management system for development, manufacture & supply of our cables. For this, we have been accredited with ISO 14001:2004 certification also. Further, all our products are make in compliance with REACH regulations.

With village electrification is being given huge priority - tell us about your plans in the rural market?

We are giving importance to village electrification and we have a strong presence in the village areas of the country, to market our product.

What is your product range? Which sector do you cater to?

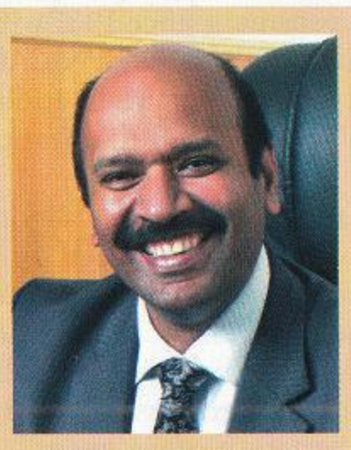
Our products range include building wires, industrial wires, LAN cables, Telephone Cables, panel wires, armoured cables etc.

How do you plan to expand your market share?

We have the biggest marketing team spread all over the country, as compared to any other cable manufacturer. We are further strengthening this team, to expand & increase our market share.

coming up with a new facility at Baroda which will almost double its current production value and it will also help in improving our market share. Since the market is highly fragmented, there is huge competition. The unorganised sector is large and it is driving down both the prices as well as quality standards of the cables. There is a certain amount of challenge to domestic suppliers from Chinese imports as well. Another immediate challenge, therefore, is to educate the customers on the various pitfalls of sub-optimal quality and creating more awareness about cables and high-performing materials," avers Dharkar.

The un-organised sector mainly caters the low voltage market and quality is often compromised. "In the manufacturing of low voltage cables, technology is not really demanded by most customers Low price is the differentiator. Cables are being manufactured without a proper R&D and testing. Quality standards get compromised and more and more cheaper options become available in the market. There are too many manufacturers and limited facilities. In the whole process, whilst in the immediate term customers pay a low price, you get what you pay for, as quality gets compromised which is not desirable for the project health in the medium to long term," explains Khatau.



Srinivas P Kamisetty
Managing Director, Lapp India

The organised sector caters to manufacturing of high voltage, durable and specialty cables. "Challenges are higher in low voltage segment where quality is often compromised especially in the building connectivity segment," comments **Srinivas P Kamisetty, Managing Director, Lapp India**.

Rural electrification – the demand driver

Demand for reliable electricity in rural areas is significant. It represents a key driver behind economic development and raising basic standards of living. Rural India is home to 70 per cent of the nation's population and over 25 per cent of the world's poor. Access to reliable and affordable electricity can help support income-generating activity and allow utilisation of modern appliances and agricultural equipment whilst replacing inefficient and polluting kerosene lighting. Presently only around 55 per cent of households are electrified leaving over 20 million households without power. The supply of electricity across India currently lacks both quality and quantity with an extensive shortfall in supply, a poor record for outages, high levels of transmission and distribution (T&D) losses and an overall need for extended and improved infrastructure. Indian government has recently outlined an ambitious plan for 100 per cent village level electrification by the end of 2007 and total household electrification by 2012. To achieve this, a major programme of grid extension and strengthening of the rural electricity infrastructure has been initiated under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY).

If every thing goes well according to government's plans and ambitions, ultimately the wires and cables industry will stand to have a sea of opportunities within the rural sector. However few industry players are averse to serve this sector due to challenges. Explaining the rationale, Bajaj says, "We are not much present in rural market because of un-remunerative price levels. We did develop cables for prevention of power theft, but have not been able to serve the Indian rural market, despite the fact that we are able to do good export of such cables to African countries."

EHV cables – growing market

Cables can be defined as HV - 60kV to 230kV and EHV - any cable rated above 230kV. For underground cables rated at voltages up to 230kV, there are now quite a number of potential suppliers and also there is the likelihood that more companies will develop this capability in the next few years. In contrast, the production of EHV cables is limited to a relatively small number of manufacturers and, since entering this sector is very difficult, it is not expected that there will be many new entrants in the next five years. Also whilst many of the issues and characteristics of the two markets are very similar there are some differences. The HV and EHV submarine cable sector is clearly quite separate although again many of the issues driving the market are similar.

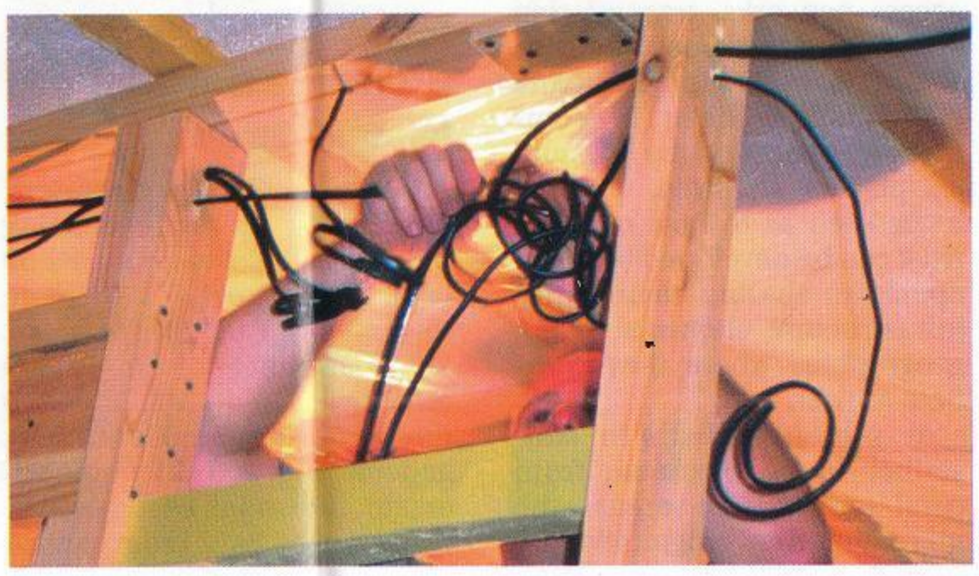
"We have different shares for different products. Our main focus is on Extra High Voltage (EHV) Cables which is the technology intensive and value added segment. In this segment, our share is around 35 per cent to 40 per cent. We will maintain our existing market share and will also look at expanding our facilities. As we have a good demand in the Indian market, presently we are not focusing on the export market. However we shall export again in future," commented Khatau.

The accessories market

Though there is a visible double digit growth in the wires and cables industry, there is a supply glut currently prevailing in the market, which is hurting the accessories market. "The growth for the accessories has been slow due to the delays in various greenfield projects and the cable deployment by various power distribution companies," points out **Mohan Nair, General Manager, Electrical Markets Division, 3M India**.

Explaining the nature of the accessories market, Nair says, "India is a very price sensitive market with a host of local players producing competitively priced products. It is very unfortunate that due to price competitiveness, quality has taken a backseat for power cable accessories. This leads to poor performance and lower life of cable systems. Having said that, we are seeing an emerging trend in end customers who have given more thrust to such critical products, which ensures better performance and extends life of the cable system. For example, the cost of cable to cable accessory ratio is 95:5. The cable joint is a weak link in any power cable network and hence it is prudent to invest in cable accessory to prevent any failure in the cable network, thereby ensuring uninterrupted power supply. 3M is advocating use of cold shrink technology which uses superior quality materials like silicone rubber, which gives better performance for the cable system and ease of installation. We are a dominant player in power cable accessories segment and seen as quality supplier of power cable accessories with design capability. The company has been on the forefront of technology by offering newer and better products for cable jointing and termination applications over the past 40 years. We believe that investing and developing innovative products will help us expand our market share. Since 3M has subsidiaries in more than 60 countries, our focus in

Mohan Nair, General Manager, Electrical Markets Division, 3M India



"Customer has to do adequate due diligence to choose the right vendor"

...says V K Bajaj, Chief Operating Officer, Uniflex Cables

What makes Uniflex unique in the market? In short how do you differentiate your offerings?

Uniflex cable, though a 30 years old company, has been taken over by Apar group about three years ago and the company has shown remarkable improvement in the market share. The company has grown from about Rs 100 cr to over Rs 300 cr in less than three years. Uniflex is not a run of the mill volume focussed player in cable industry, instead we focus on niche market of speciality cables. We have a strong technical team that designs these cables for special applications like Under water cables for Defence, CRD composite cables for Steel industry, Speciality cables for Nuclear Power application, Flame Retardant cables for Oil & Gas industry, Cables for Shipping, Railways, Windmills, Solar application etc. We are continuing our efforts in these segments and face much less competition, though its volumes are still low.

How has Uniflex positioned itself in the international market?

Uniflex Cables has positioned itself strongly in International market due to its superior quality products and timely delivery. Our reach got extended because of support we receive from Apar. Last year our exports were about Rs 100 cr and we have been granted Export House status by Govt. of India. We expect to build further on there initiatives in export market.

V K Bajaj,
Chief Operating Officer,
Uniflex Cables

Generally, there seems to be a compromise in quality over time and the average life of wires has reduced? What, according to you, are the reasons?

There are all kinds of manufacturers who offer quality products and who compromise on quality. It is not fair to generalise on quality matters. A cable with compromised raw material quality will certainly have reduced life. Therefore it is up to customer to do proper due diligence to choose the right vendor. Competition is stiff and few manufacturers tend to book orders at un-remunerative price levels, thereby resorting to compromise in input materials. Most of the cable companies are owner driven and managed and hence there is a higher temptation to do this malpractice. Unfortunately, regulatory system is not strong enough and all such practices escape unnoticed.

Please give an insight into your designing and R&D facility.

We have a very strong technical design team comprising cable design and Polymer specialists and we can design complex designs of cables. Many of our import substitute designs are accepted by our customers and ordered on us. Quite a few of customers work closely with us for proto-type developments. Few examples are cables for under water use by Indian navy, special cables for Nuclear Power Corporation, composite CRD cables for steel industry, flexible festoon cables for material handling industry etc. We are now using ROHS compliant materials keeping in view the environment policies especially required in export market. However in India, these are yet to be taken seriously due to lack of regulatory mandates.

Please comment on your latest product range.

Uniflex cables has a very vast product range in Electrical (HT XLPE, LT XLPE/ PVC), Elastomeric (EPR, Silicone, EVA) and Optical Fiber cables and a composite cable of any of these varieties and sheaths of speciality materials. We also have Fluoropolymer insulated cables. ur key customers are from Oil & Gas, Shipping, Railways, Nuclear Power, Renewable Energy, Material handling, Steel and utility sector.

How do you plan to expand your market share?

We have reached a reasonable level of volume at Rs 300 cr and are now focussed more on niche and speciality product segment to expand our market share and improve realization. For standard high volume product range, the market prices are quite un-remunerative and it leads to more you produce more you lose unless quality is compromised to save cost and it is against our principle.

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automobile and construction sectors gradually recover after some downturns. Still, some industrial markets for wire and cable will be adversely affected by an increase in import penetration in manufacturing industries that are major users of wires and cables.

As more and more organised players emerge in the market and the market itself demands high quality products, Indian wires and cable industry will have a bright future. This will also lead to growth in exports. "Presently industry's major production is being consumed in India and export share is around 7-8 per cent. However it is expected to grow going forward, mainly in Africa and Middle East," concludes Dharkar.

Cable Corporation of India: Poised for electrifying growth

The history of Cable Corporation of India is as old as electric cable manufacturing in India. It dates back to 1957 when two Indian business groups, Thackerseys and Khataus, joined hands with two German companies Siemens and F&G and established a PVC power cable factory, to manufacture PVC insulated and sheathed cables and wires in India for the first time. Conceived as a joint venture, Siemens provided the technical know-how, whilst the Khatau group was responsible for the day to day management of the company.

In May 1957, land was bought for the factory in Borivali, a distant northern suburb of Mumbai. Production at the factory covered a wide range of cables. In March 1997, another plant primarily engaged in the production of Low Voltage (LT) cables was established at Nashik, Maharashtra. In 2009, CCI setup their second plant in Nashik, for the production of Extra High Voltage (EHV) Cables up to 500kV. CCI has a leadership position in the EHV market in India.

Presently, two units - the EHV Plant & LT/HT plant - are operating from Nashik. The Borivali factory has closed down and is shifted toNashik.

Achievements

- CCI played a leading role in import substitution and was also the first in India to take up the substitution of aluminium as the conductor material in cables in place of copper.
- CCI worked successfully with the Railway Authorities of India, and the Defence Authorities etc. to develop special types of cables.
- CCI has taken an active part in developing various standards for electric cables and wires& is represented in BIS committees, and international forums like CIGRE.
- As early as 1993, CCI became the first Indian company to manufacture Extra High Voltage Cables upto 230 KV - tested at KEMA, Netherlands.
- CCI was the only company in Asia that had a technical collaboration with Mitsubishi Cable Industries of Japan for the MDCV process for manufacturing EHVXLPE cables.
- CCI has been awarded World Bank business tenders against International competition.

For further info: www.cablecorporation.com
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Zinc Metal Flakes Rich Paint - Zinkote – 20

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