

FIDENT FINEPRINT



FIDENT ASSET
MANAGEMENT

Wires & Cables – Wired for a Supercycle

EDITION 4



October 2026



We are pleased to present Edition 4 of Fident Fineprint - a research-led view on emerging megatrends.

Fident Fineprint has a focused lens on structural megatrends shaping India's growth story. In each Edition, we explore sectors undergoing meaningful transformation, highlight listed companies aligned with these themes and share how our portfolios are positioned to participate in these long-term opportunities.

In this Edition, we probe into **Wires & Cables** - a sector most of the street files under "commodity pass-through" and moves on. As of today, we believe that filing is not entirely correct. **The fineprint is on two topics – first, that market participants incorrectly classify multiple industries within the single W&C industry, and second, that each of these businesses passes rising metal costs on to its customers in its own way** - and we believe there still exists some mismeasuring on who actually holds pricing power.

Why we like Wires and Cables?

- Our philosophy at Fident is straight-forward - we like businesses with favourable long-term prospects, strong capital allocation, robust cash flows, run by competent management and where the risk-reward is favourable.
- W&C sits at an intersection of our wants today. This industry is simultaneously facing **(i) a decadal domestic grid and real-estate capex cycle, (ii) a global shortage of cables with foreign order books sold out years forward, and (iii) a wave of large, cash-rich companies entering for a share of its profit.** Any one of these would make the sector interesting, however all three of these together make it unignorable.
- We have exposure across three industries of this value chain –
 1. Housing wires and power cables,
 2. Winding wires,
 3. Optical Fibre Cables (OFC).
- This note lays out how we think about each industry, what the street is missing, and where we see value being created over the next 3-5 years.
- The note also carries one key question: a breadth of new entrants and fresh capacity arriving in the housing wires and power cables sub-segments through FY27 to FY29. Most managements insist margins are safe; our approach is more measured. **We take that question up in a later section** - and with the humility it deserves, because nobody, including us, actually knows yet.
- A note on sourcing: this Edition draws on management-interactions, plant-visits, regulatory and multilateral publications, company disclosures, and our own channel checks over the last couple of years.



Important terminologies – to better understand the note

- In this edition, when we mention W&C, it refers to housing wires and cables only. Other sub-segments, mainly winding wires and OFC, are mentioned specifically in topics of relevance.

Before moving ahead, it is important to understand the meaning of certain terms in brief, which will be discussed in detail in subsequent sections:

1. **Conductor** – A bare strand of aluminium or copper without a coating (insulation) that carries electricity. These are the ones strung overhead on towers, with air acting as the insulator. Our focus for this fineprint is not on conductors, but on the four topics below.
2. **Wire** – A single conductor with a layer of insulation. **This is a consumer product.** It goes inside walls, sold in retail stores with general capacity of upto 1.1kV.
3. **Cable** – Multiple wires bundled up with a tough outer layer, with an extra metal layer for protection. Sold to projects and institutions (EPC as customers). This is also where most of the industry's new technology is still coming in, such as higher voltages and fire-safe materials.
4. **Winding wire** (AKA magnet wire) – copper or aluminium conductor with a thin protective coating, that keeps the current inside the wire. This is used for creating electromagnetic fields, rather than to carry power from one place to another.
5. **OFC** – Cable made of glass and plastic (known as fibre) that is used to transmit data, not electricity. Hence, no metal is involved.

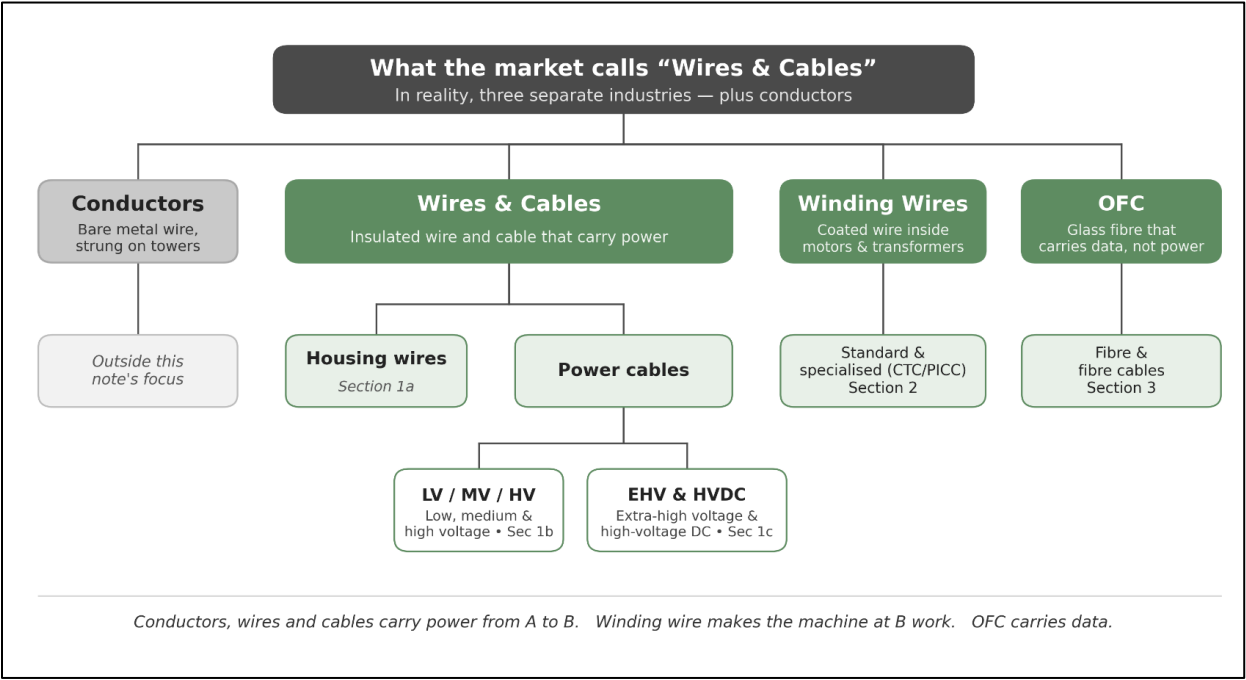
For simplicity, understand that the first three carry power from point A to B, whereas winding wire is what makes the machine at point B work.



The Landscape - Three Industries Clubbed as One

- India's W&C industry crossed ~**Rs. 1,10,000 Cr. in FY26 (including unorganised)**.
- When we talk about this 1,10,000 Cr number, market participants include Winding Wire and OFC within this separate W&C industry, which is incorrect. All the three are separate and distinctive industries.
- The landscape can be mapped in the following manner:
 1. Conductors
 2. Wires and Cables:
 - a) Housing Wires
 - b) Power Cables
 - i. Low, medium and high voltage cables (LV, MV, HV respectively)
 - ii. Extra High Voltage (EHV) and High Voltage Direct Current (HVDC) cables (explained in section 1c)
 3. Winding Wires
 4. OFC

Landscape Mapping



We will dive deeper into each industry and segment subsequently in the fingerprint.



Before proceeding, let's also have a broad understanding of each industry, the sub-segments present within those industries (if any), nature of business, who are the end users and how the margin mechanics in each section works.

Broad overview of each industry

Industries	Sub-segment	Nature	Customer / Channel	Margin mechanics	MOAT
Conductors		B2B, project-led	PGCIL, SEBs, EPC, exports	Conversion EBITDA/tonne; premium conductors increase spread. In certain cases, can be a margin business too.	Scale + Approvals
Wires and Cables	Housing / building wires	B2C, continuous, replacement-led	Electricians, dealers, retail	Price-list repricing with a lag; Brand premium; Domestic wires margin-accretive vs domestic cables. (Opposite for export market)	Brand + distribution + electrician connect; Counterfeit risk is the downside (Havells)
	Power cables (LV, MV, HV)	B2B, order-led, project-timed	Institutional, EPC, dealers	Price-variation clauses on tenders; list prices in trade.	BIS + client approvals; pre-qualification requirements (PQRs) - barrier for EPC supply
	EHV & HVDC	B2B, project-led	Utilities, TSOs, developers	Premium due to technology involved	Testing, track record, technology partnerships; only 3 European players control ~2/3 of global HVDC
Winding wires		B2B, spec led	Transformer & motor OEMs	Pure conversion spread over LME; EBITDA/tonne is the only material KPI	OEM qualification cycles of years
OFC & Communication Cables		B2B, cyclical	Telcos, BharatNet, Data Center (DC), Hyperscalers	Depends on fibre prices globally, which are set by demand-supply mechanics.	Preform integration, ADD protection; weakest moat of the six, especially on OFC.

***PGCIL**: Power Grid Corporation of India, **SEBs**: State Electricity Boards, **EPC**: Engineering, Procurement, and Construction, **TSO**: Transmission System Operator, **OEM**: Original Equipment Manufacturer, **ADD**: Anti-Dumping Duty

Note: The 'margin mechanics' column - it is different for every industry. The next section explains why.

One fundamental fact of the industry: **Margins rise steadily as voltage goes up and as the product gets thicker or more complex.** Specifically:

- **Standard overhead (ACSR) to high capacity (HTLS) in Conductors;**
- **LV --> MV --> HV --> EHV in Power Cables;**
- **Standardised to Specialised (CTC/PICC) in Winding Wire;**
- **Standard fibre cables to higher density fibre cables in OFC.**



Every capex programme in the industry today is to move up in this curve - which is why we treat "capacity expansion" announcements as also product mix statements, not just volume statements.

The following table shows companies within the W&C space, and which company has what kV class offering:

Company	LV / LT (up to 1.1kV)	MV / MT (3.3 - 33kV)	HV / HT (33 - 66kV)	EHV (132kV and above)	Notes
Polycab	Yes	Yes	Yes	Building	Halol EHV up to 550kV, operational end-CY26, revenues from FY28
KEI Industries	Yes	Yes	Yes	Yes	Fully operational EHV lines; expanding via Sanand coming from 4QFY27; intends HVDC
Universal Cables	Yes	Yes	Yes	Yes	Fully operational EHV line (through its Furukawa linkage)
Diamond Power	Yes	Yes	Yes	Yes	33-220kV production; 700kV Ultra High Voltage (UHV) type-test laboratory present
Finolex Cables	Yes	Yes	Yes	Yes	EHV via 49% JV with Sumitomo, profitable for the first time in FY26
Havells	Yes	Yes	Yes	Building	Currently to 132kV; capex plans target 220kV and above
RR Kabel	Yes	Yes	Yes	Partially	Deliberately under-66kV; fungible upto 132kV
Dynamic Cables	Yes	Yes	Yes	No	HT (60%+ revenue share) and MVCC focus. Upto 66kV.
Apar Industries	Yes	Yes	Yes	No	Specialty and elastomeric cables; conductors are a separate business
UltraTech	Building	Expected	Expected	No	Launched Sept-2026, ~60:40 wires to cables; LV and HV to follow with time



The Pass-Through Illusion - Four Different Margin Mechanisms

Market participants assume all four products – Wires, Cables, Winding Wires, and OFC – have the same mechanism of passing on the cost of goods sold (COGS). The pattern being – buy metal (copper or aluminium) -> pass entire cost of procurement of this metal to buyer + add a conversion margin -> sell it to the buyer. However, this is only directionally true but analytically not very useful. What matters is how the pass-through happens, because this mechanism determines who bears inventory risk and whose reported margin percentage holds any significance. Following are the four mechanisms:

Mechanism 1: B2C wires - the price-list business

- Branded wire players don't change their prices every day. They revise their price lists periodically, with some time lag to copper price changes, so their prices always trail copper slightly. When copper rises, they sell low-cost inventory at raised prices (inventory gains); when copper falls, the opposite happens. **Over a full cycle these swings largely cancel out.** But in any single quarter, they can make margins jump or drop sharply for reasons that have nothing to do with the operations of the business.
- Because the customer is an electrician or homeowner (not a procurement department of an EPC company), **brands hold pricing power here:**
- Our channel checks indicate Polycab's wires are priced similar to RR Kabel and Finolex, while they are ~4-5% above KEI's, and ~3% lower than Havells (which is most expensive amid its brand recognition and premium pricing). Ultravolt pricing is still unclear, with some suggesting 6-7% lower than Polycab's and some suggesting similarly priced to KEI.
- **Domestically, wires are the more margin-accretive product vs cables precisely because the Indian market is brand-oriented;** the same wire exported earns only 6-7% EBITDA, which is why Indian companies prefer to export cables, not wires.



Mechanism 2: Institutional and EPC (cables) - the price escalation-clause business

- Wherever tender-based cable supply is present, it usually carries a safety clause about price volatility - if copper or aluminium prices move after the order is signed, the final price adjusts automatically, using an industry-standard formula (published by IEEMA).

In these variable-price orders, it is the buyer - not the cable maker - who carries the risk of metal prices moving. Where contracts are fixed-price (some private EPC, some exports), the manufacturer carries the risk and is highly likely to protect itself by hedging.

- This is also where working capital becomes crucial for being financially stable. Institutional customers take far longer to pay (longer receivables) than dealers. EPC work makes this worse: part of the payment is held back until the project is complete, and the rest arrives only as each stage is finished (milestone-based payments). Having the right balance and strategy is important, and this is a key metric we track while evaluating companies. We return to this in a later section.

Mechanism 3: Winding Wire and Conductors - the conversion-spread business

- Here, nobody is buying a brand. The product is quoted as a premium over cost of metal you bought it for. For example, copper is bought back-to-back against orders (KSH, for instance, has the metal cost fully covered).

The entire economics of the business is – buying tonnes of metal, adding a premium, and selling. The profit you make on EBITDA level is known as EBITDA (aka conversion spread) per tonne. Let's understand this via the below table:

Copper in 000's/ton	800 k/ton	900 k/ton	1,100 k/ton
Pass on	800	900	1100
Value Addition/ton	100	100	100
Final Revenue	900	1000	1200
Operating cost/ton	40	40	40

EBITDA/ton	60	60	60
EBITDA%	6.7%	6.0%	5.0%

- This is why EBITDA margin percentage is actively misleading in this sub-segment. A winding wire company earning a constant Rs. 60,000/tonne will report a falling margin percentage every time copper rallies - with zero change in underlying economics.
- Specialised transformer conductor (such as CTC/PICC) currently earns higher EBITDA/tonne (65-70k normalised, though KSH reported higher due to inventory gains); overhead conductors earn INR ~40k/tonne. It is important to track the spread, not the margin.



Mechanism 4: OFC - no metal at all

- Optical fibre has no copper pass-through to hide behind; its cycle is set by global (mostly Chinese) preform and fibre capacity, and protected domestically by anti-dumping measures. We will dive deeper into preform and optic fibre in section 3. For now, understand that margins here are a function of the fibre price cycle (demand x supply) and order mix (product vs EPC), NOT of LME. We treat OFC as a cyclical technology commodity, and we say so honestly in the respective section.

How the metal is bought:

- Even the buying of copper is not homogeneous across players.
 - Polycab imports a substantial share of its copper from Japan with an in-built hedge - on a rolling ~3-month basis it can reset its copper buying price - a structural advantage available only at its scale of procurement; no other Indian player replicates this today.
 - KEI does not run a financial hedge, largely relying on order-book matching and quickly passing on price changes to retail segment (wire price lists are revised within ~15 days of material metal movement but institutional pass through happens in ~1 month)
 - Diamond Power has price-variation clauses with Vedanta Aluminium for supply security.
 - Pure conversion businesses (such as KSH International, Ram Ratna Wire, Vidya Wire) have zero-speculation policies (back-to-back buying against orders).
 - Basically, the same metal has four different levels of risk. We do believe sourcing of metals is a fundamental advantage, as seen by UltraTech's new plant being 100km away from Hindalco's copper.

Fident View: The correct number to look at differs by category:

- **For B2C wires:** volume growth, brand price premium and dealer additions – ignore quarterly gross margin variation.
- **For institutional cables:** order book, share of price-variation-clause contracts, receivable days.
- **For winding wire:** EBITDA/tonne and approvals pipeline - never margin percentage.
- **For OFC:** fibre realisations and the China/global capacity cycle.



With a decent idea about the industry landscape, let's dive deeper into individual industries and the sub-segments within those industries. A broader overview of the note ahead looks like the following:

1) Wires and Cables:

- a) **Wires** – why branding exists in a commodity
- b) **Cables** – a global shortage
- c) **EHV** and **HVDC** cables

We also address the rising competition and profit pool invasion in this industry after the EHV and HVDC topic

2) Winding Wires:

- a) Standardised wires
- b) Specialised wires (CTC/PICC – explained in respective section)

3) Optical Fibre Cables



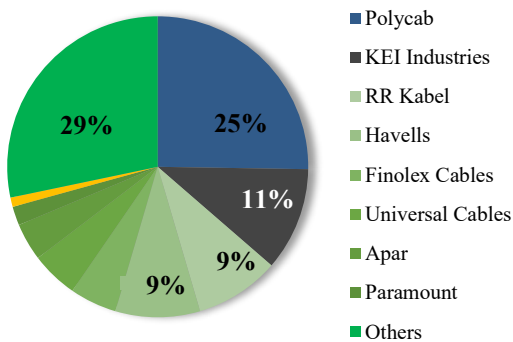
1. Wires and Cables:

As we mentioned at the start, India's W&C industry **crossed ~Rs. 1,10,000 Cr. in FY26 (including unorganised)**, growing ~12% YoY, and has compounded at ~12.5% over FY22-26. Forecasters expect ~12-14% growth CAGR by FY30, **reaching ~1,80,000 Cr.** i.e. demand growing at 1.5-2.0x real GDP.

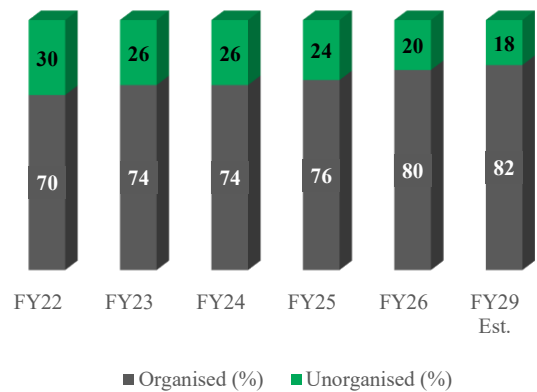
Cables account for roughly two-thirds of the market (with low voltage taking half of cables share) and wires the balance.

The top 4 players hold ~55% of the W&C market; Polycab leads at ~25% share, followed by KEI at ~11%. The organised share of the industry has moved from ~70% in FY22 (76% in FY25) to ~80% in FY26 - a 4ppt shift in a single year, which tells you the formalisation trade is still accelerating, not maturing.

FY26 share of the organised W&C market



Organised share rising from ~70% (FY22) to 80% (FY26)



- The unorganised 20% of the industry lives almost entirely in wires. Cables have virtually no unorganised presence (manufacturing is capital-intensive + approval based). Hence the "formalisation" story is largely a housing-wires story, while the "entry barrier" story is more of a cables story.
- A final feature of the landscape: the supply side is ramping up. Healthy capacity utilisations (~75% across our coverage; 85%+ on the large listed players' cable lines) and strong cash balance with companies is bringing a broad capacity increase, with material addition coming from new players. What this means for industry profitability is another section's subject, here it is simply part of the map.

Before going ahead, a word on **EHV and HVDC**: Most cables, including EHV cables, carry alternating current (AC), which loses more power the further it travels. Over very long distances, and under the sea, direct current (DC) is more efficient — which is why those links use HVDC (High-Voltage Direct Current) cables. The fundamental difference between EHV and HVDC cables is the type of current they carry, though both are specifically designed for transferring high-voltage power. We will understand this better in section 1c, where we will dive deeper into the segments.



1 a. Understanding Wires - Why Does a Brand Exist in a Commodity?

A housing wire is copper + PVC/XLPE + a brand name printed on the outer covering. That any brand name commands a 5% price premium or a 40%+ trade loyalty deserves explanation, because it is the closest thing this industry has to a consumer franchise.

- The purchase trigger for a customer is not only preference. Wires are ~30-35% of a home's electrical spend but invisible after installation; the cost of failure is fire. We see wires to continue to do well due to the same reasons –
 - 1) Fire-safety norms are tightening, and
 - 2) Premium constructions (which have for example low-smoke zero-halogen wires) are growing faster than conventional category. Also, with the ongoing real estate cycle skewed to premium category, the average selling price (ASP) tailwind is also present, which is independent of volume growth.
- The channel is the MOAT. The electrician decides the brand in most transactions. Building this influence takes decades of dealer economics (rotation, channel financing, schemes) and electrician engagement.

Company	Dealers + distributors	Retail reach	Electrician network	Geographical reach	Distribution advantage
Polycab	3,900+	200,000+ retail touchpoints	250,000+	90+ countries	Strong electrical ecosystem
KEI Industries	2,125 active dealers	20,000+ retailers	200,000+	60+ countries	Strong electrical ecosystem
Havells*	18,000+ distributors	247,000+ retail touchpoints; 40,000+ in tier-3/4 towns	~300,000	65+ countries; 600+ exclusive rural stores	Multi-category electrical channel
RR Kabel	7,200+ distributors/dealers	215,000+ retailers	665,000+	74+ countries	The largest digitised electrician loyalty programme in the industry
UltraTech - Ultravolt	Electrical W&C dealer network still being built	Target >100,000 retailers	1,600+ onboarded; target to train >40,000 in the next year	Initial rollout across 500+ districts and 6,000 pin codes	UltraTech cement and building-material ecosystem

* Havells figures are company-wide across all its categories (fans, lighting, switchgear, W&C, Lloyd), not W&C alone, so they are not directly comparable with the pure W&C players.

- This was visible in KEI's deliberate push to take its B2C share from ~29% in FY20 to ~56% in FY26 with 2,125+ active dealers and 200,000+ electricians - but took six years of grinding to do it, which shows the work that went behind this.
- Havells** is a clear example of branding power in wires. Two contributors to this – 1) **Strong advertising** (3% of sales, industry leading), and 2) an attractive electrician program/**incentive program for channel partners** over the years. It's campaign "Wires that don't catch fire" remains one of the most popular in the country.

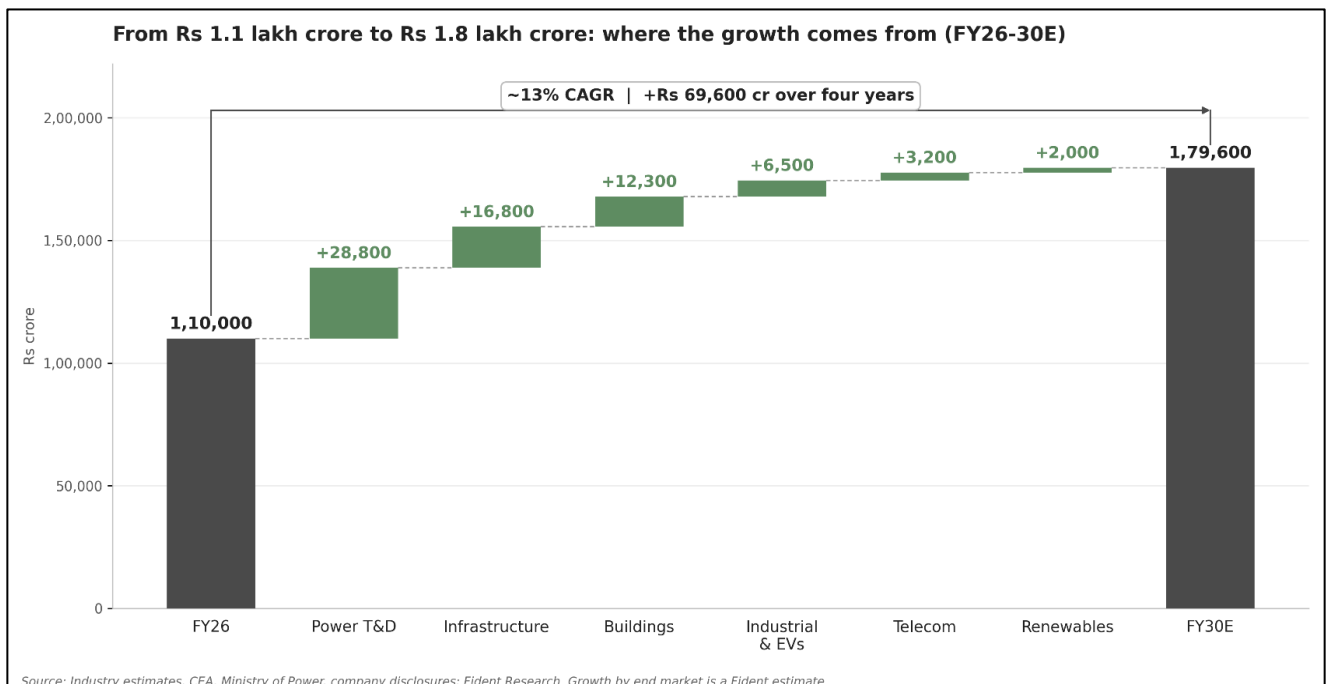


1 b. Cables - a global shortage

Global: the order backlogs indicate shortage

- The global W&C market is forecast to grow from ~\$250bn today to ~\$380bn by FY30 (11% CAGR). The USA, Germany and Japan alone take ~33% of world imports, while USA, China, and Mexico supply a third of world exports.
- However, at the high-voltage end, the market is not growing - it is rationed. Global players, such as **Prysmian and Nexans have huge order backlogs**. Prysmian's alone stands at ~EUR 16bn (with another ~EUR 2.5bn awarded and pending), and **Nexans'** at ~EUR 8bn transmission backlog. **The International Energy Agency (IEA) notes HVDC cable waiting lists now extend beyond five years.**
- The incumbents are adding capacity though, with Prysmian having already committed ~USD 2bn through 2027, including doubling certain segment outputs - but a greenfield cable plant takes 3-4 years, and much of the new capacity is pre-sold to existing orders. **The EU has earmarked USD 633bn for grid modernisation by 2030; the US grid replacement cycle is still in early stages.** Structurally, the West is short on cables at least in the medium term.

Domestic W&C (FY26 to FY30): Incremental demand drivers





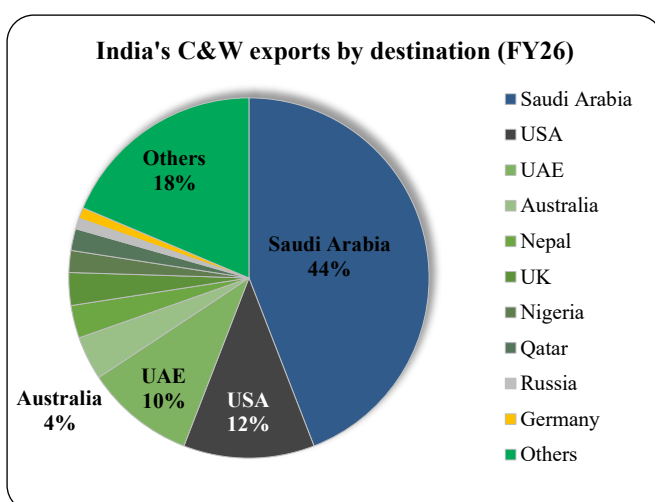
Domestic W&C: An unusually diversified demand base

Demand driver	Size today -> future	Cable as % of project cost	W&C opportunity	Cable types used
Power Transmission (NEP)	~Rs. 9 lakh Cr of planned investment, FY23-32. Transmission line additions from 8,830 ckm (FY25) to ~41,000 ckm a year by FY30	14-15%	Rs. 13-14k Cr a year (1.3-1.4 lakh Cr cumulative over 10 years)	EHV (66-400kV), HVDC, HV/33kV; ACSR, AAAC, HTLS and AL59 conductors; OPGW
Distribution (RDSS)	~Rs. 3 lakh Cr programme, running through FY27. Two parts – 1.3 lakh Crs in smart metering, ~1.5 lakh Cr in infra and loss reduction.	25-30% of infra and loss reduction, coming to ~15% of overall scheme.	30-40% of a distribution package, though not of the full programme - smart metering and IT are a large share of the RDSS outlay	LT / LV distribution cable, aerial bunched cable (ABC), MVCC
Data centres	~1.5GW installed today, going to 5-8GW by 2030.	8-10%	INR 3-4 Cr. of cable per MW, implying a market of INR 15-17k Cr. at 5GW (2.5-3k Cr a year)	LV and MV power cable, high-fibre-count OFC
EVs	EV penetration of ~4.5% in 2W, ~10% in 3W and ~1% in cars (FY23), targeted at ~30% of the automobile segment by FY30E	Per-vehicle content, not project cost	A four-wheeler EV carries 1.5-2km of harness against ~1km in an ICE car. Charging infrastructure adds ~Rs. 8,800 Cr cumulative over FY26-35 (~Rs. 900 Cr a year)	Harness wire, EV charging cable, motor winding wire
Renewables	Solar ~150GW to 280GW by CY30 (Sustained 35-40GW of solar additions a year); Wind 55GW to 93GW by FY30.	6-7%	Solar consumed ~INR 6-7k Cr. of cable in FY26 on 45GW of additions, ~5% of the W&C market.	DC cables, LV AC, 33kV MV evacuation; solar and specialty cables
Exports	~Rs. 17,800 Cr in FY26, up ~28% YoY and compounding ~21% since FY18. India is ~1.3% of global cable exports and ~4% of the global market.	Not applicable	Moving from 1.3% to 3% of a \$250bn global market roughly triples the export book, even if global market doesn't grow.	Certified LV and MV cable; housing wire, specialty cables, conductors

*RDSS stands for Revamped Distribution Sector Scheme

India Exports

- Coming to India's share of global exports – it is just 1.3% - up from 0.9% five years ago (India has run a C&W trade surplus since FY20). The manufacturing base is here, and is sufficient. What has not happened yet is selling it abroad at any meaningful scale.
- The exports of wire and cables grew to ~Rs 17,800 Cr in FY26, up from Rs. 3,200 Cr in FY20 (33% CAGR). Expectation is for the Indian export market to moderate and grow at a CAGR of 10-11% between FY26-31 and reach ~Rs 28-30,000 Cr in FY31.
- Middle East accounts for ~57% of the export share, followed by the US at 12%.



Source: Ministry of Commerce & Industry



Exports landscape

Company	Export share FY21	Export share FY26	Export CAGR FY22-26	Stated target	US position today
RR Kabel	~21.5%	~26%	31%	1.8x export growth over FY26-28 under Project RRISE	Only ~2% of revenue; over 80% of exports go to the Middle East and Europe.
KEI Industries	~14.5%	~16%	34%	17-20% of revenue within two to three years	US was ~40% of exports in FY24, cut to roughly a third since.
Polycab	~8.6%	~5.4%	14%	10%+ of revenue by FY30	North America is the largest export region at ~40% of exports; the US alone is ~15-20%.
Finolex Cables	n/a	Negligible	n/a	2-3% of revenue within two years	Improving share as OFC demand present.
Dynamic Cables	~8%	~6.4%	23%	US will materially contribute from FY28.	Negligible – recently partnered with TS Conductor.

- US is particularly important as a market due to the sheer volumes + higher margins it gives Indian players. The power infrastructure in USA and Europe is almost 50-60 years old, and requires upgradation – this should create material demand for cable, irrespective of whether the power is generated from renewable or traditional sources.

Fident View: The industry continues to value Indian W&C companies as bets on domestic infrastructure. **We think a better framing is: qualified capacity in a world short of cables.** India can't yet compete in EHV and HVDC (see Section 1c), but in low and medium voltage, conductors, winding wire and specialty cables, **Indian production is genuinely cheaper than Western. An important variable to track is the pace at which Indian players convert certifications into western order books.**



1 c. EHV and HVDC – Is it really a "Basic Industry"?

Today, EHV and HVDC cables are in shortage, mainly due to the heavy investment requirement. Consequently, they are also the highest-margin part of this industry. Globally, three European companies — Prysmian, Nexans and NKT — control about two-thirds of HVDC capacity, with waiting lists now running beyond five years.

For even regular cables, any new supplier in India has to clear three hurdles before regular orders start coming in:

The hurdles, from our channel work

1. Product certification: BIS approvals alone take 8-9 months per product family.
2. Balance sheet: tenders require minimum turnover thresholds (but in some cases demonstrable across businesses, a hard floor nonetheless).
3. The most difficult - trial orders: even after approvals, a new supplier runs trial orders before winning regular allocations. **Our management interactions explain that these trial orders take ~2.5-3 years from first trial to steady orders.** PQRs then gate who may supply EPC players and utilities at all; **vendor registrations with PGCIL, NTPC and large EPCs are themselves multi-quarter projects.**

Now increase these hurdles as you move up in voltage classes. **EHV** (typically 66kV/132kV and above) adds testing at international labs, technology licensing (historically via Japanese/European partners) and experience requirements (past projects done) that are circular - you need track record to win orders, and orders to build track record.

Managements put EHV approval cycles at four to five years, against the ~3 years for standard cables.

EHV Industry landscape: India's EHV cable market is only ~Rs. 3-4k Crs. today and roughly half of it is still imported - and EHV is just ~3-4% of India's W&C value versus ~18%+ globally.

Simply put, ample amount of room to grow (15pp gap) led by a structural catch-up opportunity.

Coming to the **HVDC** market, this is where there exists most scarcity. Globally, **Prysmian, Nexans, and NKT control roughly two-thirds of HVDC capability.** As mentioned before, the waiting list runs beyond five years, with the most demanding part about the industry being type-testing requirements.

India's position in HVDC is simple, **every HVDC cable used here is imported.** The domestic opportunity opens only when someone completes qualification, and KEI's Sanand programme is the first attempt towards this.



The intriguing question is why were companies not present here before, and more importantly, what changed? – There were mainly three reasons –

1. **The market simply wasn't there**, as India's transmission ran on overhead bare conductor, not underground cables. And from the remaining market – more than half was imported, so competition was against the likes of Prysmian and Sumitomo, who had decades of reference projects.
2. EHV cable is rarely a pure supply order. Jointing (connecting two separate lengths of EHV cable) an EHV cable is a specialised, certified operation, so orders come bundled as supply + laying + jointing + testing and commissioning. That brings **project execution risk and a much longer receivables cycle than a trade sale**, which is not preferred by suppliers.
3. Lastly, though margins were attractive back then as well, **EHV capex (serious capital investment) had ATs lower than LT/MT/HT**, which again explained the managerial reluctance.

Then what changed?

1. Demand finally arose from places requiring underground cables – urban reinforcement and underground schemes, data centre grid intake + forest and wildlife corridor mandates as well.
2. Import substitution is now credible because domestic capability exist.
3. The margin difference also explains the capex:
 - a) KEI's management pegs EHV EBITDA at ~15% versus ~10.5% for LT/HT;
 - b) Diamond Power pegs it at ~18% vs 9-10% in LV - and EHV project contracts are cable-dense (cables are 70-80% of EHV project value versus 20-30% in LT/HT EPC).
 - c) Even managements of smaller companies have indicated EHV margins reaching upward of 18% for them.



Competitive landscape in India

- In EHV, it is no longer a two-horse (**KEI Industries and Universal Cables**) race (Universal (M.P. Birla group) also has hard-won positions with its long-standing Furukawa linkage).

As of today, there are about 3 operational EHV lines with KEI (with Sanand adding a couple), 3 with Polycab and 4 with Universal. **Diamond Power**, a rather recent entrant out, out of NCLT, **has ~10 lines (8+2)**. For Diamond Power, at peak utilisation (ideally FY30), EHV will have >50% revenue share.

Domestic EHV map

Company	Project / route	Capex	Timeline	What it unlocks
KEI Industries	Sanand greenfield	~Rs. 2,000 Cr. (~1,300 Cr for EHV, rest for lower voltages)	LT/HT trial production Dec-2025 (~6 months late, tower complexity); EHV Phase 2 on track 4QFY27	~60,700km annual capacity; Rs. 6,000 Cr. peak revenue potential. Intends to make HVDC cable at Sanand - potentially the first in India.
Polycab	Halol, EHV up to 550kV	~Rs. 800 Cr	Operational by end-CY26; revenues from FY28	~Rs. 2,400 Cr revenue potential (~3x asset turns)
Finolex Cables	49% EHV JV with Sumitomo	JV structure	Turned profitable for the first time in FY26	Undisclosed (Established EHV access through a technology partner)
Diamond Power	Re-commissioned Savli campus	Already built	Operating	~Rs. 6,500-7,000 Cr at its FY29 guidance of Rs. 10,000 Cr. (also includes MV) It has 33-220kV production capability going upto 700kV (Ultra High Voltage – UHV)

Domestic EHV, import-substituted, is going from largely a duopoly to a five-to-six player contest by FY28 - which is good for India's grid and worth tracking what it does to that 15% EHV margin. **(Today it is a supplier's market, we don't know what the future holds).**

- Separately, during our channel check, we realised a product emerging with the HT-cable cohort among relatively smaller companies (Dynamic Cables, Susan Electricals, Prime Cables and their peers): medium-voltage covered conductors (MVCC). It is inexpensive per km but produced in enormous quantity, carries 18-25% gross margins (versus 13-18% for LT), and rides the distribution-hardening and forest/wildlife-corridor programmes. Suppliers who cleared discom approvals are now aiming to register with PGCIL, NTPC and large EPCs - the same 3-year trial cycle, but with a larger TAM for them.

Fident View: We believe that the voltage ladder is indeed a strong indication of MOAT in this industry. **Our preference within power cables is for managements doing capex to climb this ladder (HT, MVCC, EHV, eventually HVDC) over those adding LT tonnage** - the former buys 3-year-barriered market share, the latter buys a ticket to a price war.

One area to watch through FY27-29 will be how many domestic 400kV orders the Indian EHV capacity actually wins, especially against current imports.



Margin trend in the W&C space

One interesting point to note is that copper has risen 1.5x over the last five years, and at the time of writing, it sits around \$14,500/tonne. Going by the pass-through mechanism, EBITDA margins should have logically declined for the W&C players. However, they have not.

EBITDA margins over the years

Company	FY21	FY22	FY23	FY24	FY25	FY26
Polycab	12.6%	10.4%	13.1%	13.8%	13.2%	13.9%
KEI Industries	10.9%	10.3%	10.2%	10.5%	10.2%	10.5%
RR Kabel	8.4%	6.9%	5.8%	7.0%	6.4%	8.1%
Finolex Cables	13.4%	11.4%	11.4%	11.7%	10.2%	10.5%
Dynamic Cables	7.5%	10.6%	9.4%	10.1%	10.3%	10.8%

The exceptions in the above margin table:

- Polycab's dip came in a year when FMEG losses and EPC mix had increased.
- RR Kabel's dip in margins came from a lag in passing on price increases.

Both reasons above were company-specific and both reversed.

- Finolex has failed to capture the cables growth story, leading to no operating leverage. It has also faced difficulty in passing on copper increases, which is evident in its margin trajectory.

Two things have offset the metal increase –

- Scale and ramp-up, as utilisation levels ramped up, and distribution, which was built years ago, started carrying more volume through the same costs.
- This is more interesting and comes directly from our management interactions. **The share of "EBITDA per tonne" products in these companies' revenue is falling, and the share of "EBITDA margin" products is rising.** One management told us privately that more than 30-35% of its book is now the latter.

Put simply, these companies now sell less of the products that earn a fixed rupee profit per tonne ("EBITDA per tonne" products), and more of the products that earn a steady percentage of the selling price ("EBITDA margin" products).

This “EBITDA/tonne” products vs “EBITDA margin” product mix is important to track, as it makes reported margin percentage less sensitive to copper, because a growing share of revenue is priced on value rather than solely on conversion.

We believe that though commodity prices will continue to affect margins, (nobody in this business is insulated from copper), they are not the sole determinant anymore.



The Profit-Pool Invasion

A 13-14% growth industry with 15-20% RoCEs, low leverage and rising formalisation was never going to remain free of new capital coming in. Rather, what is striking about the current wave is its breadth: unlike one cement major testing the waters - it is conglomerate capital, returning FMEG brands and smaller players arriving together, into an industry whose incumbents are themselves mid-way through a Rs. 10,000 Cr + capex cycle. This section lays out what we know, **why we take the margin threat seriously** - and, deliberately, what we are refusing to conclude until we have more clarity.

The entrants, as known today

Entrant	Route	Capex	Scale / revenue potential	Focus	Timeline	Worth knowing
UltraTech (Ultravolt)	Own plant	Rs. 1,800 Cr (~900 Cr spent)	3.5-4.0mn km; Rs 7,200-9,000 Cr at full ramp up	Wires initially (60:40 W:C ratio); LV and HT cables from CY27	Launched Sept 2026; full ramp FY30	"No further capex planned" - the line Grasim used in paints
Adani (Praneetha JV)	50:50 JV	-	-	-	Fully exited Mar 2026	See Diamond Power
Diamond Power	Revival of an existing plant (NCLT)	Under Rs. 300 Cr	Rs 10,000 Cr guided for FY29; Rs 14,000 Cr at full use	MV and EHV cables, conductors	Operating; scaling to FY29	Adani entities 60-65% of OB a year ago, today at ~30%. Capped at 20% by FY27.
Crompton / Orient / Bajaj	Own + outsourced	Undisclosed	Undisclosed. Crompton to scale in 12-24 months.	Housing wires	Scaling through FY27	Competing on distribution, not price
Torrent Electricals	Own plant + brand	Rs. 1,000 Cr planned	Undisclosed – we est 4x AT in 3-4 years, amounting it to ~3,500-4,000 Cr in FY30.	Housing wires	Multi-year	Returning group with prior cable experience

Incremental Supply vs Demand over FY26-29

Supply vs demand, FY26 to FY29	Amount
Domestic Industry (Rs 1,00,000 Cr (organised) today, growing at ~14% a year) by FY29	1,50,000 Cr
Supply by UltraTech and Diamond Power by FY29 (respectively)	7,200 + 10,000 = 17,200 Cr
Combined share of UltraTech and Diamond Power by FY29	~11.5%
Incumbents Growth CAGR (ex of UltraTech and Diamond Power) (Only 1,33,000 Cr market remaining for incumbents)	~10% CAGR (against est. of 13-14% CAGR)
Not yet counted: Incremental capacity from Torrent, Crompton/Orient/Bajaj Electricals	Adds to supply
Not yet counted: export growth (~Rs 25,000 Cr if exports keep compounding ~11% a year)	Adds to demand



Management opinions and our views on what this does to margins

- Over the years, we have interacted with numerous managements on multiple occasions. Almost all have held the same view – in the long term, there is enough of a pie for new entrants, and margins should remain stable. **Infact, incumbent managements are near-unanimous on their margin safety**, stating the market is large, fragmented and growing, and most importantly, distribution and approvals take years. KEI continues to see a stable to rising margin trajectory, and RR Kabel (itself aiming for a 100bps annual margin increase) argues UltraTech's modest capacity share limit industry-wide disruption and Polycab also see margin sustaining going ahead.
- **Where we are cautious is the industry assuming pricing discipline will continue going ahead.**
 - Assuming UltraTech and Diamond Power, the two big entrants, to not win material share from incumbents via a pricing war is too lazy, in our opinion. It's true that 20% of the market is still unorganised (and newer players win share from here), **but it is also true that some portion of the market relies on this unorganised market to manage costs**, and taking away share from these is going to be difficult. With UltraTech aiming to scale revenue to Rs. 7,500-9,000 Cr with a 10% EBITDA margin, will some loss on the 750-900 Cr EBITDA really matter to a company making 25,000 Cr in EBITDA (FY29 est.)?
 - Although we do understand from our channel checks that no new entrant is planning a price war (today, which can change anytime), there also exists another threat - **what if Ultratech announces another fresh round of capex, this time focusing more on cables?** (current planned W:C ratio is 60:40)
 - Numerous managements had earlier put it plainly: the entrants will initially focus on wires and light-duty cables. This has turned out differently, as Diamond power (it's approvals already in place) is focusing on cables and conductors, with EHV going to be one of it's mainstays.
 - We noticed that one player, Finolex Cables, has been candid about the downside, accepting that though market can support multiple large players, competition and commodity volatility could create medium-term margin pressure.

Fident View: We lean slightly more cautious than the channel: **we believe the historical cables EBITDA band dilutes somewhat, structurally, over time** - not collapses, dilutes. We hold this view with genuine uncertainty though - managements say otherwise, and our channel work says less than we fear. We would rather underwrite conservatively and be wrong in the pleasant direction.



Below are also some additional explanations of why we lean that way:

Why we lean cautious

- 1) The pass-through cushion reduces with competition. While pricing flexibility has been demonstrated in recent times, entry of new players will limit incumbents' ability, and hikes will ideally be in a more calibrated manner (Polycab, Finolex and RR Kabel recently held back hikes of 2-3% that were to be undertaken in September start).

Finolex Cables' management had also recently indicated in a recent media interview about a temporary slowdown in cable demand from construction sector primarily because of the multiple price increases undertaken.

- 2) An important point is the double edge of a familiar fact: cables are <5% of total project cost - historically that made pass-through painless; now with credible alternatives available and in the tender, the same fact makes switching painless. **Additionally, the average buyer of Indian cable is becoming a buyer for whom cable is a material line item (3-5% conventional infra vs 8-10% in DCs vs 15% in T&D)**
- 3) Separately, with Diamond Power also coming in, there is a huge re-commissioned capacity re-entering market years faster than any greenfield would, with no BIS queue, no major construction and certifications largely intact. **However strong the demand case is, supply arriving in such quantity in such time is not a neutral case for pricing or market share.**

Fident View: We are not saying cable makers will lose the ability to pass on metal costs. T&D contracts will keep their price-adjustment clauses, and data centre builders will still prioritise finishing projects on time rather than worry about the cable cost. Our point is simpler: **when cable is 15% of a project's cost instead of 5%, the buyer will scrutinize that bill far more closely and bargain harder than before.** Over time, that will ultimately put some pressure on margins.



2. Winding Wire - The Purest Conversion Business

If we take away the brands, tenders and EPC, then we are left with the cleanest expression of this industry's economics: buy copper back-to-back, convert it into a conductor, and then earn a **spread per tonne**. The winding wire segment is relatively small and - right now - sitting inside the global transformer shortage. Within this sits a product most of the market has just recently started to examine: **Continuously Transposed Conductor (CTC)**, a conductor filed under "wire" that is closer to precision engineering, and which earns a **2-3x EBITDA/tonne** than what standard winding wire does.

Before going ahead, let's understand what a winding wire is: A winding wire is a copper or aluminium conductor covered with a precision-engineered polymer-based enamel insulation layer.

It is also known as a magnet wire. Despite the name, it is not magnetic in nature. The term is used for the wire's ability to produce electromagnetic fields which enable the conversion of electrical energy to mechanical motion or of one voltage into another. **Any device relying on electromagnetic induction (such as ceiling fans, transformers, motors, generators, compressors) cannot function without winding wire.**

Winding wires are of two types:

- a) **Standard enamelled wires** – Round or flat copper and aluminium wire with a thin enamel coating. This is where volume comes from: it goes into fans, motors, pumps, the compressors inside ACs and fridges, small transformers and, increasingly, EV motors.

This is relatively commoditised in nature - India has roughly 500 makers with 3.5-4 lakh tonnes of capacity running at only about 60% utilisation. Hence scale, cost and a broad customer base decide who wins. Margins (measured in EBITDA/Tonne) are also not very attractive, coming in the 35-40,000 EBITDA/tonne range. Precision Wires is the largest producer, with other players such as Ram Ratna Wires and Vidya Wires also present.

- b) **Specialised wires** – This is where the industry is moving. These are wires built for large power transformers, mainly **CTC** and Paper Insulated Copper Conductor (**PICC**).

PICC is flat copper wire wrapped in layers of insulating paper; **CTC** bundles dozens of thin, individually coated strands into one conductor.

Specialised wires is where the excitement exists. Of those ~500 makers we talked about above, only 8-10 produce wire of transformer-grade quality, and getting approved to supply large utility transformers takes five to seven years. **The reward is a spread per tonne up to 2-3x that of standard wire.**



Our channel check revealed an interesting point – in this segment, relationships with OEMs are critical, and it is not rather just about delivering a commoditised product. And the **reason** backs this up – Winding wire is usually a small fraction of what the finished machine costs, but is disproportionately responsible for the machine working properly. If the enamel is breached and the coil shorts, a transformer worth crores is destroyed. **Hence, price isn't much of a factor for the OEM.** The real MOAT is the customer qualification, albeit this is a testing exhaustive (hence slow) activity. Once you're in, OEMs are reluctant to switch.

The demand triggers

- **Transformer shortage** – Grids are being re-built globally, and grids require transformers, which are in short supply. US delivery times have crossed two years, hence India is being pulled to fill the gap. These grid additions happen at high voltage - and that is where specialised wires (CTC and PCCC) are essential.
- **Everything with motors** – The electric motor market is growing at ~11% CAGR (2025-34), and every motor requires enamelled copper winding wire.
- **EV adoption** — higher copper intensity per EV vs ICE vehicle structurally increases per-unit demand.

CTC – heart of the specialised winding wire story

- At high voltages, standard winding will fail – power losses rise and the transformer becomes impractically bulky. The answer to this is CTC: dozens of thin enamelled strands, rotated along the cable's length so each takes every position, which cancels the circulating currents. **Lower loss, less bulk, and overall lower winding time.**
- The supply is quite thin. Four major players that make specialised winding wire in India - KSH, Apar, Precision (partially), and recently commenced small line by Ram Ratna Wire (Vidya Wires CTC capacity expected to go live by Oct 2026).
- Getting qualified takes five to seven years of climbing voltage classes and winning end-utility approval; **today, only KSH holds PGCIL's approval for HVDC transformer conductor** (Note: This is different from HVDC cables). For us, the important proof came from the customer side, when Quality Power, told investors it was holding back orders due to shortage of CTC, and is now building a captive line rather than waiting. This made us believe the shortage was very real. CTC is less of a copper commodity play, more of a precision engineering play.
- The trap here are the headline numbers. Reported EBITDA margins (range is 4-7%) are optically depressed as this is a conversion premium per tonne business, where specialised conductor earns ~2-3x higher than standard wire. Copper is a complete pass through to the customer, and back-to-back order-backed sourcing removes most, not all, metal risk – timing gaps can still create small gains.



Winding Wire – future capacity and speciality position

Player	Specialty position	Current Capacity	Future Capacity	Other details
KSH International	Indigenised CTC in 2006; ~75% specialised mix; sole PGCIL-HVDC approval; exports to 24 countries, exclusively to transformer OEMs	~43,450 tonnes	~59,000 tonnes by end-FY27 (Supa Phase 2). Within this, ~1,200 will be PEEK (specialised wire)	Guiding for ~75k sustainable EBITDA/t for FY27; commissioned 5k MT copper scrap facility; Export contribution target 40%.
Apar Industries	CTC launched only in 2022, cross-sold into its transformer-oil relationships	Between ~7,300 to 15,000 tonnes (our est.)	~20,000 tonnes in 1.5-2 years (our est.)	Identical customer base for oil and CTC – lowest customer acquisition cost (CAC) in the sector.
Precision Wires	The volume leader, and only a partial specialty player (~25% in Value added products), aiming to materially improve.	~55,000 tonnes	61,000 tonnes by Sept-26, toward ~75-80,000 tonnes by FY30	Rs 240 Cr Zaroli recycling plant (backward integration) to come on in FY27; targets 25-30% captive consumption which should materially improve margins in FY28 at full utilisation.
Vidya Wires	No speciality as such - new capacity commercially live Feb 2026	19,700 tonnes	Capacity doubling to 37,700 tonnes (3,000 tonnes CTC by Oct 2026)	Makes 35-40% of its copper rod in-house; aiming for market share gains
Ram Ratna Wires	Franchise + CTC launching recently. Diversified into copper tubes where EBITDA/Tonne is higher.	Winding wire capacity at ~55,000.	Will keep growing 10-12% annually. (We est. ~66,000 tonnes with 3,000 tonnes CTC)	Scale, available SKUs and customer breadth is the MOAT here

The metal problem, and the working-capital bind

- An interesting observation is the response visible across the players to refined copper shortages. India imports over 90% of its refined copper, having flipped to net importer in FY19 when the Sterlite smelter shut down.
- To tackle this, the response has been backward integration:
 - KSH** building its own factory scrap line (targeting INR 2,000-3,000/tonne of EBITDA uplift from FY28)
 - Precision's** Rs. 240 Cr Zaroli cathode-and-rod recycling plant
 - Vidya's** 35-40% in-house rod- all aided by the 2025 Budget reducing the copper-scrap import duty to nil.



- There is also a cash problem that limits how fast these companies can grow. They pay for copper almost immediately, but give their customers (OEMs) 30-45 days to pay - so incremental revenue, whether from volume or a copper rise, locks up working capital.

KSH International, for example, has grown its profits but still had negative cash flow from operations (CFO) for three years running, with 75-80 days of WC against 50-60 for peers.

This is part of the Working Capital section, talking about how in conversion businesses the P&L is the easier part; the balance sheet decides who actually gets to grow.

- **Our own exposure (Ram Ratna Wires) sits deliberately at the standard end (steady spreads + small CTC line), but is diversified into copper tubes (import substitution story) which has a higher EBITDA/Tonne (70-75k). The other names remain on our watchlist as of now.**

Fident View: Winding wire is where our "pass-through illusion" thesis plays out most directly – a simple screener rejects 5-7% margins, while **the actual economics sits in the spread per tonne**, and the MOAT, for example, sits with someone as a sole-supplier HVDC position and a customer base whose capacity is doubling.

What we underwrite and what we track: CTC spreads normalising toward ~INR 65-70k/t (inventory gains normalise), Customers backward integrating into CTC (Eg: Quality Power), **who clears the qualification gates - above all HVDC**; whether there is potential of announced capex converting into utilised capacity even two years down the line; **working-capital discipline through the growth phase.**



3. OFC - The Odd One Out Turns

Optic Fibre Cables (OFC) does not belong in the copper category, and we refuse to force it into the same framework. Its value chain (preform to fibre to cable) is a technology commodity whose price cycle has for a decade been set by Chinese capacity. That cycle has just turned, quite aggressively, and for the first time in years the turn has structural drivers to it, not just a pricing revival.

Before understanding the global OFC market, its important to understand product specifics: **Optical Fibre** is a hair-thin strand of ultra-pure glass that carries data as pulses of light. If we bundle a few of these strands and add a protective layer, we get optical fibre cables (OFC). The distinction matters commercially, because fibre and OFC are separate products with separate margins, and not all companies make both.

The entire chain starts one step further back from the fibre, with the **preform**: a thick cylinder of specially engineered glass, drawn out via heat into kilometres of fibre. Preform is where the technology and most of the value sits, and it is where the industry is currently lacking capacity.

This is why backward integration into preform has suddenly become the strategic question in this business.

The global OFC market

1. Roughly US\$14-15bn global market, growing at ~10-12% a year (small relative to overall W&C global market, which is pegged at ~\$250bn today)
2. Five companies hold roughly 45% of it. Prysmian is the largest at around 18% of global fibre production, followed by Corning at about 15%. Behind them sit the Japanese players, mainly Sumitomo Electric and Furukawa, and China's YOFC.
3. Chinese producers, backed by scale and their own preform, typically sell at a 15-20% discount to the western players. This is why there are multiple trade measures present to protect western players + western compete on speciality products rather than price.
4. India is a relatively new entrant to that list, and a small one. Sterlite is the only Indian name that appears consistently in global rankings; HFCL is rising; Finolex, Birla Cable, and Vindhya make up the rest. Together they are a low single-digit share of global supply.
5. **Ongoing industry trend:** Western and Japanese producers are consolidating; Chinese producers face trade tariffs; **India is the one place adding non-Chinese capacity at scale.**

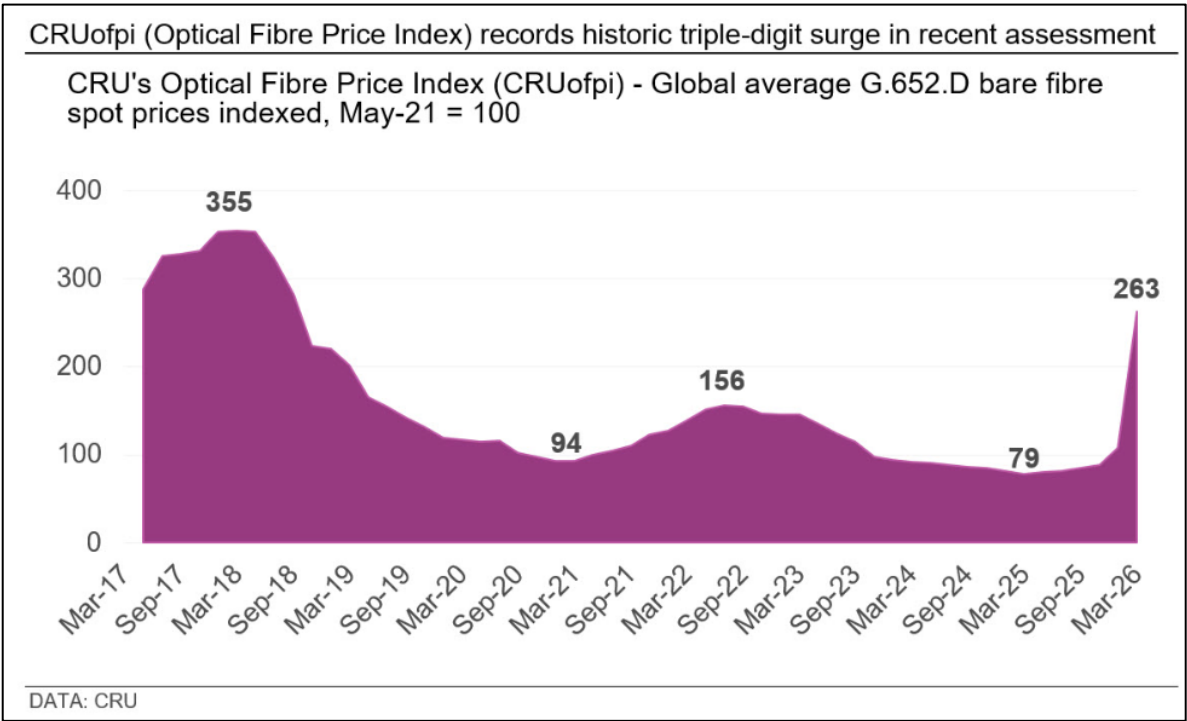


The price signal:

- CRU data marks the inflection: Chinese bare fibre prices surged more than 80% between November 2025 and January 2026. European cables rose ~136% between January and March 2026. After half a decade of pricing slump, the supply-demand balance has materially flipped.
- As mentioned above, **the real bottleneck is glass preform**. Chinese preform capacity looks adequate on paper, but a large part of it was shut down during the long price slump and never restarted. Bringing a decommissioned line back is not easy, and it takes months of technical preparation + capital. Hence, while demand has risen aggressively, supply has not. Preform costs have risen and fibre prices have followed.

Source: CRU Group commentary

Non-integrated (without own preform) fibre producers are struggling to secure supply - which tells us that the value in the chain has migrated back to integration.



Source: CRU Group



The demand shift: from telecom cycle to compute cycle

- The structural change is **who is buying**. Traditional demand (FTTH, 5G backhaul, long-haul) remains moderate; **the acceleration is AI data centres**. Fibre intensity per data centre is also rising (high-fibre-count architectures), showcasing this more as a structural change, not a just a cyclical uplift. This is visible in plans of the leader: Sterlite recently revealed its “Luxio” roadmap, aiming for Rs. 20,000Cr revenue (4x) from Rs. 4,750Cr in FY26, with main demand drivers being **high-density connectivity within AI data centres** and **Data Centre Interconnect (DCI)** between multiple facilities.
- The global leaders corroborate on their own calls: Corning has signed a multi-year agreement of up to ~USD 6bn with Meta and **describes copper-to-optical conversion inside data centres as a new market beyond current fibre share**, with co-packaged optics also showing strong demand potential; Prysmian has talked about hyperscalers paying capacity-reservation fees and down-payments for optical supply security. Overall, we do believe there is evident pricing power, given buyers are paying to reserve capacity.
- On traditional cables getting replaced by OFC in DC, our channel work indicates overheating copper cables push compute vendors toward optical for data cables - OFC substitutes data cables, not necessarily power cables. It is an adjacent cycle to the copper group, not necessarily a threat to it. (There is even a small offset the other way: data centres that buy fibre also buy power cable - at 8-10% of DC capex, as we mentioned in Section 1b.)

Why India is suddenly on the map

- Chinese products are not being procured, a decision taken on data-security and intellectual property grounds that does not move on price. A customer will then ordinarily move to itself, but with own capacities already full, this leaves a short list of suppliers, and India is available. We do, however, believe that duty is not a big advantage, as Indian players also face anti-dumping duty (bar HFCL and HTL, though countervailing duty is still applicable).
- The proof is in the order books - and 2026 has produced something this industry has never seen: **two separate ~USD 1.1bn multi-year hyperscaler contracts landing with Indian OFC makers within months of each other - HFCL's, signed in March 2026 for supply over five years, and Sterlite's, announced in May 2026 covering FY27-29 for a US hyperscaler's AI data centre buildout**. Sterlite's OB stood at ~Rs. 18,600 Cr as on Q1FY27, ~4x its FY26 sales. HFCL's OB at ~Rs. 26,600 Cr as on Q1FY27, ~5x of FY26 sales.



The economics, specifically

- Product mix is the margin story. High-fibre-count cables (3,456F, 6,912F and 13,000F capability being built) and intermittently-bonded ribbon (IBR) products earn realisations more than 2x conventional cable - and spot-market realisations have run 3-5x in pockets where supply is disrupted. Preform backward-integration is itself worth ~Rs. 80-120 per fibre-km of cost saving (10-15%) - and with preforms being ~60-70% of fibre COGS and global supply expected to stay scarce until FY28, integration is the real strategic variable in this cycle.

Capacity expansion currently underway

Company	OFC capacity	Fibre capacity	Overall expansion	Capex	Preform status
HFCL	39 → ~62mn fkm by July 2028	28 → ~43mn fkm by July 2028	~60% on OFC, ~55% on fibre	~Rs. 1,000 Cr annually in FY27 and FY28. ~Rs. 1,500 Cr in FY29. Total capex ~Rs. 2,500 Cr spread over 2-2.5 years.	None today; taking to 600 MT in two equal phases. Construction to take ~2 years
Sterlite Technologies	~42mn fkm (incl. US manufacturing)	~50mn fkm → ~75mn fkm by FY29	~50% across capacities by FY29	~Rs. 1,000 Cr annually for the next three years	Integrated
Finolex Cables	Undisclosed	4 → 8mn fkm by H2FY27	2x on fibre draw	~Rs. 500 Cr (preform); ~Rs. 300 Cr for FY27	Phase 1 (~100 MT) commissioned; contributes from H2FY27

RR Kabel has also recently entered the OFC division via acquiring Usha Martin's OFC arm named U M Cables for ~1x Price to Sales (~Rs. 78 Cr revenue). A serious industry participant entering a historically cyclical business strengthens our belief that the cycle has more durability than past ones.

Fident View: We have reviewed our own framing of OFC from a pure cycling play with a weak MOAT to **a cycle with some structural elements** - the fibre-intensity shift, hyperscaler contracts and the China+1 theme are not features of previous upcycles. But **we keep the exit discipline of a cycle position**, for two reasons: **(1) The price spike is preform-led**, and preform restarts, however slow, will come; Chinese capacity has ended every OFC party of the last 15 years; **(2) Suppliers themselves are moving from fixed-price to quarterly flexible pricing**, which is what happens during price uncertainty.

We have participated in this upcycle through **HFCL**.



Working Capital is the real P&L

Two cable companies with identical 10-11% EBITDA margins can produce RoCEs 800bps apart and materially varying cash conversion numbers. In a business where metal is 2/3rd of what you spend, the balance sheet is the strategy.

- The simplest way to understand is KEI's own transformation: as retail/dealer share rose from 28% of revenue (FY18) to ~56% (FY26) and EPC was cut from ~20% to ~5%, receivable days collapsed from 113 to 67. Retail receivables run ~15 days versus in months for EPC. Same metal, but at different channel produces a transformed balance sheet.
- As the management of a smaller cable company put it to us flatly: "working capital is everything" in commodity-linked products. Growth is being part-funded by debt at a certain cost; every day of incremental inventory or receivables is a direct RoCE transfer from shareholders to the cycle.
- Sector-level across companies, the balance sheets are almost as strong as they have been for some time: Our coverage universe has a median debt/EBITDA of 0.2x and interest coverage (including channel financing) at 10-11x, with elevated metal prices pushing working capital needs into channel financing and existing limits rather than fresh debt.

This implies stable debt profiles even through the heaviest capex cycle in the industry's history.

- We watch **asset turns** and **working capital** closely, because those are what management can actually control - metal prices are not in their hands. This is where governance quality shows up in a commodity business - not in the gross margin, which the metal cycle will always distort.

Fident View: When a cable company reports a great margin quarter, our first three questions are:

- 1) **Change in receivable days,**
- 2) **CFO/EBITDA conversion, and**
- 3) **What did channel financing utilisation do?**

A margin beat with a working-capital build is the industry's oldest fake - it is how EPC-heavy books flatter themselves late in a cycle. We would rather own a 10% margin with 80% OCF conversion than a 13% margin with 30%.



Conclusion

- The Indian W&C universe spans commodity conversion, consumer branding, and technology cycles, often within the same company. We believe applying a single template across all of them is the source of mispricing in some pockets.
- The demand case here is as strong as any industrial theme in India today, and it is the reason we are invested. The open questions sit on the supply side, and we have set them out plainly at the end of the W&C section rather than work around them.
- We at Fident are invested across categories:
 - a. **Housing Wires** – RR Kabel
 - b. **Power Cables** - KEI and Dynamic Cables
 - c. **Winding Wires** - Ram Ratna Wire
 - d. **OFC** - HFCL and Finolex Cables*

Our preference leans toward differentiated and approval-gated segments, but we do not pass on a business merely for lacking a premium portfolio - where valuations and risk-reward are favourable, we are happy to own the ordinary.

*Though Finolex Cables is a W&C player, we own it to capture it's incremental opportunity from the OFC segment.

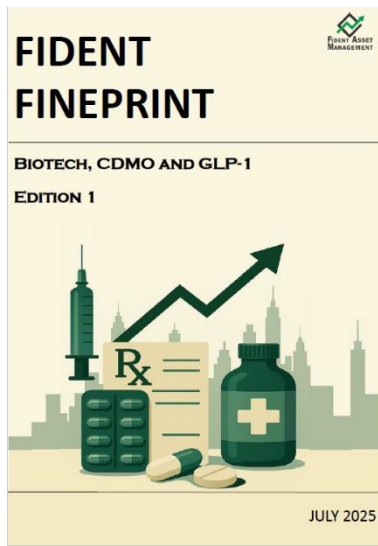
- We continue to track new-entrant behaviour, pricing discipline in the market and capacity commissioning against guidance, as we remain keenly interested in the space.
- What may worry us:
 - a. A sharp copper downcycle;
 - b. The supply wave proving heavier than demand can absorb and pressuring margins beyond the modest dilution;
 - c. The entrants competing on price rather than presence at launch; and
 - d. Tariff regimes shifting again.

The KPIs we track every quarter

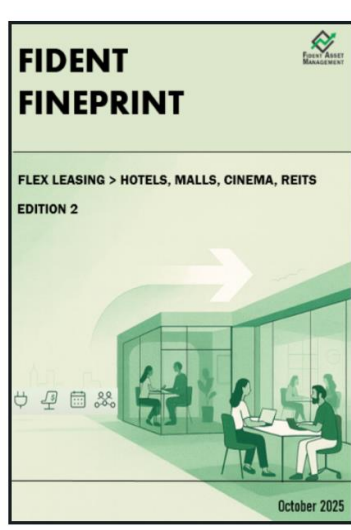
#	KPI	Sub-segment
1	Volume growth vs revenue growth	All
2	EBITDA/tonne	Winding wire, conductors
3	Receivable days + channel financing utilisation	All
4	Order book	Power cables, EPC
5	Dealer/distributor additions + B2C revenue share	Wires and cables
6	New approvals: BIS, PGCIL/NTPC registrations, export certifications	Cables, winding wire, OFC
7	Revenue and geographic mix	All
8	Capex commissioned vs guided; asset turns on new capacity	All
9	OCF/EBITDA conversion	All
10	New-entrant behaviour: launch pricing, channel schemes, counter presence (UltraTech, Diamond Power, FMEG returnees)	All



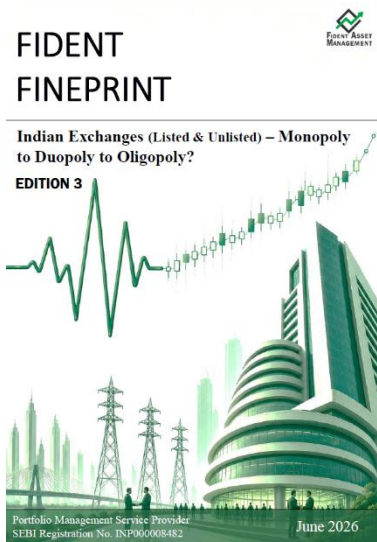
Previous Editions



Edition 1



Edition 2



Edition 3



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A note on use of AI: We have taken assistance of AI in some parts of this edition, used mainly to improve sentence structure where required. All research, claims and opinions are Fident's own, and we remain fully accountable for them.

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