

'Finolex may hive off divisions into separate entities in future'

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Finolex Cables, one of India's oldest electrical and telecom cable makers, plans to expand into consumer electrical and telecommunications, aiming to double revenue in the coming years. In an interview, executive chairman Deepak K. Chhabria discusses the group's strategy as it launches new product lines. *Edited excerpts:*

Is Finolex Cables tapping into new opportunities in 5G telecom, power transmission, and consumer durables?

5G networks are all about high speed with reliability for low latency communication. It is important that we all, i.e. the government and the private sector, invest in the telecom industry as there is a direct link between the implementation of 5G connectivity and India's GDP growth. With 5G requiring fibre optic, there is solid potential for us to grow. Hence, we are continuing to expand the business. To meet the demand for the fibre optic business, we have set up plants in Goa. We have also realized that all these products through our newer product lines can be sold through our existing retail channel. Going forward, we are looking at each of these product lines delivering larger volumes. At the moment, these categories give us approximately 1300 crore revenue and is expected to grow to 1500 crore in the next year. Over a period of, say, three-five years, we expect each of these businesses to reach 1500 crore.

We are reaching healthy double-digit growth in business categories for fans, water heaters and lighting. The addition of conduits and room heaters has given added impetus to helping us meet our targets.

What is your capital allocation plan for emerging businesses?

Finolex has increased its focus on



growing the electrical consumer product range. We are accordingly investing in capacity enhancement and are increasingly focusing on setting up a robust two-tier distribution model. Aligned with this strategy, we have commenced an ambitious plan of enhancing our retail outreach from 150,000 currently to 200,000 by the end of this financial year. Finolex's state-of-the-art manufacturing facilities have been its greatest strengths. We are enhancing production capabilities to meet the

requirements of the solar power industry and the automotive industry. We are in the process of setting up a manufacturing plant to produce solar cables using controlled electron beam technology for which specialized radiation technology equipment has been procured. In the fibre optic cables segment, too, we are increasing capacity to 10 million fibre km and have started offering turnkey solutions through our partners to deliver end-to-end solu-

tions.

Are you also looking at acquisition opportunities?

We are a cash-rich company with free cash of ₹2,000 crore. We are open to acquisitions in both our core

wires and cables business and the home appliances sector. We are exploring acquisitions in India as well as abroad. These can be niche companies with differentiated technology that can be brought to serve the Indian market while continuing to sell in their home markets.

This way, we can ensure that the R&D and technology are brought to India. There are places where valuations are high, but given the macro environment, given the liquidity, tightening, etc., I am keeping my fingers crossed that they will become more affordable.

Are you open to value-unlocking opportunities in the group?

We could explore hiving off our divisions into separate entities. However, we are yet to discuss this internally.

It has not been on our agenda, but it could be a possibility. I personally believe when an entity becomes large enough that it becomes difficult to manage a division, one can look at floating it as a separate entity with its own CEO and unlock its value as well. Another reason new companies are formed is to raise capital. In our case,

Finolex Cables has a considerable amount of cash in our books, along with zero borrowings. It is when we have large projects that require large funding requirements that we could explore spinning off a business that has grown to a size that it can function independently.

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Deepak K. Chhabria

Executive chairman, Finolex Cables

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