Crisil
Ratings

Press release

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Revenue of cables and wires makers to rise 15-16% in fiscal 2026

Capex to ramp up as utilisation peaks; credit profiles seen stable

Organised cables and wires manufacturers are set to see a successive mid-teen growth next fiscal building on an estimated 16% increase in fiscal 2025. This will be on the back of rising investment in end-user segments such as power generation and transmission, railways and real estate in domestic markets (>90% of revenues) and a leg-up from the China+1 strategy being implemented by some of the countries.

With capacity utilisation peaking at 80-85% in fiscal 2024 and healthy growth prospects, capital expenditure (capex) surged ~70% on-year in fiscal 2025 and will sustain its momentum in fiscal 2026.

That said, healthy cash flows, supported by stable operating margin of 10-11% on a significantly larger revenue base, will keep the credit profiles of players stable.

Crisil Ratings' analysis of 13 cables and wires players, accounting for 60-65% of the organised sector's[1] revenue of Rs 80,000-82,000 crore, indicates as much.

Says Mohit Makhija, Senior Director, Crisil Ratings Ltd, "Cables and wires demand will grow, as India's combined spend on power, railways and real estate is expected to rise 25% to ~Rs. 9 lakh crores in fiscal 2026. This includes 45-55 GW addition in power generation capacity, investments in 10,000 line KM of inter-state transmission systems and capex in railways, metro expansion projects and real estate. Together this is estimated to generate a wires and cables demand of ~Rs. 20,000 crore for fiscal 2026."

With the organized players catering to two thirds of the aforementioned demand, their revenue from the domestic segment is expected to grow at a healthy 15%.

Exports will grow a stronger at 20-22%, benefiting from the China+1 supplier diversification of Western countries, including the United States (US) and Europe, which together account for 45-55% of exports. Indian players are being increasingly preferred over their Chinese counterparts owing to their expanding product range and adherence to global quality standards.

Says Shounak Chakravarty, Director, Crisil Ratings Ltd, "Driven by promising growth prospects, Indian players are expected to boost installed capacities by ~40% incurring capex of Rs 8,000-8,500 crore 2025-2026 – a 70% step-up over capex incurred between fiscals 2022 and 2024. While this will result in drop in utilization rate, yet it will remain healthy at 75-77% in fiscal 2026 owing to growing demand"

Further operating margin will also not be impacted as the industry has a low fixed cost structure and players have demonstrated their ability to pass on any volatility in raw material[2] cost, which forms ~70% of overall sales, to end-consumers, albeit with a short lag.

Consequently, the debt-to-earnings before interest, tax, depreciation and amortisation (Ebitda) and interest coverage ratios are expected to be healthy at 0.7-0.8 time and 15-16 times, respectively, during fiscals 2025-2026, in line with the levels seen in fiscal 2024.

Moreover, with asset turns of more than 4 times, return on capital employed (RoCE) should sustain above 20% for organised players. Healthy demand dynamics and RoCE are also drawing investments from new players in allied industries into this sector.

All said, increasing competitive intensity, as new players from allied industries enter the segment, any slowdown in investments in end user segments and sharp volatility in prices of raw materials such as copper and aluminium will bear watching.

1. *Organised sector forms two thirds of overall sectoral revenue*
2. *Copper and aluminium are the major raw materials, forming ~70% of overall material cost*

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