

21<sup>st</sup> August, 2018

To,

The Manager – Listing National Stock Exchange of India Ltd. Exchange Plaza, BandraKurla Complex Bandra East Mumbai – 400051 Symbol – SALASAR	The Secretary Corporate Relationship Dept. BSE Limited P.J.Tower, Dalal Street, Mumbai – 400001 Scrip Code: 540642
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**SUB: Transcript of Conference call held on August 16<sup>th</sup>, 2018****Dear Sir/ Madam,**

Please find attached herewith the transcript of Conference call held on 16<sup>th</sup> August, 2018 for your record and further dissemination.

Kindly take the same on record.

Thanking you,

For **Salasar Techno Engineering Limited**



**(Kamlesh Kumar Sharma)**  
Chief Financial Officer

## **SALASAR TECHNO ENGINEERING LTD.**

Works : Unit-I : Khasra No. 265, 281- 283, Vill.- Parsaun- Dasna, P.O.- Jindal Nagar, Distt. Hapur- 201313 (U.P.)  
Ph. : +91 8938802180 / 7351991000 Fax : +91-11-45823834  
Unit-II : Khasra No. 1184, 1185, Vill.- Khera, P.O. Pilkhuwa, Teshil Hapur, Distt. Hapur- 245304 (U.P.) Ph. : +91 8938802184  
Office : KL - 46, Kavi Nagar, Ghaziabad-201002 (U.P.) Ph. :+91 120 - 6546670, Fax : 91 - 11 - 45823834  
CIN No. U23201DL2001PLC174076 E-mail : towers@salasartechno.com Website : www.salasartechno.com

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Regd office : E - 20, South Extension - 1, New Delhi - 110049



# “Salasar Techno Engineering Ltd Q1 FY 19 Earnings Conference Call”

**August 16, 2018**



**MANAGEMENT: MR. SHASHANK AGARWAL – JOINT MANAGING  
DIRECTOR  
MR. KAMLESH SHARMA – CHIEF FINANCIAL OFFICER**

**Moderator:** Ladies and gentlemen, Good Day and Welcome to the Salasar Techno-Engineering Limited Q1 FY19 Earning Conference Call. As a remainder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Shashank Agarwal – Joint Managing Director, Salasar Techno Engineering Limited. Thank you and over to you sir.

**Shashank Agarwal:** Good afternoon everyone and welcome to Salasar Techno Engineering Limited’s Earnings Conference Call for the First Quarter Ended 30<sup>th</sup> June 2018. I would like to begin by expressing my gratitude to you all for taking time out to join us today. On the call with me is Mr. Kamlesh Sharma – the Chief Financial Officer of the company and Bridge IR – Investor Relations team.

Before we get into the financial and business performance for the Quarter-Ended 30<sup>th</sup> June 2018, I would like to give you a short overview about the company.

Salasar started its journey in 2006 primarily as a telecom tower manufacture. Over the years, we have successfully diversified our business into different verticals and have emerged as a strong brand in the sector expanding our operations in various parts of India. Today, we have supplied more than 30,000 telecom towers since our inception of various designs of angular, tubular poles, smart poles, etc.

Our technical collaboration with Ramboll, a Danish Company, has enabled us emerged us one of the key players in manufacturing and fabrication of telecom towers. The collaboration has helped us to wide our customers with that of designs and lighter weight towers. We are preferred telecom tower suppliers for all major telecom companies and enjoy a sizable share in the market.

Today, our installed capacity for galvanizing stand at 100,000 metric tonnes per annum and our offering includes steel fabrication and infrastructure solutions for telecom towers, transmission line towers, substation structures, solar module mounting structures and structures for railway electrification. We also manufacture and provides utility poles to our customers for different users such as high-mast poles for lighting purpose, smart city poles for telecom plus lighting, stadium lighting poles for sports stadiums, flat poles and we also approved vendors for Power Grid Corporation of India Limited that is PGCIL and also approved by CORE that is Central Organization for Railway Electrification.

Our business can be classified into four verticals as of now:

Telecom towers, transmission. Transmission further can be divided into EPC projects, turnkey projects, railway track electrification and supplies to other EPC contractors. Third vertical is solar module mounting structures. Fourth is utility poles which include high mast poles, smart city poles, stadium light poles, camouflaged poles and flat poles.

Further, as an ongoing endeavor to enrich our product mix. I am happy to share that we have received and approved from CORE that is Central Organization for Railway Electrification to supply railway track electrification structures to other contractors. Our company is gearing up to sharpened it's focus on the railway electrification and intends to start bidding for such bids in strategic alliance with local private players initially.

We are gearing up by adding more manpower and building capacities to handle all future railway related projects. The sector continues to witness upside growth in both ordering and execution and the company expects growth to remain strong and gain further pace to the increased participation opportunities.

We have constantly innovated to provide efficient solutions. Our excellent execution capabilities have helped us gain the trust of our clients. This is evident from the strong repeat orders from our clients.

I would like to thank the entire team of Salasar Techno Engineering Limited for their untiring effort, hard work, sincerity and dedication in driving the company.

Coming to our consolidated financials for the First Quarter Ended 30<sup>th</sup> June 2018, these numbers are in line with India Accounting Standards that is Ind-AS guidelines. Financial highlights of the quarter:

Our focus has always been on improving overall business and this can be seen in our performance. Our company registered a revenue of 163 crores with year and year growth of 39% from 117 crores in the same quarter last year. The growth was driven by strong performance in telecom, railway overhead electrification structures and EPC business. The EBITDA stood at Rs. 18 crores in Q1 this year compared to Rs. 12 crores last year for the same quarter increased by 44% on account of extra business and operational efficiencies. EBITDA margin increased by over 37 bps in Q1 FY19 to 10.79% as compared to 10.42% in Q1 FY18. The net profit for Q1 FY19 is 9 crores as compared to Rs. 6 crores in Q1 FY18. This represents a growth of about 46% on a year-on-year basis.

Overall, we see a good demand in the industry and our focus remains on to put our efforts in increasing our market share and providing utility of products and sources to outlines.

Well, this is all from our side as of now and we can open the floor for the questions and answers.

**Moderator:** Thank you. Ladies and gentleman, we will now begin with the question and answer session. We have our first question from the line of Nikhil Parekh from Dhanki Securities. Please go ahead.

**Nikhil Parekh:** Sir, I have a few questions. What is our outstanding order book as on date?

- Shashank Agarwal:** It is divided into two segments actually. If we talk about EPC business, we have EPC business order book of 236 crores plus 110 crores for our joint venture of Sikka Salasar for railways. We have not received the LOI as yet but we have just won one of the tenders in Gujarat for 87.26 crores for railway track electrification on a complete turnkey business as the EPC business which will be done again through Sikka Salasar joint venture and that order value is 87.26 crores and we have a balance of about 24 crores to be billed from our last order 50 crores of Sikka Salasar which has been done in rupee, so 236 crores is complete EPC business which is in Salasar and 110 is what is balanced in Sikka Salasar. Other than that for supplies on a bound of railways we have about 70 crores order book, telecom we have more than 75 crores, poles is about 20 crores and transmission is about 10 crores, so that is about 130 crores for supplies or manufacturing and about 236 crores on account of EPC even if we don't count Sikka Salasar either as a complete turnover coming to Salasar, we stand at around 365 crores.
- Nikhil Parekh:** So this is only our share, 365?
- Shashank Agarwal:** Yes, plus we will see out of the 110 crores about 70% is supplies so around 72 to 75 crores would be supplies which would come to Salasar because Salasar would be supplying to Sikka Salasar and 28 crores to 28 crores will be services portion which will be directly done by the Sikka Salasar.
- Nikhil Parekh:** Sir we had some working capital receivable issues as far as a few projects in UP were concerned, so what is the status on that now?
- Shashank Agarwal:** As far as one of the projects of UPPTCL is concerned which is a pure transmission line job, our payments are okay, and we have already collected the 90% of it. The PVNL which is the rural electrification project of around 230 crores, around 140 crores we have already billed out of which the receivables are a little late not because that there is an issue. The issue is only that the fund transferred to this particular yojana is a little slow from the Central Government. Basically, we are doing this project on the Deen Dayal Upadhyaya Gram Jyothi Yojana. The fund which are being transferred to this particular yojana are little slow compared to other schemes so we have outstanding of about almost 84 crores on account of this so out of 148 crores, we have balanced to receive of about 84 crores, but we have received only about 64 crores out of this, but this will eventually come in the next 2 to 3 months.
- Moderator:** We have next question from the line of Hansraj Singh, Individual Investor. Please go ahead.
- Hansraj Singh:** Sir, my question is on the working capital side. Is it possible for you to give me the receivables inventory and payables number for this quarter ended 30<sup>th</sup> June?
- Shashank Agarwal:** On 30<sup>th</sup> June we had debtors of about 152 crores and stock of about 99 crores and bank outstanding at about 101.4 crores.

- Hansraj Singh:** Sir, you said payable?
- Shashank Agarwal:** Payables are Rs. 50.40 crores. So stock is 99 crores, debtors are 152 crores, bank loan is 101 crores.
- Moderator:** We have our next question from the line of Kalpesh Parekh from Prabhudas Liladhar. Please go ahead.
- Kalpesh Parekh:** Sir, wanted this year's segment wise, your outlook such I might have missed it, you must have said it in your opening remarks, segment wise how do you foresee and what is the overall growth outlook you would like to give?
- Shashank Agarwal:** For a complete year compared to last year we are looking at a growth of about 25%.
- Kalpesh Parekh:** Sir, last year also you started with 25%, but you ended more, so this year also we would like to maintain 25%?
- Shashank Agarwal:** I am always a little bit conservative in my directions, so we might even touch a little higher than 25% but 25% is something that we are going to definitely achieve. We are basically looking at turnover seeking at +25% for the whole year. The major growth is going to come from railways and telecom plus EPC business of course. The solar is going down, solar we don't have significant order book for the reason that solar somehow defected such as it has not given returns to probably the developers so somehow the solar structures we are not taking much orders at the moment, but railways what we are focusing at the moment.
- Kalpesh Parekh:** Sir, if I am seeing this quarter's performance we have done topline of 162 crores, you are talking of 625 crores, are you expecting a very somber type of coming quarters as such?
- Shashank Agarwal:** See always second quarter is somehow a little somber in the sense because of rains, lots of sites are held up because of rains in Kerala, in North East and so many places. The civil work actually gets delayed so the dispatchers to the sites get little affected, so that is why I am saying 625, probably it will be in the range of 640 or something.
- Kalpesh Parekh:** And in terms of raw material things, are we seeing any pressure in terms of any specific areas where you are seeing any inflationary pressure or something, I am trying to get your feel on your margins as such?
- Shashank Agarwal:** See in Q1 we had a little pressure in terms of zinc prices and steel prices because there were orders which were fixed from Reliance because Reliance always gives fixed priced orders and the steel prices and the zinc prices actually went high in Q1 which have now softened, zinc prices have already softened and we are still executing that order so imagine doing the same order in Q1 and now doing the same order in Q2, our margins are slightly better than that order at the

moment compared to they were in the last quarter. Right now I feel the steel prices and zinc prices have more or less settled. I cannot say much about zinc, zinc might soften a little bit or might even harden a little bit, but steel prices more or less have settled and the new orders whatever we are taking right now are based on the current steel prices.

- Kalpesh Parekh:** So what type of inventory are we sitting on the steel?
- Shashank Agarwal:** Steel in terms of tonnage we would be sitting at about 4600 tonnes.
- Kalpesh Parekh:** So that will be suffice for what two quarters?
- Shashank Agarwal:** No, may be about 40-45 day.
- Kalpesh Parekh:** And in terms of CAPEX sir, how are our plans as such now?
- Shashank Agarwal:** There is no CAPEX plan as of now, nothing. We have fully geared for the complete operations. So we are not seeing any CAPEX in this coming next 6 to 8 months or even a year.
- Kalpesh Parekh:** So capacity wise, like we would be having still buffer capacity of 20-30% or how it would be?
- Shashank Agarwal:** See ideally the capacity technically is 100,000 tonnes but when you manufacture the mix of all products, I mean even you end up manufacturing like 80,000 tonnes it is a good utilization of the available capacity because 100,000 tonnes is calculated on a particular size of material, particular type of material, but when you manufacture a mix of all sort of like you make tubular tower, you make smart poles, you are making poles for transmission and you are making pole for telecom, you are also making angular towers and we are also making small structures for mounts and so many things, so about 80,000 to 85,000 is something is what is maximum achievable from the existing factories.
- Kalpesh Parekh:** At least for a year as such or more than 6 months to year probably we may not see any constant on that front at least, on the CAPEX front?
- Shashank Agarwal:** No, no, no, not at all.
- Moderator:** We have the next question from the line of Abdul Karim from HDFC Securities. Please go ahead.
- Abdul Karim:** Sir I just wanted to know how is the new order books is looking and you are expecting and apart from telecom and railway and other area like solar and other things are looking?
- Shashank Agarwal:** As I said solar is not looking very good. There are two reasons for that. One is that the basic structure which was used in solar has been completely done away with and they are using more of pre-galvanized structures of lower thickness of our higher material which is only a forming job, I mean our job in that is not much, so we prefer taking material which hot and galvanized

and rolled materials that we can get that out, but as far as other businesses are looking, railway is looking most promising at the moment, telecom is looking very good for next at least 1-1/2 to 2 years, telecom poles are looking very good, transmission line poles are looking very good, EPC business as such is looking very good. Out of 236 crores of order book we have still about 150 crores of orders for which we have just started the work and in fact out of that about 90 crores or something for which we have not got the LOI we have just L1 there, we are waiting for the LOI from different states give about and other than that we have won a tender of telecom in Nepal also which is about 14 crores and out of which supplies would be about 7 crores and 7 crores would be service part turnkey projects for Nepal telecom.

**Moderator:** We have the next question from the line of Jehan Bhadha from Nirmal Bang Securities. Please go ahead.

**Jehan Bhadha:** Sir, on the railway front, what is the pipeline for orders in the next 6 months that is visible?

**Shashank Agarwal:** Right now, for supplies alone we have an order book of 17 crores with confirmed orders in hand which are to be executed over next 1.5 months to 2 months, 3 months maximum. After that we have Sikka Salasar of 110 crores out of which 70 crores is supply out which structures would be about 35 to 40 crores that is also visible clearly. Beyond that we have commitment from company like L&T, Tata Power, Kalpataru, KEC that right now everyone is in a hurry to take deliveries. For railway at least we have booked for the at least next 2 to 3 months and then going forward as in when these orders which are in hand are being delivered we will grab more orders from these companies which are sitting on huge order books, I mean taking orders today for railway supplies is not a challenge at all rather they are looking for good vendors who can actually do it.

**Jehan Bhadha:** So even if the competitive intensity for government railway project where to increase you would not be affected that much because you would be supplying to other OEMs as well so what that is what you are deliberating?

**Shashank Agarwal:** I mean this is a basic structure which is required for electrification and major EPC players, they don't have their inhouse benefits and capabilities or railway structures, so we are very well placed in that sector.

**Jehan Bhadha:** And for this quarter, revenue if you can break it up into different segments?

**Shashank Agarwal:** Revenue for this quarter railways was about 8.5 crores, telecom was about 95.5 crores, transmission was 17.5 crores, solar was 3.25 crores, total tonnage we have done this quarter is about 17,700 tonnes of about 126 crores.

**Moderator:** We have next question from the line of Parth Kotak from Investment Trust of India. Please go ahead.



- Parth Kotak:** Sir, I just want a clarification that you said that the railway business is going to go up or expected to go up for the following year so do we expect the cash conversion cycle to actually increase from the current approximately 90 days?
- Shashank Agarwal:** No, it should rather decrease. When we would be supplying to railways the payment terms with all these companies are 30 days net, so even if we take into account the manufacturing time and inspection time and everything and even if those 30 days are pushed to 35 to 50 or 60 days the payment cycle would rather improve overall.
- Parth Kotak:** And you said sir you also supply to the EPC contract as we are doing work for the railway so would that be a major portion of the railway book or?
- Shashank Agarwal:** Yes, yes.
- Parth Kotak:** And sir apart from the business side I just want a little bit of clarification on the investment in Rudrabhishek from SME companies, there is some business interest or kind of an interest you are looking apart from the investment?
- Shashank Agarwal:** See I will tell you, this is very small investment we have done for a long term. The main reason behind that is that Rudrabhishek are basically the designing smart cities, they are consultants to the smart cities. We have just started work in the smart cities in the sense that we did 50 poles, 50 smart poles in Vishakhapatnam which has been handed over to L&T. Rudrabhishek I think they are doing some 8 to 10 smart cities right now, so it is a small strategic investment which would actually give us some extra inputs from the sense that whatever is happening in the field of smart cities, what are the requirements, what are the norms which are being set by the government or being proposed by the consultant, we would have better clarity and in roads to that and in the overall pictures, it is a very small investment as such.
- Moderator:** We have next question from the line of Kalpesh Gothi from Valentis Advisors. Please go ahead.
- Kalpesh Gothi:** Sir, I am not able to understand how you are able to get the info by investing in the Rudrabhishek, you have a very small investment, how you get the excess of the info from the company then?
- Shashank Agarwal:** Info in the fact that when they have invested in consultation with the management and we have good relationship with the management. We have been discussing few projects earlier also before making the investment into Rudrabhishek definitely when they are into smart city business consulting the inroads what we can get in the sales is not that we can have any say in the tenders or anything it is very clear.
- Kalpesh Gothi:** Then it will lead to inside info or the conflict of info?

- Shashank Agarwal:** No, no, no that is what I am saying I mean does not lead to any inside info, it is just that we can get the flow of things, what is happening in the smart cities, how many more smart cities are coming, how many more smart cities they are consulting, what are the norms which are being said so that we can ourselves prepared for same.
- Kalpesh Gothi:** So how the Rudrabhishek going to benefit from out of it?
- Shashank Agarwal:** Rudrabhishek, I am not sure, but we definitely are.
- Kalpesh Gothi:** One more thing, I have seen your operating margin has fallen drastically this quarter. So what is the reason, is it because of the sharp increase in raw material prices?
- Shashank Agarwal:** Yes, the raw material prices of course did play their part and so did the booked debts and finance cost also.
- Kalpesh Gothi:** How the things has because of we have holding some inventory you also said we are holding almost 40 days inventory, so how the things will be in these last 2 months?
- Shashank Agarwal:** In terms of operating margin?
- Kalpesh Gothi:** Yes.
- Shashank Agarwal:** See the operating margins during this quarter has slightly improved in the sense because the zinc prices have come down by almost 20%, it touched 264 last quarter and they are down Rs 200 a kg that would of course give slightly better operating margins.
- Kalpesh Gothi:** During the quarter how much revenue we booked from the Jio order?
- Shashank Agarwal:** From the total telecom we did about 95.5 crores out of which Reliance would have been more than 50% would be Reliance as far as offhand can tell you.
- Kalpesh Gothi:** Then out of 75 crores of telecom order book is completely Jio?
- Shashank Agarwal:** No Jio is about 45 to 50 crores and balance are others.
- Kalpesh Gothi:** So these 50 crores will be execute within Q2?
- Shashank Agarwal:** Not completely, may be about 80% would be completed, may be about a few crores would be remaining for Q3.
- Kalpesh Gothi:** And sir how the railway order bidding is span out?

- Shashank Agarwal:** There are two things which we are doing in railways as I mentioned, one is that we are doing complete EPC job in Sikka Salasar which is a joint venture of Sikka and Salasar wherein we have an order pending from our last order which is to be executed at about 24 crores plus we have got 87 crores, we have just won of 87 crores in Gujarat so that is about 110 crores, it is what is spending in Sikka Salasar. Other than that, we do supplies to EPC contractors who are doing work for railways for which we have an order book of 17 crores as on date plus we are expecting more orders as in when we execute these orders, we will get more orders. I mean it all depends how fast we complete these orders, companies are sitting the orders to share the orders as soon as we deliver.
- Kalpesh Gothi:** Sir, what is the guidance for the full year in terms of volume?
- Shashank Agarwal:** The tonnage or railway?
- Kalpesh Gothi:** Tonnage sir.
- Shashank Agarwal:** The tonnage we should be doing close to around 72 to 75,000 tonnes of manufacturing.
- Moderator:** We have next question from the line of Jay Tejwani from AQF Advisors. Please go ahead.
- Jay Tejwani:** Sir, out of the 75,000 tonnes that you have guided for how much was the production in first quarter?
- Shashank Agarwal:** In first quarter?
- Jay Tejwani:** Yes sir.
- Shashank Agarwal:** 17,700 tonnes.
- Moderator:** As there are no further questions I now hand the conference over to Shashank Agarwal, Joint Managing Director of Salasar Techno Engineering Limited for closing comments. Sir, over to you.
- Shashank Agarwal:** Since there are no questions, I think I would like to close this meeting and I would like to thank everyone once again for getting into the phone call. The scenario in infrastructure is looking pretty good in the times to come, the growth has just started as I said, and we have long way to travel. I hope everything goes well and we are looking it as a good year ahead.
- Moderator:** Ladies and gentlemen, on behalf of Salasar Techno Engineering Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.