



**SALZER ELECTRONICS LTD.- Q1FY18**

**Transcript - Result Conference Call- 11<sup>TH</sup> September, 2017**

## SALZER ELECTRONICS LIMITED

### - Moderator

Ladies and gentlemen, good day and welcome to the Salzer Electronics Limited Q1FY18 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder 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 Mr. Kunal Sheth from Prabhudas Lilladher. Thank you and over to you Sir.

### - Mr. Kunal Sheth – Prabhudas Lilladher Private Limited

- Yeah. Thank you. I would like to welcome the management of Salzer Electronics on the call. From the management we have Mr. Rajesh Doraiswamy: Joint Managing Director and CFO of Salzer. Sir I would request you to give us some opening remarks and then we will open the floor for a Q&A. Over to you sir.

### - Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited

- Thank you Kunal and thank you everybody. A warm welcome to everyone for earnings conference call for the first quarter ended June 30<sup>th</sup> 2017. I have with me here Savli and Rahul from Bridge Investor Relations, and Murugesh our Assistant Company Secretary. I’ve already shared our results update presentation and I hope you all must have received it.

- Before we move on to the quarterly performance I would like to give a brief of the company. Salzer Electronics was incorporated in 1985 in collaboration with German Salzer Electric, manufacturer of rotary switches. Then we have evolved from a single product company to someone who can offer complete customised electrical solutions to our customers. Over the years we as a company have made sure that we are always in the forefront of any technological development. We are getting into technical associations with reputed companies across the world. For this we were able to bring in high quality products of international standards and gain a leadership position in a few of them. Be it our association with Larsen and Toubro from 1993 to market our products in India or collaboration with Plitron from Canada in 1995 or to Trafomodern from Austria in 2016 for manufacturing of Dry Type transformers. We’ve always focused on getting into technologies which are niche and of high value. So this focus and sheer determination to come out with products of highest quality we have been

able to get a preferred vendor status with global giants like General Electric and Schneider Electric. All of our products are internationally certified and we are exporting to more than 30 countries.

- Though we operate under the electrical and electronic product group for the ease of analysis, we have classified our businesses into 4 different verticals namely the industrial switchgear, the copper business or the wire and cable business, the building segment, and the energy management business. We have 4 manufacturing facilities located in Coimbatore in the State of Tamil Nadu. We also have our in-house R&D lab recognised by the Government of India.
- Despite the numerous headwinds in the economy in the recent period, we as a company continued to invest in businesses during the course of sectoral slow down, prioritising the need to be future ready as soon as the business conditions revive. We are very optimistic about the prospects of our company and much of this optimism comes from the vast potential of the products we manufacture in India and abroad which appears to be on the verge of significant take-off.
- Having said this I would like to now move on to our quarterly financial performance. The revenues from operations stood at 115 crores this quarter, a year on year growth of 16%. We witnessed a robust growth in segments of wires and cables and building segment products in this quarter. We've been able to book revenues from the energy management as well this quarter thereby increasing its share in the revenues. However there was a slight dip in the contribution from the industrial switch gear segment. Two significant things that happened in this quarter was INDAS Accounting Standards implementation and implementation of GST. Implementation of GST is one of the main reasons for lower sales in switch gear segment which can be attributed to the destocking by distributors and channels across India.
- The ebidta for the quarter stood at 10.5 crores as compared to 11 crores in the previous quarter, a decline of 6.5%. The ebidta margins were at 9.5% down from 11% in the corresponding previous quarter. There are two main reasons for this. Due to the change in product mix with increased contribution from lower margin wire and cable segment and decline in contribution from industrial switchgear segment attributed to lower ebidta margin, and also due to INDAS Accounting Standards adoption, the sales in the first quarter includes excise duty portion of approximately 10.5 crores. Thereby the increase in the sales to that extent. Without this the ebidta margins would have been up by 100 basis points. The profit after tax was at Rs. 4.06 crores in Q1 FY'18 as against 4.5 crores in Q1 FY'17 on account of additional provision for taxation when compared to last day first quarter. Exports contributed to 14.5% overall.
- Now looking at the break-up of revenues as per business verticals, the GST regime was implemented recently by our government in July this year. Even

though the overall long term profits remained extremely positive for organised players like Salzer, we have witnessed slight teething problems initially. This is reflected in the slight decline in revenues from our industrial switch gear segment. Here I would like to highlight that we were insulated to a large extent by the immediate major impact because of our product offerings to a wide variety of industries. Industrial switch gear vertical which is one of the major businesses for us contributed 38% of the total revenues in this quarter and reported a year on year decline of 5%. Now with GST being set and standardised we expect the demand to pick up from the second half of this year.

- The wire and cable products consisting of copper wires and cables has been the biggest contributor of revenues in this quarter. Within the wire and cable products our focus has been to do brand labelling for major brands. We started with branding for Larsen & Toubro and today we brand for companies like Crompton Greaves, Texmo, Efab etc. In the last 2 years we have also started to focus on giving value added products to customers in line with this come out with specialised products like elevated traveling cables, hoist cables and other similar cables in the segment. We witnessed a significant growth of over 30% from wire and cable segment in Q1 FY'18. This was mainly on the back of good contribution from agri-cable business. This segment contributed 55% of the total revenues of the company.
- In the building product segment I am happy to share that we have a robust growth although the contribution to the total revenue remains small we are confident of increasing this contribution in the coming years to around 10% levels. This segment has given us new opportunities in real estate sector where we have got some annual rate signed with major builders like Shobha Developers, Reddy Structures from Bangalore, IJM Infrastructure and Pyramid Constructions from Andhra Pradesh. The building product segment contributed to around 5% of the total revenues and witnessed a robust year on year growth of 39%. The fourth and the last, energy management service, this vertical has given us the benefit of being the ESCO, energy saving company with highest CRISIL rating for Salzer. We offer complete energy saving solutions, streetlight controllers for corporations across the country. We have successfully commissioned one such large project in Tamil Nadu. And very recently we have secured a letter of award from Energy Efficiency Services Limited for designing, manufacturing and supplying of lighting controls in urban local bodies of Varanasi, Jalna and Jharkhand. Revenues from this segment are purely order book based. And now with EESL coming into place we expect to do good business from this vertical in the coming years. The energy management vertical contributed around 3% total revenues in this quarter, a year on year growth of 48%.

- Our focus has always been to achieve profitable growth by adding newer products which are customised and value-added and exploring newer geographies which can yield better margins. With a very competent team in place we are very confident of achieving the milestones that we have set for ourselves. We are also constantly on a lookout for any new opportunities for any technical associations to strengthen the base of our product offering. We have very recently started discussions to explore world market for our products with our initial collaborator Salzer Electric Germany. Salzer Electric is a market leader in rotary switches in Germany with significant sales in Germany, UK and US. The present understanding with Salzer Electric is very significant for us in our continuous efforts to establish tie-ups with world renowned companies. I would once again like to thank everyone for your time and attention. Thank you. We can now take questions.

- **Moderator**

- Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask a question may press \* and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may press \* and 2. Participants are also requested to use only handsets while asking a question. Anyone who has a question may press \* and 1. Ladies and gentlemen we will wait for a moment while the question queue assembles.

- We have the first question from the line of Sudheer Veda, Right Time Consultancy. Please go ahead.

- **Mr. Sudheer Veda – Right Time Consultancy**

- Hello sir!

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- Hello sir how are you?

- **Mr. Sudheer Veda – Right Time Consultancy**

- I'm good, good. See what is now the current quarter impact on GST? Is there a stabilisation that has happened? Or still there is a problem with regards to GST? And then....yeah please.

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- Sir go ahead sir, go ahead. Finish your questions.

- **Mr. Sudheer Veda – Right Time Consultancy**

- And what would be the outlook for the next half particularly for your switch gear product? Because that is seen as a declining trend. Now is there a possibility that the trend can be reversed and your margin goes back to around 13% or so?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Sir first on the GST impact, to be very specific I would say we had a lower sales in the same switch gear segment in June to the extent of approximately 10-12%. So that's approximately around 3-5 crores I would say in June. So there is also a spill over effect in July. But things have stabilised in terms of GST in August and September. That is the answer to your first question on GST. And this is mainly due to the destocking of the channel, the distributor channel who had a lot of doubts in mind on the credits and things like that. So they destocked and then took time to get registered and then start sales again. Secondly on the industrial switch gears business products as such I wouldn't agree on the point that you said that there is a declining trend. Because overall I think if you see year on year I think we have been growing at around 12-13% in the last 2 years and we expect this year also that we will be able to grow between 12 and 15% on the top line.
- **Mr. Sudheer Veda – Right Time Consultancy**
- For the entire year?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- On a full year basis. Yes on the full year basis. And if you come to the margin on the ebidta margin side. I think that mainly depends on the product mix. I think this quarter if you see there is a 55% contribution from wire and cable which is a 7% or 7.5% ebidta margin business as compared to 12, 13, 14% ebidta margin for our switch gear business. So if that contribution increases I think the ebidta margin percentage as a percentage is found to come down. But our focus...
- **Mr. Sudheer Veda – Right Time Consultancy**
- Have you seen that trend reversing? Like percentage of the switch gear business is increasing in the total sales. That trend have you recently now it is seen or still that contribution from wire and cable are still going...
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I think there has always been a 50/50 contribution more or less equal. This year the growth of wire and cable has been double that of the switch gear. So at the end of this year we will see a definitely a 45 to 47% from wire and cable and a 42-43% revenue share. And the rest taking from the building products and energy management.

- **Mr. Sudheer Veda – Right Time Consultancy**
- Okay.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- So the wire and cable segment contribution is going to be a little higher than the industrial switchgear segment.
- **Mr. Sudheer Veda – Right Time Consultancy**
- Okay that is there. But then the trend which you are seeing right now that can be reversed. Your percentage, in terms of percentage that portion of your industrial switchgear will go up from the current position.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes definitely. I think we definitely see a potential of 12-15% growth year on year.
- **Mr. Sudheer Veda – Right Time Consultancy**
- Thank you, thank you.
- **Moderator**
- Thank you sir. Our next question is from the line of Sanjay Shah from KSA Securities. Please go ahead sir.
- **Mr. Sanjay Shah – KSA Securities**
- Yeah good afternoon. Thanks for giving me an opportunity.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Good afternoon sir.
- **Mr. Sanjay Shah – KSA Securities**
- Yeah. Sir can you elaborate on your comment of exploring world market? Because you are targeting to enter into some new products and new projects. Can you throw some light on that?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Very recently we came across our original collaborator with whom we never had any contacts after our initial tie-up expired in 1990. So we came in touch with

them again and we started talking to them. Because Salzer Electric Germany is still market leader in cam operator rotary switches in Europe and UK and parts of US. Though we do some sales in Europe of cam operated rotary switches, the sales of this particular product is not very significant in these areas. So we started trying to explore those markets where Salzer Germany is very strong to brand label our product through their channels. So that's the arrangement that we are talking to them. And hopefully the business should start sometime in the second half of this financial year. And the business potential that we are seeing on a full year basis for this business is approximately going to be around 10-15 crores.

- **Mr. Sanjay Shah – KSA Securities**

- Okay so will we work like a contract manufacturing for them or we will sell in our name in the market over there?

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- I think both names are same because we are also Salzer and they are also Salzer. So it will be Salzer for them. But we will be selling it as made in India through their channels.

- **Mr. Sanjay Shah – KSA Securities**

- Got it. And about new products? Any new products or new projects or any inorganic ideas?

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- We are always on the lookout for various opportunities. Right now there is nothing significant to comment. But new products yes we are continuously into various new products that keep coming up in our existing range so that vertically our products expand. So that is the continuous process that we do.

- **Mr. Sanjay Shah – KSA Securities**

- But nothing right now on the table.

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- No.

- **Mr. Sanjay Shah – KSA Securities**

- Sir what about our three phase dry transformer? How is the business panning out?



- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Three phase dry transformers started production this January and this first quarter we have done approximately 3.5 crores business in that particular product in line with our expectations. So this full year we will be ending up with approximately 18 crores of business. Or 18 to 20. Very good demand that we are seeing for this product from very large companies like Toshiba, Mitsubishi, from ABB, from Delta. Various new companies which we had not expected earlier.
- **Mr. Sanjay Shah – KSA Securities**
- Right. So good traction seen in that.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes.
- **Mr. Sanjay Shah – KSA Securities**
- Right sir. Thanks for answering my questions. And if anything I'll come in queue. Thank you very much.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yeah.
- **Moderator**
- Thank you sir. Our next question is from the line of Jaisheel Garg from Way2Wealth. Please go ahead.
- **Mr. Jaisheel Garg – Way2Wealth**
- Hi good afternoon sir.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Good afternoon sir.
- **Mr. Jaisheel Garg – Way2Wealth**
- Sir just I want to understand about the General Electric, like your business with General Electric. Any update on that?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- I think business with General Electric and Schneider Electric with both of whom we are preferred supplier is very stable. As I mentioned in my last call, the Schneider Electric business didn't grow last year. This first quarter also it is very stable with Schneider Electric. As far as General Electric is concerned I think we have doubled our business in the last financial year. And the trend also this first quarter seems to be the same. We are growing at around 20% with General Electric in this first quarter compared to last year first quarter.
- **Mr. Jaisheel Garg – Way2Wealth**
- Sir in value terms sir?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Very stable and the association is going quite strong.
- **Mr. Jaisheel Garg – Way2Wealth**
- Okay. Sir in value terms, any guidance for this?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Last year we did 17 crores. This first quarter we have done around approximately 5 crores.
- **Mr. Jaisheel Garg – Way2Wealth**
- Okay that's fine. And sir another question is regarding elevator cable business. Any opportunity there?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes I think we have first quarter of – last quarter of last year we have completed the development of this product and we submitted the samples to various OEMs and we have secured our first order from Kone, Kone Elevators. And the potential seems to be very good. Because there are not many manufacturers who are making this elevator and hoist cable. We also secured DMAG as one of our customers. So the potential seems to be good.
- **Mr. Jaisheel Garg – Way2Wealth**
- Okay any....
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- This is a specialised cable. This is not a normal copper cable. But this is a very specialised cable where the flexibility of the cable needs to be very high.

- **Mr. Jaisheel Garg – Way2Wealth**
- Sir just want to understand what is the size you are looking for.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Only the elevator cable business?
- **Mr. Jaisheel Garg – Way2Wealth**
- Yeah sir.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Okay that currently we are targeting approximately around 20 crores per year business. I am really not sure about the potential, total market size of the business can be much more which we are yet to assess .
- **Mr. Jaisheel Garg – Way2Wealth**
- Okay and sir one question more. Means the promoter is increasing any holding in that in the company? Your means....
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- The promoters have increased the stake in the last quarter of last year and the first quarter of this year. And hopefully I think it will continue to happen this year.
- **Mr. Jaisheel Garg – Way2Wealth**
- Okay, okay means you are focusing on increasing.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes.
- **Mr. Jaisheel Garg – Way2Wealth**
- Okay thank you sir.
- **Moderator**
- Thank you. A reminder to our participants. If you wish to ask a question you may press \* and 1. Our next question is from the line of Yash Matai from Sushil Finance. Please go ahead.

- **Mr. Yash Matai – Sushil Finance**
- Hello?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Hello.
- **Mr. Yash Matai – Sushil Finance**
- Sir what is agri cable business? Can you explain? And how big is the opportunity there?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Agri-cable is the cable that we supply through these branded companies for the application in agri markets, agri business, farming. The usage of the cable is in farming. That's what we call as agri-cable. And the growth of agri-cable in the first quarter of this year has been very significant for us.
- **Mr. Yash Matai – Sushil Finance**
- So what are your plans in this agri-cable and how fast can it grow?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- We have been in the agri-cable business for quite some time now. There are 3-4 different sectors of business that we cater to. One is the industrial vertical, the other is the building product where you supply the house wires, and then you have the agri segment where we supply the agri cables apart from the specialised cables. These are the 4 areas that we focus and our focus is more on the industrial and agri-cable and less on the building segment or the house wires where the competition is quite high.
- **Mr. Yash Matai – Sushil Finance**
- Quite high, exactly. Sir what is your view on the working capital going forward? Do you see any decrease in working capital?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Even in this quarter I think we have improved I would say significantly on the working capital. The net working capital from 170 days in March we were able to bring it down to 135 days in this quarter. So I think we will continue to bring this down to less than 100 days.
- **Mr. Yash Matai – Sushil Finance**

- Okay, okay. Thank you so much. This was all from my side. Thank you.
- **Moderator**
- Thank you. Ladies and gentlemen if you wish to ask a question at this time you may press \* and 1 on your touchtone telephone. The next question is from the line of Kalpesh Shah, an individual investor. Please go ahead.
- **Mr. Kalpesh Shah – Individual Investor**
- Well thank you for giving me the opportunity. Sir what is the status of our latching relay business?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I don't think latching relay business we are going to tie up with the company that we were talking to. So that business right now is not going to happen. We have nothing on the table as far as that business is concerned as of now.
- **Mr. Kalpesh Shah – Individual Investor**
- Did we build any capacities for that?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- No we have never invested.
- **Mr. Kalpesh Shah – Individual Investor**
- Okay.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- We were talking to a joint venture partner, a potential partner. But the partner actually really didn't come across confidently of setting up this business in India. We are not going ahead with this project.
- **Mr. Kalpesh Shah – Individual Investor**
- That is fair. So just to understand a bit more how much capital did we actually invest in the capacity build up in the last 6-8 months? And how much revenue can we generate out of that capital?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I think last year if I can say how much we have invested but last 6 months I am not very sure. But this quarter we have added approximately around 3 crores,

2.5 crores in the capex on the capacity building. Now I wouldn't say capacity kind but it is kind of balancing and some maintenance capex.

- **Mr. Kalpesh Shah – Individual Investor**

- So that is fine. So whatever capex that we incurred last year as you said, how much revenue can we expect out of that? And when?

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- With very minimal maintenance capex we will be able to go to up to 600 crores of top line.

- **Mr. Kalpesh Shah – Individual Investor**

- Okay. So this is overall is what you mean to say.

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- Yes.

- **Mr. Kalpesh Shah – Individual Investor**

- Or only for the incremental capex?

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- The incremental capex is definitely going to be around 7-8 crores year on year for this year and next year. Unless otherwise we come across any new major projects.

- **Mr. Kalpesh Shah – Individual Investor**

- That is fine sir. So I mean the only thing is that we have been tracking your company, it is a very sound kind of a management. The only thing that is bothering us is the performance as far as business reflection into numbers is concerned. So what is actually happening? When are we going to see the true potential being exploited or coming out? I mean something which is bothering us if you can calm us down I think that will be great.

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- Sir I think if you look on a quarter on quarter basis definitely it is very difficult for us to show significant growth. But on a year on year basis or if you look at the past 3 years, 4 years, 5 years, I think we have always been doubling or even 3 times sometimes in the past. So I am very confident that the company will continue to grow as it was or even much larger growth percentages that we can

see going forward in the next 2-3 years. Just to give an example if you see in the last 10 years we have grown 5 times. In the last 5 years we have doubled up.

- **Mr. Kalpesh Shah – Individual Investor**

- I understand. I mean why are we — why I said bothering is because some of the projects are very niche kind, niche in nature. And probably we don't have very many competitors or probably we may be the only ones. I'm not sure but you can elaborate on that a bit.

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- When you become a very niche player I think it is also difficult to enter into the customer because that is also a longer term once you enter. So it also takes that much time to crack the customers.

- **Mr. Kalpesh Shah – Individual Investor**

- Yeah so what is the time period that we can expect out of our company?

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- No I think we have been doing this for the past – it's not that I am saying we have some new products and we are yet to crack. We have been doing this. It is taking time to have that significant change in the business or in the revenues and profits. So that I think hopefully I think FY'19 is going to be a very good year. And second half of this year also is going to be a very significant year for us.

- **Mr. Kalpesh Shah – Individual Investor**

- That is good. I mean that is exactly what I personally wanted to understand. You say H2 of this year and FY'19. So can you throw some more light on what terms, on what business segments are we expecting this kind of a very good performance coming from?

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- I think definitely the industrial switch gear is one segment that is going to grow significantly this year as well as next year. Also the wire and cable, I think we are seeing a lot of potential and the growth is coming our way without much efforts. So that is also a business that is going to grow significantly.

- **Mr. Kalpesh Shah – Individual Investor**
- Just to understand a bit more, the nature of this business, especially the industrial switchgear, how is the order intake? I mean in the sense do we get a visibility for the orders or do we have an order book? Or how is it?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- This sector doesn't operate on a very long term order book because we have a 4-6 weeks delivery time for all the orders that we get. But we always have a kind of forecast given by the large OEMs.
- **Mr. Kalpesh Shah – Individual Investor**
- Exactly.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- So based on that we plan and then the orders as and when we will see the.....
- **Mr. Kalpesh Shah – Individual Investor**
- So you have a....
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- .....month on month orders.
- **Mr. Kalpesh Shah – Individual Investor**
- Okay so you have a visibility for the next 6, 8 or 12 months.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yeah from the OEMs but not from the channel. Not from the distribution channel.
- **Mr. Kalpesh Shah – Individual Investor**
- Okay so I mean we must have tied up with some of the OEMs. We must be targeting some of the OEMs. So can you throw just a tentative kind of a number what are we associated with as of now and what is the number that we are targeting?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**



- I think the guidance that we are giving that we will grow between 13 and 16%, around 15% this year is based on this forecast.
- **Mr. Kalpesh Shah – Individual Investor**
- Okay.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- On the top line, overall top line.
- **Mr. Kalpesh Shah – Individual Investor**
- I understand. Since the cycle itself is very short, the delivery period, so we can have a lot of asset turnaround out of this capacity.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I think overall we will not be going beyond 4 times asset turn in our sector.
- **Mr. Kalpesh Shah – Individual Investor**
- Okay.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- So that is what we will be able to achieve if we go with full capacity.
- **Mr. Kalpesh Shah – Individual Investor**
- So where do we see ourselves in say FY'20 with the 3 years, by the end of the third year from today?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Conservatively I would say we should be growing between 15 and 20% year on year.
- **Mr. Kalpesh Shah – Individual Investor**
- Okay. So I mean we definitely have a very professional management. We have definitely built very great capacities as far as quality is concerned. But what about the teams sir? The management teams? Do we have a CFO or a management team which can actually run the business? You can take care of other aspects of the business. I mean just trying to understand how are we growing and what is the plan of growth.

- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I think we on the operation side and on the marketing side I think we have a very good team in place and they are taking care and they are running the business as far as manufacturing and marketing is concerned. On the CFO side I think currently I am acting as the CFO and most probably I think we will be taking a separate CFO going forward.
- **Mr. Kalpesh Shah – Individual Investor**
- That is great! So probably that will enable you to concentrate a bit more on other aspects of development of business.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I agree.
- **Mr. Kalpesh Shah – Individual Investor**
- Okay. Okay. So I mean I think that's all from my side. I've got a very good insight from you. And thank you and best of luck for your future.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Thank you sir.
- **Moderator**
- Thank you. A reminder to our participants. If you wish to ask a question at this time you may press \* and 1 on your touchtone telephone. The next question is from the line of Kalpesh from Prabhudas Lilladher. Please go ahead.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- Hello. Couple of questions.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes sir.
- **Moderator**
- I am sorry sir we are not able to hear you very well.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Can't hear you.

- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- Sir I have a couple of questions on export front.
- **Moderator**
- Kalpesh are you on speaker mode?
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- Okay. Sir I have a couple of questions on export front. Particularly when I am seeing the export numbers. Is there any – because we were expecting the exports to you know take off big way in the coming years as such. Are we disappointed on our exports front? Because I am seeing the contribution from exports is already coming down to 15% type of level. So any strategy which we are doing which can you know bring around the export performance or probably we can see a delta swing over there?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- The percentage can I think giving a little wrong direction. Because on the absolute figures I think we are more or less on track at around 17.5 crores for this quarter compared to last year's 17 crores.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- Okay.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- The reason that the percentage is down is because the domestic sales have grown faster though the exports sales is growing at a slower pace. But I agree with you to some extent that we are not very happy with the growth of export sales which could be much better. But unfortunately we are not seeing big demand coming from European and also the Asian market.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- So what is the constant over there? Why is it not happening? Any constant you are finding with the players as such?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I think no, we don't see any negativity. But overall I think the growth is not as much as we want it.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**

- But are they quite averse to taking it big quantity from India or something?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- No I think those perceptions are gone. Now I don't think the made in India has any negative perceptions. It is not that that is happening. But I think because of the overall demand and the economic situation.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- So do we target any other geographies apart from Europe now?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- We are already growing a little better in US which has the economy doing better. And we are also trying to concentrate on the Middle Eastern sector like I think Egypt is one of our new areas, new focus area we are concentrating, Saudi Arabia are also some of the new geographies that we are....
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- In the coming years should we expect our exports to be in this band only? Like 70-80 crores only?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I think we should do at least 20 crores in a year. 20-22 crores in a quarter.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- In a quarter. So 80 crores type of thing for a year should we expect that only numbers to be there?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yeah. I think this year that is a number that we will be reaching.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- So in that scenario our reliance on this domestic business will be on a higher side. And plus our reliance on this wire business will also continue to be on the higher side.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Correct.

- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- So then margins will in that scenario probably....
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- On absolute numbers we will definitely be higher. But if the growth of the wire and cable business is going to be much faster then you will find on the percentage is coming down a little bit. But on the absolute numbers we are definitely going to grow.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- Okay. So the margin upswing whatever we were anticipating in next 2-3 years probably to the extent of 12-13% or more than that, probably may see some delay right?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- It will hover in the band because this business will pull down the margins absolute.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Correct. The blended margins yes.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- So any different strategy on the cost saving front or something like that which can help us in getting our margins to the levels what we were targeting?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- So the value engineering and other things are continuous processes where we are continuously doing this in spite of you know tremendous cost increase over for the last 2-3 years we were able to maintain the margin levels. If you look at the business verticals separately I think we are good in the switchgear business at around 14%. And n wire and cable at around 7%. Only because this business is growing at a faster rate we are seeing the blended margin percentage is down.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**

- Also sir I am seeing the energy management business which we were quite hopeful couple of years back. So we are not focusing to that extent in this space now?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- We definitely are focusing. That is why end of last year we secured a 20 crores from EESL. But unfortunately the projects are slowing down. EESL is slowing down the project because of various internal issues with EESL. Otherwise I think this business is definitely potential. We are talking to EESL again for forward tenders. And hopefully this tender that we have already taken for 20 crores also will have clearance this year for implementation.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- Okay. So is now the receivable issue getting resolved in this space particularly?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- There is no receivable issue so far but project has been, implementation has been delayed.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- Okay. And in terms of balance sheet how are the receivables days now?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I think this quarter we have a receivable of around 100 crores.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- Oh okay.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- So compared to last I think last quarter of 121. So we are down by 20 crores. In terms of number of days it's 3 months or less than 3 months.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- So we are hopeful probably second half probably we should be able to see some performance coming in.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- 100%. I think this full year definitely we are targeting a 15-18% top line growth as well as the bottom line.
- **Mr. Kalpesh Parekh – Prabhudas Lilladher**
- Okay sir wish you all the best.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Thank you.
- **Moderator**
- Thank you. Our next question is from the line of Jaisheel Garg from Way2Wealth. Please go ahead.
- **Mr. Jaisheel Garg – Way2Wealth**
- Hello sir? Hello?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes sir. Good afternoon.
- **Mr. Jaisheel Garg – Way2Wealth**
- Just another question sir. Like what is the current state of Salzer Germany business? And what's your guidance regarding the same?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Salzer Germany? You are asking about their business? Or our business with them?
- **Mr. Jaisheel Garg – Way2Wealth**
- Your business.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Our business with Salzer Germany is right now nothing. We have just started to discuss and talk to them on how and what to sell and where to sell. We are hopeful to start the business from second half of maybe October of this year. On a full year basis that is in FY'19, we see 10-12 crores of business coming from this association. So we are only talking about one particular product with them.
- **Mr. Jaisheel Garg – Way2Wealth**

- Okay, okay. Sir what kind of products are we talking about?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Rotary switches.
- **Mr. Jaisheel Garg – Way2Wealth**
- Rotary only.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yeah.
- **Mr. Jaisheel Garg – Way2Wealth**
- And sir another question is debt reduction plan, any?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes I think we are on the process of doing that. That's what I was just explaining. Our net working capital has dropped significantly from 170 days to 130 days this quarter. At the same time our borrowings also dropped from 105-107 crores to around 95 crores short term. And in the long term also we have dropped to around 8.5 crores from around 12 crores last quarter. And this will continue to drop.
- **Mr. Jaisheel Garg – Way2Wealth**
- Sir one more question. How the management is focusing on increasing ROE going forward?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- ROCE is definitely a focus for us for the last several years. We have been continuously working to improve that. Unfortunately due to various headwinds in the economy and also on our business we were not able to do so. But we have an internal target of hitting the ROCE to around 18%.
- **Mr. Jaisheel Garg – Way2Wealth**
- Okay. By what year?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- By at least FY'18.



- **Mr. Jaisheel Garg – Way2Wealth**
- FY'20. Okay.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Or middle of FY'19.
- **Mr. Jaisheel Garg – Way2Wealth**
- Okay sir. Thank you sir.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Thank you.
- **Moderator**
- Mr. Garg do you have any more questions?
- **Mr. Jaisheel Garg – Way2Wealth**
- Yeah ma'am. Thank you.
- **Moderator**
- Thank you. Ladies and gentlemen if you wish to ask a question at this time you may press \* and 1. The next question is from the line of Archit Singhal from Safe Enterprises. Please go ahead.
- **Mr. Archit Singhal – Safe Enterprises**
- Yeah hi. Thanks for the opportunity. Sir I joined the call late so I'm sorry if the question is repeated. But I just wanted to understand your outlook for the next 3-4 years. In the annual report you mentioned 1000 crores top line by 2020. So where are we in terms of that?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I think 2021 is what we are targeting to reach that long term plan of 1000 crores. Our short term target for the next 2-3 years is to grow at 15-20% year on year for sure. Apart from that I think we have also added some new businesses that will definitely grow at a faster pace so that our overall growth can improve which we are not discounting right now. So I think at this pace we also going forward we also have some plans to add some more new technologies and new products into the business. So as a combination of all this, I think in FY'20-21 we are still targeting to reach that kind of a figure of around 1000 crores.

- **Mr. Archit Singhal – Safe Enterprises**
- And which business segments would drive the major of the goal?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- I think we are into 4 segments expect one which is the order book driven government project. All other three segments will continue to give us very robust growth.
- **Mr. Archit Singhal – Safe Enterprises**
- Okay so I mean the 15-20% you are mentioning for the overall company that should fall down to the segments as well.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes.
- **Mr. Archit Singhal – Safe Enterprises**
- And in terms of the margins I mean how are you looking at that for the next 2-3 years?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Segment wise if you want me to tell I think the industrial switchgears will continue to give us around 14% ebidta. The wire and cable around 7%. The building segment right now contributes around 7% ebidta margins. But I think going forward if the sales improve I think we can expect around 10-12% ebidta levels there.
- **Mr. Archit Singhal – Safe Enterprises**
- Okay. This is in the next 2-3 years you're saying?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yes next 3 years. And as a company blended margins can vary depending on the revenue mix.
- **Mr. Archit Singhal – Safe Enterprises**
- Okay, oaky. But no guidance per se as such.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**

- We will not be able to give a guidance because if the businesses grow as expected then we will be able to give a guidance. But unfortunately I think some businesses are growing at a faster pace. And some businesses are growing at a slower pace. And the blended margins are down. That's why I am giving you a vertical wise guidance.
- **Mr. Archit Singhal – Safe Enterprises**
- Okay, okay. That's it from my side sir. Thanks a lot.
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Yeah.
- **Moderator**
- Thank you. Ladies and gentlemen if you wish to ask a question at this time you may press \* and 1 on your touch tone telephone.
- As there are no further questions from the participants I now hand the floor back to Mr. Kunal Sheth for closing comments. Over to you sir.
- **Mr. Kunal Sheth – Prabhudas Lilladher Private Limited**
- Thank you. I would like to thank the management for taking time out for this call. Sir any closing comments you would like to give?
- **Mr. Rajesh Doraiswamy – Joint MD & CFO, Salzer Electronics Limited**
- Once again thank you very much for everyone for taking time out and for your attention. Thank you.
- **Mr. Kunal Sheth – Prabhudas Lilladher Private Limited**
- Thank you.
- **Moderator**
- Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher that concludes this conference. Thank you for joining us. You may now disconnect your lines.