



“Salzer Electronics Limited Q3 & 9M FY20 Earnings
Conference Call”

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Moderator: Good day ladies and gentlemen and welcome to the Q3 and Nine Months FY20 Earnings Conference Call of Salzer Electronics Limited. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a remind 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Doraiswamy, Joint Managing Director of Salzer Electronics Limited. Thank you, and over to you sir.

Rajesh Doraiswamy: Thank you. Good afternoon, everyone. And thank you all for joining our earnings call for the third quarter and nine months ended December 2019. I have with me, Mr. Baskarasubramanian, Director (Corporate Affairs) & Company Secretary and Mr. Murugesh, Assistant Company Secretary, Ms. Savli Mangle and Mr. Smit Shah from Bridge Investor Relations.

We have already shared our results update presentation and I hope you all must have received it and gone through the same. As you all are aware, our company started as a single product manufacturing cam operated rotary switches in India. And over the years, we have evolved from a single product manufacturer, to a company that offers total complete and customized electrical solutions to our customers. Though we are operating under the electrical and electronic product group, for ease of our analysis, we have classified our businesses into four divisions namely, Industrial Switchgear Business, the Wire and Cable Business, the Building Segment Business and the Energy Management Business.

Now coming to the developments that happened during the nine months of the financial year:

As it has already been intimated to you all, I would again like to share that we have completed the acquisition of 74.8% of equity shares of Kaycee Industries Limited, which now becomes a subsidiary of Salzer Electronics Limited and have also appointed Mr. Raman as Vice President Finance and Operations at Kaycee Industries Limited. Now, coming on to our quarterly and nine months financial and business performance. Our financials for the current and past quarters have been restated as per IndAS accounting guidelines. During the quarter, our revenues declined by 6.1% to Rs.134.7 crore from 143.5 crore in the corresponding period. This was mainly on account of lower contribution from wire and cable segment due to the slowdown in demand. In fact, the Wire and Cable Division during the quarter declined by 19% year-on-year.

Our revenue for nine months ended 31st December 2019. Stood at 434.7 crore compared to 404.7 crore in nine month FY19 that is a year-on-year growth of around 7.5%, mainly driven by exports and higher contribution from Industrials Switchgear Business. During the quarter and nine months, our exports contributed 20.7 and 16.7% respectively towards our revenues, mainly driven by increasing demand for our products under the Industrial Switchgear segment. The EBITDA for the quarter, stood 16.7 crore as compared to 16.1 in the corresponding previous

quarter, which is a growth of 3.8%. The EBITDA margin for the quarter was at 12.4%, which is an increase of 119 basis points over last year. This increase in EBITDA margin is backed by higher exports of Industries Switchgear products. The EBITDA for nine months FY20 grew by 8.8% year-on-year to Rs.50.9 crore from 46.8 crore last year. Driven by increase in contributions from business of Industry Switchgear and Wire and Cables. The nine month FY20 EBITDA margin stood at 11.71% which is an increase of 15 basis points as against 11.5% in nine months FY19 on account of change in product mix. The profit after tax was at Rs.5.5 crore in Q3 FY20 as against 5.4 crore in the corresponding previous period of Q3 FY19 which is a growth of 2% and for nine months of FY20 PAT grew by 10.8% to Rs.17.3 crore compared to 15.6 crore in nine month FY19.

Now, moving on to the breakup of revenues as per the business division, the Industrial Switchgear Division contributed 50% of the total revenues in this quarter and 44% in nine month FY20. This segment has grown by 6.7% year-on-year in Q3 FY20. Driven by increase in exports and demand across products especially uptick in three phase drive tech transformers.

For the nine months, the Industrial Switchgear Division has grown by 14% year-on-year. The Wire and Cable Division contributed 41% to our revenues this quarter, declining 19% year-on-year on this quarter. Mainly an account of lower demand in the domestic market. This division contributed 47.3% in nine months FY20 with a growth of 5% year-on-year.

Moving to the Building Products Division, this business is the only B2C business that we have. During the nine months of the financial year the real estate market has been on a slower side and we are yet to see pickup in demand that has impacted the overall industry. We hope that this changes in the coming quarters and will help us to increase our contribution from this segment to the overall revenues. This division has contributed 6.8% this quarter and 6.4% in nine months.

The fourth is the Energy Management Division, contributing 2.2% revenue in this quarter and 2% in nine months FY20. This is an order book driven business and revenues have been driven from annual maintenance contracts. This financial year so far has been a very challenging year due to the prolonged slump in the industrial activity in the country. For us, extended monsoon has affected the agri cable business and the severe slowdown in demand in real estate sector has affected the building segment business. In spite of the headwinds we have grown in the Industrial Switchgear Business due to our constant push in the market and our long term relationship with various customers. We expect that our enhanced manufacturing capabilities and brand visibility among our customers will enable us to scale our business and customer connect.

Besides strengthening the revenue drivers, improving ROCE and working capital cycle also form a part of our core strategy. We are also working on the system and process management to grasp a better visibility and orders. Based on which we can plan our inventory levels. The collaborative efforts taken internally will lead us to improve efficiency reduce working capital inventory levels, we expect with these initiatives our ROCE to improve from the current levels to around 18% within the next three years.

With a very competent team in place we are confident of achieving the milestones we have set for ourselves. We are also constantly on the lookout for new opportunities for technical associations to strengthen and increase our product offerings.

This is all from our side for now. I would once again like to thank everyone for your time and attention. We can now take questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sanjay Shah from Alphaline Wealth Advisors. Please go ahead.

Sanjay Shah: Sir can you highlight about the growth which we have achieved in Switchgear, from this vertical, which products which gave us such a nice jump in our Industrial Switchgear Business was it transformer or anything else and can you elaborate on our transformer business how it's panning out?

Rajesh Doraiswamy: I think three phase transformer business is definitely panning out well, for nine months we have achieved a turnover of around 20 crore in three phase transformers. And I think our wire harness business also is turning out to be extremely well, in nine months we have achieved a turnover of around 15 crore in that. So, these two have contributed together around 35 crore out of the 195 crore that we have done in nine months so far.

Sanjay Shah: And how is the future visibility?

Rajesh Doraiswamy: I think these two businesses are growing at around 50% year-on-year compared to last year. And then we see a good visibility in wire harness particularly with various customers both in India as well as exports. And another reason for Industrial Switchgear Business growth is we have got some additional business in railways, which has contributed to this growth and also exports. I think exports in this quarter grew at around 20% year-on-year compared to last nine months we are in exports we are up by around 16% particularly to I would say to USA. And that is also one of the reasons that the EBITDA margins are a little better.

Sanjay Shah: Right. So, USA we are supplying to our distribution channel or directly to the OEs?

Rajesh Doraiswamy: USA majority of our business is to distribution, we also do some small business to OEMs. But I would say 90% is to distribution our dealers in US.

Sanjay Shah: Sir value wise can you tell us how much we have done business with railways and how much in exports?

Rajesh Doraiswamy: Exports, I think overall exports for nine months we have done around 75 crore, railways exactly I will not be able to tell but we have definitely grown by around 40% in railways compared to last year. I can share the figures with you.

- Sanjay Shah:** My second question was regarding the balance sheet. We have not disclosed December 19 balance sheet so, will it be possible for you to share some numbers on debt side what is the total debt right now, short term and long term separately?
- Rajesh Doraiswamy:** Yes, I think the long term debt has increased by around 10 crore mainly on account of the data cable project that we are implementing. Apart from that there is no change in the long term debt. So, overall long term debt is around 15 crore right now. On the short term borrowing also has increased by around 10 crore, currently it's around 145, 150 crore.
- Sanjay Shah:** So total around 165 crore to be?
- Rajesh Doraiswamy:** Correct.
- Sanjay Shah:** Just my last question, can we run up through the future how do you see it panning out next year. We go this year as it is, how will be the next year?
- Rajesh Doraiswamy:** Current year itself we had estimated that we will reach a topline of around 630 crore this year. But unfortunately, I think the markets have been extremely challenging and the industrial scenario has been too tight. There's been a demand slowdown across sectors, which has actually not allowed us to grow at that pace. But nevertheless I think we will, we are still hopeful of reaching 600 to 605 crore in the topline this year, which is still a growth of I would say around close to 10% to 12%, 10% I would say. Next year, I think we hope the situation definitely has to change because it's been quite long that we have been in this kind of situation. So we expect the industrial scenario to change the economic to pick up. That happens, I think we are looking at close to around 720-730 crore next year.
- Sanjay Shah:** Okay, 720 means growth of around 20%?
- Rajesh Doraiswamy:** 18% to 20.
- Moderator:** Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.
- Kirti Jain:** In terms of EMS businesses, how is the ordering pipeline and how we see the business for this year and next year?
- Rajesh Doraiswamy:** On EMS business, I think this year for nine months we have got a revenue of around 8.8 crore which is mainly the yearly maintenance that we are doing. And this will continue for one more year. Apart from this, on the pipeline we haven't got any order so far, we have actually quoted for a tender a couple of days back in Punjab, which is a 40 crore worth of tender. So, we are expecting the results to come out in the coming week, and we will know what is the status of that. So that's the only tender that has come out in Punjab and we have quoted for that.
- Kirti Jain:** Sir in terms of finance cost we have been able to reduce sequentially finance costs. So, what is the key reason sir it's rate reduction or it's aided by say lower average borrowings?

- Rajesh Doraiswamy:** Lower utilization of working capital.
- Kirti Jain:** Okay. Then in terms of the other expenses, like say topline is still slightly come down sequentially, but other expenses had gone up 2 crore on a sequential basis and lower topline on a year-on-year basis, other expenses have increased by 10%. Any particular reason sir?
- Rajesh Doraiswamy:** Other expenses you are looking at year-on-year December?
- Kirti Jain:** Year-on-year December and also sequentially both have gone up sir?
- Rajesh Doraiswamy:** Actually year-on-year December if you see, I'm not looking at quarter on quarter I am looking at nine monthly bases. Nine monthly bases we are almost in the same levels like last year nine months. I don't have this figure exactly for the quarter which, if you give me some.
- Kirti Jain:** Yes, on the nine month basis you are right sir. 39.2 - 39.4.
- Rajesh Doraiswamy:** 39.2 and 39.4 yes correct. On the quarter basis I will check and then come back to you on this.
- Kirti Jain:** Sure sir. Sir given that the copper is coming off slightly. So can we expect like at least for a quarter or two near term the benefit seen are switchgear business?
- Rajesh Doraiswamy:** Yes the copper price drop will definitely benefits will accrue for the Switchgear Business. On the Wire and Cable it will get passed on because there is no effect on the copper price for us, we pass on, on a monthly basis to the customer. But for the Switchgear Business yes, we will definitely see an uptick in the margins.
- Moderator:** Thank you. The next question is from the line of Chirag Patel from Adinath Shares. Please go ahead.
- Chirag Patel:** First of all, we taken a 74 something acquisition of Kaycee Industries right, so with respect that are the plans for FY21 for standalone Kaycee Business and operation. So we can get benefit out from the nitration of this particular entity?
- Rajesh Doraiswamy:** Thank you, I think a good question. We are actually already seeing the benefits by way of acquisition of Kaycee. Kaycee topline last year FY19 was 25 crore, FY20 they are going to be flat at 25 crore but definitely we are seeing an uptick in the margins improvement in the margin percentage. For FY21 we are seeing, we are looking at a 30 to 32 crore of revenues in the topline and a 10% PAT.
- Chirag Patel:** 30 to 32 topline you are expecting?
- Rajesh Doraiswamy:** Yes, 30 to 32 crore in topline. Looking at a 9 to 10% PAT levels. So, apart from that the benefits that we have already seen is the increased railways business to Salzer, that I already mentioned to you because only Salzer and Kaycee are the two major competitors in railways, we have

already got a price increase with railways and also we are seeing better business to Salzer flowing in.

Chirag Patel: Okay and sir earlier participant asked and we are expecting a turnover of around 720 crore, which is about to 18% topline growth in FY21 particularly. So, I just want to know, in this 720 crore guidance are we including this 32 crore topline of Kaycee Industries which we have now?

Rajesh Doraiswamy: No, all the figures that I have been mentioning so far in my presentation is standalone.

Chirag Patel: We still want to know the consolidated EBITDA margin is what we are expecting for?

Rajesh Doraiswamy: Sorry say that again?

Chirag Patel: My second question is on consolidated level what EBITDA margin we are expecting from Salzer as well as Kaycee both together?

Rajesh Doraiswamy: On Salzer I think we will end up between 11.75 and 12% EBITDA margin for the full year. Kaycee I think it will be on a similar lines, to be 11% not 12 but 11%.

Chirag Patel: And it is for FY20 right?

Rajesh Doraiswamy: FY20-21.

Moderator: Thank you. The next question is from the line of Trisha Sarang an Individual Investor. Please go ahead.

Trisha Sarang: Sir you have mentioned that our Wires and Cables Business has declined by 19% in this quarter, if you compare year-on-year basis and you said this is due to decrease in demand. So do we see this continuing in the future or can you elaborate on that?

Rajesh Doraiswamy: Actually, the Wire and Cable Business that we do are majorly contributed from the agri segment. Unlike the other wire and cable majors, we do very less of real estate building wires and industrial waves. So majority of our business is agri segment. So the reason for the decline in this quarter is because of the extended monsoon. Normally the agri season picks up during October, November, and goes until June. So that's the peak season, if you always see historically, we have done extremely well in Q3, Q4 and Q1. That's the three quarters that we do extremely well and Q2 is always down. But unfortunately because of the extended monsoon, this Q3 also has not done well. And we are seeing the same situation even in Jan. Hopefully, from February onwards, February until June things should change and get better. We expect that to happen.

Trisha Sarang: Okay. My next question is, what is the contribution of Salzer branded Wires and Cables?

Rajesh Doraiswamy: I would say 65 to 70% is still white labeled to various parties including L&T. Said 30% we will be doing Salzer direct business out of the 205 crore that we have done.

- Trisha Sarang:** Okay. Also my last question is, our exports have increased during this quarter which you said is due to the supplies to US. And you said that it is mostly, 90% is to our dealers?
- Rajesh Doraiswamy:** Yes.
- Trisha Sarang:** So any plans of expansion in that area and if you can share the top customers?
- Rajesh Doraiswamy:** I think US is turning out to be a potential market for us mainly because of the trade tensions that US had with China. We have seen quite a lot of new inquiries, which we are working on. We're also working with a couple of large OEMs, which I won't be able to mention the names right now, until we come to a conclusion with them. But we see a lot of potential with US in the coming years. As of now the increase in business is, to directly to our existing dealers with whom we have been working for several years, that is the business increase that we have seen as of now. But going forward, we see a lot of potential in supplying many other products from our product portfolio into US.
- Moderator:** Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.
- Kirti Jain:** Sir next year, can we expect the tax rate to be at 25%?
- Rajesh Doraiswamy:** Which one?
- Kirti Jain:** Tax rate currently is at 30% range, tax rate?
- Rajesh Doraiswamy:** We did work out to see with our Chartered Accountants to which rate to adopt whether to go for 25% tax rate or continue with the existing tax rate and avail the exemptions. So we found it advantage to continue with the existing tax rate and avail the exemptions because our effective tax rate after the exemptions is coming to around 24% today. Whereas if we if we go for the new tax rate it is 25 plus SEZ and other things it comes to around 28.5% and we will not be able to avail any exemptions. So we thought we will continue with this, though on the books it will be 33% tax because of the deferred tax. But on effective cash flow basis we'll be paying 24% real tax.
- Kirti Jain:** It's 22 plus actually?
- Rajesh Doraiswamy:** No, I think it's 25 .
- Kirti Jain:** No, sir with all put together it's 25.12 sir.
- Rajesh Doraiswamy:** Okay then, I will have to really check because so far as per discussions we had I think we worked out around 28.5%.
- Kirti Jain:** Sir with regard to finance costs, we will be flat next year sir with despite detail, given the working capital improvement initiative you are taking. How we should see this first?

- Rajesh Doraiswamy:** First year, this year also I hope we will continue to be flat compared to last year. And it will continue to be flat even next year.
- Kirti Jain:** Sir 21, 22 crore kind of?
- Rajesh Doraiswamy:** I think we would like to bring it lower than 20, around 20 crores.
- Kirti Jain:** So, effectively interest cost as a percentage of sales will come up very nicely sir?
- Rajesh Doraiswamy:** Yes, will drop. Currently it is around 3.6%, 3.5% we expect this to definitely drop.
- Kirti Jain:** So, we will come around 3%, less than 3, 21 upon 3 so, 0.6% of PBT improvement we would be able to see?
- Rajesh Doraiswamy:** Yes, that's definitely the plan and that's why we are driving our team also to work.
- Kirti Jain:** Okay sir. Sir like in two years forward 2% finance costs can we aspire for that, given that our fund will be getting circulated back in the business, 2% finance cost as percentage of sales can we aspire for that sir?
- Rajesh Doraiswamy:** Another 1% reduction, yes definitely possible.
- Moderator:** Thank you. The next question is from the line of Rohan Mehta an Individual Investor. Please go ahead.
- Rohan Mehta:** I just wanted to ask you mentioned earlier that the benefits from Kaycee are already showing up. So, have you also started using the distribution network for our products?
- Rajesh Doraiswamy:** Not yet. I think we are just starting to sell our products through their distribution. That business is just starting to right now that is not still released. What benefits you have already seen is, wherever we have been competing with each other directly we have stopped competing on pricing and we have started raising prices in those areas, that is the benefit we are already seeing.
- Rohan Mehta:** Okay. And sir the new data cable facility when can we expect that to start?
- Rajesh Doraiswamy:** We have already started trial production submitted samples to various customers. Sample testing also is going on at third party lab. So, full-fledged production should start from middle of March or first week April.
- Rohan Mehta:** Okay. So, we can see revenues from there also coming in in the next financial year?
- Rajesh Doraiswamy:** Yes.
- Rohan Mehta:** Okay. And sir what is the current capacity utilization?

- Rajesh Doraiswamy:** It's around 70% on average, on different facilities
- Rohan Mehta:** Alright. And at peak utilization what kind of revenues can we expect?
- Rajesh Doraiswamy:** Without major CAPEX from now on we can go up 1000 crore.
- Rohan Mehta:** And existing without further CAPEX?
- Rajesh Doraiswamy:** Without major CAPEX, we have to do some maintenance and small capacity additions, but that we do very dynamically on yearly basis.
- Rohan Mehta:** Okay. Sir you also mentioned that US is one of the key export markets for us. So what kind of trend can we see over the next few quarters like revenues from USA and if there are any other foreign markets that are growth opportunities for our exports?
- Rajesh Doraiswamy:** We will not see big difference in our US exports in the next few quarters, but I think starting middle of next year, we expect this traction to improve further. Right now, we are doing around, I would say close to around 4 crore per quarter as exports to US. Which was around 2, 2.5 last year. We expect this to double starting from middle of next year.
- Rohan Mehta:** So that will be the main driver of our exports?
- Rajesh Doraiswamy:** Yes.
- Rohan Mehta:** Sir do we have any sourcing or any sort of business from China as well?
- Rajesh Doraiswamy:** Of course nobody in the world can live without sourcing from China we are definitely sourcing some raw materials and components from China, but not very major. We do source some raw materials and components from China. We are sufficiently taken care for our stocking because of all these issues. So there's no major issues that we are looking forward right now.
- Rohan Mehta:** Right, I was going to ask that only if we are going to get affected because of these recent developments in China. So we are sufficiently safe on that front?
- Rajesh Doraiswamy:** Yes, because anyways the Chinese went in for holidays, January, February we actually got it stocked until April. We don't see major issues and the most of our suppliers are resuming work from 15th of February.
- Rohan Mehta:** Alright. So sir our current ROCE is at around, when will we achieve around ROCE of, can we expect around 18, 19% sometime in the future?
- Rajesh Doraiswamy:** Yes, currently it's close to around 11, 12%. We look forward to grow at least 2% in the next one, one and half years and 18% in next three years.

- Rohan Mehta:** Next year, okay. So if I can ask what kind of strategy would we have to sort of increase ROCE in that?
- Rajesh Doraiswamy:** Basically, there's no major CAPEX from now on, so that utilization will help. Secondly, we are looking at the working capital efficiency. Inventories are quite high, we are still running at around 140 days networking capital. That we have room to actually cut down by around 30 days. So, these two things will definitely help us bring in the ROCE benefits.
- Rohan Mehta:** Okay, this will be over the next two to three years?
- Rajesh Doraiswamy:** Yes.
- Moderator:** Thank you. The next question is from the line of Chirag Maroo an Individual Investor. Please go ahead.
- Chirag Maroo:** Sir I just wanted to know what kind of CAPEX have we planned for Data Cable Business and what kind of production size for the same and when will it start?
- Rajesh Doraiswamy:** As I said, the trial production already started, we started submitting samples, full-fledged production, we expect to start from first week April. Total CAPEX will be around 17, 17.5 crore for this project and with the current machineries that we have installed we can go up to around 55, 60 crore topline and with an edition of around 3 crore machinery at that point of time, we can actually take this to around 85, 90 crore levels.
- Chirag Maroo:** You have taken 10 cr debt for the same and 7cr internal accruals and the future 3 cr will it be internal accruals or we are going to take some debt?
- Rajesh Doraiswamy:** Internal accruals. We expect to add 3 crore machinery maybe after one year, not now.
- Chirag Maroo:** Okay. Sir you have said that you are looking at Kaycee EBITDA margins for FY21 around 11 to 12%, but you have even mentioned that you're looking at Kaycee PAT margin about 10% for FY21. I am not able to understand how you're releasing that quarter margins?
- Rajesh Doraiswamy:** At Kaycee, the depreciation and finance cost is very low. So, the EBITDA margin actually translates into PAT.
- Chirag Maroo:** Okay, so you are expecting any kind of increase in maintenance cost for the same because the machine is a bit old one?
- Rajesh Doraiswamy:** No.
- Chirag Maroo:** Okay. Sir earlier we had a talk like, you wanted to tap the EV segment then, we are taking some R&D expenses for the same, any development on the same?

Rajesh Doraiswamy: We have actually completed development of EV chargers and we have actually started them on a trial basis. We started deploying that thing in the Coimbatore city at a couple of places. We are looking at, we're talking to organizations like EESL, we've also approached a couple of other electric two-wheeler manufacturers to see how we can collaborate with them. So we are looking at various options on that. So, we still see this business growing two years from now. But we are already ready with the EV chargers.

Chirag Maroo: So, I can expect like for FY21 the major focus is on the Switchgear Business plus a bit on building segment as you wanted it to be 10% of our revenue, which I don't see it coming in FY20. And some wire segment too like we have come to the data table and all. So, over this is going to our focus and not ED for now?

Rajesh Doraiswamy: EV is still, this incubation stage I would say, it's not that we are not focusing it is still on incubation stage and we don't expect any revenues to come in from FY21 from that segment. But since we expect that to be a future business we just want to be in the business in the initial stages so that we don't miss out any opportunity that comes on their way.

Chirag Maroo: Okay. Sir on building segment what are your projections like how are you going to improve your fields from now. Affordable segment is growing affordable housing is growing but we are seeing a stagnant growth all over India in luxury or middle segment. So, what percentage of revenue do you generate in real estate from South and rest of the India?

Rajesh Doraiswamy: Currently, we are only present in the South, we are not present in the Western market and Northern market. We are only present in the five southern states and to some extent Maharashtra little bit. This is our area of operation for building segment right now. Last year we actually grew by 80% so, actually the base for us for this year has gone up compared to what it was last year. So, that's why we are struggling to grow in building segment coupled with the dramatical slowdown in the real estate market across the country. Particularly in Bangalore and Chennai, even Kerala market has completely slowed down there are no new projects, extremely oversupply of projects. So in spite of that, I think we have not declined too much we have remained flat compared to last year. And we hope that we will continue to be flat this year compared to last year. And next year we want to double this, this year we wanted to double but unfortunately we couldn't do it but we are looking at doubling this next year. By expanding into Western and the Central India.

Moderator: Thank you. The next question is from the line of Rohan Mehta an Individual Investor. Please go ahead.

Rohan Mehta: Sir, if you could just shed some light on our current operating cash flow levels and where we can expect them to be at the year end?

Rajesh Doraiswamy: I don't have that data right now with me, but I can share that with you. This year we are not great on cash flows because of the investments that we made on acquisition. Otherwise we are having positive cash flows. And will have new cash flows to come in next year also.

- Rohan Mehta:** Alright, so any plans currently on how it will be utilized?
- Rajesh Doraiswamy:** Right now, as I told we don't have major CAPEX. We are only going to continue to improve our working capital efficiency.
- Rohan Mehta:** Any plans to finalize a dividend payout ratio?
- Rajesh Doraiswamy:** Since the dividend distribution tax has been removed right now. The board is definitely discussing on increasing the dividend also.
- Moderator:** Thank you. The next question is from the line of Chirag Patel from Adinath Shares. Please go ahead.
- Chirag Patel:** How we look at the recent budget and the fund given for the mobile and electronic manufacturing facilities in India. Specifically, government is focusing too much on this particular two thing that mobile manufacturing and electronic instruments within India. So, are we finding the opportunity or fine tune for our products in this particular development?
- Rajesh Doraiswamy:** Fortunately we are not present in the electronic manufacturing space, that's the mobile phone electronic spaces. So, I don't think that whatever benefit government is giving them we are going to get it that's not there. Secondly, in the budget we don't see any major positives for industrial growth. I think it has been quite nothing much out I would say.
- Chirag Patel:** Okay and particularly on railway CAPEX, they have given good allotment?
- Rajesh Doraiswamy:** That has been going on well and we have been benefiting out of that. Railways is one area where the investments from the government has been good and we have definitely been benefiting on that.
- Moderator:** Thank you. The next question is from the line of Chirag Maroo and Individual Investor. Please go ahead.
- Chirag Maroo:** Sir our capacity utilization at Salzer is 70%, what is the capacity utilization at Kaycee Limited?
- Rajesh Doraiswamy:** Sorry, question again please.
- Chirag Maroo:** What is our capacity utilization at Kaycee?
- Rajesh Doraiswamy:** Kaycee our capacity utilization should be around close to 80%, 75 to 80%.
- Chirag Maroo:** So are you planning about any kind of CAPEX at Kaycee?
- Rajesh Doraiswamy:** No, I think we can actually do a lot of debottlenecking there and we can improve the productivity there, that is what we are working on now.

Moderator: Thank you. As there are no further questions from the participants I would now like to hand the conference over to Mr. Rajesh Doraiswamy for closing comments.

Rajesh Doraiswamy: I would like to thank each and each and every one of you so much for your interest in the company and for your suggestions. Looking forward to talk to you again in the next call. Thank you.

Moderator: Thank you. On behalf of Salzer Electronics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.