

Date: 18th February, 2019

To

Listing Department,
The National Stock Exchange of India,
Exchange Plaza, C-1 Bandra Krla Complex,
Bandra (E), Mumbai- 400051,
NSE Symbol: SALASAR

Department of Corporate Services,
The BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001,
BSE Scrip Code: 540642

Sub: Transcript of Conference call held on February 13, 2019

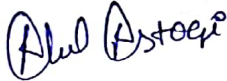
Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 enclosed herewith the transcript of Conference call held on 13th February, 2019 and information asked during con call, enclosed as reply of con call queries, for your record and further dissemination.

Kindly take the same on record.

Thanking you,

For **Salasar Techno Engineering Limited**



Rahul Rastogi
Company Secretary

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“Salasar Techno Engineering Limited Q3 FY ‘19
Earnings Conference Call”

February 13, 2019



**MANAGEMENT: MR. SHASHANK AGARWAL, JOINT MANAGING
DIRECTOR, SALASAR TECHNO ENGINEERING LIMITED
MR. PRAMOD KALA, CHIEF FINANCIAL OFFICER,
SALASAR TECHNO ENGINEERING LIMITED
MR. KAMLESH SHARMA, VICE PRESIDENT, FINANCE
AND CONTROLS, SALASAR TECHNO ENGINEERING
LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Salasar Techno Engineering Limited Q3 FY '19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' and then '0' on your touchtone phone. 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 the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. I would now like to hand the conference over to Mr. Shashank Agarwal, Joint Managing Director. Thank you and over to you, Sir.

Shashank Agarwal: Thank you. Good Afternoon everyone and Welcome to Salasar Techno Engineering Limited earnings conference call for the third quarter and nine months end of December 31, 2018. I would like to begin by expressing my gratitude to all of you for taking the time to join us today. On the call with me is Mr. Pramod Kala – the Chief Financial Officer of the company, and Mr. Kamlesh Sharma – Vice President, Finance and Controls, and Bridge IR, our Investor Relation team.

Before we get into the financial and business performance for the quarter and nine months ended December 31st, I would like to start by giving you a short overview of the company.

Our journey began in 2006 as a telecom tower manufacturer, and over the years, we have successfully diversified our business into other verticals expanding our operations into various parts of India. We have supplied more than 30,000 telecom towers since our inception of various designs to all leading telecom players and share a good business relationship with each of them. Our technical collaboration with Ramboll, the Danish company has enabled us to emerge as one of the key players in the manufacturing and fabrication of telecom towers. This collaboration has helped us provide our customers a better design and optimized coverage. We are the preferred telecom tower supplier for all major telecom companies in India and enjoy a sizeable share of the market.

As on date, our total installed capacity of galvanizing stands at about one lakh metric tons per annum and we offer steel fabrication and infrastructure solution for telecom towers, transmission line towers, substation structures, solar module modeling structures. We also manufacture and provide utility poles to our customers for different uses such as high mast poles, lighting poles, smart city poles, stadium lighting poles, flat poles. I would also like to mention here that we are an approved vendor for Power Grid Corporation of India for various transmission line projects. Our business can be classified into four verticals mainly, one is telecom towers, second is transmission which can further be divided into EPC projects, turnkey projects, railway track electrification and supply of railway track electrification structures to other EPC contractors and similarly transmission line structures for the EPC contractors. Third vertical is solar module model structures and fourth is the utility poles which include lighting poles, high mast poles,

smart city poles, lighting poles, camouflage poles, and flag poles etc. Further, as an ongoing endeavor to enrich our product mix, we have been awarded as an approved vendor from Central Organization for Railway Electrification that is COR to supply railway track electrification structures to other EPC contractors. Our company is gearing up to sharpen its focus on railway electrification and intent to introduce bidding for certificates.

We have started building capacity and sharing our manpower to handle all related projects. This sector continues to witness uptake growth in both orders and execution and the company expects growth to remain strong and create further pace with increased participation opportunities. We have constantly innovated to provide efficient solutions, our excellent execution capability has helped us gain the trust of our clients. This is evident from a strong repeat orders from our clients. I am happy to share with you all that our Board of Directors have approved the appointment of Mr. Pramod Kumar Kala as the Chief Financial Officer of the company in place of Mr. Kamlesh Sharma earlier. Mr. Pramod Kala is a qualified Chartered Accountant and has more than 23 years of rich experience in the field of finance, banking, accounts, and taxation and commercial operation. Mr. Kamlesh Sharma, our old CFO has been reassigned the post of Vice President, Finance & Controls.

Also, I am happy to share that Salasar has been bestowed upon the two of the highest accolades by Indus Towers annual partner meet held last week at Gurgaon. It is important to mention here that Indus Towers is one of the largest tower company in the world outside China having more than 120,000 towers at site with almost 2 lakh tenancies. This award from Indus Towers is something that we are very proud of. We have been awarded two awards, one is the Gold Award among the category of infrastructures, which is the highest award in the category of supply on structures for building passive infrastructure, which includes ground-based towers, rooftop towers, mono poles, pole mounts, and other related structures of building tower site, so we are the highest, we have been considered as the best partner among the supply of infrastructure plants.

Second award is the Platinum Award, which is the Partner of the Year 2018-19. This is the highest and the most coveted award that Indus gives away to any partner among fraternity of almost 400 vendor partners, among all categories, so Indus has considered Salasar as their partners for the year 2018-19 and we have been chosen as the best one among 400 partners across all category of products what Indus does, whether it is telecom towers or IT solutions or services. These awards give the testimony to our company's determination to provide the best service to its customers. Customer satisfaction has always been our first and foremost. This year again we are committed to meet our target of zero defects, always-on-time delivery, and timely project execution at site and most ethical business practices.

Coming to our consolidated financials for the quarter and nine months ended December 31, 2018, these numbers are in line with Indian Accounting Standards, Ind-AS guidelines. Financial highlights of the third quarter. Our focus has been on improving overall business and this can be

seen in our performance. The company registered a revenue of 150.7 crores with a year-on-year growth of 15% from Rs. 131 crores in the same quarter last year. The growth is driven on account of growth across telecom sector and transmission segments. We were expecting a slightly higher revenue in this quarter, but at the end of the quarter some of the orders could not be invoiced to Reliance because they were taking inventories at their warehouses and those products and services sales were booked in the month of January. The EBITDA was at 15.8 crores in Q3 FY '19 increased by 7% as compared to our 14.7 crores in Q3 FY '18 despite challenging scenario in raw material cost and other services. Expenses of Rs. 1.7 crores incurred in Quarter-3 FY '19 are mainly on account of technical and consultancy fee which has been paid to our joint-venture company, which are pertaining to orders which are going to be executed in our next 18 months.

The net profit for Q3 FY '19 was at Rs. 6.3 crores as compared to Rs. 8.5 crores in Q3 FY '18. This decline is mainly driven by the increase in finance cost as the working capital requirement has increased and we had built inventories to execute orders in the upcoming numbers. The inventory levels were quite high at the end of Q3 FY '19. The financial highlights for nine months FY '19, our nine months FY '19 revenue stood at Rs. 467.3 crores with a year-on-year growth of 34% compared to 347.7 crores in nine months FY '18. The growth has been on account of timely execution of orders across segments and also some supply of railway electrification structures that started from this year. Our EBITDA stood at Rs. 50.1 crores representing a growth of 32% as compared to Rs. 38 crores in nine months FY '18; this is despite challenging raw material scenario and also higher capacity utilization. The profit after tax was at Rs. 23.1 crores versus Rs. 20.2 crores nine months FY '18 representing a growth of 15%. Overall, we see good demand in the industry and our focus remains on increasing our market share and providing quality product and services to our clients. This is all from my side as of now and the floor is open for question and answers.

- Moderator:** Thank you very much, Sir. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.
- Baidik Sarkar:** Can you help us understand the volumes you booked in revenues in Q3 and if you can give the comparable numbers for Q1 and Q2 this year as well?
- Shashank Agarwal:** In terms of tonnage, in Q1 it was 17,745 tons, Q2 was 15,446 tons, and in Q3, it is 14,272 tons.
- Baidik Sarkar:** The comparison for the three quarters last year of FY '18?
- Shashank Agarwal:** In total in nine months we have achieved a tonnage of 47,463 tons versus tonnage of Q1 last year it was 11,250, Q2 it was 11,384, and Q3 it was 13,302 tons. Total for the nine months it was 35,935 tons, which is 47,463 tons this year.

- Baidik Sarkar:** This one-off expenditure in technical costs that we were referring to, A, why is that a one-off and what kind of tangible returns we are expecting from that item?
- Shashank Agarwal:** Baidik what happens is when we go and bid for a project wherein we are not technically qualified, we tie-up with the company who has got a past experience and they have a requisite qualification, so what we do is we do a joint venture with them and bid for the tender and when we bid for the tender by joining hands with such company, we normally pay a fee to them, so we got three tenders like this, two are in Haryana to build substations and one is in Jharkhand, and also we got a project in Gujarat for building railway overhead electrification work, so revenues from these projects would have start end of this year starting from April-May onwards, these projects have to be executed over a period of 18 to 20 months and another 24 months and total project value is more than 165 crores. This is the revenue which is going to accrue to the Salasar of 165 crores.
- Baidik Sarkar:** This will accrue over how many quarters?
- Shashank Agarwal:** This is going to be spread over I would say about six to eight quarters. There will be some projects which will be completed over next six quarters, there will be some which is going to be executed over eight quarters.
- Baidik Sarkar:** Just take us through your executable order book apart from this, your telecom and your other power and EPC projects, what does your executable order book look like?
- Shashank Agarwal:** If we talk about telecom as of now, we have a pending order book of about 150 crores from Reliance alone, and other telecom operators, we have a visibility of about 70 to 80 crores over a period of next three to six months I would say.
- Baidik Sarkar:** Your 151 is over how many months?
- Shashank Agarwal:** The 70 to 80 crores from other customers by end of Q1 next year and 150 crores to be completed by us probably by mid of next quarter, that is Q1. I would say that we could be booking a revenue of about 200 crores plus in next four to five months.
- Baidik Sarkar:** This is the telecom piece and the non-telecom Power, Railways...
- Shashank Agarwal:** Non-telecom we have an order booking of wherein we are executing roughly about 265 crores wherein we have started working on two projects in Haryana which are of 36.5 crores each, so let us say about 36.5 and 36.5, 73 crores which we have already started working in Haryana. Then there is project in Jharkhand, which is again a substation plus some line, it is about 52 crores. There the work has already started this quarter, I mean I would say rather in the first week of January and these revenues are going to over next 18 to 20 months. Apart from that, we are already working on a project in Himachal of 43 crores, then PVVNL, we have a very old

pending order book of 13 crores wherein there is a issue of right-of-way where the Department is yet to give us the clearance on the path of the line, so that is why that issue is pending. Again, PVVNL we have a pending issue of 10.89 crores. Other than that, we are doing that PVVNL project wherein we have to book a revenue of almost about 65 crores over next three to four months, so these are the numbers we are working on. Apart from that, there is work in Gujarat which we have already started off about 89 crores, which is in Gujarat that is again in a JV wherein revenue booking to Salasar in that project would be to the tune of about 40 crores.

Baidik Sarkar: Your tax rate for this quarter has come in at about 39%, I am just wondering what went into the provisioning there?

Shashank Agarwal: It includes deferred tax as well, but probably I think we can get back to you, not a problem.

Baidik Sarkar: Just give me the total volumes in Q4 of last year, if you have it handy or even the total tonnage?

Shashank Agarwal: The tonnage for Q4 last year, I think we did close to 53,000 tons last year. If I remember correctly, we did close to 52,000 tons last year in total and this year we are doing something around close to 65,000 to 70,000 tons.

Moderator: Thank you. The next question is from the line of Ankit Merchant from SMC Global. Please go ahead.

Ankit Merchant: Sir, can you just help me out with your current debt-to-equity and can you also share some light on your working capital?

Shashank Agarwal: We actually do not have any long-term debt, it is all working capital what we have and working capital as on the end of this quarter, we had an exposure of about 140 crores if I remember correctly and debt-to-equity ratio, we do not have any term loan as such but anyway Mr. Pramod is working on this and then probably he will give you the numbers as to how much is the debt-to-equity ratio.

Ankit Merchant: Can you just also highlight what are the problems you have been facing with your working capital and going forward, how do you intend to work on it?

Shashank Agarwal: As such, there is no problem with respect to the working capital; if you look at the percentage cost of our finance cost with respect to the total revenues, for nine months it is 2.39% and if you compare our numbers in terms of finance cost with the other companies in the similar sector, their finance costs are much higher compared to what we are incurring. We could do little better if the telecom sector revenue increases more than the transmission, because in transmission whenever you are doing EPC projects, the working capital cycle increases whereas in telecom, it is much better because we are dealing with private players in telecom and we know that the payments come within the committed timelines whereas when you are working as an EPC

contractor with the Government, sometimes the payments get delayed plus there is lot of issues with respect to the bank guarantees which we submit, that also becomes a part of the working capital cycle because sometimes suppose there is a project of two years which we need to complete in two years and then it is going to be stuck for three years, that all adds up to the working capital, that is why it looks like there is a strain on the working capital, but 2.39% of the total revenue as working capital is not something which is very high. We are probably much lower than compared to our peers if you look at the numbers over the company's.

Ankit Merchant: Can you also guide me with your CAPEX guidelines, if there are any for the next year?

Shashank Agarwal: We are not planning for any CAPEX as such right now, nothing at the moment.

Ankit Merchant: Any specific orders which you have been bidding for the next financial year, any major?

Shashank Agarwal: We keep on bidding on projects, right now our order book is almost 400 crores but we try and mix our order book in such a way that we have the maximum share of telecom market, so as to cover our manufacturing capacity plus the working capital mix. We keep on bidding other projects. There are projects of almost 300 crores which are in the pipeline which we have bided where the results would be out in maybe next two to three months.

Ankit Merchant: How many of them are from the telecom?

Shashank Agarwal: Telecom, we do not bid actually, telecom is all private players so there is no tender as such. Here, the tenders what I am talking about is all Government tenders of transmission or Railways and with the telecom as I said, we already have a order book of almost 150 crores pending to be executed for Reliance, but almost 70 to 80 crores with other operators in next four to five months.

Ankit Merchant: The billing for which will be done in next Quarter-2 or Quarter-3, is that...?

Shashank Agarwal: This almost 200 crores billing should be done in next four to five months.

Moderator: Thank you. The next question is from the line of Ashutosh Garud from Avendus Wealth. Please go ahead.

Ashutosh Garud: I was trying to understand initially you mentioned about some orders getting delayed on the Reliance front, so what kind of tonnage was that order or let us say if we would have done that order in this particular quarter, that is, December ended, what kind of total tonnage we would have done instead of this 14,272 tons?

Shashank Agarwal: There could have been an increase of about 400 tons to 500 tons giving us a revenue of almost 3.5 to 4 crores.

Ashutosh Garud: It was smallest kind of a deal you would say?

- Shashank Agarwal:** Yes, it is just that they were taking the inventory at their warehouses and they kind of held up the dispatches for the last week or 10 days, which has started again in the first week of January, so those 500 to 600 tons have already been dispatched, but what happened was that our sales went down by about 4 crores and the inventory was built up end of this quarter at our end, which has been covered now.
- Ashutosh Garud:** You also mentioned about the range of doing 65,000 to 70,000 for the full year, so if we consider on a lower range for example if we do let us say 65,000 tons for the full year that constitutes to around 17,500 tons kind of volume for Q4, so then again that would be more or less like single digit growth in Q4, if you compare your Q4 volumes last year and this year then it would be, last year it was around 16,000?
- Shashank Agarwal:** Last year Q4 was about 13,000 tons, I do not have the numbers in front of me.
- Ashutosh Garud:** I think for the nine months you did 35,935 you mentioned?
- Shashank Agarwal:** Yes about 36,000 tons.
- Ashutosh Garud:** For the full year you did 52,000, then it comes to...?
- Shashank Agarwal:** I do not have the numbers of those 52,000 in front of me, probably it was 52,000, I am not sure, I will have to check that number.
- Ashutosh Garud:** Assuming it is 52,000 then you did somewhere around 16,000 in last quarter.
- Shashank Agarwal:** Yes, if it was 52,000 of course we did 16,000?
- Ashutosh Garud:** My question is coming from where in that case 18,000 kind of a volume for Q4 will give you a single digit kind of a growth rate in case of volumes growth, so if you can share why is this kind of, because we were growing at a much higher pace till last quarter, so if you can throw some light on why the volume growth has come down to these levels, are we utilizing the capacities at the full.
- Shashank Agarwal:** From 16,000 tons to 19,000 tons is almost 18%, right.
- Ashutosh Garud:** That is assuming we do on a slightly higher, because you give the range of 65,000 to 70,000, so I am trying to.
- Shashank Agarwal:** Let us say even if you take 18,000, from 16,000 to 18,000 it is about 14%.
- Ashutosh Garud:** But then still we will be operating at a much lower growth rate as compared to let us say what we saw in Q1 and Q2.

- Shashank Agarwal:** But I will have to check whether we did 52,000 last year or 48,000, I will have to check, I do not have that number somehow in front of me for the last year. We will check that number how much was the total tonnage last year and this year we show that we are going to touch 18,000 tons or slightly more in Q4 in terms of tonnage.
- Ashutosh Garud:** On the EBITDA margin front, what is the outlook for the coming quarter since we are already halfway through the quarter and for the coming year since we have some kind of order book already and I would want to know the full year volume numbers at the con call last year?
- Shashank Agarwal:** The EBITDA margins more or less in the similar range about 10.9 what we have been doing. In our kind of industry, these are the kind of margins where we operate upon. Some of the project have been at a higher margin, probably EBITDA margins could go up wherein we have bided for some projects, they might go up but this is what something that we would like to maintain minimum about anything between 10.9% to 11% and with respect to the tonnage growth next year, probably the volume growth could be looking at the order book what we have in front of us, we could grow at least 10% to 12% maybe 15% or so in terms of tonnage alone.
- Moderator:** Thank you. The next question is from the line of Kalpesh Goti from Valentis Advisors. Please go ahead.
- Kalpesh Goti:** Sir, in your opening marks you told about there is an increase in the working capital, can you share some inventory and debtors?
- Shashank Agarwal:** Our finance cost as a percentage of revenue is about 2.39%. Against a sales of 467 crores, we have incurred a cost of about 11 crores as finance cost whereas last year for the whole year it was 1.67%, but you must also consider the fact that last year we had the IPO money which was utilized for working capital that had kept the working capital much lower, but 2.5% finance cost is not something which should be of any reason to worry about.
- Kalpesh Goti:** My question is totally different, I am asking for a working capital, can you share the absolute amount and how much?
- Shashank Agarwal:** About 140 crores.
- Kalpesh Goti:** Can you breakup the inventory and the debtors?
- Shashank Agarwal:** Inventory was 119 crores and debtors were 206 crores.
- Kalpesh Goti:** So debtors is almost same?
- Shashank Agarwal:** No, if you look at March numbers as on March 31, 2018, our debtors was 151 crores whereas now debtors have increased by 54 crores to 206 crores. As on March 2018, our inventory was

89 crores which has increased by 30 crores to 119 crores, so debtors have increased by 54 crores and inventory is up by 30 crores, so almost 84 crores in terms of debtors and inventory.

Kalpesh Goti: This mainly is because of your execution from transmission has gone up?

Shashank Agarwal: The major outstanding of course is from the transmission sector, there are two projects of rural electrification which we are doing, the payments from those projects have been slightly not in line with what we were expecting, it is slightly slow that is why the working capital amount has gone up, but if you look at the inventory, we are almost 84 crores up in terms of inventory and debtors whereas working capital has gone up by almost 50 crores.

Kalpesh Goti: My question is first what was the reason behind the slow execution in the transmission?

Shashank Agarwal: There is no slow execution as such, it is just that these are government projects and sometimes the payments from the government are delayed. This we have actually factored in at the time of bidding, that is why our EBITDA margins are still more or less in line with what we have been predicting, I mean please understand that we have been able to maintain EBITDA of about 10.9% irrespective of the fact that the payments from PVVNL are delayed by almost three to four months. These things we had already factored in at the time of taking those tenders that the payments are going to be delayed and there are going to be a little effect on the working capital eroding our margins in terms of working capital cost, but that was factored in already.

Kalpesh Goti: Yes, but you have factored in the working capital, but you know as a analyst we did not factor that drastic change in the working capital, that is what I am asking, so is it what you see in future also if the revenue from the transmission will go up then our working capital will keep going up and so the interest?

Shashank Agarwal: The internal target in front of us is that we do not expose ourselves beyond 30% of our revenues to the transmission sector, so even today we have a mix of almost 61% is telecom, 29% is transmission which includes EPC also, so total EPC business where the working capital are stretched, we do not want to increase our exposure in that sector beyond 30% of the total revenues.

Kalpesh Goti: What is the unbilled revenue of the EPC transmission order book?

Shashank Agarwal: You are talking about the order book or the revenues as of now?

Kalpesh Goti: The unbilled revenue, order book.

Shashank Agarwal: Unbilled revenue today is about as I said it is about, we have almost 265 crores which are unbilled, which are going to be billed over a period of next 18 to 24 months.

Kalpesh Goti: Apart from your transmission and telecom, how the other segment are doing?

Shashank Agarwal: The solar sector is not doing very well in India in the sense that all the solar power plant developers they are stacking themselves in terms of the rate of PPA they have signed with the Government and solar sector has taken a hit. We were doing close to 15% of our business in the solar sector which is almost zero today because when your customer does not have money, it does not make any sense to get into that sector, so we are doing the solar structures very selectively where our moneys are safe and there is a little margin in that. The other segment is the lighting poles, flag mast and high mast, which is a good business that we have got into which include poles for transmission as well and smart city poles, that sector is growing. We have a good contract signed with Bajaj Electricals for supplying poles to them on a regular basis on a monthly basis wherein they have given us the visibility of continuous supply for next six to eight months at least and apart from that we are working with other contractors as well who buy lighting poles from us on a regular basis, so that sector is picking up. Revenues from that sector would be in the range of maybe around 7% to 8% next year, this year it could be around 5% to 6%.

Kalpesh Goti: How is the working capital in the smart poles?

Shashank Agarwal: Again, the whole sector is divided into different segments in smart poles which we are working for telecom sector, so the working capital requirement is as in line with the telecom sector and the lighting poles, which we do for smaller contractors, those are almost on a cash basis in the sense that they have to pay advance and they have to pay before delivery, so it is almost no strain on the working capital and whereas now that we have signed a contract with Bajaj, they are going to pay in 45 days on a regular basis, but the volumes are high, so that will give us more operational efficiencies and more tonnage, which will bring the cost down. In transmission line mono poles, again there is a payment of, we are supplying those poles to a contractor who has got a EPC contract with the Government wherein he is paying us in about 60 days' time.

Kalpesh Goti: Coming to your interest cost, you said 140 crores is working capital and we paid a interest of 4% rate, so what is your cost of debt, it comes around 13.5%?

Shashank Agarwal: That includes lot of charges also. There are lot of bank guarantees which we have committed to the Government of almost 150 crores wherein those charges for the bank guarantees also come, opening charges plus the charges for the year, they are all part of finance cost. As such, our lending is only at about 9.5% from all the banks.

Kalpesh Goti: What is the breakup of the bank charges and bank guarantee?

Shashank Agarwal: Mr. Pramod has noted down this question and he can separately give you the details of the bank charges and the bank guarantees details, not an issue.

Moderator: Thank you. The next question is from the line of Chirag Dutt from PA Associates. Please go ahead.

Chirag Dutt: My question is any slowdown you see in Quarter-4 and in the pattern of spending by Vodafone-Idea or other telecom players apart from Reliance, and how is the raw material prices affecting you regarding raw material, if you can give an outlook?

Shashank Agarwal: As far as the telecom sector is concerned, next six to nine months are looking very exciting more than whatever they were earlier in last 10 years. Reliance Jio of course is a big customer. If you have read recently, Vodafone-Idea combined entity are going to spend more than Rs. 20,000 crores on creating new infrastructure, which would essentially mean new telecom site plus upgradation of the existing sites. Apart from the fact that the telecom sector in general is in a stress because of lower ARPUs, lower revenues per user, but they do not have a choice but to improve on existing infrastructure. The 4G connectivity even today is not very good, the data consumption is increasing multifold and 5G is yet to come. First of all, the 4G sites have to be completed, the 4G connectivity has to be made in line with the international standards and then with the invent of 5G, there might be work in next two to three years in telecom which has happened during the last 25 years. There could be more work in next three years, four years in the telecom sector than whatever has happened in the last 25 years combined, so telecom sector is one of the most promising and interesting sector from our perspective in the sense that we are providers of passive infrastructure. The telcos have to spend on creating infrastructure just to stay afloat in the sense that until they have a proper infrastructure, they will not be able to give the infrastructure to the operator and operators are going to struggle even further with the ARPU, so they might have a challenge in terms of their revenues, but at the same time they have to spend on the infrastructure. I have been saying this and that has actually you have been saying this all along during last year.

As far as the raw material prices are concerned, with most of the customers we have a price variation clause, so raw material prices do affect us positively and negatively, both ways when there is a huge difference, when there is a lot of fluctuations, but mostly with most of the customers they are kind of a pass through, suppose let us say in a particular case of Reliance Jio whatever orders we get from them, they are on a firm basis, from delivery from price basis. They give us orders for next three to four months which we have to complete of five months with a firm price whereas other customers we have a price variation clause wherein they execute a price every month, so in case of Reliance two things happen, suppose you have taken a order at a present value and the prices of steel go down, it gives us extra margin whereas if the prices of steel or zinc go up, they affect our profitability slightly negatively, but that is a chance we take because of volumes with Reliance are high and it gives us operational efficiency.

Chirag Dutt: So Sir, what is your outlook for next year?

Shashank Agarwal: In telecom as I said next six to nine months are very, very interesting and probably as I said with the invent of 5G probably there will be more like two to three years than whatever has happened in last 25 years collectively, so it is very exciting and very interesting for me.

- Chirag Dutt:** Sir, are we expecting to end this year with positive cash flows and also as on date the receivables as percentage of sales if you can provide it?
- Shashank Agarwal:** We have receivables of about 206 crores, which we are just discussing against a sales of 467 crores, so you can do the Math and in terms of positive cash flows probably, against the sales of 35 to 40 crores whatever we end the number by the end of March, our debtors are going to be more or less 240 to 250 crores, I mean in terms of percentage probably it will reduce at the end of this year.
- Moderator:** Thank you. The next question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.
- Baidik Sarkar:** I just looked up the FY 2018 volumes and it looks like it is about 55,000 tons, so if that is the base of 55,000 tons and I think your guidance for Q4 of this year, it looks like the volumes were actually decline, so could you please update me?
- Shashank Agarwal:** I am not sure about the total number last year, as I said I will just check it and probably we can discuss again, but overall we have achieved 47,500 tons as on December and we go to do at least 18,000 to 19,000 tons more, so anything between 65,000 to 66,000 tons. Whereas last year if I remember correctly, it was close to 48,000 or 50,000 tons, I am not sure I will get that number, nine months number I have was 35,000 tons. If we get 35,000 tons in the last nine months of last year probably, we would have done 15,000 tons like we have 13,000 tons, 11,000 tons, and last quarter probably we would have done 15,000 tons, so from 50,000 to 51,000 tons to 65,000 to 66,000 tons is the volume growth.
- Baidik Sarkar:** Your EBITDA per ton over the last five to six quarters has been on an increasing trend, but I see some kind of volatility in your gross margins, so are we to understand that in FY '18 which was a very strong year, you benefited from lower inventory prices and that is boosted up your earnings, is that the right assumption?
- Shashank Agarwal:** There were two reasons probably, Baidik, one was that the working capital cost was lower...
- Baidik Sarkar:** I am talking about EBITDA.
- Shashank Agarwal:** EBITDA, we were benefited from the slightly lower raw material prices, which affected slightly negatively these quarters this year.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Agarwal for closing remarks. Over to you, Sir.
- Shashank Agarwal:** Thank you and I would like to thank once again all the people on the call for taking out your time and showing your interest in the company. We have slightly lower PAT this quarter, but as such

the EBITDA margins are healthy and everything is very much positive looking forward and we have good order books as I mentioned and we are in really very interesting times. With these remarks, I would like to close. Thank you.

Moderator:

Thank you very much, Members of the Management. Ladies and Gentlemen, on behalf of Salasar Techno Engineering Limited, that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.

REPLY OF CONCALL QUERIES: -

1. Applicable Tax Rates: -

The tax has been worked out on the basis of the company having turnover of more than 250 Crores Annually and having profit of more than 10 Crores. The rate for tax for such companies for AY 2019-20 is as under: -

Basic Rate = 30%

Surcharge = 12%

Cess = 4%

With these the rate of tax work out to be 34.95 %. The company has worked out tax provision with this rate and with minor additions/deductions as per Income Tax Rules.

39% tax rate in Q3 is coming when we include deferred tax also. Please note that deferred tax is not a part of current tax and it is only a notional entry. The average current tax rate of Q3 is 35% which is in line with the Income Tax Provisions.

2. Debt Equity Ratio of the company: -

The Debt equity ratio of the company as on 30.09.2018 is 0.72. The breakup of which is as under: -

Particulars	As on 30th Sept 2018
Short Term Borrowing	121.67
Long Term Borrowing	4.52
Total Borrowing	126.18
Equity	
Share Capital	13.29
Reserves & Surplus	162.56
Total Equity	175.85
Debt to Equity	0.72

3. Volumes in Tons: -

Please note that in the current year nine months the sale as discussed in concallis 47,463 which does not include sale of 4906 MT of MS Scrap. If this is included, then the sale will be 52,369 MT in the nine months. In FY 2017-18 the sale of structure was 50,549 MT and MS Scrap sale was 5,108 MT. In total sale in FY 2017-18 was 55,657 MT. So as of now in these three quarters we have sold 52,369 MT goods against 55,657 MT in last whole FY.

Quarter wise break up of sale of this Financial Year and last Financial year is as under: -

Particulars (Qty)	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19
Structure	11250	11384	13302	14613	50549	17745	15446	14272
MS Scrap	1227	1101	1399	1381	5108	1448	1682	1776
Total Quantity	12477	12485	14701	15994	55657	19193	17128	16048