



“Salzer Electronics Limited Q3 & Nine Months FY19
Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day. And welcome to Salzer Electronics Limited Q3 & Nine Months FY19 Earnings Conference Call. This conference call may contain forward-looking statement about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics Limited. Thank you, and over to you, sir.

Rajesh Doraiswamy: Good evening, everyone. Thank you all for joining our earnings call for the third quarter nine months ended December 31, 2018. I have with me Mr. Baskarasubramanian – Director, Corporate Affairs; Mr. Muruges – Assistant Company Secretary and Savli Mangle and 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.

Our company started as a single product manufacturer, manufacturing cam operated rotary switches in India in 1985. Over the years we have evolved from a single product company to one that offers total complete and customized electrical solutions to our customers. We, as a company have always made sure to be at the forefront of technological developments in our products. We are getting into technical associations with reputed companies across the world.

Our five state-of-the-art manufacturing facilities are located in Coimbatore. We also have our in-house R&D lab which is recognized by Government of India. Through all these initiatives, we have been able to bring in high quality products of international standards in India, be it our association with Larsen & Toubro from 1993 onwards to Plitron from Canada in 1995 or the Trafomodern model from Austria in 2016, we have always focused on getting into technologies which are niche and of great value. Through 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 GE and Schneider. All our products are international certified and we sell in over 40 countries in the world.

I am happy to share that recently both our magnetic wires and the cables, wire and cable division, has received the prestigious ISO-TS 16949 certification. This certification was prescribed by International Automotive Task force and Subprime Automobile Manufacturers Association with support of ISO. This technique of specification in conjunction with ISO 9001:2000 defines the quality management system requirements for design and development of products for automotive sector. This will enable us to enter automotive sector, adding newer, innovative and high-margin products and further diversifying in our business.

Though we are operating under electrical, electronic product group, for the ease of analysis we have classified our business into four divisions, namely: digital switchgear business, the wire and cable business, building electrical business and energy management business.

Now, coming on to the financials of the third quarter and nine months business performance. Our financials for the current and past quarters have been restated as per IndAS accounting guidelines. I am happy to share that despite the domestic industry, especially the switchgear market not supporting growth or showing enough signs of increase in demand, we have continued to be stable and have been able to grow. We registered an increase in revenue of nearly 30% year-on-year at Rs. 143 crores in the third quarter FY19.

Our revenue for nine months ended 31 December, 2018, is at Rs. 405 crores as compared to Rs. 316 crores in nine months FY18, that is a year-on-year growth of 29%. The contribution from domestic sales is at 84% of the revenues which was mainly driven by increase in demand and good traction for products and building segment and industrial switchgear segments. Also, legacy products such as rotary switches, Toroidal transformers have shown growth and uptick in demand, along with our two new products, three faced dry type transformers and wire harness.

The EBITDA for the quarter stood at Rs. 16 crores as compared to Rs. 13 crores in the corresponding quarter Q3 FY18, that is a growth of 19%, mainly on account of growth driven across wire and cable and building product segments. EBITDA for nine months FY19 grew at 27% year-on-year to nearly Rs. 47 crores from Rs. 37 crores last year nine months.

The profit after tax was at Rs. 5.4 crores in Q3 FY19 as against Rs. 5.3 crores in the corresponding quarter. And for nine months FY19 PAT grew by 3% to Rs. 15.6 crores compared to Rs. 15.2 crores in nine months FY18.

Now, moving to the breakup of revenue as per the business divisions.

The industrial switchgear business contributed 44% to the total revenues in this quarter, and 42% in nine months FY19. This segment has grown 16% year-on-year in Q3 FY19. Our new products like three phase dry type transformers and wire harness and others have continued to show growth and uptick in demand.

The wire and cable business contributed around 48% to our revenues this quarter and 48% in nine months also. From the start of the financial year we have started to manufacture and sell wire and cable under Salzer brand, which is seeing good demand and uptick and are seeing a growing opportunity here. This is apart from our regular brand labeling business that we are doing for L&T, Crompton and a few other large brands.

Now moving on to the building electricals business. This is the only business that we do on a B2C basis. Going forward, we are confident of increasing contribution from this division to around 10% levels in the coming two to three years as it has opened up new opportunities for

us in the real-estate sector where we have got some annual contracts with major builders. This division has contributed around 7% in this quarter and 8% in nine months of this financial year, mainly driven by increase in sales and good traction for our product offerings such as modular switches, mini circuit breakers and distribution boards, along with the wires and cables. We have also increased our focus on retail segment and are formulating strategy to further strengthen our presence in this segment.

The fourth is the energy management division which has contributed 1% revenue in this quarter, and for nine months this division has contributed 2% to our revenues. This is an order book driven business and in this quarter we have been able to book revenues which was due to us for the second year of the contract that we have been doing in three corporations in Tamil Nadu state.

We continue to focus on adding new high margin products under our product portfolio, reach out to newer geographies, offer total customized solutions to our customers. Our focus also remains on new opportunities for technical association and acquisition to further strengthen our base of product offerings.

I would once again like to thank everyone for your time and attention. And now we can take questions.

Moderator: Thank you very much, sir. Ladies & gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Mudit Sawla from NN Sawla Consultancy. Please go ahead.

Mudit Sawla: Hi, this is Mudit Sawla. My question is to Mr. Rajesh. Rajesh-ji, can you please throw some more light on your newly started businesses like dry transformer and wiring harness and all? Because somehow a little more detail is required on those, it appears that probably they are not growing as per our expectation?

Rajesh Doraiswamy: Three phase transformer, in the half year I mentioned that in the current year we have done around Rs. 10 crores, in this quarter we have done around Rs. 5.5 crores in three phase transformers. So for nine months we are clocking around Rs. 15.5 crores as compared to last full year sales of Rs. 13.5 crores. I agree with you, I think we wanted to double this business this year to around Rs. 28 crores, but going forward I think we will end up doing Rs. 22 crores or Rs. 23 crores in this year in this particular product. But on an overall basis if you see, on a macro basis, the product is getting very good reception from almost all our customers. We have got an entry in Indian Railways which has a potential of more than Rs. 250 crores annually. And we have also got entry into various other large OEMs who make solar inverters. So we will definitely see much higher sales coming from this product in the next three, four quarters.

Mudit Sawla: Yes. In fact, we were expecting good traction and good performance, but somehow this quarter we see that though the top-line has grown, bottom-line is negative, almost muted like.

- Rajesh Doraiswamy:** Yes, bottom-line is flat. I think one of the main reasons for that is, I will go for nine months figures instead of talking about the quarter, or you want quarter figures?
- Mudit Sawla:** Please explain the increase in the expenditure and the material cost and all.
- Rajesh Doraiswamy:** Actually, if you see on a nine months basis what has actually happened is the revenue mix from last year it was 46% of industrial switchgear business has actually reduced to around 42%, so there is a 4% drop on the revenue mix coming from industrial switchgear business which has a higher margin.
- Mudit Sawla:** Maybe because of this merger of our subsidiary?
- Rajesh Doraiswamy:** That is one. And also the growth of building electrical business, that has actually pulled the margin percentage a little down. Second, also the export. If you look at last year nine months FY18 we had almost 19% export which was actually dropped to around 16% export this year, because local Indian business has grown a little more than the export business. So basically export business has a higher margin, relatively. So, these are a couple of reasons other than the regular expense increase because the regular expense increase is quite normal, we are not seeing any abnormal increase in the expenses apart from the depreciation where there is a Rs. 2 crores additional depreciation we have charged compared to last year to this year.
- Mudit Sawla:** So what is the reason for that?
- Rajesh Doraiswamy:** One is the addition of new business, the Salzer Magnet Wires. Second, I think the depreciation of all the CAPEX that we did last year is coming in now.
- Mudit Sawla:** So what are your expectation or internal targets for the next quarter as well as financial year 2019-2020? I am not asking with respect to any specific area of activity.
- Rajesh Doraiswamy:** I understand. This year I think we are quite good, I mean, on track to reach our target. I think we had projected a target that we will do a 20% growth compared to last year. So I think we are on track to do 20% top-line growth, minimum. We are already at a higher level, 27%, but maybe we do not know how Q4 is going to turn out. So, conservatively we will definitely reach 20% top-line growth. And bottom-line, I definitely expect that we will be up by around 10%.
- Mudit Sawla:** At least by 10%?
- Rajesh Doraiswamy:** Yes.
- Mudit Sawla:** And in fact if you are saying that you will end the year at 20% top-line growth, then probably March quarter we will de-grow?
- Rajesh Doraiswamy:** Always the Q4 traditionally has been a good quarter for us in the last three, four, five years.

- Mudit Sawla:** No, then our top-line should grow more than 27%, right?
- Rajesh Doraiswamy:** As of now year-on-year, yes, we are at 27% growth.
- Mudit Sawla:** So, if our March quarter is going to be better and already one month has been over, I am sure you must have got some fillers, so can we expect that around 25% to 30% growth in top-line will come in Q4?
- Rajesh Doraiswamy:** Let us expect 20% to 25% growth.
- Mudit Sawla:** Alright. And how about subsequent year? And I may also would like to have some idea about wire harness business.
- Rajesh Doraiswamy:** Subsequent year target, I think we continue to foresee at least between 20% to 25% next year also. Main reason for that growth that we see is, again, the same product three phase transformers and wire harness. Wire harness this year also has contributed reasonably well. We have done around Rs. 19 crores – Rs. 19.5 crores for nine months compared to last full year of Rs. 18 crores business. So we see this business also growing at a faster pace next year.
- Mudit Sawla:** Okay. But unless some big bang volume comes it seems difficult to really grow the size of our company.
- Rajesh Doraiswamy:** Yes, I do not know whether 20%, 25% growth is enough for us, but I think this is what we have in our plan right now for the next couple of years.
- Moderator:** Thank you. Our next question is from the line of from DUBY REX from iThought Financial. Please go ahead.
- DUBY REX:** Sir, regarding this company called Salzer Magnetic Wires Limited, there is some nature of transaction within listed company or this company? Could you please briefly talk about this company and transaction involved?
- Rajesh Doraiswamy:** I think the transaction was done last year, March. You are talking about that transaction?
- DUBY REX:** It is Magnetic Wires, right?
- Rajesh Doraiswamy:** Yes.
- DUBY REX:** So that is the same company, both are same, is it?
- Rajesh Doraiswamy:** Salzer Magnetic Wires, yes, it is same.
- DUBY REX:** Okay. So that does not exist anymore, right?
- Rajesh Doraiswamy:** No.

- Duby Rex:** So one more question, some time ago you were talking about this device for unmanned railway tracks, any update on that, sir?
- Rajesh Doraiswamy:** Actually we do have the product, we demonstrated that to the Railways, but unfortunately the railway policy changed of doing unmanned railway gates. So they are implementing different provisions for that, so this product might not take off with them.
- Duby Rex:** But have we spent any R&D on that?
- Rajesh Doraiswamy:** We did already.
- Duby Rex:** And is that been written off?
- Rajesh Doraiswamy:** Yes, I think it was written off then and there, it is not carried forward anywhere.
- Duby Rex:** Okay. And one more last thing, there is a company called Salzer Export Limited, right?
- Rajesh Doraiswamy:** Yes.
- Duby Rex:** Could you briefly talk about that, what is it about?
- Rajesh Doraiswamy:** Salzer Exports Limited is an export company privately held and company does a lot of trading exports.
- Duby Rex:** So we do not export to the listed company and through exports also?
- Rajesh Doraiswamy:** We do export directly through a listed company, majority of our business. Whatever exports that company gets in, that business also is routed to that. I would say around 20% of our export goes through that company.
- Moderator:** Thank you. Our next question is from the line of Zaki Abbas, an individual investor. Please go ahead.
- Zaki Abbas:** I would like to basically get idea from you, where you are looking at next leg of growth? Whether new products or what kind of growth from the existing products you are looking at during the next year, i.e. March 2020? And one more thing I would like to know, this Rs. 15.95 crores is the fully diluted equity or any more pending conversions are there?
- Rajesh Doraiswamy:** First on the equity, I think this is fully diluted except small portion of ESOP that may be converted, I don't know, its around 30,000 or 35,000 shares.
- Zaki Abbas:** Okay, that is a very minor thing, so it will remain around this only?
- Rajesh Doraiswamy:** That is the last tranche of ESOP and rest of the thing is fully diluted. And on the next leg of growth, I think whatever investments we made in the last 2.5, 3 years in various businesses,

including wire harness, three phase transformers and a couple of other product inclusions in the switchgear business, these businesses are now maturing and then trying to get into the real business mode. So we expect enough growth from these businesses and because of this I think we have confidence that we will be able to grow between 20% and 25% for the next two years. So that should take us to I think from the current Rs. 550 crores this year to at least Rs. 800 crores to Rs. 850 crores in the next two years.

Zaki Abbas: Fantastic. And what would be your take on your wire harness business? And whatever small thought you had on the EVM, you are looking at something on that front also, I mean, I would like to have your view on that?

Rajesh Doraiswamy: You are talking about the electric vehicle?

Zaki Abbas: Electric vehicle, yes, and your wire harness.

Rajesh Doraiswamy: Wire harness, right now what we are doing is for the industries, but we definitely have the capability to manufacture wire harness to automotive. However, we have not really ventured to get into that segment so far. Our automotive business right now is only supplying of wires and cables to tier-II and tier-III manufacturers to a small extent. So that is the business that we have with automotive right now. However, we see a good potential in electric vehicle business going forward, and that is the main reason that we got into getting TS certifications for a couple of our units. And we are continuing that process into other units also. And on the electric vehicle business mainly, what we see is we are trying to invest or incubate businesses like charging stations or battery management systems, these are still in the R&D stage. We hope in the next three, four quarters I think we will be able to come out with reasonably good product. And by that time I think we will also see some stable policies and how the business is going to evolve in this country. But still there is not enough clarity.

Zaki Abbas: That would involve quite a lot of CAPEX for that area of the business, Mr. Rajesh?

Rajesh Doraiswamy: So far we have not put in that much of CAPEX, I think we are doing just R&D.

Zaki Abbas: No, the whole model of setting up of charging station and stuff like that may require some CAPEX, right?

Rajesh Doraiswamy: I mean, we really do not know how the business is going to evolve, because still there is not enough clarity on the electric vehicle policy and business. A lot of states are coming out with so many things and changes, still not very clear, even the automotive companies are not clear on how they are going to come up. So we are in touch with the automotive companies, we are trying to go to both two wheeler, three wheeler and also the four wheeler companies, we are talking to them to see how this business will evolve in future and how we can participate in that.

Zaki Abbas: And Mr. Rajesh, one more question, if time permits. You had a small business by name of energy management.

- Rajesh Doraiswamy:** Yes, we have.
- Zaki Abbas:** So would you be looking at it as a growth area? Or whatever comes your way you will be doing only that?
- Rajesh Doraiswamy:** No, actually energy management what we do is we mainly do street light management and energy savings, that is the business that we are involved in and we continue to focus on that. Earlier the businesses were being done by the corporations themselves, and that is how we got into Tamil Nadu, we got this order of Rs. 100 crores and we are now realizing that revenues on a year-on-year basis. So this year we will realize around Rs. 12 crores of revenue from that. I mean, every year Rs. 12 crores for the next three years. Apart from that I think right now the business from the corporations is being consolidated by a company called EESL, the central government company. And this EESL Limited is taking the business and then giving the orders to companies like us. So we did take one order from EESL, we are executing that, it is a small order. But unfortunately, I think EESL itself got into lot of issues and they were unable to proceed with the business as they thought they could. So that has not happened. But I think they will restructure themselves and then come back into this business and then start doing it. That is what we are hearing and we expect. So if that happens I think this business will continue, but we really cannot forecast how much business we can do.
- Zaki Abbas:** Would you look at private players in this business like maybe managing for some industrial parks or maybe cluster of office building?
- Rajesh Doraiswamy:** We really have not focused on that area. This business model is mainly for large street lighting, corporation lightings. It would not be feasible for that.
- Moderator:** Thank you. Our next question is from the line of Chirag Patel from Bhavesh Investments. Please go ahead.
- Chirag Patel:** I have three questions. First one, can you elaborate the contribution in absolute term from each segment? like we have energy management, industrial switchgear, wire and cable; and building segment, in absolute terms?
- Rajesh Doraiswamy:** Sure. For nine months?
- Chirag Patel:** Yes, for nine months.
- Rajesh Doraiswamy:** The industrial switchgear contributed Rs. 169 crores, wire and cable Rs. 196 crores, building electrical Rs. 31.5 crores, energy management Rs. 7.96 crores.
- Chirag Patel:** And now the second question, about these four segments which one is from B2C and which are B2B?
- Rajesh Doraiswamy:** Our B2C only is in building electrical, the rest of business is B2B, energy management is government.

- Chirag Patel:** And about industrial and wire and cable, are we catering to government or industrial, like L&T and other type of guys?
- Rajesh Doraiswamy:** We do not have any government business except the railways that we do in industrial switchgear. I think rest of the business is all private industries, OEMs, distributors and exports.
- Chirag Patel:** And how much of revenue coming in from automobile sector?
- Rajesh Doraiswamy:** We do a very small business in wire and cable and automotive which will be in terms of percentage not more than 5%.
- Chirag Patel:** And majority of the revenue is coming from which industry?
- Rajesh Doraiswamy:** We cater to almost all sectors, we cannot really pinpoint which sector gives us maximum revenue, because our sale goes to OEMs, sales goes to these distributors also. And the distributors sell to various segments where we will not be able to have a track on whom they sell to.
- Chirag Patel:** And going forward what is this strategy to expand the retail business which we recently started, the building material segment?
- Rajesh Doraiswamy:** We are present in this retail segment for the last six, seven years, now I think we have given more focus and we are giving thrust in this segment to grow further. Our idea is to double the business at least for the next two years, so this year I think we have already doubled compared to what we have done last year, last year we did around Rs. 21 crores, I think this year we should be closing at around Rs. 42 crores, Rs. 43 crores. And we want to double again next year. So our idea is...
- Chirag Patel:** Margin?
- Rajesh Doraiswamy:** Margin right now we are seeing an EBITDA margin of 8%, but we will definitely around 12% EBITDA margins if we increase the volumes considerably. This was much lower but we are seeing better margins now because of this increase in sales this year. Our idea is to be present in this segment and then grow this segment, right now we are only present in the southern five states, we have added Maharashtra this year. So we would like to grow in to other states also once we stabilize in these five, six states.
- Chirag Patel:** And from government side about railway CAPEX, what do you think, are we going to enjoy more orders in upcoming quarters or subdued kind of outlook?
- Rajesh Doraiswamy:** Railways has been a very stable business for us from last year onwards. If railway CAPEX grows I think definitely we will get more business. Today, our products to railways are only switches and we do some few changeovers for them. These are the two products that we are doing. But we have recently got an entry for transformers, for our new three phase transformers where we are still an unapproved supplier, but railways has a policy that you can

get into railways and still supply up to 20% of the total tender as unapproved supplier before you become a approved supplier. So there we see a large potential and if the CAPEX in railways grows our business will definitely see a uptake with railway.

- Chirag Patel:** About credit terms with railways, do they delivery timely or...?
- Rajesh Doraiswamy:** Payment times are good and they pay in time.
- Chirag Patel:** And about corpoartes?
- Rajesh Doraiswamy:** Corporations, I cannot say it is good, but they definitely pay. Normally our terms are like 90, but we get the payment in 120 days.
- Chirag Patel:** And then private B2B for which we are doing job-work kind of stuff? Average I mean, not one by one but average.
- Rajesh Doraiswamy:** First, I think we are not doing job-work to anybody. So we make our own products and we sell it to OEMs. On payment terms, I think OEM payment terms, it is all between 90 and 120 days.
- Chirag Patel:** And any further debt taking plan or anything?
- Rajesh Doraiswamy:** As far as the debt is concerned, we have not increased our debt, I think it is same level as it was in March 2018. We have no plans as of now to increase any debt, we continue to be in this level, unless otherwise we need additional working capital going forward maybe next year or middle of next year. Until then I do not see that any additional borrowings coming in, they are quite stable.
- Chirag Patel:** And about working capital, any approx figure or anything?
- Rajesh Doraiswamy:** Working capital, I think compared to March 2018 we were at around net of 165 days of working capital days, we have reduced it to around 140 now. So we have reduced our inventory by 10 days, we have reduced our receivables from 95 to around 82 days and we have also increased our payables from 37 to 39 days. So on an average I think we have been able to reduce the working capital days from 167 to 140.
- Chirag Patel:** And sir, you mentioned earlier that you are going to launch certain products in next upcoming three, four quarters. What kind of products that are? And is there any borrowing related to it going forward or not?
- Rajesh Doraiswamy:** Sorry, I did not get the question.
- Chirag Patel:** You mentioned few moments back that your company, Salzer may launch certain products in upcoming three to four quarters related to electric charging stations and all, particular to electric vehicle industry.

- Rajesh Doraiswamy:** I did mention 13 products, some new products we are working on that. They are still in R&D stages, we would need at least two to three quarters to see what kind of business we will be able to get in those products and how the products are going to develop and come out. So as of now I do not have a figure or forecast, but we are working on that line.
- Moderator:** Thank you. Our next question is from the line of Alana Shah from HU Consultancy. Please go ahead.
- Alana Shah:** Sir, with regards to the capacity, I just needed to know what is your overall capacity utilization?
- Rajesh Doraiswamy:** We should be operating at around 70% capacity on an overall basis. A little lower in the industrial switchgear and building electricals, and a little higher on the wire and cables.
- Alana Shah:** Okay. And second question would be, earlier it was asked by some gentlemen regarding you had told that exports that you have, while you have more margins in your exports, when you export your products. So could you just help me to understand how it is more margins in exports and not in the domestic market?
- Rajesh Doraiswamy:** The realization in export business is a little higher compared to the realization in the domestic market. The same product I export I get better realization than selling in domestic market.
- Alana Shah:** And thirdly I would just want to know, are you having the realization model in volume terms or is it the value terms?
- Rajesh Doraiswamy:** Value terms.
- Moderator:** Thank you. Our next question is from the line of Mudit Sawla from NN Sawla Consultancy. Please go ahead.
- Mudit Sawla:** Rajesh-ji, you said that we are planning to start energy charging station. By any chance is there any correlation between our line of activity and this particular activity? Because I see that we have started some energy saving division, but we are not able to scale it up. So, how does this charging station fit in into our kind of product profile? And is it fair to say that concentrating on our core competencies can probably generate a higher business and higher margins in future, rather than diversifying too much into different kinds of products? I am sure you must have done a lot of study and research on that, but if you can explain us a little better on that. Thank you.
- Rajesh Doraiswamy:** Sir, I think the focus on the core business is definitely the core that we are going to do, we are continuing to do that. But apart from that what we are looking at is some future businesses, we expect that EV is going to be a future business and we see a lot of potential from that. It is going to be a large market and that can drive a lot of businesses. So to be present and to take advantage of that business, we want to see what we can do for EV. And we thought EV charging stations and wire harnesses and something related to battery management. It is

something that falls under our core category and we thought let's work on that. And that is how we have started incubating those products. So we cannot really say it is out of our core, it still forms part of our core but it is definitely a future business. So that does not mean that we are losing track of the switchgear electrical or control gear that we are doing today.

Mudit Sawla: Because I thought that even energy saving business is also not scaling up, so the idea could be probably to first scale up our all these verticals, including these new two products or wiring harness and three phase transformer and all those things. Because margins are expected to be higher there, so I think we should try and explore more on those areas rather than... EV concept as such also seems a little distant from present time, and probably there will be a number of competitors maybe from petrol pump side or maybe from auto ancillary companies and all. I don't know, I am sure you must have done all those studies, but I personally feel that there is a scope to improve your business on these aspects rather than venturing into new activities.

Rajesh Doraiswamy: You are absolutely right. I think there will be enough competition that will be coming into this segment. And that is why we are very careful, we are only looking this as a future product, this has nothing to do with our projections for next two years.

Mudit Sawla: And by any chance any plan to reduce our debt as of now?

Rajesh Doraiswamy: We actually have no term debt, except Rs. 10 crores of term debt we have no term debt. So that will definitely go down in the coming years. On the working capital side, I think we are trying to become more efficient and we are trying to see how we can reduce or maintain our working capital by increasing the turnover. So, I do not see a big scope of reducing the debt, but we also do not see increasing debt from this level.

Mudit Sawla: And just small question, becoming approved supplier to railway generally takes how long? Because you said that we are right now supplying these transformers to railway as unapproved suppliers.

Rajesh Doraiswamy: Correct. I think it will take six months to one year, we have to be unapproved supplier and we will continue that way. And then you become automatically an approved supplier.

Mudit Sawla: Automatically, by that duration we will become the approved suppliers?

Rajesh Doraiswamy: Yes.

Mudit Sawla: And will there be any pricing difference if we become approved supplier?

Rajesh Doraiswamy: No, you will get more share. Pricing would be the same but you will get more business share.

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: Once again, I would like to thank you all for your interest and attention. I look forward to talking to you again during the next investor call. Thank you.

Moderator: Thank you very much, sir. Ladies & gentlemen, on behalf of Salzer Electronics, that concludes this conference. Thank you for joining us. You may now disconnect your lines.