



SALZER ELECTRONICS LTD

Regd. Office : Samichettipalayam, Jothipuram (Post)

Coimbatore -641 047.

CIN : L03210TZ1985PLC001535.

Phone No.0422-4233600/ 614/696

E-Mail : baskarasubramanian@salzergroup.com

web site : <https://www.salzergroup.net/>

June 3, 2024

To

THE CORPORATE RELATIONSHIP DEPT
BSE Limited
I Floor, New Trading Ring,
Rotunda Building,
P.J.Towers, Dalal Street,
Fort, Mumbai - 400 001.

M/s. National Stock Exchange of India Ltd.,
Exchange Plaza, C-1, Block G,
BandraKurla Complex,
Bandra (E),Mumbai - 400 051
Tel :+91 22 26598235/36, 26598346
Fax : +91 22 26598237/38

SCRIP CODE: 517059

Symbol: **SALZERELEC**

Dear Sir,

Sub: Transcript of the Earning Call on the Results of third Quarter / nine months ended 31.03.2024.

We wish to inform in pursuance of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 that the Company hosted an Earning Call with Analysts and Investors at 04.00 P.m., on Saturday May 29, 2024 to discuss the financial results of the Company for the Fourth Quarter / Year ended 31.03.2024.

Enclosed herewith the transcript of the same for your records and dissemination.

The transcript of the conference call also posted on the Company's website at www.salzergroup.net.

Thanking you

Yours faithfully

For SALZER ELECTRONICS LTD

K M MURUGESAN
COMPANY SECRETARY

Encl : As above



“Salzer Electronics Limited
Q4 FY '24 Earnings Conference Call”
May 29, 2024



MANAGEMENT: **MR. RAJESH DORAISWAMY – JOINT MANAGING DIRECTOR – SALZER ELECTRONICS LIMITED**
MR. P. B. BELLARY – ASSISTED VICE PRESIDENT AND BUSINESS DEVELOPMENT – SALZER ELECTRONICS LIMITED
MRS. R. MENAKA – GENERAL MANAGER, ACCOUNTS – SALZER ELECTRONICS LIMITED – SALZER ELECTRONICS LIMITED
MR. K.M. MURUGESH – COMPANY SECTARY – SALZER ELECTRONICS LIMITED
MR. JITENDRA VAKHARIA – DIRECTOR – KAYCEE INDUSTRIES
MR. RAMAN – CHIEF OPERATING OFFICER – KAYCEE INDUSTRIES
MS. SAVLI MANGLE – ADFACTORS INVESTOR – RELATIONS MANAGEMENT

PROGRESSIVE SHARE: MR. ROHIT OHRI – PROGRESSIVE SHARE BROKERS PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Salzer Electronics Limited Q4 and FY24 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 this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rohit Ohri from Progressive Shares. Thank you and over to you, sir.

Rohit Ohri:

Thank you, Dorwin. Good evening, everyone. On behalf of Progressive Shares, I welcome you all to the Q4 FY24 Post-Earnings Conference Call of Salzer Electronics Limited. Please note that this conference may contain forward-looking statements, which are based on the beliefs, opinions and expectations of the company as of the date of this call. These statements are not guarantee of future performance. And may involve risks and uncertainties that are very difficult to predict.

I now invite Ms. Savli Mangle for the opening remarks to be followed by question-and-answer session. Over to you, ma'am.

Savli Mangle:

Thank you, Rohit. Good evening, everyone, and thank you for joining us today to discuss the audited financial performance for the fourth quarter and full year ended March 31, 2024. I have with me Mr. Rajesh Doraiswamy, Joint Managing Director; Mr. P. Sivakumar, Assistant Vice President, Marketing; Mr. P. B. Bellary, Assisted Vice President and Business Development; Mrs. R. Menaka, General Manager, Accounts; Mr. K.M. Muruges, Company Secretary; Mr. Jitendra Vakharia, Director, Kaycee Industries; and Mr. Raman, COO, Kaycee Industries.

I shall take you through the consolidated financial performance for the fourth quarter and full year ended March 31, 2024. During the fourth quarter, our revenues increased to INR326.6 crores from INR302.7 crores in the previous corresponding period. This growth is driven by the businesses in Wire & Cable and Industrial Switchgear. On the export front, our share of revenue was 27%, demonstrating a year-on-year growth of nearly 18%. The EBITDA, excluding other income, which received INR33 crores in Q4 of FY24 as against INR24.7 crores in Q4. FY23, year-on-year growth of 34%, mainly on account of higher volumes and higher contribution of the Industrial Switchgear business.

The EBITDA margin for the quarter stood at 10.13% year-on-year improvement of 198 basis points. The profit after tax was INR13.3 crores in Q4 FY24 as against INR9.9 crores in Q4 FY23, a year-on-year growth of 35%. PAT margin for the quarter stood at 4.08%, year-on-year improvement of 83 basis points. Coming to our full year financial performance. For the full year FY '24, the net revenue was INR1,166 crores as against INR1,037 crores in FY '23, year-on-year growth of 12.5%, driven by the businesses of Industrial Switchgear and Wire & Cable.

The export share of revenue during the year was nearly 25%. The EBITDA excluding other income stood at INR117 crores in FY '24 as against INR 95.9 crores in FY '23, a year-on-year increase of 22%, mainly on account of reduced raw material prices. The EBITDA margin was up 10%, a year-on-year improvement of 78 basis points. Profit after tax was INR47.1 crores in FY '24 as against INR39.6 crores in FY '23, Y-o-Y growth of nearly 19%, as margin stood at 4% in FY '24, a Y-o-Y improvement of 22 basis points.

Moving on to the breakup of the revenue as per our business divisions, coming to the Industrial Switchgear division contributed to 53.7% of the total revenue for the quarter and nearly 55% in FY '24. This business grew 8% year-on-year in the quarter and 13% year-on-year in the full year FY '24. EBITDA margin for this business was 13.3% in Q4 and 12.6% in FY '24, which is an improvement of 100 basis points over the last full year.

Coming to the high-value products in this division, 3 phase dry type transformers product with 4% year-on-year in Q4 and 43% in FY '24. And the Wire Harness product grew 28% year-on-year and 44% for the full year. Wires & Cable business contributed to nearly 40.5% of revenues in the quarter, and 39.5% in FY '24. This was nearly 7% year-on-year growth in this business during the quarter and 15% in FY '24. The EBITDA margin for this business stood at 6.3% in Q4 and 6.9% in FY '24.

The Building Products division contributed 5.8% of our revenues in the quarter and nearly 6% in the full year. This business is the only B2C business that we have, whereas we sell many electrical products, the building sector. Due to high sales outstanding, we are slowing down space with a specific distributor. We're also doing some reorganization of teams and channels that we expect will improve the growth trend in the coming quarters and help increase our contribution from this segment.

Thank you, and I'd like to now hand it over to Rajesh Doraiswamy to take us through the business development and the way ahead. Over to you, Rajesh.

Rajesh Doraiswamy:

Thank you, Savli. Wish you all a very warm welcome to Salzer Electronics Limited Earnings Conference Call for the Fourth Quarter and Full Year ended 31st March 2024. Thank you all very much for taking time today to join us. We have shared our results update presentation and media release. I hope you all must have received it and gone through the same. I would like to share some recent developments and outlook for the future.

To start with on the market outlook, as you delve into the fiscal year 2024/25, is imperative to green insight into the anticipated trajectory of the global market in sectors where we are dealing. With a cautiously optimistic view the market is poised to undergo moderate growth driven with several key factors. Despite the challenges post by various geopolitical tensions and economic slowdown in the key markets, particularly in US and Europe. We remain cautiously optimistic about the future growth opportunities for Salzer Electronics.

Our unwavering focus on both revenues and margin expansion positions us well to navigate these challenges and capitalize on emerging trends in the global market. We are witnessing a mega shift towards clean energy on a global scale, which is posting significant investments in renewable energy projects across the world. This persists a compelling opportunity for Salzer to leverage our expertise and offerings in the renewable energy sector, driving growth and innovation in this space.

Moreover, the market outlook for Salzer remains positive, fuelled by growing demand in India and ongoing investments in infrastructure and digitalization in the country. With our expansion plans underway, including the exploration of new markets like Australia, New Zealand and the

Middle East, we are poised to capitalize on these opportunities and further strengthen our market presence. As we continue to expand our product portfolio and explore new avenues for growth, we are confident in our ability to achieve our strategic objectives and deliver value to our stakeholders.

On the business, some of the key developments in the last financial year. Over the year, Salzer Electronics has demonstrated remarkable progress across various set of business operations. Notably, the company has secured a patent for heavy-duty energy-efficient automatic changeover. This product -this highlights Salzer's dedication to intellectual property advancements and enhancing its product portfolio with proprietary technology.

Now moving on to our subsidiaries. The Kostad EV Chargers is one of our subsidiaries, where we manufacture EV chargers. In the previous calls, we had informed that the chargers are being tested at ARAI for certification. In this process, we have encountered a small setback. Out of the total of 14 different tests that the charges have to undergo at ARAI, we have passed 13 tests.

However, in the one last test, which is the communication test, the chargers have failed. The reason for this is the chargers developed for European markets by a collaborator are as per the FIN communication standards. Whereas in India, it is as per ISO communication standard, which is mandatory related to a software. Hence, we, along with our partners, working on this issue to sort, hence, we expect some delay in getting approval from ARAI.

More detailed updates on this will be shared with you in the coming quarters. On our other subsidiary, Kaycee Industries Limited, Kaycee has shown consistent growth in sales performance, reflecting effective management and operation execution. As far as our subsidiary Kaycee Industries Limited is concerned, the sales have been growing consistently and EBITDA margins are also improving.

During this year, Kaycee's revenue was at INR48.81 crores as against INR41.7 crores last year, which is a year-on-year growth of 17%. EBITDA grew 42% year-on-year to INR6.78 crores. PAT grew 28% year-on-year to INR4.49 crores in FY '24. PAT margins stood at 9.1%. This is an increase of close to 100 basis points from last year.

Financially, the company has demonstrated robust performance with revenue and profitability showing significant growth in Q4 as well as full year as compared to the last year. This was mainly driven by strong performance in segments like industrial switchgear and wire & cable. Our new initiatives, the Three Phase Transformers and the Wire Harness business are growing well, and we expect this growth will continue.

Export markets have also been instrumental in revenue generation. Salzer is actively pursuing expansion initiatives in regions such as Australia, New Zealand and Middle East, while anticipating continued growth in the switchgear business. This year, we have achieved noteworthy milestone in product development. Most notably, we successfully developed smart meters and the smart meter facility and received BIS certification for our single phase smart energy meter.

The cutting edge smart meter factory is also backward integrated with Salzer's existing Coimbatore other factories, which have been manufacturing crucial electrical components for smart meters. As informed earlier, the trial production is underway at present, and we are in talks with various customers for long-term tie ups. We recognize that the market has slightly slowed down and that there are more issues ahead.

Nonetheless, we are in a strong position, thanks to our wide product range. We anticipate stability throughout these trying times because to our long-standing relationship with various large MNC. I thank the entire team at Salzer Electronics Limited for their untiring efforts and all of our stakeholders for your continued support and faith in the company. This is all from our side for now.

I would like to thank you all very much for your time and attention. Now we can take questions.

Moderator: Thank you very much. We will now begin question and answer session. We have the first question from the line of Rajesh Mangal Agarwal an Individual Investor. Please go ahead.

Rajesh Mangal Agarwal: Yes good evening, sir. Thanks for taking my question. Please throw some light on the smart metering facility, whether this is B2C for household or like what?

Rajesh Doraiswamy: Yes, sir, smart meters is the meters that are used in every individual house and every small businesses, every factories, wherever the power is being measured and monitored and built, the smart meters are used. They are consisting of different types of meters in the past Three Phase for the application and then you have HT meters for the factory.

Rajesh Mangal Agarwal: Did you develop all the three meters, sir?

Rajesh Doraiswamy: We are right now developed Single Phase and Three-Phase. Single Phase we have got the BIS certificate already Three Phases, we will get the BIS certificate by end of June. The sales of these meters will be those customers who have already taken orders from the DISCOM.

Rajesh Mangal Agarwal: Yes, yes. So right now, what is the progress, sir?

Rajesh Doraiswamy: Right now the factory installation of the factory is almost 80% complete, and we are running trial production starting June. And we are in discussion with various customers and we are submitting samples to the customers. The customers are in the process of evaluating the product and integrating with their software, and we expect the commercial production to start as soon as possible.

Rajesh Mangal Agarwal: Okay. Sir, second and last question is, what is the future guidelines for top line and EBITDA margin for FY '25?

Rajesh Doraiswamy: Excluding the smart meters, we expect to grow anywhere between 18% and 23% in the coming year. Smart meter business sales will be over and above that.

Rajesh Mangal Agarwal: Yes, both topline and EBITDA.

Rajesh Doraiswamy Yes.

- Rajesh Mangal Agarwal:** No, no. Like top line, your EBITDA margin is around 10% to 11%. So what is the figure guidelines for EBITDA margin for FY '25.
- Rajesh Doraiswamy** EBITDA margins have. Yes, excluding top meter, EBITDA margins, we have improved to around 70 basis points this year compared to last year. So we expect this to go up by another 1 percentage point in the coming year.
- Rajesh Mangal Agarwal:** So around 11%, we think?
- Rajesh Doraiswamy** Yes. 10.5% to 11%, yes.
- Moderator:** The next question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.
- Bala Murali Krishna:** My question is again on the smart meter so we are going to supply to AMISP right? We already want to tender from DISCOM. So are there any future plans to supply directly to DISCOMs, like in like in Tamil Nadu, I think the tender is yet to be awarded? Is there any scope for you to participate in the tender?
- Rajesh Doraiswamy:** Good question, sir. Thank you for bringing this up. Right now, I think our focus is to manufacture meters sell to the AMISPs, those who have already taken orders from DISCOM. It is understood from the data that is available in the REC website that close to 15 crores meters have been tendered and orders have been taken by various AMISPs. So our major focus right now will be to get to this 15 crores meter orders and supply to the AMISPs.
- For your second question, I think yes, I think we have also got the AMISP license already from REC, so we are also eligible to participate in the upcoming tenders. We will keep our options open and we will see if there is a possibility, if we are qualifying for the requirements, we will be participating in the tenders and taking orders directly from the DISCOMs.
- Bala Murali Krishna:** Good to hear sir. Secondly, we are initially planning to manufacture 4 million smart meters. I think maybe if we start commercial production from June, we could be able to achieve this 100% capacity in one or two quarters, right?
- Rajesh Doraiswamy:** Yes, I think we are ready with the facility. As I said, 80% installation is complete. The balance 20% also will be completed in the next 1 month or so. We have already started trial production. We are just waiting for the first order to come in. To achieve 100% capacity utilization, I think that depends on the order inflow. So we are doing all that we can in our capacity to bring in orders and fill the capacity.
- Bala Murali Krishna:** Okay, that's fine. And lastly on this sir, I think the average selling price of the smart meter would be around INR3,000. So we can expect that like INR1,000 revenue if we are at a resolution capacity utilization on a year, entire year.
- Rajesh Doraiswamy:** Yes, I think the pricing of the smart meter varies anywhere between INR2,400 to INR2,700, INR2,800 for single phase. And the three phases is a little higher. And you're right, I think our

capacity at 100% utilization is manufactured 40 lakh meters. We expect INR1,000 crores revenue to come in from that.

Bala Murali Krishna: That's very good information. Lastly, any other new products which are under trial or you want to start production like smart meters or EV charges? So any other product which is under pipeline which could be realized in the maybe next six months or one year?

Rajesh Doraiswamy: Various new products that they are working on Yes, but there's nothing that is ready to launch and or anything that to significant to be informed. So we just keep doing a lot of new products we keep expanding our existing product portfolio. But nothing new as of now like smart meters.

Bala Murali Krishna: Okay, so that's from side. Thank you.

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

Prajay: So first of all, congratulations for the beautiful numbers. I have two questions again on smart metering. So for FY25, what is the revenue that you are accepting? As a percentage of total revenue.

Rajesh Doraiswamy: Thank you for your appreciation. On the smart meter, as I just informed, I think at full capacity the revenue generation will be around INR1,000 crores. However, to give a projection for FY25 will be slightly difficult because we are still negotiating with various customers on the orders.

So without a solid concrete backup from our customers, I will not be able to give a projection. But my expectation is that I think at least 50% capacity utilization should be achieved. So I expect that we should be able to reach at least INR400 crores to INR500 crores revenue in the smart maker business if everything goes well from now.

Prajay: Okay, okay, thank you. And my second question is that you have given a growth expectation of 18% to 23% for FY25. I wanted to know about the breakup with each business segment. So can you give me an expectation of growth via industrial switch gears, copper business and building divisions along with the EBITDA margin expectations?

Rajesh Doraiswamy: I think the expectation I already said that we will be increasing our EBITDA margin by at least 100 basis points from the current level of 9.75% to 10.75% to 11%. So that's our target for the coming year. On the growth, industry switched gear business should be growing at around 22%-23% this year. Copper wire and cable business should be growing between 18% and 20%. A building segment, we are expecting that it will grow by around 40%.

Prajay: Okay, perfect. And best of luck for the future. Thank you.

Rajesh Doraiswamy: Thank you, sir.

Moderator: Thank you. The next question is from the line of Sunil Kateshia, an Individual Investor. Please go ahead.

Sunil Kateshia: Thank you so much for the opportunity, sir, and congratulations for the good set of numbers. Sir just wanted to ask about smart meters, say three years period down the line, what percentage of

market share which we are looking for that considering the demand is there for around 25 crores smart meters to be replaced over a period of years?

Rajesh Doraiswamy: Sure, very difficult question to answer because the market is actually as you said it's a very big market. We expect this the RDS scheme alone gives an opportunity of 25 crores meter in the country. And then we have opportunities to export to the Middle East, the Far East, as well as the African market. So there are markets outside of India. Even if we consider this 25 crores market, it's in my opinion, in my personal opinion, it is going to take at least for next five to seven years to complete the installation of this 25 crores meter.

Right now, our capacity is 40 lakh meters. If we get the capacity filled up as soon as possible, as soon as we get the capacity filled up, we hope that we will expand this capacity or double it to another 40 lakh meters. So that is our idea. So considering all this, if we are able to secure orders and install the meters as expected, is the customers complete the installation as expected I think we should be -- in the next 5 years, I think we should be able to sell at least 3 to 4 crores meters.

Moderator: We have the next question from the line of Chirag Jain from Yogya Capital.

Chirag Jain: Sir, I have two questions. First, on the smart meters, we are seeing some retraction on ground on the installation side. So how are you seeing that?

Rajesh Doraiswamy: Say that again, I didn't get your question.

Chirag Jain: The on the ground, there are reports of people not allowing the power grid companies to install...

Rajesh Doraiswamy: Yes. There were some news recently from Gujarat. People are not happy with the smart meters. I think definitely, I think there will be resistance to change. People think that smart meters will charge them more and things like that. But I think the technology advancements cannot be stopped. I think it will move forward. The government is they want this project to happen. This will create a lot of positives for the DISCOMs going forward.

Chirag Jain: So hasn't the deployment been slowed?

Rajesh Doraiswamy: Deployment is low at this moment is not because of the resistance from the general public, but it's because of the issues that we because the MSPs have today, because of supply of metered, integrating the meters with software and ensuring that the service levels are at 99% plus because if the meter doesn't work, when we come on bill -- so I think people are still testing and ensuring that things are working fine before they go at full speed for market implementation.

Chirag Jain: So don't you think there will be some delays in the instalment before the actual size scale because there are issues in the installed meters and something like that?

Rajesh Doraiswamy: I think we will definitely see a lot of shake out in this field in the next 2 years. There will be a lot of new players coming in. There are a lot of old players getting out of this business. We do see a lot of -- definitely a lot of quality issues because communication of 15 crores meter or 20 crores meter over GPRS or RF is not an easy job across India. So that needs a lot of bandwidth

from the telecom industry, capability and bandwidth from the service providers or system integrators. We will definitely see a lot of shakeout. So I think in the next 1, 1.5 years, we will see a lot of consolidation and then things moving forward. That is why I said in my previous answer that it will be a 5 to 6 year project to complete this 25 crores meters.

Chirag Jain: Okay. Fair enough, understood. What are the expected margins currently do we have on mind for meters facility?

Rajesh Doraiswamy: Meters, I think it's very difficult to say this now because we are still in the processing stage, and they are starting the tile production. But we expect that we will see this will be a very short on working capital there because of the demand that we see in the cost. So there won't be extra working capital in this. So considering that we will see an EBITDA margin of close to 15% on this map.

Chirag Jain: Okay. Secondly, on the EV charger side, the EV charger's technology hasn't moved up as we planned up to so also the sales of the EV in the new cars is almost stabilizing or decline offset – to say. So how well do you see that to tap that opportunity? And how are you working again on that? So can you give some light on that.

Rajesh Doraiswamy: Unfortunately for us, I think there has been a setback to complete the development of our chargers in the testing. But then I feel the short-term setback, which we come along with our partners, in the technology technical team that we have. On the business front, I think what you say is right. I think the EV business has, I wouldn't say slowed down I think the growth has slowed down or tapering a little bit.

But I think it is temporary going forward. In my opinion, at least 20% of the vehicles will be become EV. And that's what the world also is moving forward because that's what the US and European markets are going. So I think India will be following the same trend. So before the actual business grows on the 4-wheel front, we will be able with our chargers. And I expect that we will be able to capture significant market share in EV charger business.

Chirag Jain: So getting into more granular sense of the testing team. So what are you doing now to how we have failed in the Indian conditions to considering the previous failure. So what changes do we have in mind or we have done in the last quarter?

Rajesh Doraiswamy: Actually, I wouldn't consider this as failure because we have completed almost all the tests. The charger is charging the cars is working very well. Only thing is that there are different technologies to communicate with the car. There are different standards of testing for the communication protocol. So they are DIN standard, there are ISO standards, there's another different standard for the US market.

So the DIN standards are working fine, but the ISO standards are not working properly because the standard that the charger was developed is for Europe. Unfortunately, it is not complementing the Indian standards. So now we are trying to change the software and incorporate the Indian communication standard outsource. So, just got the change in software that we have to develop. If there's nothing is no change in hardware.

- Chirag Jain:** Okay. So it can withstand the 50 degrees centigrade or temperatures which are...
- Rajesh Doraiswamy:** All those tests are completed.
- Chirag Jain:** Okay. Fair enough. So we have started work on that?
- Rajesh Doraiswamy:** Yes. We have already started to work on that, and I think we will complete software through the internal testing and then go back to ARAI for repetition.
- Chirag Jain:** So when do we expect something on that?
- Rajesh Doraiswamy:** It's difficult to give a timeline for that for right now. I think in the next 1 month so we will be having a clear picture on when this will get completed.
- Moderator:** Thank you. The next question is from the line of Amit Agicha from HG Hawa & Company. Please go ahead.
- Amit Agicha:** My question was regarding the capex plan for FY '25?
- Rajesh Doraiswamy:** I think there's no major capex because we have done our smart meter capex almost 70% this year. So the balance will be done next year. Other than this, there is no major capex, and we will be doing the maintenance capex of approximately INR17 crores-INR20 crores.
- Amit Agicha:** Okay. And as the company has informed that the capacity of the smart meters is right now 40 lakh meters. And the company is also able to double its capacity to 80 lakh meters. So will it be capex be required for the '26 or '27 FY?
- Rajesh Doraiswamy:** I think it depends on we are filling this 100% capacity and how the commitments from our customers are coming in so it can happen in FY '26 or FY '27.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital.
- Deepak Poddar:** Am I audible, sir? Sir, I just wanted to understand this commercial production, when we are expecting it to start the smart meter?
- Rajesh Doraiswamy:** As I said, I think the trial production is underway. Commercial production, we are ready once the orders come in. So we should in my opinion, I assess that I think by June, July, we should be getting some orders and starting the commercial products.
- Deepak Poddar:** By June. And what is the total capex for this plant of 40 lakh unit?
- Rajesh Doraiswamy:** For 40 lakh units, I mean the entire plant is installed and completed our total capex will be closer around INR40 crores.
- Deepak Poddar:** Total capex is around INR 40 crores.
- Rajesh Doraiswamy:** Yes.

- Deepak Poddar:** Okay. And you mentioned that the if everything goes well, we will be able to reach INR400-INR500 crores revenue from smart meter here, which here we are referring to for this INR400 crores, INR500 crores?
- Rajesh Doraiswamy:** If everything goes well, I'm referring to the current year.
- Deepak Poddar:** FY '25. And can this INR400, INR500 crores revenue, can we record, I mean, 15% EBITDA margin that we are guiding for this meter business?
- Rajesh Doraiswamy:** First year might be a little lower because we are just starting. And I'm also very not very sure that we will be able to INR400, INR500 crores because we have to do 20 lakh meters. If we have to that kind of revenue. So it depends on the order inflow. It depends on supply chain. So there are lot of things we are starting new on this. But I'm optimistic, if we are able to do this first year, and the EBITDA margin is not 15%, I think definitely, it will be between 12% and 15% for the first year.
- Deepak Poddar:** 12%-15%, right? And if not INR400 crores, INR500 crores or maybe INR200 crores, INR300 crores is what we might target, right?
- Rajesh Doraiswamy:** I think that's very optimistic, yes.
- Deepak Poddar:** Understood. And just 1 last final thing. I think you mentioned next 5 years, you plan to sell about 3 crores meter, right? So that effectively means a revenue potential of INR7,500 crores over the next 5 years, right?
- Rajesh Doraiswamy:** Yes.
- Deepak Poddar:** Okay. So what is the risk we see in that? I mean what can happen if -- I mean, what is the risk to it, the outlook that we are sharing here.
- Rajesh Doraiswamy:** Actually, the risk is if the meter installed already doesn't work properly if the communication doesn't happen and if the entire installation by the customers -- by our customers doesn't happen properly. Then the whole team might slow down. So if it doesn't not happen in 5 years, I think it can happen in 6 or 7 years. But it will definitely happen because the government is committed to do this to go ahead with this project. In the awarded tenders, so it will definitely happen, but it might take a couple of more years to complete that.
- Deepak Poddar:** Understood. But I think the tendering is for 15 crores meter, right? That has been...
- Rajesh Doraiswamy:** Yes, but other 10 crores will start now, once the elections are over, the results are out. I think when the model code of conduct is completed, then the tenders for the rest, 10 crores will start.
- Deepak Poddar:** Understood. And we are developing 3-phase and single-phase smart meter, right?
- Rajesh Doraiswamy:** Right.

- Deepak Poddar:** Fair enough. I think that would be it from my side. And just 1 last more thing. So doubling the capacity to 80 lakh unit, how much you'll have to spend? I mean, you mentioned INR40 crores spend...
- Rajesh Doraiswamy:** We would need to put in another INR40 crores, INR40 crores.
- Deepak Poddar:** So another INR40 crores we need to put?
- Rajesh Doraiswamy:** Yes.
- Moderator:** Thank you. The next question is from the line of Tanush Mehta from JM Financial.
- Tanush Mehta:** I have a couple of questions. We've discussed it. A lot of orders are under discussion and nearing closure -- so can you give some light on the quantum of these orders? Because it seems that, sir, we are doing a few things at the same time. So if you can give some clarity that to your OEMs or those smart meters like you prior suppliers to some good MNC names. So what can be the quantum of orders that we are expecting?
- Rajesh Doraiswamy:** There is no clarity on the quantity of orders that we might get for smart meters. I think initially, everybody, including our customers don't have a clarity on how many meters they want to buy and install because the entire scheme is being tested right now. So we really don't have a clarity on the quantity of orders that we might get. It can start anywhere between 10,000 and it can go up to 1 lakh or 10 lakhs, depending on how our customers are capable of buying and installing. So I'm afraid I will not be able to give like quantity clarification at this point of time on the smart meters particular.
- Tanush Mehta:** Okay. And the other part of the business?
- Rajesh Doraiswamy:** Other part of the business we have very good clarity, and that is the reason that we say that we will definitely be able to grow between 18% and 23%, given the market conditions.
- Tanush Mehta:** And sir, I have seen from the promoter hold that in the last, I guess, 16 quarters, 18 quarters, promoter shareholding has gone up from roughly 32% to 33% to now 37%. So at what stage are we looking? Till how like what's your view on the same?
- Rajesh Doraiswamy:** I think we have increased from 32% to 38% as of now. And I think this for this year, I think this is going to be the limit. However, I think as promoters, we will be comfortable and looking at see this further to close to 40%. In the coming years. There's no timeline for it, but that's the target.
- Tanush Mehta:** And one last question that when I'm seeing your financials overall, we were doing close to 10%, 12% margins in the early 2015, '14 period when a topline was, let's say, INR250 crores then we had stable margins, we hit single-digit margin in 2020 to 2023. And now we are ending at roughly 10% EBITDA for '24.
- So 1 thing is that in the past, what was that 1 difference that was making us make EBITDA of 12%, 13% and now will come up to 10%. So are we on the trajectory to do better than what

we've done in the past because I think smart meters in all our value-accretive businesses. So can this margin cross your all-time high margins that you all have done in the past as well?

Rajesh Doraiswamy: Good question. Thanks for bringing this up. Yes, I think you're right. We were at around 12% blended margins in the previous years, just dropped in between. I think COVID and post-COVID actually dragged down very much to, around 8% in FY'22, which was the lowest for us. In FY'21 also we were at 10, so it came to 8% in the '22.

And we have started coming up back to around 10%. However, there are 2 things that we have to look here. One is we have 2 different types of businesses. One, the industrial switchgear and the wiring cable. Traditionally, the industrial switchgear businesses used to give us 14%, 15%, EBITDA margin and industries -- Wire & Cable used to give us around 7% to 8% margin.

Post-COVID, both has dropped drastically to close to around 11% on the Industrial Switchgear, Wire & Cable to around 6%. So that's the reason that we dropped to eight and then now coming up back to around 10%. Now, if you look at the absolute numbers in three years, I think from INR60-odd crores of EBITDA margin, we have come to around INR110 crores now on a stand-alone basis.

So the absolute number still going up. And the other compromise that we have to make is when the volumes are going up margin constraints are there for every product and for every business. So that's also another point that we have to keep in mind. Considering all this, what we are now focusing is we want to be packed at around 11%. So that's the target that we are having. And I'm hopeful that we will be able to achieve that in this coming year. If not 11, at least closer to 11% is what we are targeting to achieve in the coming year.

Tanush Mehta: My last question, I think in the 2020, 2021 somewhere we had announced that we have done some tie-up with German company with our exploration in the EV business. So where are we standing in that case, sir?

Rajesh Doraiswamy: It's not a German company. I think it's an Austrian company.

Tanush Mehta: Sorry, Austrian company.

Rajesh Doraiswamy: Austrian company and then I think that's earlier in my call also I mentioned what is the status of the charger and I think in the previous question also I explained in detail what is the status of the charger. I think we are working on it, there is a small setback. However, we will correct on the technology front and then we will be out with the charger as soon as possible.

Tanush Mehta: Okay sir. Thank you.

Moderator: Thank you. The next question comes from the line of Ayush Singhla, an Individual Investor. Please go ahead.

Ayush Singhla: I had a few questions. So I wanted to know that what is the current capacity of the smart meter facilities that we have set up. And what is the timeline that you have in your mind if we even talk about doubling our capacity from the existing one what you've set up?

- Rajesh Doraiswamy:** Our current capacity is INR40 lakh meters per annum -- so we will be planning to double this only if we fill up this capacity. So that's the future. So we -- our first target is to fill this capacity up and that's what we are working on and we hope by the end of the financial we will be full capacity orders and then we will start working on expansion after that.
- Ayush Singhla:** Right, sir. Second, sir, I had a question that what is the addressable market size that Salzer looking out to gather from the launch of smart meters. And also what are the strategies that we have set out to compete with the listed players like Genus and HPL Electric.
- Rajesh Doraiswamy:** The market is too big. The addressable market size is around INR25 crores meters in the tendering space and non-tendering space, I would say, at least another INR5 crores meters. Around INR30 crores meter is the market size that we are addressing. So there is enough room for Salzer as well as there are a few -- there may be a few more new players that may come into this space.
- So Genus and HPL and Schneider and there are many others who are already there in the field. Everybody will have their own market share and we are also trying to get our share of market in business.
- Ayush Singhla:** Sir another question I had is that what are our current debt levels -- and for the setting up of this smart meter facility what kind of capex have been incurred? And the capex that we have incurred how have you arrange that means by debt, internal accruals, I just wanted to know how is the range has been done?
- Rajesh Doraiswamy:** Our borrowing working capital borrowings are at around INR284 crores, if I'm not wrong I think INR294 crores. On the long-term debt we are at around INR12 crores. For setting up the smart meter facility to invest around INR40 crores, we have taken a term loan of around INR20 crores which we have not fully availed so far I think maybe going forward when we complete project if required we will avail that INR20 crores. Our long-term debt currently is at around INR12 crores.
- Ayush Singhla:** Right, sir. And sir just last one what I had is that what's the current cash conversion cycle? And how do we see it going forward in FY25 is by how much can we see it reducing so that we can see a good impact on the financials accordingly.
- Rajesh Doraiswamy:** Cash conversion cycle currently is at 145 days to 150 days with 90 inventory days and 90 debtor days and creditor days is around 32. That's our current cash conversion. We have been consistent in FY '23 is the same level and we at the same level we wanted to improve, but we couldn't. Our ultimate goal is to have cash conversion cycle of around 120 per days net working capital days.
- Ayush Singhla:** Right sir. That's it from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Mohit Madhiwalla from Envision Capital. Please go ahead.

- Mohit Madhiwalla:** Congratulations on a good set of numbers. Sir, my first question is that for FY '24, could you tell us the EBITDA margins for each revenue segment that is your switchgear, Wire & Cable and Building Products?
- Rajesh Doraiswamy:** I think this information is there in the investor presentation, you can always take a look at it any time. Now if I can say that I think FY24 EBITDA margin for Industrial Switchgear was around 12.7% compared to 11.6% in the last year. Wire & Cable is around 7% compared to 6.5% last year. Building segment is at around 0.5%.
- Mohit Madhiwalla:** Okay, sir. Got it. And expectations for FY '25 are in a similar range?
- Rajesh Doraiswamy:** The breakups I don't have, but as I said I think we will be able to improve by 1 percentage point.
- Mohit Madhiwalla:** So overall 1 percentage point on the EBITDA margin. Okay great. And sir I also noticed that from -- on the balance sheet from FY '23 to '24 the long-term debt has gone up slightly. So my question is that where will this be utilized and any outlook on paying off debt eventually altogether?
- Rajesh Doraiswamy:** I think as I mentioned that we are implementing the project of smart right now. That's why you see the increase from INR7 crores to INR12.5 crores on the long-term debt. So this is neutralized for the setting up of the smart meter plan.
- Mohit Madhiwalla:** And sir just one more kind of just wanted to get some understanding on EV chargers piece. So first question is that Salzer costar is not a wholly owned subsidiary it's consolidated as a subsidiary.
- Rajesh Doraiswamy:** Correct. I am talking of Salzer own 60%.
- Mohit Madhiwalla:** Okay. And sir just one last question on this EV piece only. What is the aspiration in this segment, if I have to ask very directly in terms of like the vision that you had, let's say, as a manufacturer of chargers what type of charges will be made and also maybe listening in terms of the scale that we want to achieve, the revenues, the margins how long this when the testing comes through when the appliance comes through what is the aspiration for this piece?
- Rajesh Doraiswamy:** The vision and the aspiration I think I've already mentioned this in one of the previous calls. I think the vision and aspiration is to see that this EV business grows to INR1,000 crores business. And we want also to be a charge point operator across the country so that we can install our own chargers and ensure that there are highway charging network Salzer charging network. So that's the ultimate vision and aspiration.
- However, I think it's a long way to go. And we also see that the business is evolving in a different way because there were a lot of positive optimistic views until very recently, but it looks like, I think the EV business is the growth is tapering as I already mentioned previously. There are certain negatives that are being talked about on the EV vehicles even in the Europe.

Nevertheless all those things leaving apart I think the business will still grow and we want to be a part of the segment and that's why we are working hard to see how we can bring out a very efficient and high-quality charger, high-quality fast chargers in India.

Mohit Madhiwalla: So just -- again, just a follow-up on this. These challenges these headwinds that are there, does it have anything to do with competition or is it more from like a demand side?

Rajesh Doraiswamy: Which one say that again?

Mohit Madhiwalla: These challenging that or sort of headwinds that we are facing in the EV charging piece that now you said this...

Rajesh Doraiswamy: The challenge that we are facing is to grow the technology and get the specification as per the Indian standard.

Mohit Madhiwalla: Okay got it. That's it from my side. Thank you so much and good luck for the future.

Moderator: Thank you. The next question is from the line of Munjal Shah, an individual Investor. Please go ahead.

Munjal Shah: Thank you for the opportunity and sir congratulations for a good set of numbers. Sir, two quick questions. I'm actually new to the company. So I just would want to know that on the base business side. If we are talking about the transformer space. So basically, I read we are into Toroidal Transformers. And considering the increase in the power consumption and in times to come, sir, can you throw some light on how we are seeing the business to move? And do we have a scope of increasing business on the transformer side?

Rajesh Doraiswamy: I think all applications for the transformers both single phase increase the selling is dependent on the infrastructure development and the component and the product development of various companies because the usage is in renewable in citation tools that's the usage. So there's no impact on our ability or instability on the transformer scale because we are not into the distribution times.

That's not our business. Irrespective of what happens in the power stability, I expect looking at the future growth of the country, the transformer business will definitely grow far particularly, if you look at the digitalization, the data center, the renewable business, as I mentioned in my call, these sectors are growing very, very rapidly across India. And now when the AI and the mission learning and things like that come, I think the whole world will need much more data centers because it all depends on that.

So that will actually drive this business at a much, much faster pace. So we expect I think last year, we have grown close to around 40% on 3-phase transformers wire harness. Toroidal Transforms a little lower at around 25%. Do we expect that this growth trajectory will continue for this business -- these products.

Munjal Shah: Okay. And sir basically if I'm not -- so we are basically into power transformers I'm not mistaken?

- Rajesh Doraiswamy:** Yes.
- Munjal Shah:** Okay. So you see that there is a good headroom for growth in coming years with the emerging sectors basically like data centers and renewables per se?
- Rajesh Doraiswamy:** Correct.
- Munjal Shah:** Okay. And sir, on -- just a small question on the charging infrastructure side. So you mentioned the concerns. And once the concerns are resolved so if we assume the best case scenario, so what would be the EBITDA margins to drive this business going forward?
- Rajesh Doraiswamy:** We actually projected an EBITDA margin close to 18% to 20% if everything goes well in the charger business.
- Munjal Shah:** Okay noted sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rohit Ohri from Progressive Share Brokers. Please go ahead.
- Rohit Ohri:** A couple of questions from my end. First 1 is related to the export business, if you can take us through that we were trying to work on trying to find some opportunities in Russia has that initiative been doing well or how is that right now?
- Rajesh Doraiswamy:** Yes, I think we were able to get some introduction in Russian market and we got what we're able to sell in the first order. But we are still expecting much more to happen in Russia, which we will know in the coming quarter.
- Rohit Ohri:** Any ballpark number you'd like to share?
- Rajesh Doraiswamy:** I don't think so that we have a projection for Russia as of now.
- Rohit Ohri:** So you think that from around 26.
- Rajesh Doraiswamy:** But my opinion as far as I have seen a talk to customers there, it looks like a very large market as large as the Europe or Europe or the American market that we cater to. So hopefully, I think in the coming years, we will be able to capture a reasonable size of market share from Russia.
- Rohit Ohri:** So from this 26% kind of export, do you think there's more scope to increase that?
- Rajesh Doraiswamy:** Given that we have the smart meters now you have the Indian business also growing at a very, very fast pace. We can maintain this 26%, 27% itself will be a great achievement in my opinion because that has -- that also will ensure that the export is also growing at the same pace.
- Rohit Ohri:** Okay. Sir, there were some debottlenecking activity, which was going on which was indicated like some 3 quarters ago where you were working something on the rooftop for some addition of some line has that been completed?
- Rajesh Doraiswamy:** No, I don't -- not able to get what you're saying debottlenecking in the production facilities?

- Rohit Ohri:** Yes, there was some addition of lines that you were trying to do probably...
- Rajesh Doraiswamy:** No, I think that's a constant process in various product lines the capacity reaches its optimum level, I think we try to do debottlenecking or we try to expand capacity. That's an ongoing process and we continue to do -- we have done that for several product lines being continue to be done.
- Rohit Ohri:** Sir, can you see some of these products from Salzer if you travel in the Shatabdi train probably from Mumbai to Ahmedabad and currently the government is talking about a lot of Vande Bharat trains do you think that we have some scope over here in Vande Bharat trains?
- Rajesh Doraiswamy:** Yes sir we sell I think switches to the Vande Bharat trains the rotary cam switches that's the business that we do. We have a lot of potential to sell transformers also into the Indian Railways, but that's still not complete because of various reasons, testing approval pricing. There are so many things that's involved when you get into railways, but yes I think when the number of clients increases our business of rotary cam switch to the railways will increase which will also improving margins.
- Rohit Ohri:** Okay. Can you share that how frequently these kind of orders come from the railways?
- Rajesh Doraiswamy:** I mean basically tender. So there are tenders coming out in a year at least 7 times, 8 times in a year at different interval. Sometimes everything comes in 1 month or 2 months, 3 months nothing happens then it comes again. So overall, I think it's around 7 tenders, 8 tenders in a year from Indian railways and then there are also workshops that comes out with various tenders and orders.
- Rohit Ohri:** Government was trying to implement some of these Vande Bharat trains for the metro. So do you think that Salzer can play a role over there?
- Rajesh Doraiswamy:** Yes, same products will get used in those.
- Rohit Ohri:** Okay. My last question is related to Kaycee Industries. If you can take us through the performance of course you have given good rewards to the shareholders the long-term shareholders of Kaycee, but do you think that Kaycee could be a INR100 crores company in the next 3 years or 4 years or so maintaining of the EBITDA margins?
- Rajesh Doraiswamy:** Our target is to grow at around 20% in the current year. And then reach INR100 crores in the next at least 3 years. Yes, that's the aim and focus we are trying to get there. And then you continue to maintain the PAT margins because we look at the PAT margins of Kaycee it is very good. It's close to about 9% making PAT margins in Kaycee.
- Rohit Ohri:** Okay sir. Thank you for answering my questions. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Prajay an Individual Investor. Please go ahead.
- Prajay:** I'm sorry, even I'm new to this company. Will it be possible for you to share the volume numbers segment-wise?

- Rajesh Doraiswamy:** Very difficult because the segment has multiple products and will be difficult to share volumes segment-wise.
- Prajay:** Okay. So is it possible that from next company presentation you can share segment volumes? Can you give us the idea for product?
- Rajesh Doraiswamy:** Too much too much of data, but we will try to do all that.
- Prajay:** Thank you so much. That's it. Thank you.
- Moderator:** Thank you. We have no further questions ladies and. I would now like to hand the conference over to Mr. Rajesh Doraiswamy for closing comments. Over to you, sir.
- Rajesh Doraiswamy:** Thank you very much all of you. Thank you Progressive for hosting this call. Now looking forward to interact with you during the quarter as well as during the next investors call. Thank you all very much for your time and attention and support.
- Moderator:** Thank you. On behalf of Progressive Shares, that concludes this conference. Thank you joining us. You may now disconnect your lines.