



SALZER ELECTRONICS LTD

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November 21, 2024

To

THE CORPORATE RELATIONSHIP DEPT
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Symbol: **SALZERELEC**

Dear Sir,

Sub: Transcript of the Earning Call on the Results of Second Quarter / Six months ended 30.09.2024.

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 3.00 p.m., on Monday, November 18, 2024 to discuss the financial results of the Company for the First Quarter / Three months ended 30.06.2024.

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

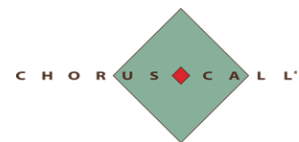
For SALZER ELECTRONICS LTD

K M MURUGESAN
COMPANY SECRETARY

Encl : As above



“Salzer Electronics Limited
Q2 and H1 FY25 Earnings Conference Call”
November 18, 2024



MANAGEMENT: **MR. RAJESH DORAISWAMY – JOINT MANAGING DIRECTOR – SALZER ELECTRONICS LIMITED**
MR. P. SIVAKUMAR – ASSISTANT VICE PRESIDENT, MARKETING – SALZER ELECTRONICS LIMITED
MR. S. VENKATACHALAM – GENERAL MANAGER, COMMERCIAL – 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. RAMAN – CHIEF OPERATING OFFICER – KAYCEE INDUSTRIES
MS. SAVLI MANGLE – ADFACTORS INVESTOR – RELATIONS MANAGEMENT

MODERATOR: **MS. POONAM SANGHAVI – PROGRESSIVE SHARE BROKERS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Salzer Electronics Limited Q2 and H1 FY '25 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Poonam Sanghavi from Progressive Shares. Thank you, and over to you, ma'am.

Poonam Sanghavi: Thank you, Neha. Good afternoon, everyone. On behalf of Progressive Shares, I welcome you all to Q2 and H1FY25 Post Earnings Conference Call of Salzer Electronics Limited. This conference call 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 more not a guarantee of future performance and involve risk and uncertainties that are difficult to predict.

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

Savli Mangle: Thank you, Neha. Good afternoon, everyone, and thank you for joining us on the call today to discuss the unaudited financial performance for the quarter and half year ended 30th September 2024. On the call with us, we have Mr. Rajesh Doraiswamy, Joint Managing Director; Mr. P. Sivakumar, Assistant Vice President, Marketing; Mr. S. Venkatachalam, General Manager, Commercial; Mr. R. Menaka, General Manager, Accounts; Mr. K.M. Murugesh, Company Secretary; and Mr. Raman, Chief Operating Officer, Kaycee Industries.

I shall now take you through the consolidated financial performance of the quarter and half year ended September 2024. During the quarter, our revenues increased by 23% to INR 344 crores from INR 281 crores in the previous corresponding period. This growth was mainly driven by higher demand for Industrial Switchgear as well as Wires & Cable businesses mainly due to high demand products like 3 phase dry type transformer, Wire Harness, relays and new products like contactors, etcetera.

The EBITDA, excluding other income, was INR 35 crores both in Q2 FY25 as against INR 27 crores in Q2 FY24, a year-on-year growth of 32%, mainly on account of increased sales in the higher-margin Switchgear products. The EBITDA margin for the quarter increased by 72 basis points to 10%. The PAT grew by nearly 170% to INR 27 crores in Q2 FY25. Coming to our half-yearly financial performance. In the 6 months ended September 30, 2024, the net revenue was INR 701 crores as against INR 569 crores in H1FY24, a year-on-year growth of 23%. This growth was driven by the businesses of Industrial Switchgear and our Wire & Cable. The EBITDA, excluding other income, stood at INR 69 crores in H1 FY25 as against INR 53 crores in H1 FY24, a year-on-year growth of 30%. This was mainly on account of higher sales in high-demand products like Wire Harness, relays, contractors, etc. The EBITDA margin was 10%, a year-on-year increase of 52 basis points. The PAT was INR 42 crores, a year-on-year growth of 107% with the margins at 6%.

Moving on to the breakup of revenue at the business divisions. Industrial Switchgear contributed 62% of the total revenues in this quarter and 57% in the first half of the year. This business has grown 34% year-on-year in Q2 FY25 and 27% in H1 FY25. The margin -- the EBITDA margin for this business was at 12% in Q2 and 13% in the first half of the year.

Coming to the Wire & Cables business. This business contributed to nearly 34% of our revenues in the quarter and 39% in the first half. There has been a 10% year-on-year increase in this division during the quarter and 21% in H1 FY25. The EBITDA margin for this business stood at 7% in Q2 and 6% in H1 FY25.

Coming to the Building Products division. This business has contributed 5% to our revenues in the quarter and 5% in the first half of the year. Coming to exports. We continue to see a steady growth, mainly due to higher sales and release in African countries as well as North and South America and Asia. Exports to the Americas grew 7% year-on-year; Asian countries grew 17%; Middle East and Africa grew 43% combined year-on-year in this quarter.

For this quarter, the export share of the revenue was really 29%, but as for the half year, it was 28%. Growth in exports has been 3% year-on-year in quarter and 17% year-on-year in the first half. Thank you. And I would now like to hand it over to Rajesh to take us through the business developments and way ahead.

Rajesh Doraiswamy:

Thank you very much, Savli. I'd once again like to warmly welcome all of you to Salzer Electronics Earnings Conference Call for the Second Quarter Financial Year 2024. Thank you all for taking time to join us today. We have shared our results update presentation and the media release. I hope you all must have received it. And also, I think, Savli explained in detail about the financials just now.

A little bit about the outlook and the future. On the market outlook, as we all know, the global switchgear market size is close to \$94 billion in 2023 and is expected to reach \$150 billion by 2032, with a 5.5% CAGR during the forecast period '24 to '32. This growth is mainly driven by increasing demand for electricity, the expanded use in transportation, renewable energy investments, rising electricity needs from manufacturing and replacement of old switchgears. Key trends include the adoption of digital technologies; innovation and development of products to meet power generation; investment in eco-efficient solutions; the deployment of IoT-enabled switchgears for automated operations; and promotion of automated switchgear for smart grid operation and the development of various specialized switchgears for critical industries.

Coming to India. The Indian switchgear market is projected to grow by USD 4.14 billion with a CAGR of 7.5% from 2023 to 2028, for the next 5 years. This growth is again driven by the investments in infrastructure, industrialization laborization across the country. Furthermore, India's strong push towards renewable energy, particularly solar wind, underscores the need for robust switchgear solutions in renewable plants and good integration projects. Additionally, the adoption of smart grid technology requires advanced switchgear that enables automated and remote operation, further fuelling the demand in the sector.

At Salzer, we're committed to swiftly adapt to these evolving dynamics as always, embracing a productive approach to drive growth and resilience. We see challenges and opportunities for innovation and evolution and have strategically positioned ourselves to respond effectively to changing economic and technical landscape. As we broaden our product portfolio and pursue new growth avenues, we remain confident in our ability to achieve our strategic objectives and deliver value to our stakeholders.

Coming to the key developments on the business performance. As a part of our growth strategy, I'm very pleased to announce that we have received our first order for the smart meters for a value of INR 45 crores from a leading AMISP in India. Though this is a very small step forward, but this is a big achievement. And it is a testament to our team's dedication to advancing smart metering technology. Our solution has garnered significant interest with evaluations currently underway by various AMISPs across India. We are also in advanced discussions with these partners and are very optimistic about securing further quantity orders. This momentum reinforces our commitment to supporting India's digital transformation in energy management through cutting-edge Smart Meter technology.

On the EV charging market, we are focusing on DC fast chargers. We are pushing ourselves as a supplier to various charge point operators. While this market is still in its very early stages, we see promising growth potential with an estimated need of for chargers in India. Though we anticipate competition, and the capabilities will allow us a share of emerging markets.

Our wholly owned subsidiary is being established Saudi Arabia to manufacture products, aiming to meet the local demand and enhance access to various GCC markets.

Looking ahead, we have a positive outlook for the Switchgear segment, projecting a growth of over 20% driven by strong demand in both domestic as well as export market. Exports are expected to gain momentum in the coming quarters. On the domestic front, we are seeing substantial growth potential across various sectors, including power, renewables, data centres, new factory setups, which will drive demand for our products.

Coming to our subsidiary, Kaycee Industries Limited. The sales have been growing well, and EBITDA margins are also getting better. Kaycee's top line grew 13.3% to INR13.34 crores from INR 11.77 crores last year. EBITDA grew 41.5% to INR 2.15 crores from INR 1.52 crores last year. PAT margins in H1 FY25 stood at 11.5% as against 8% in H1 FY24, which is an improvement of close to 3.5%.

Looking ahead to FY26, we anticipate robust revenue growth, projecting a 20% increase in our existing businesses, aiming to reach close to around INR 1,600 crores in total revenue. The Smart Meter segment alone is expected to contribute an additional INR 700 crores approximately, underscoring its strategic importance. Furthermore, we are focusing on margin improvement, targeting a margin of at least 11% EBITDA by FY26 as we drive operational efficiencies across divisions.

For FY25 and beyond, our growth strategy is rooted in diversification into high potential markets, such as DC fast charging and smart meters, both of which are expected to add significantly to our top line as well as bottom line in the coming years.

I thank the entire team at Salzer Electronics for their untiring efforts and all our stakeholders for your continued support and faith in our company. This is all from our side for now. I would like to thank you all once again very much for your time and attention. We can now take questions.

- Moderator:** The first question is from the line of Vipin Abraham from Integritechnologies Private Limited.
- Vipin Abraham:** Sir congratulations on a very good set of numbers and also a very good outlook for the next year will come and also for the order on smart meters. My question is that sir, the other income, what we have seen in this quarter of around INR15.6 crores, what is that pertaining to and would that continue?
- Management:** The other income includes profit on sale of shares of our subsidiary, Kaycee Industries Limited to the extent of 1.5%. So that contributes to around INR15.6 crores and that's what is the other income. To add to that, just to add 1 more point for all the participants today. So the other income is a part of the profit today. I think that's why we see a substantial increase, in PAT, close to 170% from INR10.10 crores last year to INR 27.28 crores this year, which includes this other income.
- But if you remove the other income and also remove the long-term capital gain tax that we paid on the tax, the net impact will be around INR13.8 crores on the PAT. So even without that, our PAT will be at INR13.5 crores, which is still a 33.5% growth compared to last quarter. So that's the point that I would like to highlight here for our participants. Thanks for being on the call, sir.
- Vipin Abraham:** Yes, I have one more question, sir. The smart meters, we are actually about to start. There are already a lot of players also coming into that segment. What kind of margins do you expect from the smart meters approximately for the next year?
- Rajesh Doraiswamy:** I think we are definitely expecting now less than 12% to 14% of EBITDA margins is what we expect in smart meters. But as we go along, we will know how this business again pans out, but this is looking to be a very high-volume, high-value business. And as you said, there are also a lot of new competitions that might come in and we'll have to see how the business pans out. Because as of now, we see EBITDA can be between 12% and 14%.
- Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital.
- Deepak Poddar:** Yes. I'm audible, sir?
- Rajesh Doraiswamy:** Yes, sir. Very much.
- Deepak Poddar:** Yes, yes. Sir, first, just a clarification. You mentioned INR1,500 crores of revenue FY '26 with 11% EBITDA margin. That's on Switchgear segment, right? And Smart Meter INR700 crores at 12% to 14% EBITDA margin will be over and above that.
- Rajesh Doraiswamy:** INR1,600 crores, plus INR700 crores is what we expect for FY '26.

- Deepak Poddar:** Yes. And Switchgear would be 11% EBITDA margin and Smart Meter 12% to 14%. That's what I've got.
- Rajesh Doraiswamy:** Yes, yes, yes. No, no, no, sorry. The 11% EBITDA, I said is the blended margin overall for the company.
- Deepak Poddar:** Okay. 11% is the blended margin. Then what is the Switchgear margin we are expecting for next year, around INR1,600 crores?
- Rajesh Doraiswamy:** Out of INR1,600 crores, around 50% to 55% will be the Switchgear business. And the rest will come from Wire & Cable in the Building segment. Yes, the Switchgear margin EBITDA, we expect around 12.5% approximately.
- Deepak Poddar:** Okay. No, so just a clarification. This blended margin of 11%, that excludes the Smart Meter. I mean except Smart Meter, whatever the business, all the 2, 3 segments, blended margin would be 11%, right?
- Rajesh Doraiswamy:** Got it, sir. You're right, yes.
- Deepak Poddar:** Okay, sir. And what about FY '25? I mean I missed it, since you have mentioned about FY '25 also in terms of outlook.
- Rajesh Doraiswamy:** FY '25, I think we already mentioned in last quarter, we are definitely expecting to grow between 20% and 23% in the top line as well as in the bottom line. It looks like I think we are in line with that projection as of now. This is excluding the Smart Meter again. And we don't expect big revenues to flow in on the smart meters for this year. However, we expect to secure orders in this financial year.
- Deepak Poddar:** Okay. So earlier we were expecting some revenue to come from Smart Meter, right? Maybe INR100 crores...
- Rajesh Doraiswamy:** Yes. We expect that around INR200 crores of revenue we expected, but it looks like that might not happen because we are only around 5 4 or months away right now from the year-end. And even if we are ready to supply after the orders, I think the customers won't be ready to take the orders and install the meters to that extent. Though we will see some revenue, it won't be to that extent.
- Deepak Poddar:** Understood. And this 20%, 22% on top line, bottom line is a blended company level, right?
- Rajesh Doraiswamy:** Yes. Yes, sir.
- Moderator:** The next question is from the line of Prathamesh Dhiwar from Tiger Assets.
- Prathamesh Dhiwar:** Yes, sir. Just a couple of questions. First one is regarding the smart meters. I think earlier, we have projected around INR1,000 crores of revenue to be coming from smart meters, but now we are expecting around INR 700 crores. So is there any like order relapse from the industry standpoint? I'd like to understand.

- Rajesh Doraiswamy:** No, there's no change in what we have said. I think the capacity that we have set up is still at INR1,000 crores or around INR1,000 crores, a little bit more than that. We are just being a little pessimistic looking at the market scenario and looking at how the customers are giving the schedules for the orders. So we expect that this can be a realistic figure for FY '26.
- Prathamesh Dhiwar:** Okay. So I know, sir. And so like how have the industry orders been performed in Smart Meters side, say, in the last 6 months? Has there been any delay in like tenders coming into the markets because of election or some other reason?
- Rajesh Doraiswamy:** Can you repeat your question, sir. I think your voice is still not very clear to me.
- Prathamesh Dhiwar:** Yes. Am I audible, sir?
- Rajesh Doraiswamy:** You're audible, but it's not clear.
- Prathamesh Dhiwar:** Okay.
- Rajesh Doraiswamy:** So repeat your question and then I'll understand.
- Prathamesh Dhiwar:** Yes, sure. My question was regarding the industry in the Smart Meter side. Like 'til now, has there been any delays from the government for bringing up the tenders? So how has been the industry overview as of now?
- Rajesh Doraiswamy:** Yes, I think post-election there's 1 or 2 tenders have come up and some bidders have won. But the process is actually a very slow process. Even after winning the bid there is a reverse bidding that will happen, which will take a month or so to complete. And then there's, again, a lot of process that the bid winners have to undergo before they secure an LOI from the government to start to the work.
- So it's a long process that's happening post-election. Definitely, something is happening. I'm not saying nothing's happening. But wherever the tenders have already been awarded, the tender winners are working in the field to start the installation of the meters. Though it is starting slow, it is still starting, but then this is what field area where I think the initial start will definitely be slow because it's very complicated in the field to install a smart meter.
- There are multiple challenges for the bid winners to start the process in a full-fledged manner and it's at a very fast pace. So that's why I think that things are a little slow at this moment. But I'm sure that with the objective of the government, with the way that these people have won the tenders and things are going on, things will pick pace as in the next couple of quarters.
- Prathamesh Dhiwar:** Okay. Got it, sir. Just sir, if I want to talk in terms of numbers. So in industry for FY '25 and FY '26, how much has been the outlay for smart meters? And let's say, for this year, how much the government has spent out of total FY '25 outlay for smart meters?
- Rajesh Doraiswamy:** As far as the information call in the Internet at least, what we have, our RDSS website that sort of think about this specifically, you can find all information, as far as I know, it is approximately 1 crores meters have been installed until now out of whatever has been tendered so far.

- Prathamesh Dhiwar:** Okay. Got it, sir.
- Rajesh Doraiswamy:** I think it's less than 7%, 6%, 7% of the total tender quantity.
- Prathamesh Dhiwar:** For FY '25?
- Rajesh Doraiswamy:** Yes, for FY '24. '24-'25 yes, until now. Until now.
- Moderator:** The next question is from the line of Naman Parmar from Niveshaay Investment Advisors.
- Naman Parmar:** Good afternoon sir and congrats on the great set of numbers. So I just wanted to know on the EV charging side, currently, how much with the industries, if you see majorly controlled unit and the power model. So what's the status by the government? It has been indigenous by June '24 and December '24?
- Rajesh Doraiswamy:** Say that again, sir, control unit and power modules? What is that?
- Naman Parmar:** Control unit and power modules. So control unit used to be indigenous by the June '24. So any update on that side that it has been whether indigenous or procure from India only? Or is it still import from the...
- Rajesh Doraiswamy:** There is no mandate or anything from the government on such things. I have not heard about anything like that. There are a lot of components within the charger that is being produced locally and a lot of components, we produce it ourselves. But there are certain components that needs to be imported from various other countries, including China, which we are doing. I have not heard about any mandate or any percentage or anything like that so far.
- Naman Parmar:** So on the EV charger side, so you will be selling this all to the OEMs like all marketing company or you will be staying as a CPO charging point operator for them?
- Rajesh Doraiswamy:** We will explore all opportunities. I'm not saying that we will not do this or do that, but we will find all opportunities. We will sell to charge point operators. We will sell to OEMs if we get an opportunity. So we look forward for all areas.
- Naman Parmar:** Okay. And lastly, I mean, sir, you have had the test passed for the EV charger, your one test was left to be passed, right?
- Rajesh Doraiswamy:** We are trying a different route to get the test passed on that. So I think once we do that, I think for information on that, we will be giving it to the market. Until now, that particular test is still not passed, but we are trying to find an alternative to go out from the requirement and then pass the test.
- Moderator:** The next question is from the line of Siddhartha Vemuri from Caprize Financial Services.
- Siddhartha Vemuri:** I'm quite new to this company and have joined this call a bit late. So could you repeat FY '26 and FY '27 numbers, sir?

Rajesh Doraiswamy: Since we have been given lot of numbers, so I think it would be very difficult for you to capture if I give just the final numbers because there are different segments of business, different segmental growth, geographical growth and projections. So for you also, if you have not followed earlier, it would be very difficult for you to understand even if I give the numbers out.

Moderator: The next question is from the line of Pranjal Mukhija from GrowthSphere Ventures LLP.

Pranjal Mukhija: So congratulations on the good set of numbers. So I have a couple of questions on the Smart Meter side, sir. So initially, you spoke about how you got up 1 contract worth INR 5 crores, right, from 1 of the AMISP. Can you just throw some light on the kind of volumes you have to supply under this contract?

Rajesh Doraiswamy: The specifics regarding the quantity of Smart Meters have particularly not been disclosed because of the confidentiality agreement and also, we don't want to give the pricing ideas to the competition. So that's the reason that we just set the value of the order. And also the customer details have not been disclosed because of the contractual obligations.

So we will start invoicing for this INR5 crores Smart Meter order from this November or starting December. And we will see some revenues coming in the Smart Meter business in this quarter. Though it is small, I think it's a significant first step for us. I hope you understand our position.

Pranjal Mukhija: Yes, yes. I get that, sir. So the second question was, sir, what all states are we targeting for Smart Meters? I mean where do we see the incremental demand coming from?

Rajesh Doraiswamy: So we are looking and targeting all states because the different AMISPs have taken orders in different states. The first initial implementation has been happening in Gujarat, in West Bengal, in UP, in Maharashtra and also Punjab. So these are some of the states that the implementation is happening and AMISPs are procuring the maintenance for these states. So this is where our concentration is now right now for us. And going forward, it will be for the other states also including Tamil Nadu or Telangana or Andhra Pradesh.

Pranjal Mukhija: Okay. So sir, are we like only focusing on, like our focus will be only Smart Meters or maybe like 2, 3 years down the line, we will also want to forward integrate into, let's say, the communication tech piece or the HCS or the MBMS? Or are we going to like solely stick to Smart Meters. What will be our plan here?

Rajesh Doraiswamy: As of now, our focus is on manufacturing of Smart Meters and doing anything around smart meters. What you are talking about is the software integration with the Smart Meters. So right now, we are not really looking at anything on that because we are trying to partner with various software developers or people who already have HCS and MBM. So we're trying to partner with them and then we will like pull some solution for the customer. That's what we're trying to do now.

Pranjal Mukhija: All right. And sir, one final question. Just pick a quick overview of the, on the competitiveness of the industry because we're seeing like a lot of peers are entering the industry. And in the current bout of that, INR11 crores meters that have been given out. I think majority of them are, I think, sort of people have already like bid for a major chunk of them.

And I just wanted your like piece on your understanding on like where do we see the margins going forward in the industry? Because I think right now, most still are operating at 14%, 15% margin. But with the increase in competition, like maybe 2, 3 years ahead, like where do you see the trajectory of these margins going ahead?

Rajesh Doraiswamy:

Yes, I think so as you said, it's around 13 crores, 14 crores orders have been given out already tenders have been given out. And that's what I mentioned earlier to a question. Approximately around INR1 crores meters have been installed in the last 1.5 years or something, which I said is a very slow pace because that is how this process starts.

So definitely, in future, there will be more competition, these will hot up. But also we have to see how many will remain in the market because this is a very complicated product, it's not a easy product that you will make it because you need to be there in the field for 10 years next after you supply the meter. There is a 10-year warranty. You have to maintain it. The product has to work for 10 years. So it's a long-term play.

So it's not a short-term play. So we'll have to see how it evolves, how the competition is going to remain in the field for a long time. And that is where, I think, the margins will get fixed, whether the supply is too much for the demand or the demand is too much for the supply. So it depends on that and that's where the pricing today, people are getting better margins because there is too much demand, and the supply is less. So definitely, it will come down.

And that's why I said that it will be, it'll start for us in a year between 12% and 14%. But as we move forward, if the competition is still high, it might drop by around 1% or 2% from there.

Pranjal Mukhija:

So sir, the reason I was asking this question is because there are some big, big players already that are playing in this market. And given that like a company like Salzer, I mean, you guys are targeting around 40, 50 lakh meters, right? And in the previous Quarter call, you mentioned that number. So I just wanted to understand like what will be our right to win in this industry? And like the order books, they are basically tender pipelines for like, are already getting consolidated and again, like we are a very new company in the segment and...

Rajesh Doraiswamy:

The order book is not consolidating. I think that's not a right notion to have because order book is consolidated with the AMISPs and AMISPs are looking for the major suppliers. So that's the second line order book is still not consolidated. They are basically evaluating because there is no supply today of Smart Meters to that requirement. And the customers are also not ready still to pick up that kind of a volume from the suppliers. So it is still evolving. That is what I said. The meter manufacturing, scoping, portfolio is still evolving.

So you even see how and who are all the customer and suppliers coming into this field in the next 3, 6, 8 months. And as you said, what is our right to win? I think we've already proven to almost all the AMISPs that we are working. To showcase that, I think our Smart Meter is one of the top class comparable to any of the other India's top quality smart meter manufacturers. And that's why I think we were able to secure the first order, and we are in very close negotiation to secure the next set of orders also from these AMISPs. So we, our right to win is going to be our quality and service.

- Moderator:** The next question is from the line of Mohit Madhiwalla from Envision Capital.
- Mohit Madhiwalla:** Congratulations on a good set of numbers. So the first question was on the Industrial Switchgear and the Wires & Cables segments. So we have seen very strong growth in H1 FY25 on both these segments. I just wanted to kind of understand, is this due to, or rather, yes, is this due to winning new clients? Is this due to upselling, let's say, higher-value products to existing clients? Is it a mix of both? Any light you can, anything you can share on that?
- Rajesh Doraiswamy:** No, I would say that it's a normal growth that is coming from various industry sectors. As you have seen both Industrial Switchgear and Wire & Cable have been about 20%-plus growth in this H1. So there is nothing specific, no new products.
- Of course, there are some new clients which are not very significant that we have added. So this is a very normal growth that we are seeing in the industry because of the economic activity that is happening.
- Mohit Madhiwalla:** Okay, sir. Understood. And in each segment, I think I missed it initially, could you please repeat the EBITDA margin for each segment in Q2?
- Rajesh Doraiswamy:** The EBITDA margins in Q2 for I'll say H1 or Q2? Q2?
- Mohit Madhiwalla:** For Q2, Industrial Switchgears and Wire & Cables?
- Rajesh Doraiswamy:** It's around 12.5%, Industrial Switchgear; 7%, 6.9% for the Wire & Cable; our Building segment, we are still at negative 4%.
- Mohit Madhiwalla:** Okay, sir. Understood. So just coming to the Building Products segment. I just wanted to understand specifically what are the major products that are sold in this? And any reason for this flattish kind of H1 performance in Building Products?
- Rajesh Doraiswamy:** Building Products includes the switchgears perform, the wires that we use for the building house wires, the circuit breakers, distribution boards and changeovers and some accessories, all the electrical accessories that we use. So these are the products that are in this segment here. And I think the segment as such is a retail segment where we are operating, we are still not expanded beyond the 5, 7 states. So the region also is limited for us. So within the region also, we are not very interesting because I think this will burn a lot of cash if we are too much aggressive in this. So we are going slow in this and that is also a reason we see a very flattish growth in this.
- We expect to push on this business segment and improve the sales and see how it can grow to become another INR100 crores, INR200 crores segment for us internally. I think that's where our target is. We're trying to push there and see how we can get there. There are some internal realignments we are doing. Hopefully, we'll see some improvements post these next 2 quarters.
- Mohit Madhiwalla:** Okay, sir. Fair enough. Understood. And just one last question, if I may. Any specific reason for the stake sale in Kaycee? Because as I understand it, it was more of a strategic investment. So any specific reason for the stake sale?

- Rajesh Doraiswamy:** There's no specific reason, but we saw some good valuations and so we thought we will dilute some stake, and it was at 1.3%, and we still continue to hold 70% plus of the company. And it's a strategic investment, we will continue to run Kaycee Industries.
- Moderator:** The next question is from the line of Mayuresh, an individual investor.
- Mayuresh:** My question is regarding the EV charger business. I see it's taking too much time. It's taking more than 6 months for us to get clearance. And do you have any strategy already defined in terms of timeline? And as soon as we get the clearance, what will be our production capacity and how many units per year do we plan to produce on the EV charger business?
- Rajesh Doraiswamy:** I think before this financial year is what is the timeline that we have fixed we should be able to move forward on this business. And the capacity, we do a mentioned -- unit being set up or already set up. We already have capacity set up for 100 chargers a month.
- Mayuresh:** Okay. 100 chargers. I mean all of them are DC chargers?
- Rajesh Doraiswamy:** Yes. Yes.
- Mayuresh:** And so I see you had given the projection of INR2,300 crores for FY '26 for Smart Meters and for the Switchgear business. But I did not hear anything regarding the EV charger business. So looking forward, what kind of sales do we see in terms of EV charger business considering the fact that it's a bit?
- Rajesh Doraiswamy:** We will be able to give a projection on EV chargers once we are fully into the market with the product. So that's why we have not projected anything on EV chargers for FY '26. That is one. Secondly, we expect, we don't really expect FY '26 can be a big year for EV chargers. So EV chargers, real big business can start post-FY '26 is what we expect.
- Mayuresh:** Okay. So from end of 2027 or something like, or mid 2027, it will pick it up?
- Rajesh Doraiswamy:** Yes. '27 can be a good year for EV chargers. Though in FY '26, we might want to see some revenues, but it's not going to be significant enough in this INR 2,300 crores growth projection.
- Mayuresh:** Yes. And what is the reason behind the delay? Because the joint venture was formed in 2021. Kostad is an already established player in Europe. They do have a good technology. It's been almost 3 years, but we are not able to develop a product and put it in the market yet. To see 2027, it's been almost 5 to 6 years taken to develop a product and sell it. It's a long time isn't it, sir?
- Rajesh Doraiswamy:** I agree. I think it's a very long delay. There have been multiple challenges, I mean everything technically, I think we were not able to solve a lot of issues. And when we started, there was not enough domain knowledge, people around in India to absorb the technology and take it forward.
- So like this, there were multiple reasons and that is the reason for this very long delay. But now, I think we have come to an understanding how this works, how this entire industry works, how the product is, what the product is. So we now know what we are doing. So in the next 6 months, I think we will see good progress in this area.

- Moderator:** The next question is from the line of Bala Murali Krishna from Oman Investment Advisors.
- Bala Murali Krishna:** So I joined a little bit late, and maybe I could have missed the information. So we are not going to grow in FY '25 by 20% to 25%. And FY26, is the idea to go up to 1600 Crore in topline?
- Rajesh Doraiswamy:** Yes, for FY '25, we will be growing around 20% to 22% is what we have projected as a company, excluding Smart Meter business and we don't expect significant Smart Meter revenues coming in FY '25.
- For FY '26, our top line for our existing business, we are expecting again around 20%, which will take us to around INR1,600 crores and we expect around INR700 crores coming from Smart Meters, which is around INR2,300 in profits. That's the breakup that we have planned.
- Bala Murali Krishna:** Okay. Okay, sir. And so in FY '26, we can expect some improvement in market, mainly from business?
- Rajesh Doraiswamy:** Yes, we are looking for at least around 1.5%, 2% improvement in the margin from the current level, from the EBITDA level, from the EBITDA levels.
- Bala Murali Krishna:** Okay. And Smart Meter centre, I think we are in discussion with a few customers you mentioned in the presentation. So is there any supplemental progress for the..
- Rajesh Doraiswamy:** We have already received the first order for INR5 crores. And we are in advanced discussions with the same customer, as well as many further customers for further quantity orders.
- Bala Murali Krishna:** Okay. Can you update on the Tamil Nadu tender, whether it's finished or is it --what's the detail?
- Rajesh Doraiswamy:** No information out yet, but I think definitely, finalize the tender, the information will be out for us. You'll see. So far, no.
- Bala Murali Krishna:** Okay. And lastly, on the Meter business. So I think the testing was done at the time. I purely wanted to really further progress on this, sir?
- Rajesh Doraiswamy:** There's no point further progress on testing, but we are working to solve the issue and then get this forward. So just now before you joined, I answered one on participant about the timeline. I think before end of March this year, we should be solving all issues on the charging area and then come out of there a plan for this business.
- Bala Murali Krishna:** Okay. And lastly, on our subsidiary investment in the Hyderabad-based EV charging company. So what is the contribution from that as to how we're going to take any advantage of better business? How it will contribute to tender, sir?
- Rajesh Doraiswamy:** I think it's still very initial stages for us to comment on that. Maybe in the next call or so, we will give you a plan for that investment also, how we are going to work on that and what advantage is it we will have for that investment.
- Bala Murali Krishna:** Okay, sir. And is there any new products in the existing traditional business that are increasing in the coming quarter or this quarter, sir?

- Rajesh Doraiswamy:** No, sir. Nothing significant. We are just focusing on consolidating whatever we have done in the last 2 years. Smart Meters and charging. Once we do this, then we will see how we can move forward with the other areas, in other new products.
- Moderator:** The next question is from the line of Rajesh, an individual investor.
- Rajesh:** Sir, my question is from the transformers business. So basically, how big is your transformers business in terms of annual revenue? And also, we keep hearing about a lot of demand for our distribution platforms, renewable and the transformers. So given that, are you looking at increasing your capacity and range of transformer business?
- Rajesh Doraiswamy:** Sir, our total transformer business approximately, because I don't have the product or a sales breakup with me, but I know approximately, we will be doing around INR250 crores to INR300 crores of transformer business in the current revenue approximately. And I want to be very specific here, we are not into manufacturing distribution transformers. We are not supplying any transformers to the discoms or utilities. Our transformer business is in the low-voltage segment, we make single phase and 3 phase, low-voltage transformers. Low Voltage, I mean, it's at the maximum, it can work at 690 watts. So it is all for the application within the buildings, within the equipments, is what is the application of these products.
- Rajesh:** Okay, sir. And how do you see the growth prospects here?
- Rajesh Doraiswamy:** The growth is quite good. I think the product has been growing very well. In H1, I think our transformer business has grown again close to around 30% plus year-on-year, which is actually one of the main reasons that our Switchgear business also in H1 has grown significantly.
- Rajesh:** Okay, sir. And one last question. So you said you are not into the utility related transformer. So I mean, is this logically possible to get into that? And is it worthwhile business for you to consider getting into?
- Rajesh Doraiswamy:** No. We are not focusing on that product line right now.
- Moderator:** The next question is from the line of Nandakumar, an Individual Investor.
- Nandakumar:** Can we expect any more stake dilution in Kaycee Industries?
- Rajesh Doraiswamy:** It's a difficult question to answer. Yes and no. It depends on the situation where we are going to be in the next future. We won't definitely disturb the market. But if there is an opportunity, there are multiple ways to do it if required. Otherwise, no. We'll continue to stay with 70% stake, as of now. 70% plus.
- Nandakumar:** Okay, sir. And my second question is, how can we expect the debt levels to be at the end of the year?
- Rajesh Doraiswamy:** Debt levels right now, it's increased compared to what it was in FY '24. But to remain at this level, we are at around INR320 crores in working capital and the INR17 crores term loan, which is for the Smart Meter factory and other investments that we have made. The term loans might

go up a little bit by INR2 crores or INR3 crores maximum. Our working capital will remain at this level for this financial year.

Moderator: The next question is from the line of Prashant, an individual investor.

Prashant: So my first question is regarding the Saudi Arabia plant. So when will the plant be commissioned? And what would be the projects that will be manufactured? And revenue at 100% capacity utilization, and what will be the EBITDA margins?

Rajesh Doraiswamy: See, our idea is to manufacture our existing industrial switchgear product. Some of the industrial switchgear products are in Saudi Arabia. That is the idea. So we're not taking all our products and going to manufacture there. And the idea also is to do this on a leased space. So our investments are going to be only on the machineries and equipment. This is the idea that we are planning.

So for now, I think we have established a firm there, a 100% subsidiary, and we are looking for a place and then completing other formalities of Saudi Arabia to get the visas and things like that. So once this is done because there is huge demand for space in Saudi Arabia as of now. So we have applied for a space, and we are waiting in the queue. So once we get the space, then our operation will start after that.

So we expect that this will happen 4 to 6 months from now. That is the timeline that we have got from various authorities on their adding a space. So once we get the space, we will start the operation, and this is going to be a INR10 crores to INR12 crores of investments in the equipment and machineries and in 2 to 3 years' time, we should be able to see a INR100 crores revenue coming from Saudi Arabia.

Prashant: And any rough idea on the EBITDA margins?

Rajesh Doraiswamy: It will remain at the levels that we are doing right now for the Switchgear business, with a slight improvement maybe because we are going there. Our price advantage will be there and then the advantage of locally made products will be there. But then, before committing, then we will have to really see how the operations start evolving there. But definitely, not below than what we are getting right now in our Switchgear business.

Prashant: Okay. So my second question is regarding, have you received the necessary certifications for the 3-phase smart meters?

Rajesh Doraiswamy: Yes. We have received.

Prashant: Okay. And what is the market spending of across single phase and 3 phase smart meters?

Rajesh Doraiswamy: I think 85% the single phase; 15% is 3 phase. That's the rough separation that we have today.

Prashant: Okay. And also, is the company plans bidding directly in the smart meter tenders?

Rajesh Doraiswamy: I think I mentioned this already in some previous calls. Yes, we are not rolling it out. If we get an opportunity, we will definitely participate because we already have the AMISP license. And

one of the things, is we need to have some experience for which also we are working with some partners who can be construction partners to bring the experience to us. So we are not ruling it out but there is nothing significant happening as of now.

Moderator: The next question is from the line of Chinmay Nema from Prescient Capital.

Chinmay Nema: Sir, the first question is a general question on the Smart Meter businesses. Just want to understand if there -- could you just give some colour on the manufacturing? So is it potentially a assembling business, layer sourcing parts and then assembling them? Or is there a large component of announced manufacturing going on?

Rajesh Doraiswamy: It is the large components of the nodes manufacturing is what we are doing. Of course, every product needs a final assembly, which we are doing, let's be clear, but we also do a lot of backward integration, and do a large part of manufacturing in-house.

Chinmay Nema: Okay, sir. And what is the software part of it?

Rajesh Doraiswamy: Software part of it is we have developed the software and digitized.

Chinmay Nema: Okay, sir. And secondly, just wanted to double-check on the guidance. So in the previous quarter, you had provided around INR200 crores of revenue from this vertical division in this year. However, I think it changes like in the quarter, so I just want to understand what went wrong over there? Or if you could provide any colour on that?

Rajesh Doraiswamy: Actually, nothing went wrong. And maybe last quarter, I mentioned this, I was expecting that we will have the orders by now, and we'll start executing from now and then, before end of March, we will be able to see that kind of a revenue. But looks like it might not happen. Though we might secure the orders, we might not be able to execute, or the customers might not be able to absorb the supplies. So that's why I'm changing what I said in the last quarter. But I'm still optimistic that we will definitely secure the orders in this quarter, and we'll see some revenues. It cannot be to the extent of INR200 crores or INR100 crores, but definitely some revenues you will see on Smart Meters in this year.

Chinmay Nema: Any colour on the conversion with split, by line drop-offs? I'm not sure if you have already covered it in the comments.

Rajesh Doraiswamy: I think the business was shut down, closed. We're not proceeding on that.

Moderator: The next question is from the line of Jagadeesh Sharma, an individual investor.

Jagadeesh Sharma: Congratulations for the results. I have two questions. First one is, what is the TAM for the EV tracking market, which you have mentioned right now, sir?

Rajesh Doraiswamy: What is it?

Jagadeesh Sharma: TAM total addressable market for the EV tracking. You just mentioned in the opening remark.

- Rajesh Doraiswamy:** I just mentioned, you expect that there will be 800,000 chargers might be required for the country if we start adopting the electric vehicles.
- Jagadeesh Sharma:** 800 though, so that's 8 lakh chargers?
- Rajesh Doraiswamy:** Yes, that's 8 lakh chargers over a period of next 5, 10 years.
- Jagadeesh Sharma:** In the next 5, 10 years. Okay. My second question is, sir, we have been entering into smart meters, EV charging, SmartMakers, EV charging, Gen Z business, right. Are we also planning to enter into railway covers by any chance?
- Rajesh Doraiswamy:** Which one?
- Jagadeesh Sharma:** Railway covers, the service system.
- Rajesh Doraiswamy:** No, I didn't get it. Railway?
- Jagadeesh Sharma:** Railway covers business, how much of protection, yes.
- Rajesh Doraiswamy:** No, the train protection, you mean the accident protection system?
- Jagadeesh Sharma:** Correct. Correct. Because all are in the same pace now. So are we planning to enter or are we even thinking about entering it in the future, sir?
- Rajesh Doraiswamy:** No, sir. No. We are not. There's no plan as of now. But you have given a good idea, we will look to it.
- Jagadeesh Sharma:** If you are entering, let us also know, it will be great, sir.
- Rajesh Doraiswamy:** Yes, of course. It will be, the market will know if we do that something on that.
- Moderator:** The next question is from the line of Suresh Parikh, an individual investor.
- Suresh Parikh:** My question is regarding Smart Meters. So what is the installed capacity in volumes for Smart Meters? And what kind of volumes do we expect, therefore, for the year FY '25 and FY '26?
- Rajesh Doraiswamy:** For capacity is what, 40 lakh meters? At full capacity, to the INR1,000 crores revenue.
- Moderator:** The next question is from the line of Ankur Agrawal from RC Business House Private Limited.
- Ankur Agrawal:** Sir, my question on the debt side. What is your plan to reduce debt in the future?
- Rajesh Doraiswamy:** Sir, I think once we start seeing positive cash flows. And then in the slowdown on the new investments and new growth area investments, I think that's when you'll see the working capital going down.
- Right now, we still are at a good interest coverage ratio. So we are not worried on that. But we will also ensure that we are not really going over and above what we are right now.

- Ankur Agrawal:** You not add any debt in the future?
- Rajesh Doraiswamy:** Yes.
- Moderator:** The next question is from the line of Nilesh Mehta from NSR.
- Nilesh Mehta:** I'm just wondering if you can just give me an overview of the EV market for the next say, current status? And what are the developments that are taking place from the government sectors?
- Rajesh Doraiswamy:** The government is trying to encourage EV definitely in various aspects. However, the EV adoption has been a little slow, not just here, I think, given in the 10 markets, which has slowed down a bit is what we understand from various market sources. So India also is definitely a little slow in adopting electric vehicles.
- But now as I think if you look at China, I think the adoption has been wonderful. Close to around 40% of vehicles today are electric vehicles and China is one of the largest electric vehicle markets really in the world. So I'm sure that it will start happening here because we are also a very similar country. And definitely, there are advantages in electric vehicles.
- So the charging market space, I just mentioned that if we start adopting at that pace, we definitely would need close to around 8 lakh chargers across the country over the next 5 to 8 years or 10 years. So that's going to be a large market. It's a very approximate projection because the market is still evolving. The prices are still not fixed. The price points will keep varying depending on the volumes when we start the price point. And then when the volumes come in, I think a lot of things will change, it will start declining. So it's very difficult for now to put a value for a charger and say that this is how it is going to be. So as we move forward, we will know once it moves versus growth.
- Moderator:** Thank you. Ladies and gentlemen, we'll take this as the last question. I now hand the conference over to Mr. Rajesh Doraiswamy, Joint Managing Director of Salzer Electronics Limited for closing comments.
- Rajesh Doraiswamy:** Thank you very much, everyone, for your enormous interest in Salzer's growth story. And I'm sure that we will do all that we can to ensure what we have committed is happening. So thank you very much for listening to this and looking forward to interact with you soon in the next quarter. Thank you all.
- Moderator:** Thank you. On behalf of Progressive Share, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.