



Salzer Electronics Limited

Salzer Electronics Q2 FY23 Earnings Call

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CORPORATE PARTICIPANTS:

Rajesh Doraiswamy
Joint Managing Director

Mr. Murugesh
Joint Company Secretary

Q&A PARTICIPANTS:

1. **Zaki Nasser** : Individual Investor
2. **Neha Jain** : Individual investor
3. **Naveen Bothra** : Subh Labh Research
4. **Ribhu Dixit** : Individual investor
5. **Tushar Pendharkar** : Ventura Securities Limited
6. **Senthilkumar Natarajan** : Joindre Capital Services

Moderator

Good morning, ladies and gentlemen. I'm Kritika, moderator for the conference call. Welcome to Salzer Electronics Limited Q2 FY23 results conference call. We have with us today, Mr. Rajesh Doraiswamy, Joint Managing Director, Salzer Electronics, Mr. Murugesh, JCS, Salzer Electronic Limited. As a reminder, all participants will be in the 'listen only' mode, and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call please signal an operator by pressing *, then 0 on your touch tone telephone. This conference call may contain forward looking statements about the company which are based on the belief, opinion and expectation of the company as on the date of this call. These statements are not guarantee of future performance and involves risks and uncertainties that are difficult to predict. Please note this conference is recorded. I would now like to hand over the floor to Mr. Rajesh Doraiswamy. Thank you and over to you sir.

Rajesh Doraiswamy

Thank you very much. Good morning everyone, and thank you all for joining us today to discuss the unaudited financial performance for the Q2 and H1 ended 30th September 2022. Pleasure to speak to you again this quarter. I have with me Mr. Murugesh, Joint Company Secretary of our company, and Adfactors PR, our Investor Relations team. We have already shared our results updated presentation and I hope you all must have received it and gone through the same. Before we discuss the financial performance of second quarter and half year, I would like to share some key developments during the quarter and also the market scenario with you.

Today the world is witnessing historically high inflation with fears of recession already sitting in, in the Western world. Interest rates are rising across the world. US Dollar continues to strengthen and is a cause of concern for net importing countries. Along with this this geopolitical environment, which is very unstable. In such a volatile times, India has been on a sweet spot so far. We saw the US Fed raising interest rates significantly, inflation numbers proving to be a surprise and Ukraine war is a disaster to the world economy. But despite all these factors, India has held on, and when most of the markets were down 20 to 30%, India clearly outperformed.

Economically speaking India has held on well, done well and this has been reflected on the tax collection numbers. It's been good so far for us in India. However, as we all know, globally, financial markets are interlinked and so it will be very wrong to say that if something negative happens in the US or Europe, we will not get impacted at all from the financial markets' perspective. So having said that, we will get into the key developments of the financial performance of the company

Coming to our company and business and financial performance during the quarter, I'm very happy to say that our second quarter performance has been in line with our expectations. We have seen good growth coming in from the industrial switchgear business and also building product businesses. We also witness substantially higher demand for many key products from both these businesses. This growth came in primarily from high demand products like toroidal transformers, three phase transformers, LAN cables, sensors, and MCBs, apart from our legacy product growth.

We are also seeing strong demand, especially for our three phase dry type transformers, particularly from the sectors of renewables and machine tool industry, as this product is getting very well accepted in the market. Raw material prices also have begun to stabilize, and we are seeing the benefits of our price hikes in the form of better margins QoQ. We also expect raw material consumption percentage will reduce further going forward in the coming quarters. Our export markets have also recovered very well, with significant demand coming in while the impact of geopolitical tensions have certainly felt in certain geographies.

So, Q1 and Q2 our export market has done well. We are not very positive on our high growth markets like US and Europe in the near future, given the high inflation and high interest rates in those markets. However, we expect stable business for the next two quarters from these regions. Coming to our quarterly financial performance, during the second quarter, our revenues increased by 26% YoY to Rs. 245 Crores from 194.81 crore in the previous corresponding period. This growth was driven by higher demand for switchgear products as well as building product business. There has been a strong order inflow for our products like three phase dry type transformers, toroidal transformers, particularly in sectors of renewables and machine tools.

Moderator

Sorry for the inconvenience sir, you may go ahead.

Rajesh Doraiswamy

Sorry, about that. The EBITDA margins excluding the other income, EBITDA was at Rs. 24.49 crore in Q2 FY23 as against Rupees 18.41 crore in Q2 FY22, which is a YoY growth of 33% on account of increased sales in switchgear business and also increased exports. The EBITDA margin for the quarter stood at 10%, rise of 55 basis points YoY. However, EBITDA margin has improved sequentially by 158 basis points, result of our price increase in this quarter and also raw material price stabilization for these products. The profit after tax at rupees 8.96 crore in Q2 FY23 as against Rs. 7.46 crore in Q2 FY22. This is a YoY growth of 20%. The PAT would have been higher, but for the higher deferred tax in this quarter.

Coming to our half yearly performance, the six months ended September 2022, net revenue in H1 FY23 is at Rs. 478 crore as against 343.78 crores in H1 FY22 which is a YoY growth of 39%. The EBITDA stood at Rs. 44.1 crore in H1 FY23 as against 33.21 crore in H1 FY22, which is again a YoY growth of 32.78%. The EBITDA margin at 9.23%, which is a YoY decrease of 43 basis points, this decline was on account of increase in raw material costs in Q1 of FY23. The profit after tax stood at 17.74 crore in H1 FY23 as against 11.41, the last year. The PAT margin at 3.71% in H1 FY23 is an YoY increase of 39 basis points as against 3.32% last year.

Going on to the break-up of revenues as for the business division, the industrial switchgear division contributed 57.6% to the total revenues in this quarter, and 53.1% during six months. The EBITDA margin for this business division stood at 12.5% in Q2, and 11.8% in H1 FY23. QoQ, the EBITDA margin improved 160 basis points from 10.9 in Q1 to 12.5 in Q2, as expected. Our wire harness business alone grew 4% YoY. Wire harness business should have grown more significantly. However, shortage of electronic components and chips for our customers has disrupted the growth in this particular business segment.

The wire and cable division contributed 34.15% to our revenues this quarter and 38.87 during the half year. It is 8.9% YoY growth in this division during the quarter. Wire and cable division is seeing slower growth due to the market conditions since majority of our sales come from the agri market segment. Due to unseasonal and also good rains across the country sales of various agri market cables have been slow. This divisions' EBITDA margin stood at 7.71% in Q2 FY23, an increase of 100 basis points QoQ. The Building Products Division has contributed 8.25% in this quarter, and 7.98% in six months. This business is the only B2C business that we have, wherein we are selling many electrical products for the building sector. We expect the growth trend to improve in the coming quarters for this division, which will help us increase our contribution from this segment. The divisions' EBITDA margins also have slowly started to become positive at 2.7% in H1 FY23 as against 0.15% a year ago.

On exports front we are seeing steady growth, especially from the Europe, USA and the Middle East Africa markets. Exports to the Americas grew 22% YoY in this quarter, while exports to Europe grew 25% YoY in this quarter. For this quarter the export share of revenue was at 25.5%, growth in exports was 18% YoY and 28% QoQ.

For this half year, exports share of revenue was at 23.15% and growth was 24% YoY for the half year. Coming to the other recent developments and update on past developments, as we all know that we have started two new joint ventures in the electric vehicle segment. We are seeing some traction in the EV charging space. Our collaborators technical team was staying here to help us build the Indian chargers. We expect the fully Indian built DC fast chargers for the Indian market to be ready for testing and approval and for sale by March 2023.

As far as our other joint venture for conversion kits are concerned, there are still initial technical teething troubles and we are working on that and hopefully by the end of next quarter, we will have more updates on it. As far as our subsidiary Kaycee Industries Ltd is concerned, the business has improved significantly since our takeover. The sale has been growing well with healthy margins of 11.2% EBITDA and 8% up at PAT levels. We expect Kaycee also to grow at 30 to 35% level in the coming quarters. As we recently announced, we are raising capital through issue of preferential warrants to promoters at an issue price of Rs. 278.5 As per the SEBI norms.

By this issue, the promoter stake will go up to 38% from the current 32% level. The capital that's raised over the period of 18 months from now will be used for further capital investments and working capital purpose. Our aspiration to reach a consolidated revenue of 1,000 crores and achieving a 40 Crore PAT in FY23 is still on track and we are working very hard to achieve this target. On behalf of the company, I thank all the shareholders, stakeholders of Salzer Electronics for their continued support and faith in our company and wish all of you a very good health. This is all from us from our side as of now. I would like to thank once again everyone for your time and attention. We can now take questions.

Moderator

Thank you, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask your question. If you would like to withdraw your request, you may do so by pressing * and 1 again. We will wait for a moment while the question queue assembles. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. We are having a question from Neha Jain, an Individual Investor. Please go ahead.

Neha Jain

Good morning, Sir and congratulations for good set of numbers. I have couple of questions regarding the capital raise that has been proposed, Sir, believe that it is happening through promoters and non-promoters as well. Sir, I wanted to understand how much is it that the promoters going to infuse and what is going to be the non-promoter's share?

Rajesh Doraiswamy

Actually, the capital raised, I will answer this first before we go to the next question, the capital raised is only for the promoters there is no non-promoters at this point of time.

Neha Jain

Okay, and

Rajesh Doraiswamy

The main purpose of this capital raise was two, one capital for the company and the promoter's stake to go up to 38%.

Neha Jain

Okay, sure Sir. So, my next question is regarding the Kaycee acquisition that we have done couple of years back. So how is the acquisition turning out for the company? How is it profitable? How is it adding value to the company? And what are the types of the revenue and PAT, that we expect from it in the next couple of years?

Rajesh Doraiswamy

One second, actually Kaycee acquisition, we acquired the company in 2019, just few months before the COVID hit us. So, once the COVID hit us then things actually didn't go very well for us. So, then another one year went away, but as of now, the unit is growing very well, we see that Kaycee also has been growing at 30% YoY. When we took over the annual revenues were around 23 crores. I think for this half year we have done around Rs 20 crores of revenues and 8% PAT. So, almost we have doubled since we have taken over.

So, the company has grown on its own. Secondly, there are there have been a lot of synergies between Salzer Electronics and Kaycee on the manufacturing side and also on the market side. We were competitors. We have gained market share by working together in certain markets and we have also got better pricing from the market. So, the advantages of taking over Kaycee is being realized in the last one year and we will continue to be realized.

Neha Jain

Sir, is it possible to say that even in the next couple of years the YoY growth of revenue, we can expect it to be around 25 to 30%?

Rajesh Doraiswamy

Yes, for Kaycee?

Neha Jain

Yes, For Kaycee.

Rajesh Doraiswamy

Yes.

Neha Jain

Okay. Sure, Sir. And so, what is the R&D expense from the budget for this year? And do we have a new product in pipeline?

Rajesh Doraiswamy

Actually, R&D is a continuous process. We constantly keep developing new products, new businesses. I don't have a figure what is the R&D expense for this full year. But I can answer you later on, like, I'll keep note of this question and send you the information on what we have spent so far, and what we are going to spend on the R&D. But it's a constant effort. We are continuously doing new products, developing existing products and also bringing in new products. So that there's a constant work that we're doing. There is nothing significant that is there for me to give an update as of now.

Neha Jain

Okay, sure Sir. And so, my last question regarding the patents that we've already received in the last quarter. So, are there any new patents that we have ongoing or pending?

Rajesh Doraiswamy

No, I think we already received two patents. We have applied for two more which is still pending. So hopefully by another two quarters down the line, we will have some update on what is the status of the new patents that we have applied again.

Neha Jain

Okay, sure Sir. Thank you so much. I will come back in the question queue.

Moderator

Thank you, Ma'am. Ladies and gentlemen, If you have a question, please press * and 1 on your telephone keypad. I repeat, if you have a question, please press * and 1 on your telephone keypad. We are having a question from Naveen Bothra from Subh Labh Research. Please go ahead.

Naveen Bothra

Yes. Good morning, Rajesh Sir. Congratulations for steady-state of performance continuing from the last four-five quarters despite all these pandemic and geopolitical tensions. So, my question regarding the side of Kaycee industries only. We acquired it in three years ago and growing around 20-25% revenues from where we acquired. As seen in Salzer also, similar set of balance sheet is there in Kaycee also. Our complete net worth is invested in the inventory, receivables and all these things. So, if you can share a little bit more about the Kaycee side, how we want to scale it up to a 100-crore turnover company, and what will be the benefits going ahead for the Salzer shareholders? Because the equity is quiet low there. Around 63 Lakhs only, no?

Rajesh Doraiswamy

Correct, 63 Lakhs only.

Naveen Bothra

It's quite high. So, any corporate restructuring or the shareholders of Salzer, any chance to rewards Kaycee sharing. If you can share all these points going ahead for the next two or three years, how the management thinks about Kaycee.

Rajesh Doraiswamy

As of now, we're not looking at any corporate restructuring, as of now, for Kaycee industries. However, the main objective of taking over Kaycee was to remove one competition for one of our main business which is also a cash cow for Salzer Electronics. Salzer Electronics' first product was the cam operated rotary switches, and we are the market leaders in that, and it is still one of the top selling, the top four selling products. So, Kaycee industry was number 2 in that that market, and we thought getting that will even enhance our market share and make the hold on the market much more. That is the reason that we took over this company.

And by doing that, I think we have seen a lot of synergies, and we have seen Kaycee's' margins improve significantly, as well as Salzers' margin in the cam operated rotary switches improve

significantly. So, having said that, I think going forward, our idea is to make Kaycee definitely a '100 Crore' company in the next two years at least, by adding products that Salzer is not manufacturing or not, not intending to manufacture. So, we are trying to use Kaycee Industries to compete with other medium and low-cost manufacturers of various electrical products in the country. So that is the idea as of now for the next two to three years. Any corporate restructuring or not, I think we are not looking at right now.

Naveen Bothra

Okay. Thank you, Sir. On the Kaycee, I would like to say, on the Kaycee BSE page, if we go to Kaycee Industries site, it does not open. It opens some website and all these things. If you can take care of these things.

Rajesh Doraiswamy

On BSE India website?

Naveen Bothra

Yeah, BSE India website. We go to corporate information and through that go to the website of Kaycee, it does not open.

Rajesh Doraiswamy

Okay. I will, we will look into that for sure. Thanks for the information. Definitely look into that Sir.

Naveen Bothra

Thank you, Sir. We'll keep in touch with you.

Rajesh Doraiswamy

Yes.

Moderator

Thank you, Sir. Next question comes from Zaki Nasser, an Individual Investor. Please go ahead.

Zaki Nasser

Hello, Mr. Rajesh, congrats on the fantastic set of numbers and as you said that this year you would be crossing the Rs 1,000 crore mark. Sir, in your last con-call you had indicated that the next two years, the next three years, you are looking at a higher growth rate of around 25%. From here on, how do you propose that to happen? That is my question number one. Question number two is that, going into the future, what is your outlook on the EV space and how will it pan out for Salzer? Thank you.

Rajesh Doraiswamy

Thank you, Mr. Zaki for the encouragement. What we see as of today is tremendous demand coming in from various sectors, both within India as well as outside India. So, and also, we hear a lot of positive signs from our OEMs. Though in the very short term, there may be a blip in the growth across the western economies, I think India will still continue to do good is what is my opinion. So, I think that makes us think that you know, the growth of 20-25% over the next two years is quite possible. One. Second, I think we have-- we are also adding new products, adding new customers for the last 1, 2 years and we continue to do that.

So, these things, I think will all come into revenues in the next two or three quarters. So, with adding all these products and customers to us will actually enhance our growth further. So even if we see a slight recession or a slowdown across economies, I think we will still continue to grow at a reasonable pace is what my take. So having said that on the EV front, I think when we started, we were very, very enthusiastic. It was almost a year ago. But unfortunately, I think things were delayed because of the highly complex nature of the product. So, but we have overcome that. I think collaborators were here to support and help us to get this done.

So, we are almost through with building an indigenously built DC fast chargers, which will bring the cost of the DC chargers down by at least 30% compared to what the European or American prices are today. So, with having said that, I think we're very positive on the EV fast charging space, because we see a lot of noise happening on the four-wheeler segment. Without a proper infrastructure, I don't think the EV market is going to grow. So, I think it is going to happen side by side. Government is encouraging a lot of EV manufacturing. Charging is one of the good space for us to be in. So, in my opinion, I think that alone over the next five years can be a Rs 1,000 Crore game, EV charging, both selling as well as service. I hope I answered your questions Zaki.

Zaki Nasser

Your wire harness businesses, do you think we could do some wire harnesses for the EV space, Sir?

Rajesh Doraiswamy

The wire harness as a business, as I said no, as a business, I think we have been growing, almost doubling the business YoY until last quarter. Unfortunately, I think this quarter the growth has slowed down. The main reason is I think many of our customers are feeling, still having the shortage of the electronic components and chips. So once that is slowly getting sorted out, once that gets sorted out, I think the wire harness business alone, even for the industrial market, it can be Rs 100-150 crore market. And definitely yes, you're right. I think the wire harness business for the two-wheeler, EV two-wheelers and the charging, charging infrastructure, all is going to be an additional business and we are looking at that space. We are setting up separate lines for that and we are getting ready for that.

Zaki Nasser

Okay, so I mean, looking at your optimism and the way things are going, so, next year, could we expect on a conservative basis Rs 1,200 crore kind of a top line?

Rajesh Doraiswamy

Yes, Sir.

Zaki Nasser

Thank you, Fantastic. Best wishes, Sir.

Rajesh Doraiswamy

Thank you.

Moderator

Thank you, Sir. Next question comes from Ribhu Dixit, an Individual Investor.

Ribhu Dixit

Hello, Mr. Rajesh. First of all, congratulations on a brilliant set of numbers here. I have a question on your expertise, I heard you in your initial remarks wherein you said there are headwinds, specifically from Western countries, Europe and North America. And as I see right now, our export is almost 14% of the total revenue mix in North America and Europe, put together. So, what kind

of impact do you see in the coming quarters in this export side? And then how do you wish to compensate this, do we have enough demand in India to cater to whatever we will lose in exports to America and Europe?

Rajesh Doraiswamy

So, I think, yes, you're right, I think we're having a 12-13% of our export come from North America and Europe. Europe is still the biggest market for us. I wouldn't-- I am not saying that this business will go as a negative growth. I think my opinion as we speak to our customers, we see there will not be a growth, because we have been growing YoY at 15-20% in these markets. I think that growth may slow down. I don't think that the business itself will go down. If you look at the numbers, I think for half-year, North America and Europe put together, we have done close to around Rs 60 crores of business. And I don't see the same growth like, 20-25% growth coming in Q3, Q4. It's just an expectation, we still don't know whether the recession really hit, or things will smoothen out and go as it is. Nobody knows that but the whole market expects a recession. So, we have to be ready for that. So, that's what I'm saying.

Ribhu Dixit

Alright, so I have a second question. And as I see our mix of industry switchgear wires and cables and building segment is around 57%, 34% and 8%, respectively. So, what is what is our target as in? How do we want to spread this out, say in next two years? I'm sure we will definitely grow in all three segments. But what kind of mix are we looking at, eventually?

Rajesh Doraiswamy

Actually, each division we want to grow, there is no doubt about that, each division we want to grow at the fastest pace. I'll be happy if it continues to grow at 30%, as we have grown this quarter YoY, but it may not be possible. But we still continue to grow at 20-25% in each businesses. How the division or how the share has to be, I think we would like to have at least a 55% share coming in from the industry switchgear business, and the 30-35% from the wires and cable business, and the rest from the building segment. That's how we would like the share to be, but we don't know how the businesses will grow going forward.

Ribhu Dixit

Alright, thanks a lot. Once again, congratulations on a good set of numbers.

Rajesh Doraiswamy

Thank you.

Moderator

Thank you, Sir. Next question Tushar Pendharkar from Ventura Securities Limited, please go ahead.

Tushar Pendharkar

Thanks for the opportunity. Meaning, if state government and our central government is replacing low kVA lines with the high kVA lines and setting up new transformation facilities, high mVA transformation facilities. So that will be very large opportunity in the next few years. So, what could be the industry switchgear size for such mVA stations, if you can throw some light on that.

Rajesh Doraiswamy

Sir, I think all the upgradation the grid upgradation has been going on for now several years, I think we have already taken part in that, we have got a lot of businesses, because of this. It'll be very difficult for me to give you a figure on how this grid upgradation will percolate into numbers for us. But if any modification, any changes in the generation-transmission-distribution will definitely percolate into business to us, because that our parts doesn't go directly into that grid, but it goes into the substations generating stations and other power stations. So, that's how the business gets converted. So, I will not be able to give you a number as such, but then it all gets converted into businesses. And we have seen that earlier also when there was a lot of grid modernization that happened.

Tushar Pendharkar

My next question is on, what is the share of our switchgear business is in the industrial part and in the power sector, for us?

Rajesh Doraiswamy

Our share of revenue from power sector has considerably reduced, compared to what it was earlier. So, our dependency today on the power sector is close to between 25 and 30% of our business on the power sector, yeah, the rest will be on different sectors, different industries.

Tushar Pendharkar

Okay, thanks. That's it from my side.

Moderator

Thank you, sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. I repeat, if you have a question, please press * and 1 on your telephone keypad. We are having a follow up question from Neha Jain an Individual Investor. Please go ahead.

Neha Jain

Thank you for taking me again for the questions. Sir, as for the EV what are the types of EBITDA margins that we expect from EV business?

Rajesh Doraiswamy

Maybe a little too early for that. But I can tell you it'll be definitely not less than 18-20% EBITDA levels for the charging space at least. EV chargers.

Neha Jain

Okay. And sir, the whole business together or whatever EBITDA margins that we expect, and does it stay stable, or we expect it to grow further?

Rajesh Doraiswamy

You're talking about our existing business?

Neha Jain

Yeah, existing business over the next couple of years?

Rajesh Doraiswamy

Yes, I think, in my opinion, I think it has to grow further because we have seen a dip in EBITDA margins over the last few quarters in the last year, and only we started going up in Q1, and Q2 has gone up again. So, I'm definitely expecting this EBITDA margins to go up further by at least 1% point in the next one or two quarters.

Neha Jain

Okay. And sir what are the products that require majority marketing of the business? And what is the budget for marketing?

Rajesh Doraiswamy

Actually, we have multiple channels of sales and marketing because the products are different. We have different segments, as you've seen, we have industries switchgear division, and we have a wire and cable division, we have a building segment. So, each product is sold in different channels and different teams work on it. If you ask me a marketing budget, I think we definitely spend on sales promotion, sales activities, at least 3-4% of our revenues on that. We don't have a big marketing ad campaign because it doesn't require, product doesn't require that, and we are still not there. But we do a lot of targeted focus marketing we exhibit in various industrial fairs, technical fairs, we conduct seminars for customers, we do a lot of focused marketing on that.

Neha Jain

Sir, any specific division, which requires a push effect in the market?

Rajesh Doraiswamy

Yes, I think as of now, our building electrical division requires a lot of push in the market. The other two actually does a lot of pull. But building electricals requires a lot of push, because that's a new market for us. And we are doing that.

Neha Jain

And sir, what is the sustainable ROCE that we are targeting?

Rajesh Doraiswamy

Our target internally is to reach at least 18% ROCE, we are working towards that, definitely it will continue to improve.

Neha Jain

And sir, my last question is regarding working capital. So, is our working capital in line with the industry? Or do we need to improve, and how are we planning to do that?

Rajesh Doraiswamy

Actually, if you look at the working capital over the last few quarters, I think we have considerably improved. Compared to what we were in March, we were at net working capital of around 145 days, we have reduced that now to around 127 days in Q2 or H1 FY23. Ideally speaking, I think we can go down by another 20-25 days. Hopefully by the end of this year, I think we will get there, and that's when I think we will see a very significant improvement in our ROCE also.

Neha Jain

And Sir, then, that will be sustainable, right?

Rajesh Doraiswamy

Yes.

Neha Jain

Thank you so much. And good luck.

Moderator

Thank you, Ma'am. Next question comes from Senthil Kumar Natarajan from Joindre Capital Services. Please go ahead.

Senthil Kumar Natarajan

Thanks for the opportunity. Sir, the fund you are raising now, will any part go into the repayment of debt?

Rajesh Doraiswamy

If we are not going to spend it on further capital investment, and there's no requirement for working capital, then I think definitely it will go in for reduction of debt.

Senthil Kumar Natarajan

Sir, any ballpark numbers, know how much we expect to spend for this new joint venture?

Rajesh Doraiswamy

The new joint venture I think it's still evolving. As of now, we targeted around 7 crores for both JVs together, put together. But then, that might change as we start getting the business. So, we will have to wait and see how that evolves. But as of now, it is Rs 7 crores for both JVs put together.

Senthil Kumar Natarajan

And, my last question is what kind of technical issues we are facing in the conversion kits, actually now we expect no, this we'll get in this quarter itself, but it's getting delayed. What is kind of technical issue face in that segment?

Rajesh Doraiswamy

We actually-- we are trying to make a conversion kit for auto rickshaw. That's our plan, and that is how we went in. We had the technology we converted autos, a few autos and it's running. But the point is when we entered the market, we saw that auto rickshaws in the market are not standardized. Every auto, every model is different in dimensions they have different technology, different transmission, every auto is different. So, there are numerous models, even if you take Bajaj for example, the largest selling auto. Bajaj's one model has different make. Bajaj Maxima 2012 is different, 2015 is different, 2018 is different and 2023 is different. So, when we build one kit, which we want to build one kit common for all models, it is becoming difficult. So, we are looking at, what we can do to standardize our kit to fit all these models. I think that is where we are getting stuck.

Senthil Kumar Natarajan

Understood and thanks.

Moderator

Thank you, Sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. I'll repeat, if you have a question, please press * and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. There are no further questions. Now I hand over the floor to Mr. Rajesh for closing comments.

Rajesh Doraiswamy

Thank you very much, Madam. Once again, I would like to thank every one of you for your interest and faith in the company. Looking forward to talk to you again in the next three months. Thank you very much.

Moderator

Thank you, Sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

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- Note:**
1. This document has been edited to improve readability
 2. Blanks in this transcript represent inaudible or incomprehensible words.