



“Salzer Electronics Limited
Q2 FY2020 Earnings Conference Call”

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Moderator: Ladies and gentlemen, Good day and welcome to the Salzer Electronics Limited Q2 & H1 FY2020 earnings conference call. This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rajesh Doraiswamy – Joint Managing Director & CEO of Salzer Electronics Limited. Thank you and over to you Sir!

Rajesh Doraiswamy: Thank you. Good morning everyone and thank you all for joining our earnings call for the second quarter and half year ended September 30, 2019. I have with me here Mr. Baskarasubramanian, Director (Corporate Affairs) & Company Secretary, Mr. Murugesh - Assistant Company Secretary, Savli Mangle and Smit Shah from Bridge Investor Relations. We have shared our results update presentation and I hope you all must have received it and gone through the same.

Our company started as a single product manufacturer, manufacturing CAM operated rotary switches in India and over the years we have evolved from a single product manufacturer to a company that offers total complete and customized electrical solutions to all our customers.

Our five state-of-the-art manufacturing units are located in Coimbatore. We also have our in-house R&D lab, which is recognized by Government of India. Through all these initiatives we have been able to bring in high quality products of international standards in India. Through this focus and sheer determination to come out with products of highest quality we have been able to get a preferred vendor status with global giants like GE and Schneider. All our products are internationally certified. Though we are operating under the electrical and electronic product group for the ease of analysis, we have classified our businesses into four different divisions namely the industrial switchgear business, the wire and cable business, the building segment business and the energy management business.

Coming to the developments that happened during the first half of this financial year, I would like to share that Salzer Electronics has been awarded as a ‘best collaborative supplier’ for 2019 by Schneider Electric as a token of our efforts of supplying high quality products combined with on-time delivery as per their requirement. This gives an indication of the future opportunities lying ahead of us as we are Schneider’s preferred vendor for the past few years.

Also, I am happy to share that we have completed the acquisition of Kaycee Industries Limited, which is now a 75% subsidiary of Salzer Electronics, and we have paid a total consideration of Rs.18.1 Crores for this acquisition.

During the second quarter Kaycee Industries reported revenue from operations of Rs.6.1 Crores with a 13.2% year-on-year growth in PAT at Rs.50 lakhs and for the first half revenue of Rs.11.9 Crores with a 12.3% year-on-year growth in PAT at Rs.90 lakhs.

We have appointed Mr. Raman Krishnamoorthy as Vice President Finance and Operations of Kaycee Industries. Mr. Raman is a finance professional and has more than 21 years of rich experience in various aspects like cost optimization, operating controls, legal & compliance, budgeting cash & treasury management, etc. Apart from him, we have maintained the existing management team at Kaycee, who all are well experienced and have the required expertise to run the company.

Now coming onto the quarterly and half yearly financial and business performance, our financials for the current and past quarters have been restated as per Ind AS accounting guidelines.

We have registered an increase in revenue of 2.3% year-on-year at 137.8 Crores in the second quarter of FY2020, mainly driven by increase in exports and Industrial Switchgear Business. Our revenue for the first half 30th September is at 299.99 Crores compared to Rs.261 Crores in H1 FY2019 that is a year-on-year growth of close to 15% mainly driven by increase in Industrial Switchgear and Wire and Cable businesses.

During the quarter and half year, our exports contributed 19.6% and 15.2% respectively towards our revenue. This is mainly driven by increase in demand for the industrial switchgear products in various countries.

The EBITDA for the quarter stood at 17.5 Crores as compared to 16.7 Crores in the corresponding previous quarter that is a growth of 4.8%. The EBITDA for H1 FY2020 grew by 11.4% year-on-year to nearly 34.2 Crores from 30.7 Crores, driven by increase in contributions from businesses of industrial switchgear and wire and cables.

The profit after tax was at Rs.5.9 Crores in Q2 FY2020 as against 5.6 in the corresponding previous quarter and for H1 FY2020 PAT grew by 15.5% to 11.7 Crores compared to Rs.10.2 Crores in H1 FY2019.

All the results that we have mentioned about are standalone results and not consolidated.

Moving onto the breakup of revenue as per the business division, the industrial switchgear division contributed 47.1% to the total revenues in this quarter as against 41.7% in the last year. This segment has grown by 10% year-on-year in Q2 FY2020 and 18% in H1 FY2020 driven by increase in demand across products especially uptick in three-phase dry type transformers and higher exports.

Wire and Cable Division contributed around 44.9% of our revenues this quarter and 50.2% in the first half, having a year-on-year growth of 7% in Q2 FY2020 and 18% in H1 FY2020. Also, our Salzer branded wires which we started to manufacture from the last financial year has seen good demand and we continue to see a good opportunity to further expand this segment in a phased manner. This is apart from our regular brand labelling business in wire and cables that we are doing for Larsen & Toubro, Crompton, Texmo and a few other large brands.

Moving on to the Building Products Division, this business is the only B2C business that we have. During the first half of the financial year, real estate market has been on a slower side not seen any pickup in demand, which has impacted the overall industry. We hope to see a pickup in demand over the coming quarters that will help us to increase our contribution from this segment in our overall revenues. This division has contributed around 6% this quarter and 6.2% in the first half of this financial year.

The fourth is the Energy Management Division contributing 2.1% revenues in this quarter and 2% in the first half of FY2020. This is an order book driven business and revenues have been driven from the annual maintenance contracts of the projects that we have already taken.

As part of our journey towards sustainable growth, we continue to focus on adding new value-added products, reach out to newer geographies and offer total customized solutions to our customers. We expect that our enhanced manufacturing capabilities and brand visibility among our customers will enable us to scale our businesses and customer connectivity. Besides strengthening the revenue drivers, improving ROCE and working capital cycle also forms a part of our core strategy.

We are also working on systems and process management to grasp a better visibility on orders based on which we can plan our inventory levels. The collaborative efforts taken internally will lead us to improve efficiency, reduce working capital and inventory levels. We expect that with these initiatives our ROCE to improve from the current levels to around 18% to 20% within the next two to three years.

With a very competitive team in place, we are confident of achieving the milestones we have set for ourselves. We are also constantly on look out for new opportunities for technical associations to strengthen the base of our product offerings.

This is all from our side. I would once again like to thank everyone for your time and attention. Thank you and we can now take questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin question and answer session. We take the next question from the line of Zaki Abbas Nasfer, individual investor. Please go ahead.

Zaki Abbas Nasfer: Good morning Mr. Rajesh and congratulations for a stable set of numbers, I would say in a weak market scenario. Sir, but would the guidance you had given on the last con call stand in regard to the full year topline Sir, and my second question would be have you formulated a plan in place on what to do with Kaycee Industries and their brands Sir. Thank you.

Rajesh Doraiswamy: Thank you Sir. Thank you for your encouragement. The guidance for the full year needs to be turndown a little bit, I think we mentioned that we will be growing by around 18% o 20% year-on-year; I think that needs to be turndown to 12% to 15% year-on-year. So that takes us to say around the total...

Zaki Abbas Nasfer: Around 620 and 630 kind of stuff.

Rajesh Doraiswamy: Yes 640 Crores kind of stuff for the whole year.

Zaki Abbas Nasfer: That is the turndown figure.

Rajesh Doraiswamy: Yes, that is because I think we will be able to give a better guidance post Q3 because we see Q3 as a very challenging quarter from now on, because we also have a very higher base effect of last quarter, I mean, last year's Q3 and Q4. So to overcome that I think the economic scenario also is not very conducive for us right now and we hope...

Zaki Abbas Nasfer: But anyway the 12% to 13% would be achievable kind of stuff worst case.

Rajesh Doraiswamy: Yes and on Kaycee I think we have decided that we will continue to run Kaycee as a separate brand, as a separate listed company as well for at least next couple of years to come. So we are trying to expand product basis, improve the quality of the products of Kaycee, improve the product offerings in Kaycee brand and see how we can grow the brand and take advantage of the Kaycee brand to Salzer, because what happened Sir I mean if a fresh, I mean, old brand which is being lying bummed can give a very fast impetus in the short-term, I mean, if you handle it, I mean, you know better, so Kaycee western markets

and all that. So if you could co-brand and stuff like that do you see any such opportunities we are working on various things we have not planning to co-brand as of now, but we would like to take advantage of the Kaycee brands, presents brand visibility in the market and see how we can enhance the company's sales and profitability.

Zaki Abbas Nasfer: And a short question, if I may ask about the outlook on the EV segment has it, see it is anyway very healthy for everyone. So do you see any clarity in the next two years on that front Sir?

Rajesh Doraiswamy: On which segment you said.

Zaki Abbas Nasfer: EV electronic vehicle ecosystem.

Rajesh Doraiswamy: Yes, I think electronic vehicle is still not clear EV, so we will not be able to comment anything as of now but definitely the future is bright we see in the next two to five years time I think we will see a lot of opportunities coming in the EV segment. We do not see anything coming through immediately.

Zaki Abbas Nasfer: Okay, Sir. Thanks a lot Mr. Rajesh.

Moderator: Thank you. We take the next question from the line of Parthiv Jotsa from NVS. Please go ahead.

Parthiv Jotsa: Just to take the gentleman's question forward, you gave guidance for the topline for the current year, would the margins be at a similar level, going forward.

Rajesh Doraiswamy: We have not seen any major pressure on margins as of now, we will continue to maintain the similar margin levels or grow from the current levels. You see, I think in Q2 itself I think our EBITDA margin levels have gone up significantly compared to Q1 of FY2020 mainly because of the change in revenue mix as well as little bit improvement in our cost cutting and different geography additions.

Parthiv Jotsa: Sir my next question was pertaining to your, so I was just comparing you with the other industry players when it comes to capital goods electrical basically, you have property and plant as a percentage of your market cap significantly higher compared to the other majors I do not what to name, but quite a few companies if you compare your property in plant to the market cap it is almost like 1:1 kind of a ratio.

Rajesh Doraiswamy: Agree, definitely, I will not be able to comment on the market cap as such, but you cannot really compare 1:1 because there may be a lot of companies that are asset light, we are

actually asset heavy company because we produce almost 80%, 85% of the components in-house, so that is also one of the reason that we are a little asset heavy.

Parthiv Jotsa: And Sir your what about trade receivables, it is one of the biggest component in your balance sheet.

Rajesh Doraiswamy: Which one.

Parthiv Jotsa: The trader receivable. So how do you perceive it to tone it down or control it going forward?

Rajesh Doraiswamy: I think if you look at the number of days of trade receivables on net revenue basis itself is around 90 days right now. I do not think we will be able to tone it down below 80 because we have always been between 80 and 90. So that is going to be a normal and we will continue to be between 80 and 90, it is a normal industry standard for our kind of a business. The only thing that we will be able to improve upon is on the inventory days. The inventory days are again between 80 and 90 which actually can come down to around 70 days.

Parthiv Jotsa: So, can you just give some background on how the Indian market is performing, when it comes to capital goods and everything. The reason is, if I see your historical performance to say in 15 and 16 when a stock price touched a high and all, it was a pretty decent valuation would use to get compared to what right now. So, is it because the market is discounting it or what is and how do you pursue a market going forward especially now you have a good tie-up with all these major market customer show do you pursue it going forward.

Rajesh Doraiswamy: My opinion I think Salzer is on a very stable ground as of now, but if you talk about the Indian economy...

Parthiv Jotsa: No, no, I am talking about your industry basically.

Rajesh Doraiswamy: Yes, Indian economy and our industry in India.

Parthiv Jotsa: Yes, so how do you pursue yourself in the overall market condition right now?

Rajesh Doraiswamy: We are not very optimistic about the industry, overall industrial situation of our industries in the country as such, it is a very challenging right now, we are not seeing demand growing we are not seeing new businesses coming up, also it is definitely challenging starting from this financial year, I think this is what, I have been telling for the last maybe three, four quarters also and this we see that Q3 is going to be much more challenging, but that Salzer is concerned I think we are on a very stable ground mainly because we are catching towards

various kind of industries not just one and also we have spread across geographies and with the lot of market customers where we have some stable orders that are coming to us, that places us in a position where we will be able to sustain this kind of a I would not say slowdown but not a big pickup in economy that is going to be there for next at least one or two quarters.

Parthiv Jotsa: Best of luck Sir and hope you have a good year going forward. Thank you.

Moderator: Thank you. We take the next question from the line of Shalu Asija from Invest Research. Please go ahead.

Shalu Asija: Sir my question is what the effective tax rate company is paying.

Rajesh Doraiswamy: The effective tax rate I think historically if you see we have been between 22% and 25% that is what we have been paying, but as of now we have decided that we will continue with the current tax rate because we have been availing debt free...

Shalu Asija: And this is the question I have. Thank you.

Moderator: Thank you. Next question is from the line of Anuj Upadya from Emkay Global. Please go ahead.

Anuj Upadya: Sir during the quarter we have seen higher contribution from the industrial switchgear segment. So how do we see the trend going ahead, can we expect the similar kind of contribution in the subsequent quarters as well and next is what was the switchgear segment contribution at the EBITDA level and what are they targeting for the full year.

Rajesh Doraiswamy: I think the industrial switchgear segment has been giving us steady revenues over the last three quarters that means I would say that 60 plus Crores is what we have been able to achieve on quarter-on-quarter I think we are seeing definitely a growth quarter-on-quarter and we expect that this revenue going to continue for the next two to three quarters. On the share against the total revenue I think that depends on the growth of the wire and cable business which is a little bit seasonal. So this quarter the wire and cable business is a non-season, so I think the contribution of wire and cable has gone down, but if you go to Q3 and Q4 I think the wire and cable also will start to grow in that sense I think both switchgear as well as wire and cable will be contributing close to 50%, 47% each that is all the next two quarters will be. On the EBITDA levels, on the EBITDA percentage this quarter the industrial switchgear business has given us 16.5% EBITDA the wire and cable has given 8.7% EBITDA.

Anuj Upadya: And for the full year we expect the contribution to go ahead.

- Rajesh Doraiswamy:** Yes, I think the EBITDA margins will continue to remain like this.
- Anuj Upadya:** Fair enough Sir thank you.
- Moderator:** Thank you. We take the next question from the line of Chirag Patel from Bhavesh Invest. Please go ahead.
- Chirag Patel:** Sir I wanted to know the revenue bifurcation from geogrfahy wise by how much did we earn to Middle East, Asia, US and Europe.
- Rajesh Doraiswamy:** I think in the investor presentation clearly tells the percentage of revenue that we earned from various countries I think major revenues came from Europe at 6% this quarter and 5% for the half year. The second was the Middle East I would say second Middle East and rest of Asia it is for East which almost 3% each for the half year and quarter. USA actually this quarter grew at 5% I mean gave 5% this quarter but for half year it was 2.6%.
- Chirag Patel:** Sir. Sir, on our books we have a deferred tax liability of about 20 Crores, 21 Crores, and every other company has been taking a benefit of 115 BAA tax amendment in which if you have the tax regime has changed from 34% to 25% and whatever companies are having, deferred tax liability on the books gets some benefits on once paying the tax. So other companies have recognized some profits due to it are we looking into it and recognize it in the next half.
- Rajesh Doraiswamy:** I think this recognition will happen in the last quarter and we have decided to continue with 33% tax regime because we are continuing to have depreciation benefits and as the efforts that we have to an earlier question I answered that we have always been on an effective tax rate between 22% and 25%.
- Chirag Patel:** Sir as you have mentioned that Q3 is going to be really challenging for this year and on a half year basis we have made a 300 Crores as topline. So to achieve the target what you have mentioned about 630, 640 Cr we still have to earn 160 to 170 Cr quarterly so is that target achievable being Q3 better any challenging.
- Rajesh Doraiswamy:** Yes, I think we are optimistic and we definitely hope to achieve what we have mentioned in this call right now this is already a turndown annual figure otherwise our original target was much higher, we are confident of achieving 630, 640 Crores this year.
- Chirag Patel:** Is it on consolidated basis or standalone basis, this 36, 40.
- Rajesh Doraiswamy:** All the figures that I have so far been mentioning is on a standalone basis.

- Chirag Patel:** Sir this particular quarter we see a poor performance in wires and cable business what was the reason behind this.
- Rajesh Doraiswamy:** I just mentioned, I think it is seasonal Q2 has always been a low season for wire and cable.
- Chirag Patel:** I can see that, I understand through the trend that we always have a Q2 lower like it is significantly lower compared to previous year like in Q1 we ended a 88 Cr this was about 62 whereas in Q1 FY2019 will it 69 here in Q2 FY2019 was 50, 70-odd. But comparatively if I see this in absolute terms it is a bit lower.
- Rajesh Doraiswamy:** I agree, I think that the reason is the Q1 FY2020 has been a very good quarter for us so I think that why you see a significant drop in sale in Q2, but if you look at quarter-on-quarter, year-on-year I think we have still grown by around 8%.
- Chirag Patel:** And I would like to know a bit more about Kaycee business like now we have started to look into it in a more deep so it was kind of capacity utilization we are having over there.
- Rajesh Doraiswamy:** We are actually not adding any capacity at this moment because Kaycee already having some spare capacity we are trying to do a lot of debottlenecking and we are trying to improve the quality of the product and we are trying to add some new product offerings in the Kaycee line, Kaycee brand. So this is what we have planned for the next 6 to 12 months, we reach optimal capacity levels when we will think of adding capacities if there is a requirement.
- Chirag Patel:** I just wanted to know what the capacity utilization is right now, we have not expanded but right now they have been producing products.
- Rajesh Doraiswamy:** See it is close to around 70%.
- Chirag Patel:** And like it get to optimal level what can be the optimal level of utilization.
- Rajesh Doraiswamy:** Yes, we can go up to 80%, 85% capacity utilization.
- Chirag Patel:** So what kind of issues right now they are facing like you said that there is some quality we are trying to improve the quality of the product what Kaycee is having so what kind of issues we will see that, is it compared to sell the product this is a bit lower quality product and this is how we are going to improve it somewhat like that.
- Rajesh Doraiswamy:** Yes, exactly I think and I would not say that there is any issues as of now that the company has been growing well in this six months and even the past for so many years we have been selling this product, but I would not say that they are on par with the international standards.

So we are trying to improve the general quality of Kaycee products so that it can be on par with any other international product and they have the capability of exports also.

Chirag Patel: Sir like while we were have been add it on that we are going to buy Kaycee and we were going to leverage the network at some of Kaycee first either so how do you see that panning out are we taking the leverage benefits on Salzer's book.

Rajesh Doraiswamy: I think we are already taking the benefits of the that I think we have started utilizing their channel for Salzer products and we are also using Salzer channel for selling Kaycee products so that cross matching is already happening and going forward we will see better realization for Kaycee as well as for Salzer particularly in the area of CAM operated rotary switches.

Chirag Patel: Sir I will going back to some accounting questions like we see that we have this particular half year we have seen some problems in cash flows from operating like there is we have need a payables and there is a decrease in payables and increase in receivables and increase both are at the same time and then getting our cash flow from operating. So for the whole year do you see it to pan out in a similar way it was the last year are we going to have issues over there.

Rajesh Doraiswamy: No I think for whole year we see the whole cash flow becoming positive operating positive cash flow this quarter has been a challenging we did a lot of reduction in payables and we also did the Kaycee acquisition so that is one of the reason that we see challenge in cash flows, but on a full year basis we see positive operating cash flows.

Chirag Patel: And what are the payable days right now.

Rajesh Doraiswamy: Payable days are around 35 days on a net revenue basis.

Chirag Patel: On net revenue basis.

Rajesh Doraiswamy: Yes.

Chirag Patel: And what was it last year.

Rajesh Doraiswamy: It is always between 35 and 40.

Chirag Patel: Sir adding to that we have made some 15 Crores investment in mutual fund while we had taken a huge borrowing because we wanted to buy Kaycee at that and so why we had invested in mutual funds right now are we going to give that money in future and like one to two year timeframe for expanding the capacity?

- Rajesh Doraiswamy:** We will be using that to reduce the debt; you will see that in the coming quarter.
- Chirag Patel:** Okay so what amount of debt reduction can I expect like 10 Crores short-term borrowing reduction or overall it is around?
- Rajesh Doraiswamy:** Around 10 to 12 Crores.
- Chirag Patel:** Sir are we exporting products to Schneider International.
- Rajesh Doraiswamy:** Yes, we are selling to Schneider outside India in Philippines and France and also Schneider inside India.
- Chirag Patel:** So like if the response is good from the international market like France and Philippines can we expect like we are going to get more order from Schneider and international businesses.
- Rajesh Doraiswamy:** Yes, I think we are working very closely with Schneider, but we expect orders from Schneider to increase going forward.
- Moderator:** Thank you. Next question is from the line of Niyati Kothari from MM Sawla Consultancy. Please go ahead.
- Niyati Kothari:** Good morning Mr. Rajesh, thanks for taking my question. I see some mismatch in the press release that you have issued after the result and what you ensure to one of the question prior to this call. You are saying that the market conditions continue to be challenging despite this we remain confident of achieving our yearly targets of revenue on back of our quality products offering and long-term relations with our clients and as I heard in the beginning you said that we are turning down our annual target something around 12% to 15% topline growth so can you please connect these two sentence.
- Rajesh Doraiswamy:** Sir the earlier I think our growth targets are between 18% and 20% a 15% to 20% is what we committed when we started this financial year thing when we went with Q1 I think we were still confident why so Q2 starting and then Q3 starting we are not very confident that we will be able to touch around 18% growth rate so that is one of the reason we are trying to bring this down to around 12% to 15% it is still a good growth rate because 15% I would call it as a bad growth rate.
- Niyati Kothari:** No that is fine, but I am just wondering that in the present result press release itself you are saying that we are confident of achieving our yearly target. Can you please look at your press release which you release the immediately after Q2 results...

- Rajesh Doraiswamy:** I understand maybe think the wordings would have been a little different so our annual target is around 640 Crores is what we should have mentioned.
- Niyati Kothari:** So that means we have to consider where we are turning down or scaling down our topline.
- Rajesh Doraiswamy:** Yes.
- Niyati Kothari:** But then where do you see the growth coming for the third and fourth quarter is it going to be switchgear division or you are seeing a good traction and improvement in the business building product division or wires and cables, wires and cables are we also doing some wiring harness also or it is not that.
- Rajesh Doraiswamy:** For the H1 if you see both businesses both industrial and wire and cable have grown equally at around 18% of H1 so we see that both this businesses continue to grow at 15% to 18% here, but we are a little negative on the building electrical business which has actually decline in H1 by around 15%. So we are not very confident that this business will have a good growth rate going forward in the next two quarter at least because the real estate business is a big time slowdown we are unable to make this business grow in this kind of a scenario.
- Niyati Kothari:** So otherwise both industrial and wire and cable will continue to grow at between 15% and 18% in the next two quarters.
- Rajesh Doraiswamy:** They are going to be the largest segment for our overall self.
- Niyati Kothari:** Yes.
- Rajesh Doraiswamy:** And on the wire harness I think that is not a part of wire and cable but that is a part of industrial switchgear business and wire harness business is growing for us.
- Niyati Kothari:** Okay great but then we were hoping good traction in revenue for building materials so you are not seeing any good growth there because if that grows, it is going to be directly to the consumer and our branded product can give us good rating also as well as a good margin also.
- Rajesh Doraiswamy:** True, definitely I agree I think that is one of the reason we have been working on to increase the revenues in this segment and we did that in the last financial year we doubled the revenue from FY2018 to FY2019 and we had a target of at least doing a 50% growth rate from FY2019 to FY2020 but unfortunately the market is not supporting us in this rate but we are continuing to work to improve the sales on this segment hopefully the economic situation has to do a little bit tough support and turnaround in real estate particularly.

- Niyati Kothari:** And something on accounting aspects you said that we are still at low effective tax rate and we are continuing with our existing tax scheme so then in the current year I see that current quarter the deferred tax has gone up so is there any project which has completed this time or how can you just explain the working why the deferred tax has gone up in the current quarter it should not to my mind because in all probabilities the depreciation and amortization seems to be the same.
- Rajesh Doraiswamy:** I think the deferred tax calculations will vary based on quarter-on-quarter but the final deferred tax calculation will come in on the March quarter.
- Niyati Kothari:** I see, because it is 1.49 Crores in the current quarter as compared to 0.64 in the previous quarter year-on-year and 37 in the previous.
- Rajesh Doraiswamy:** I agree with you but on a year-on-year basis you will see that it is tallying exactly.
- Niyati Kothari:** And there is a substantial increase in the short-term borrowing also in the current year so do you see that it is getting settled by the end of the year.
- Rajesh Doraiswamy:** Yes Sir we will reduce this in this quarter as well as in the next quarter.
- Niyati Kothari:** Great, and any updates or news on appointment for CFO and all.
- Rajesh Doraiswamy:** No I think as I mentioned we have just appointed one new person for Kaycee to run the Kaycee business that is one appointment we have made as of now.
- Niyati Kothari:** Fine and our export is mainly to Middle East countries right not Middle East India we are heavily selling in the India itself so export has not that substantially grown.
- Rajesh Doraiswamy:** This quarter it has grown to 20% compared to last quarter of 16% revenue share so that means there is a 4% revenue share increase.
- Niyati Kothari:** And how do you see export growing in the future.
- Rajesh Doraiswamy:** I think we will be able to maintain a 20% revenue shares in exports.
- Niyati Kothari:** That is it from my side wish you all the very best, thank you.
- Moderator:** Thank you. We take the next question from the line of Rohan Mehta, Individual Investor. Please go ahead.

- Rohan Mehta:** Congratulations on your acquisition of Kaycee. I was taking the balance sheet question forward I wanted to ask our long-term borrowing has grown fourfold to just over 17 Crores so was all of this primarily for the acquisition or any other purposes.
- Rajesh Doraiswamy:** No it is not for the acquisition I think I had mentioned during the beginning of this year that we are in the process of implementing a data cable project and the project is at the final stage of completion and the addition of term loan is for implementing this project there is an investment of close to 20 Crores.
- Rohan Mehta:** And Sir short-term borrowing has also grown so was this also for working capital mainly or other purposes.
- Rajesh Doraiswamy:** Working capital and I think as somebody asked for it that there is a cash pending in the mutual funds which will be use to reduce the short-term borrowings.
- Rohan Mehta:** So the mutual funds are will be used mainly for reducing debt going forward.
- Rajesh Doraiswamy:** Yes.
- Rohan Mehta:** So would you say would be the peak debt level that we would be comfortable with.
- Rajesh Doraiswamy:** In terms of absolute numbers you are talking of...
- Rohan Mehta:** Yes, any sort of guidance on this.
- Rajesh Doraiswamy:** I think on the term debt at the max I think we will touch around 20, 22 Crores when we complete this data cable project. On the working capital I would say that it will be anywhere between 20% to 25% of the net revenue not beyond that.
- Rohan Mehta:** That is all from my side all the best Sir.
- Moderator:** Thank you. Next question is from the line of Chirag Patel from Bhavesh Invest. Please go ahead.
- Chirag Patel:** Sir I just wanted to know if I have been to see that customer contribution like how much Schneider itself contributed for the topline.
- Rajesh Doraiswamy:** Last year Schneider was around 33 Crores on our 560 which is around 6%, so it continues to be at around 6% this year.
- Chirag Patel:** So if I want to know top five customers revenue contribution what will it be...

- Rajesh Doraiswamy:** I can give a figure for top ten, I think our top ten customers will contribute around 24%, 25% of our revenues.
- Chirag Patel:** Sir as you have been even receiving that switchgear will be 47% for the total revenue for FY2020 right now we have been at about 125 Cr in half yearly we make it to 47% we have to make about 297, 298 Cr that on a quarterly basis it would require to make a sales of 85, 86 Cr...
- Rajesh Doraiswamy:** We will be able to touch around 270, 280 Crores.
- Chirag Patel:** 270, 280 Crores.
- Rajesh Doraiswamy:** 270, 280 yes.
- Chirag Patel:** And wires and cables to be around 300 and 350 Crores.
- Rajesh Doraiswamy:** Yes approximately it is around 300.
- Chirag Patel:** About 50% from wires and cables from 44% to 45% is from industrial switchgear and remaining from building segment and energy.
- Rajesh Doraiswamy:** Correct.
- Chirag Patel:** So other than this, okay Sir that is it from my side. Thank you.
- Moderator:** Thank you. Well as there are no further questions. I would now like to hand the conference over to Mr. Rajesh Doraiswamy for his closing comments. Over to you Sir!
- Rajesh Doraiswamy:** I would like to once again thank you all for your interest and your support, and time and attention. Look forward to see you all for the next quarterly investor call. Thank you.
- Moderator:** Thank you very much. On behalf of Salzer Electronics Limited we conclude today's conference. Thank you all for joining. You may now disconnect your lines now.