



“Salzer Electronics Limited Q3 and Nine Months FY
'21 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Salzer Electronics Limited Q3 and nine months FY '21 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Doraiswamy, Joint Managing Director, Salzer Electronics Limited. Thank you and over to you, Sir.

Rajesh Doraiswamy: Thank you. Good Morning everyone and thank you all for joining our earnings call to discuss the business and financial performance for the third quarter and nine months ending December 31, 2020.

Today, I have with me Mr. Baskara Subramaniam – Director, Corporate Affairs and Company Secretary; Mr. Murugesh, Assistant Company Secretary; and Savli Mangle and Rahul Trivedi from Bridge Investor Relations. We have already shared our results update presentation and I hope you all must have received it and gone through the same. Before we discuss the financial performance of the last quarter and nine months, I would like to share the recent developments and market scenario with you. The domestic dealers and retail market for switchgears is still struggling to pick up and the sales is on the lower side in this segment compared to the pre-COVID levels. We are hopeful that in the new financial year, the momentum for demand will pick up, despite this we have been able to almost match the last year's Q3 performance in the industrial switchgear division, which gives us a steady view that we will achieve our set target for this division for the full year. However, the wires and cables division has seen a strong demand, which has helped us achieve higher volumes. During this quarter, we saw prices of all raw materials such as copper, plastics, PVC, silver everything increased. We have been able to pass on this price hike in some of our product lines since November. Our export market is presently facing temporary headwinds from local lockdowns in major parts of Europe and North America. As the industry gradually reopens fully, our growing export market will complement the domestic market to help us grow at a much faster rate. This gives an upbeat view for us for the next financial year. Though the near term market situation is still uncertain, we are optimistic in a medium term based on indicators from various OEMs and customers and definitely optimistic about profitable growth in the long term.

Now coming to our quarterly and nine monthly financial and business performance, we will first look at the quarterly performance. During the third quarter, our revenues increased by 26% to 170.44 crore from 134.71 crore in the previous corresponding period mainly on account of increase in sales of wire harness product under the industrial switchgear division and higher growth in wires and cables division. The EBITDA for the quarter stood at 17.28 crore compared to 16.71 crore in the corresponding previous period, which is a year-on-year growth of 3.45% on account of higher sales and lower employee and other expenses which has offset the rise in raw material prices. The Q3 FY '21 EBITDA margin stood at 10.14%. The PAT was at 6.41

crores in Q3 FY '21 as against 5.51 crores in the corresponding previous period Q3 FY '20, which is an increase of 16.38%. Now coming to the nine monthly performance, as a result of nationwide lockdown the Q1 of FY '21 the business was impacted which has affected the revenues, EBITDA, and PAT for this nine-month period, hence the results are not directly comparable with the previous corresponding year. For nine months FY '21 revenue stood at 415.93 crores down by only 4.3% year-on-year as against a negative sale of 18% which we saw until H2. EBITDA for nine months FY '21 stood at 45.63 crores compared to 50.89 crores in nine months last year, which is a decline of 10.3%, which again is an improvement compared to 17% decline until H2. Nine months FY '21 EBITDA margins stood at 10.97% as against 11.7% in the previous corresponding period, the main reason for the decline in EBITDA margin is because of higher sales contribution coming from wire and cable division. Profit after tax for nine months FY '21 was at Rs. 13.69 crores as against 17.25 crores in the previous period.

Now moving onto the breakup of revenues as per the business division, industrial switchgear division contributed 38.8% for the total revenues in this quarter and 41.33% for nine months FY '21. Our recently launched wire harness product has shown strong sales during the quarter since it was introduced in the market. While sales from the existing customers of wire harness grew 15%, majority of the growth around 73% in sales of wire harness came from addition of new customers and new products into the same new customers. Wire harness business alone clocked a revenue of 23 crores for nine months FY '21. We expect a very good fourth quarter for this division. This division's EBITDA I mean the EBITDA for industrial switchgear division stood at 14.7% in Q3 and 15.5% for nine months FY '21. The wire and cable division contributed 55.86% of our revenues this quarter and 53% in nine months FY '21. There has been an overall increase in demand across all sectors for the wire and cables, price increase coupled with growth in volumes led to a 72% year-on-year revenue growth in this division during the quarter. Wire and cables division's EBITDA margins stood at 7.96% in Q3 and 8.33% for nine months FY '21.

The building products division has contributed 5.32% this quarter and 4.98% for nine months FY '21. This is only a B2C business that we have. The real estate market is still muted to some extent and we are yet to see major pickup in demand that would impact the overall industry. The real estate sector is starting to look up in Q4 and we expect the trend to improve in the coming quarters. The fourth is the energy management division, which has contributed 0.7% to the revenue in nine months FY '21. During the quarter, we have not received any new orders from the Government as there were no tenders issued during this period and we also completed all the existing projects. We are hopeful that in the coming quarters we will be able to bag some new projects once the Government starts to issue new tenders. On the export front barring temporary fluctuations due to lockdown, we are seeing steady growth especially from the US and the European markets, both of which grew at 51% and 18%, respectively year-on-year in this quarter. Business in the Middle East and Africa are not yet entirely operational due to pandemic and hence demand is yet to pick up. For the quarter, export share was at 18% and for nine months, it is at 20%. Given the current situation, which is very fluid and uncertain in domestic as well as foreign markets, it is difficult to predict and give targets for FY '21. Our aim is to maintain our margins and focus on working capital cycle and remain competitive to capitalize on any

opportunity that arise in the future. On long-term with the recent budget being a big positive for the infra industry, we expect the CAPEX cycle to start and thereby create demand for all of our products across various industry sectors. Also besides strengthening the revenue drivers, improving ROCE, and working capital cycle also forms part of our core strategy. Overall, we remain committed to our set agenda of delivering consistent profitable volume-led growth. I thank all the stakeholders of Salzer Electronics for their continued support and faith in our company. This is all from our side, I would once again like to thank everyone for your time and attention. We can now take questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ronak Jhaveri from Khambatta Securities Limited. Please go ahead.

Ronak Jhaveri: Good Afternoon Sir, thank you for taking my question, I just wanted your perspective on the expectations for our export scenario from the northern part of America and Europe please?

Rajesh Doraiswamy: Good Afternoon, thank you, overall I think the export situation remains good for us, I think we have grown in overall exports, for example, I think this quarter our total exports actually stood at close to 30.8 crores, which is actually growing at a good rate particularly if you see the US as you said North American market, in Q3 year-on-year we have grown by around 50% and nine months, the North American exports have grown by around 40%, so they are showing a very healthy trend of growth mainly because of new demand and new customers that we have added there, and apart from North and South America, I think we are also seeing good growth coming in from Europe.

Ronak Jhaveri: Okay, Sir one more question can you throw some light on the future expectations from the energy management division?

Rajesh Doraiswamy: That is a very tough question to answer because we are not seeing any light right now for the division because we have not seen any tenders opening up, but we are hopeful that going forward there might be some orders that will be coming which we will be able to bag, but right now we are not seeing any orders coming in the next two quarters at least.

Ronak Jhaveri: Sir, little tricky question, what was the specific reason for industrial switchgear segment which reduced in year-on-year in the last quarter?

Rajesh Doraiswamy: I think the year-on-year reduction is just 1.5% not much, so we see it is quite stable compared to what it was, as I mentioned in my speech the local electrical dealer market is still struggling to some extent, not really doing very well though OEMs have been doing very well in India, the dealer market or the distribution market is still struggling that means still the small industries or micro small industries have not fully opened and picked up in demand on operations. If they start doing it then additional demand will come from that segment which will actually increase the sales, so that area I think our sales are down compared to last year or previous quarter levels, so that is one of the reason that it is down year-on-year.

Ronak Jhaveri: Okay Sir thank you and the last question, in the last quarter we have seen most of the commodity prices either too volatile or have been increasing unexpectedly, so was there any major impact on the raw materials what you are using currently?

Rajesh Doraiswamy: I would say our margins would have definitely impacted by at least 1% because of the price increase. We are not really worried on the commodity price increase that is particularly on copper because we do pass on a monthly basis, so that is not impacting any of our margins, but all the rest of the products like all plastics, steel, hardware, everything has increased starting I would say even September-October, and it has been quite fluctuating and some materials the increase also has been quite substantial for which we have actually increased our product prices to the extent between 5% and 8%, and we hope that the input cost prices are stabilizing at this levels are going down from here, which will actually help us improve our margins going forward.

Ronak Jhaveri: Sir, and the last question, what is your outlook on the overall working capital cycle, in the last discussion you said that we were working towards reducing the overall cycle, so where are we as of now Sir?

Rajesh Doraiswamy: We are definitely going towards becoming more efficient on that front, but as we all mentioned unfortunately this year has been a tough year because of Q1 washout and Q2 and Q3 still struggling in second divisions, so we are actually maintaining same working capital cycle like last year, hopefully, getting better in Q4 but we are seeing a better trend in all areas, particularly on the inventory side.

Moderator: Thank you. The next question is from the line of Sudhir Bheda from Right Time Consultancy Services. Please go ahead.

Sudhir Bheda: Good Morning Sir and congratulations on reasonable set of number under the circumstances.

Rajesh Doraiswamy: Thank you Sir.

Sudhir Bheda: Sir, my questions are, first have we done with drop in the margin or the same kind of lower margin will continue going forward also, that is number one question? The second question, in view of very good thrust on the manufacturing by the Government and overall manufacturing sector is looking up, so are we expecting a good growth in industrial switchgear from the next year that is the second, and what is outlook for the next year, what kind of growth we envisage for the FY '22?

Rajesh Doraiswamy: First coming to the margin front, I am sure you are talking about the drop in EBITDA margins, there are couple of reasons I think I would say for the drop in EBITDA margins in Q3 to 10.14%. If you look at the main reason is the wire and cable division has contributed almost 56% of our revenues as against normal share of around 47-48, that means wire and cable division has actually grown as I told kind of 70% year-on-year in this quarter, so on an EBITDA level wire and cable is contributing around 8% whereas the industrial switchgear is contributing around 15%, so naturally the blended EBITDA margins are down because of that, one. Second reason I

think as I said we also have a one percentage point EBITDA down on the industrial switchgear also otherwise we would have done a 15.7% or 16% EBITDA margin, so that drop is because of the input price fluctuations which we have already offset by increasing our price since November-December, so definitely Q4 we will see again back to 15-15.5% EBITDA levels in industrial switchgear and 8% in wire and cable division, so looking at that way I think we are steady in the margin levels though the blended margin looks down because of higher contribution from wire and cables sales.

That said, coming to your question of the infra push from the budget, yes definitely that is a big positive for the entire manufacturing industry and we expect the demand to pick up quite strongly in the country and this will definitely increase our sales of both industrial switchgear, building segment as well as wire and cable all sectors and for this year we are trying to maintain at least last year business which itself is a big target for us having done 416 crores we have to achieve 565 to get to last years, which is around 155-160 crores that we have to do. We are hopeful that we will achieve last year's business this year on the top line. For next year, my guidance will be around 670 crores on the top line, which is a 15% to 18% growth on a nominal level. If things are good, we can do between 18% and 20% growth.

Sudhir Bheda: Sir, slightly longer term outlook when we can reach 1000 crore mark, what is your intuition on that?

Rajesh Doraiswamy: FY '24-'25 I think that is the year that we should look at that figure, FY '24 if we grow at the rate that we are planning to.

Sudhir Bheda: Thanks for the opportunity and all the best.

Rajesh Doraiswamy: Thank you Sir.

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

Zaki Nasir: Good Morning Mr. Rajesh and congratulation on a decent set of numbers for the third quarter. Sir you have in your presentation and just now indicated that it will be possible to touch last year's top line at least, so do you think on the full year March '21, there would be pressure on the bottom line level Sir, and my number two question is the cost of inputs like you indicated plastic, copper, what would be the reason Sir, do you think it is more of a demand kind of price increase or a supply constraint kind of price increase or general inflationary price increase because you consume lot of these inputs?

Rajesh Doraiswamy: Definitely I think, first question is the margins, the bottom line we might be close to last year's, so I do not think we will be able to surpass last year's margin in Rupees, but on revenues yes I think we will be very close or surpass last year's revenues, that is first. Second is the increase in inputs, it is international phenomenon, I suspect that this is because of the severe lockdown that happened across the world, I think India was quick to come back to operations, but I think many

other countries really did not come back to operations for a long time, so that has actually drained out all the materials wherever it is in the pipeline in the supply chain, so maybe they are taking time to really come back and fill those supply chain, so that maybe one of the reason that there is a sudden shortage of material and demand, so maybe the increases will start stabilizing and starts going down hopefully from Q1 next year, that is my expectation.

Zaki Nasir: Sir, within Salzer's rural demand, what kind of rural demand are you seeing, is it more of agricultural based or more of rural industrial and how things are?

Rajesh Doraiswamy: Rural means for us it is mostly agricultural, so the demand for us from rural is Agri-segment business is what have done quite well for our wire and cable division.

Moderator: Thank you. The next question is from the line of Chirag Patel from Adinath Shares. Please go ahead.

Chirag Patel: Congratulations Mr. Rajesh for the good set of numbers, I have few questions like in domestic business we did a good performance, so I just want to know which States are leading in this growth?

Rajesh Doraiswamy: On the domestic I think majority of our business always comes from North that is I would say Delhi NCR region, then Mumbai, Mumbai surrounding, Mumbai and Pune Maharashtra basically and then it will be Bangalore or Karnataka area and then Tamil Nadu, so this is how the normal State contributions are and then comes all the rest of the States like Gujarat or Calcutta or Andhra Pradesh, Telangana all those comes after that, but I think that remains as it is, it has not changed much, but what we do not see the demand coming from is all the micro small industries, I think the demand from micro small industries are not there still, they are still struggling in my opinion, whereas the medium-to-large industries are all operational and they are doing well, as I said exports are also doing well for us, so if hopefully I think this new year onwards things will change and we are already seeing some uptick in demand from certain dealer segment, so dealer segment is selling well means that micro small industries are slowly coming back to operations.

Chirag Patel: Sir on real estate side we are seeing a good traction and registration number from buyer side, what is your take on that, are we going to see a good B2C business going forward or is it still not that good?

Rajesh Doraiswamy: We have not seen big demand until I would say late November or mid-December, but looks like from January onwards things are better and then definitely this budget has given a good boost, so hopefully things will change because we see that there is not many new projects coming up, maybe there are lot of inventory that is on-demand and getting sold, but there is no new projects we have not seen coming up in the Southern states particularly until December.

Chirag Patel: My third and last question, as you mentioned in your presentation that the raw material prices that impacted the margin and the price pass on is a lag impact, so should I consider that from

coming quarters or even in this quarter, we increased prices of our product so we can compensate the cost increase at margin level?

Rajesh Doraiswamy: We have already increased our product prices from 1/11 but the real effect or real pass on would have happened from 1/12, so from December we have already increased the prices, we are just waiting and watching, if the raw material prices continue to increase then we will do another increase maybe by March, otherwise, we will continue with this.

Chirag Patel: In what range I mean in percentage terms on average we increase by this?

Rajesh Doraiswamy: We have increased certain products at 5%, certain products 8% to 10% depending on how the input has affected that particular product.

Chirag Patel: Okay Sir like one more clarification on this, in this turnover growth what is led by this value increase?

Rajesh Doraiswamy: Okay, that is actually a good question because if you see the wire and cable this quarter actually has grown by around 72%, so out of 72% I think that is where the major impact of price increase has come which has also resulted in a growth for us. Out of this 72%, I would say at least 30% to 35% is because of the price increase, so the real volume growth will be around 40% in wire and cables, and the price impact would not have been much in the industrial segment because we did not do any price increase in industrial segment except for the last one month which is I would say very minor.

Chirag Patel: Okay, so after this significant jump I guess almost 50% of growth which is coming in wire and cable that is due to price increase, is there an opportunity to softening this prices because wire and cable is such very competitive so after certain level like increase the price?

Rajesh Doraiswamy: You said softening of prices of copper so that the sale also goes down?

Chirag Patel: Yeah that is what I am asking?

Rajesh Doraiswamy: Yes, it is possible but leaving apart the price increase growth, if we see the volume growth that we have achieved it is still 40%, which is quite good and we still see a lot of demand for the wire and cable division in this quarter also, so we do not foresee a drop in sale because of softening of prices because the copper prices have already started softening, so it has been to the peak and it has already started coming down slowly, but irrespective of the price, I think we are looking at volume growth.

Moderator: Thank you. The next question is from the line of Vijay Sarda from Crescita Wealth. Please go ahead.

Vijay Sarda: Good Morning Rajesh, congrats on good set of numbers, Rajesh just two broader questions, one you were talking about the 2024-25 as a 1000 crore kind of benchmark for us, so if you can just run through how this will be done because currently till last year we were around 40%-45% of

switchgear and then cables, so now cable is taking a prominent share from here on and which is slightly lesser margin since we are doing work for OEM, so over a period of time once we get to this 1000 trajectory, how our other businesses will shape up because as I am getting feeler that cable business is doing substantially good, other businesses also taking off, but other businesses have a better margin profile then the cables, so this quarter if I look at the cable and switchgear business has come down to 38% which used to be 45%, so how this growth will, I am not looking at one quarter or two quarter perspective but if we get to 1000 crore, what is the mix likely to be and what is the margin because do we see all these leverage of all these higher turnover should come down to the bottom line and we should see a better margin profile ahead?

Rajesh Doraiswamy: Good question Sir, business segment wise share on a quarter-on-quarter basis it will keep going up and down because I think certain wire and cable that we are selling the wires and cables are seasonal, the demand is seasonal and having said that, if you look at on an annual basis I think it is always between 40% and 45% both segments, so that is how we have seen going and we expect that the trend will continue at I would say the worst case scenario can be 50:40, wire and cable giving 50% and industrial giving 40% that is the worst case scenario, another 8% to 10% coming from the building segment and other products. Best case scenario will be 45, 45, and 10.

Vijay Sarda: Secondly, currently if we look at this cable business, the margin is slightly lower but now once we are getting into some value-added cable and all that, there the margin will improve so overall margin trajectory from here on can we see 100-200 basis point increase once we reach to 1000 crore level, I am not putting you a particular quarter or two, but over next two or three years definitely we are headed for a margin expansion?

Rajesh Doraiswamy: Yes, for sure I think on an annual basis we are already seeing slight improvement from around 7% and 7.5%, it has actually touched 9% in Q2 and this quarter it has been down, but on an annual basis I definitely see improvement at least this year 50 to 60 basis points compared to last year, last year was 8% on an annual basis for wire and cables, this year we should see at least 8.6%-8.7% on a full-year basis for wire and cables, and next year definitely 100 basis points from there improvement we are seeing mainly because of addition of more value-added products also in our own brand directly to the market.

Vijay Sarda: Wow, that is good. Rajesh, two more questions one is to reach this 1000 crore turnover how much CAPEX we need to do over next two or three years, and second last question is this export currently we are around 12% to 15% export, so now with new client addition and big clients what we added in last three to six months, do we feel we will be able to get a better traction in export going forward?

Rajesh Doraiswamy: Okay, first on the export front, actually FY '20 we had a 17% export and nine months we are already at 20%, we definitely expect that this 20% will continue to remain for at least next few quarters before we see an uptick on the export percentage with all the new customers that we have added, the revenues I think will start coming in only from Q1 FY '22.

- Vijay Sarda:** So the trajectory on the export side will improve in next two or three years, so we can get to 25%?
- Rajesh Doraiswamy:** Definitely, we see strong demand coming from North and South America, Europe and also Australia, New Zealand, so that will definitely help improve our overall exports. We are not seeing major CAPEX being done this year as well as for next year FY '22 also. We will only be continued to do our maintenance CAPEX which will be around 10 crores. FY '23 there might be some additional CAPEX, but we are still not seeing anything major like what we have done a couple of years before.
- Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.
- Sanjay Shah:** Rajesh, you were citing a good growth for next year maybe upward of around 15% to 20% and you even cited that we may have that contribution from cable division may slightly go down vis-a-vis share vis-a-vis other products from 60 to maybe 55 or 57, and we all are of the view that commodity prices may top out at this level or may go down, if I am correct then I would like to understand from you what is the shows you optimism of growing 20%, which are the products, which are the verticals where we see this growth?
- Rajesh Doraiswamy:** One product I think I also mentioned in my speech, I think the wire harness is showing extremely good potential for us. Last year full year we did around 15.5 crores, I think so far for nine months we have already done 23 and I expect that this year we will close it around 30 or 32 crores for this division, so which is almost doubling from what we did last year, so I expect that this product is going to double at least next year again that is the business potential that we are seeing and also customer acceptance we are getting for this product, one. Second, as I mentioned on the export front because of the additions of new customers, we see at least \$ 4-\$ 5 million additional new business coming in for us, so that is another big business that we are looking at. On the wire and cable front, I do not say that the contribution is going to go down, this quarter it has been a bit high otherwise it is going to remain between 45% and 50% that is the trend that we are seeing for wire and cable division contribution.
- Sanjay Shah:** That sounds very good, and last time you cited that there is some enquiry coming from Australia and New Zealand side, which we have never done that, so how is that traction?
- Rajesh Doraiswamy:** Actually, we have already secured I would say secured the contract, but the product is under development that is why I said the revenues we will start seeing from first quarter next year.
- Sanjay Shah:** Sir, my last question is regarding our dry transformer business, how do you see that growing?
- Rajesh Doraiswamy:** Dry transformer business actually last year we did well 23 crores, this year we were supposed to do much better but unfortunately the first quarter got slowed down and second quarter also we did not perform very well, I think that product is a bit struggling until now, but overall the

potential is very high for this product I would say as good as the wire harness business, so we will see good uptick on this product also from next quarter onwards.

Sanjay Shah: So we see the demand constraint or there are some issues regarding our quality product or not acceptance by the customer?

Rajesh Doraiswamy: I think the constraint is mainly because of the lockdown and reopening, so people are reluctant to start doing new qualifications, new supplier additions, I think that is getting delayed because people are still struggling on various other fronts, so they are pushing this back.

Sanjay Shah: If everything gets stabilized, what turnover we can expect from that division may be next year?

Rajesh Doraiswamy: At least 45-50 crores.

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

Aniket Redkar: Sir, Good Afternoon, my first question is related to raw material prices that are expected to remain high, so when we will be able to pass this hike to customers?

Rajesh Doraiswamy: We have already done a pass on from November 1st, we already increased our product prices between 5% and 10%, so I think the industry standard is we will just wait and watch and if there is further increase then we will again do a price increase, but my expectation is that I think this is a temporary increase in prices of all materials and this will, the prices will soften and get back to original levels or at least reduce from where it is today.

Aniket Redkar: Okay, my next question can you throw some light on the B2C development, how successful we are and what opportunities we would see there because pre-COVID we are back to 90% to 95% level?

Rajesh Doraiswamy: B2C we are I would say that we have not still very successful, we were actually doing very well last year and we were actually supposed to do very well this year, but unfortunately this COVID came and completely shifted our focus and business that we are supposed to do in this segment, so we are trying to get back to normal levels in this segment. My expectation is that FY '22 we will start seeing growth coming in from this segment, otherwise this year I think we are only seeing negative growth until now. We are putting efforts, we are developing channels, we are adding people and so from our marketing side also and getting into the market particularly in the six States.

Aniket Redkar: Sir, my next question is related to the, what is your rational you see in the European and North American, can you give us the product breakup to that export?

Rajesh Doraiswamy: All the products that we export is from the industrial switchgear division, so there are seven or eight different products including transformers, switches, connectors, ducts, and relays, so these are the products that we export to both North America as well as to Europe. We are not sure I

think particularly after the lockdown, UK is a big market for us, so both UK and US the demand has increased all of a sudden, but when we check with our customers they say that it is there is a demand in the market, so where this is coming and how it is coming I think maybe a little more investigation we have to do to find that out.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Thank you for the opportunity, Sir what percentage of our revenue shall come from OEMs and what percentage from the dealer network currently?

Rajesh Doraiswamy: The split is more appropriate for the industrial switchgear division I would say because that is where the OEM and distribution split is there, I would say at least 20%-25% of our business will come from dealer segment and another 30% from the OEM and the balance 35-40 will be from exports.

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

Lakshya Agarwal: Good Afternoon Rajesh, congratulations on a decent set of numbers this quarter, Sir I think you have answered my question already, but I just wanted to get an idea on where do you see your growth coming from the next few quarters and years perhaps?

Rajesh Doraiswamy: Good Afternoon, I think we have been able to do what we are doing now in spite of I would say a lot of headwinds in the country in spite of sectors not opening in many areas and the challenges of supply chain, we expect all these to get streamlined in the next few quarters, as we see I think there has been a big push for investments into infra and various other CAPEX that will naturally create a huge demand for us which we have seen such cycles before, so we see the demand I think next few quarters going to come from the domestic industry, not any particular sector I would say but all sectors.

Lakshya Agarwal: Just another question in the previous quarter you had set a target for your working capital cycle to reduce it to 120 days, I just wanted to understand how you are positioned now and whether...?

Rajesh Doraiswamy: We are still at around 150 days; we are slowly getting down.

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

Riya Mehta: Good Afternoon Sir, as we know wire and cable segment is low margin contributor to revenue this quarter, so what is the working capital cycle for this segment?

Rajesh Doraiswamy: Working capital cycle for the wire and cable is shorter, I would say that will be if you take our 150 days breakup, wire and cable will be at around 120 or below in the industrial switchgear and the building segment will be at higher level.

- Riya Mehta:** Sir, since it is high volume segment, do we see higher cash flow generation from it?
- Rajesh Doraiswamy:** Yes, obviously.
- Riya Mehta:** Also Sir as we are in capital goods related sector, how do we see the current budget playing for the sector as a whole and how are we benefiting from it?
- Rajesh Doraiswamy:** I think the current budget definitely is a big positive, I think it is giving a lot of focus and push for going in for lot of new infra development, new CAPEX, and any new investments that happens in the country will create demand for our products, both industrial switchgear and wire and cables.
- Moderator:** Thank you. The next question is from the line of Rohit Ohri from Progressive Share Brokers. Please go ahead.
- Rohit Ohri:** Sir, couple of questions, since you have a good vision for revenue growth and then you said that the average uptick in the margins profiles also, so I was wondering are we working on any new products or how is the product pipeline as of now if you can share details of that?
- Rajesh Doraiswamy:** We are working on many new products and that is a continuous process that we have been doing since many years particularly on the industrial switchgear front. As I mentioned, we also got some new contracts from Australia, New Zealand and new customers that we acquired in US and there are many products that we have been working for these companies and they will all come into the revenue stream slowly starting next year first quarter. Apart from that, we also continuously see how and what products we can introduce into the existing markets and existing customers and that is a continuous process.
- Rohit Ohri:** Sir, I understand that the R&D team is quite strong and the review happens every month for the R&D team rather than the revenue stream, but if you can just tell how many of these products are in pipeline, are these one of those five products where you have applied for the patents?
- Rajesh Doraiswamy:** The patent application is for our existing old products that we have done it long back that is not new, and it is already in the market, we are selling in the market already. If you ask me number of product in the R&D, I think that will be quite a few but to say that what we will see that will come into revenue stream for next financial year, it will be around five to seven products.
- Rohit Ohri:** Is it fair to assume 15-20 products are in the pipeline and as you said...?
- Rajesh Doraiswamy:** Yeah.
- Rohit Ohri:** Sir, next question is any big ticket size order that you have seen or because of these new clients which have come from New Zealand and Australia and South America, something in the range of maybe 100 crores per client of that sort?

- Rajesh Doraiswamy:** No, not at that level, but as I said I think when all the products go on stream for next financial year, we will see an additional business of at least \$ 4-\$ 5 million from these two-three new customers from foreign markets.
- Rohit Ohri:** From all the customers, three or four what are there?
- Rajesh Doraiswamy:** Whatever this three or four we have acquired.
- Rohit Ohri:** Okay, Sir the average capacity utilization all the five units would be in what range now?
- Rajesh Doraiswamy:** Around 70% except the wire and cable which will be at a higher percentage around 80% -85%.
- Rohit Ohri:** Okay, and Sir the inventory days would be in the range of like 90 days or something, has it reduced?
- Rajesh Doraiswamy:** Inventory is around 95 days now.
- Moderator:** Thank you. The next question is from the line of Chirag Patel from Adinath Shares. Please go ahead.
- Chirag Patel:** Sir, I have two questions, first one is like any plan from our side to enter into white goods or consumer appliances in upcoming times?
- Rajesh Doraiswamy:** So far, no.
- Chirag Patel:** My second question, lot of development ongoing post COVID lockdown regarding the electric vehicle space and even auto ancillary industry is also into transforming at global and national level, so are we getting any enquiries for catchment of our product into this opportunity?
- Rajesh Doraiswamy:** This is something that will go into the EV vehicles and we are already ready with all the approvals and certification that is required for automotive industry, and wire harnesses is something that we are pursuing with automotive companies to see whether we can get into the supply chain, that is one product.
- Chirag Patel:** So from OEM can you highlight any name or such which are interested in our wires?
- Rajesh Doraiswamy:** We are already suppliers, we are already a long-term customers to company called Value, so Value is one customer that we have been working for a long time and that is the customer we are trying to pursue the wire harness business also.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Rajesh Doraiswamy for closing comments.
- Rajesh Doraiswamy:** Once again thank you all for your interest in the company and look forward to seeing you all on the same conference call for the next quarter, thank you all very much. Have a good day.



*Salzer Electronics Limited
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Moderator: Thank you. Ladies and Gentlemen, on behalf of Salzer Electronics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.