

Salzer Q3FY18 Earnings Conference

12022018

- **Operator**

- The conference is now being recorded. Ladies and gentlemen, good day and welcome to the Salzer Q3 FY'18 earning conference call hosted by Prabhudas Lilladher Pvt. Ltd. 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 star then zero in your touch tone telephone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Kunal Sheth from Prabhudas Lilladher. Thank you and over to you, sir.

- **Mr. Kunal Sheth – Prabhudas Lilladher Private Limited**

- Yeah. Thank you and I would like to welcome the management of Salzer Electronics on the call. From the management we have Mr. Rajesh Doraiswamy, Joint Managing Director. Sir, I request you to give some opening remarks, post which we will open the floor for Q&A. Over to you, sir.

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- Thank you, Kunal. Good afternoon everyone and thank you all for joining our earnings call for the third quarter and 9 months ended 31st December 2017. I have with me here Savli from Bridge Investor Relations, Mr. Baskarasubramanian, Director (Corporate Affairs) and Company Secretary and also Mr. Murugesh, Assistant Company Secretary of the company. We have shared our results update presentation and I hope you all must have received it. Let me begin by giving you all very a short brief of company.
- Salzer Electronics, started in 1985 in collaboration with a German company called Saelzer. We started our journey as a manufacturer of Cam operated rotary switches. Since then we have evolved from a single product manufacturer to a company that offers total complete and customised electrical solutions to our customers. So, over the years we as a company have made sure that we are always in the forefront of any technological development by getting into technical

associations with reputed companies across the world. We have 4 state of the art manufacturing facilities located in Coimbatore. We also have our in- house R&D lab which is recognised by government of India. Through all these initiatives we are able to bring in high quality products of international standards and gain leadership position in a few of them. Be it our association with Larsen and Toubro from 1993 onwards for distribution of our products of India to Plitron from Canada in 1995, for manufacturing Toroidal transformers or Trafomodern in Austria in 2016, for manufacturing three phase dry type transformers. We have always focused on getting into technologies which are niche and of great value. Due to this focus and sheer determination, we have come out with products of highest quality. We have been able to get the preferred vendors status with global giants like GE and Schneider. All our products are internationally certified. Though we operate 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 copper business of wire and cable business, the building segment business and the energy management business.

- Now coming to the quarterly and 9 monthly performances. Our financials for the current and past quarters have been restated as per India's accounting guidelines. For the quarter, the net revenue from operations were at 111 crores this quarter year on year growth of 22% as compared to Q3 FY'17. Exports in this contributed to around 18% of the revenues. I am happy to share that this quarter we have demonstrated growth in our revenues. The growth was mainly driven by a good pick up in our industrial switchgear business and also higher demand in the agri cable market. The EBITDA for the quarter stood at nearly 14 crores as compared to 10 crores in the corresponding previous quarter, showing a growth of 39%. The EBITDA margins also significantly improved by over 150 basis points to 12.2% on a year on year basis. Reason for this increase is due to better product mix and increased exports to North America. The profit after tax is at 5.3 crores in Q3 FY'18 as against Rs. 3.4 crores in the corresponding previous quarter, this is a growth of around 57%.
- Moving to our 9 monthly performance highlights. The net revenue from our operations were at 316 crores in 9 months for FY'18. The year on year growth of nearly 16% as compared to 9 months FY'17. In this 9 months export contribution was at 18% of the total revenues. The growth in the revenues has been driven by our key business of industrial switchgear and also wire and cable. Our EBITDA for 9 month FY'18 was at 37 crores a year on year increase of 12%. The PAT increased by 16% to Rs. 15 crores in 9 months FY'18.

- Moving on to the breakup of revenues as per the business divisions. The industrial switchgear division which is one of the major business for us, contributed 49% to the total revenues in this quarter. And it was, it is at 46% for 9 months FY'18. With the GST regime in place and overall economic scenario, we are looking positive. We are witnessing early signs of revival in the switchgear business. We have received very good enquiries from large OEMs for our switchgear products and our new products like wire harness and three phase transformers. Going forward we are confident because of our high standards of quality, this demand will significantly improve further. I also feel very good traction in our newly added product, three phase dry type transformers. Wire and cable division, the second largest contributed to our revenue this quarter. In the wire and cable division our focus has been to do brand labelling for major brands. We are branding for Larsen and Toubro and today we also brand for Crompton Greaves Consumer Product Ltd. Texno, Efab and a few other companies. Last two years we also have started to focus on giving value added products like elevators travelling cables, hoist cables, UL listed wires to various other customers. This division contributed 45% of our total revenues during the quarter and 49% in 9 months FY'18. Moving on to the building segment product division. This is the only B2C business that we have today. Although the contribution of the total revenue remains small, we are confident of increasing contribution from this division in the next 2 to 3 years to around 10% levels. The division has given us new opportunities in the real estate sector where we have got some annual rate contracts with major builders in Karnataka and Andhra Pradesh. The building product division contributed around 5% of our revenues this quarter and also we've gained for 9 months FY'18. Fourth is the energy management division, during the quarter we have been able to book revenue of nearly 1 crore which is about 1% of our total revenues. The contribution remained at 1% on 9 monthly basis as well. This revenue were some spill-over invoicing on the project that we are doing for 4 corporations in Tamil Nadu. Our focus continues to remain on achieving profitable growth by adding newer products which are customised, and value added in nature and exploring newer geographies which can yield better margins. We are also constantly on the lookout for revenue opportunities for technical associations to strengthen the base of our product offerings.
- We had announced the acquisition of Salzer Magnet Wires in the last quarter. I am happy to share that it's currently in the final stages. The shareholders of both the companies have approved the transaction and I am hopeful that final closure with transaction should happen in Q4 of this financial year. Once completed it will give a good boost to our top line as well as the bottom line. Not only the revenues it will also help us to expand our customer base and help reduce our cost. And I am extremely happy to reiterate our recently launched product, three phase dry

type transformer has been very widely accepted and we are seeing good traction in this business. We have been able to add new customers from new industry verticals like solar, UPS, recycling industry and railways. We are confident about the prospects of these products and we are confident that this will be one of the biggest contributors for us in the coming years. I would once again like to thank everyone for your time and attention. We can take now the questions.

- **Operator**

- Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question, you may press star and 1 on your touch tone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking your question. A reminder to all the participants in the conference if you wish to ask a question, please press star and 1 at this time. We take the first question from the line of Abhishek Maheshwari from Wallfort Financial Services. Please go ahead.

- **Mr. Abhishek Maheshwari – Wallfort Financial Services**

- Hi, sir, thank you for the opportunity and congratulations on good set of numbers. Sir, I have two questions. One regarding your EESL orders, are you expecting any new orders in the energy management in this year?

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- Hello, thank you. And EESL orders, yes, I think EESL is about to come out with a large tender that's what we understand from the public domain that the total tender is going to be around approximately 200 crores. So, we essentially plan to participate in this tender and we are not sure about the timeline. Hopefully we will have some, some news by end of Q4.

- **Mr. Abhishek Maheshwari – Wallfort Financial Services**

- Okay, sir, thank you. And my second question is regarding copper volatility. I just wanted to know like if there is a sudden spike in copper price or sudden spike or sudden downfall. So your, the prices of the wires and cables you have to immediately reduce that accordingly or is there a specific time lag which you have?

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- Sir, we are actually very well protected in terms of pricing fluctuation. So the kind of what we do actually is we operate on a monthly average pricing. We don't operate on a daily price basis. So on a monthly average pricing, we buy on monthly average and we sell on monthly average and whatever is the change we pass it onto the customers.
- **Mr. Abhishek Maheshwari – Wallfort Financial Services**
- Okay, there is no fixed contract price on the wires.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- No.
- **Mr. Abhishek Maheshwari – Wallfort Financial Services**
- It's based on average price. Okay, sir, thank you very much.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Thanks.
- **Operator**
- Thank you. We take the next question from the line of Meghna from PI Square Investments. Please go ahead
- **Ms. Meghna – PI Square Investments**
- Congratulations on a good set of numbers. My first question is on whether the product mix that you have mentioned has led to EBITDA growth as well as the export growth to North America. What do we anticipate for the future quarters or the next one or two years, how do we see this product mix, where do we see the contribution to industrial switch gear and wire and cable. And what is the target of export, how much do we want it to grow there.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Yes, I think I have been always telling that our industrial switch gear business EBITDA margin is between 14 and 16% normally and wire and cable business EBITDA margin is between 7 and 8% so that's the mix that we have. So any quarter where we have the revenue share of the industrial business going up, automatically the EBITDA margins are getting better on a blended business. So this quarter if you see, we have almost 49% of revenue coming from the industrial

switch gear business with 16.5% of EBITDA. And a copper business was at 45% at 7.5% EBITDA, so that was the mix that I was telling. And even the industrial switch gear segments there are certain products which are at higher EBITDA and certain products which are at lower EBITDA. So the product mix was quite strong this quarter and that's why we were able to demonstrate a better EBITDA margin. Secondly, I think about the exports, always the exports to Europe and US gives better margins compared to Indian markets and also exports to other Far East and Middle East. So when the exports to these two continents increases then automatically I think EBITDA margin it reflects in better margin. This quarter if you see our exports to US contributed to around 6% approximately, as against normally 3.5 to 4%. Going forward I think this trend should continue but Q4 I also expect, wire and cable business revenues to go up. We expect EBITDA margins should be remaining in the same level or it will be maybe 0.2 to 0.3% down from these levels.

- **Ms. Meghna – PI Square Investments**

- So we expect to close the full year FY18 at about 11.5-12% EBITDA margin which is there for 9 months as well.

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- Yes, I think so you are right.

- **Ms. Meghna – PI Square Investments**

- Okay, and in terms of growth outlook any estimates, do we still stand at 15-20% growth on the revenue side or we have an upside on that.

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- I think as of nine months we are more or less on target I think we are at 16% top line growth. By the end of the year I think we should be able to close at around 18% top line growth.

- **Ms. Meghna – PI Square Investments**

- Okay. And as you mentioned that you have added more clients on the industrial switch gear side, railways and solar, did we used to cater to railway earlier, or is it that we directly added railways as a customer.

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- We used to cater to railways, what I mentioned in my speech was this new product that we had added, the three phase dry type transformers, because of this product we were able to get into certain new verticals like solar, solar inverter, UPS, UPS we were already there but this is different set of UPS clients and also railways for this particular product.
- **Ms. Meghna – PI Square Investments**
- Okay, so we see a good order and flow, or good query for this product in the market right now.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Yes.
- **Ms. Meghna – PI Square Investments**
- Alright, I will join back in the queue, thank you so much.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Thank you.
- **Operator**
- Thank you. We take the next question from the line of Sudhir Bheda from Right Time Consultancy, please go ahead
- **Mr. Sudhir Bheda – Right Time Consultancy Services Pvt. Ltd.**
- Good afternoon, sir, and congratulations on very good set of numbers, sir.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Thank you, sir.
- **Mr. Sudhir Bheda – Right Time Consultancy Services Pvt. Ltd.**
- Apart from three phase dry transformers any other new products are in pipeline for the next year that can drive the growth and....
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Go ahead, go ahead.

- **Mr. Sudhir Bheda – Right Time Consultancy Services Pvt. Ltd.**
- And what is the outlook for FY19 in view of industrial activities are picking up and I think that will favour the high margin product mix going forward. So what would be the outlook for FY19 as far as turnover mix is concerned and margin is concerned.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- So I will come back to the first Q1 and also Q4 of last year. I think from Q2 onwards we are definitely seeing better times. The industrial activities are getting better and picking up though I can't still say that we are better off but we are seeing green shoots across and that is being shown in the revenue growth. Secondly of the new products, you were asking this year we have already added three phase transformers that you know that is coming up and also the wire harnessing for the industry. See these are the two things that we have added, apart from certain additions in our existing products, these are the two main products we have added this year and we see the contribution from these two new products growing significantly in FY'19. And FY'19 our share of revenue share I think the 50% of revenue will continue to happen from industrial switch gear business, wire and cable should be around 45% and the rest of the business should be the balance. This is my outlook as of now.
- **Mr. Sudhir Bheda – Right Time Consultancy Services Pvt. Ltd.**
- And revenue outlook for FY19.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- The revenue outlook for FY'19 I think we should continue to look at our around 20%, 18-20%, that means that we should be not less than 530 crores for FY'19.
- **Mr. Sudhir Bheda – Right Time Consultancy Services Pvt. Ltd.**
- 20% outlook that is you are giving after merger or it is a standalone outlook.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Standalone outlook, sir.
- **Mr. Sudhir Bheda – Right Time Consultancy Services Pvt. Ltd.**
- Oh, that's great, thank you for taking my questions.

- **Operator**
- Thank you, we take the next question from the line of Kalpesh of Prabhudas Lilladher, please go ahead.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- Yeah, sir, good afternoon, congratulations on good set of numbers.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Good afternoon, Kalpesh.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- Sir, couple of questions, one, when I am seeing your product breakup during this quarter, like industrial switch gears it is almost like 48.9 as against 48.2 last year. Wire and cable business was also like 45, so then what is the reason for this margin expansion which took place which happened in this, broadly the mix is same, so is the absolute number changing that is the reason, what is the reason.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- We are, as I told within the industry and product segments, there are certain products that are giving higher margins and certain products are giving lower margin. So that is one of the reason and also in Q3 last year, particularly our exports have been very down in the high margin area, like you US and Europe. So that change has actually given us a better margin.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- US contribution was higher in this quarter.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Yes, this quarter US contribution was almost 6% compared to only 2% last year Q3.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- Okay.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Same way Europe this quarter was around 5.5% and last year it was around 4%.

- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- Okay, and any progress on this like you mentioned in this three phase transformer thing so how is the traction at our new facility.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Our traction has been good, I think until 6 months we were at around 5 crores and this quarter we have built additional 4 crores, so we are at a 9 crores level this 9 months. So, I am still confident that we should be able to be closing this year with at least 14 crores business.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- Okay, but still the facility would be working at what, somewhere around 25-30% capacity utilisation or?
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- No, I think at 14 crores we will be just 15-16% capacity utilisation, next year we plan to do at least double this or little more than that.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- And last year on this energy management business what is the progress on that, in Q4 should we expect some traction.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Yes, I think for all the projects that we are already doing the 1/4th billing should happen in Q4 that's what we expect, which will be around 8 to 10 crores. And we are also expecting some new orders to come in as I mentioned with somebody else who was seen here today. EESL is about to come out with a new tender, so if that happens by end of Q4, I think we should have some news on this.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- Okay, brilliant, sir, okay, wish you all the best, sir.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Thank you, sir.
- **Operator**

- Thank you. We take the next question from the line of Sanjay Shah from KSA Shares, please go ahead.

- **Mr. Sanjay Shah – KSA Shares & Securities**

- Congratulations, sir, for a good set of numbers and this quarter we really feel comfortable and see the growth coming back to the company. Good luck to you for the future. Sir, my question is in this dry transformer we are targeting a 30 crore plus turnover, why we have targeted so low after setting up successfully and having a good traction from the customer, is it a demand less from the user side or our product demand is less, or how you can put it, sir.

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- Actually, the demand is good and the product is good but the point is that unlike selling the product on a retail segment, product selling in to a little bit of technical industries is taking a little bit more time now. The product approval on the testing required is actually, the gestation is a little longer. So, our estimation is 30 but we should be able to do a little more. Originally our target was to reach 90 crores in 3 years. I think our target is still the same we are not changing that. We are pushing to double this every year. If the opportunities are better, I think if things can work out a little better, we should be able to do more on this, maybe 40-45 crores also.

- **Mr. Sanjay Shah – KSA Shares & Securities**

- Sir, now will it be possible for you to share with us the statement you have given regarding some opportunity for technical association to strengthen the base for our products offering, can you elaborate on that what are the opportunity we look at that side.

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- What I mentioned was that we are always on the lookout for new generation products, like what we did for three phase transformers, we waited and we got a good partner on the technical side to back us up. So like that we are looking at various other segments of products, where if we get an opportunity we will ready to tie up with companies abroad, that is exactly what I mentioned. There is nothing concrete right now for me to mention. And there is no segment, there is nothing concrete for me to mention this right now.

- **Mr. Sanjay Shah – KSA Shares & Securities**

- Right got it, sir.

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- But we are always on the lookout, so that is what I meant.
- **Mr. Sanjay Shah – KSA Shares & Securities**
- And regarding adding of new nation high margin products that is wire harnessing and the same product in the sector?
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- No, all our industrial products are being exported.
- **Mr. Sanjay Shah – KSA Shares & Securities**
- Right.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- So almost all the switch gear products are definitely better margin than the wire and cable business. So we are trying to export these products to as many countries as possible.
- **Mr. Sanjay Shah – KSA Shares & Securities**
- How is the demand there that side?
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- I think the world market is definitely better, and growing, sir.
- **Mr. Sanjay Shah – KSA Shares & Securities**
- Great, great, right, sir. Thank you for taking my questions, coming back in queue, thank you.
- **Operator**
- Thank you. Before we take the next question, I would like to remind all the participants if you wish to ask a question, you may please press star and one on your touch tone telephone.
- We take the next question from the line of Mukesh Savla from MN Savla Consultancy, please go ahead.

- **Mr. Mukesh Savla – MN Savla Consultancy**
- Good afternoon, Rajesh sir, and congratulations for good set of numbers.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Good afternoon, sir, and thank you.
- **Mr. Mukesh Savla – MN Savla Consultancy**
- Sir, I have seen that in the recent past we have expanded the scope of our object clause is there any plan to diversify our business activities?
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- I don't know, I think our company secretary should answer this. The scope of the business activity expansion was nothing in particular. I think if we have to ensure that we want to be covered up in terms of memorandum of articles.
- **Mr. Mukesh Savla – MN Savla Consultancy**
- I think a lot of new activities are set there for as our main object, so I was wondering whether there are any plans to start some new activities or what.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- No, think we will, yes, go ahead sir.
- **Mr. Murugesh – Company Secretary, Salzer Electronics**
- Sir, to supplement our JMD's clarification I would like to add this is only enabling provision, we got it approved from the appropriate authority to take up the opportunity when it comes to us.
- **Mr. Mukesh Savla – MN Savla Consultancy**
- I see, so nothing else of now.
- **Mr. Murugesh – Company Secretary, Salzer Electronics**
- Nothing as of now.
- **Mr. Mukesh Savla – MN Savla Consultancy**
- Alright, alright.

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- And sir, our focus will be to remain in core electrical business.
- **Mr. Mukesh Savla – MN Savla Consultancy**
- Great, great.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- So I think our focus is mainly on industrial switch gear and such products and also wires and cables.
- **Mr. Mukesh Savla – MN Savla Consultancy**
- Yes, sir, correct. Okay, and how is the traction at retail level from housing segment for wires, cables, and switch gear items, building product items.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Sir, not great till end of Q3. But we hear from the builders that things are getting better.
- **Mr. Mukesh Savla – MN Savla Consultancy**
- Things are getting better and I am sure as you mentioned that we are likely to improve our margins, if not I mean maintain our margins, if not improve in the coming quarter.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Yes, sir.
- **Mr. Mukesh Savla – MN Salva Consultancy**
- Alright, sir, thank you, sir, all the very best.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Thank you.
- **Operator**
- Thank you. We take the next question from the line of Mr. Kalpesh from Prabhudas Lilladher. Please go ahead.

- **Mr. Kamlesh – Prabhudas Lilladher Private Limited**
- Yeah, sir, Kalpesh again.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Yes, Kaplesh.
- **Mr. Kaplesh – Prabhudas Lilladher Private Limited**
- Sir, on these GE transportation front what is the progress now?
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- GE transportation I think we already have a contract in place for the Indian factory of GE which I think I already mentioned in my last quarter. This is definitely a small business only, it is 10 crores business for 10 years so it 1 crore per year for supply of contactors but the opportunity that we are looking at is to get through to US GE transportation once this starts, once this business starts rolling on. I think this business will start rolling on from next financial year.
- **Mr. Kalpesh - Prabhudas Lilladher Private Limited**
- Okay.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- So we expect to add three phase dry type transformers also as a product along with contactors to both India and US, in the coming year.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- But the expansion will be three phase near our contactors.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Yeah, contactors and three phase transformers.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- Okay, three phase, and here the realization of margins would be much better once we enter into...
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- Yes, sir, yes.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- And anybody else we are talking on this three-phase front, any other clients apart from...
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- That I mentioned I think we are already started supplying to large clients in the solar inverter industry, also to railways, railways in the likes of Siemens and ALSTOM also.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- This would be what, a metro type of project.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Both metro as well as the regular train engines, electric locos.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- Okay, so here it is the AC/DC wherever it is there probably we can.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Correct, and also to recycling industry in Europe, there are a couple of customers who are into recycling machine manufacturers, so we have got some orders from them also.
- **Mr. Kalpesh – Prabhudas Lilladher Private Limited**
- Okay perfect, sir, wish you all the best.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Thank you.
- **Operator**
- Thank you. The next question is from the line of Meghna Advani from PI Square Investments. Please go ahead.
- **Ms. Meghna – PI Square Investments**

- Sir, what will be net debt and cash as on December 2017?
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Net debt, just a second, short term borrowing 100 crores and long term 10 crores.
- **Ms. Meghna – PI Square Investments**
- And cash on the books?
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Yes, on the books, around 19 crores.
- **Ms. Meghna – PI Square Investments**
- Okay. So in order to grow the three phase transformer product or any other product that we are looking to add would we need any more working capital going forward.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- I think the working capital will definitely be required, but it won't increase in the same pace, as I already mentioned in my last quarter, I think our target is to come down to net working capital of around 90 days, from the current, we were at 120 days in March last year. Hopefully this March we should be down by 15 days or something from 120. Our target is to go down another 15 days. So overall I think the debt as working capital debt might go up a little bit if the turnover jumps by 20-25%, but as a company net working capital utilisation will be coming down.
- **Ms. Meghna – PI Square Investments**
- Okay, alright thank you.
- **Operator**
- Thank you. A reminder to the participants. Anyone wishing to ask a question please press star and one. Next question from the line of Harsh Shah, an individual investor. Please go ahead.
- **Mr. Harsh Shah – Individual Investor**
- Yes, good afternoon, sir.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**

- Good afternoon.
- **Mr. Harsh Shah – Individual Investor**
- My question is regarding the merger Salzer Magnet Wires, you said that it was completed within this quarter, so by FY19 the top line and bottom line will increase by how much percentage?
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Sir, our plan is to complete the acquisition by this Q4 of this year, and if we do that I think FY'18 financials itself will be with the merged figures. In that case I think FY'18 top line itself should be going up by at least 50 crores in the top line. And at least by one and half to two crores in the bottom line.
- **Mr. Harsh Shah – Individual Investor**
- Okay, and after the merger the debt will remain same, right, it won't...
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- We will add another 10 to 12 crores of debt from the company.
- **Mr. Harsh Shah – Individual investor**
- Okay, adding up 10 to 12 crores.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Yeah.
- **Mr. Harsh Shah – Individual investor**
- Okay, and this after the merger this Salzer Magnet Wires, new products have been launched or the products will be launched in FY'19 only, right.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Some of them have been already launched and couple of them will be it is an ongoing process, it will happen in FY19.
- **Mr. Harsh Shah – Individual Investor**
- Okay, thanks a lot.

- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Okay, sir.
- **Operator**
- Thank you. The next question is from the line of Mr. Kirti Jain from Sundaram Mutual Fund. Please go ahead.
- **Mr. Kirti Jain – Sundaram Mutual Fund**
- Sir, what would be the capex for FY18, and FY19, sir.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- FY18 should be around 20 crores and FY19 should be around 8 to 9 crores if we don't come across any new investment requirements or new projects. Normal maintenance capex should be between 8 and 9 FY19.
- **Mr. Kirti Jain – Sundaram Mutual Fund**
- Okay, sir, next year debt should be flat, sir, from the last quarter debt.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- I think we are maintaining the debt same level like last year March.
- **Mr. Pratik Jain – Sundaram Mutual Fund**
- Sir, for FY19 when we exit FY 19 our debt should be similar to what we have today?
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Correct, sir.
- **Mr. Pratik Jain – Sundaram Mutual Fund**
- Plus 10 crores of...
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Additional acquisition, yes.
- **Mr. Pratik Jain – Sundaram Mutual Fund**

- So our debt should be by next year should be 130 crores.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Same level, correct.
- **Mr. Kirti Jain – Sundaram Mutual Fund**
- Sir, congratulations on a very good set of numbers, sir.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Thank you.
- **Mr. Kirti Jain – Sundaram Mutual Fund**
- Sir one more question, we have done excellently well on the industrial switch gear of 20% plus growth so do you think this growth is sustainable steadily over next two years.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- I think that's exactly what I mentioned, I think after GST I think quarter, I would say second quarter we are seeing a reasonably consistent demand coming from various industrial sectors in India. That should be a very good sign. We are hopeful that this growth should be sustainable.
- **Mr. Pratik Jain – Sundaram Mutual Fund**
- Thanks a lot.
- **Operator**
- Thank you. A reminder to all the participants in the conference, if you wish to ask a question, please press star and one on your touch tone telephone. Well, that seemed to be the last question. I now hand the floor back to the management for their closing comments.
- **Mr. Rajesh Doraiswamy – Joint Managing Director, Salzer Electronics**
- Thank you, thank you everybody for the time and attention and interest you have shown in our company. Thank you all. I hand it over to Kunal now.
- **Operator**

- Sure.
- **Mr. Kunal Sheth – Prabhudas Lilladher Private Limited**
- Thank you everyone for participating, thank you, sir, for giving us this opportunity.
- Thank you.
- **Operator**
- Ladies and gentlemen, on behalf of Prabhudas Lilladher that concludes today's conference. Thank you for joining us and you may now disconnect your lines, thank you.