



“Salzer Electronics Limited Q4 FY-22 Earnings
Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Q4 FY22 Earnings Conference Call of Salzer Electronics Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectation of the company as on date this call. The statements are not the guarantee 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

At this time, I would like to 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 very much. Good afternoon, everybody and thank you all for joining us today to discuss the audited financial performance for the fourth quarter and the full year ended March 31st, 2022. It is a pleasure to speak to you again, this quarter. I hope you all are safe and well.

I have with me today, Mr. Baskarasubramanian – Director (Corporate Affairs) and Company Secretary, Mr. Muruges – Assistant Company Secretary of our company and Bridge IR, our investor relations team.

We have already shared our results update presentation, I hope you all must have received it and gone through the same. Before, we discuss the financial performance for the fourth quarter, I would like to share some the key developments during this year and the market scenario with you. As you all are aware effects of the pandemic continued to be felt during this fiscal as well. The second wave led to lockdowns in various parts of the country, including Tamil Nadu during the initial months of this financial year.

While logistics and supply chain were ramped, business subsequently regained the moment gradually across the world and in India. Luckily, the third wave did not prove to be as impactful as the previous one.

Consumer sentiment also started rebounding fairly quickly and we see an uptick in demand from domestic as export markets. I am very happy to share that we have received two patents in the recent period which were pending since some time, one for the integral cam-operated rotary switch and another for motor protection circuit breaker with increased air gap. The rotary switch product is one of the legacy products providing substantial revenue contribution and margins for the company. The patent protects our IP and reinstates our focus on R&D and new product development and reinstates Salzer as one of the technical product leaders in the country today.

On another exciting note, as you might be aware during this year, we forayed into electric vehicles vertical in line with one of our growth strategies for adding new products and entering new and promising business verticals. In a nutshell, these two joint ventures one with Austrian

company Kostad and another with an Indo-Austrian start up EMarch LLP. Through our JV with Kostad from Austria, we will be manufacturing DC fast charges for the electrical vehicles. With Kostad's technical know-how, we shall be manufacturing EV charger for the Indian market and South Asian markets. Through our JV with EMarch LLP, we will manufacture electric conversion kits for autorickshaws, buses etc. We foresee a definitely shift in the automotive industry towards EVs specially in the public transport going forward. As of now the progress on both the JVs are a bit slow due to the initial technical teething issues.

Coming to our existing products portfolio, the domestic markets have continued to cover well over the last quarters which especially reflects in our switch gear business where we are witnessing robust demand. We are optimistic the demands for these products will come to gain momentum in the coming years, The volatility in raw material prices such as that of copper, silver, plastics steel etc., continued to increase this quarter. We have been passing on this price hike to customers at various points. In some of our product's lines, we have already increased prices. However, the margins have impacted to a great extend due to a lag in passing on these price increase. The lag in passing the price hike, this quarter was mainly because of the high volatility in the input material prices which we did not expect and we could not pass on, However, in April and May, we have increased the finished product's prices of Salzer by 6%-10% on all products. Also new product introduction of panels which contributed at least 4%-5% of revenue this year is yet generate EBITDA margins due to the initial teething issues. This couple with increased cost of freight, subcontracting charges and one-time product development expenses are some of the main reasons for a poor Q4 margin figures. All this combined pulled down EBITDA margins by at least 8% in switch gear division. However, we are hopeful that for the coming year we should see improvement in the margins.

Our export markets have also recovered well with significant demand coming in, have the impacts of the pandemic subsides slowly in the global markets. Export demand is likely to be stable and positive in the near future. Our growing export market complements the domestic market to help us grow at a faster rate giving an upbeat view for the coming fiscal year. We expect good growth in volumes in the coming quarters. The company is well-positioned to cater to higher demands from customers and pious to take up new opportunities.

Now coming to the quarterly financial and business performance:

During the fourth quarter our revenues increased by 20% year-on-year to Rs.228 crores from Rs.189.69 crores the previous year. Growth was on account of increase in volumes coupled higher product prices. The EBITDA for the quarter stood at 12.89 crores as compared to Rs.16.6 crores in the corresponding previous period. The EBITDA margin stood at 5.7% a decline of 287 basis points year-on-year mainly due to continued increased in raw material prices coupled with freight and other cause as explain earlier. The price increase on all our products to the tune of 6%-10% has been done from May 2022 onwards. The profit after tax at 3.83 crores in Q4 FY22 as against Rs.6.99 crores in Q4 FY21.

Now coming to the full year results FY2022:

In the year ended March 2022, the revenues increased 29.39% year-on-year to Rs.783.63 crores. Primarily due to strong demand for the industrial switch gear products and increased volumes as well as price. EBITDA excluding other income stood at Rs.5.78 crores in FY2022 as Rs.61.7 crores in FY2011 year-on-year growth of 3.22%. FY2022 EBITDA margin at 8.14% year-on-year which is a decrease of 206 basis points. On account of input material cost, freight cost and one-time product development expenses which are barring on the margins. Profit after tax was Rs.2248 crores in FY2022 as against Rs.2067 crores in FY2021, a year-on-year growth of 8.75%.

Moving on to the breakup of revenues as per the business division:

The industrial switch gear division contributed 48% of the total revenues in this quarter and 50% during the full year. This division EBITDA margins stood at 5.23% in Q4 and 9.7% for the year FY2022. Wire and cable division contributed 44.6% to our revenues this quarter and 4.2% during the full year. There is an increase of 2.1% year-on-year in this division during this quarter. Wire and cable division EBITDA margin has been steady at 6.6% in Q4 and 7.3% for the full year FY2022. Building product division has contributed 7.2% in the quarter and 6.5% for the full year FY2022. At Rs.16.53 crore for Q4 FY2022, the division has grown by 40% year-on-year. The EBITDA margin stood at 2.5%. The fourth is the energy management division during this quarter also we did not receive any new orders from the government as they were no tenders issued during this period. Of the export front, despite slight headwinds due partial lockdowns across the world, we were seeing steady growth especially from the US and the European markets. Export to the Americas grew 84% year-on-year in this quarter. Export to Europe grew 52% year-on-year in this quarter and for the Middle East also grew 81% year-on-year in this quarter. For this quarter the export share of the revenue was 20.43%. For the full year, it stood at 23.29%.

On another note, our recent joint ventures to enter the electrical vehicle space are both on track as explained earlier, we are excited about this line of business as it is high growth potential vertical and we have strong technical alliance in the form of JVs to get an early start in the market. On behalf of the company, I thank all the stakeholders of Salzer Electronics Limited for their continued support and faith in our company and wish all of you a very good health.

This is all from our side for now, 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 questions and answers session. The first question is from the line of Niteen Dharmawat from Aurum Capital. Please go ahead.

Niteen Dharmawat: Couple of questions, you mentioned that the exports have done really well in some of the geographies. So just wanted to understand the revenue distribution between domestic and the export. What is the percentage that we are having?

Rajesh Doraiswamy: Okay, our export percentage right now for the full year, this is around 23.2% of the revenues.

- Niteen Dharmawat:** And the trail that we have witnessed in the last quarter is it continuing now as well or we are seeing some sort of slow over there in export?
- Rajesh Doraiswamy:** No, exports have been steady for the last full year and it continues to be like this. As of now, we are not seeing any slowdown as of now.
- Niteen Dharmawat:** Wonderful. What is the revenue target that we are having from EV segment, you mentioned that it is right now slow, because of variety of teething problems? But what is the revenue target that we are keeping from the EV segment?
- Rajesh Doraiswamy:** I think it is still in a very initial stage so I think it will be a difficult for us give u a revenue target from those two JVs as of now. May be a couple of quarters down the line, we will have better idea on how this product comes out and how the market accepts these products, then we will be able to give you a good guidance on that.
- Moderator:** Thank you. The next question is from the line of Sreeram Ramdas from Green Portfolio. Please go ahead.
- Sreeram Ramdas:** On the EV business, I think we suppose to have shipped our first EV charging unit in April. So can you explain, where is the delay, I am sure we have not recorded any revenues but do we have any order book that is now being build up in the EV segment?
- Rajesh Doraiswamy:** No. There is no order book as of now because we still perfecting the product that is to be made in India. The idea was to build the chargers here in India so in line, we have already imported samples and whatever parts required on a CKD as well as a fully assembled condition and the team is working on observing the technology and building a charger here at a price point that the Indian market will accept. So, the delay is in the absorption of technology because it is complicated product, it is not as simple as any other electronic product because it involves DC currents and charging of batteries requires lot of safety measures and controls and our collaborators are coming here quite soon to ensure that things are all on line.
- Sreeram Ramdas:** Okay, so when can we expect? Look, testing phase must be done by now, when can we expect to build order book, I am not talking about revenues but at least order books when can be expect?
- Rajesh Doraiswamy:** I think from August/September onwards we should be able to build the order book.
- Sreeram Ramdas:** What about the EV retrofitting space, there I believe, we already did testing a rickshaw, with converting a rickshaw, so even there are we facing technical issues, or problem with responding?
- Rajesh Doraiswamy:** There again we are facing some technical issues because we trying to bring the cost down, because the costs are not as expected so the cost is still high and we are trying to improve on the range. So, these are the two things that is going there and I expect that product also, we should start building order book from August/September this year onwards.

- Sreeram Ramdas:** Okay September/October tentatively we can start to see order book build up for both the EV units.?
- Rajesh Doraiswamy:** Yes.
- Sreeram Ramdas:** Okay, what you think about building segments it has been quite stagnant even the energy, so is the government issuing more tenders to the energy management or is it still silent over there, energy management.
- Rajesh Doraiswamy:** Energy management is still not a big focus for us. I think as I said earlier in many calls. It's a government tender business. So, it comes as bulk and sometime it is not there for long time. So, we are not really focusing on that as of now, I think our focus is mainly on the industrial switch gear and the wire and cable and the building electrical business. On the building electrical, if you see, this year the segment has actually really grown very well, year-on-year it has grown around 55% compared to last year and we are seeing improvements in the margins side also on that segment. So, I am hopeful this segment will start contributing at least 7%-10% on the revenues going forward with good EBITDA margins.
- Sreeram Ramdas:** Okay, last question from my side, the one-time product development cost that we had incurred which actually is tampering the margins. Can you give some information on the cost that we incurred for product development?
- Rajesh Doraiswamy:** Actually, these are product development as well as testing charges that we incur when we develop new products. So, last year I think we have developed a few new products for new customers in US and Australia. So those testing and approval charges are to the extent of around Rs.1.5 crores has been spent on this quarter alone because the product was completed and tested at this quarter.
- Sreeram Ramdas:** And which is for the traditional business or for the EV which was it incurred for?
- Rajesh Doraiswamy:** Switch gear business system.
- Sreeram Ramdas:** Switch gear, traditional, okay.
- Moderator:** Thank you. The next question is from the line of Sunil Menezes an individual investor. Please go ahead.
- Sunil Menezes:** I have couple of questions on the margin. I think for the last three quarter we are doing guiding of achieving 10%-11% or then 12% and all margins. But I know with all the current conditions the costs are going up and then we do not know how the immediate future outlook is, so in this environment what are we doing to improve the margin if at all, or will it be difficult to improve the margin in the near term.
- Rajesh Doraiswamy:** Actually, speaking this very unprecedented times that is happening right now, one the pandemic hit because of that there were lot of logistical issues shortage of various materials which actually

pushed the input prices higher and during that time, we have also actually increased our prices sometimes twice or thrice in an year during 2020 and 2021. However, when we thought things are stabilizing, then the Russia-Ukraine war came. That again, took a big time impact on all the commodity materials because of the oil, I think the freight cost started going up again, copper, silver all the metals started going up, again because of the oil all the plastics started moving again. So, the problem for us was if it increases and stabilizes, we can pass on but if it kept on increasing every month, every two weeks there was change in price which we did not anticipate and we could not pass on that quickly this kind of a volatile pricing. So that is one of the reasons, that Q4 has been poor on the margins but I am confident that we have already increased our prices and I do not think it is difficult to pass on the price increase because the whole world today is reeling under inflation and everybody knows what is the input costs impact. So, people accept price increase and we have done that at the same time internally which is a continuous process that we are doing of value engineering. There are different teams and different factory for constantly working to reduce cost, add more value to the product. So that is happening continuously and this price increase couple together, I think we should be back to the normal margin levels.

Sunil Menezes: Good, at least we can say that if the situation does not deteriorate as it is, the worst is behind us?

Rajesh Doraiswamy: I am 100% sure about that, yes.

Sunil Menezes: Okay, regarding the EV business, I think there is so much focus now with the fuel prices going up the urgency for green energy is further increasing. So, with all that the market conditions, do you see very contusive for us to enter into this business, especially the timing of entry do you think it is very appropriate?

Rajesh Doraiswamy: In my opinion the EV business in India is still in a nascent stage, I think it will take a least a couple of more years before we see the advent of electric cars and buses or public transport in electrical vehicles, at least a couple of years down the line is what we think. So, in that opinion they entry timing of ours is quite right or maybe I would say we are behind six months, or maybe we should have been earlier but still not less I think we are still one of the few players who will be making easy fast chargers. A charger that will charge a normal car in less than 20 minutes from 0% to 80%. So that is going to be a business, definitely worth to be in.

Sunil Menezes: Okay, so the last question that I have is on the FY2023 now, I know that you mentioned, I do not what the question on what revenue growth we expect because we will be increasing the price and other stuff, right? So, what volume growth increase we are targeting for FY2023. What do you think can be achievable?

Rajesh Doraiswamy: I am sure the 25% volume growth is definitely achievable looking at the current demand scenario from OEMs and the market.

Moderator: Thank you. The next question is from the line of Aditya Sen from Robo Capital. Please go ahead.

- Aditya Sen:** Most of my questions are already answered just one more. Broadly, can we understand that there has been a volume dip quarter-on-quarter this time and the revenue realization has been only due to price hike?
- Rajesh Doraiswamy:** No. I think this quarter, actually the entire growth has been because of the volume because this quarter we did not change price. Whatever revenues we got, is purely volume growth.
- Moderator:** Thank you. The next question is from the line of Rajakumar V. and individual investor. Please go ahead.
- Rajakumar V:** Sir, I have two questions, the first one is on your operating margin for the current quarter it has come at about 5.7%, there are lot of, you mentioned one-off costs and all that. So just wanted to know what are your guiding for FY2023, just a band if you could mention that.
- Rajesh Doraiswamy:** I think we will see a tough quarter FY2023 Q1 will also be a tough quarter but from Q2 onwards, I think we will be back to normal EBITDA levels of 10%-11%.
- Rajakumar V:** Okay, and any benefit Salzer will be getting because of the recent changes done by the government at the last weekend.
- Rajesh Doraiswamy:** The GST changes?
- Rajakumar V:** No all the import duty cuts and so on forth will there be any benefit for Salzer?
- Rajesh Doraiswamy:** No. I think it has not impacted any of our products as of now. And already there are lot of things we are importing on duty-free basis so there is no additional benefit that we might get because of this.
- Rajakumar V:** And the last question, Sir I looked at your return on equity for the last 10 years, it was a kind of, the average is about 8% that seems very low, like an FD return right? So just wanted to know is it because of IT capacities or then what plans you have to shore up the return on equity.
- Rajesh Doraiswamy:** I think that is one of our targets also to increase the ROC margins, ROC percentage, unfortunately, it has been at a low end as you said, is mainly because of our long working capital cycle. So, once we improve on that I think then we should see better ROCs and this year we have seen our inventory days coming down from 110 to close to 100 days and we continue to push to bring that down to 90 or less than 90 and that is when we will start seeing improved ROCs.
- Moderator:** Thank you. The next question is from the line of Ankit Kumar from Alphas Capital. Please go ahead.
- Ankit Kumar:** Sir question is on in the PPT you are talking about good improvement in the order book so can you please explain how much is the order book, now how much it has grown versus last year.

- Rajesh Doraiswamy:** Actually, we do not operate on a large order book because most of our is a 4-6 weeks delivery, that is how we operate. What we mentioned is, we are trying to pass on this information that based on the inputs that we have received from our OEMs the forecast that they give for this year and based on what we see the demand coming from the general open market from the dealers and distributors, I think that shows that there is a strong demand in the country as well as from US and Europe, so that is the reason we say that the order book is quite good and one of the reason that we are also saying that we will be able to get a 25% volume growth in the coming year.
- Ankit Kumar:** And sir very recently government has ban on export duty of steel side, so any worries on that, can that be a worry for volume growth next year?
- Rajesh Doraiswamy:** No, the steel prices in the country has doubled as compared to what it was a few months ago. So that has impacted the material prices of a lot of components. So, this ban on exports might bring the steel prices a little bit down which can ease the input prices for us. So, in my opinion, I think it is a good move for us.
- Moderator:** Thank you. The next question is from the line of Karthikeyan V an individual investor. Please go ahead.
- Karthikeyan V:** Sir, just wanted to understand, we have reduced our inventory holding period and also debtors to some extent in Q4 but what is the headroom there for us to improve further and what is the best case working capital cycle, we are looking for may be another one year, two years down the line.
- Rajesh Doraiswamy:** Currently our debtor days has dropped from 107 to 97 so 10 rate improvement and we can further bring this down to around 90 or 85-90 as a normal cycle we that we will have and inventory days, we should bring this down to 80 days. We still have room to reduce the entire working capital cycle by at least to 30-40 days from the current 107 day.
- Karthikeyan V:** So, 170-180 will be the gross cycle that is normal for this business that we will be operating.
- Rajesh Doraiswamy:** No, 160 minus 30, so we will be at around 120-130, will be the normal.
- Karthikeyan V:** Okay and then Sir for this EV division, do we have any PLI scheme that will benefit us here?
- Rajesh Doraiswamy:** No. I do not think we will be eligible for PLI because the investment requirement for the PLI is quite high. So, our total capex investment will not be benefit.
- Moderator:** Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Sir, you did mention about EV fast charger which can charge in 20 minutes. So just wanted to understand like are we having patent or how difficult is it to reverse engineer or any stringency of the enforcement regime which would come in so can you explain regarding that?

- Rajesh Doraiswamy:** Actually, it is a very complicated product if it was easy to reverse engineer, I think, we would have already done it but then it is not that easy to reverse engineer this fast-charging product. So, that requires a lot of technical know-how to make this charger and that is why we are relying upon our collaborator Kostad, who is an expert in this and they have making such fast chargers for the last 10 years in Austria. Having said that I think there is no IP for us in India but our collaborator holds certain IP in Europe, which will protect us in India also.
- Akshay Kothari:** And which are the geographies we are targeting with us at the outshore.
- Rajesh Doraiswamy:** Right now, our focus is on India but incase we start manufacturing here then we might look the South East Asian market also, which is also open for us as per the agreement.
- Akshay Kothari:** Okay but we will not be going to Europe and that would be our partner's territory?
- Rajesh Doraiswamy:** Yes, that will be our partner's territory.
- Akshay Kothari:** In the equity there are mentioned of you are some of the murky customers so could you just elaborate the significant partnership which we have with them and going forward how are we expecting to grow?
- Rajesh Doraiswamy:** We already have very strong tie-up partnership with Schneider Electric, that has become much more stronger after L&T becoming a part of Schneider Electric. So today I think, we will probably be the largest supply chain partner for Schneider Electric including the L&T business that we are doing with them. So, the partnership there is quite strong quite good, I think we continue to get new businesses from various division of Schneider so that is growing good. Apart from that we also have strong partnership with Honeywell, with Eaton, we are also working with ABB for export markets. So, all these partnerships have been there with us for the last several years and they continue to grow quite strong.
- Akshay Kothari:** Sir, my last question will be on the raw material side so what are the key raw materials which we use any commodity and where do we procure them from?
- Rajesh Doraiswamy:** All our raw materials are procured locally in India, the supplies in India we have, major material is copper, plastics, copper for wire and cable. For switch gear division it is plastics, silver, steel and other hardware items.
- Moderator:** Thank you. The next question is from the line of Panjul Agrawal from Green Portfolio. Please go ahead.
- Panjul Agrawal:** Sir, I wanted to ask how far long are we in the optimization of working requirement, this is what I see is despite operating on cash profit company still has to rely on short-term borrowings to meet its working capital requirement. So, how are we planning to go ahead with it.
- Rajesh Doraiswamy:** I think once the inventory days and data days start coming down, we will see positive cashflows and that is when we will earn cash profits and we will not be relying the short-term debts.

- Panjul Agrawal:** Okay, and how are we planning to bring it down?
- Rajesh Doraiswamy:** It is a constant work, unfortunately the last two years have been bad and it worked against us due to this pandemic and after the first wave. We actually went opposite to our direction and we started increasing our inventory because we thought, they will be second wave, there will be further lockdowns. So, we wanted to stock up ourself and that has actually increased our inventory in FY2021 and FY2022 and now we have started again reducing that.
- Panjul Agrawal:** Okay, moving forward we are expecting that the situation is going to get better only.
- Rajesh Doraiswamy:** Yes, it has to.
- Panjul Agrawal:** Sir, on other non-current assets there has been an increase of nearly Rs.3 crores, could you please give more information on this.
- Rajesh Doraiswamy:** Okay, I will have to look at that figure. I can note down this question and answer you because I do not have that information right now with me.
- Moderator:** Sir, we do have a question from the line of Mr. Hitesh from Aksa Capital Advisor LLP. Please go ahead.
- Hitesh:** Sir, sorry, I joined the call late. Just wanted to understand if our order cycle is about 4-6 weeks and if we have a very strong position in some of the segments why should it take such a long time for us to pass on the input price increase to be customers.
- Rajesh Doraiswamy:** No, it does not take time but there is a process to increase the prices because there are other agreements that we have with the OEMs so it has to be negotiated pass it on. So, there is a process and it takes time and if we do it this month. It is difficult for us to go back again next month for a price increase. So, what we do is we consolidate all our input price increases. We go and do one-time price increase that is how the industry operates until this couple of year I think we normally do a price hike only once in a year during April and May but because of this abnormal time setting we have done 2-3 price increase in FY2020 and FY2021 and again we have done it now in FY2022 April/May. So that is the reason, we see a lag in passing on the price increase.
- Hitesh:** But is there a formula which you work on with these larger OEMs or any pricing formula that we have?
- Rajesh Doraiswamy:** We do have a formula only based on copper pricing but all other material there is no formula, only copper we pass it on every month, whatever is increased or decreased and that is the reason we see a stable margin on the wire and cable business.
- Hitesh:** So, should the prices of plastic, copper it will not go anywhere from here on probably in Q2, we should go back to the normal margins that we had is that understanding, correct?

- Rajesh Doraiswamy:** Yes.
- Hitesh:** Sir, I think in your presentation you are mentioning about some one-time expense for a new product development, you share what this new product is what is the quantum of the product?
- Rajesh Doraiswamy:** Actually, we developed some new products for American and Australian markets in the last one-and-half years and those products have gone through the third-party testing and approvals. So, all those charges to the tune of around Rs.1.5-Rs.1.6 crores got accounted in this quarter.
- Hitesh:** Okay, can you share what is the market opportunities of these products and what is it a competitive position in them?
- Rajesh Doraiswamy:** These are some custom-built products for certain OEMs in US and Australia and total potential for the products that we have developed for these customers both in US and Australia will come close to around \$7-\$8 million.
- Hitesh:** That is the revenue potential that we have from these customers now.
- Rajesh Doraiswamy:** Yes, from these customers now.
- Hitesh:** And where we in terms of commercializing these products or probably converting into sales?
- Rajesh Doraiswamy:** Yes, the testing is over, approvals are over, we should start seeing revenues from this quarter onwards.
- Hitesh:** And lastly Sir, on the EV products, you did mention about the potential that is there, where are we on the customer acquisition for these products and again revenues coming from the them.
- Rajesh Doraiswamy:** We are still in the product development stage and I am sure that once our products are developed. I think there is difficulty in customer acquisition because the market is quite huge and we can get targeted revenues in the open market for sure of these products. Right now, we have to develop the product.
- Hitesh:** Any timeline that you are working on Sir, in terms of commercializing these products.
- Rajesh Doraiswamy:** Definitely this financial year we want to commercialize both JVs.
- Moderator:** Thank you. The next question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.
- Rohit Ohri:** Starting questions are related to Kaycee, if you see the yearly margin for Kaycee has started improving so what is the act that you are doing slightly different over here but the margins have started coming up?

- Rajesh Doraiswamy:** On Kaycee, I think as soon as we took over during 2019 September is when we started taking control of the company. I think in six months the pandemic hit and things took a different turn but once the lockdowns are open, this financial is the full financial year that we were able to operate properly except for the first two months. We did a lot of exercise on cost cutting on the operational efficiency. So, all those things happen and the results of that are slowly being seen in Kaycee. So that the operating margins of Kaycee are improving and we can see further improvement of at least 2%-3% on the EBITDA margins going forward. Mainly to fund the operational efficiencies.
- Rohit Ohri:** And anything on the volume front if you would like to guide something for Kaycee.
- Rajesh Doraiswamy:** Kaycee, we are planning to see how we can touch Rs.50 crores in this year. So that is the target that we are looking at. Current year, we did close to Rs.30 crores. So, we are looking at a growth Rs.20 crores on this leg that is growth of around 60%.
- Rohit Ohri:** Okay what is the capacity utilization at Kaycee right now. Kaycee's product capacities are quite dynamic. So, we can add assembly lines or increase capacities as we build on the order book.
- Rohit Ohri:** Approximate blended kind of capacity utilization if you can share.
- Rajesh Doraiswamy:** Right now we are operating at around 75%-80% capacity.
- Rohit Ohri:** Any new products that you have got on for Kaycee?
- Rajesh Doraiswamy:** No, right now no new products on Kaycee.
- Rohit Ohri:** My next question is related to any value-added product that you have added in the wire segment a part from wire harness, any new value-added products that you have touched upon or worked on?
- Rajesh Doraiswamy:** Yes, we have added data cables and CCTV cables, last year end FY2020, we started producing that so the full 2021, 2022 we saw revenues coming from data cables, which is a much higher value-added product in the wire and cable segment. So, this year has been the first year and we saw revenues close to around Rs.20 crores coming from that product and we expect that product revenues to go up this year close to around Rs.50-60 crores.
- Rohit Ohri:** Any thoughts on products like Flame Retardant Wires or something that can be an offering from Salzer.
- Rajesh Doraiswamy:** That is already there, Flame Retardant Wires, low smoke wires, they are already there on the portfolio.
- Rohit Ohri:** My next question was related to Valeo. Valeo has come in contact with power back energy that is Honda and Atul Greentech and they intent to work on some integrated compact electric

powertrain system. So, any scope for Salzer since Valeo is customer to ours as well so anything that gets connected, the dots get connected for Salzer, any opportunity over there?

Rajesh Doraiswamy: I think we are working with Valeo on a few new products that is under development. At the end of this financial year, we will those products developed. I am not sure if it is going to Honda or any other who you have suggested but it is value of product that then Valeo will start selling to almost all OEMs.

Rohit Ohri: Okay, so is this in wire harness that we are working for Valeo or?

Rajesh Doraiswamy: No. They are some switches. We are already supplying wire harness and wires to Valeo.

Rohit Ohri: In terms of these EV tenders, you started opening up via EESL and CESL. Do we see any scope for Salzer from these tenders that are opened up are ready for that?

Rajesh Doraiswamy: Right now, we are not ready but once the product is developed, I think then we definitely be ready for the CESL tenders.

Rohit Ohri: Okay since you are working on electric autos, any thoughts on giving some more value addition via golf carts as an offering or working towards the golf cart as the beginners.

Rajesh Doraiswamy: That is not on the focus right now, we are only working on conversion kit for an auto. So, we are not going to build a full auto as of now. So, our focus is only on this conversion kit but going forward we do not know, we will see, may be it is a good idea that you have thrown now.

Rohit Ohri: Okay, my last question is related to these orders which are there. I know it is difficult to gauge but if you can give a break up in the public sector and the private sector. What is the ratio of the total turnover that comes from the public sector and private sector?

Rajesh Doraiswamy: Majority of our business, I would say 95% of our business in private sector. We are not directly selling into public sector companies that much except for if you consider the railways and companies like BHEL, they are public sector means, yes, we do sell to them but they are not very much, I would say less than 10 strength of our total revenues comes from the companies like BHEL and Indian Railways.

Rohit Ohri: So hopefully we see good numbers for Salzer coming up. I did not understand one thing is that when you are saying that you have taken price hikes, you will be able to pass it if at all. Why do you intent to guide that the numbers will be better in the second half, I did not understand that statement made by you.

Rajesh Doraiswamy: Yes, because we did a price increase only in end of April, starting May, so already April is gone. So, we will only see the impact of this price increase for these two months and there are still pending orders that we should be supplying at the old price. So that is why I said that Q1 will still be a very tough quarter but Q2 we will see the full impact of this price increase as well as we expect the input prices to reduce also. So, the combined impact we will see in Q2.

- Rohit Ohri:** But the blended margins for the full year would be in the range of 10%, 11% and 12% that we generally do every year?
- Rajesh Doraiswamy:** Yes.
- Rohit Ohri:** Sir, one last request that has not been touched upon is the increase in the share holding pattern which you mentioned that you try to work towards that, any positive output over there.
- Rajesh Doraiswamy:** Yes. There is a positive output but I am not able to give a timeline right now but definitely looking at increasing the stake, the promoters are definitely looking at that.
- Rohit Ohri:** By first half, second half, if you can just mention.
- Rajesh Doraiswamy:** Within this financial year.
- Moderator:** Ladies and gentleman, this was the last question for the day. I would now like to hand the conference over to Mr. Rajesh Doraiswamy – Joint Managing Director Salzer Electronics Limited for closing comments.
- Rajesh Doraiswamy:** Thank you all very much for your interest and your support to Salzer as usual. I look forward to talking to you again during the next investor call after the next quarter. Thank you very much for your time and attention.
- Moderator:** Thank you. On behalf of Salzer Electronics Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.