



SALZER ELECTRONICS LTD

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May 28, 2025

To

THE CORPORATE RELATIONSHIP DEPT
BSE Limited
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M/s. National Stock Exchange of India Ltd.,
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Symbol: **SALZERELEC**

Dear Sir,

Sub: Transcript of the Earning Call on the Results of Third Quarter / Nine months ended
31.03.2025.

We wish to inform in pursuance of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 that the Company hosted an Earning Call with Analysts and Investors at 11.00 a.m., on Monday, May 26, 2025 to discuss the financial results of the Company for the Fourth Quarter / Year ended 31.03.2025.

Enclosed herewith the transcript of the same for your records and dissemination.

The transcript of the conference call also posted on the Company's website at www.salzergroup.net.

Thanking you

Yours faithfully

For SALZER ELECTRONICS LTD

K M MURUGESAN
COMPANY SECRETARY

Encl : As above



“Salzer Electronics Limited
Q4 & FY'25 Earnings Conference Call”

May 26, 2025



MANAGEMENT: **MR. RAJESH DORAISWAMY – JOINT MANAGING DIRECTOR – SALZER ELECTRONICS LIMITED**
MR. P. SIVAKUMAR – ASSISTANT VICE PRESIDENT, MARKETING – SALZER ELECTRONICS LIMITED
MR. P. B. BELLARY – ASSISTANT VICE PRESIDENT, BUSINESS DEVELOPMENT – SALZER ELECTRONICS LIMITED
MR. S. VENKATACHALAM -- GENERAL MANAGER, COMMERCIAL – SALZER ELECTRONICS LIMITED
MRS. R. MENAKA – GENERAL MANAGER, ACCOUNTS – SALZER ELECTRONICS LIMITED
MR. K.M. MURUGESH – COMPANY SECTARY – SALZER ELECTRONICS LIMITED
MR. JITENDRA VAKHARIA – DIRECTOR – KAYCEE INDUSTRIES LIMITED
MR. RAMAN – CHIEF OPERATING OFFICER – KAYCEE INDUSTRIES LIMITED
MS. SAVLI MANGLE – ADFACTORS INVESTOR – RELATIONS MANAGEMENT – SALZER ELECTRONICS LIMITED

MS. POONAM SANGHAVI – PROGRESSIVE SHARE

Moderator: Ladies and gentlemen, good day, and welcome to Salzer Electronics Limited Q4 and FY '25 Earnings Conference Call. 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 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Poonam Sanghavi from Progressive Shares. Over to you, ma'am.

Poonam Sanghavi: Thank you, Abhirath. Good morning, everyone. On behalf of Progressive Shares, I welcome you all to the Q4 and FY '25 Post Earnings Conference Call of Salzer Electronics Limited. This conference call may contain forward-looking statements, which are based on the beliefs, opinions and expectations of the company as of the date of this call. These statements are not guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now invite Ms. Savli Mangle for the opening remarks to be followed by a question-and-answer session. Over to you, ma'am.

Savli Mangle: Thank you, Poonam, and good morning, everyone. Thank you for joining us today to discuss the audited financial performance for the quarter and full year ended March 31, 2025. I have with me Mr. Rajesh Doraiswamy, Joint Managing Director; Mr. P. Sivakumar, Assistant Vice President, Marketing; Mr. Bellary, Assistant Vice President, Business Development; Mr. S. Venkatachalam, General Manager, Commercial; Mrs. R. Menaka, General Manager, Accounts; Mr. K.M. Murugesh, Company Secretary; Mr. Jitendra Vakharia, Director, Kaycee Industries; and Mr. Raman, COO, Kaycee Industries.

I shall now take you through the stand-alone financial performance for the quarter and full year ended March 2025. During the quarter, our revenues increased by 15% year-on-year to INR336 crores from INR318 crores in the previous corresponding period. This growth was mainly driven by higher demand for industrial switchgear, wires and cables, as well as building product division businesses, mainly due to high demand products like three-phase dry-type transformers, wire harness, relays and new products like contactors, et cetera.

The EBITDA, excluding other income, was INR26 crores in Q4 FY '25 as against INR31 crores in Q4 FY '24, a decline of 15%, mainly on account of higher expenses due to smart meters. The EBITDA margin for the quarter stood at 7%. The profit after tax was INR8 crores in FY '25 as against INR12 crores in Q4 FY '24.

Coming to our full year financial performance. In the full year March ended 31, 2025, the net revenue in FY '25 is INR1,383 crores as against INR1,136 crores in FY '24, a year-on-year growth of 22% driven by businesses of industrial switchgear, wire and cables and building products.

The EBITDA, excluding other income, stood at INR125 crores in FY '25 as against INR110 crores in FY '24, a year-on-year growth of 13%, mainly driven by higher sales in high-demand products like three-phase dry-type transformers, wire harness, relays, contactors, et cetera. The

EBITDA margin for the full year stood at 9%. The PAT was INR62 crores in FY '25 as against INR43 crores in FY '24, a year-on-year growth of 44% as the PAT margins stood at 5%.

Coming to our balance sheet highlights. The net worth stood at INR530 crores as on March 31, 2025, a year-on- growth of nearly 14%. Happy to share that the Board of Directors has recommended a dividend of INR2.5 per equity share of face value of INR10 each. This is subject to shareholders' approval.

Moving on to the breakup of revenues as per business division. The Industrial Switchgear division contributed 56% of total revenues in this quarter and 58% in FY '25. This business grew 21% year-on-year in Q4 and 29% year-on-year in FY '25. The EBITDA margin for this business division stood at 8% in Q4 and 12% in FY '25.

The Wires and Cable division contributed nearly 38% to our revenues this quarter and 37% in FY '25. There was an increase of 8% year-on-year during the quarter and 14% in FY '25. The EBITDA margin for the quarter stood at 6%, while for the full year, it was sustained at 6%. The Building Products division contributed 6% to our revenues in the quarter as well as 6% for the full year as well.

Coming to the exports, we continue to see steady growth, mainly due to higher sales in Middle East, Africa and Asian countries. During the year, exports to Middle East and Africa grew 91%. Asian countries grew 34% year-on-year. North and South Americas grew 14%. For this quarter, sorry, the share of the revenue was nearly 24%. For the full year ended, export share was nearly 27%. The growth in exports was 10% year-on-year in Q4. And for the full year, the exports grew 24%. Thank you.

And I would like to now hand over to Rajesh to take us through the business developments and the way ahead. Thank you, and over to you.

Rajesh Doraiswamy:

Thank you, Savli. Good morning, all of you. A very warm welcome to all of you for Salzer Electronics Limited Earnings Conference Call for the fourth quarter and full year ended 31st March 2025. Thank you all for taking the time today to join us for this call. We have shared our results update presentation and media release. I hope you all must have received and gone through it. I would like to share some key updates and also the market and future outlook.

We are witnessing a transformative period in the electrical industry, driven by powerful macro trends, surging energy demand, accelerated electrification and urgent global pivot towards clean and sustainable energy solution. This shift is reshaping not only the way electricity is generated, but also how it is distributed, controlled and consumed.

In this context, the switchgear industry is evolving very rapidly. According to various data, it says by 2030, wind and solar are expected to contribute approximately 30% to 35% of the global electricity generation, and it continues to grow. In India, the government has set an ambitious target to achieve 500-plus gigawatts of nonfossil fuel capacity by 2030. This aims for about 50% of India's electricity generation to come from renewable sources.

In this context, the need for intelligent, efficient and environmentally responsible switchgear system is becoming very vital, particularly in India.

India's industrial switchgear segment is one of the fastest-growing segment in the world, projected to grow at around 8% CAGR until 2030. This growth is underpinned by robust investments in renewable energy, national electrification programs and push for smart grids and automation across sectors. Smart switchgears enabled with monitoring control and diagnostics is gaining traction as industry demands more reliability, efficiency and safety.

Here at Salzer, we are very well positioned to leverage this trend with our focus on innovation and quality. Simultaneously, the wire and cable industry in India also continues to show strong momentum powered by urban expansion, smart city initiatives and Make in India digital infrastructure, et cetera. The shift towards organized players and increasing export potential reinforces the promising long-term outlook with the market expected to nearly double by 2032.

At Salzer, we remain agile and future focused. We are actively expanding our product portfolio, entering high-growth projects and building strategic partnerships to capture emerging opportunities. Our execution, combined with strong balance sheet and deeper customer relationship gives us the confidence to drive sustainable growth. As always, our commitment is to create long-term value for all our stakeholders by staying ahead of the industry trends and consistently delivering high-performance solutions.

Now coming to our key updates on the company and the recent developments. As part of our growth strategy, we all know that we enter into smart meter manufacturing business, and we are happy to share that a second order worth INR50 crores for smart energy meters from a leading AMISP in India has been secured. This reflects strong momentum and growing trust in our customers in our technology. We are in advanced talks with various other AMISPs also and optimistic about follow-up orders as we continue expanding our presence in India's digital energy transformation.

We are also very pleased to announce INR192 crores order from Bangalore Corporation, BBMP, marking our re-entry into energy saver project space. In partnership with Schnell Energy Limited, we will install our in-house energy management system and streetlight controllers and replace streetlights with energy-efficient LEDs across parts of Bangalore City. This project showcases our R&D strength, supports BBMP's Smart City vision and aligns with national energy efficiency goals.

As part of our portfolio review, the Board approved writing off our equity investment in Salzer Kostad EV Chargers and Salzer Emarch Electromobility amounting to INR83 lakhs and INR34.75 lakhs, respectively, in each of the joint ventures. These ventures focused on EV charging infrastructure and vehicle conversion kits, were found to be operationally unviable and yielded no economic returns.

This strategic decision allows us to reallocate resources towards more sustainable and value-accretive opportunities. To stay aligned with our long-term vision in the EV charging space,

we have made a strategic investment in Hyderabad-based company called Ultrafast Chargers Private Limited, acquiring a 30% stake through Kaycee Industries Limited.

With our earlier JV facing delays due to limited tech transfer support from our joint venture partner, this timely move keeps us actively engaged in the promising growing sector and well positioned to tap into this high-growth potential market. Going forward, our EV charger business will be driven through our investments in Ultrafast Chargers Limited.

We are seeing strong demand from major charge point operators. And with UFC's technology combined with Salzer's manufacturing strength, we are confident in achieving our ambitious target of producing and selling 1,000 DC fast chargers in financial year FY '2026. We remain committed to executing our growth strategy and capitalizing on emerging opportunities in our key markets.

As far as our subsidiary, Kaycee Industries is concerned, the sales have been growing well and EBITDA margins -- hello. Hope I am audible?

Moderator: Yes, sir. You are audible.

Rajesh Doraiswamy: Kaycee's top line grew 9% year-on-year in FY '25 to INR53 crores from INR49 crores in the previous corresponding year. EBITDA grew 27% year-on-year to INR9 crores from INR7 crores last year. PAT margins at Kaycee are remaining at a very healthy pace. PAT margin at 11% in FY '25 as compared to 9% in FY '24. Looking ahead to FY '26, we anticipate strong revenue growth, projecting an 18% to 20% increase in all our existing businesses.

The smart meter segment is set to play a very pivotal role and is expected to contribute significantly to our revenues in FY '26. We remain focused on strengthening our margins through sustained operational efficiency and disciplined executions across all divisions.

I extend my heartfelt appreciation to the Salzer Electronics team for their dedication and hard work and to all our stakeholders for your continued trust and support in the company. This is all from our side for now, and I would like to thank you all very much for your time and attention, and we can take questions now.

Moderator: The first question is from the line of Prabal Jain from SM Holdings.

Prabal Jain: Sir, my first question is on the smart vertical -- smart meter verticals. Sir, from Q1 I think we have been in talks with 7, 8 AMISPs. Q2, we got a INR5 crores trial order. So, post that, I think it has been like 2 -- 2, 3 quarters. So, when can we expect a big order win there in this vertical? And if there is -- are there any reasons for delaying getting a big order, like, is it due to quality inspection or something? Or what is happening at the ground, if you can talk about that?

Rajesh Doraiswamy: Sure, sir. As you rightly said, I think by end of quarter 2, I think we received the first trial order from one of the AMISPs for INR5 crores, which we executed in Q3. And as we executed and it was tested and found satisfactory, I think we received the second order in Q4 for a value

of INR50 crores. This shows that the product has been acceptable and it's working well. And we expect this kind of -- this size of an order to continue as we go forward.

As you rightly asked, I think there has been delay in securing orders on a bulk basis. I think there are various multiple reasons, which I think I have explained in the previous calls also because the AMISPs also are struggling to implement and install the smart meters due to various constraints involved in the ground level in the field level.

I think the same AMISPs are overcoming this and then they're starting to install this. So that's why I think the whole project is slow for us. But as I've said, we are confident of securing at least INR500 crores of revenue this financial year for smart meters in FY '26. So that confidence we have, and we hope that we will -- you will soon start seeing order inflow for us.

Prabal Jain:

Okay. Great, sir. Sir, a couple of follow-up questions here. So first, I'm sure you must be bidding you must be having a healthy bid pipeline of the order smart meters that you have bid in. If you could share some numbers around that?

And the second one is, I remember you said your realization per meter is around INR2,600, INR2,700, sir, if you can you can give us some color on what is the average realization of your peers, like because I'm sure you must have had an idea about it. So how are we positioned in terms of that? Like, are they charging more than us, less than us, ballpark equal?

Rajesh Doraiswamy:

Yes. First of all, we are not in the bidding business. We are not supplying anything direct to the DISCOMs. So, our business is to do sell on a B2B basis to various AMISPs who are taking orders from the DISCOMs. So, we are not in the bidding process. The bids are being taken by the AMISPs and they reroute the orders to us. So that's how this business happens. That's the first answer for your question.

On the realization, I think we -- there are a few models of meters available. So, the price ranges anywhere between INR2,300 to INR2,700, depending on the model. So, we are also selling at these price levels. On a comparative basis, if you ask me, I think in any market, in any product, an established high-quality player will definitely demand a premium of 5% to 6%.

In this meter business also is going to be similar. That's what we expect because we don't have a very accurate data on what our competitors' selling prices are. But I'm sure that an established player will definitely command a premium than a new entrant like us. I hope I have answered your question.

Prabal Jain:

Yes, sir. Yes, sure, sir. Sir, one more follow-up question. I think in terms of smart meters, more or less our capex has been done. If you could talk a little bit about the Saudi facility, where are we on that? And your capex plans for the upcoming FY '26?

Rajesh Doraiswamy:

The capex for smart meters is done, is completed. We are all set to just take up the production and fulfil the capacity that we have set up. So, there's no more capex that's required for smart meters. On the Saudi, we have not done any capex so far. We're just waiting for the allocation of space by the Saudi Industrial Corporation called Modon.

Once we the space is allocated, which we expect to happen any time in this quarter or beginning of next quarter, then we will start doing the capex. And the expected capex in Saudi facility is approximately INR10 crores.

Prabal Jain: Okay. So, FY '26 capex, the only capex is the Saudi capex...

Rajesh Doraiswamy: The only major capex, yes, other than our maintenance capex.

Moderator: The next question is from the line of Ankit Kapoor, an Individual Investor

Ankit Kapoor: Sir, my question is regarding the overall top line that we have achieved in this FY '25. I mean it's very good that we have increased our top line but if you see the bottom line, it's been hit badly and margins are shrinking, plus our interest cost is rising. Total debt is over INR400 crores. And for a small cap company like Salzer, it's very horrifying. So, my question is only that noticing that we are over committing but under delivery, we are achieving?

Rajesh Doraiswamy: Sir, thank you for your very candid question but I would little bit differ on this because we have been delivering what we have been committing except for this quarter in Q4 FY '25. And there are multiple reasons for that, which I'll come to it. I'd also like to go back a little bit in the history and tell that over the last 10 years, I think we have had a CAGR of 17% to 18% on top line and 15% on the bottom line.

And if you also look at the last 5 years, I think the CAGR has been at around 16% and 15% on top and bottom line. So, we are definitely committed to delivering on a long-term basis, value to our stakeholders. And for your specific question of the debt at INR400 crores, I think almost 90% of our debt is tied to the working capital.

And if you see the recent increase in working capital in this current year is mainly because one is the smart meter investments we are making and also the stocks that we are adding for the smart meters, which is yet to produce or yet to generate revenues for the company significantly. So that's one reason.

And on the top line, if you see, we have also grown at close to 30% on our switchgear business on a year-on-year basis. And as a company, we have grown around 22%, which is a significant growth, I would say, given the situation in the last 6 months or second half of last year, which was actually a slow year relatively. So given all these situations, I would say that this Q4 -- except this Q4, I think the company has done well and delivered what we had committed.

And the reason for this Q4's lower profitability is mainly because of the lowering of expenses of all the smart meter business, which has been set up this year and has not generated revenues. I think we have revenue of only INR5 crores, but whereas we have spent quite a lot of money on that. And you've also seen some of the write-offs that we have done on our subsidiaries. So, these accumulated things have taken the hit on the profitability.

And that is the reason that we are seeing reduced profitability in Q4. But on a year-on-year basis, I think we are still at around 9%, though we committed the EBITDA can go up to

around 10%, which has not happened, 10%, 10.5%, which has not happened. But we are sure and committed to increase our profitability to 10% or 10.5% EBITDA in the coming year, one.

And another point I want to add is, if you look at the interest cost, I think though the absolute number is going up, we are still conscious on this, and we are still maintaining as a percentage to our top line, it is less than 3%. It is close to around 2.8%, which is what last year also it was. It is continuing to be at this year. And we will ensure that we are conscious and we are looking at this, and we will ensure that we will bring this down over the course of the period.

Ankit Kapoor:

Sir, one follow-up question from same line that the net profit which is attributable to the owners of the company is just INR46 crores in this FY '25, when you see the consolidated financial statement, while the company is saying that the net profit consolidated basis is INR52 crores. And you are representing ETF on the basis of that INR52 crores only while the actual profit is INR46 crores, annual profit I'm talking, which is attributable to owners of the company. Right?

Rajesh Doraiswamy:

Sir, I think let us start from the standalone profit. If you look at the stand-alone profit, even let us take -- I think we had an exceptional gain of close to around INR15 crores net of our write-offs. So even without considering that, if I don't consider that, I remove the tax part of that income also and if you see our PBT is around INR67 crores without considering the exceptional gain, and if I remove the tax portion for that, we will still be at a PAT of INR49 crores on a stand-alone basis, which is a growth of around 13% compared to last year's profit of around INR43 crores.

So that's on a standalone basis. Now if we take this to the consolidated basis because when we go into the consolidation of the profits, we normally, as per Ind AS 110 accounting standards, we remove the exceptional item. It is not shown in the consolidated figures.

So that's why that is not shown there. So, from INR52 crores PAT, we have to -- on a line-by-line basis, if you add the profits of Kaycee, even as that is attributable to our stake holding of 71%, it is still INR4 crores. So, if you add that, I think we are at around INR52 crores. That's how you see INR52 crores as PAT on a consolidated basis.

Moderator:

The next question is from the line of Ayush Chabria from Shravas Capital.

Ayush Chabria:

I just wanted to understand, as you guided for the smart meters business, we'll be clocking somewhere around INR400 crores to INR500 crores revenue going forward, if I'm not wrong. I just wanted to understand the working capital days for this would be somewhere around -- I'm just assuming somewhere 200 to 250. So how do we fund this going forward?

Rajesh Doraiswamy:

Sir, currently, our working capital cycle or debtor cycle is at around 85 days right now, 85 to 90 days approximately on a gross sale level basis. And for smart meter, I expect this to be around 45 to 60 days. It is not going to be 200, 250 days because as I already mentioned in this call to one of the earlier questions, we are not getting into selling for the DISCOMs, where it is an 8-year payback. We are into a B2B business, and we will be selling to other AMISPs where the payment terms are between 45 to 60 days.

Ayush Chabria: Understood. So broadly, whatever 45 to 60 days, you'll be funding it through short-term debt, right?

Rajesh Doraiswamy: Yes, yes.

Ayush Chabria: Also, I just wanted to understand on the gross margin front, there's a lot of like, I think for the first time the company has taken stock in trade. This is pertaining to smart meters, is it, just to clarify?

Rajesh Doraiswamy: Yes, I think mostly it is smart meters, but it also includes other products.

Ayush Chabria: So, I think going forward -- we'll revert back to our normal gross?

Rajesh Doraiswamy: Yes, majority is smart meters.

Ayush Chabria: Yes, correct. So, going forward, we'll revert back to our original gross margins that we used to do, right?

Rajesh Doraiswamy: Correct.

Moderator: The next question is from the line of Shridhar Jadhav from JM Financial.

Shridhar Jadhav: Sir, just wanted to understand, so this entire INR50 crores order of smart meter will be executed in FY '26?

Rajesh Doraiswamy: Yes, definitely, FY '26, we're not going to wait for the full year. I think we would be executing this as soon as we get the clearances from AMISPs. Mostly it will be split in this Q1 and maybe a little bit in Q2.

Shridhar Jadhav: And sir, the guidance of INR500 crores...

Rajesh Doraiswamy: And we expect more orders coming in Q1 as well as Q2 also.

Shridhar Jadhav: So, what would be the revenues from smart meters for this year and the margins around that?

Rajesh Doraiswamy: Yes. As I said in this call before, it can reach up to INR500 crores this year.

Shridhar Jadhav: And what would be the typical margin...

Rajesh Doraiswamy: And we expect an EBITDA margin anywhere between 12% and 14%.

Shridhar Jadhav: 12% to 14%. And sir, the contract of BBMP, so that INR192 crores is spread across how many years?

Rajesh Doraiswamy: INR192 crores, the implementation period is 8 months, and we will get this INR192 crores back over a period of 7 years.

Shridhar Jadhav: Over a period of 7?

- Rajesh Doraiswamy:** 7 years, yes, 84 months on a monthly basis.
- Moderator:** The next question is from the line of Senthilkumar from Joindre Capital Services Limited.
- Senthilkumar:** You've mentioned that EBITDA was impacted by higher expenses from new smart meters. Could you please quantify how much expenses we incurred in Q4 as well as in the full year?
- Rajesh Doraiswamy:** In the full year, I can tell you, I think we have incurred approximately around INR8 crores to INR10 crores.
- Senthilkumar:** So INR8 crores to INR10 crores has impacted the margin, right?
- Rajesh Doraiswamy:** Yes.
- Senthilkumar:** Okay. And second thing, you just now said that the total borrowings is around INR400 and something crores. Any repayment plan for FY '26, sir?
- Rajesh Doraiswamy:** I don't think so that we will be able to do any repayment in FY '26 because this year also is going to be a significant growth phase for us because I think if we had the smart meter revenues also with our existing business growth of 20%, then I think we will be -- overall, we will be growing at approximately around 35% plus or 40%, close to 40%. So, at this growth phase, I don't think we'll be able to reduce our working capital debt in this year. But post FY '26, yes, we can look at reducing the working capital debt in FY '27.
- Senthilkumar:** And lastly, sir, North and South America revenue was declined by something percentage in Q4. So, what is the reason for that?
- Rajesh Doraiswamy:** I definitely not -- I'm not attributing this to any tariff issue because I think that came up in the very last period. So, this was a normal -- sequentially, it has reduced 22%. Year-on-year also, it is down 18% because last year was a good year. This year, until 9 months, it was good, but Q4 has been a little down. So, it is nothing related to any tariffs.
- But if you look at the year-on-year, we have still grown close to 15% in North American market exports. So, we don't see any negative so far, we only see strong momentum from various customers in U.S. and other markets. And we expect the business in U.S. to continue to grow between 15% and 20%.
- Senthilkumar:** For the full year, right?
- Rajesh Doraiswamy:** Yes, for the full year.
- Moderator:** The next question is from the line of Karan Mehta from Ekkiden Capital LLP.
- Karan Mehta:** So, my question was a little bit more macro in nature. And I wanted to understand that given the large and growing requirements for electronics and electronic components, particularly in emerging areas like semiconductors, consumer electronics as well as telecom, I was wondering if you could provide an overview of how Salzer is positioned in this segment and whether we

stand to benefit from this growing trend towards manufacturing in India? So, if you could just answer that and then I have a part 2 to that.

Rajesh Doraiswamy: Sure. I think we are basically in the infrastructure sector. So, any investments, any growth on the infrastructure side, I would attribute all the sectors that you mentioned on the semiconductors, now electronic component manufacturing will actually spur investments in that ecosystem. If you look at there are companies who have already set up shop in India for making machineries towards semiconductor testing or assembly of electronic components and things like that.

So, this will spur the investments in all the infrastructure facilities. And any growth in infrastructure facilities will translate into business for our products. So definitely, I think this is going to positively impact Salzer Electronics for our products. I cannot say directly we will be selling into the electronics sector, but definitely on the infrastructure front, we will be selling into this. And we already see a very good momentum and very good investments coming into India on this sector, and that's creating a demand for the products.

Karan Mehta: So, is there any plan to kind of maybe venture further downstream on this front? And I think specifically, I was also wondering if the company has investigated entering into production of capacitors as a product line and whether you can share any insights on that front if this is an area you've investigated?

Rajesh Doraiswamy: No, I think we have not gone into exploring the possibility of electronic component manufacturing so far. But we do have an idea on how we can do some kind of a backward integration for our smart meters on the EMS facilities that is manufacturing of assembly of PCB boards.

I think that's something that we are exploring. But right now, it's going to be backward integration for us. But as we start doing that, then maybe we can explore and see whether we can ride that off as a separate business unit or not. I mean that's, I would say, at least a year down the line.

Karan Mehta: So last part is that are we seeing any demand traction for our wires and cables business from data centres in particular?

Rajesh Doraiswamy: Yes. Data centres actually across the globe, it was a very, very fast-growing market until, I would say, December 2024. And post that, I think globally, data centre demand -- demand from data centres globally has reduced for whatever reasons. I think a lot of people have put their projects on hold or pushed their projects 3 to 6 months away.

So, we are seeing a slowdown in data centre business globally. But in India, it is completely opposite. I think we are seeing a lot of demand in the data centre businesses. And of course, yes, wire and cable and wire harnesses is one of the products. But the major product that we sell into data centres are the magnetics, the transformers.

So, we are seeing a lot of demand for transformers from data centres in India. Globally, it has slowed down, and it continues to be slow even now. So, we expect that -- I mean, our customers say that things can get better and pick up again post Q1 of this year.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Yes, so sir, I think in the brief guidance and everything so that I would not want to ask more on that but just wanted to know, I think our Industrial gears you said in Q4 the margins were lower than our full year, right, around 7%, 8%. Sir, how do we see that going in Q1, like, because the PAT has also fall, I think a significant drop for past like, in terms of margin because I think from December we were around at around 11% and now it came down to 8% for us. So just wanted to ask about the health of our margins, like what led to a lower margin for us in the....

Rajesh Doraiswamy: In my opinion, I think this is a one-off quarter, and I'm sure that we will get back to our normal EBITDA margin levels starting Q1 and the full year I think we will continue to grow our EBITDA margins definitely. We are confident of that.

Darshil Jhaveri: Okay, that's great to hear, sir. And so just like on an overall basis, like I think we can--we are so fast right now like if our smart meter peaks, so we could see like a bumper year, right? So, FY '26, as it is should be 35%, 40% growth year. So, in that case, how will our bottom-line growth be because there as we've delivered on our top line growth consistently, our bottom line somewhat is more lagging, I would feel like because a 20% growth in top line should result a maybe a higher bit growth in bottom line because we get some leverage somewhere.

So just wanted to just ask a bit more towards the bottom line for us, like, how do we see it like, maybe if there's an inflection point, like, okay, we achieved this much growth so that's now the extra revenue will just directly flow through for us. So, I just wanted to chew your brain a bit on that, sir?

Rajesh Doraiswamy: I think you're right to some extent, I think the top line growth should deliver a higher bottom line growth. But as you have seen that we have been on a good growth phase all these years, I think there has been a lot of other things that have hindered our bottom-line growth. So, if everything goes well and if we -- both these sectors that our new business and our existing business continue to deliver as we are committing, I'm sure that this year, the profitability will definitely start to grow as we expect -- as you are expecting.

Darshil Jhaveri: Okay. So, can I ask one follow-up question, sir?

Rajesh Doraiswamy: Go ahead sir, please.

Darshil Jhaveri: Yes, yes. So just wanted to know -- so okay, so other new business that we want to get into DC chargers, so just wanted a bit of a color on that like, you want to sell 1,000 DC chargers so how is the traction, will it come more in the later half? And at -- and are we breaking even in that business or how will that -- or will there be some kind of burn for us sir? Just wanted to get.

Rajesh Doraiswamy: DC charger business will break even from the start. I think we already sold close to around 70, 80 chargers last financial year after our investment into the company in August, September. Post that, I think already sold close to 100 chargers last year. And this year, we are having orders right now close to around 100, 150 chargers. And I'm sure that we will see consistently business happening over the year. So as and when it happens, I think we will keep reporting in the quarterly calls what is happening.

Moderator: The next question is from the line of [Sumer S Chokshi from Indus Equity Advisors.

Sumer S Chokshi: Sir, just one question, having observed the company's growth and it's --commendations on that. But when we go through the last 2 con calls history, I think, sir, we were giving a guidance of 18% to 20% in the existing business as well.

But we were aiming for, I think, INR600 crores to INR700 crores smart meters revenue. I believe now, sir, if I'm not wrong, you're moderating that to a top line of up to INR500 crores and you moderated the EBITDA guidance revision from, say, 11% to, I think, a 10% to 10.5% negative, say, by 50 basis points or maybe 100 basis points in terms of an EBITDA margin trend. So, would that be a slightly downward guidance? And if so, any particular reasons why we are moderating this for FY '26? I'll come back with my other 2 questions post this.

Rajesh Doraiswamy: Yes. No, on the smart meter, yes, I think we were a little optimistic and we did give a guidance of around INR600 crores, INR700 crores earlier. But as we see the market, how this is evolving, how the customers are installing the meters in the field, how this is going to go as we scale up, so based on all this field experience, I think we are scaling down our projections. That's why we are saying that it will be around INR400 crores to INR500 crores or INR500 crores.

But having said that, I think we are still aiming for higher business. As we go forward, we will know in the next 1, 2 quarters, at the end of 2 quarters, we will know how the business is turning around and whether we will be able to scale up more than what we are committing or less as we go forward. That is one.

And on the margin guidance also, as we look at it, I think this year also, we wanted to increase our EBITDA by at least 1 percentage point, which didn't happen. The reason being, I think the macroeconomic situation because of various uncertainties, global uncertainties has driven the commodity prices a little higher, which was not expected. We didn't expect this to happen.

And that's one of the reasons that the margins were little lower. And again, that is one of the reasons that we are also guiding a little lower EBITDA margin. But if things turn out to be well, good, I think we can still be at around 11% EBITDA in the coming year.

Sumer S Chokshi: Well taken, sir. Sir, just to follow that up. In terms of your Q4 on the expense side, while I do note that we've completed the capex, optically, it's looking like the purchase of stock and trade as well as the increase in the raw material consumption is primarily, I think, due to smart meter production, right? Of course, I do believe that you are incurring this opex and one would think if that's happening, you are expecting some sort of production to translate to revenue in, I would think, Q1 or Q2.

But then if that's the case, would that be a recurring theme going ahead that we would be purchasing fresh stock and trade, you would see an increase in the opex side with a sustainability of this level whenever we execute smart meter orders?

And sir, a follow-on to that, out of your short-term borrowings and your incremental working capital that you've taken on board, can you give a blended estimate of what your cost in MCLR terms or your rate of interest for your short-term borrowings would be?

Rajesh Doraiswamy: To some extent, I think you're right. I think we are stocking up for our smart meters and the smart business is still in its early ramp-up stage. And as you know, any early ramp-up of business requires working capital, stocking, and it takes a couple of quarters to stabilize once it -- until it becomes routine. So that's what is happening right now.

So, as this new business scales up, we definitely expect the overall efficiency of the company getting better and also margin contribution to get better. So given the in-house technology backward integration and all this together, I think we see that once the smart meter business scales up and stabilizes, we will see everything getting back in order.

Sumer S Chokshi: Sir, my follow-up, which was part of the question this year, can you give a broad range of your interest cost on the incremental working capital you've taken, what's your blended working capital cost at around in percentage terms?

Rajesh Doraiswamy: It's between 7.75% to 8.25% from different banks of the interest cost that we are expecting. And as I already mentioned, we are conscious of what we're doing, and we will ensure that the overall finance cost on our P&L will not exceed 3% of the revenues.

Moderator: The next question is from the line of Jigar Shah, an Individual Investor.

Jigar Shah: I just wanted to know how much exposure do you have to the U.S. geography? And are we seeing any uncertainties because of the tariff issues and on?

Rajesh Doraiswamy: Sir, I think the percentage of exports to U.S. on a full year basis is around 8% for us. Overall, I think we have -- we have done 27% of export turnover this year, out of which I think 8% comes from North America -- North and South American market, which North America is the maximum for us.

Until now, we have not seen any pushback or price negotiations because of the tariffs that has been levied on us. So, we are so far so good. And I think that India is in a very sweet spot, though the negotiations are yet to happen and the finalization of the agreement -- the trade agreement is yet to happen.

But whenever it happens, I'm sure that the tariffs on India is going to be much, much lower than our competitors, particularly China or Vietnam or Turkey or any other country that can -- that is capable of competing with us. So, I don't see a major issue in that business.

Jigar Shah: Okay. Okay. Fair enough. And one more question. How much capacity do we have for a smart meter production in our Coimbatore facility? Is it close to INR1,000 crores per year?

Rajesh Doraiswamy: Yes, sir. On the top line, we will be close to INR1,000 crores per year with the capacity.

Jigar Shah: Okay. So, the moment we get orders, it will start producing, right? We don't need to do anything else in terms of scaling up or in terms of mobilizing those operations.

Rajesh Doraiswamy: Nothing. Yes. It's only a normal logistics of raw material components production.

Moderator: The next question is from the line of Prabal Jain from SM Holdings.

Prabal Jain: Yes sir, the BBMP order, I think this is sort of an EPC vertical type of thing which you've resumed right after 5 years as per your notification. Can you talk a bit more about this vertical like what are your plans? Are you bidding for some more projects like this? If you are bidding, what is your bid pipeline?

And why you have suddenly restarted this project? Was that because of your JV partner won this project and called you in because of your product which you are supplying that live? Or was the initiative taken by your team only and can you give us a color of what to expect from this vertical specifically in FY '26?

Rajesh Doraiswamy: First to answer your last question first, I think it's always a joint effort. It's not that somebody does something and you are just silent, but it's always a joint effort. As we go back and see we have -- it is an in-house developed product which got into the street light management system.

So actually, we -- Salzer Electronics takes credit and pride in bringing in the street light automation way back in 2010. I think that's when we started the first project in the country. The country's first project happened here in Coimbatore and Madurai in Tamil Nadu for automating the streetlight management system. I think after that, the entire country adopted this and then EESL came into picture and then EESL started doing this project.

So, we were very closely involved in this project. We did a lot of projects -- at some point of time, Salzer was the largest ESCO energy saving company in the country. We were rated by CRISIL as one of the best ESCOs in the country. So, we are still rated by CRISIL on the ESCO front.

But over the period, there were a lot of changes in the field in payment terms, in dealing with the corporations and things like that. So, we actually took a step back and watched how the market is evolving because we didn't want to get ourselves entangled in various other issues and stretch our balance sheet. So that's one of the reasons we stepped back and we are waiting and looking for it.

And when -- we were always looking for opportunities. So, this opportunity in Bangalore came up with this high profitable venture, and we saw a lot of safeguards built in the agreement on payment terms.

And that's why we thought we will bid for this, and we won the bid. So, we are getting into it. It's not that we have not done anything on the 5 years and suddenly we are getting into it. This

has been a project -- a sector that has been in focus. We have been watching. As we got a good opportunity, we jumped into it and we took the order.

And as we already mentioned, our partner, consortium partner, Schnell Energy Equipments Private Limited, is an expert in the IoT business and cloud computing and things like that. They have done various other street lighting maintenance projects.

So, they have very good experience in implementing such projects. So, the combination of our technology and their implementation expertise will work very good as we take this project up. And going forward, we will continue to look for similar opportunities as we get good opportunities as long as it doesn't impact our other more profitable growth ventures, we will continue to take more projects.

Moderator: The next question is from the line of Shridhar Jadhav from JM Financial.

Shridhar Jadhav: Sir, I just wanted to understand, in the existing business, what would be the growth drivers on the current high base?

Rajesh Doraiswamy: Sir, as we see that -- as I mentioned that there are a lot of infrastructure investments happening across the country as we grow. I think this will -- this basically drives the overall business within the country for us. So that's how we have been growing. And also, the data centre business, the renewables investment, I think this is giving an additional impetus to the growth. So that's why the 28% growth in the industrial switchgear business that has happened for us in this year. And we expect that this momentum to continue for this year in the domestic market.

On the export front, if you see -- as we see that the entire global trade order is being disrupted, I look at it as a very positive way for India because there will be a lot of good things that can happen to India. People will start shifting their bases from various other countries, particularly China into India.

I already hear from a lot of my customers, my large MNC OEMs saying that our factories in China will produce for China, and we want India to produce for the rest of the world. I think that kind of a thinking that is going into all the large MNCs that is operating across the world. So, if this thinking goes forward, I think India will be the biggest beneficiary of this disruption. So, I expect that, that will drive a lot of growth for our businesses, all our exports also.

Shridhar Jadhav: Understood. So, sir, it would be tied up with the infra growth that we expect in the mentioned sectors. And sir, on the smart meter thing, so do we have like -- I'm assuming most of the costs are front-ended now with INR8 crores to INR10 crores already incurred. And for the labour and all it would be on a -- as and when we receive the orders, we will go up with the labour costs, right?

Rajesh Doraiswamy: Yes, yes, correct.

Moderator: The next question is from the line of Ankur Agarwal from RC Business House Private Limited.

- Ankur Agarwal:** Sir regarding INR192 crores order from BBMP with some consortium, how much share is our company in this consortium?
- Rajesh Doraiswamy:** It will be a 50-50 joint venture.
- Ankur Agarwal:** Okay. Then the order in 8 months -- you've delivered in 8 months. So, the -- in books, it will be in top line in 8 months?
- Rajesh Doraiswamy:** No. The top line revenues we'll incur --we'll be getting it from 9th month until for 84 months.
- Ankur Agarwal:** Okay.
- Rajesh Doraiswamy:** The first 8 months will be implementation, no revenues. And this entire project will be implemented through an SPV, which will be a subsidiary of ours.
- Ankur Agarwal:** Okay. And how much margin in this JV?
- Rajesh Doraiswamy:** I think --here, I think the EBITDA margin, the gross margins will be quite high. But then we have to see how the expenses happens and how the investment gets repaid. So, considering that, it's difficult to say what is the EBITDA margin on this. But overall...
- Ankur Agarwal:** Better than regular business?
- Rajesh Doraiswamy:** Sorry?
- Ankur Agarwal:** Better than regular business what we are doing?
- Rajesh Doraiswamy:** Better than? Better than?
- Ankur Agarwal:** Regular, regular, 10%, 11%.
- Rajesh Doraiswamy:** Yes, yes, definitely it is better than the regular business.
- Moderator:** The next question is from the line of Deepak, an Individual Investor.
- Deepak:** Can you tell me what is the kind of revenues you are expecting from the smart meters in FY '27 and going forward?
- Rajesh Doraiswamy:** As we all know that we have set up a capacity to produce close to INR1,000 crores of smart meters per year. So that's the objective. That's the aim that we are looking at. So, we would like to scale to that level as early as possible. So, we definitely expect that we will be close to that INR1,000 crores level in FY '27, for which I think this FY '26 has to deliver what we expect. So, if we do around INR400 crores to INR500 crores this year, I think the next year doubling of that is very much possible.
- Moderator:** The next question is from the line of Bhagwat from Prosperity Wealth Management Private Limited.

- Bhagwat:** Could you please comment on the current capacity utilization for our existing business? And what's our growth expectation over the next 3 years from the segment?
- Rajesh Doraiswamy:** Sir, on the Industrial Switchgear businesses, the factories operate anywhere between 70% and 75% capacity. Our Wire and Cable business is between 65% and 70% capacity we operate right now. And I think we have been guiding a 3-year growth even in the last year, in the last call also. I think the next 3 years, we will continue to grow between 18% and 20%.
- Bhagwat:** And we have capacity to scale up further like you said, we are already at 70% to 75%, so what is the maximum utilization that we can expect to grow at this 18% to 20%?
- Rajesh Doraiswamy:** On the Industrial Switchgear front, we can go up to around 85% capacity. On the Wire and Cable, we can go up to around 90% capacity utilization. As we continue to grow and the capacity fills up, we will continue to expand. And Industrial Switchgear business is not a very, very capex-intensive business, unlike what we did for smart meters or other businesses. So, as we grow, we will dynamically increase and expand our capacity.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. Rajesh Doraiswamy, Joint Managing Director, Salzer Electronics Limited, for closing comments.
- Rajesh Doraiswamy:** Yes. Once again, thank you very much for all the interest and the very candid questions that you have asked. And as I mentioned, I think we as a management team, we believe in responsible leadership, and we will ensure that going forward, we will continue to deliver long-term value for all our stakeholders. So, looking forward to speak to you again in the coming quarter's call. Thank you all very much, sir.
- Moderator:** Thank you. On behalf of Progressive Shares, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.