Date: 2nd June, 2025

To,
The Manager
Department of Corporate Compliance,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400051.

NSE Symbol: SAHASRA

Subject: Disclosure under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 – Transcripts of Post Earnings Conference Call held on 30th May, 2025

Dear Sir/Madam,

With reference to our letter dated 27th May, 2025 regarding a schedule for Conference Call of Investors and Analysts scheduled on Friday, 30th May, 2025, and pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we hereby provide transcripts of the Company's H2FY25 Post Earnings Conference Call held with the Investors/Analysts on 30-05-2025.

In compliance with Regulation 46 (2) (oa) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript will also be available on the website of the Company.

Link to access Transcript: https://seslimited.in/investors/Transcipt_30052025.pdf

This is for your information and records.

Thanking you,

Yours faithfully,

NEHA TAHIR
Digitally signed by NEHA TAHIR
Date: 2025.06.02 11:01:45 +05'30'

Neha Tahir
Company Secretary & Compliance Officer
Membership No. A46571

"Sahasra Electronic Solutions Limited
H2 FY25 Investor Conference Call"
May 30, 2025

MANAGEMENT: **MR. AMRIT MANWANI – CHAIRMAN AND MANAGING DIRECTOR -- SAHASRA ELECTRONIC SOLUTIONS LIMITED**
MR. VARUN MANWANI – NON-EXECUTIVE DIRECTOR -- SAHASRA ELECTRONIC SOLUTIONS LIMITED

MODERATOR: **MS. BHUMIKA MAHESHWARI – HEM SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Sahasra Electronic Solutions Ltd H2 FY25 Investor Conference Call hosted by Hem Securities Ltd. As a reminder, all participant lines will be in 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 start and zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhumika Maheshwari from Hem Securities Limited. Thank you and over to you ma'am.

Bhumika Maheshwari: Thanks Sejal. Ladies and gentlemen, a very good morning. I welcome you all to H2 FY2025 Earnings Conference Call of Sahasra Electronic Solutions Ltd.

Today, on the call from the management team, we have with us Mr. Amrit Manwani, Chairman and Managing Director and Mr. Varun Manwani, Director of the company. Also, a reminder that this call is being recorded. I would now request the management to brief us about the business and performance highlights for the half year that went by, the growth plan and visions for the coming year, post which we will open the floor for Q&A.

Before we go on to the main call, I would like to read the standard disclaimer. There may be forward-looking statements about the company and subsidiaries which are based on beliefs, opinions and expectations of the company's management on the date of this call. The company does not assume any obligation to update their forward-looking statements if those beliefs, opinions, expectations and other circumstances should change.

These statements are not guarantee of the future performance and involves risks and uncertainties that are difficult to predict. Consequently, listeners should not place any undue reliance on such forward-looking statements.

Now, over to you, Amrit sir.

Amrit Manwani: Thank you. Good morning, everybody. Good morning to all the investors and shareholders of Sahasra Electronic Solutions Ltd. The last six months were quite out of turmoil because of the global political situation, the situation in the U.S., the change of U.S. administration, which led to a lot of uncertainty, particularly in our business, because we are quite focused on exports to the United States and other parts of Europe.

That led to uncertainty and therefore there was a little bit of a dip in our revenue and also it led to a dip in our margins, which hovered around 9%. Apart from that, what we have tried to do is increase the revenue domestically where the margins are particularly rather challenging and therefore the result of the second half of last fiscal year has been below expectations. However, going forward, what we would like to do is that we have invested in R&D.

We have created a new R&D department and we have been recognized by the Department of Science and Industries. Therefore, going forward, the investment in R&D would help increase our margins and create an enhancement of revenue as well as margins.

Besides that, we have also invested in our HR department. We have taken some key personnel who would help us grow the business both domestically and globally. We see going forward in the next year, that is the next fiscal year, 2025-2026, we see about 30% growth in our revenue on a standalone basis.

But together with our subsidiary, which is Sahasra Semiconductors, we see a growth of totaling to about INR180 crores in the next fiscal year and with a gross margin of 15%. We will also be initiating a merger with our non-listed company, which is in the same business and that should add to the shareholder value of all the investors in the company.

Lastly, what I would want to say is we have been sanctioned capital subsidy or we have been given approval for capital subsidy by the Government of India for our semiconductor plant to the tune of about 25%, which amounts to about INR23 crores. In this fiscal year, we have already applied for that grant and we expect that in this fiscal year, we will be obtaining a subsidy to the extent of about INR23 crores from Government of India. That should help us reduce our loan with the bank and therefore be able to increase our breakeven in Sahasra Semiconductors.

With these initial remarks, I would like to hand over to Mr. Varun Manwani, who will take you through our specific plans, both in terms of revenue and other initiatives that the company is taking to build a strong base for the company. Thank you.

Varun Manwani: Thank you, Mr. Chairman. Good morning to all the investors and participants on today's call. As has already been explained by our chairman and through the numbers that are available to all of you, yes, last year was a bit of a damp year for us. However, I would like to assure that the fundamentals of the organization remain strong.

If you look at the presentation that we had shared in the first half of the year, it showed that in the FY23-24, our exports were about 80% of our total revenue. And close of FY24-25, our exports came down to 51%. And that is where we had a dampening in our profits and also our revenue.

Having said that, as our chairman already shared, that while there is global turmoil with the implementation of the tariffs that have been imposed, that had led to a slowdown in terms of the customers wanting to take decisions in terms of placing their orders and some of the decisions that were with respect to the tariffs.

Having said that, again, the good news that we see, therefore, is that all of our customers are very much still connected with us. We have not lost any customers during this period. And all our discussions with the customers are positive around continuing the business as well as growing the business.

In the meantime, during this financial year, we have bolstered our manufacturing capacity a lot more. So today, instead of four lines, we have six SMT lines. And therefore, our total capacity is up to about 3.5 million units. And therefore, the expectation in terms of growth that we're looking at with our customers, we should be able to, or rather we are well poised to be able to, fulfill the numbers as and when they come.

In the meantime, while there was a slight dip, however, we did pivot ourselves towards the second half that we pursued a lot more of the domestic business, which is also visible in the numbers. And therefore, we did, while we saw that there were headwinds on the export side, we looked at the tailwinds on the domestic side. And therefore, we picked up a lot more domestic orders.

Now, when we talk about the domestic business, we got into a couple of new segments. So, we've forayed into the EV sector, and we tied up with a specific customer for making EV chargers, which are being made at the Bihari facility as we speak. So that is a new area that we forayed into.

In addition, we are also looking at certain automotive ancillary sectors, such as vehicle tracking systems, such as GPS systems, which also go on automotive solutions. So, these are some of the new areas that we have pursued. In addition, in terms of the certification, which gives more confidence to our customers, we also got ISO 27001 certification, which is the information security and management system, sorry.

So that brings in a lot more confidence to our customers that in today's times, when there are extreme cyber threats, you know, our organization is well poised to be able to mitigate such kind of threats. As the chairman also explained that we've added certain, you know, individuals in certain sections, not only in the R&D department, but also in other areas of quality manufacturing operations to strengthen our operational abilities and to be able to manage the growth that we are all anticipating.

In terms of the R&D activity that we are pursuing, I'm happy to announce that we have been able to design and develop India's first SPI TPM module. This is a, it's a module which goes along with motherboards, which we are already developing in parallel. And therefore, this will help India more towards its goal of Atmanirbharta. And this module is now developed, ready for commercialization.

And therefore, we are currently sampling it with a lot of our customers. And we are also going to work with the government departments on this particular platform. And hopefully that gives us further push in our IT hardware pursuance.

Also speaking about the memory business that we are doing, both in terms of the EMS activity, as well as the memory activity that we are conducting via semiconductor operations. We have tied up with two companies, and we are in the process of tying up with three more companies who will be our customers for the Make in India micro-SD cards, as well as other memory and storage products.

And these are large volume customers, both within India, as well as for export opportunities. And these will give us the necessary volume that we are looking to bring in at our semiconductor operation, which will help us get to the breakeven level. And these are large marquee customers, which shows that not only do they have confidence in India, but they also have confidence in our abilities.

Considering, just to come back to the topic on exports, considering that there are some headwinds, you know, from the US, in terms of the challenges, and the flip flop in policy, in terms of the tariffs. Therefore, we had already, in the past, looked at focusing on certain other markets. And one of the markets where we started to pursue was the United Kingdom. And we have made considerable progress in that market.

And we have signed up a couple of large projects with some customers. And these are key customers with whom we are having strategic relationships so that we can enhance the business beyond just a buy-sell relationship. So, we are looking at many other opportunities with these couple of customers.

So, with this, you know, I'd like to end my remarks. And thank you, Bhumika, and thank you, Sejal.

Moderator: Thank you very much. The first question is from the line of Anudeep Tavva from Equinox Capital. Please go ahead.

Anudeep Tavva: Thanks for the opportunity. I have two questions. One, based on your guidelines, which have been said that you have achieved, you will achieve INR130 crores in the electronic segment and INR50 crores in semiconductors, which is almost a five-time jump for the semiconductor segment specifically. My question is, is the merger which is worth INR100 crores the reason or you can throw some light on the future contracts?

Varun Manwani: So, I will take the business part of the call and maybe our chairman can answer the rest. So, the growth from INR10 crores to INR15 crores which is indeed high time. As I just explained, we are looking to work with certain marquee customers with large volumes. And that is where we are seeing the growth in revenue because micro-SDs are high-value products. And when we look at the larger volume, that will definitely help us work towards this particular revenue target.

The second is that at the semiconductor operation, it is not only going to be the micro-SDs, but there is going to be a mix of micro-SDs and some of the other non-memory chips that we are targeting. So, for example, we are looking at DFN and QFN devices, which we have already sampled and developed with certain customers. And we are expecting to get their orders very soon. And these will be customers where these are pure OSAT projects. So, that will also contribute to this overall revenue.

Anudeep Tavva: So, does this include the INR100 crores of mergers you had mentioned earlier?

Amrit Manwani: Can you repeat your question, please?

Anudeep Tavva: So, the merger will boost the revenue by INR100 crores?

Amrit Manwani: Yes, this is the merger of the existing non-listed EMS company. We are planning for the merger -- at least we will initiate the merger process within this year, subject to regulatory clearances and approval by ROC as well as SEBI. Once that is approved and the merger takes place, besides whatever forecast that we have shared in the presentation to all of you, this will add a revenue of about INR100 crores to the overall revenue of the listed company.

Anudeep Tavva: Okay, that's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Ravi Gupta from Mahadev Investments. Please go ahead.

Ravi Gupta: Yes, actually I want to share the main concern, main issue which is happening. Since the IPO, whatever guidance and whatever things are mentioned by the management is not getting fulfilled and the investors are getting only surprises in the results. So, the main concern is whatever guidance and suggestions and plans you are giving, how we will be able to trust the same because what I am expecting is that the merger will be delayed and this financial year also maybe the investors will be sitting in the loss.

So, like I want to know the definite thing that how the business is going to shape up. Are these losses going to continue in the H1 of FY26 as well?

Amrit Manwani: So, on a standalone basis, the listed company did not make any loss. It had a profit of about 10% to the extent of about INR9 crores and going forward, we expect growth in revenue. We have a very modest growth projections of about 30%-35% and the growth and the profit margins will hover around 15%.

Combined with the semiconductor business where we now have, as per what we had committed, that we will increase our stake in that semiconductor company. Today we have about 73% shareholding in that semiconductor company. The semiconductor company also showed a revenue from INR2-INR3 crores to about INR10 crores last year and we expect that that will go up to about INR50 crores this year and we will have achieved a break-even in the semiconductor company.

So, with a combined revenue of INR180 crores, we expect that we would at least have 15% profit margin from the listed company and a break-even from the semiconductor company.

Ravi Gupta: Those numbers, I got it. I saw that in the presentation as well. But the main thing is execution. How much we are confident of executing this? How can we trust on these numbers? The reason being, if you see the last 6-month journey, whatever has been promised, almost the majority of the things are not fulfilled.

Even you can see the price movement of the stock from INR1000 which is now at lower circuit near INR310. So, the main thing is execution. So, there I am having the concerns that how can we assure or how much confident we are of achieving the projections of FY26 or whatever you have mentioned.

Varun Manwani: So, Mr. Ravi, I will first address that point and then maybe Chairman can come in. So, when we had given all our guidance earlier, we had mentioned that yes, we will be looking towards consolidating the firms and therefore, as a first step, we took towards consolidation of the semiconductor entity. And as of today, your company has acquired 72.7% of the semiconductor arm and thereafter, we are looking to increase the shareholding to about 85%.

So, that particular activity was put into place and was executed. Now, considering the regulatory and other compliances, we can only go step by step and therefore, as has been documented and shared that we will now be moving towards consolidation of the unlisted EMS arm as well, again, given regulatory compliances and approvals. So, we will put that plan also in action and whatever time that it would take necessary, that is the period. So, we will actually move towards execution of that. So, I wanted to address that point.

Amrit Manwani: Yes, and to address your specific concern about execution, this year, that is beginning of 2025-2026, we have seen some stronger numbers in terms of our order booking from exports. So, we feel reasonably certain that we will be able to achieve a 30% growth in this fiscal year, number one.

And secondly, as far as your point about market price at the stock market is concerned, I really can't comment anything that is for the market itself to determine what level it stabilizes at.

Ravi Gupta: That I understand, that market price is depending on the market things. But don't you think that merging the INR100 crores EMS company along with the semiconductor company was a good step for the sake of shareholder's wealth? Because if we could have merged that company earlier, then today, I think that on a console basis, the numbers would be in the profits. Or we could have seen a better protection of shareholder's capital if we could have merged the EMS business earlier in the last financial year itself.

Amrit Manwani: The other EMS company which is non-listed, the merger requires existing shareholders, very large shareholders. We had to work with them. And consequently, only recently, we have been able to acquire, as our family, we have acquired about 86% shareholding in that company. Therefore, it becomes easier for us to approach ROC and other compliance agencies for regulatory clearance and approval.

We will be initiating that this year. Last year, we were negotiating with the other shareholders for them to reduce their equity, which we have succeeded in achieving. It took longer than expectation because there were other shareholders in that non-listed company who we had to negotiate with and we had to convince them that this was a better route. So that is why it has taken a little time.

Ravi Gupta: So are those shareholders a related party, like part of the relative group from the management side? Or they are independent private investors?

Amrit Manwani: They are independent private investors.

Ravi Gupta: Okay. And how we are looking at H1 of this financial year, 2025-2026? Will that be the loss or will that be the profit?

Amrit Manwani: As I said, in the listed company, we did not make a loss even last year. So, there is no question of having a loss in the first six months. As a combined entity, including the semiconductor business, there was no profit. But as we go forward, as Varun also explained, that we see a growth in revenue in semiconductors.

Varun can answer it better as we see growth in the numbers. On a standalone basis, there is no question that we will not make profit. We will certainly continue to make profit. But as a combined entity, we will strive very hard, even for the first six months, that we definitely have a cash break-even, if not a book break-even.

Ravi Gupta: Okay. And when is the AGM of the company? Because I am also from Delhi, so probably I can attend face-to-face.

Amrit Manwani: So, the AGM is, I think, 23rd June.

Ravi Gupta: That will be face-to-face AGM or virtual?

Varun Manwani: This will be a virtual AGM.

Ravi Gupta: Okay. Please try that maybe once in a year, because only once in a year shareholders can meet. So, if possible, AGM can be held in person, because I think there are many investors who will be keen to join the AGM as well. And Yes, that will be a request from my side regarding the AGM.

Varun Manwani: Sure. We will check with our company secretary and get back to you. Whatever is the statutory requirement, we will definitely follow that.

Ravi Gupta: Okay. And one more feedback regarding the results PDF. If you see that the PDFs are not here, which were uploaded, so maybe from the next financial year humble request, please upload a clean and readable kind of PDF of financial results.

Amrit Manwani: Okay. So shortly you will be getting an annual report, a published annual report. So, your concern about non-clarity of numbers would be done away with. So, you will get a hard copy of the annual report.

Ravi Gupta: No, that is fine. Actually, the numbers are numbers. If company would have been profitable, then it would be a great. But yes, looking forward if AGM can be held in person so that we can have more better clarity.

Moderator: Thank you. The next question is from the line of Paras Chheda from Purpleone Vertex Ventures LLP. Please go ahead.

Paras Chheda: Hello, sir. Thank you for the opportunity. Sir, I have a couple of questions. One is on just the entity that will be merged. What is the current EBITDA margin and PAT that you make on that one?

Amrit Manwani: You are asking about the semiconductor company?

Paras Chheda: On the private company.

Amrit Manwani: Yes, on the private company. A little lower than the listed company because there also the revenue went down more. So, the EBITDA was about 15% and the net margin was around 7-8% if I recollect. Okay.

Paras Chheda: So sir, basically as I see this and you can probably correct me. Our EMS model, the business model in the EMS which was heavily reliant on exports to US is out for a toss. We are hunting for markets most likely UK as you said or India could be one of the markets. But clearly the EBITDA margin will definitely suffer on that account, provided we are able to even catch up on the revenue on the EMS side. So the EMS business model itself has to be stabilized first, before we sort of become reasonably confident in terms of the revenue growth itself.

And secondly on the semiconductors part sir, we have invested certain funds in setting up the unit. But as of now what I see is again on that one the demand for our products or the semiconductor facility is yet not picked up to the extent that it should have picked up. And we have certain investment plans for the EMS about INR60 crores in the new production line and some INR200 crores for semiconductors in the phase 2.

So, I am trying to understand that as of now the business model is yet to be established, proven and stabilized. We are planning to invest further in these two sectors. How do we look at this situation sir? Because this target of INR180 crores and INR325 crores for the next two years of course seems music to our ears.

But it's just difficult to conclude on the EBITDA margins of about 30% range, 15% PAT margin because we know what kind of markets we will be sort of now trying to target. How do we achieve these numbers sir and what gives us the confidence to invest further in EMS and semiconductors as a business?

Amrit Manwani: Varun would you like to answer or do you want me to take this question?

Varun Manwani: You can go ahead and I will put in my points after you.

Amrit Manwani: Okay, so two things. One is that we will remain export focused because we believe that with our technical value add that we provide to our export customers gives us better margins. Yes, there was a little bit of uncertainty because of the change in US administration and the tariff war that had begun. That is going to stabilize and in fact it might in the medium term help us because the US administration is quite keen to reduce its dependence on China and therefore the Indian industry, the EMS industry should benefit out of it.

Because of uncertainty there was no slowdown of orders but that has started to pick up and going forward we are very confident that the US exports will pick up and that is evident by the fact that we started getting orders which are clearly indicating that the business will pick up again. That's number one.

Number two is that even in the domestic business we are seeing growth. So, as we have said, as we have given the numbers that next year we will do somewhere around INR130 crores and going forward in the two years thereafter we are looking at INR175 crores and INR250 crores. So, to cater to that kind of volume we have to invest and we will be investing judiciously depending on how the revenue growth takes place. We will invest accordingly in the EMS business.

Now coming to the semiconductor business, we have completed by and large the first round of investment. Semiconductor, because there was no semiconductor industry in the country, so most of the customers are waiting for us to prove ourselves in terms of quality and delivery.

So the offtake of semiconductor business is rather slow but going forward we expect, as we have said, from INR10 crores that we did last year we are going almost to INR50 crores in 2025-26 and the INR200 crores investment that we are planning thereafter in semiconductors is based on the ISM scheme of Government of India where they have increased the capital subsidy from 30% to 50%.

So for a INR200-crores project we will be investing only INR100 crores from our side, INR100 crores will be provided as subsidy from the government on pari passu basis. So, once we have that kind of investment, we are again, as we have said, we are looking at INR250 crores in the next three years. So with that we are definite that we will be able to achieve a cumulative between both the companies, that is the EMS company and the semiconductor company, by 2020 we look to about INR500 crores in sales revenue.

Paras Chheda: Sir, just a follow-up question. Basically, our capacity utilisation itself is low as of now and I understand there is benefit on capex on semiconductors but that only obviously makes sense when there is capacity utilisation demand for our products. So, what we sort of need is aggressive marketing, then sort of capacity creation, of course capacity creation does make sense at some point, but if we try to grow within India itself, although your focus is on exports, I do understand, the EBITDA margin of that 30% would become a little bit challenging.

Just to summarise sort of, what is the kind of run rate monthly as of now, because two months have passed for this financial year, on the EMS and the semiconductor business as of now?

Amrit Manwani: Varun, would you like to answer that?

Varun Manwani: So, first I would like to address the point on semiconductor, which unlike EMS is a highly capital-intensive business. And because it is greenfield for us and greenfield for the country, it requires some time to stabilize, because it is deep manufacturing, it is not only EMS, like assembly business which is faster to initiate.

But when we come to semiconductor there is a lot more time that goes into convincing the customers, setting up the process and procedure, going for various kinds of approvals and then being able to convince the customers on the production volumes. So, in the last 18 months since we productionised some of these packages, we will start to see the fruits of these packages today.

For example, and I will not name the customer per se, but we just signed up a contract with a customer whereby it is for a fleet management customer and there they are looking to acquire over the next 3 years about half a million micro-SD cards from us. So these volume projects will start to come in, for which there will be investment from a capacity enhancement standpoint. The basic capability investment has already been made.

In other areas also where, let's say as we spoke about the QF and DFN package, customers are obviously already sourcing from other markets and for them to make a change to India, while the global scenario and geopolitics is in favor of India, but yet nobody will want to take the risk of just moving the package to us. So, there is a very long-term cycle that we have to go through in terms of approvals, etc. And even this particular case, as I just mentioned, we've been at it for about 12 months and it is now in June-July where we will start to really see the orders coming in.

So yes, capacity utilization today is low. However, the projections that we've given are based on the projections we have from our customers to which orders are getting executed. And therefore, if you look at last year, our revenue at semiconductor was INR2.5 crores and then it went to INR10 crores. So that was indeed a 4 times growth. And here also, again, we're looking at a 5 times growth based on these numbers that we are being assured of and our marketing teams are working with these customers.

On the EMS side, yes, your suggestion of looking at the Indian market is also well taken and that's something which we started to pivot ourselves mid last year. So we are targeting Indian opportunities. And so some of the opportunities that I explained, which were the EV chargers that we started to build, GPS trackers, etc. These are all the Indian opportunities that we have been able to look at. Also coming to the point of what's the current situation for us.

So based on the projections we have given for FY25-26, our order booking is already to the tune of 40%. And considering that we are at the end of two months, we think that's a healthy order book based on these projections. So, we should be able to meet the targets that we have given for this year.

Paras Chheda: So as a full year, you would be reasonably confident of achieving even 80%-90% of this INR180 crores, you sort of think that?

Varun Manwani: Yes, absolutely.

Paras Chheda: And what's the EBITDA margin on the semiconductor business that has grown to INR10 crores now?

Amrit Manwani: It's about 15%. See, the bulk of it, you know, why the losses occurred was, it was mainly because of interest and depreciation. And as I explained earlier, we are expecting in this financial year, we will get capital subsidy of about INR23 crores. So that will go a long way to reduce the interest burden. And with volume growth, we will be able to achieve break even.

Paras Chheda: Right. I mean, if you're able to grow the business, I think that takes care of most of the things. But I mean, business and at a decent margin itself, I mean, the entire business is being recalibrated, let me put it that way, for at least EMS. And semiconductor has to be seen, how does that pick up? But, you know, I mean, we're optimistic with you, you know, hopefully we'll be able to sort of...

Amrit Manwani: No, no, you have given some very valid points. But, on a more macro scale, the semiconductor growth in the country is going to look very healthy. In fact, if I give you the macro numbers...

Paras Chheda: Semiconductors, yes, it's got a huge potential. It's just that how do we gain traction into the business?

Amrit Manwani: So we have, the approval cycle is long. But once we get a customer, as Varun was mentioning, we have a customer in Europe, with whom we have worked for almost a year now. And now we are seeing fruits of it coming up. And we expect that going forward, we will get, you know, volume business from them, which will be quite profitable.

And similarly, there are some other customers, both domestic as well as overseas, who are looking at larger numbers. So semiconductor, at least in India, because of the lack of any ecosystem, will be a slightly patient business. But once it takes off, there will be no looking back.

Paras Chheda: Right. So my only request is that, further investment obviously has to be sort of, because I understand semiconductors require huge investment. But I mean, unless and until the business and the capacity utilization grows, we have to be cognizant of adding capacity and adding capital over there. That's my only suggestion.

Amrit Manwani: Absolutely. Good suggestion. And we will definitely go by that.

Varun Manwani: And as Chairman also mentioned that while we have mentioned those numbers, we will be judicious about the investment. It is only when we reach a point where the capacity utilization is good enough and we see that there is enough of, there is a requirement to add more capacity. That's only when we will actually go ahead and do that.

Paras Chheda: So unfortunately, I mean, the way that I look at this one, is that EMS was basically the cash cow. And on the back of which you could have grown the semiconductor business. Now, the EMS itself needs to be stabilized first. And therefore, you know, getting into growing big on the semiconductors without stability can be quite risky for us.

So that means that, you know, once the EMS is very well established and the capacity utilization picks up on both businesses, obviously capacity can be added in therefore in short periods of time. But I mean, at the moment, I think the focus should be on growing the business by all means.

Amrit Manwani: Yes, correct. So that's why we have only invested in two SMT lines, although initially the provision was there for 10 SMT lines, but we only put two SMT lines. And, once the capacity is utilized, then we will look at future investment in EMS. Right, sir.

Paras Chheda: Fair enough, sir. I'll come back on that later. Thank you.

Moderator: Thank you. The next question is from the line of Sonal from Prescient Capital. Please go ahead.

Sonal Minhas: Hi, this is Sonal Minhas. Thanks for putting that question in the queue. The first question was with more regard to the merger of the semiconductor business with the parent. I think some part of that was done in H1, some part of that is going to happen in the next financial year. I wanted to understand, was there a payment?

Moderator: Sorry to interrupt, sir. We lost your audio. Can you please use your handset?

Sonal Minhas: So my question was that the merger that is happening in which we are buying out investors in the subsidiary company, in that process, has there been a payment done to you, particularly the founder family? That's the first question.

Amrit Manwani: Your voice was a little muffled. I don't know whether others heard it. Varun, if you have heard it, you may be able to answer. I didn't hear the question.

Sonal Minhas: I will repeat my question. As a part of the merger, some part of equity has been bought in the secondary sale and being consolidated with the listed parent. Was there a payout done to you, your family directly?

Amrit Manwani: No, there was no payout done to the family. The shareholding was purchased from another investing company and the investment was made by the listed company, so there was no payout to the family at all.

Sonal Minhas: The other investing company was you and your family members shareholders?

Amrit Manwani: No, it was another investor. As per the initial guidelines of the government of India, when we got the capex subsidy, we had to have a 26% shareholding by another company in the same segment. So this was a capacitor company out of Pune who had invested. So the listed company bought the shares from that company. The family was not involved either as a recipient or as a buyer.

Sonal Minhas: Sir, the valuation at which we are buying this ad and this is something which I wanted to understand. There is a capex of the order of around INR100 crores which happened give or take. The revenue last year was INR2 crores, now it is INR10 crores. What is the valuation at which this stake is being bought at?

Amrit Manwani: It was bought at par and it was based on the valuation done by an independent valuer considering that there was some erosion because of the losses. However, they have their method of doing the valuation in terms of future growth. The valuation was done by an independent valuer at par. So the shares were bought by the listed company at the par value.

Sonal Minhas: Got it, sir. Sir, my follow up question with regard to guidance. I also wanted to understand that given that the semiconductor business is a longer lead time business in terms of initial discussions leading to confirmed orders, what is the confirmed order book we see for that particular business as we sit right now? If you could share a ballpark number, that will be helpful.

Amrit Manwani: So again as Varun mentioned earlier. That we are looking at two or three segments. One is the LED light segment, the other is storage and third is the memory. All three put together, based on the order forecast given to us by our customers, we are looking at a revenue of INR50 crores

Varun Manwani: It is a 20% order book confirmation as of right now in the semiconductor business.

Sonal Minhas: So roughly INR10 crores is what is the confirmation and then it is rolling as you deliver this?

Varun Manwani: Yes, it is obviously spread out over the entire financial year but there is a 20% order book confirmation.

Sonal Minhas: So right now, we have a confirmation of INR10 crores from the clients?

Amrit Manwani: Yes. Because the delivery cycles are shorter, a 3-month window of orders is considered fairly reasonable. These are not products where we require 6-to-8-month delivery where the order books have to be very strong or stronger in terms of number of months. So, a 3-month firm forecast is considered reasonable in semiconductors.

Sonal Minhas: Got it, sir. Sir, just a question and I don't know whether our guidance is something for listed companies…

Moderator: Sorry to interrupt, sir. We lost your audio again. Can you please repeat your question?

Sonal Minhas: Okay, sorry. There is a bad network maybe. I have a last question. This is more an observation. Forward guidance's which you have seen that there are macro drivers which basically change the end output on revenue and PAT. Forward guidances typically don't work well in capital markets and hence the kind of guidance that you have given for the future it brings a perception that there is something, you are on a hyper growth trajectory but missing that also has repercussions on the other side as the other participants were saying.

So this is a discipline on which is a financial prudence physically that whenever you do give in the next H1 any forward guidance, it should be more than actually based on what the macro trends that we are seeing. That's about it from my side.

Amrit Manwani: Yes, thank you. That's a good comment and observation. The only way that we can respond to this is that the best of companies do not forecast or do not anticipate the US administration seesawing stance on tariffs and other developments that have taken place globally. So those macro developments that have taken place was not foreseen by anybody, but your comment is well taken.

Sonal Minhas: Agreed, sir. And you come from a fairly reputed background and pedigree. So I think the background of the founders is essentially basically on what people are banking on here and hence a sense of being conservative goes along with the assumption on the numbers. Thank you.

Moderator: Thank you. The next follow-up question is from the line of Paras Chheda from Purple One Vertex Ventures, LLP. Please go ahead.

Paras Chheda: Sir, just one query that I had is that let's say the semiconductor does an EBITDA margin of 15%. And given that on the EMS side we are sort of scouting for markets, whether India or Europe or other markets, probably a 15% EBITDA margin is what we'll be able to bear as well. So I'm just trying to understand, in terms of your forecast of about 30% EBITDA margin, how do you sort of plan to achieve this? This may be an internal target, but I mean, how realistic that EBITDA margin could be?

Amrit Manwani: So as I said earlier, two things. One is that, we are having an export focus. And going forward, we will have a judicious mix of export orders and domestic orders. And in export and domestic combined, the way we are forecasting an EBITDA margin of about 30% is on the basis of the value add that we provide. And as I said, that we have invested in R&D, and that will improve our position in terms of margins and both EBITDA and net margins.

So we are expecting those EBITDA margins by virtue of giving more technical value to our customers.

Paras Chheda: And sir, out of this 130 for EMS and 50 for semiconductor, do you anticipate this as sort of equally divided between the two halves, or that would be more second half dependent?

Varun Manwani: Can you repeat that last part?

Paras Chheda: Yes, no, what I meant to say is that there is a projection of, let's say, INR130 crores for EMS business and INR50 crores for semiconductor business. Now we have two halves, first half and second half. So do you look at it as equally sort of more or less divided or it's more lopsided towards the second half in terms of delivery of these numbers?

Amrit Manwani: Varun, let me answer that, if I may. I would say that it's not lopsided, but typically we would expect 40% of that target in the first half and 60% in the second half. It may change depending on various factors, but that is typically the trend that we have seen in the past and going in the future.

Varun Manwani: Yes, that's actually exactly what I was going to say, that yes, there will be more revenue realization in the second half, because the order booking that as I just explained also that we have 35% to 40% order booking as of today on the EMS side. But these are orders booked, a lot of them are booked in the recent past. And so, the execution typically in the EMS business happens two months later, because we have to source components and all of that.

The softness in the export business continued right till the end of the fourth quarter of last financial year because of the tariffs and uncertainties around that. So those orders started to come in only during that period. And so, the second half, we will definitely have more, but in the ratio that our chairman explained, it will be similar to that ratio.

Paras Chheda: So just one query, additionally on that, is that, of course, the tariffs have impacted all the EMS players and the export business to the US from whether China or other countries. What does the customer eventually do there? I mean, demand is not being met. Is it that our market share has gone to some other players or how is the business poised?

Varun Manwani: So, there are two things. Yes, there are two factors. One is that in certain cases, customers are trying to push out their orders till there is better clarity on the way forward. So, it's not that the orders have gone anywhere else only, but they are trying to manage in the interim to somehow push out their order making decision. Because at some point of time, it was that India was at 26%, then it goes down to 0%.

Then other countries which were higher tariff percentage also came down. So they are uncertain. So that is one factor. Second is that from a 2021, initial months of 2021, right up to, you know, end of '23, or even early '24, when the semiconductor shortages were there, it started to taper off. And so a lot of customers had excessive inventory, which they've been trying to burn through their inventory over the last year.

So, some of that inventory is probably at the end of the burn off cycle of these customers. And hence, we've seen repeat orders coming our way in this in these first in these two, three months. So, we have seen that a lot of repeat businesses starting to come back to us, which, as I said, is burning out of the stock.

And now, being more clear that definitely China is not the long-term strategy, and so they have to move to us. But perhaps some people are still being a bit careful, considering that India got a reprieve for three months. And so, what happens, you know, post that three-month period, which is early July.

So that's where we see, you know, things will start to pick up a bit more. In addition, India and US are obviously negotiating the bilateral agreement. And that hopefully will have positive outcomes for all of us.

Paras Chheda: Yes, because ideally, as of now, in my understanding, the impact of tariff as we speak as of now is not there. Other than the uncertainty that exists. But in reality, I think that the tariff, I mean, you can guide us better. But as of now, there is no tariff impact in place, other than the uncertainty. And if anything, I think India is sort of better placed than the other countries in that sense. So, do you look at it this way?

And whether if that is true, whether there could be a huge surge of orders back to us, or the market share has moved away somewhere else, that has to be sort of understood well. I'm just trying to understand that because as we speak, India is in a better position than others.

Varun Manwani: Yes, so to your first point that yes, as of today, there is no direct tariff impact.

Paras Chheda: Sorry, please go ahead. Yes, no, no. What I wanted to know is that we had a pre-tariff thing. And as we speak today, on your exports, do you have any tariffs that are applicable on our products?

Varun Manwani: So, to your tariff thing, yes, as of today, the 26% tariff is not applicable. However, in the EMS business, there is a cycle of three months. So, in that very first 10-day period till the tariffs were brought back to zero, a few of our customers who got deliveries during that period, they got hit with it.

And so, they were really hurt with that kind of thing. And over the last couple of months, we've been looking at re-strategizing with customers. So, while they may want to give orders today, but they're concerned that by the time the delivery period comes, which is again two months or three months later, and if at that time, the US administration brings back a tariff to a high extent, they will get hit again. So, that's the reason where I said that there is uncertainty.

To the second point that, yes, you know, people are burning through their stocks. And so, they have to order with us. And today, we are definitely better poised than let's say China is, because the tariffs are indeed higher there. And also, we are trying to work out value-add solutions, trying to do more and more component development within the country with local players, so that we can -- there can be a trade-off of that tariff impact, if at all. So, we're trying to renegotiate certain contracts without compromising on our margins.

The third aspect is that, yes, these bilateral agreements will work in favor of the country on the whole. But there could be expected headwinds. Therefore, we are also looking at the Indian market and other markets, so that we can look at having rather not have over-dependence on the US market. And we can also look at other markets, which our focus in those areas was much lesser.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Varun Manwani for closing comments.

Varun Manwani: Thank you very much, Sejal. I would like to take the opportunity to thank all the participants at today's call, as well as all the investors. Your company is very much looking towards correcting the situation. Yes, there are headwinds, but there are also tailwinds. And we have, while your company is slightly younger, but overall, as a group, we have been in business for 25 years. And there have been some ups and downs.

And so we are confident that while this is a slightly down period, we will come back to the up period again. The semiconductor business, we would request everyone to have slightly more patience in this journey. It is a longer-term business with a very different maturity cycle.

And, we are heavily invested in terms of not only capital, but also our time and energy. And soon, you will also hear some positive news around this, which we will be able to share with you all. And please, continue to have the confidence in the company, in the management. Our bearings are extremely right. And we will improve from this position.

And, we will be sharing information as and when necessary, and keep the guidance as realistic as possible. So, thank you everyone once again for attending today's call.

Amrit Manwani: Yes, I would just like to add just one line that the senior management as well as the middle management has over 25 years experience, both in the non-listed and the listed companies put together. And with that experience, we are working towards increasing the shareholder value. So, as Varun said, there should be confidence from the shareholders that we will definitely grow and meet up the shareholder expectations. Thank you.

Moderator: Thank you. On behalf of Sahasra Electronic Solutions Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.