SALZER ELECTRONICS LTD

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November 10, 2025

To

THE CORPORATE RELATIONSHIP DEPT
BSE Limited
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Dear Sir,

Sub: Transcript of the Earning Call on the Results of Second Quarter / Six months ended 30.09.2025.

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 02.30 p.m., on Monday, August 11, 2025 to discuss the financial results of the Company for the Second Quarter / Six months ended 30.09.2025.

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

MURUGESAN.K.M.

Digitally signed by MURUGESAN.K.M.
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COMPANY SECRETARY

Encl : As above

Salzer Electronics Limited
Q2 and H1 FY26 Earnings Conference Call

Event Date / Time: 03/11/2025, 10:30 Hrs.

Event Duration: 01 Hr. 04 mins 39 secs

Corporate Participants:

Mr. Rajesh Doraiswamy
JMD- Salzer Electronics

Mr. P. Sivakumar
Assistant Vice-President (Marketing)

Mrs. R. Menaka
General Manager (Accounts)

Mr. K. M. Murugesan
Company Secretary

Mr. Jitendra Vakharia
Director – Kaycee Industries

Mr. Vinit Agarwal
Coordinator

Ms. Savli Mangle
Adfactors Investor Relations

Mr. Rupesh Rege
Adfactors Investor Relations

Q&A Participant Details:

1	**Aditya Sen**	Findoc
2	**Bala Murali Krishna**	Oman Investment Advisors
3	**Ishita Lodha**	SVAN Investments
4	**Bimal Panchal**	Bimal Panchal & Associates
5	**Yash Jain**	Ambit Capital
6	**Kumar Divyanshu**	Individual Investor
7	**Gyasuddin Siddiqui**	Individual Investor
8	**Ankit Kapoor**	Individual Investor
9	**Bhavik Shah**	Invexa Capital
10	**Harsh Saraswat**	Elegant Family Office
11	**Bhagwat N**	Prosperity Wealth Management Pvt ltd
12	**Kishore**	Individual Investor
13	**Avinash Nahata**	Parami Financial Services
14	**Gaurav Agarwal**	Individual Investor
15	**Chinmay Nema**	Prescient Capital

Moderator

Ladies and gentlemen, good day and welcome to Salzer Electronics Limited Q2 and H1 FY26 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touch-tone phone.

I now hand over the conference to Mr. Vinit Agarwal from Aditya Birla Capital.

Vinit Agarwal

Thank you, Kartik. Good morning, everyone. On behalf of Aditya Birla Money, I welcome you all to the Q2 and H1 FY26 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

To discuss the unaudited financial performance for the quarter and half year ended September 30, 2025. I have with me Mr. Rajesh Doraiswamy, Joint Managing Director; Mr. P. Sivakumar, Assistant Vice-President, Marketing; Mrs. R. Menaka, General Manager, Accounts; Mr. K. M. Murugesan, Company Secretary and Mr. Jitendra Vakharia, Non-Executive Director, Kaycee Industries.

Starting with the consolidated financial performance for the quarter, our revenues increased by 22% YoY to INR 419 crores from INR 344 crores in the previous corresponding period. This growth was mainly driven by higher demand for Industrial Switch Care and Building Products division, mainly on account of products like three-phase dry-type transformers, wire harness, relays and new products like contactors, etc. The EBITDA, excluding other income, was INR 37 crore in Q2 as against INR 35 crores, a YoY growth of 4%, mainly on account of increased sales, especially in switchgear and building products. EBITDA margin for the quarter was at 9%, and the profit after tax was INR 13 crores as against INR 12 crores.

Coming to our half yearly consolidated financials. The net revenue for the half year was INR 860 crores as against INR 701 crore in the corresponding previous period, a YoY growth of 23%. Again, higher demand for industrial and switchgear businesses, building products, especially due to high demand products like three-phase dry-type transformers, wire harnesses, relays and new products like contactors. The EBITDA, excluding other income stood at INR 78 crore for the first half as against INR 69 crores in the corresponding previous period, a YoY growth of 14%. The EBITDA margin for the half year was at 9%, while profit after tax was INR 31 crores as against INR 26 crores in H1 FY25, a 17% growth YoY with a PAT margin of 4%.

Coming to our balance sheet, the net worth of the company stood at INR 580 crores as on September 30, 2025 as against INR 553 crores as on March 31, 2025. Coming to the breakout of the rest as per businesses, starting with the Industrial Switch Care business. This contributed 63% of the total revenues in the quarter and 59% in the first half. The business grew 25% YoY in Q2 and 28% YoY in H1. The margin in this business was 11% in Q2 and 12% in the first half. In Wires and Cables, this business

contributes to about 32% of our revenue in the quarter and 36% in H1. There has been a 15% YoY in this business during the quarter and 16% in the first half, while the margin was at 6% in Q2 and 5% in H1.

Coming to the Building Products division, which contributes to 5% the balance in the quarter and 5% in first half as well. There has been an increase of 25% in this business during the quarter and 23% in H1. On the export front, for both during the quarter and half year, the export share was nearly 24%, while the export grew 7% YoY in the first half.

Having said that, I would now like to hand it over to Rajesh to take us through the business development and the way ahead. Thank you and over to you.

Rajesh Doraiswamy

Thank you very much, Savli. Good morning and thank you all for joining us today. A very warm welcome to everyone joining this conference call of Salzer Electronics Limited for the quarter and the half year ended September 30, 2025. I hope I am audible for all of you. And once again, I appreciate all of you taking time to be with us today.

Our results update presentation and media release have been shared and I think Savli also just shared the financial numbers to all of you. And I trust you will have the opportunity to review all of them. And I would like to take you through some key updates and recent developments about the company and also at the industry level. At the industry level, India is firmly on an upcycle for electrification and efficiency. The country is adding meaningful clean capacity, accelerating grid upgrades, prioritizing reliability, safety and uptime.

This is translating into specification-driven, sustained program anchored in standards and multi-year CapEx plans for high-quality switch gears, protection gears and energy management solutions. In FY25 alone, India added close to 30 to 33 gigawatt of clean capacity. And by July 2025, country has crossed milestone of 50% non-fossil fuel share in installed capacity. At the same time, on the long term, India is aggressively transitioning into clean energy with target of installing 500 GW of non-fossil fuel capacity by 2030. All this is creating demand in the downstream for reliable switch gears, panels, cables across utilities and industrial users.

On the network, railways, the networks are catching up. More than 99% of Indian Railways' route kilometres are electrified, creating steady traction, overhead electrification, hardware needs and deeper maintenance cycles. On distribution side, RDSS scheme has 20.33 crore smart meters sanctioned and 2.4 crore installed as of July 15, 2025, which is translating into scaled demand for metering enclosures, low-voltage assemblies, protection gears and lot of other related components at the last mile. The cities are buying outcomes, not just hardware. LED with CCMS retrofits are becoming the template for municipal energy savings.

Bengaluru's INR 192 crore BBMP Smart Street Lighting CCMS project that we have taken is a recent proof point and a replicable model for many other urban bodies. In parallel, EV charging is moving from pilots to networks. Public charging points have grown close to 5x since FY22. And India charging market is modelled close to around USD1.6 billion by 2030. This is a CAGR of close to 27- 28% from now.

Against this backdrop, renewables, EV additions, near-universal rail electrification, scaled smart metering and city level CCMS rollouts, our core lines in industrial switchgear, wires and cable, energy management, smart meter and EV chargers are naturally aligned to this growth. With demonstrated

execution on urban efficiency programs, example is the Bengaluru project and diversified participation across utility, rail and EV ecosystems, Salzer is positioned in a distinctly favourable space for the coming years.

Now, coming to the company's key updates on recent developments. I think everybody is aware that the company has been granted a patent for its disconnecting and earthing device for a high-voltage application. Recognizing its innovation in developing a more compact, efficient, and user-friendly design for high voltage disconnection and earthing systems. The product is a rotary switch which is designed for traction and locomotive systems and other high-voltage networks, offering enhanced safety, reduced size and easier installation.

This patent reflects Salzer's focus on practical innovation, engineering excellence, and sustained investment in research and development to deliver advanced electrical solutions. We also secured our first large smart meter order in the last year, last quarter marking our entry into this high-potential segment. Although the execution of the initial order was deferred to Q2 due to customers' installation readiness, we used this time to streamline our production and quality processes. As a result, once the project was cleared, we achieved a smart meter sale of close to INR 22 crore during Q2 of this financial year, taking the first half in this financial year smart meter revenue to INR 24 crore.

This strong rampup demonstrates our execution capability, growing customer confidence and also Salzer's emerging strength in this digital matrix space. As of now, we have a pending order of close to another INR 22 crores and LOI for close to INR 30 crores which we expect to convert to orders shortly. You all must have seen various news reports in the previous months about the actual deployment of smart meters being less than 10% of the total allocated smart meters by RDSS. As a result, we revised our revenue estimates for FY26, which has drawn a lot of criticism in the market. We once again want to emphasize that this revised estimate is not a reflection of our execution capabilities.

Our technology, our capacity, capability and the product readiness remains intact and competitive. Our smart meters have been tested and passed for the highest quality levels. In business, we all know that real-world execution often has dependencies beyond our direct control. And this is a classic example. We continue to work very closely with various AMSPs and other stakeholders to support quicker and faster deployments and we are very confident that the strong underlying demand that the country has for this product will definitely translate into substantial growth over the medium term for Salzer.

Our commitment to being a leading and trusted smart meter partner for various AMSPs remains unchanged. I say that further guidance on this business will be given by us as things evolve over the next quarters. Our EV charger business continues to make steady progress after reworking our strategy during the last year and establishing our operations under our own model in partnership with Ultrafast Chargers Limited, we have already sold close to 50 chargers in the Indian market. We are now in active discussion with several leading Indian multinationals for potential long-term collaborations. With rising adoption of electric vehicles and strong government focus on charging infrastructure, we see significant growth potential in this segment too.

Backed by our own proven engineering capabilities, quality-driven approach and expanding customer reach, we believe EV chargers will become a meaningful part of Salzer's growth story in the years ahead. Further to the entry into speed sensors, five years ago, we are pleased to announce now the development of a new temperature sensor tailored for automotive industry making another milestone in our new product innovation journey. This sensor is currently undergoing validation with two automotive OEMs and we are encouraged by the progress so far. We anticipate commencing commercial supplies from Q4 of this financial year, which will open up an additional and promising

revenue stream for Salzer further strengthening our position not just in automotive solutions but also in the HVAC, home appliances and medical equipment space.

As far as our subsidiary Kaycee Industries is concerned, Kaycee's top line grew 12% YoY in Q2 FY26 to INR 14.9 crore from INR 13.3 crore in Q2 FY25 and 11% YoY in H1 FY26 to INR 28.8 crores. EBITDA was at INR 2.2 crore and PAT was at INR 1.5 crore in Q2 FY26 and in half year, EBITDA was at INR 4.3 crore and PAT at INR 2.9 crore for Kaycee Industries Limited.

Looking ahead, our focus is on sustaining double-digit revenue growth for the full year and improving margins through operating leverage and process efficiencies. We will continue to scale up our smart metering operations, strengthen our product portfolio and enhance our leadership position in the electrical and automation solution space. I am confident that with our strong foundation, consistent innovation and focus on quality and customer satisfaction, Salzer is well placed to capture the next wave of growth in India's industrial and infrastructure transformation. I would like to take this opportunity to thank the entire Salzer Electronics' team for their unwavering dedication and hard work and express my deep gratitude to all our stakeholders for their steadfast trust and support in the company's journey.

This is all from our side for now. I would like to thank you all once again very much for your time and attention. We can take questions now.

Moderator

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask the questions may press * and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press * and 1 again. Participants are requested to use handsets while asking a question. We will wait for a moment while the question queue assembles.

The first question is from Aditya Sen from Findoc.

Aditya Sen

Hi. Thank you for the opportunity. So, my first question is regarding the smart meters. In the previous PPT, we saw an order book of INR 50 CR. So, is that the total order book that we have minus the INR 24 CR that we have included in H1?

And second question is, has the installation in Tamil Nadu started? Do we have any orders from Tamil Nadu met?

Rajesh Doraiswamy

Okay. The smart meter, we had an INR 50 crore order, out of which we have executed INR 24 crores and we still have balance as a pending order. Apart from that, we also have an LOI for an additional INR 30 crores. That's the status.

And on Tamil Nadu, I think the tender has been floated. People have quoted. I think the utility is analysing the technical specs of all the bidders. Hopefully, I think we will have some news on Tamil Nadu tender by November.

Aditya Sen

How positive is the scenario on those tenders?

Rajesh Doraiswamy

We are not participating in the tender. I think I made this clear in in in the last couple of calls. Salzer has not participated in Tamil Nadu tender. We only await the results of the tender and see which AMISP wins the tender, and we will be working with that AMISP to secure the order.

Aditya Sen

All right, understood. All right, sir. I'll fall back in the queue.

Rajesh Doraiswamy

Thank you.

Moderator

Thank you. The next question comes from Bala Murali Krishna from Oman Investment Advisors.

Bala Murali Krishna

From the smart meters and so, LOI of INR 30 crores is it from the same customer or it's from the different AMISP?

Rajesh Doraiswamy

From the same customer.

Bala Murali Krishna

Understood. So normally, to understand that how many AMISPs are available in India to supply and how many people -- have you approached all AMISPs? Are there is scope for any further order from the new AMISPs other than the people?

Rajesh Doraiswamy

There are close to 10 AMISPs in the country today actively participating in various tenders and bids and have secured some orders. So, - we are talking to almost all the 10 AMISPs and discussions are in various stages. And the tenders they have taken also are in very initial stages. So, the execution is still yet to start and happen. So overall, for your question, I think there are more than 10 active AMISPs in the country today.

Bala Murali Krishna

So, all are ready to work with you, but as there are installation issues on the ground level, so there is no much order inflows in this sector?

Rajesh Doraiswamy

Yes.

Bala Murali Krishna

Okay. So, secondly, on this temperature sensor, so what kind of orders we can expect in Q4 or next FY27?

Rajesh Doraiswamy

I think right now, it is still in the initial validation phase and very difficult to give a forecast for this product. But I would suggest that in the initial phase, the volumes in this product is going to be less, it's not going to be significant. The only thing I can stress here is, I think it's a completely new technology product for Salzer and also for the country here that we are bringing in some kind of a technology that is close to an import substitution.

So, we see a lot of potential for this product in various other sectors as we scale up and prove the product. So for now, I will not be able to give a forecast for this product until it gets cleared technically and then we see some kind of a forecast from our OEMs.

Bala Murali Krishna

And to just follow up on this, so these OEMs are up for two-wheeler, three-wheeler or four-wheeler passenger vehicles?

Rajesh Doraiswamy

These are tier-2 suppliers to OEMs. Like, there are a lot of OEM manufacturers. We are supplying to the tier-2 people who will be installing it in their HVAC installations and supplying to the OEMs.

Bala Murali Krishna

Okay, I understand. And regarding this new patent, so any market potential available to how much is the market capacity initially at those stages?

Rajesh Doraiswamy

Salzer is already a very large scale supplier for rotary switches to the railways, Indian Railways for many years. So, this patent is for a particular product that can disconnect high voltages like 1000V disconnect switch where we have innovated and made a switch which reduces the space and size to a large extent so that it is beneficial to our customer. That is Indian Railways. So as we move forward, I think this will be a kind of a single product that will be in the railways and will be big benefit for the Indian Railways and for Salzer, of course. So, this is mainly for the locomotives.

Bala Murali Krishna

Okay, understood. Lastly, on margins and such, there is some increase in copper prices also in the last year that is not reflecting the results. And again, the prices are on the rising trend in this potentially small.

Rajesh Doraiswamy

Yeah. I think the commodity price increase has not really affected in this quarter. But going forward, it might have some impact. But there are -- I think, because of the mix of the product and also the higher other expenses cost, we see a slight squeeze on the EBITDA margins, which we expect to get better, make it better in the coming quarters.

Bala Murali Krishna

Okay. Thank you. Thank you so much, sir.

Moderator

Thank you. We have the next question from the line of Ishita Lodha from SVAN Investments. Please go ahead.

Ishita Lodha

Hi, sir. Thank you for the opportunity. My question is with respect to the high-voltage safety device. So here, I want to understand what is the competitive landscape? Who are the other suppliers? And do we have a cost advantage apart from the size advantage? And what is the value of this device in one locomotive on an average?

Rajesh Doraiswamy

There is a competition, definitely. At least there are two- three other manufacturers who also manufacture high-voltage distracting switch. But the specialty and the innovation that we have done is to, as I just mentioned, to reduce the size and space of the product, which will definitely bring in a lot of cost advantage because of the usage of the materials and things like that. So, that will definitely translate into better margins for us and also we will become more competitive in the market.

And for your other question on the price per locomotive, I think it varies depending on the current rating of the product anywhere between INR 20,000 to INR 50,000 or even more depending on the current rating per switch.

Ishita Lodha

And currently, we have got, looking on it to supply to Indian Railways, are we also looking to export these?

Rajesh Doraiswamy

Both.

Ishita Lodha

So we are looking at getting validation from the export market also right now?

Rajesh Doraiswamy

Yeah.

Ishita Lodha

Okay. That's good to know. Thank you.

Rajesh Doraiswamy

Thank you.

Moderator

Thank you. Ladies and gentlemen, to ask a question, please press * and 1 on your telephone keypad.

Next question comes from the line of Bimal Panchal from Bimal Panchal and Associates. Please go ahead.

Bimal Panchal

Regarding our EV charging machines, I was just wondering whether it is applicable to all three wheelers and for to the heavy-duty truck controllers. It's a universal application or to some limited?

Rajesh Doraiswamy

We make two types of chargers. One is the DC fast charger, which is only applicable for all the four-wheelers, buses and trucks. The capacity starts from 60 kilowatt until 360 kilowatt. And we also manufacture AC slow chargers starting from, starting from 3.4 kilowatts or something going up to 22 kilowatt. This is applicable only for two-wheelers and three-wheelers.

So, there are two different types of charges. I think the DC power charges cannot be used for three-wheelers.

Bimal Panchal

Understood. And one more thing, we have sold 50 chargers. So, what's the target sell like a petrol pump or to whom we have sold it?

Rajesh Doraiswamy

We have sold to various charge point operators. There are multiple charge point operators in the country today. So, we have sold these charges to them. So, they will buy these charges from us. They will install it, and they will run the charge point.

Bimal Panchal

Okay, sir. And during this period, our long-term loan has gone substantially.

Rajesh Doraiswamy

Actually, long-term borrowing has not increased much. I think that has remained almost stable. Our short-term loans have gone up. That's mainly because of our smart meter execution.

Bimal Panchal

Right, right. Okay. Thank you very much, sir.

Rajesh Doraiswamy

Thank you.

Moderator

Thank you. We have the next question from the line of Yash Jain from Ambit Capital. Please go ahead.

Yash Jain

Thank you for the opportunity. My question is on the wires and cable division. I think we have been maintaining guidance of 18% to 20% growth for this business, and the industry tailwinds seem to be strong and supportive of that. Just wanted to understand if the industry is seeing more new entrants because of the opportunity available. And given our strong reputation among the OEMs in the industry, are we expecting any new partnerships from any new customers or existing players?

Rajesh Doraiswamy

Yes. I think the industry is in the limelight today because of various large-scale players entering the market. And definitely, I think we see a lot of opportunities here. And whatever you said also, as of now, there's nothing on the table, but definitely, there is a lot of opportunities that we can look forward to.

Since the industry has a lot of potential, there are a lot of people who are entering here, which is actually good for the industry overall.

Yash Jain

Yeah. And we maintain our 18% to 20% guidance for the next three years?

Rajesh Doraiswamy

Yes.

Yash Jain

Okay. Thank you, sir. All the best.

Moderator

Thank you. We have the next question from the line of Kumar Divyanshu, an individual investor. Please go ahead.

Kumar Divyanshu

Thanks for giving me the opportunity and congratulations for the very good set of numbers. Basically, I have two questions. Like first is, could you please drill down on the business segment in which you are working?

And the second question, I have two points. That first is that why Q2 result was bad, could you please mention the reason behind that? And what you look forward for the upcoming coming quarter? And secondly, order book period, total order book from all these segments combined?

Rajesh Doraiswamy

Okay, I think I will answer your last question first. We don't operate on a large order book position because most of our legacy products like the industrial switch gears, wires and cables and the building electricals, all these products we do on a month-on-month basis. So, our maximum delivery time is 4-6 weeks. So, we complete all our orders, execute all our orders within 4-6 weeks. But we have a forecast from our customers and OEMs and based on that, I think we give our forecast for the market. That's how we operate.

Secondly, your question of why Q2 is bad. I wouldn't say it's bad. Relatively, it is lower. I think sequentially, we are lower in terms of revenues by around 6% and in terms of EBITDA, little bit down and that's what it is by 4% and PAT by around 20%. The reason is, I think, one, Q1 of this year has been very good, which normally is not, but for us, I think Q1 was good. We had a very good -- the highest ever turnover in the quarter in Q1. So, that's also one of the reasons that Q2 numbers seems to be a little lower.

But otherwise, I think on a half year basis, if you see 6 months basis, we are still growing 22% on revenues and EBITDA, we are still growing at around 14%. And PAT, I would say that PAT on a figure, if you go look at the PAT on the P&L, it shows there is a reduction of 27% close to INR 12 crores. But the main reason for that is the exceptional item in the last financial year.

So, if we remove the exceptional income in the last financial year, I think we are still up by close to around 16% in PAT also on a half year basis. So QoQ, there might be little ups and downs, but on a long-term annual basis, we still maintain that we will be able to continue to grow at around 20% compared to last year. I hope I have answered your question.

Kumar Divyanshu

Okay. And the last question is like, please mention on the various business segment.

Rajesh Doraiswamy

I think it is clearly mentioned in our Investor presentation, media release, if you go through what are the segments that we are operating on, there are four segments that we are operating, industrial switch gears, wires and cables and then we operate on a building electrical business and also the energy management. These are the four broad business segments that we operate.

Of course, smart meter and EV chargers are new, so we still combine that into industrial switch gear. But as years go by, I think we will slowly separate them and see how it grows.

Moderator

Thank you. We have the next question from the line of Gyasuddin Siddiqui, an individual investor. Please go ahead.

Gyasuddin Siddiqui

Sir, can you please repeat, like, how much the guidance for this year? Because you have mentioned in your presentation, you have said that, like, we will be growing in double digits. So, is there any change in that guidance?

Rajesh Doraiswamy

No. There's no change in the overall annual revenue guidance.

Gyasuddin Siddiqui

So, it will be around 18% to 20%, 22%?

Rajesh Doraiswamy

Yes, correct.

Gyasuddin Siddiqui

And can you please tell me the like market for the newly patent are still moving, like, market? And what will be the revenue projection for not this year, but for the next year, FY27 if we can estimate that?

Rajesh Doraiswamy

Yes, yes. So, I just want to say that not every patent really translates into a large revenue immediately. This patent that we have done, I think the product we are already selling into different markets and we are already generating revenues from Indian Railways and other locomotive manufacturers.

What we have done now is a new technology, new innovation on the same product that gives an edge for Salzer over the competitors in terms of cost, in terms of technology. And also from the customer point of view, we stand much, much ahead than our competition because of what we are proving to them. So, there are a lot of indirect benefits that the company gains because of this.

So, on the revenue guidance, there is no specific revenue guidance that I'll be able to give for this product or patent.

Gyasuddin Siddiqui

Sure, sure. Thank you, sir. I'll listen this from my end.

Moderator

The next question is from Ankit Kapoor, an individual investor. Please go ahead.

Ankit Kapoor

Thank you. Thank you for the opportunity, sir. Sir, my question is very simple, and it's related to the cost-control measures company is currently adopting because what I see in the financial – cost-control measures, right?

Rajesh Doraiswamy

Yeah.

Ankit Kapoor

So, if I see the PAT margin is continuously deteriorating from each and every year, right? Currently, in H1 FY26, it's 3.56. Last year, it was 3.75.

So, it's continuously in downtrend. And if I see the gap between EBITDA margin and PAT margin, it's over 5%. Right? So, what I think is that, you are currently focusing on only increasing turnover, but there are no cost control measures you are adopting. So, it's continuously deteriorating the interest of the minority shareholders because ultimately, it's the PAT which will give the return to the shareholders. Right? So that's my concern only. Right?

Rajesh Doraiswamy

I fully agree with you. I think the focus is not just on revenues. I think the focus is definitely on the profitable growth. I think that has been the focus. And if you see over the years, I think we have been sustaining these margins for several years. And on a QoQ basis, definitely there will be variations because of various product mix, certain products grow at a faster rate and certain products grow at a slower rate.

And that's why you see there's a small blip on the margin percentage. If you look at the PAT, I think this year's PAT is little, what do you call it, I would say, it doesn't reflect the true picture. Because if you see last year, six months, there was an exceptional income of close to INR 16 crores, which has actually got the PAT up in the last half year, which is not that this year. So for equal in comparison, I am taking profit before tax and before exceptional items and see what happens there. I think last half year, our PBT before exceptional was at 5.1% and this year it is at 4.9%.

So, there is a 0.2% difference between last year and this year. So in my opinion, I think this QoQ, YoY, I mean half year ending, I think this happens because of the produsct mix sales and various other things that happens in the market. But on a long term, I think our focus is definitely to grow the bottom line percentage as a percentage and absolute number and definitely give value to the shareholders as you said.

At the same time, I would say that the top line has to grow substantially for the company to sustain and make better margins. So, that's also the focus for us.

Moderator

Thank you. Next question comes from the line of Bavik Shah from Invexa Capital. Please go ahead.

Bavik Shah

Yeah. So, my first question is, sir, what is the current capacity and capacity utilization? And what are the CapEx plans for the FY26 and FY27? And where are we adding capacity in this segment?

Rajesh Doraiswamy

I think, this current year CapEx, we won't be doing any major CapEx as we have done some major CapEx in the last year and year before that. So this year, I expect that total CapEx can be anywhere around INR 20 crores or below. That's what we are expecting to do.

On the capacity utilization, I think I've been saying this in several calls. Our capacities are very dynamic, particularly in industrial switchgear business. I think, we have grown close to around 27%, 28% in this quarter and half year. These capacities we keep increasing as we get the demand because the CapEx for these products and business is not very heavy. However, in wire and cable, currently we are at around 60% capacity utilization and when that reaches close to 80%, 90% then we have to do a CapEx to increase the capacity for the wiring cable.

Bavik Shah

Understood. And sir, this is INR 20 crore CapEX?

Rajesh Doraiswamy

These are maintenance CapEx and balancing CapEx.

Bavik Shah

Okay. Yes, sir. And you were saying on meter?

Rajesh Doraiswamy

On the meters, we are still just starting up, so we still have the full capacity for it to be utilized. That's what I want to mention.

Bavik Shah

Understood, understood. And so basically, what is then our current for example, in the industrial segment, we say we don't see capacity utilization as a number. And what is -- like how do we gauge the revenue? What can we generate from this facility?

Rajesh Doraiswamy

There are three facilities that operate on the industrial switchgear front. So, I think we are -- this year, we expect that the industrial switchgear business will continue to grow at around 25% and above. And the current capacity utilization level supports this kind of a growth for this year.

Bavik Shah

Okay. And, sir, we already mentioned you only have around 4-6 weeks of the order book then what is the reason we hold such high inventories? Our inventory levels are almost, like, say, upwards of 110 days or so.

Rajesh Doraiswamy

Correct.

Bavik Shah

So, why is that required?

Rajesh Doraiswamy

We have inventories of raw materials and finished goods based on the forecast and projection that our people, I mean, our customers give. We have we have more than -- I would say, more than 1,000, 1,500 SKUs from 15 different product lines. So, we need to maintain stocks and raw materials for all these products across the line.

Bavik Shah

Okay. So, just my one question. Can you just give a broad EBITDA or EBIT margins for the segments like, say, in the industry, how much we make in the wires and cables and in the building segment? What are the broad EBIT margins or EBITDA margins?

Rajesh Doraiswamy

These are -- I think they are mentioned in the presentation and media release, but you can take a look. For now, I can say that industrial switchgear businesses, we are at around 12.37% in H1FY26 and Wire and Cables division we are at 5.36% in H1FY26.

Moderator

Thank you. The next question comes from the line of Harsh Saraswat from Elegant Family Office. Please go ahead.

Harsh Saraswat

Hi. So, I wanted to ask on the revenue guidance. Last quarter, we gave guidance of INR 1,600 crores from existing business for the year FY26 and INR 400 crores from smart meters. So, are we maintaining this guidance? Or are we changing the guidance? What is it?

And what will be EBITDA margins we drive at home?

Rajesh Doraiswamy

We continue to give -- I think we -- as of now, we continue to maintain that guidance. And we will see how things go in Q3. And if any change required upward or downward, we will do that end of Q3. But as of now, whatever we project, it remains.

Harsh Saraswat

On the smart meters also, we are guiding INR 400 crores of revenue in FY26?

Rajesh Doraiswamy

Hopefully, yes.

Harsh Saraswat

Okay. And overall EBITDA margins, which we had a target of 10%- 11%, is it maintained?

Rajesh Doraiswamy

Yes. We expect that if we achieve the top line, I think we will achieve 10% EBITDA margin.

Harsh Saraswat

Okay. Thank you so much and all the best.

Rajesh Doraiswamy

Thank you, sir.

Moderator

Thank you. Next question comes from the line of Bhagwat N from Prosperity Wealth Management. Please go ahead.

Bhagwat N

Thank you for the opportunity. Could you please comment on the competitiveness of Salzer in U.S. market considering the current tariff scenario? And your outlook for overall export business opportunity going ahead?

Rajesh Doraiswamy

Good. I think it's a very important point that we have to consider in the current situation. Our direct U.S. business in the six months is close to around 7%. That's what we export from our total revenues.

That's the direct export. Apart from that, we also have an indirect export of close to 3%, which we sell into various customers in India and they take it up with their products to U.S. So, all this 10% business is currently affected because of the tariffs. Affected, I mean, is actually undergoing this tariff of 50%. But until September, I think we have not seen a major slowdown in the business because this got implemented by end of September. But we see some slowdown in October, particularly for the North-American business.

On the competitiveness, of course, we are highly competitive compared to many other countries and suppliers. And we expect that the overall situation to get settled down by end of November. I think that's what the news flow is as of now. So if that happens, then there is no issue. But if that doesn't happen, I expect out of this 10%, we will see definitely a sharp decline of close to around 30%, 40% in the U.S. business.

Bhagwat N

Okay. And apart from the U.S. business, other countries, what is your outlook going ahead?

Rajesh Doraiswamy

I think Europe is definitely slow. Europe, half year, we have grown at 9%, but on the quarter wise, if you see, we are down by 2%. Asia also is a little slow, but the full year basis, I think the exports will continue to grow at around 7% to 10%.

Bhagwat N

Okay. On a medium- term basis, if you could? Yeah.

Rajesh Doraiswamy

Our export share on the revenue last year -- last financial year was close to 28%. However, this half year, it is at around 24%, though in absolute numbers we have still grown, but the percentage to revenue has dropped. That's because the local businesses have grown much faster. So, that's the reason, whereas export business is not growing at the same speed.

So I think this year, the export businesses might grow only at around 10%.

Bhagwat N

Okay, sir. And your outlook for the medium term, let's say, two years to three years down the line?

Rajesh Doraiswamy

I mean, our focus is always to grow the export business and continue to maintain our export revenues at 27% to 30% of our overall revenues. That's what we aim to do and we reached that level last financial year. But unfortunately, I think this year, the exports also is down. At the same time, the Indian business also is growing at a faster pace. So, there are two things that's working against this.

But on the medium term, our goal is to maintain 27% to 30% of our revenues from exports.

Bhagwat N

Okay. Thank you and all the best.

Moderator

Thank you. The next question comes from the line of Kishore, an individual investor. Please go ahead.

Kishore

Hello, sir. Good morning. I have a question regarding the EBITDA margin guidance for the existing business. Can you please give us EBITDA margin guidance for FY26, only for the existing business apart from smart meters?

Rajesh Doraiswamy

A 9.5% to 10% is what we foresee for this full financial year.

Kishore

Despite the higher commodity prices?

Rajesh Doraiswamy

Yes.

Kishore

And, sir, regarding the smart meter execution, like, we are seeing some news regarding the public opposition and other issues in execution. So, are things improving on the ground in the current month? And what are we expecting on ground for the upcoming months? Like, can we expect some improvement?

Rajesh Doraiswamy

Definitely. I think the implementation of smart meter business will definitely progress and improve as we go forward. It's not just the public opposition, but that is only in very few state and very few locations. But there are other infrastructure challenges that AMISP see in implementing this project. But things are getting cleared, and definitely on the medium term to long term, this business will definitely scale up.

Kishore

Sir, one more question. I know that you are hardly in this business, the smart meter business. But, sir, there is a concern regarding this industry that once the smart meters are installed in, like, a few years then what can be the new opportunities in the long term in this business? Like, can they sustain the growth that we're seeing in this industry? And what new avenues can open in this?

Rajesh Doraiswamy

No. While we entered this business itself, it was clear that this business is going to be there for the next 8-10 years. I think that's when this boom we are seeing today will sustain. What we expect is that there is a 25-crore smart meter demand that the government has estimated and given tenders for. That's the Phase 1.

As we complete this 25 crores, it was expected to get completed in two years, but then now two years are completed, the government has extended it for another two years. I think that it will take another five years to complete this 25 crore smart meter installation in the field. By the time that we complete this 25-crore smart meter, I expect the new demand will be for another 15 crore meters in the country because the country is progressing and growing, the demand for the smart meters also will continue to grow. So, this will definitely come -- the growth and the potential will come down, but it will continue at that pace for the next five years. So, we see at least a 10-year cycle for this business.

Kishore

And sir, as a new competition enters our existing business, can we expect some pressure on our margins or other things? Can it impact us negatively in a significant manner in the medium term?

Rajesh Doraiswamy

I didn't get your question, sir. Can you repeat?

Kishore

Sir, we are seeing news of some new competition from visitors entering our business. So, can we expect any significant negative impact on our margins and the business in the medium term?

Rajesh Doraiswamy

You are specifically talking about the wire and cable sector?

Kishore

Yes.

Rajesh Doraiswamy

Okay. No, I don't think we will see any impact because of the new entrants that are coming in because they are much larger players than us in this sector. I think the top two or three players will be impacted much because we are still much smaller in this segment. But as there's another investor, shareholder has asked whether we see an opportunity here because the large players are entering.

So, we look at it as an opportunity for Salzer because the large players are entering and the market is becoming better. So, I don't see any threat for our current revenues and margins.

Kishore

Okay, sir. Thank you so much. Best of luck.

Moderator

Thank you. The next question comes from the line of Avinash Nahata from Parami Financial Services. Please go ahead.

Avinash Nahata

Good afternoon. The first question is whatever products you're manufacturing, rotary switches, EV chargers, etc., do we sell only under our own banner, Salzer, or it also gets white labelled? We are manufacturing similar products for other people also.

Rajesh Doraiswamy

I think we have a mix of both. On the industrial switchgear business, I think it is mostly under our own label. On the wire and cable, I would say it's a 50:50 revenue share between white labelling and our own brand.

Avinash Nahata

Okay. And this smart meter progression, if you can spend just half a minute more, you said that initial phase INR 125 crores and another INR 15 crores of smart meter. So, two things. First is, can you define the value opportunity for the smart meter of INR 25 crores Phase 1? And where would the incremental demand of INR 15 crores come from?

Rajesh Doraiswamy

Generally, historically, the electricity meters have been growing at around 20% in the past several years. As the country grows and progresses, I expect that this demand can actually increase from 20% to 25% going forward. So, that's why I say that by the time that we complete in the next five years, it's already two years is gone, so seven years we have to consider. So, I will say INR 15 crores over a period of seven years is a INR 2 crore electricity meter demand every year for seven years, which is very, very nominal in my opinion and based on the historical data, that is one.

Secondly, on the value, I think the smart meters, price is anywhere between INR 2,500 to INR 3,500 depending on the single-phase and three-phase meter. So on an average, you can consider the price is around INR 2,500 per meter. So, you can calculate what is the total value for a 25-crore meter as just the market size.

Avinash Nahata

Yeah, thanks for that. I mean just kind of reconciling these numbers, we have, like, 26-27 crore households in the country. So, I mean, what is that so if I were to ask you how many smart meters have been installed on a stock basis in the country? And on a flow basis, every year, how much they are getting installed?

Rajesh Doraiswamy

It's approximately around 2.4 crore meters., have been installed so far. The total tenders that have been given is approximately around 20 crore meters. Another 5 crore meter is yet to be tendered in the Phase 1.

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Avinash Nahata

And are there any impediments for the faster conversion of LOIs?

Rajesh Doraiswamy

Yeah. We have an LOI, I think we try very hard to convert it to our order as soon as possible. You're asking about our LOI. Right?

Avinash Nahata

No. Not yours specifically. At an industry level, I'm saying if the market wants to grow faster, what are the impediments from the LOI?

Rajesh Doraiswamy

I think that's the question that you have to direct to the AMISPs. Because for us, whatever information that we have is only a second-hand or third-hand information from our customers. So, we see that there are lot of infrastructure bottlenecks including the networking, the communication, installation. There are lot of logistical issues, monsoon. So, there are multiple issues that all accumulate and then slow down the implementation of the overall project. And also, it is a new business for all the AMISPs also.

They are also taking time to understand how this works because you are imagining 40 lakhs- 50 lakhs meters from one location to communicate to a network every 15 minutes or every 30 minutes. We don't have an infrastructure to support that as of now. I think that is being getting created, that is getting created and that is being set up. You need to have a software that is capable of receiving this data and processing. The meters have to have the network connection to communicate and send the data. So, there are multiple things that's involved in this project.

Avinash Nahata

And one final thing is, you are supplying these to the project guys. You do not supply to the ultimate utility. Right?

Rajesh Doraiswamy

Yeah. They supply to ultimate utilities.

Avinash Nahata

Yeah. So, our billing happens to the project guys, people who are doing the, whatever area location project?

Rajesh Doraiswamy

Our billing is to the private companies.

Avinash Nahata

Thank you.

Moderator

Thank you, sir. Next question comes from the line of Gaurav Agarwal, an individual investor. Please go ahead.

Gaurav Agarwal

Good morning, sir. Just to be clear, you are expecting approximate revenue of INR 1,100 crores in the second half of this year and approximately EBITDA margins of 11% to fulfil the guidance of INR 1,000 crores this year with EBITDA margins of 10%?

Rajesh Doraiswamy

Yes, we are looking at our legacy business close to around INR 1,600 crores is what we are expecting to achieve in this year, out of which we have done around INR 840 crores. No? Correct, you are right. And then we expect close to another INR 300 crores-INR 350 crores in the smart meters.

Gaurav Agarwal

Okay. And sir, can I also know what total addressable market is in the high voltage patent which we have received recently?

Rajesh Doraiswamy

It's a very specific market that we are looking at on the locomotives. Since then, we have developed a patent and we have come out with a new innovation. Now, we have to see if this has a new application in any other area. But as of now, our focus is on the locomotives.

Gaurav Agarwal

And also you are expecting 11% EBITDA margins in second half?

Rajesh Doraiswamy

Yes. I think on an average, we should, second half, should achieve close to around 10%, Q3 and Q4 should be better.

Gaurav Agarwal

Thank you.

Moderator

Thank you. The next is a follow-up question from Ishita Lodha from SVAN Investments. Please go ahead.

Ishita Lodha

Hi, sir. Thank you for the follow-up opportunity. So, just on the previous question, you had mentioned that in the value of the switch, the disconnecting switch is about INR 20,000 to INR 50,000 on an average, but do we need just one switch in one locomotive or will we need multiple of that switches?

Rajesh Doraiswamy

I think either one or two.

Ishita Lodha

Okay. So I mean, last year, we saw additional 1,400 locomotives. And this year, about, let's say, if we see some growth maybe 1,600 locomotives. So, the market potential in India for this seems to be very low. So, is my assessment right or am I missing out on something?

Rajesh Doraiswamy

No. You're right. I think, Indian Railways the total business might be anywhere between INR 15 crores to INR 20 crores for the switch.

Ishita Lodha

Okay. So, how are we looking at scalability of this product?

Rajesh Doraiswamy

We have other locomotive manufacturers. We are looking at, you know, companies like GE or Alstom and maybe some export potential that we can see for this product.

Ishita Lodha

Okay. And you had mentioned that we have a cost advantage. So, is it possible to quantify just to get a sense of how significant the cost advantage is?

Rajesh Doraiswamy

It is significant. But as we go to the market and then start quoting in the tenders, then we will see, we will know how beneficial it is to the company. So, that we have to wait to watch. But on a cost basis, definitely there is a significant difference between our existing product and the new product.

Moderator

Thank you. We have the next question from Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema

Good morning, sir. I had two questions. Firstly, if possible, if you could share the order book on the smart meter business, the current right now? And secondly, if you could give some colour on the working capital requirements of the different segments of your business?

Rajesh Doraiswamy

I think smart meter pending order book, I think I just mentioned during my call, we have an order pending of around INR 22 crores, which is the pending order that we received earlier. And apart from that, we also have an LOI for close to around INR 30 crores. So, this is the current situation on the smart meters.

On the working capital segment wise, I don't have the numbers ready, but I can share it with you once the call is over. We can pull that numbers and share that with you.

Chinmay Nema

Sure, sir.

Rajesh Doraiswamy

Thank you.

Moderator

Thank you. As there are no further questions from the participants, I now hand over the conference to Mr. Rajesh Doraiswamy, Joint Managing Director, Salzer Electronics Limited for closing comments.

Rajesh Doraiswamy

I once again thank everyone for your extreme interest and trust in the company. I look forward to continuing to interact with you over the quarter and by the next call in the coming quarter. Thank you very much. Have a good day.

Moderator

Thank you, sir. On behalf of Aditya Birla Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.