Salzer Electronics Limited

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Q4 FY26 Earnings Conference Call

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MANAGEMENT DETAILS:

Mr. Rajesh Doraiswamy

Joint Managing Director

Mr. Jitendra Vakharia

Non-Executive Director, Kaycee Industries

Mr. K. Raman

Chief Financial Officer

Mr. Bellary

AVP – Business Development

Ms. R. Menaka

General Manager

Mr. K. M. Murugesh

Company Secretary

Mr. Ankit Sangoi

Aditya Birla Capital

Mr. Rupesh Rege

Adfactors Investor Relations

Ms. Savli Mangle

Adfactors Investor Relations

Q&A PARTICIPANTS:

1	**Disha Bhordia**	: Sapphire Capital.
2	**Koushik**	: Individual Investor.
3	**Bhagath N**	: Prospective Wealth Management Ltd.
4	**Ankit Kapoor**	: Individual Investor.
5	**Balamurali Krishna**	: Oman Investment Advisors.
6	**Kostav S**	: Individual Investor.
7	**Rohit Ohri**	: Progressive Shares.
8	**Shwaran Modi**	: Syndicate Family Office.

Moderator

Ladies and gentlemen, good day, and welcome to Salzer Electronics Limited Q4 FY26 Earnings Conference Call. As a reminder, all participants' line will be in listen-only mode, and there'll be an opportunity for you to ask questions after the presentation concludes. If you need assistance during the conference call, please signal an operator by pressing * and 0 on your touch-tone phone.

I, now, hand over the conference to Mr. Ankit Sangoi from Aditya Birla Capital. Over to you, sir.

Ankit Sangoi

Thank you, Akash. Good evening, everyone. On behalf of Aditya Birla Money, I welcome you all to the Q4 and FY26 Post Earnings Conference Call of Salzer Electronics Limited. This conference call may contain forward-looking statements, which are based on the beliefs, opinion, and expectations of the company as of the date of this call. These statements are not a guarantee of the future performance and involve the risks, uncertainties that are difficult to predict.

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

Savli Mangle

Thank you, Ankit. Good evening, everyone, and thank you for joining us today to discuss the audited financial performance for the fourth quarter and year ended March 31st, 2026.

I have with me Mr. Rajesh Doraiswamy, Joint Managing Director; Mr. K. Raman, Chief Financial Officer; Mr. Bellary, AVP - Business Development; Mrs. R. Menaka, General Manager, Accounts; Mr. K. M. Murugesh, Company Secretary; and Mr. Jitendra Vakharia, Non-Executive Director, Kaycee Industries.

Starting with the consolidated financials for the quarter and year ended March 31st, 2026. During the quarter, our revenues increased 26% YoY to INR 474 crores from INR 376 crores in the previous corresponding period. This growth was mainly driven by higher demand for industrial switchgears, wires and cable, and building products division, mainly on account of high demand products like three-phase transformers, wire harnesses, relays, and new products like contactors, etc.

The contribution from exports stood at 15.6%. EBITDA, excluding other income, was INR 31 crores in Q4 as against INR 29 crores in the corresponding previous period, a YoY growth of 7%. The EBITDA margin for the quarter stood at 7%. Profit After Tax was INR 10 crores in Q4.

Coming to the full year performance. In the year ended March 31st, 2026, our net revenues in FY26 was INR 1,758 crores as against INR 1,418 crores in FY25, a YoY growth of 24%. This growth has been largely driven by higher demand for industrial switchgear, wires and cables, building products, also on account

of high demand products like three-phase transformers, wire harnesses, relays, and new products like contactors. Contribution from exports stood at 21%, largely driven by higher sales from Europe. The EBITDA, excluding other income, stood at INR 147 crores in FY26 as against INR 134 crores in FY25, a YoY growth of 10%. The EBITDA margin was 8%. Profit After Tax was INR 54 crores as against INR 52 crores in the previous corresponding period, a YoY growth of 3%.

Coming to the revenue breakup as for the businesses, starting with the industrial switchgear business. This contributed to 56% of the revenues in full year and 51% in the quarter. This business grew 15% YoY in Q4 and 20% YoY in FY26. The EBITDA margin for this business in Q4 was 8% and for the full year was 11%.

Coming to wires and cables, this business contributed to about 43% of our revenues in the quarter and 39% in FY26. There's been a 42% increase, YoY increase in this division during the quarter, and 30% in the full year. EBITDA margin for Q4 stood at 4% and 5% for the full year for this business.

Coming to the last one, which is building products division. This contributed 6% to our revenues in the quarter and 5% in FY26. This translates to a 36% YoY in Q4 and 16% in the full year FY26.

Export front, for the quarter and the full year, the spot share was nearly 16% in Q4 and 21% for the full year.

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

Rajesh Doraiswamy

Thank you very much, Savli. Good evening, everyone, and a very warm welcome to Salzer Electronics Earnings Conference Call for the fourth quarter and the year ended March 31st, 2026. Thank you all for taking time to join us today. We have shared our results update presentation and the media release. I hope you all must have received and gone through the same.

Some key highlights I will share and some recent developments and also the outlook for the future before we open the floor for question and answers. FY26 has been another very important year for Salzer Electronics as we continue to strengthen our position across industrial switchgears, wire and cable, building electrical and emerging businesses such as EV charging, smart metering, and energy management systems.

Despite a very volatile global environment, elevated commodity prices, and pricing pressure in certain categories, we delivered healthy revenue growth during the year, supported by strong demand from industrial CapEx, infrastructure development, power distribution upgrades, renewable energy investments, and export markets. Our industrial switchgear and wire and cable business continued to remain the growth drivers for the company. India's electrical equipment industry continues to witness very strong momentum backed by rising investments in transmission distribution infrastructure,

manufacturing expansion under the China Plus One strategy, railway modernization, renewable energy capacity additions, data centers, and urban infrastructure development.

The Indian electrical equipment market is expected to maintain a double-digit growth over the coming four to five years, mainly supported by rapid electrification and industrial automation, expansion in renewable energy, and strong infrastructure like data centers, increased adoption of EV charging ecosystem, common focus on energy efficiency and globalization, and of course, smart meter rollout under the RDS Scheme.

Now, coming to our key states and the recent developments, we are pleased to announce a strategic partnership with Wirepas, a global leader in wireless mesh connectivity solutions headquartered in Finland. Through this collaboration, Salzer will integrate Wirepas-certified platform into Salzer smart electricity meters, enabling the deployment of next generation metering solutions, designed to help utilities operate more efficiently and needlessly.

Coming to our new growth businesses, in smart metering, we continue to build strong capabilities for the long term. We now have installed a fully-integrated EMS facility in-house for manufacturing and assembling electronic PCB boards for the smart meters. While execution timelines in smart metering industry have been relatively slow than initially expected, we have already executed a business worth approximately INR 45 crore over the last year. And we remain highly optimistic about the long-term opportunity in this segment.

As of now, we have not secured any large long-term orders, though we continue to be in discussion with all potential customers. Under the Energy Management Solutions business, INR 200 crore project in Bangalore Corporation is currently under execution, and we expect revenue contributions from this project to start flowing in from Q2 of this financial year at a steady monthly run rate.

In EV charging solutions, our subsidiary, Ultrafast Chargers Limited continued to make progress during the year. We have already sold around 100 chargers, generating a revenue approximately INR 9 crore. With increasing EV adoption and potential strategic tie-ups with larger ecosystem players, we believe this business has significant growth potential as we move forward. We currently hold orders for close to 100 DC fast chargers from various customers.

On the export front, exports currently contribute around 24% of the revenue. During the year, we faced certain temporary challenges due to geopolitical tensions in The Middle East, which impacted progress related to our Saudi Arabia operations and also created volatility in oil and petrochemical prices globally. However, we continue to remain positive on our international business prospects. Our UK operations continue to benefit from favorable currency movements and also the zero import UK advantage, which strengthened our competitiveness in the market.

Operationally, the global situation increased oil prices have impacted to a large extent on our margins due to the increase in the prices of all petrochemical-linked plastics, supply chain disruptions, increased freight costs, and continued increase in commodity prices. At Salzer, we sourced a lot of plastics for all our

products and this impacted our margins to an extent of 2% to 3%. In Q3, talking about last quarter, we faced increase in prices of silver and copper which we had offset to some extent by way of price increase in February 2026. However, now the plastic price increase impact of Q4 will be offset only in June 2026 by way of another price increase to the market. At the same time, we are also happy to say that the market has accepted the price increase from us very smoothly.

Our subsidiary Kaycee Industries continues to perform well. Kaycee's top line grew 9% YoY in Q4 FY26 to INR 17 crore from INR 15 crore in Q4 FY25 and 13% YoY in FY26 to INR 60 crore from INR 53 crore in FY25. EBITDA was at INR 2 crore and PAT was at INR 1 crore in Q4 FY26. For the full year FY26, EBITDA was at INR 8 crore and PAT was at INR 5 crores.

Looking ahead to FY27 and beyond, we remain optimistic about the opportunities ahead. The long-term growth drivers for the electrical equipment industry remain very strong. India's focus on infrastructure, energy transition, manufacturing localization, industrial automation, smart grid, and electrification continue to create a very large addressable market for all our products and solutions.

Going forward, our strategic focus will remain centered on expanding our high margin industrial switchgear portfolio, scaling up our smart metering operations and strengthening our export and international business. With strong manufacturing capabilities, diverse product offerings and increased presence in future-oriented business, we believe Salzer Electronics is well positioned for sustainable long-term growth.

Before I conclude, I want to thank the entire Salzer team for their dedication and hard work. I also thank all our stakeholders, our customers for their support. This is all from our side now. We can now open the floor for questions.

Moderator

Thank you very much, sir.

We will now begin the question-and-answer session. Anyone who wishes to ask the question 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 the handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Disha Bhordia from Sapphire Capital. Please go ahead, ma'am.

Disha Bhordia

Hello. Am I audible, sir?

Rajesh Doraiswamy

Hello. Yes, madam. Good evening.

Disha Bhordia

Yes. Thank you so much, sir, for this opportunity. Couple of questions, sir. Firstly, on our EBITDA guidance of 10% for FY27. How confident are you of reaching this number? Because the last price hikes that you have taken was in seven months. We've seen April also had fair bit of volatility. So how protected are we? And are we planning any further price increase?

Rajesh Doraiswamy

Actually, a couple of quarters before we had guided that we will definitely reach 9.5-10% EBITDA margin. But unfortunately, I think there was a lot of situation that arose which was not under our control. So, we had to undergo the pricing pressure because of the commodity price increase in Q3 and in Q4 new situation that came up because of the Middle East war with the plastic price increase. So, these both have impacted, as I said in my speech, close to 2-3% of the margins because of the price hikes. Though we have done a very good pass on of close to 15% price increase in February 2026, but the actual impact will be seen only in Q1. And in Q1, again, I think now we are facing pricing pressure on the plastic. So, we are going in for another price increase in June 2026. So, I expect that margins will stabilize in Q2 of FY27.

Disha Bhordia

Any sort of numbers or what sort of price? In the June, how much?

Rajesh Doraiswamy

In June, we will be doing a price increase of close to between 7% and 10% for different products.

Disha Bhordia

And then so Q1, we might see a bit pressure and Q2 will stabilize?

Rajesh Doraiswamy

Yes.

Disha Bhordia

So, on an overall basis, we can for entire financial year, we're confident enough to reach 10%?

Rajesh Doraiswamy

9.5% is what we expect for this year.

Disha Bhordia

Okay. And how should one look at the growth sir and the contribution from the smart meter segment for FY27?

Rajesh Doraiswamy

Our existing businesses growth, we expect we will reach a top line of around INR 2,000 crores to INR 2,100 crores. That's what we are looking at. On the smart meter, I think we are not giving any commitment right now because we are working with a couple of large AMISP's customers. And as soon as we have an indication from them, then we will come back to you and inform you what's the prospects of smart meters.

Disha Bhordia

And in terms of exports, also we want to go back to that 25% sort of revenue mix for FY27. What will be the key markets that we'll be targeting and how are you looking at the overall export growth for this year?

Rajesh Doraiswamy

I think our largest export market is North and South America, number one, and number two is Europe. I think these two markets contribute close to half of our exports. We will continue to focus on these two markets apart from the Middle East business. Unfortunately, this year, YoY, I think our exports have been grown by around 5%, mainly due to the tariff issues from The U.S., which has dropped around 6% from last year. And also the Middle East crisis, which has reduced our business close to around 10-12% compared to last year.

Disha Bhordia

Okay. And sir, this energy, the EV charging business as well, what sort of margins do we see here?

Rajesh Doraiswamy

Actually, EV charging business, we are doing with our subsidiary, ultrafast chargers. Right now, I think we are continuing to do break-even business because of low volumes. Once the volume picks up, we expect that the EBITDA margin from these products will be between 12% and 15%.

Disha Bhordia

Okay. That is it, sir, from my side. Thank you.

Rajesh Doraiswamy

Thank you.

Moderator

Thank you, sir. The next question comes from the line of Mr. Koushik, an Individual Investor. Please go ahead, sir.

Koushik

Hello. Hi, sir.

Rajesh Doraiswamy

Hello, sir. Good evening.

Koushik

Sir, I just want to ask, I have two questions. First question is, what is the mix of B2B and B2C in wires and cables business?

Rajesh Doraiswamy

Our majority of our wire and cable whatever business that we are showing, I think this year our contribution was around 40%, full year. All the 40% is B2B. Our B2C business including the wires and cables

including all other products comes under the building segment business, which is around 5% of our revenue.

Koushik

And sir, is L&T our largest customer client concentration? What is the client concentration?

Rajesh Doraiswamy

Our single client concentration is Schneider Electric, which will be close to around 12% of our total revenue.

Koushik

And L&T and all will be down below 10%?

Rajesh Doraiswamy

L&T is now part of Schneider. And whatever business we were doing with L&T is the business that we are doing with Schneider, but that is not a single client concentration because that's distributed widely in the market by Schneider. So, we don't consider that business as a single client business.

Koushik

And sir, I have a, like, query. See, I'm looking your wires and cables business. And in last con call, someone asked what is the borrowing you're currently been using for wires and cables. You told them that you are using like 50%. I just -- I did some calculation. So out of INR 500 crores borrowings, I think around INR 200 to INR 250 crores we are using for the wires and cables business, which is like steady state you will be making around 6-6.5% EBITDA margin. And if I calculate the interest and everything, I think it will only make 1-1.5% PAT. Am I right? Or am I missing something?

Rajesh Doraiswamy

No, you're right actually. We will be making close to 2-2.5% PAT. Debt may not be 50% exactly because it's very dynamic because as other businesses grows, the net usage for other businesses also increases. Today, I think close to 60% of our revenue comes from industrial switchgear business. So, the net usage also might be a little higher with the switchgear business.

Koushik

And sir, but your 40% business, like, wires and cables is contributing only 10-15% of the PAT. So, is there any possibility to demerge both businesses? Because switchgear business is a high margin business and it has a lot of growth potential. Because we are not a net cash company. We are using, like, INR 250 crore debt only to generate some 1-1.5% to 2% PAT on a steady basis. You leave alone the FY26. So, is there any possibility to demerge and create some value for the stakeholders?

Rajesh Doraiswamy

We will look at topside. We take your suggestion. It's a good input. Definitely, I think others are also --

Koushik

Because debt is so much, sir. Because INR 500 crore to INR 250 crore, we are taking debt, and for bank itself you are paying INR 20 crores to INR 22 crores of interest for wires and cables and generating only INR 7 crores to INR 10 crores PAT. That doesn't help shareholders, sir. So, kindly take this suggestion.

Rajesh Doraiswamy

We will definitely take your suggestion in a positive. We'll see what we can do on that.

Koushik

Because I'm following some other companies like RR Kabel and everything, there are many companies, they are actually lean balance sheet and higher margin. So, the entire EBITDA is mostly flowing to the PAT that is creating value. But here we are not a debt-free company. So, taking debt from a bank and then deploying to a 5-6% EBITDA margin, it actually is not helping shareholders, sir. So that is the reason we are still at INR 1,100 crore market cap. And we would have the funds which are being flown to the power and energy sector is huge in Indian market. And I think we need to do something to unlock the shareholders' value.

Rajesh Doraiswamy

Suggestion taken, sir.

Koushik

Thank you so much, sir. Bye.

Moderator

Thank you, sir. The next question comes from the line of Mr. Bhagath N from Prospective Wealth Management Private Limited. Please go ahead.

Bhagath N

Thank you for the opportunity. Also, in respect to Tamil Nadu, what are your expectations for the business outlook regarding smart meter tenders? As a local manufacturer, do you have an advantage for Tamil Nadu smart meter opportunity?

Rajesh Doraiswamy

I think things are still evolving. So, I don't think there's any update on that front as of now, but I'm sure that the earlier tender will be canceled and the new tender will be floated for the smart meters. That's what we expect. So, we will have some clarity on this as we move forward in the next one or two months.

Bhagath N

Okay. But as a local manufacturer, do you have the advantage over other manufacturers, particularly for Tamil Nadu?

Rajesh Doraiswamy

Yes, there is always a class that gives us some advantage for some percentage of business for local manufacturers.

Bhagath N

Okay. Thank you for the answer. And my second question is, in our switchgear segment, could you please provide the approximate percentages, breakup of the cost of our key raw materials, say, plastic, silver, and copper?

Rajesh Doraiswamy

It will be difficult to provide that information here in the call as it might lead to some competitive information that I will not be able to disclose. But overall, on the switchgears, our gross margins stand at around 40%, 35-40%.

Bhagath N

Okay. And EBITDA margin is expected to improve in switchgear segment, going ahead?

Rajesh Doraiswamy

Yes. I think EBITDA margin, we were trying to get to around 13-14%, but unfortunately the situation is beyond our control, actually has continued to pull that down. We were at around 12% in Q3, which dropped around 8% now. Overall, I think next quarter, Q2 onwards, it might stabilize between 12% and 13%.

Bhagath N

Okay. Understood. And as you mentioned regarding Q1 also could be a little bit subdued with regards to margin. And is it -- we can expect the same margin as compared to Q4? Or is it going to be lower than that?

Rajesh Doraiswamy

No, it can be better than Q4, but it may not be as expected.

Bhagath N

Okay. Thank you so much for your answer.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. I repeat if you have any questions, please press * and 1 on your telephone keypad. The next question comes from the line of Mr. Ankit Kapoor, an Individual Investor. Please go ahead, sir.

Ankit Kapoor

Hello?

Rajesh Doraiswamy

Good evening, sir.

Ankit Kapoor

Good evening, sir. Sir, my question is actually the previous participant has raised. So, in other previous calls also I have raised this issue regarding debt. The debt or short-term borrowings especially. If you see FY26 short-term borrowings stand at INR 503 crores now. So, it's continuously deteriorating shareholders' value and net profit margin is just 3.1% this time. So, when can we expect this to normalize to up to 5% at least?

Rajesh Doraiswamy

Sir, your point is right. I think we will consciously see that our working capital that doesn't go beyond 25% of our total revenue. I think that's how we have been managing for a long time. Unfortunately, I think this year, like sometime back in during the COVID time and the previous financial crisis, global financial crisis times, we have exceeded that and we have touched around 30%. This year, I think there is a combination of events. I think one, because of the geopolitical tensions and the commodity price rise, our margins have dropped by close to around 2%. That is one. Second, I think the working capital and the CapEx debt that we have invested on the smart meter and the smart meter business not scaling up as expected has also impacted.

So, we expect all these things to get smoothened out in FY27, and you will see our overall debt levels coming back to 25 or below percentage for the overall revenue.

Ankit Kapoor

And sir, our trade receivables, they are continuously rising. So, any reason for that?

Rajesh Doraiswamy

Sir, as the business volume grows, I think trade receivables will continue to increase, but we will have to see what are our receivable days. I think we continue to maintain between 90 and 95 days of receivables.

Even if you take -- we have to consider our gross revenues when we look at the trade receivables. In that case, I think we are well below 90 days, which is reasonable for our industry.

Ankit Kapoor

Okay. And sir, the last question is, as the previous participant has said that please convey our message to the management to unlock the shareholders' value by demerging or do something anything like bonus share or something like that. That's also my concern.

Rajesh Doraiswamy

Definitely. I think that's also -- one of our main objective is to definitely increase the shareholder value and market cap. So, we will continue to work on that, and we have taken the suggestion positively. We will work on that.

Ankit Kapoor

Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. I repeat, if you have any questions, please press * and 1 on your telephone keypad.

The next question comes from the line of Mr. Balamurali Krishna from Oman Investment Advisors. Please go ahead, sir.

Balamurali Krishna

Hi, good evening.

Rajesh Doraiswamy

Good evening, sir. Go ahead, sir. Hello?

Moderator

I think Mr. Balamurali Krishna's line has disconnected. He is not in the line, sir. The line got disconnected. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

We have one more question from Mr. Kostav, an Individual Investor. Please go ahead, sir.

Kostav

Hey, hi. So, I just wanted to know why is the EBITDA margin for the wires and cable business so low? Like, there are other companies and they're almost double of the EBITDA margin that, like, we have. Like, if we are at 4-5%, they're around 8-9% -ish. So, any reasons for that?

Rajesh Doraiswamy

So, I agree with you. I think almost 70% of our business is B2B. I think that's one reason that our margins are lower. Secondly, if you see, I think we were also at around 6.5-7% a couple of years ago, just dropped now. I think the main reason is because of the increase in the commodity price. I think we used to make a certain absolute amount on a copper price of, say, INR 700. Today, we make an absolute amount on a copper price of INR 1400. So, as a percentage, I think it is dropping. But if you look at the absolute number, we have been growing as an absolute number.

Kostav

And then the business is not really generating any profit, right, if we factor the interest expense for that?

Rajesh Doraiswamy

I think in the previous question's answer I said we are making around 2-3% of PAT.

Kostav

Okay. One last question. So, you told that this year you will be exiting at 9.5% EBITDA margin. So, is it like an exit number? Or are you mentioning that for the whole year aggregate you will have 9.5% of EBITDA margin?

Rajesh Doraiswamy

Whole year. For FY27, guidance is what we are trying to achieve 9-9.5%.

Kostav

Is it 9% or 9.5%? Sorry?

Rajesh Doraiswamy

Between 9% and 9.5%.

Kostav

Okay, sure.

Moderator

Thank you, sir. The next question comes from the line of Mr. Balamurali Krishna from Oman Investment. Please go ahead, sir.

Balamurali Krishna

Hi, sir. Sorry, my line got dropped.

Rajesh Doraiswamy

Yes, sir. Good evening.

Balamurali Krishna

So, I've seen some positive comments from AMISPs. So they're expecting some good ramp up in the smart meter system. So how confident you are to get some good terms of business in this financial year? And you are already in discussion with some investors. What would be the approximate quantum you are looking for this financials?

Rajesh Doraiswamy

So the addressable market for smart meters is still close to around, I would say, 17 crore meters. We are talking to AMISPs, and we are addressing with this AMISPs requirement close to around 2 to 3 crore meters. So, we have to see what percentage of share of business we will get out of the discussion that we are doing with them. We are confident. I think we will scale up this business. And hopefully, by this year, we will have some very good news coming in on this business trend.

Balamurali Krishna

Okay, sir. Secondly, from these 22 crores, I think you have inventory at this short of the smart meter, which is I think for dispatch clearance. So, whether it is already dispatched or it's still under this only?

Rajesh Doraiswamy

No. Whatever we have done last year, we have done I think up to Q3, we have not done any business on that. Small invoices we are doing, but nothing significant.

Balamurali Krishna

So, on electric EV faster, just so you told that we have 100 digitals or it could be around the amount, but we didn't close the revenue. So earlier, our anticipation is to have a 100 digit adjusted per month. So how do you see this will be scheduled in FY27? What kind of revenue we can expect in the entire year?

Rajesh Doraiswamy

The entire year, I think we expect close to around INR 25 crores of revenue. That's what our expectation as of now. But as we move forward, if things work out well, we'll update you and we will tenderize our estimate as we move forward after Q1 or Q2.

Balamurali Krishna

Okay, sir. That's all now. Thank you.

Moderator

Thank you so much. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. I repeat, if you have any questions, please press * and 1 on your telephone keypad.

The next question comes from Mr. Rohit Ohri from Progressive Shares. Please go ahead, sir.

Rohit Ohri

Hi, team. A couple of questions from my side. The first one, being on this Saudi expansion, sir, if you can take us through what is the exact business model for Saudi operations?

Rajesh Doraiswamy

Hi, Rohit. Good evening. Regarding Saudi, I think the main reason that we wanted to get into there for manufacturing is because of the local government's insistence of Saudi-made products to be used in the upcoming projects in Saudi, one. Second, I think Saudi also has been growing at a very fast pace because of the large investments that they have been making in various infrastructure projects. So, we saw a lot of business opportunities coming up there if we be a local Saudi company and that is the reason that we went in there.

But unfortunately, as we started to implement the project that the Middle East war came up in February and then pushed our plants, delayed our plants by close to around now six months. So, we have restarted the process now. I think we have ordered for the capital equipments, machineries and things, tools and dice. So hopefully, by August this year, we will receive all those equipments, start installing and start operations from September or October this year.

Rohit Ohri

Okay, sir. While we probably might look at making Saudi as an export or maybe manufacturing up for GCC and MENA region, what sort of investments do you think that you will have to put in now? Because the earlier one must have been escalated, right? The price or the CapEx that you must have been thought of. So, what is the current CapEx that you will require now?

Rajesh Doraiswamy

We are not seeing any CapEx escalation because of the delay. We might see some minor additional OpEx that we will be spending because of this delay. Otherwise, there's no CapEx escalation. We still

continuously, I think we will be investing close to around INR 15 crores in Phase-1 to set up and start the operations.

Rohit Ohri

And in these investments, maybe by FY28-29, what sort of revenue do you anticipate from these developments?

Rajesh Doraiswamy

Currently, the Middle East and Africa business, we do an export business of around INR 24 crores. That's the revenue that we generate out of this region by exporting from here. So, we think that this can double over the next year, FY27-28.

Rohit Ohri

Because this also can provide an impetus to the exports, which we are generally talking about 25% of the revenues come from the export division. So, you think that you've been conservative with this number of 50 odd crores from the Saudi plant?

Rajesh Doraiswamy

I think Saudi plant, first year, we are little conservative. But overall, we are expecting that this Saudi plant has to generate INR 100 crores of revenue catering to the GCC countries.

Rohit Ohri

And these will be very much in line with the wires and cable business or you're going to be targeting only the switchgears?

Rajesh Doraiswamy

Right now, we are starting with switchgears. So, as we move forward, once the project is set up, then if there is a demand and there is operational feasibility, then we will start wires and cables there.

Rohit Ohri

Another development, sir, was with the synergies that we tend to see with Effilume and Aurawin. If you can just take us through that, what synergies do they bring to the core business?

Rajesh Doraiswamy

Effilume is an SPV that we promoted to implement the Bangalore Corporation street lighting automation project. So that's been a business that we have been doing for several years since 2010 until 2020. Then, we actually didn't take up any project post that. This was again another good opportunity that came up and then we have taken that project. So that's an SPV specifically for implementation of that project.

So, I mentioned that the revenues from that project will start growing from July, August of this financial year.

Rohit Ohri

And anything on Aurawin?

Rajesh Doraiswamy

On Aurawin, that's again another SPV that we have formed with one of the market participants in the smart metering business. We're trying to create this platform so that we can use this as a bidding company for upcoming future tenders, if any, for the smart meters. We're just getting ready so that, you know, because the smart meter tendering requires a lot of technical qualifications, financial qualifications to be fulfilled. So, we are treating this company as a bidding company in future with all the required qualification.

Rohit Ohri

And lastly sir, if we look at our LinkedIn page of Salzer Group or maybe the company we see that there are quite a lot of products that have been posted over there related to HVAC or maybe custom-built panels or ACDV or DCBV, which have some combining effects in the solar. So, if you can just take us through these new developments, are these absolutely new products? Or are they some sort of catalog products, which we have been already working on?

Rajesh Doraiswamy

On the R&D and product development, I think it's a constant process that we continue to vertically develop a lot of products within our existing product range. So, all these products are new developments, but not completely new. It's existing product, vertical new developments for some specific applications, like for HVAC, as you said, HVAC-specific application products or so in ACDC combo is a solar-specific product from our circuit breaker range and some of them from our contactor range. So those are the products that we continue to develop seeing the market opportunities and cater to those applications.

Rohit Ohri

So, do they come under the Salzer branding or do we do some contract manufacturing for some customers?

Rajesh Doraiswamy

Salzer branding. it's all our catalog products.

Rohit Ohri

Okay. Sir, last question from my side. At what ROCE threshold do you think that the management team would approve on new CapEx?

Rajesh Doraiswamy

I think our target is around 18% ROCE.

Rohit Ohri

And that would be by?

Rajesh Doraiswamy

That’s what we want to achieve.

Rohit Ohri

By which year? FY28 or FY29?

Rajesh Doraiswamy

This is a question I think we are working out to see how quickly we can reach that. But we want to see progress on this YoY. That's what we are expecting.

Rohit Ohri

It’s fair to assume by FY30, you will be targeting 18-20% of ROCE?

Rajesh Doraiswamy

Yeah.

Rohit Ohri

Okay. Thank you for answering my question.

Rajesh Doraiswamy

Thank you, Rohit. Thank you.

Moderator

Thank you so much, sir. The next question comes from the line of Mr. Shwaran Modi from Syndicate Family Office. Please go ahead, sir.

Shwaran Modi

Sir, I have a couple of questions. First question would be like what is the proportion of raw material expenses which is passed on to the customers by -- ?

Rajesh Doraiswamy

Sorry? Come again?

Shwaran Modi

What percentage of raw material expenses which are increased is passed on to the customers?

Rajesh Doraiswamy

Ideally, we want to pass on 100% of the increase to the customer. But fortunately or unfortunately, I think we are unable to do so in one shot and also at the speed at which the input increases. I think this time, the inputs increase also was not very constant. Now, they've been increasing on a weekly basis, fortnightly basis. So, we also were not sure what is the extent that the input is going to increase. So that's why we had to wait until February 2026. And I think the entire market did that. All our competitors did that. We did an increase in 2026. And now we are trying to do it in June again. So, I think in these two increases, we will be passing on 100% of our cost escalation to the customer.

Shwaran Modi

Right, sir. Also, can you tell me about how competitive is the organization globally in terms of pricing and certification in terms of product quality as well in terms of how competitive globally they are?

Rajesh Doraiswamy

I think in most of the products that we are in, we are in the top three, in terms of quality, in terms of pricing. We also command a premium for certain products because we are number one in the market. And the capabilities that we have is something that many of our competitors don't have and that's also one of the issues that our OEMs stick with us.

Shwaran Modi

There's a [inaudible 45:09]

Rajesh Doraiswamy

Sorry, I think you're not clear, sir.

Shwaran Modi

What is the complete MOAT of the organization in terms of globally well placed, which way they could say that the company is really we can differentiate among the peers?

Rajesh Doraiswamy

Our moat that we are the only company in this segment manufacturing this basket of products catering to our audience. I don't think there's any close competition that we have in the segment, except for the foreign competition. We have foreign competition, we have Chinese competition, we have companies from other countries who are competing with us.

Shwaran Modi

Right, sir. So, thanks so much for it. I'll join you in queue. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. We have a follow-up question from Mr. Koushik, an Individual Investor. Please go ahead, sir.

Koushik

Hi, sir. Hello? Can you hear me? Can you hear me, sir?

Rajesh Doraiswamy

Yes. Yes, sir. Tell me.

Koushik

What is the revenue mix you are expecting for FY27 between wires and cables and switchgears? Will it be the same percentage mix? Or there will be any change?

Rajesh Doraiswamy

Mostly, it will continue to be 55%, 40%, and 6%.

Koushik

Okay. Sir, another question is regarding the smart meter. So whatever order we have delivered for smart meter, are there any receivables left or we have received all the payments for what we have delivered?

Rajesh Doraiswamy

We have received all that for the contract, whatever that we have received except some 3% or 4% that will be held until eight years.

Koushik

Do we have any orders for inventory currently lying?

Rajesh Doraiswamy

We are expecting some orders. That's what I said. I think there's no guidance that I'm giving as of now until we are very clear and confident from our customer side.

Koushik

So are we holding inventory as on date or?

Rajesh Doraiswamy

Yes, we are holding inventory.

Koushik

Okay. And sir, what is the interest and the depreciation which you are expecting for FY27 for a normal business which you are telling like INR 2,000 crore top line and INR 2,100 crore. Will it be the same interest cost and depreciation like this year or there will be more comparatively because of the higher working capital requirements?

Rajesh Doraiswamy

Definitely, there will be higher working capital requirements. I think there will be an increase of at least 10% in the interest cost in my opinion, but that's what we expect. Depreciation should remain the same.

Koushik

What is the average interest cost we are paying to the banks for the short-term borrowing?

Rajesh Doraiswamy

8% approximately.

Koushik

Okay, sir. Thank you. That's all.

Moderator

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

Rajesh Doraiswamy

Once again, thank you everyone for your interest and time taken to come and attend this call and show interest in the company. Looking forward to our interaction in the next quarter. Thank you very much.

Moderator

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

Note: 1. This document has been edited to improve readability

2. Blanks in this transcript represent inaudible or incomprehensible words. ss