# SALZER ELECTRONICS LTD

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February 12, 2024

To

THE CORPORATE RELATIONSHIP DEPT
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Symbol: **SALZERELEC**

Dear Sir,

Sub: Transcript of the Earning Call on the Results of third Quarter / nine months ended 31.12.2023.

We wish to inform in pursuance of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 that the Company hosted an Earning Call with Analysts and Investors at 11.30 Hrs (IST) on Friday February 9, 2024 to discuss the financial results of the Company for the Third Quarter / Nine months ended 31.12.2023.

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.
Date: 2024.02.12 11:38:03 +05'30'

**K M MURUGESAN**
**COMPANY SECRETARY**

Encl : As above

“Salzer Electronics Limited's Q3 & 9M FY'24 Earnings Conference Call”

**February 09, 2024**

**MANAGEMENT:** **MR. RAJESH DORAISWAMY – JOINT MANAGING DIRECTOR, SALZER ELECTRONICS LIMITED**
**MR. P. SIVAKUMAR – ASSISTANT VICE PRESIDENT (MARKETING), SALZER ELECTRONICS LIMITED**
**MR. P BELLARY – ASSISTANT VICE PRESIDENT (BUSINESS DEVELOPMENT), SALZER ELECTRONICS LIMITED**
**MRS. R MENAKA –GENERAL MANAGER (ACCOUNTS), SALZER ELECTRONICS LIMITED**
**MR. KM MURUGESH –COMPANY SECRETARY, SALZER ELECTRONICS LIMITED**
**MR. JITENDRA VAKHARIA – DIRECTOR, KAYCEE INDUSTRIES**
**MR. RAMAN KRISHNAMOORTHY – CHIEF OPERATING OFFICER, KAYCEE INDUSTRIES**

**MR. RUPESH REGE – ADFACTORS IR**
**MS. POONAM SANGHAVI – PROGRESSIVE SHARES**

**Moderator:** Ladies and gentlemen, good day and welcome to Salzer Electronics Limited Q3 and Nine Months FY'24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

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

**Poonam Sanghavi:** Thank you, Nita. Good morning, everyone. On behalf of Progressive Shares, I welcome you all to the Q3 and Nine Months FY'24 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 Mr. Amit Sharma for the "Opening Remarks," to be followed by your "Question-and-Answer Session." Over to you, sir.

**Amit Sharma:** Thank you, Poonam. Good morning, everyone, and thank you for joining us today to discuss the "Unaudited Financial Performance" for the Quarter and Nine Months ended 31st December 2023 of Salzer Electronics.

I have with me Mr. Rajesh Doraiswamy – Joint Managing Director; Mr. P Sivakumar – Assistant Vice President (Marketing); Mr. P Bellary – Assistant Vice President (Business Development); Mrs. R. Menaka – General Manager (Accounts); Mr. KM Murugesh – Company Secretary; Mr. Jitendra Vakharia – Director, Kaycee Industries; and Mr. Raman – COO, Kaycee Industries.

I shall take you through the "Consolidated Financial Performance" of the Quarter and Nine Months ended December 2023 now:

During the 3rd Quarter, we achieved a 10% year-on-year growth in sales revenue, demonstrating the underlying strength of our business. Revenues increased to Rs.270.35 crores from Rs.245.60 crores in the previous corresponding period. This growth was driven by Wires & Cables and Industrial Switchgear businesses. Growth in the sector led to demand for products like building wires and agri cables which contributed to the most of this increase. However, sequentially, there is a decline of 4% compared to the previous quarter. The reason being, our OEM sales slowing down and our exports also declining by 30%.

EBITDA excluding other income saw an impressive growth, increasing by 25% year-on-year and 17% quarter-on-quarter. EBITDA was at Rs.31.02 crores in Q3 FY'24 as against Rs.24.90 crores in Q3 FY'23. The EBITDA margin for the quarter stood at 11.48%, up from 10% a year ago, mainly on account of reduced material cost in Switchgear business division. The profit after tax grew by nearly 28.11% YoY to Rs.13.48 crores in Q3 FY'24. PAT margins also improved 1.3% compared to the previous quarter and 700 basis points compared to previous year.

Coming to our nine months “Financial Performance”:

In the nine months ended December 2023, net revenue in nine months FY'24 stood at Rs.839.74 crores as against Rs.734.36 crores in nine months FY'23, YoY growth of 14.35%, driven by business from industrial switchgear and wires and cables segment.

The EBITDA which is excluding the other income stood at Rs.83.90 crores in nine months FY'24 as against Rs.71.23 crores in nine months FY'23, a growth of 17.78% mainly on account of reduced raw material prices as well as increase in sales price. The EBITDA margin at 9.99%, saw an increase of 29 basis points for the nine months.

The profit after tax was at Rs.33.75 crores in nine months FY'24 as against Rs.29.77 crores in nine months of previous year, a YoY growth of 13.36%. The PAT margin stood at 4.02%.

Moving on to the “Breakup of Revenue”:

As per the business divisions, the industrial switchgear division contributed 54.80% to the overall revenue in this quarter and 55.03% in the nine months FY'24. This business grew 3.5% YoY in Q3 FY'24 and 14.4% YoY in nine months FY'24. The EBITDA margin for this business division stood at 14.60% in Q3 FY'24 and 12.39% in nine months FY'24. Margins improved almost 2% points compared to the previous year.

In Q3 FY'24, our Three Phase Transformers sale was flat YoY; however, in nine months FY'24 it grew at about 67.85% and Wire Harness business grew 60.12% YoY and 52.77% in nine months FY'24.

The Wires and Cables division contributed nearly 39.02% to our revenue this quarter and 39.10% in nine months FY'24, that is an increase of 23.24% YoY in this division during the quarter and 18.73% in the nine months period of FY'24. The EBITDA margin for this division stood at 8.13% in Q3 and 7.17% in nine months, again, a 2% improvement compared to the previous year same period.

The Building Products division has contributed 6.18% to revenue in this quarter and 5.87% in the nine months. This business is the only B2C business that we have where we are all selling many electrical products for the building sector. Due to a higher sales outstanding, we are slowing down sales to specific distributors for this division and also there is a reorganization of the team and channel which leads to improved growth trend in the coming quarters is what we suppose which will help us increase our contribution from this segment.

On the “Exports” front this quarter:

The export share of revenue was nearly 24.50%, for this nine months export share of revenue was 27.69%. Growth in export was 26% YoY. However, in Q3 FY'24, exports declined by about 5% YoY.

Now, that's all from my side. I would like to now hand over the call to "Rajesh to take us through the Business Developments and Way Ahead." Over to you, Rajesh. Thank you.

**Rajesh Doraiswamy:** Thank you very much, Amit. A very warm welcome to everyone for the Salzer Electronics Limited 3rd Quarter Earnings Conference Call.

Thank you all for taking time to join us today. I think the "Results" have been shared, "Updated Presentation" also have been shared. Hope you all must have gone through it.

I would like to share "Some Recent Developments and the Outlook for the Future":

As we are almost in the middle of Q4 and stepping into the Fiscal Year of '24-25, it is imperative to gain insights into the anticipated trajectory of the global market scenario. For us, I think it's a very cautiously optimistic view, the market is poised to undergo moderate growth driven by several key factors. As economies rebound from various geopolitical tension, surge in investments is expected in various construction infrastructure project across the world, and particularly India. This will in turn escalate the demand for all electrical products, including wires and cables.

Also, the global shift towards clean energy is fostering investments in renewable energy projects. The widespread adoption of automation and smart technologies across industries is fueling demand for specialized electrical components, wires and cables that support high speed data transmission and connectivity.

Currently, the ongoing geopolitical tensions exemplified by the US on Red Sea war introduce new uncertainties that can disrupt global markets and supply chains, potentially leading to higher prices and shortage of raw materials, escalating prices of key raw materials such as copper, aluminum, silver, plastics, etc., or exerting pressure on manufacturers margin and could translate into higher prices for finished products.

Following the COVID-19 pandemic, global supply chains have been disrupted by Russia-Ukraine conflict and then the Israel Hamas war, and more recently, the Red Sea disturbances. These events have exposed vulnerabilities in supply chains, leading to delays in deliveries and shortages of crucial components. This disruption poses a significant threat to the production and availability of various components and raw materials across the world.

Now, coming to the "Key Developments" that has happened at Salzer in the last quarter:

During this quarter, the overall market faced a slightly slow pace, especially in the industrial switchgear sector, influence the global geopolitical uncertainties and economic slowdown in the US and Europe. Despite these challenges, our industrial switchgear business as well as the wires and cables business grew. The notable increase in demand for wires and cables was mainly driven by both building wires and the agri market cables.

While the numbers reflect a slight slowdown sequentially in our growth, particularly in comparison to the previous quarter, we remain confident in the long-term potential of the business. The increase in EBITDA and PAT coupled with improved margins underscores our ability to navigate challenges and capitalize on the opportunities.

I'm also very happy to share an update for our joint venture company, Salzer Kostad EV Chargers Private Limited. The company has completed the development of DC Fast Chargers, which is suitable for various types of cars. The charger has almost completed the testing at the Automotive Research Institute in Pune, and we expect to launch and bring the product into sale in the current quarter. This strategic move not only solidifies our positions in the rapidly evolving electric vehicle charging industry, but also demonstrates our commitment to pushing the boundaries of technological advancements. We believe that this infusion of capital into this joint venture is not just a financial transaction, but a strategic step that aligns seamlessly with our long-term vision.

Recently, we also secured a patent for our product, Heavy Duty Energy Efficient Automatic Changeover which is listed in our building segment business. This patented innovation made its debut in the sales in 2016. This is a very precise solution crafted to effectively manage the distribution of generator power, the backup power in the residential building. Its function is to help prevent overloading on the generator. This product has benefited in revenue generation of around 10 crores so far and it is a high-end product that will help the company thrive in the future.

As far as our “Subsidiary”:

KAYCEE Industries Limited is concerned, the sales have been growing consistently and the EBITDA margins are also improving. Kaycee's top line grew 20% year-on-year to Rs.12.3 crores in Q3 of this financial year from Rs.10.2 crores in the last year. EBITDA grew 40% year-on-year to Rs.1.62 crores in Q3 FY'24 from Rs.1.16 crores in the previous year 3rd Quarter. PAT margins were also at an impressive 8.59% this quarter, an improvement of 23% over the previous year Q3.

As we approach the last quarter of this fiscal year, we acknowledge the increasing challenges and slight slowdown in the Indian markets as well as the western markets. However, we are well positioned with the diverse product portfolio to continue the growth that we have been having. Our enduring partnerships with key global players also will provide stability during these challenging times.

Looking ahead:

We are optimistic about the medium to long term prospects of the company despite near term adjust. We see significant potential for growth and value creation driven by our strategic incentive initiatives like our foray into EV charging along with diversification of products into various new sectors, one, including the HVAC sector that we have done recently, and the renewable sector.

I thank my entire team at Salzer Electronics for their untiring efforts and all our stakeholders for their continued support and faith in our company.

Thank you all once again for your support and now let's take questions.

**Moderator:** We'll now begin the question-and-answer session. The first question is from the line of Rithesh Oswal, an individual investor. Please go ahead.

**Rithesh Oswal:** Your Q3 revenue is Rs.270 crores and inventory is Rs.290 crores. As per industry standard, it should be below Rs.100 crores because it's not a high margin business causing 73%. Any reason for high inventory?

**Rajesh Doraiswamy:** Our inventory days have remained almost same compared to what it was in March or September at 90 days. When we look at the inventories and the receivables, I think we have to annualize the sales. So, it's basically Rs.290 crores of inventory is for the annual revenues of approximately Rs.1,100 crores that we might achieve.

**Rithesh Oswal:** Because there is fluctuation in metal, plastic polymer, nobody in the industry is maintaining such large inventory. Unable to digest, 290 crores inventory and 270 crores sales.

**Rajesh Doraiswamy:** I repeat that, I think 270 crore is a three-month sale. As an industry, I think we have been consistently maintaining an inventory of close to actually 110 days, which has now been reduced to 90 days. At the max, we will be able to reduce another 10 days of inventory on the annual sales. So, that's the industry standard for this business that we are doing.

**Rithesh Oswal:** Yes, if you are reforming the supply chain, you can reduce till 30, 40 days, so ROC will be increased.

**Rajesh Doraiswamy:** Won't be possible sir because our process time for the product production itself is close to around 30 to 45-days.

**Rithesh Oswal:** I know about copper wire. It's not a long duration process. It's not chemical industry or a construction industry you would need such long inventory. Because the major raw material is your metal products. It's okay.

**Moderator:** The next question is from the line of Devansh Singla, an individual investor. Please go ahead.

**Devansh Singla:** Yes, I wanted to ask like that the company want to expand in charger business, any electrical vehicles. I want to ask what are the risks on the swapping of batteries, they are getting traction in the market right now?

**Rajesh Doraiswamy:** You're asking, are we getting into swapping batteries?

**Devansh Singla:** What are the risks there? Like you are getting into the charger unit, battery is getting more traction in the market right now with the new startups coming in?

**Rajesh Doraiswamy:** Yes, sir. I think EV business is still evolving. I think there will be a lot of new technologies that will keep coming up. But looking at the most developed countries, what has happened though over the last four to five years, I think charging business will remain because swapping of batteries for four-wheelers and buses and trucks might not be an easy solution. So, I think charges will continue to be good.

**Devansh Singla:** But in a country like Vietnam, there is 90% of the charging through swapping only?

**Rajesh Doraiswamy:** Mostly for the two wheelers.

**Devansh Singla:** Yes, in two wheelers.

**Rajesh Doraiswamy:** Yes, but whereas we are concentrating on a four-wheeler charging, buses and trucks.

**Moderator:** The next question is from the line of Balamurali Krishna from Oman Investment Advisors. Please go ahead.

**B Krishna:** My first question is regarding the DC chargers. So, we are going to launch in this quarter. So, do we have any orders in place to supply or any talks with any other customers for the immediate revenue potential there?

**Rajesh Doraiswamy:** We don't have orders in hand, but we are in talks with multiple potential charge point operators in the country to give our chargers for the evaluation and supply.

**B Krishna:** What could be the revenue potential of this segment to scale up, fully ramp up production of the chargers in FY'25, '26?

**Rajesh Doraiswamy:** It is very, very difficult to estimate the revenue potential for a product like this, because of the way that the market is operating at this point. But the potential is immense. We see the total market size to be close to 2 lakh chargers in the country over a period of the next 3-4 years. Two lakh chargers mean it's kind of more what I would say, each charger will be costing anywhere between 7 to 10 lakhs is the cost of the charger when you can imagine the market size. So, that's the market size that we are seeing in the country. But what revenue the company can generate in the next two to three years is very difficult to estimate at this point of time. Maybe a couple of quarters down the line, we will be in a better position to say where we stand. As far as the capacity is concerned, we have a capacity to produce 100 chargers a month at this point of time.

**B Krishna:** Regarding the margins, do you see any uptick in the upcoming quarters because of the softening of this metal?

**Rajesh Doraiswamy:** Yes, I think we're back at (+11%) EBITDA margin levels as of now, and I think this will continue for the Q4, and going into the next quarter, we might see some improvement further on this.

**Moderator:** Next question is from the line of Senthilkumar from Joindre Capital. Please go ahead.

**Senthilkumar:** My first question is what is our freight cost for this quarter sir? I'm asking this in the context of Red Sea issue. Do we face any impact due to this situation?

**Rajesh Doraiswamy:** You're talking about the outbound and inbound freight cost, correct?

**Senthilkumar:** Yes, sir, you are right.

**Rajesh Doraiswamy:** I think more or less it has remained flat compared to last year nine months and this year nine months.

**Senthilkumar:** So, right now we are not facing any challenge in the supply chain, am I right?

**Rajesh Doraiswamy:** I think whatever is happening now will get reflected in the coming quarter.

**Senthilkumar:** My second question is, I could see there is 29% degrowth revenue from Asia region on sequential basis. Any particular reason for that sir, because we don't have any supply chain issues in the Asia region, right?

**Rajesh Doraiswamy:** You you're talking about the export revenue, right?

**Senthilkumar:** Yes, on sequential basis, particularly in the Asia region?

**Rajesh Doraiswamy:** I think it is not 29%, I think it is 19% in Asia, it has declined. Overall, our exports have declined considerably in this quarter sequentially I think we are seeing a complete slowdown in the US and Europe mainly. I think that is having an impact across the world. That is the reason that we are seeing a slowdown in overall all markets. I think the Middle East for us has declined, Asia, Europe, all markets have declined in this quarter sequentially, but year-on-year in nine months, I think we are still flat I would say compared to last year.

**Senthilkumar:** Do we see any on the recovery side?

**Rajesh Doraiswamy:** We will have to wait and watch because I think it's the election year in many countries and the information that we hear from our customers, particularly from the US, is that the markets are not that very good. Until six months September things are actually not bad. But now I think they feel the heat and then looks like the markets are slowing down in US. So, we will have to wait to see when this can improve. I expect that it will continue like this in Q4 and maybe we can see some improvement from Q1 next fiscal.

**Senthilkumar:** What is your gross debt as on December 2023, sir?

**Rajesh Doraiswamy:** It remains as it is like last quarter at Rs.280 crores.

**Senthilkumar:** This includes the term loan, right?

**Rajesh Doraiswamy:** No, term loan is additional Rs.9 crores.

**Moderator:** Next question is from the line of Vibin Abraham from Integrated Technologies Private Limited. Please go ahead.

**Vibin Abraham:** The building segment revenue for the nine months has come down from 7.8% of the overall business to around 5.9%. And I understood that you have reduced it purposefully because you're facing collection issues. So, if this segment is a very profitable one, then what are we trying to do about it to make the changes and improve that business segment?

**Rajesh Doraiswamy:** I think as we mentioned in the call that we are trying to reorganize a little bit both our team as well as the channel. I think since being a retail business, and in the retail business, we not being a very, very strong brand as of today. We are definitely facing some collection issues with the specific distributors. So, that's one of the reasons that we have specifically not gone very aggressive on sales. And the result is that I think the sales is stagnating at around Rs.16 crores for the last four or five quarters. The idea is to ensure that we don't lose money because of collection issues, at the same time, we are trying to improve on the quality of the distributors, and also trying to see how we can approach the customers directly to do this business. So, those are the things that we're doing. Hopefully from next fiscal onwards, we will see growth coming in. However, I would like to mention here that if you look at a year ago FY'22 to FY'23, I think we have seen almost 55% growth. That means we are already operating on a higher base for FY'24. So, we have to stabilize a little bit this year before we continue to grow at the same pace.

**Vibin Abraham:** What would be your guidance approximately for the next year in revenue?

**Rajesh Doraiswamy:** For building segment or overall company?

**Vibin Abraham:** Overall.

**Rajesh Doraiswamy:** I think this year itself, our guidance when we started this year was close to 20%. However, I think on a consolidated basis we see we are growing at around 14% as of now, though, the profitability has improved. We expect that we will close this year at close to around 14%, 15% growth. Next year, we expect that it is most of the hindrance that we are facing now will be over, and with whatever work we have done in this year, can give us a growth of anywhere between 18% to 20% for next year.

**Moderator:** The next question is from the line of Rohit Dubey from RD Capital Group. Please go ahead.

**Rohit Dubey:** So, I have a question regarding the business potential. When we talk about the growth in future and margin improvement, may I know how much is dependent upon the external factors like fall in raw material and industry growth, and how much is dependent upon the efforts that we're making? And I would also like to understand the efforts that we're making as a company to improve our sales in ROC?

**Rajesh Doraiswamy:** The external factors might impact our top line growth if there are major untoward incidents that can happen across the world, the economy is not growing like they expect US to go into recession, but it has not really gone into recession, but there is a slowdown. Those kind of things might definitely impact the top line growth. However, I would like to stress that as a company, we are quite spread out, there is no concentration of business for us in any country or any customer beyond 8% at the max today on the total revenues. So, that gives us a very good spread for us. But if we see a volume growth of close to 20%, 25%, then we can expect a good margin improvement on the EBITDA level.

**Rohit Dubey:** One follow up question is regarding this 20%, 25% growth you might see. So, what will be the catalyst for that growth I would like to understand that?

**Rajesh Doraiswamy:** Basically our products are used in the infrastructure. So, basically the infra growth will fuel demand for all our products.

**Rohit Dubey:** So, mostly dependent upon the industry?

**Rajesh Doraiswamy:** Yes.

**Moderator:** Next question is from the line of Pranay Gandhi from Green Portfolio. Please go ahead.

**Pranay Gandhi:** Sir, I just firstly want to touch base back with the EV charger side of the business. Previously, the management was contemplating the business plan and I believe as you just mentioned that we are looking to supply to charge point operators. So, with that side of business, have you totally closed the other angle where you were looking to set up your own infrastructure and charge points?

**Rajesh Doraiswamy:** No, we have not closed it, but our focus right now is to establish the product quality and the reliability. So, we will start doing sales of the product to charge point operators in the first phase. At the same time, I think we're also exploring to see how we can become a large charge point operator. I think that business is completely at a different dynamics than to manufacturing, because we're completely shifting the whole scenario from a manufacturing company to a service providing company and which needs enormous capital, which needs a complete different dynamics. But we are not closing the chapter, we're keeping it open, and we are exploring it.

**Pranay Gandhi:** Sir, what is the per piece cost of the EV chargers and how many kilowatts are we talking about?

**Rajesh Doraiswamy:** Our capability is to produce starting 30 kilowatts and go up to 240 kilowatts in multiples of 30 kilowatts. Pricing, I think the 30 kilowatts will be anywhere between 5 lakhs to 6 lakhs and 60 kilowatts will charge between 10, 11 lakhs and going upwards like that.

**Pranay Gandhi:** I believe since the current capacity is 1,200 units, even with 30 kilowatts, if we consider, it gives the top line of around Rs.70 crores. And I understand the fact that we are just going to test it in this quarter itself. But how do you see it growing considering the fact as you had already mentioned that there's immense potential on this side of the business from 70 crores and I understand previously you have mentioned that it has the potential for the company to reach 500 crores. So, firstly, if you have to expand the manufacturing capacity, how much would it cost? And if you could just explain the matrix, how do you see the growth moving forward in this side of the business?

**Rajesh Doraiswamy:** My opinion, I think this is not a very high CAPEX-intensive industry. This is a more technology-oriented product. As you rightly said, if we do all 30 kilowatts, we are a 70 crores revenue capacity as of now or if we do all 60 kilowatts actually we always keep 60 as a benchmark barometer, 60 kilowatts if we do, then it's 120 crores revenue capacity that we have as of now. So, to take it five times more, we expect that there should be a CAPEX of between 70 to 100 hundred crores at the maximum level I'm talking about it can be, it has to be lower than this to achieve 500 to 600 crores top line.

**Pranay Gandhi:** Probably in the future, if the company decides to set up its own infrastructure, what would be the expenditure related to it?

**Rajesh Doraiswamy:** That's the whole different ball game. You mean to say that when we become our own charge point operators, correct?

**Pranay Gandhi:** Yes.

**Rajesh Doraiswamy:** That's a whole different ball game because suppose you want to install 1,000 chargers at 10 lakhs, you know how much it works out to. So, it's close to 100 crores investment. And 1,000 chargers as a charge point operator is a very small quantity. So, that's whole different ball game that that we are looking at, that should be done. We would like to become a charge point operator, but then when we come to that stage I think we will make a plan and I expect that we will do that through a subsidiary of company.

**Pranay Gandhi:** Previously, you have mentioned that in an ideal case scenario target would be doubling the top line in next three years. So, with the current product portfolio that we have, do you think that sort of revenue is achievable considering the fact that this year we'll be doing 14% and the next year would be 18%, doubling the revenue over the next three to four years seems far fetch as of now?

**Rajesh Doraiswamy:** I really don't see it as a big challenge. Definitely, we are constantly doing a lot of things, getting new products into the line, adding new customer sectors as our customers, so that's a constant work that we are doing. We are still confident to double our business from 1,000 last year FY'23 to 2,000…I didn't say three years, I think three to four years was our target. So, internally we have three years, but we would like to commit four years. So, definitely, I think in four years from last year, we are still confident that we will be able to double this with whatever we are doing now.

**Moderator:** Next question is from the line of Mohit Doshi, individual investor. Please go ahead.

**Mohit Doshi:** Actually, I had just three questions. So, actually in this quarter the wires and cables division grew at a robust growth. So, could you please let us know if this was basically due to a particular product or just a random reason?

**Rajesh Doraiswamy:** No, I think wires and cables business have not been growing very well in the last few quarters because of various reasons which has again found its place and I think the agri market cables in this quarter, it's also a seasonal quarter, it's one of the reasons that it has grown well this quarter. And year-on-year also, I think last year was not a great year for entire agri cables. So, because of that year-on-year also, we see 18% growth and most of this growth is because of volumes and not in price.

**Mohit Doshi:** Second question was related to interest rates. So, finance cost has been up by almost 4.8% quarter-on-quarter and almost 30% year-on-year. So, is there any particular reason or it's just for working capital it's being used?

**Rajesh Doraiswamy:** There are two things that has happened. One, I think the overall borrowing also has gone up by around Rs.20 crores compared to last financial year. Secondly, the Indian rupee interest rates in India have gone up by around 1.5%. and also, the dollar interest rates have gone up by close to 2, 2.5. I think that is the impact that we are seeing in the finance cost.

**Mohit Doshi:** So, the year-on-year growth in the EBITDA and EBITDA margin has been about 24% and 120 bps almost respectively. So, any particular reasons for those numbers?

**Rajesh Doraiswamy:** I think in this quarter, if you see, we have considerably reduced the raw material cost. I think that is the main reason for the increased EBITDA margin. And this has happened because of the constant reduction in material cost that we have been working on and also the increase in sale price to close to around 3% that we have got in the last several quarters.

**Moderator:** Next question is from the line of Devansh Singla, individual investor. Please go ahead.

**Devansh Singla:** I have recently started tracking this company. I am very interested in this EV business. I asked the question before also. I wanted to know if you are just thinking of any partnership with four-wheelers or commercial vehicle manufacturers like Tata or Mahindra?

**Rajesh Doraiswamy:** No, I think we have not really worked on that but at the same time, we also don't see a big potential that the automotive makers will get into partnership with the charging manufacturers because that –

**Devansh Singla:** Like that now there is a BluSmart they are having four-wheeler taxis; they are having their own fleet of charging stations -

**Rajesh Doraiswamy:** That's a different story. I'm talking about automobile manufacturers. I don't think they will be interested in any chargers of the kind that we are making. But yes, the fleet operators might.

**Devansh Singla:** Yes, you can act as a fleet operator and –

**Rajesh Doraiswamy:** They are a potential customer.

**Devansh Singla:** Like different automobile manufacturers have their different patent for chargers like they're in mobile micro-USB type. See, there are different chargers for EVs like Ola and Uber in two wheelers.

**Rajesh Doraiswamy:** We are not getting into two-wheeler chargers. We are only into the four-wheeler, buses and truck chargers.

**Devansh Singla:** So, your charging stations will be there which will help these automobile manufacturers, the charging pins you will be compatible with those?

**Rajesh Doraiswamy:** Yes, with all the cars.

**Devansh Singla:** But there will be no partnership with these fundamental partners?

**Rajesh Doraiswamy:** No, not required to be.

**Moderator:** Next follow-up question is from the line of Balamurali Krishna from Oman Investment Advisors. Please go ahead.

**B Krishna:** Could you please update on this Hosur plant to -?

**Moderator:** Your voice is not coming clearly.

**B Krishna:** Could you please update on this Hosur plant capacity utilization levels as of now in this cable harness business?

**Rajesh Doraiswamy:** I think on average; all of the plants are currently operating at around 70% capacity.

**B Krishna:** On the EV chargers, I think EVEY Trans is the biggest operator as of now because they are covering the entire Mumbai region. So, are we in talk with them for the chargers -?

**Rajesh Doraiswamy:** Which company?

**B Krishna:** EVEY Trans 45:00 which is a collaborator, the subsidiary of Olectra, they have around 9,000 buses order from the Mumbai suburban area.

**Rajesh Doraiswamy:** No, we are not in touch with them as of now, but maybe I've noted it.

**B Krishna:** Olectra is going to supply approximately 8,000 buses to the Mumbai region. So, there the EVEY Trans is the operator. Better maybe you can get some opportunity over there.

**Rajesh Doraiswamy:** Yes, yes, definitely. I'll. I'll note it down and thanks for this information.

**B Krishna:** In this FY'25, so we are starting with 30 kilowatts chargers, so we can expect some higher kilowatt chargers in FY'25 itself or maybe it will take some time to get those chargers?

**Rajesh Doraiswamy:** No, we are already ready with 30, 60 we can produce this up to 90 right now and we can also produce 120 and 240 in a couple of months' time.

**Moderator:** Next question is from the line of Nikhil Gupta, individual investor. Please go ahead.

**Nikhil Gupta:** Sir, the wires and cables divisions have grown approximately 23% to 25% in this quarter. I just wanted to understand which products particularly in this segment have contributed to this growth if you can help me out?

**Rajesh Doraiswamy:** Yes, I think the top line growth has come mainly because of the wires and cables because the switchgear business division has only grown around 4%, but the wires and cables division has grown around 25%. So, the overall growth of 10% is mainly because of the wires and cables in terms of revenues. However, in terms of profitability, if you see, I think our EBITDA in the switchgear division in this quarter has gone up to around 14.5% compared to 12.8% in the previous year and actually sequential quarter it was only around 11.5%. So, there is a substantial improvement in the EBITDA margin for the switchgear division. On the wires and cables also we are seeing improvement in EBITDA margin close to around 1% point year-on-year as well as sequentially. That's the greatness, sir.

**Nikhil Gupta:** Also, the exports have declined sequentially. So, is this specifically due to the geopolitical tension or any other reason must be there?

**Rajesh Doraiswamy:** No, I think it is a combination of both; geopolitical tensions as well as the general slowdown in the western markets because of the inflation which they have been talking for many quarters now, I think we are really seeing it right now.

**Nikhil Gupta:** And if we focus on the growth and expansion phase, so any key geographical market or a region that we are targeting upon to reach?

**Rajesh Doraiswamy:** We are working on various new products and markets. I think we were targeting the Australia, New Zealand market for the last year which we have secured some good business there which benefits of that we are seeing this year, and it will continue to grow next year. Next is I think we are also focusing on Saudi Arabia and also many other Middle Eastern countries where we are seeing potentially high growth in the coming years.

**Nikhil Gupta:** So, one last bookkeeping question on my side. So, what are the inventory debtors and creditors days as of December, if you could help me?

**Rajesh Doraiswamy:** Sorry, say that again.

**Nikhil Gupta:** What are the inventory debtors and creditors days as of December if you could tell me?

**Rajesh Doraiswamy:** Inventory days are at around 91 days right now, same as 91 days in September. Receivable days are at 94 compared to 96 in September.

**Moderator:** The next question is from the line of Nihar Mehta, individual investor. Please go ahead.

**Nihar Mehta:** I noticed on the revenue part, there was an increase. I have joined late. If you could reiterate, what are the key drivers for our revenue growth? But also mentioning as it has increased somewhere around 9%-odd, but it also been dropped by 4.1% sequentially. So, if you could highlight the reasons for that?

**Rajesh Doraiswamy:** I think consolidated revenues increased 10% compared to the previous year and quarter-on-quarter, it has declined 4%. This year-on-year revenue increase in the business divisions if you see our switchgear division increased around 4% compared to last year 3rd Quarter, and the wires and cables increased 23% compared to last year 3rd Quarter. So, primarily the 10% increase has come because of the good business that we have secured from wires and cables industry on the revenue front.

**Nihar Mehta:** Also, on the employee expenses side, have you hired or are you planning to extend your human capital in terms of team building because I saw there was a significant increase on a YoY basis in terms of employee expenses?

**Rajesh Doraiswamy:** Yes, I think we have a year-on-year increment that we give, that has that has been accounted for, and of course new people in place. So, these are the two reasons for increase in the overall employee cost. However, any cost of employment in terms of percentage to sales remains at around 3.5%.

**Nihar Mehta:** Also, I observed that there is a small reduction in our raw material prices. So, are we purchasing the raw materials in bulk just because we're getting it at a lower price or how it is like impacting our revenue?

**Rajesh Doraiswamy:** Overall, I think post the pandemic scenario, the raw material prices started dropping, I think the impact of which is now being seen, one. And secondly, the increase in our sale prices to some extent on an average around 3% is also having an impact on the reduced consumption.

**Nihar Mehta:** And what all is included in the other income, because I saw a significant jump in that line item also, so if you could highlight?

**Rajesh Doraiswamy:** The other income mainly includes dividend receipt from our investments and foreign exchange rate difference and also some profit on sale of investments.

**Moderator:** The next question is from the line of Parth Patel, an HNI. Please go ahead.

**Parth Patel:** Sir, wanted to understand when do you expect the switchgear business growth to again pick up? And secondly, on the wires and cables side, do you expect similar growth to continue?

**Rajesh Doraiswamy:** Wires and cables, yes, I think we will hopefully continue to grow between 15% and 20%, that's what we expect for the full year as well as for the next few quarters. Switchgear, ideally speaking, it has to grow 15% to 20% year-on-year, but for our decline in exports and also a slowdown in the Indian market. So, we think Q4 might also be a little bit similar to what we saw in Q3 or a little better than Q3. But going forward for next year, we definitely expect the overall business to grow at 18% to 20%.

**Parth Patel:** Just a follow up question on that. So, in India as such we are hearing a lot on the infrastructure side and a lot of projects, etc., are also picking up. I do understand with upcoming elections some of them might be stalled or delayed. But is it linked to the infra-activity in India because that seems to be doing well?

**Rajesh Doraiswamy:** So, it is linked to the infra-activity. As I said I think last year we had very good growth on the switchgear business close to around 33%, 34% growth on the switchgear business. So, that means that we are looking at a higher base and then growing it from further at that base onwards. And particularly last year Q3 and Q4 was a very good quarter for switchgear business for us. So, again, we are looking at a higher base and try to grow from there. So, that's where the growth percentage is coming down for this quarter. But nevertheless, I think we will definitely get back to around 15%, 20% growth rate in the switchgear industry in the coming quarters for next year.

**Parth Patel:** And on the EV charging side, sir, in last concall you were mentioning that you are looking at the GTM approaches, so whether to partner with someone or go direct to the consumer, etc., So, have we finalized the roadmap as to how you're going to roll it out in the next one or two years?

**Rajesh Doraiswamy:** No, as I just mentioned in the call, we will first start try and sell the chargers to the charge point operators and various consumers, customers who would like to buy and install, that will be the first phase of business that we will do from this company. Secondly, we will also try and explore how we can become a charge point operator.

**Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Rajesh Doraiswamy for closing comments.

**Rajesh Doraiswamy:** Thank you very much all of you for your interest in the company. Looking forward to interacting with you again for the next quarter. Thank you, all.

**Moderator:** On behalf of Progressive Shares, that concludes this conference. Thank you for joining us. You may now disconnect your lines.