“Salzer Electronics Limited

Q2 & H1 FY27 Earnings Conference Call”

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MANAGEMENT: **MR. RAJESH KUMAR DORAISWAMY – JOINT MANAGING DIRECTOR – SALZER ELECTRONICS LIMITED**
MR. K. RAMAN – CHIEF FINANCIAL OFFICER – SALZER ELECTRONICS LIMITED

MR. P. SIVAKUMAR – ASSISTANT VICE PRESIDENT, MARKETING – SALZER ELECTRONICS LIMITED
MRS. R. MENAKA – GENERAL MANAGER, ACCOUNTS – SALZER ELECTRONICS LIMITED – SALZER ELECTRONICS LIMITED
MR. K.M. MURUGESH – COMPANY SECRETARY – SALZER ELECTRONICS LIMITED
MR. JITENDRA VAKHARIA – NON-EXECUTIVE DIRECTOR – KAYCEE INDUSTRIES

Moderator: Ladies and gentlemen, good day, and welcome to the Salzer Electronics Limited Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Before we begin, note that this conference call may contain certain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. K. Raman, Chief Financial Officer from Salzer Electronics Limited. Thank you, and over to you, sir.

K. Raman: Good morning, everyone, and thank you for joining us today to discuss Salzer Electronics Limited unaudited financial performance for the second quarter and the half year ended September 30, 2026. I have with me Mr. Rajesh Kumar Doraiswamy, Joint Managing Director, along with our senior management team, including Mr. Sivakumar, Assistant Vice President, Marketing; Ms. Menaka, General Manager, Accounts; Mr. Murugesh, Company Secretary; and Jitu Vakharia, Non-Executive Director of Kaycee Industries.

I will begin with an overview of our consolidated financial performance for Q2 and H1 FY27. During Q2 FY27, our revenue from operations stood at INR579.77 crores compared with INR418.92 crores in the corresponding quarter last year, representing a year-on-year growth of 38.4%.

On a sequential basis, this compares with INR498.02 crores in Q1 FY27. For H1 FY27, revenue stood at INR1,077.79 crores compared with INR860.03 crores in H1 financial year 2026, registering a year-on-year growth of 25.32%.

Our performance during the quarter was influenced by demand trends across our key business divisions, including Industrial Switchgears, Wires & Cables and Building Products. We continue to serve customers' requirements across our product portfolio, including 3-phase transformers, wire harness, relay, contactors and other electrical components.

EBITDA, excluding other income, stood at INR39.95 crores in Q2 financial year 2027 compared with INR36.57 crores in Q2 FY26 with an EBITDA margin of 6.89% as against 8.73% in Q2 FY26 and 6.29% in Q1 FY27.

For H1 FY27, EBITDA stood at INR71.26 crores compared with INR78.33 crores in the corresponding period last year, while the EBITDA margin stood at 6.61% as against 9.11% in H1 FY26.

Profit after tax for Q2 FY27 stood at INR14.87 crores compared with INR13.39 crores in Q2 FY26 with a PAT margin of 2.56% against 3.2% last year. For H1 '27, profit after tax was INR23.2 crores compared with INR30.61 crores in H1 financial '26, resulting in a PAT margin of 2.15% against 3.56%.

Moving to the revenue breakup by business division. The Industrial Switchgear division accounted for 56.39% of our revenue during Q2 FY27, that is 55.09% in H1 FY27 compared with about 53.58% in Q1 FY27 and recorded a year-on-year growth in 23.79%. The division's EBITDA margin stood at 8.26% in Q2.

The Wires & Cable division contributed 36.18% to the revenue, that is 38.08% in H1 FY27, registering a year-on-year change of 57.48% with an EBITDA margin of 5.05% in Q2. The Building Products division accounted for 7.43% of revenue in Q2, 6.82% in H1 FY27 and recorded a year-on-year change of 103.53% during the quarter.

On the export front, international markets continue to be an important part of our business, contributing 23.6% to revenue in Q2 FY27 compared with about 23.79% in Q2 and about 18.6% in Q1 '27. For H1 FY27, exports accounted for 21.29% of revenue.

Overall, we remain focused on serving customers' requirements, strengthening our presence across key product categories and improving operational execution across our business divisions. We will continue to monitor market developments and align our efforts with evolving customer demand.

With this, I'd like to hand over to Mr. Rajesh Doraiswamy, Joint Managing Director, to take you through the key business development and operational updates for the quarter and half year. Thank you very much.

Rajesh Doraiswamy: Thank you, Mr. Raman. Good morning, everybody, and a very warm welcome to Salzer Electronics Limited's earnings conference call for the second quarter and half year ended September 30, 2026. Thank you all for taking the time to join us today. We have shared our financial results and investor presentation.

I hope you had the opportunity to review them. I will take you through the broader industry environment and our key business developments and the opportunities we see ahead. On the industrial environment and outlook, as we all know, the global business environment continues to be influenced by geopolitical developments, trade uncertainties and supply chain considerations, and more importantly, fluctuations in the commodity prices.

For the electrical equipment industry, these factors remain particularly relevant given the importance of copper, silver, aluminum and other key raw materials that are used in the switchgear products. Despite these near-term challenges, we remain positive about the medium- to long-term growth prospects of Indian electrical equipment industry.

India is entering an important phase of investment in its power and electrical infrastructure, driven by growing electricity consumption, industrial expansion, renewable energy integration,

modernization of the distribution network and increasing electrification across all the economies. The scale of the opportunity is extremely significant.

Under the Government of India's National Electricity Plan, approximately INR9.15 lakh crores of investment has been envisaged for the transmission infrastructure through 2032. An important development during the quarter was that Government of India's approval of INR1.86 lakh crores for PM-DHARA renewable energy program, as on September 30, 2026.

The program includes INR136,000 crores towards intra-state transmission infrastructure and INR50,000 crores for BESS, battery energy storage system, with a targeted capacity of 50 gigawatts. We believe these large investment outlay are important because renewable energy growth must be supported by corresponding investments in transmission, distribution, protection, switching and other controlled infrastructure.

Alongside renewable energy, we are also seeing structural opportunities from industrial automation, manufacturing capacity expansion, electric mobility, data centers and modernization of existing electrical installation.

For Salzer, these developments are particularly relevant because our product portfolio addresses multiple parts of this electrical value chain. More importantly, we see these opportunities not as a single short-term demand cycle, but as a part of a broader multiyear transformation of India's electrical infrastructure.

While the timing of individual projects and their impact on demand may vary, we believe investments in reliable and efficient electrical infrastructure will remain an important growth driver in the coming years for Salzer. Our focus will be to translate these opportunities into sustainable growth through product development, capacity utilization and localization and continued improvement in operational efficiency.

Coming to our financial performance on the raw material costs and the margin outlook. On the input costs, commodity price movements continue to be an important factor for manufacturers across the electrical equipment industry.

During the previous quarter, elevated prices of copper, aluminium, plastics and to some extent, silver and other key inputs affected the margins with a time lag in passing on the full impact of cost increase to the customers. The industry continues to balance the need to manage input cost inflation with competitive pricing and customer demand.

Recent price revisions announced by certain cable manufacturers also reflect the broader pressure arising from higher copper costs. As we shared on our last call, we have undertaken calibrated price revisions over the past several months. Because revisions apply only after orders already booked or executed, there is always a lag in pass-through.

This is an industry-wide challenge rather than a Salzer-specific one. In our Wire & Cable division, which is largely run on a cost-plus basis with customers, margins have remained relatively stable, while the pressure is concentrated in our Switchgear business. Our price variation clause exists, but pass-through is not immediate.

At Salzer, our focus remains on managing these challenges through sourcing efficiencies, appropriate pricing measures, cost control and improved operational efficiencies. The extent and timing of any recovery in margins will depend on commodity price movements, customer acceptance of pricing revisions and pace at which these measures take effect.

For Q2 FY27, our EBITDA margin of 6.89% compares with 6.29% in Q1 FY27, reflecting a progressive effect of our pricing actions against continued input cost volatility. Subject to raw material prices remaining stable, we expect margins to normalize progressively from the third and the fourth quarter of this financial year, with the full year FY27 EBITDA margin around 8%.

And for FY28, we expect this will be around 9% to 10%. Looking ahead, we will continue to focus on protecting profitability while maintaining our competitiveness and customer relationship.

Now coming to the business development and other strategic opportunities. Salzer continues to serve its customers across Industrial Switchgear, Wire & Cable and Building Products. Our diversified product portfolio provides exposure to multiple end markets, including industrial automation, power infrastructure, buildings, electrical distribution, data centers and renewable energy.

During Q2 FY27, demand for our Industrial Switchgear division remained healthy and capacity utilization in Switchgear has moved up to approximately 80%, which is sufficient to support our growth plans for this year. Wire & Cable is operating at a utilization of approximately 65%, and we do not expect any major capacity investment there in the near term.

In Building Products, we have expanded our retail presence beyond the 5 southern states into Jharkhand, Madhya Pradesh, Odisha and Chhattisgarh. We are also seeing good traction in railways, where cost-optimized version of our existing products have helped us compare better in tenders and in HVAC products for U.S. market, where demand has been improving following the moderation in tariffs.

Our priority remains to strengthen our position in existing markets, improve execution and expand our presence in product categories that offer sustainable growth opportunities and profitability.

On capex and working capital, for FY27, our capex is expected to remain modest in addition to the investment in our Saudi Arabia plant and expansion of our Hosur facility. We do not expect any major capex in other infrastructure for Salzer. And we may look at balancing capacity in the Switchgear business division for next year.

On working capital, we remain focused on bringing down the working capital days and finance costs, and our objective is to keep working capital within about 25% of our revenue. For H1, our net working capital days has been reduced to 135 days from 153 days in March 2026, which is a reduction of close to 16 or 17 days.

Exports and international market. We continue to see opportunities across markets such as United States, the United Kingdom, Europe and the Middle East for our engineered switchgear electrical products. At the same time, international expansion requires us to remain attentive to various trade policies, tariff structures, competitive dynamics and evolving customer requirements.

During Q2 and H1 FY27, our export contribution stood at 23.6% and 21.3%, respectively, compared to about 24% in both Q2 and H1 of last year. Though in absolute terms, exports have grown by 11%, the contribution has reduced from 24% to 21.3% in H1 FY27.

Our medium-term objective is to take the exports share back to around 25% of our revenue. Our focus remains on strengthening the customer relationship and expanding market reach to attain this. On Saudi Arabia, due to the unforeseen escalation of war in the region and particularly in Saudi Arabia, the planned execution of the project has been delayed. We are starting with 2 products initially, the cable ducts and the terminal connectors.

Originally, the operations were planned to start from September, October 2026 onwards. However, as we are seeing unexpected developments in Saudi Arabia, things had to be rescheduled, and we now expect to commence operations from April 2027, provided the uncertainties in the Middle East settle down as we expect.

We continue to explore opportunities in emerging businesses and technologies that complement our core electrical solution portfolio. Our focus remains on developing capabilities in areas with long-term growth potential while ensuring that investments are aligned with our strategic priorities.

In Energy Management, our INR200 crores street light automation project in Bengaluru is being executed through Effilume Private Limited, our SPV for this project, where we hold 49% stake.

The project is expected to generate annuity revenue of approximately INR2.2 crores per month with roughly half of it flowing through Salzer because Effilume is an associate, and it is not consolidated line by line. Revenue from this project was expected to commence from Q3 FY27, which is now delayed and expected to start from February 2027.

In EV space, through UltraFast Chargers, our associate company, we have sold around 85 chargers till date for this year, generating a revenue of about INR9 crores with a strong order book, and we plan to double the revenue in the coming year, driven by expanding charger network and rising EV adoption.

In smart metering, we have fully integrated facility with a capacity of 4 million units per annum and the Wirepas Certified RF Mesh platform. Smart meter revenue for H1 FY27 was at INR2.87 crores as execution remains challenging. We are continuing to explore various avenues for this business.

On our subsidiary, Kaycee Industries Limited, Kaycee Industries Limited, the company had a strong second quarter. Revenue from operations for Q2 FY27 was at INR17.95 crores, up by

20.4% from INR14.91 crores in Q2 last year and up 19.75% from INR14.99 crores in Q1 FY27. EBITDA for the quarter was at INR2.58 crores compared with INR2.22 crores in the same quarter last year, a growth of 16.22% and 31% higher than Q1 FY27.

EBITDA margin was at 14.37%. That is an improvement of about 125 basis points over Q1 sequentially, although it is around 50 basis points lower year-on-year because of higher raw material cost.

Profit after tax for the quarter was at INR1.7 crores, up 13.5% year-on-year and 47.4% quarter-on-quarter with a PAT margin of 9.47%. For the first half H1 FY27, revenues grew 14% and EBITDA for H1 increased 7% to INR4.55 crores with a margin of 13.82% compared with 14.75% last year.

PAT for half year was at INR2.86 crores, broadly in line with INR2.9 crores in H1 last year. Since the time we acquired Kaycee Industries Limited, just before COVID, its revenue has grown from around INR25 crores to around INR60 crores and its PAT from around INR1.5 crores to around INR5 crores, a CAGR of about 27% over the last 4 years.

We continue to cross-sell between Kaycee and Salzer and to grow Kaycee in product areas where Salzer is not present, and we expect it to sustain a similar growth rate over the next 3 to 4 years. Long-term strategy. At Salzer, our approach remains centered on building a strong and sustainable business for long term.

Our priorities continue to be strengthening our core business, expanding our product portfolio, increasing our export presence and developing opportunities in emerging areas. Over the last 10 years, Salzer has delivered a revenue CAGR of 17%, while over the last 5 years, the CAGR of revenue growth has been 23%.

Similarly, the PAT has grown over 20% CAGR. While quarterly results may be influenced by commodity prices, exchange rates, pricing cycles and broader macroeconomic environment, our strategic priority remains unchanged.

While the business environment continues to evolve, we remain focused on our long-term priorities and on creating sustainable value for all our stakeholders. Before I conclude, I would like to thank all our employees for their continued efforts and our customers, suppliers, bankers and all shareholders for their trust and support.

With this, we can now open the floor for questions. Thank you all once again.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Suresh Burramsetty from Burrams financials.

Suresh Burramsetty: Sir, energy meter business, how much contribution in the sales, sir?

Rajesh Doraiswamy: Sir, approximately INR3 crores we have done in this quarter.

Suresh Burramsetty: In future, any growth, sir?

Rajesh Doraiswamy: Sir, we are expecting. I think we are evolving all opportunities. We are looking at all opportunities. We are in discussion with various customers. But right now, we are unable to give any projection on that.

Suresh Burramsetty: Sir, another thing. Data center business related, any update, sir, on Salzer?

Rajesh Doraiswamy: Data center growth is a big opportunity for Salzer products. We do sell a lot of magnetics, cables and cable harnesses and some switching equipments to data centers. But we don't directly supply to data centers. We supply to companies that make products for data centers. So definitely, data center investments and growth is a big opportunity for Salzer, and we are already seeing that growth flowing through us.

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

Darshil Jhaveri: Firstly, congratulations on a great set of numbers in a challenging environment. Sir, I just wanted to understand, I think in the PPT, we've mentioned that you want to take -- our FY27 target for EBITDA is around 7.5%, 8%, right? So currently, in H1, we've done approximately 6.6%, I think so, that would mean that H2 should be greater than 8% to get the average out to at least 7.5%, right?

Rajesh Doraiswamy: Correct.

Darshil Jhaveri: So how confident are we in Q3, Q4 of getting that? And which segment will be contributing towards that meeting?

Rajesh Doraiswamy: Sir, if you look at the numbers, I think the business division-wise, I think more or less our Wire & Cable is -- we are having the stable margins. So the margin hit has been taken only by the Switchgear division primarily because of the copper, silver, aluminium and plastic raw material price increase.

So all the price increases that we have affected over the last few months will take effect in the coming quarter and the next quarter. And we expect that the EBITDA margins to normalize. That's why we are expecting this full year EBITDA to be around 7.5% to 8%.

Darshil Jhaveri: Okay. So from Q3 onwards, only we will see improvement as the price lag. But just wanted to understand like, for example, for silver, right, maybe it was higher in Q2 and now lower in Q3. So will we be able to effect the changes of the prices rise or how do we...

Rajesh Doraiswamy: Whatever we have already done has to come into effect, and we have to realize that. That's why we say that progressively, we will see the improvement in Q3 and Q4.

Darshil Jhaveri: Okay. Okay. Fair enough. That's helpful, sir. And sir, with regards to revenue also, I think you've grown 25% in H1. And I think generally, our H2 is a bit better. So I wanted to understand that is there a scope of upping our revenue guidance? So could you help us with that, sir?

Rajesh Doraiswamy: No, I think for now, we will stick with our original guidance of around INR2,100 crores for the full year.

Darshil Jhaveri: Okay. INR2,100 crores.

Rajesh Doraiswamy: Yes. That itself, I think year-on-year, that will be approximately 30% plus growth.

Darshil Jhaveri: Okay. That's helpful, sir. And sir, just wanted to understand like when we are having this issue of raw material, do we hedge it by taking some futures in MCX or something? Is that a thing that we have explored it like keeping our things completely hedged as the order gets booked so that we don't suffer from this? So any thoughts about that, sir?

Rajesh Doraiswamy: We have explored the possibility of doing some hedging, but we have so far refrained hedging any projects, any commodity as of now. But maybe we'll continue to explore the possibilities. Thank you for the inputs on that part.

Darshil Jhaveri: Yes. And sir, with regards to Switchgear, which is our largest contributor and highest EBITDA, we are at 80% utilization, right? So I understand we are not doing a major capex in FY27. But by FY28, our capacity will kind of run out in that, right? So what is the plan later on?

Rajesh Doraiswamy: Yes, we will start doing the balancing. That's what I mentioned in the call. I think FY28, we will start balancing our capacity for the Switchgear division. And for Switchgear division, the additional capex requirement is not very enormous, not very huge. So it's only balancing equipments that we will add to enhance and debottleneck the capacity by around 20% or 25%.

Moderator: The next question is from the line of Bala Murali Krishna from Oman Investment Advisors.

Bala Murali Krishna: Congratulations on a good set of numbers…

Rajesh Doraiswamy: A little bit louder. I can't hear you.

Moderator: The connection for the participant has been lost. I'll just move on to the next participant, Raina Patel from Shah Family Office.

Raina Patel: Am I audible?

Rajesh Doraiswamy: Yes, madam.

Raina Patel: My first question is regarding the Bengaluru BBMP project. I saw the IP is valued around INR200 crores. I just want to understand the project execution time line. And if you could confirm whether February 2027 remains the expected start date?

Rajesh Doraiswamy: Yes. Actually, the project execution time was approximately 8 months. We have completed the project. I think we took around 9 months to complete the project. The project has been completed in -- by end of September.

The revenues are supposed to start by October or November with a 60-day lag. But unfortunately, due to some execution of some agreements and the internal restructuring of BBMP, I think BBMP has been restructured into various 6 corporations or something.

And the project that we took has been now split into 3 zones of that 1 Corporation from earlier on zone. So we had to execute 3 more agreements, and then there is some delay in doing all this documentation. And that's why we expect the revenues to start from Feb 2027.

Raina Patel: Got it. Got it. Got it. That was helpful. Also, I just want to understand, is there any color that we have on the monthly revenue that we will be recognizing on this project if it's being executed through Effilume?

Rajesh Doraiswamy: This project is executed through an SPV, Effilume, in consortium with the company called Schnell Energy Private Limited. And in Effilume, Salzer owns 49% stake. So the monthly revenue is approximately INR2.25 crores. This is for approximately -- I mean, exactly, I think 7 years, if I'm not wrong. So it's 84 months. Yes. So we will keep recognizing this revenue for the next 7 years.

Raina Patel: Understood. Also, just one more quick question, if I can quickly squeeze it in. The Saudi Arabia facility is now expected to commence around April 2027, right? So subject to the situation in the Middle East, is the plant setup and machinery installation on track according to time line? And what revenue contribution can we expect in the first year of operations? Any color on that?

Rajesh Doraiswamy: We were supposed to start installing the machinery equipment actually in August, September so that we wanted to start operations in October this year. But unfortunately, because of the escalation of the situation and the war particularly in Saudi Arabia, I think we consciously postponed what we wanted to do.

So we are just waiting for things to settle down. Hopefully, we will start the installation of machinery by January, and that's why we expect the revenues to start from next financial year, April 2027. The first year of operation, we expect the revenues in Saudi plant to be around INR20 crores and gradually growing up to around INR100 crores over the next 3 years.

Moderator: The next question is from the line of Anil Jayram from Joindre Capital Limited.

Anil Jayram: Congratulations on improved balance sheet, especially on the debtors numbers. Absolutely outstanding to know that on an improved turnover, you have been able to bring the debtors by 10%, 12%. That's a nice number giving a lot of relief. Now just a small question on the total project cost of your Saudi Arabia expansion. Just a number on that?

Rajesh Doraiswamy: Sir, total project cost, the initial project cost, we estimate to be around INR15 crores, sir, INR15 crores.

Anil Jayram: Including all-inclusive project cost?

Rajesh Doraiswamy: All-inclusive.

Anil Jayram: That's it. Okay. So what will be the breakeven point?

Rajesh Doraiswamy: I think the second year, we should break even.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Co.

Saket Kapoor: Hope I'm audible.

Rajesh Doraiswamy: Yes, sir, you're audible.

Saket Kapoor: Just to take forward the investment in the Middle East part. So sir, INR15 crores investment, what are the likely product profiles there? And what is the asset turnover that we are anticipating? And is it a phase-wide investment that we are coming with INR15 crores as the initial amount and then we are going to ramp up depending upon what our milestones there are?

Rajesh Doraiswamy: Right now, INR15 crores over a period of 1 year is what we expect the investment to be. We are starting with 2 products to start with from our Switchgear portfolio. Once the first year of operation, if we see how it goes, then we will add 2 more products for Saudi operations. We expect in 3 years, approximately around INR100 crores of revenue is what we expect. So it can be 3x of the asset turn, 3 to 3.5x asset turn over 3 years.

Saket Kapoor: No. This first investment of INR15 crores, what we'll be eyeing as the revenue at peak utilization?

Rajesh Doraiswamy: First year revenue, we are not expecting more than INR20 crores, sir.

Saket Kapoor: INR20 crores. And then going ahead, as the investment moves up to, say, INR30 crores, INR35 crores, we can eye around INR100 crores plus from there? And...

Rajesh Doraiswamy: Yes, that is what is our plan, correct.

Saket Kapoor: Okay. Sir, as you mentioned to other participants that INR1,100 crores should be the revenue run rate, I think, to reach to that INR2,100 crores mark. So correct me there, sir, that we are looking at a top line of -- so sir, taking into account what the quarter 2 was that is closer to INR580 crores, we need -- we will be trending in this number, and there will be an overall improvement in the EBITDA margin that will contribute to the bottom line. That should be the better understanding for H2?

Rajesh Doraiswamy: Absolutely correct, sir. That's what we are expecting. That's what we are projecting. We continue to expect a progressive recovery in Q3 and Q4. More importantly, whatever price increase we have done, I think there's a distinction between announcing a price increase and realizing it in the reported revenue. So we already implemented a lot of pricing actions, which will definitely be spread over the next execution cycle. And that's why we expect Q3 and Q4 to be better.

Saket Kapoor: Right, sir. And sir, since you mentioned that Switchgear being our prime product, and I think so running at 80% utilization, what is the revenue contribution for H1 from Switchgear itself?

Rajesh Doraiswamy: Sir, I think that has been a published figure. I think we -- H1 Switchgear share was around 55%, so which is around INR579 crores -- INR580 crores.

Saket Kapoor: Okay. And sir, then depending upon -- looking at the utilization, what is the current order book for the same? And my second question would be pertaining to the smart meter part of the story, sir. I think so we have mentioned about some lower utilization number for the same. So what is the thought process? And how is our order book? And how are we going to ramp up this particular facility?

Rajesh Doraiswamy: Sir, I think for Switchgear, I've already mentioned that we -- for next year, we will do the balancing capacity, capex expansion. And the capex for Switchgear expansion is not very heavy. It's not capex heavy. So it should be very minor capex that we will do the balancing for Switchgear.

On the smart meter, we already did the capex. We have the facility ready. We are exploring with various customers to bring in orders and to see how we can ramp that up. But for now, I think we don't have a major update on that.

Saket Kapoor: Can you elaborate a bit more, what has been our investment? And what are the current run rate and the order booking part since we are seeing in the state of Bihar, Maharashtra, a lot of ramping up of the smart meter. Many -- 2 of the largest EPC players are executing large orders. So where are we lacking in getting our product being empaneled there with them or...

Rajesh Doraiswamy: We are not directly going into the utilities to execute the project. I think we are only a manufacturer. We are not taking the EPC route for smart meters. We are only a manufacturer of smart meters. We only sell to the EPC contractors.

So we are in discussion with various contractors, various people who have taken the tenders in Madhya Pradesh and Gujarat, in various other states. And we have been empaneled in the utilities already. So it is up to the execution partners to take the product and then execute it.

Saket Kapoor: Okay. Sir, can you give what has been our investment in this division?

Rajesh Doraiswamy: We have so far invested close to around INR50 crores on this approximately.

Saket Kapoor: 50?

Rajesh Doraiswamy: Yes, 50.

Saket Kapoor: And sir, lastly, I think so on the -- when we look at the cash flow part, although sir, we had a lower debt number, but our finance cost has moved up quarter-on-quarter also. And for the first half also, it is at a consolidated number at INR25 crores. So if you could just give us color, it is the higher working capital requirement, carrying of the inventories at higher rate that is leading to the same, sir?

Rajesh Doraiswamy: Naturally, I think all the commodities have increased by around 40%, 50% approximately. The utilization of working capital is on the higher side. That is one. Though the finance cost number as absolute number has gone up by around INR2 crores compared to year-on-year, I think as a percentage to sale, I think we have been dropping down from earlier, which was around about 3%. We are currently at around 2.3%, 2.4% of the sale.

So we will continue to monitor this and keep this at this level or bring this down further. As I already mentioned in the call, overall, our working capital days, we have tried to bring down by around 16 days compared to March 2026, and we will continue to work on that and bring that down further.

Saket Kapoor: Two small points, sir, if you allow me. Number one is on the capital work in progress, closing balance of INR11 crores. I think we did capitalize something for the first half. And I think we have a closing balance. So are these balancing line of equipment only that are lying for under the capital work in progress or what kind of -- which product capacity augmentation has been outlined under the...

Rajesh Doraiswamy: This is from additional buildings that we are doing and some additional equipments that has been advanced for Switchgear industry. So all the expansion is happening in the Switchgear business division.

Saket Kapoor: Okay. And lastly, on the -- only the point about the direct tax paid. So it's a INR6 crores payment we have made for the first half. So that is attributable the entire amount for the advanced tax part of the story -- pertaining to advanced tax only or any other -- if you could just quantify how much have been the advanced tax payment for the first half?

Rajesh Doraiswamy: I think the tax expenses have come to around INR7.6 crores, which is what the tax is. I don't know what is the amount that you are talking about, the INR6 crores.

Saket Kapoor: I'm looking at the consol number, sir, that was INR6 crores. So maybe...

Rajesh Doraiswamy: Okay. So on a standalone basis, we have paid around INR7.68 crores tax.

Saket Kapoor: Okay. That is the advanced tax for the first half.

Rajesh Doraiswamy: Yes.

Saket Kapoor: Okay, sir. I'll join the queue for a plant visit request also. So if that could be entertained going ahead.

Moderator: The next question is from the line of Bala Murali Krishna from Oman Investment Advisors.

Bala Murali Krishna: Hope I'm audible now.

Rajesh Doraiswamy: Yes, sir.

Bala Murali Krishna: So on the BESS front, sir, so what is the opportunity as Salzer we have in the BESS? There's a lot of growth potential now and the government has also come with budget allocation for that one. So what is our potential, sir, in this and how much market products have?

Rajesh Doraiswamy: Renewables, data center and BESS are the 3 areas that is now in the limelight and it is growing. A lot of investment is flowing through these businesses. And all these 3 businesses uses a lot of our components in the switching equipment and the control equipment like transformers and cable harnesses and some switchgears. So they will all consume the products.

So as the investments in these sectors grow, our business and our demand continues to grow, will continue to grow.

Bala Murali Krishna: And smart meter front, sir, when it comes to Tamil Nadu tender, we are expecting a new tender to be floated by the new government. So what is your thoughts on that? If tender is floated, would you like to participate in that directly or through AMISP?

Rajesh Doraiswamy: Yes, we will definitely explore the opportunity to participate in the tender. I think the tender has already been floated, but it has been postponed for next year, January or February 2027.

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

Darshil Jhaveri: Sir, just one more question. I think a previous participant also asked this. So in Q2, we've done around INR580 crores of revenue. It's higher price increase also will boost our value growth and we'll also have some volume growth, right?

So ideally, our Q2 run rate should be surpassed -- revenue run rate should be surpassed in Q3 and Q4. Is that a fair way to look at it? I know you don't want to give a guidance, but at least this seems more logical, right, if Q2 should be the base currently at least.

Rajesh Doraiswamy: Yes. I agree with you, but Q2 also had some value increase already. So -- but what you say is right, yes, looking at the demand, the market situation scenario, we should have the Q2 run rate going forward.

Darshil Jhaveri: Okay. That's fair enough, sir. And sir, just one small question regarding the smart meter side, sir. I understand the orders have been very -- the order scenario is not a very conducive environment for us. But any kind of pivoting towards export smart meters or some other gas meters, something that we can try or is that like difficult to achieve?

Rajesh Doraiswamy: No, we are definitely exploring all opportunities of export to Far East and the Middle East and the African countries. We are looking at those opportunities. And we are also looking at various other related product development also where the potential for the product is there. We are working on those areas, definitely.

Darshil Jhaveri: Okay. And sir, just wanted to understand, like we had INR3 crores revenue in smart meter. So as to just keep our variable cost breakeven, what is the minimum revenue that you would need like a range would also do because I'm assuming at the scale that we built it up, we would need a certain chunk of revenue every quarter, right, to keep it breakeven?

Rajesh Doraiswamy: Yes. Since the operation is integrated vertically with our existing operations, the factory is utilized for various other operations also for our existing products. So if you look at it separately, yes, what you say is correct as an independent unit or independent division, yes, what you say is right. Minimum quarterly turnover to definitely breakeven. So that, I would say, should be at least around INR25 crores, INR30 crores in a quarter that we need.

Darshil Jhaveri: Okay. So just wanted to understand like the drag in our margins because of this, if you could quantify because as you said, it's also getting used in some other things. So if you could just

help us in a percentage point or cash flow-wise, like if this segment is getting a drag on margins, though they are at this percentage, 0.7%.

Rajesh Doraiswamy: On the EBITDA or PAT level, the drag because of smart meter can be between 0.7% to 0.9%, 1% max.

Darshil Jhaveri: 1% maximum, right? So once -- even if we get a bare minimum INR100 crores order, we can at least expect a 1% betterment in...

Rajesh Doraiswamy: Yes, yes.

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

Jeyaprakash: Am I audible?

Rajesh Doraiswamy: Yes, sir. Audible.

Jeyaprakash: Congratulations on the good set of numbers. I have 2 questions. First question is in Q1 and Q2, there is an increase of your raw material cost. Have you passed this increase in raw material cost to the consumers? If it is passed, how was the response from the consumers?

Rajesh Doraiswamy: Sir, customers don't like price increase at all. Whatever you say.

Jeyaprakash: But we have to sustain our...

Rajesh Doraiswamy: Yes. No customer likes a price increase, but then nobody has an option other than increasing the price. So we have already announced a lot of price increase, implemented a few price increases in the last several months. But however, as I already said to somebody else's question, announcing a price increase and realizing it in the reported revenue is 2 distinct numbers. We have already implemented pricing actions, but the impact is spread over the quarters.

So that's why we said that the improvement will not necessarily happen uniformly, but it will start progressively increasing from Q3, Q4. We have already seen a 0.6 percentage increase in Q2. We will continue to see increase in EBITDA margins in Q3 and Q4.

Jeyaprakash: In your presentation that your debt-to-equity ratio is standing at 0.92x, which is the highest in last 4 years. Going forward, that already your borrowings also increased due to various reasons, especially the working capital requirement. How do you see in the next couple of years to reduce this debt and bring to double-digit EBITDA margin?

Rajesh Doraiswamy: Sir, as we grow on the volumes and as we pass on the price increase, the full implementation happens and when other new businesses starts also growing, I think we will see the EBITDA margins coming back to normal levels. As we have already projected in our presentation that FY28, our EBITDA level should come close to the targeted number of 10%. Once that happens, I think with the increased volume and better EBITDA, you will see the debt levels remaining here or going down.

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

Subhavel: Uh, hi, vanakkam. Sir, copper prices have remained stable for the last six months. Because of this, and since we currently have inventory, will we see significant margin improvement in the upcoming quarters? I also have another doubt: in case copper prices decrease, are there chances that we will have to reduce prices for our consumers, or can we continue with the current prices?

Rajesh Doraiswamy: Yes, what you say is right. Maybe I will answer in English because many other people are also there on the call, so they can understand. Yes, copper prices have remained more or less stable with slight upward trajectory in the last 3 to 4 months. And we are also seeing softening of silver price a little bit compared to what it was before. Definitely, these are helpful signs.

But the damage that has happened from where it was to where it is today, this stable copper price or even a little bit of lowering of copper price will not be a major impact to us right now because we are still passing on the cost increase, whatever has happened to the customers.

Once the entire price increase has happened, over the next quarter, if the copper prices drop, then yes, we will have an advantage. We may not be able -- we may not be going back to the customers with a reduction in price, but then we will have the benefit of higher price and the lower commodity to some extent. But right now, we are happy to see that the copper price is stable and the silver price is also stable, and we are passing on the price increase to the customers.

Subhavel: Okay. If there is an industrial visit, that would be very nice.

Moderator: The next question is from the line of Prerit Jain, an Individual Investor.

Prerit Jain: First of all, congratulations for the very blockbuster set of revenue that you have posted. I had a few questions. The first one was that with the borrowings and receivables continuously increasing, so does the company have any plans to raise capital maybe through a preferential allotment or a private placement to reduce its debt burden?

Rajesh Doraiswamy: So all possibilities are being explored. But right now, there's nothing immediate to announce.

Prerit Jain: Okay. The next question is that what is the current status of the patent applications that have been filed by you? Have any of these patents been granted or they are still under pending for the approval?

Rajesh Doraiswamy: Last financial year, we received 2 patents, which have been announced, I think, which you must be aware. It's all over there in the announcement of BSE, NSE and also our website. The balance patents are under -- accepted and under progress.

Moderator: The next follow-up question is from the line of Saket Kapoor from Kapoor & Co.

Saket Kapoor: Sir, if you could just explain to us what have been our cash conversion cycle currently? And what steps are we taking to reduce that in terms of the debtors receivable days?

Rajesh Doraiswamy: Sir, as I mentioned in the call, I think our net working capital days have dropped from 153 to around 139, if I'm not wrong. Around 16-day reduction is what we have seen in this 6 months. So we will continue to see similar reduction in the next quarter and quarter after that.

Saket Kapoor: Means, sir, we will be reducing it by further 16 days for the quarter?

Rajesh Doraiswamy: We expect, yes -- no, not quarter-on-quarter. I think this is 6 months. 6 months...

Saket Kapoor: 6 months, yes. Okay. And sir, when we look at our RM part, if you could just give in terms of a ballpark number on the metals mix between copper, aluminium and silver as a percentage of RM, what would be the number and then the plastic compounds taking the remaining part?

Rajesh Doraiswamy: I think the complicated question is that for me to answer without numbers with me. But what I can say is our business is split. You look at 2 major businesses, we have 55% of revenue coming from the Switchgear, Industrial Switchgear components and then around 40% or 39% coming from the Wire & Cable segment.

So for Wire & Cable segment, it's easy for me to say that majority of the RM consumption in this segment is copper, which I would say around 70% of the revenues will be for copper. And on the Switchgear side, it's very difficult for me to say how much copper, how much silver because it's a mix of close to 20 different products. So maybe we can get these numbers and then share it with you later.

Saket Kapoor: Okay. Sir, during the AGM when we had an interaction, we were eyeing that for this year as a whole -- in terms of profitability, we would be closer to what we posted the numbers, the PBT number for FY26 and taking into account the current scenario in terms of the price revision and then going ahead, the revenue trajectory ahead, are we -- there is a likelihood that we can meet those targeted numbers depending upon the current scenario?

Rajesh Doraiswamy: Sir, we will be closer to the targeted numbers. That's what I said. I think we will come around 8% EBITDA margin is what we are targeting for the full year.

Saket Kapoor: Correct. Correct. And lastly, sir, on the plant visit part, which I was just trying to understand. So now can we make a request for -- to visit the facility and have further interaction or understanding?

Rajesh Doraiswamy: Sir, definitely. I think you have the e-mail IDs. Please send an e-mail. Make a plan, and welcome to visit the plant.

Saket Kapoor: It seems that we have bottomed out in terms of the compression in margins that we have, and now things are looking upward going. That is a good understanding, sir?

Rajesh Doraiswamy: Yes, sir, correct.

Moderator: Due to time constraints, we take that as the last question for the day. I now hand the conference over to Mr. Rajesh Doraiswamy, Joint Managing Director of Salzer Electronics Limited for closing comments. Thank you, and over to you, sir.

Rajesh Doraiswamy: Thank you very much, everybody. I can understand the concern on the margin for every investor and every analyst here. We are -- our medium-term objective remains to improve the profitability towards more sustainable levels, and I'm sure that we will continue to improve on the profitability. Thank you very much for all of you joining here and looking forward for your interaction in the next quarter call. Thank you.

Moderator: Thank you. On behalf of Salzer Electronics Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.