

Salzer Electronics

10 August 2026

Operator: Good day and welcome to the Salzer Electronics Limited Q1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touch-tone phone. I now hand the conference over to Mr. K. Raman, Chief Financial Officer of Salzer Electronics Limited. Thank you, and over to you, sir.

K. Raman – CFO: Good morning, everyone, and thank you for joining us today to discuss the unaudited financial performance for the first quarter ended June 30, 2026. I have with me Mr. Rajesh Kumar Doraiswamy, Joint Managing Director; Mr. Shivakumar, Vice President, Marketing; Mr. Ballari, Assistant Vice President, Business Development; Ms. Menaka, General Manager, Accounts; Mr. K.M. Murugesh, Company Secretary; and Mr. Jitendra Vakharia, Non-Executive Director, KC Industries.

I shall now take you through the consolidated financial performance for the quarter ended June 2026. During the quarter, our revenues increased by 13% year-on-year to 498 crores from 441 crores in the previous corresponding period. This growth was mainly driven by higher demand for industrial switchgears, wires and cables, and the building products division business, mainly due to high demand for products such as three-phase transformers, wire harnesses, relays, and new products such as contactors. The contribution from exports was approximately 18.6%.

EBITDA, including other income, was 31 crores in Q1 FY27 as against 42 crores in Q1 FY26. The EBITDA margin for the quarter stood at 6%. Profit after tax was 8 crores in Q1 FY27 as against 17 crores in Q1 FY26. The PAT margin for the quarter stood at 2%.

Moving on to the breakup of revenue as per the business divisions, the industrial switchgear division contributed 54% of total revenue in this quarter. This business grew 10% year-on-year in Q1 FY27. The EBITDA margin for this business division stood at 8% in Q1 FY27.

The wire and cable division contributed nearly 40% to our revenues this quarter. This division recorded 11% year-on-year growth during the quarter. EBITDA margin for this division stood at 5% in Q1 FY27.

The building products division contributed 6% to our revenues in this quarter. This division recorded 48% year-on-year growth in Q1 FY27. On the exports front, the export share of revenue was nearly 19% in Q1 FY27.

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

Rajesh Kumar Doraiswamy – Joint Managing Director: Thank you, Mr. Raman. Good morning, everyone, and a very warm welcome to the Salzer Electronics earnings conference call for the quarter ended June 30, 2026. Thank you all for taking the time to join us today. We have shared our results update presentation and media release, and I hope you have received and gone through them.

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I would like to begin by giving you an overview of our business performance, key operational developments, and the opportunities that we see ahead. Before discussing our individual business segments, I would like to briefly touch upon the broader environment in which we are operating at present.

Globally, the operating environment continues to remain mixed and volatile. While global economic activity has demonstrated resilience, businesses continue to navigate trade policy uncertainties, geopolitical developments, changing tariff structures, the West Asia conflict, and volatile and very high raw material prices.

The IMF's latest July 2026 outlook projects global growth at around 3% in 2026, followed by an improvement to 3.4% in the coming year, 2027. At the same time, the global economy continues to face risks from geopolitical tensions, supply chain disruptions, and elevated inflationary pressures.

For an electrical equipment manufacturer like Salzer, the global environment has a direct impact, particularly through copper, silver, aluminium, and other key plastic raw materials, as well as through freight, currency movements, and export market demand.

During the quarter, we witnessed elevated and volatile input costs, particularly in copper, silver, and aluminium. These commodities are important inputs across several of our switchgear components and products, such as transformers, contactors, and other switchgear products. This environment resulted in margin contraction during the quarter.

However, importantly, we continue to see healthy underlying demand, and we are addressing input material inflation through sourcing efficiencies, calibrated pricing actions for our finished products, and operational efficiencies.

Coming specifically to India, we remain positive about the structural outlook for the electrical equipment industry. India is going through a significant phase of electrification, infrastructure development, and investment led by the energy transition.

The electrical and allied electronics industry is closely linked to investment in power transmission and distribution, manufacturing, infrastructure, railways, renewable energy, the data centre boom, real estate, and industrial automation.

According to IEEMA, the transmission and distribution segment accounts for approximately 65% of the Indian electrical and allied electronics industry, highlighting the importance of India's ongoing power infrastructure expansion.

The Central Electricity Authority's latest data also reflects the continued expansion of India's power infrastructure. In May 2026 alone, India added approximately 3,500 megawatts of renewable capacity, 1,120 kilometres of transmission lines, and 7,200 megavolt-amperes of transformation capacity, while peak demand reached approximately 270 gigawatts.

We believe this continued investment in the electricity ecosystem creates a favourable, multi-year demand environment for electrical equipment manufacturers like Salzer.

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Another important structural trend is the increasing intensity of electricity consumption across the economy. India's transition towards renewable energy, electrification of mobility, data centre expansion, and industrial automation is increasing the requirement for efficient, reliable, and intelligent electrical infrastructure.

This creates opportunities for all of Salzer's product lines. IEEMA estimates significant future requirements around battery storage, EV charging infrastructure, railway electrification, and smart city infrastructure, which reinforces the broader opportunity for companies operating across the electrical ecosystem.

For Salzer, this transition is particularly relevant because we are progressively expanding from being a traditional electrical component manufacturer towards a broader electrification and energy management platform.

Now coming to our key updates on recent developments during the last quarter, we continued to strengthen our strategic investments in emerging businesses and technologies. We made an additional investment of 13 lakhs in our wholly owned subsidiary, Salzer EV Infra Private Limited, taking the total investment to 93 lakhs.

We also invested an additional 1.68 crores in {? Heleum ?} Private Limited, an associate company, increasing our total investment to 4.2 crores and our equity stake to 47%. These investments reflect our continued focus on building capabilities in emerging areas and creating new growth opportunities that complement our core electrical solutions business.

Coming to our newer growth businesses, our export contribution currently stands at approximately 19% in Q1 FY27, and we are working towards increasing this back to 25% over the medium term. We continue to see opportunities across the US, the UK, Europe, and the Middle East, particularly for our engineered switchgear and electrical products.

The changing global tariff environment is also creating opportunities for Indian manufacturers as customers increasingly diversify their supply chains.

Our subsidiary, KC Industries, continues to perform well. KC's top line grew 8% year-on-year in Q1 FY27, EBITDA stood at 2 crores, and PAT stood at 1 crore during the quarter ended.

Before I conclude, I would also like to address the margin performance of Salzer in Q1 FY27. As we mentioned earlier in this call, the primary reason for the pressure on margins during the quarter has been a sharp increase in key raw material costs, particularly copper, silver, and plastics, coupled with the lag in the full pass-through of these cost increases to customers.

This is an industry-wide challenge rather than a Salzer-specific issue. While we expect the second quarter to continue witnessing some pressure, we believe it should be relatively better than Q1 as our pricing actions gradually take effect.

Subject to raw material prices remaining stable, we expect margins to start normalising from the third quarter of this year onwards. Having said that, FY27 is likely to remain a challenging year given the global macroeconomic environment, geopolitical uncertainties that disrupt supply chains, and continued volatility in commodity prices.

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We remain confident that our diversified business model, strong customer relationships, disciplined cost management, and focus on value-added products will help us navigate these near-term headwinds.

At Salzer, our approach has always been to build the business for the long term. While quarterly results may be influenced by short-term factors such as commodity price volatility, exchange fluctuations, pricing cycles, and the broader macroeconomic environment, our strategic priorities remain unchanged.

Over the last 10 years, Salzer has delivered a revenue CAGR of nearly 17%, while over the last 5 years, our revenue CAGR has accelerated to 23%. Similarly, PAT has grown at over 20% CAGR during the last 5 years. We believe these numbers demonstrate our ability to consistently create value over the long term despite periodic short-term challenges.

We continue to invest in new products, technologies, manufacturing capabilities, and emerging businesses that will create sustainable value over the coming years.

Before I conclude, I would like to thank the entire team at Salzer Electronics for their dedication and hard work. I also thank all our stakeholders, including our customers, suppliers, bankers, and shareholders, for their continued trust and support.

This is all from our side for now. We would now be happy to take your questions. Thank you.

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

The first question comes from the line of Navneet from NK Investment. Please go ahead.

Navneet – NK Investment: Hi, sir.

Management: Good morning, sir.

Navneet – NK Investment: Sir, in our investor presentation, it is mentioned that our FY27 EBITDA target is 10%. Can you please confirm?

Management: I think we expected to reach 10%, but looking at the current global scenario, the continuing West Asia conflict, and fluctuating raw material prices, I think we would tone it down to around 8–8.5% for the full year.

We see this margin pressure continuing in Q2 as well and normalising in Q3 and Q4. I think in Q3 and Q4, we should be reaching 9–9.5%. However, on an overall full-year average, we should be at around 8%.

Navneet – NK Investment: But your investor presentation is not actually in line with management's commentary. The investor presentation provides a real-time view of the business, right, sir? So why are your investor presentation and your conference call completely different in tone?

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Management: Sir, we understand that. I think we will correct it and revise the investor presentation.

Navneet – NK Investment: I hope so. I actually emailed your Company Secretary, and he is still arguing with us that it is in line with management's commentary. As shareholders, we do not want these two different versions because we are an investor group, and our clients are asking us why there is a discrepancy between the conference call and the investor presentation.

Management: Sir, we understand that. I think we will correct it. I have understood your point.

Operator: The current participant line is disconnected, and we move to the next question. The next question comes from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri – Crown Capital: Hello, good morning, sir. Thank you so much for taking my question. Sir, I just wanted to know, I think in Q4 we mentioned that we were implementing price hikes in June, and we have implemented some price hikes as well. How much of that has been accepted, and what is still pending? If you could quantify that, sir.

Management: We have implemented almost 3 price increases over the last 6 months. However, when we implement a price increase, we always accumulate the pending orders, so the price increase comes into effect after the orders that have already been taken. There is always a lag in the pass-through, and that is the reason for the margin contraction that we are seeing.

Whatever price increase we implemented in April has been passed through. I think we implemented some price increases in June, which will take effect from August. We are proposing some more price increases in August, which will take effect in September.

Darshil Jhaveri – Crown Capital: Okay, fair enough, sir. I just wanted to know whether we are going to receive some annuity income from our energy management business in Q2. Has that started in July, or is it going to start later?

Management: It will start in the middle of August. The project is progressing as planned, and I think the project will be completed in July. We will start seeing the revenue from August.

Darshil Jhaveri – Crown Capital: Okay. I just wanted to understand whether, for our base business, we are expecting around 9–9.5% EBITDA from Q3 onwards, rather than Q2, and whether our annuity income will also directly flow through to PAT. There will not be any cost attached to it, if I am correct.

Management: Some maintenance cost will be attached to it, but it will be minimal.

Darshil Jhaveri – Crown Capital: Minimal, right, sir? So, in that case, can our Q3 and Q4 margins be 10%? I do not know whether the 9% includes the annuity income or relates only to the base business, because the annuity income will have a significantly higher margin, right? I just wanted to get your thoughts on that, sir.

Management: No, I think the annuity business is approximately 2 crores per month for the project, and that will flow through to us at around 50%. So it will not significantly change the percentage, as I believe.

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Darshil Jhaveri – Crown Capital: Okay, only 50%. So in our books, it will be recorded at less than 50%. Will it be recorded in the P&L from the JV, or will it be recorded in our consolidated financial statements?

Management: We will not consolidate it, but I think as an associate company, we will record revenue from the company.

Darshil Jhaveri – Crown Capital: Okay, okay, got it. Fair enough. That is it. I just wanted to know, over the last 4 years, if I look at our top line, it has maintained the growth guidance of 20% plus. However, our PAT has not converted at that level.

I understand that many factors have not been in our favour, but what do you see? Energy is currently the area where everyone is growing, right? We want to know how our company can return to the margins where top-line growth and profit growth are also matching.

I am referring especially to FY24 through FY26, with FY27 continuing now. FY27 will also have some margin issues. We used to achieve 10%, I think, and now we are at 6%. I understand that many things are not in our control, but what can we do better?

This has also led to significant value destruction in our share price. Are the promoters planning a buyback or an increase in their stake that could send a signal to the market? What are your thoughts on that, sir?

Management: Sir, I agree with you. I think that is why I mentioned the CAGR for the 5-year period. Over the 5-year period, PAT has grown at close to 20% CAGR. However, from FY24 onwards, it has not grown at that rate, and if you look at FY23, the CAGR has reduced to around 14% per annum.

We have to understand that there has been margin pressure over the last 2 years, particularly in the last quarter of FY26. That is one of the reasons the CAGR over the last 3 years has reduced to around 14%.

Having said that, I think we are in a very good sector where we are seeing very high growth, and demand is good. That is the reason revenue has started to grow significantly.

When this pricing normalisation occurs and the complete pass-through takes place, I think we will return to normal margin levels. With all the products and the relationships that we have with our OEMs, we continue to see good demand for all our products, and we will return to normal levels from Q3 onwards.

Darshil Jhaveri – Crown Capital: Okay, fair enough, sir. I have just 2 other questions. This is more regarding our policy. Can we implement a cost-plus policy where raw materials are passed through faster? Also, since copper and silver are both traded commodities, can we hedge them somehow? That could perhaps help us retain our margins. I do not know whether you think we can hedge copper and silver.

Management: No, we cannot. I think the first question relates to your cost-plus model. We do not want to implement a cost-plus model for our standard switchgear products. One reason is that it would require us to open our costing sheet to our customers. So far, we have tried to avoid that.

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It also gives us an advantage when commodities are not fluctuating or increasing, as we have seen over the last 6 months. In a normal situation, we have an advantage because we do not open our cost sheet, and the cost-plus model would be negative in a normal situation.

In this situation, we are trying to determine how quickly we can pass through this type of fluctuating commodity price increase. This is something that we are still working on. It is not only a Salzer issue; almost the entire switchgear industry is struggling with this type of pass-through.

We are working on it, and we will try to see whether we can accelerate the pass-through. Earlier, it used to take a quarter. Now we are trying to complete the pass-through in less than 2 months. If we can shorten that further, I think we will not see much fluctuation or volatility in our margins. That is what we are trying to do.

Second, regarding hedging, we normally try to avoid hedging commodities except for the stocks that we hold. That is the natural hedge that is created. It also works the other way around when prices fall.

If you take an example of silver, it increased from 70 rupees per gram to 100 rupees and has now come down to around 250. We can also be affected on the other side. Therefore, as a business policy, we do not hedge commodities except for the stocks that we hold.

Darshil Jhaveri – Crown Capital: Okay, fair enough, sir. Regarding new growth areas, I think we are looking to double revenue from EV charging, and there is also the smart meter business. Could you comment on that, sir?

I also think you are planning to commission the Saudi Arabia facility. Is that underway? How is the situation there? Could you comment on these 3 areas, sir?

Management: Saudi Arabia is definitely on the cards. However, there has been a delay in starting the plant because of the West Asia disruptions. We are now planning to ship our machines and equipment and start the installation mostly by September or October.

Hopefully, by that time, conditions in West Asia will be much better. That is the timeline we have planned. Otherwise, we should have already started in April or May, but that did not happen because of the West Asia conflict.

That is regarding Saudi Arabia. Regarding smart meters, we do not have any new update other than what we mentioned in the last conference call. We generated very small revenue from smart meters, close to 3.5 crores, from that plant. We have no major updates on smart meters as of now, but we continue to be positive and are evaluating how we can obtain a larger share of the business from the market.

Regarding EV charging, things are progressing well. So far, close to 160-170 DC fast chargers have been supplied, shipped, and installed across the country through various charge point operators. We continue to see good demand, and this quarter also I think we expect close to 60 chargers to be supplied in Q2.

Darshil Jhaveri – Crown Capital: Okay, fair enough. That is it from my side. Thank you so much, sir.

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Operator: Thank you. The next question comes from the line of Karan Mehta from Real Flow Ventures LLP. Please go ahead.

Karan Mehta – Real Flow Ventures LLP: Hi, good morning to everyone on the call. I have a couple of questions more broadly about the business from a structural perspective.

My first question is around the distribution business at Salzer. I appreciate that you have strengthened the talent bench with the hiring of a new CFO in the recent past. Could you also help me understand the distribution and your sales organisation in particular?

I know that you have a strong linkage with the L&T distribution channel. How much would that represent as a proportion of the business?

Karan Mehta – Real Flow Ventures LLP: Could you also generally provide some colour around how your sales organisation is structured and what changes you see on that front?

Management: Sure, sir. Thank you very much. On the sales front, we have multiple sales channels. We operate through an OEM channel and the B2B electrical wholesale business. We also have a B2C electrical wholesale business and an export channel.

These are the different marketing channels that we have. As you said, we also have a very strong linkage and understanding with the erstwhile L&T Switchgear division, which is now called LK and is part of Schneider.

The distribution that LK undertakes for us is close to 15%, or 15% of our total revenue, through LK's distribution channel.

I do not know the exact percentage, but we have a general manager and a vice president of marketing heading each of these distribution channels, including B2C retail, B2B retail and wholesale, and OEM. There are different heads who are taking care of these channels, and there are teams across the country under these people taking care of the business and reporting to them.

In the B2C retail channel, which comprises our building segment products, we are operating only in the 5 southern states. Recently, we have expanded into the eastern region, including Jharkhand, Madhya Pradesh, Odisha, and Chhattisgarh. These are some of the new states that we have added on the B2C retail front.

This is the marketing structure that we have.

Karan Mehta – Real Flow Ventures LLP: Thank you. That is very helpful. Do you have any idea about the headcount trends in your distribution, or on the distribution side? Just rough numbers.

Management: The total overall marketing team strength, including all these channels, is close to 65 people, excluding the leaders.

Karan Mehta – Real Flow Ventures LLP: Thank you. That was very helpful, sir. Thank you. As a separate point around reporting, I appreciate that the format of the presentation for this quarter includes much more information about the industry environment and end markets.

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We are operating in a number of high-growth end markets, such as renewables and data centres. I was wondering whether it would be possible to break out the contribution from these segments, if not on a quarterly basis, then perhaps on a half-yearly or annual basis.

I think it would be helpful to understand the company's evolution in these areas.

Management: You mean information about our customer segments, correct?

Karan Mehta – Real Flow Ventures LLP: Yes. What percentage of revenue comes from data centres, renewables, and similar segments?

Management: We understand that. We will try to include that, because we should have complete data on it. We will collect whatever information is available and try to present it at least once every half-year or once a year.

Karan Mehta – Real Flow Ventures LLP: That would be very helpful because you are operating in the right segments. It would help us as investors to understand and quantify that.

Management: Sure. Thank you very much, sir, for the inputs.

Karan Mehta – Real Flow Ventures LLP: My last question is how we are benefiting from any government schemes. There is obviously a major push towards creating domestic champions in the electronics and electronic components industry. Which schemes do you think we are benefiting from most at the government level?

Management: Right now, there is nothing that we are benefiting from, but I think we can apply for PLI or {? ECMS ?} going forward.

Regarding EV chargers, a new policy called PM E-Drive has been introduced. There are some incentives for users of the chargers, but not directly for us. Apart from that, we receive export incentives, and that is what we are benefiting from right now.

Karan Mehta – Real Flow Ventures LLP: Okay. Thank you, sir. That is all from me. Thank you.

Operator: Thank you. The next question comes from the line of Shravan Modi from Syndicate Family Office. Please go ahead.

Shravan Modi – Syndicate Family Office: Good morning, sir. Thank you so much for the opportunity to ask questions.

Management: Good morning.

Shravan Modi – Syndicate Family Office: How do you see KC Industries fitting into Salzer's broader portfolio, particularly in terms of product capabilities, customer access, and cross-selling opportunities?

Management: We are already doing a lot of cross-selling between KC and Salzer. We have synergised many operations between KC and Salzer, and we can see the results in KC.

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When we acquired KC just before COVID, we started with around 25 crores of revenue. Today, I think we have reached around 60 crores of revenue. PAT has also grown from close to 1.5 crores to approximately 5 crores as of now, with a CAGR of 27% over the last 4 years.

It has consistently delivered growth, and we continue to grow KC in areas where Salzer is not present at the moment. Some new investments in new products have been made in KC, and we continue to believe that KC will grow at the same CAGR for the next 3–4 years.

Shravan Modi – Syndicate Family Office: Thank you, sir. In terms of capacity utilisation, switchgear is around 70% while wire and cable is around 65%. How much additional revenue can the existing manufacturing infrastructure support before incremental capex is required?

Management: I think capacity utilisation in Q1 and continuing into Q2 for the switchgear business has increased. We are now operating at approximately 80–85% capacity utilisation because of the high demand that we are seeing right now.

To answer your question, I think we will be able to achieve this year's growth projection of approximately 23–25% with the same capacity. Going forward, next year we might have to add some balancing capacity for switchgear.

For wire and cable, we can continue for another year at the same growth rate.

Shravan Modi – Syndicate Family Office: The presentation highlights strong in-house manufacturing and R&D capabilities. Which areas of backward integration currently provide us with the greatest cost, quality, and delivery advantage?

Management: As a company, we have been completely vertically integrated for a long time. This is mainly because of the process capabilities and R&D capabilities that we have. We have been vertically integrated for a long time and have been taking advantage of all the cost benefits across the value chain, starting from raw materials to finished products.

Most of the processes are carried out in-house.

Shravan Modi – Syndicate Family Office: Right, sir. Thank you so much. That is all from me. Thank you for the opportunity.

Operator: Thank you. The next question comes from the line of Chirag Shah, an individual investor. Please go ahead.

Chirag Shah: Good morning, sir.

Management: Good morning.

Chirag Shah: If you look at our product mix, approximately 56–60% comes from industrial switchgear, and around 39% comes from wire and cable.

On the margin front, players in the wire and cable industry have been able to maintain healthy margins despite the volatility in copper, aluminium, and other prices following the West Asia crisis.

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Is there a further limitation on our side, or is there a possibility of expanding our margins? We are not in a high-commodity business; we are in specialised products. Ideally, our margins should expand, or at least should not contract to that extent due to metal price volatility.

Specifically, in industrial switchgear and wire and cable, is the margin pressure due only to copper and aluminium prices, or are there other factors as well?

Management: We operate 2 businesses, as you rightly said. This quarter, switchgear accounted for 53% and wire and cable accounted for 40%.

Coming to wire and cable, our margins have been stable over the last 4-5 quarters, and the increase in copper prices has not affected our margins in this business segment. The reason is that we operate on a cost-plus model with our customers.

Almost 70% of the wire and cable business that we undertake involves white-labelling for large brands and OEMs. Since it is a cost-plus model, price volatility does not affect us, and our margins have remained stable.

Coming to the switchgear industry, it is not a cost-plus model and includes significant quantities of copper, silver, and plastic that we use in switchgears, transformers, and other products.

Although we have a price variation clause built into our agreements with customers, the pass-through is not immediate. There is always a lag between the increase in volatile prices, our price increase, and the actual implementation of our price increase.

That is why we have seen a contraction in margin from around 12% to around 7.5-8%. Clearly, a 4-4.5% margin contraction has occurred in the switchgear product business over the last 2 quarters.

Chirag Shah: Understood. To add to the same point, in our overall sales increase, how much is volume growth and how much is sales growth due to price hikes resulting from the increase in metal prices?

Is the actual volume growth available in terms of units or through whatever method we use for calculation?

Management: Yes, we do monitor volume growth as we grow. This quarter, we had 7-8% volume growth, and the remaining growth was due to the price increase.

Chirag Shah: Understood. One additional point is regarding smart meters. Over the last 3 years, there has hardly been any movement, while the investment has been material in terms of our overall balance sheet size.

How do we plan to leverage that investment? It has been a long time since the earlier estimate was a few hundred crores of annual sales for FY24, then FY25, and now FY26 is also over.

Could you elaborate on how we expect to leverage it further, what the opportunities are, and the overall scenario? In some parts of India, we have observed resistance from end users, which has resulted in a lack of progress in smart meter installation.

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How is our team analysing the overall scenario and predicting the future path for this segment?

Management: We continue to evaluate what we can do with this smart meter investment. As of now, you are right that it is a drag on our balance sheet.

However, we still believe that the opportunity in the industry is quite large, and we are trying to benefit from it. But right now, as you said, it is a drag, and we continue to evaluate what we can do with it as we move forward.

I have no update to give you right now, and we have not made any decision as of now regarding what we will do with this investment. We are analysing the situation, and over the next 2–3 quarters we will decide what to do if the business does not continue to come to us as planned.

Chirag Shah: One final point is regarding working capital. Although sales growth is moderate, our working capital requirement or investment is increasing substantially.

This is leading to financial costs and ultimately affecting PAT, EPS, and everything else. Where exactly is the issue due to which the working capital requirement is increasing at a faster pace compared with top-line growth? Could you discuss that?

Management: The last 2 quarters have been very challenging. In spite of that, if you look at this quarter, comparatively—

Rajesh Kumar Doraiswamy – Joint Managing Director: We have performed better on finance costs. We have been able to reduce finance costs by at least 300 basis points, or 0.3% of revenue. I think that is one positive sign.

Although, as you said, working capital remains a strain on us, we are trying to improve the number of days compared with the previous quarter. If you look at it, the number of working capital days has improved in this quarter, and we expect it to continue improving.

Ultimately, what we have to consider is that when raw material prices increase and we increase our prices, overall working capital utilisation also increases because of the price increase. That also has to be considered.

In spite of that, we are trying to operate as efficiently as possible and bring down the number of working capital days.

Chirag Shah: Okay, thank you very much. I am hopeful that this is a tailwind for the industry in India. Hopefully, with the management team we have, we will be able to sail through the current scenario of the West Asia crisis and move ahead with further growth in profitability and the top line. Best of luck.

Rajesh Kumar Doraiswamy – Joint Managing Director: Thank you, sir. Thank you very much.

Operator: Thank you. The next question comes from the line of Madhav Das, an individual investor. Please go ahead.

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Madhav Das – Individual Investor: Hi. Thank you for the opportunity. I would like to ask a few questions.

First, could management provide an update on working capital, particularly considering higher commodity prices, export growth, and the ramp-up of newer businesses?

Second, how do you view leverage and capex requirements for FY27, particularly considering smart meter capacity, EV charging investments, and other manufacturing initiatives?

Rajesh Kumar Doraiswamy – Joint Managing Director: Regarding working capital, Raman, do you have the figures for the number of days? Can you share them?

Raman: I do not have the figures with me right now. We can probably share them.

Rajesh Kumar Doraiswamy – Joint Managing Director: Please share them. Overall, the numbers I saw indicate that we have improved the number of days in the working capital cycle compared with the previous quarter and last year.

That is what I can say for now, but I will ask our investor relations team to share the details with you, sir. What was your second question?

Madhav Das – Individual Investor: How do you view leverage and capex requirements for this financial year, FY27, particularly considering smart meter capacity, EV charging investments, and other manufacturing initiatives?

Rajesh Kumar Doraiswamy – Joint Managing Director: Regarding capex, we will continue to see some capex in FY28. I think FY27 is going to involve minimal capex. We are not planning any major capex, except for regular balancing and maintenance capex, which would be approximately 15–16 crores.

Apart from that, we have some capex planned for our Saudi plant, and we are also expanding our Hosur plant. These are some of the minor capex projects that we will undertake in the current year.

As I mentioned, we are operating at lower capacity utilisation in wire and cable, so no capex is expected for that business as of now. In the switchgear industry, or switchgear business, we will see some capex for capacity expansion next year.

For smart meters and EV charging, we do not expect to undertake any major capex as of now because we still have capacity available for growth in those 2 businesses.

Madhav Das – Individual Investor: Okay, sir. Thank you so much.

Operator: Thank you. The next question comes from the line of Balamurli Krishna from Oman Investment Advisors. Please go ahead.

Balamurli Krishna – Oman Investment Advisors: Hi, good morning, sir. From the opening remarks, could you help me understand the margin trajectory for this year?

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Earlier, we had a 9.5% target, but considering this commodity cycle and compressed margins, how do you see FY27?

Rajesh Kumar Doraiswamy – Joint Managing Director: Could you repeat the question, sir? I did not get it. I understand that you are asking about the margin—

Balamurli Krishna – Oman Investment Advisors: Yes. I am asking about the guidance for the full year. Also, I think we implemented some price increases in February and March. Have we implemented any further price increases? Even if we implement price increases, could escalation in commodity prices suppress margins again? Could you help me understand this?

Rajesh Kumar Doraiswamy – Joint Managing Director: We implemented price increases in February, March, May, and June, and we are also implementing another price increase in August.

We are implementing calibrated price revisions for our products so that all these commodity price increases are passed through. If you look at our results, there is close to a 3.2% increase in raw material consumption, which is effectively our margin compression.

But for this 3.2% compression, this percentage would have directly represented our EBITDA growth. Therefore, we believe that the price increases we have implemented will take care of the commodity price increase once they are passed through to customers.

Balamurli Krishna – Oman Investment Advisors: For FY27, what kind of margins are we expecting?

Rajesh Kumar Doraiswamy – Joint Managing Director: As I already mentioned, for the full year we expect an EBITDA margin of between 8% and 8.5%.

Balamurli Krishna – Oman Investment Advisors: Okay. Regarding smart meters, I think we have finished goods worth approximately 22 crores from the JV earlier.

Rajesh Kumar Doraiswamy – Joint Managing Director: 22 crores of what, sir?

Balamurli Krishna – Oman Investment Advisors: Finished smart meter goods.

Rajesh Kumar Doraiswamy – Joint Managing Director: Yes. We have pending orders as well as finished goods, but we are waiting for clearance from the customer for dispatch.

Balamurli Krishna – Oman Investment Advisors: I think we approached almost all the AMISPs for collaborations. Regarding the smart meter tender in Tamil Nadu, what are your expectations? Do you think we will get an opportunity to participate in that programme with the government?

Rajesh Kumar Doraiswamy – Joint Managing Director: The Tamil Nadu tender has been cancelled as of now, and we expect new tenders to be issued in the coming year or in the next few months. We do not know what the government's position on that is.

Although the government has announced that 50 lakh smart meters will be installed in Chennai alone, we still do not know the details, including under which scheme they will purchase them or how they will purchase them.

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However, whenever a tender is issued, I think we will be eligible to participate, and we will definitely participate in those tenders.

Balamurli Krishna – Oman Investment Advisors: We will participate directly in the government tenders, right?

Rajesh Kumar Doraiswamy – Joint Managing Director: Yes.

Balamurli Krishna – Oman Investment Advisors: Okay. One more point is regarding new products. We recently developed some new products for the railways, and another product relates to contactor control adjustments for HVAC. How is the traction for these products, and how is that business improving?

Rajesh Kumar Doraiswamy – Joint Managing Director: The railway business is going strong. I do not have the figures right now, but we continue to grow in the railway business.

The product we developed was already an existing product, but with new technology we were able to reduce its cost, compete in tenders in a much better way, and obtain a better share of the business. That is what we have done.

Regarding HVAC contactors, the business is picking up. This is for the American market, and after the tariff moderation in the US, the business has started picking up. We expect better business this year.

Balamurli Krishna – Oman Investment Advisors: Regarding the Saudi subsidiary, what could be its potential, and what products are we going to manufacture there?

Rajesh Kumar Doraiswamy – Joint Managing Director: We are starting with only 2 products in Saudi Arabia as of now: wire duct, or cable duct, and terminal connectors.

These are the 2 products that we plan to start immediately when operations commence, which we are planning for sometime in September or October. These are the 2 products that we will start with, and we do not expect any major revenue from the Saudi plant during this financial year.

There will only be a transition of revenue from here to Saudi Arabia. New customers and additional revenue from the Saudi plant will start from next year, its first year of operation. In FY28, we expect approximately 25 crores of additional revenue from the Saudi plant.

Balamurli Krishna – Oman Investment Advisors: Okay, sir. That is all from my side. All the best.

Rajesh Kumar Doraiswamy – Joint Managing Director: Thank you, sir. Thank you very much.

Operator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Rajesh Doraiswamy, Joint Managing Director, Salzer Electronics Limited, for his closing comments. Thank you, and over to you, sir.

Rajesh Kumar Doraiswamy – Joint Managing Director: Thank you, Adarsh. Thank you very much, and thank you, everyone.

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I would once again like to stress that this quarter's margin pressure is definitely a concern for all investors. We also understand the concern, and we are working to normalise the situation.

As I said during the call, this is not a Salzer-specific issue. It is an industry-wide challenge that we are facing today, and we are confident that we will overcome these short-term headwinds. We look forward to continued interaction with all of you. Thank you.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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