"Salzer Electronics Limited

Q1 FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to 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 an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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 the unaudited financial performance for the first quarter year ended 30th June 2026. I have with me Mr. Rajeshkumar Doraiswamy, Joint Managing Director; Mr. Sivakumar, Assistant Vice President, Marketing; Mr. Bellary, Assistant Vice President in Business Development; Mrs. Menaka, General Manager Accounts; and Mr. K. M. Murugesh, Company Secretary; and Mr. Jitendra Vakharia, Non-Executive Director, Kaycee 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 growth to INR498 crores from INR441 crores in the previous corresponding period. This growth was mainly driven by higher demand for industrial switchgear, wires and cables and Building Products division business mainly due to high demand products like 3 phases transformers, wire harness, relays and new products like contactors, etcetera.

Contribution from exports at approximately 18.6%. The EBITDA, excluding other income, was INR31 crores in Q1 2027 as against INR42 crores in Q1 FY26. The EBITDA margin for the quarter stood at 6%. The profit after tax was INR8 crores in Q1 2027 as against INR17 crores in Q1 2026. 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 the total revenue in this quarter. This business grew 10% year-on-year in Q1 2027. The EBITDA margin for this business division stood at 8% in Q1 2027. The Wire & Cable division contributed nearly 40% to our revenues this quarter. There is increase of 11% on year-on-year growth in this division during the quarter. EBITDA margin for this division stood at 5% in Q1 2027.

The Building Products division has contributed 6% to our revenues in this quarter. There is an increase of 48% year-on-year growth in Q1 2027. On the exports front, for this quarter, the export share of revenue was nearly 19% in Q1 2027.

Now I'd like to hand over now to Mr. Rajesh to take us through the business developments that they have. Thank you.

Rajeshkumar Doraiswamy: Thank you, Mr. Raman. Good morning, everyone, and a very warm welcome to Salzer Electronics earnings conference call for the quarter ended 30th June 2026. Thank you all for taking time to join us today. We have shared our results, update, presentation and media release, and I hope you have received and gone through the same. 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 a 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, 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 like 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 of 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 energy transition-led investment. The electrical and allied electronics industry is closely linked to investment in power transmission and distribution, manufacturing, infrastructure, railways, renewable energy, 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 megawatts of transmission 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.

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 the recent developments in the last quarter. During the quarter, we continued to strengthen our strategic investments in emerging businesses and technologies. We made an additional investment of INR13 lakhs in our wholly owned subsidiary, Salzer EV Infra Private Limited, taking the total investment to INR93 lakhs.

We also invested an additional INR1.68 crores in Effilume Private Limited, an associate company, increasing our total investment to INR4.2 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 to back to 25% over the medium term. We continue to see opportunities across U.S., U.K., Europe and the Middle East, particularly for our engineered switchgear and electrical products.

The changing global tariff environment is also creating opportunity for Indian manufacturers as customers increasingly diversify their supply chain. Our subsidiary, Kaycee Industries, continues to perform well. Kaycee's top line grew 8% year-on-year in Q1 FY27. EBITDA stood at INR2 crores and PAT at INR1 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 the 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 the 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 normalizing from the third quarter this year onwards. Having said that, FY27 is likely to remain a challenging year given the global macroeconomic environment, geopolitical uncertainties, which disrupts supply chain and continued volatility in commodity prices. 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 a business for long term. While quarterly results may be influenced by short-term factors such as commodity price volatility, exchange fluctuations, pricing cycles and 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 exports 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, 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.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Naveen from MK Investment.

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

Rajeshkumar Doraiswamy: I think that was expected to reach 10%. But looking at the current global scenario and with continuing West Asia conflict and fluctuating raw material prices, I think we would tone it down to around 8% to 8.5% for this full year because we see this margin pressure to continue in Q2 also and normalize in Q3 and Q4. I think Q3 and Q4, we should be reaching 9% to 9.5%. But on an overall full year average, we should be at around 8%.

Naveen: But why investor presentation is not actually echoing with the management thoughts? Investor presentation is for a real-time looking into the business side, sir. So why your investor presentation and your con call are completely different stories?

Rajeshkumar Doraiswamy: I think we will correct that and we will make the investor presentation correct...

Naveen: I spoke -- I actually e-mailed to your particular Company Secretary, and he's still arguing with us that it is as per management's commentary only. So what we see, sir, as a shareholder, we don't want all these two different things because our -- we are an investor group and our clients are actually demanding us, see why there is a discrepancy in the con-call and the investor presentation.

Rajeshkumar Doraiswamy: Sir, we understood that. I think we will correct it. I've got your point.

Moderator: The current participant line is disconnected, and we'll move to the next question. The next question comes from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: So just wanted to know, I think in Q4, we mentioned that you are doing price hikes in June, and you've done some price hikes for that also. So how much of that has been accepted? And what is still left, sir? Like if you could quantify that, sir?

Rajeshkumar Doraiswamy: So, we have done almost three price increases over the last six months. However, as we do the price increase, we always accumulate the pending orders, which -- so the price increase comes into effect after the already orders that have been taken. So, there is always a lag in the pass-through. And that is the reason -- that is what we are seeing in the margin contraction.

So whatever price increase we have done in April, it has been passed through. I think we have done some price increase in June, which will take effect, I think, from August. And we are proposing more price increase in August, which will take effect in September.

Darshil Jhaveri: Okay. Fair enough, sir. But sir, just wanted to know, I think we're going to get some annuity income, right, from our energy management in Q2. So, has that started in July? Or is it going to start like in later?

Rajeshkumar Doraiswamy: It will be starting in middle of August. I think project is progressing as planned. And I think the project gets completed in July; we will start seeing the revenue from August.

Darshil Jhaveri: Okay. So, sir, just wanted to understand, like if our base business, we are expecting around 9%, 9.5%, right, of EBITDA, maybe from Q3 onwards, not Q2. And our annuity income will also directly flow through our PAT, right? There will not be like any cost attached to it if I -- that...

Rajeshkumar Doraiswamy: Maintenance cost will be attached to it, but minimal.

Darshil Jhaveri: Minimal, right, sir -- so that way, our Q3, Q4 margins can be 10% because I don't know if the 9% is including annuity or just the base business because annuity will be significantly higher margin, right? So just wanted to get your thoughts on that, sir.

Rajeshkumar Doraiswamy: No, I think the annuity business is approximately INR2 crores per month for the project, and that will flow through to us by around 50%. So, it will not significantly change the percentage is what I believe.

Darshil Jhaveri: You only have 50%. So, it will be for us in our books, it will be -- so if it's less than 50%, it will be recorded in P&L from JV or it will be recorded in a consolidated.

Rajeshkumar Doraiswamy: We won't consolidate, but I think as an associate company, we will get the revenues from the company.

Darshil Jhaveri: Okay. Okay. Got it. Got it. Fair enough, sir. That's it. And sir, just wanted to know like over the last 4 years, if I would see our top line has maintained the growth guidance that we have been able to do of 20% plus. But somehow our PAT has not converted to that level. It would be -- I understand that a lot of factors have not been in our favour. But what do you -- because right now, energy is the place where everyone is growing, right?

So, we just want to know that how can our company get back to the margins – that it was where the top line growth and the profit growth are also matching, right? I'm just talking especially from FY24 to '26 and '27 continuing right now, right? Even '27 will have some margins. We used to do 10%, I think, and now we are at 6%.

I understand like a lot of things are not in our control, but what can we do better? Because that led to significant value destruction in our share price also, right? Are promoters planning a buyback or some stake increase that can give a signal to the Street or something? What are your thoughts on that, sir?

Rajeshkumar Doraiswamy: Sir, I agree with you. I think if you look at the -- that's why I mentioned about the CAGR in the 5-year period. I think in the 5 years, the PAT has grown close to around 20% CAGR. Though from FY24, it has not been and FY23, if you see the CAGR has been reduced to around 14% per annum. But I think we have to understand for the last 2 years, there has been a margin pressure experienced and particularly in FY26 last quarter. So that is one of the reasons that the CAGR in the last 3 years has reduced to around 14%.

But having said that, I think we are in a very good sector where we are seeing very high growth. The demand is good. That is the reason that revenues has started to grow significantly. And when this pricing normalization happens and the complete pass-through happens, I think we'll be back to the normal margin levels. And with all the product lines and the relationship that we have with our OEMs, we continue to see good demand coming for all our products, and we will be back to the normal levels by Q3 onwards.

Darshil Jhaveri: Okay. Fair enough, sir. And just like just two other questions from my end. Like this is more regarding our policy. So, can we do a cost-plus policy where the RM gets passed through faster? Or -- because our copper and silver both are traded, can we hedge them somehow because maybe that could help us retain our margins, right? If we would have -- I don't know if I think we can hedge silver.

Rajeshkumar Doraiswamy: No, we can't. I think first question is your cost-plus model. I think we don't want to do a cost-plus model on our standard switchgear products. One of the reason is that, that will make us open our costing sheets to our customers. So far, I think we have tried to avoid that. That also gives an advantage when the commodities are not fluctuating or not going up like what we have seen in the last six months. In a normal situation, we have an advantage because we don't open a cost sheet and the cost-plus model will be a negative in a normal situation.

So that's what we have seen. In that situation, I think we are trying to see how quickly we can pass through this kind of a fluctuated commodity price increase. So that is something that we are still working on, not just Salzer. I think almost all switchgear industry is struggling with this kind of a pass-through.

And we are working on it, and we will try and see. Earlier, it used to be a quarter. Now I think we are trying to do it in less than 2 months pass-through. If we can shorten that further, I think we will not see much of a fluctuations, volatility in our margins. So that's what we are trying to do, one.

Second, on the hedging, I think we normally try to avoid hedging the commodities. except for the stocks that we hold, I think that is the natural hedge that is created. It also works the other way around when the prices fall. If you take an example of silver, I think from INR70 a gram, it went up to INR400, and it has come down to around INR250 now. So, we can also be caught on the other side. So, we normally, as a business policy, we don't hedge commodities, except for the stocks that we hold.

Darshil Jhaveri: Okay. Okay. Fair enough, sir. And just in our new growth areas, I think EV charging, we are -- I think we are looking to double the revenue and the Smart Meter business, if you could just comment something on that, sir. And I think Saudi Arabia also you're planning to commission. Is that underway? How is the scenario out there? So, could you just comment on these three, sir?

Rajeshkumar Doraiswamy: Saudi Arabia is definitely on the cards. However, I think there has been a delay in starting of the plant because of the West Asia disruptions. So, we are now planning to ship our machines and equipments and start installation mostly by September, October. Hopefully, by that time, things can be much better in West Asia is what we believe. So, we have planned to that timeline. So otherwise, I think we should have already started from this April, May, but didn't happen because of the West Asia conflict. That is on Saudi Arabia.

On Smart Meters, we don't have any new update other than what we mentioned in the last con call. We did a very, very small revenue from Smart Meters, close to around INR3.5 crores from that plant. And we have no major updates in the Smart Meter as of now, but we continue to be positive to see how we can get a larger chunk of the business share from the market.

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

Moderator: The next question comes from the line of Karan Mehta from RealFloat Ventures LLP.

Karan Mehta: So, I just have a couple of questions more broadly about the business from a -- just from a structural perspective. So, I guess my first question is just around the distribution part at Salzer. And sir, if you could just help me kind of understand -- so I do appreciate that you've added to the talent bench with the hiring of a new CFO in the recent past.

Could you also help me just understand the distribution and your sales organization in particular? I know that you have a strong linkage with the L&T's distribution channel. So how much would that be in proportion to your direct distribution? And if you could just generally provide colour around how your sales organization is structured and what changes do you see on that front?

Rajeshkumar Doraiswamy: Sure, sir. Thank you very much. On the sales front, we have multiple sales fronts. I think we deal with an OEM front, and we deal with the B2B electrical wholesale business. We also have a B2C electrical wholesale business, and we have an export front. So, these are the different marketing channels that we have. And as you said, we also have a very strong linkage and understanding with erstwhile L&T Switchgear division, which is now called LK, a part of Schneider.

So, the distribution that LK does for us, I think it is close to around 15%, 1-5, 15% of our total revenue that goes through the LK's distribution channel. And another -- I don't know the percentage, but we have General Manager and Vice President, Marketing, heading each of these distribution channels, like the B2C retail and B2B wholesale -- retail wholesale and the OEM. So, 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.

On the B2C retail channel, which is our Building segment product, that alone, I think we are operating only in the southern 5 states. And recently, we've expanded into the Eastern region like Jharkhand, Madhya Pradesh, Orissa, Chhattisgarh. So, these are some of the new states that we have added on the B2C retail front. So, this is the marketing structure that we have.

Karan Mehta: That's very helpful. Just any idea about the headcount strength in your distribution on the distribution side, just rough numbers?

Rajeshkumar Doraiswamy: Total overall marketing team strength, including all these channels, we have close to around 65 people, excluding the leaders.

Karan Mehta: That was very helpful, sir. And just as a separate point around reporting. So, I also appreciate that the format of the presentation for this quarter includes a lot more kind of information about the industry environment and end markets.

So, we are operating in a number of high-growth end markets like renewables and data centres. And I was just wondering if it would be possible to break out the contribution from these segments, if not on a quarterly basis, then maybe on maybe a half yearly or annual basis. I think it would be helpful to just understand the company's evolution in these areas.

Rajeshkumar Doraiswamy: You mean to say about our customer segment, correct?

Karan Mehta: Yes. Like -- so what percentage of the revenue comes from like a data centre or...

Rajeshkumar Doraiswamy: I understand that. We will try to include that and see -- because we have to -- we should have full data on that. But whatever information possible that we have and we will collect, we will try and project that at least once in a half year or once in a year.

Karan Mehta: Yes, that would be very helpful because we are operating in the right segments, but it would just help us as investors to understand and quantify that piece.

Rajeshkumar Doraiswamy: Sure. Thank you very much for the inputs sir.

Karan Mehta: And just the last question is, are we benefiting from any government schemes? Obviously, there is a big push around creating domestic champions in the electronic and electronic component industry. So what schemes are we -- would you think we are benefiting from most at the government level?

Rajeshkumar Doraiswamy: Right now, there's nothing that we are benefiting. But I think we can apply for a PLI or ECMS going forward. And on the EV chargers, there is a new policy that has come a PM E-DRIVE. So, there are some incentives for the users of the chargers, not directly to us. Apart from that, I think we receive export incentives, and that's what we are enjoying right now.

Moderator: The next question comes from the line of Shravan Modi from Syndicate Family Office.

Shravan Modi: Yes. Sir, how do you see Kaycee Industries fitting into Salzer's broader portfolio, particularly in terms of product capabilities, customer access and cross-selling opportunities?

Rajeshkumar Doraiswamy: We are already doing a lot of cross-selling between Kaycee and Salzer. I think we have, I think, synergized a lot of operations between Kaycee and Salzer, and we can see the results in Kaycee when we acquired just before COVID. And post COVID, we started around INR25 crores of revenue. Today, I think we have reached around INR60 crores of revenue.

And the PAT also, I think, has gone up from close to around INR1.5 crores to around -- close to around INR5 crores as of now with a CAGR of 27% in the last 4 years. So, I think we have consistently delivered growth, and we continue to grow Kaycee in areas where Salzer is not present at the moment. So, some new investments on new products have been made in Kaycee. And we continue to see that Kaycee will continue to grow at the same CAGR for the next 3 to 4 years.

Shravan Modi: Sir, and in terms of capacity utilization, Switchgear is around 70%, while Wires & Cable is around 65%. How much additional revenue can the existing manufacturing infrastructure support before our incremental CapEx is required?

Rajeshkumar Doraiswamy: I think the capacity utilization in Q1 and continued in Q2 for switchgear industries has gone up. We are now operating close at around 80% to 85% capacity utilization because of the high demand that we are seeing right now. And on your -- answering your question, I think this year's growth projection of close to 23% to 25%, which we will be able to do in the same capacity. Going forward, I think next year, we might have to do some balancing capacity for the Switchgear. For the Wire & Cable, we can continue for another year with the same growth rate.

Shravan Modi: Right, sir. Sir, when I see the presentation, it highlights that there's a strong in-house manufacturing and R&D capabilities. Which areas of backward integration currently provide the greatest cost, quality and delivery advantage to us?

Rajeshkumar Doraiswamy: I think as a company, I think we have been completely vertically integrated even long before. That's mainly because of our process capabilities and the R&D capabilities that we had. So, we have been vertically integrated since long, and we have been taking the advantage of all the cost benefits across the value chain, starting from raw material to finishing a product. So, most of the processes are done in-house.

Moderator: The next question comes from the line of Chirag Shah, an Individual Investor.

Chirag Shah: Actually, if you see our product mix, our 56% to 60% is from coming Industrial Switchgear and the around 39% is coming from the Wire & Cables. Now if we see the margin front, the players which are into wire and cable industries, those are able to maintain good healthy margin even after this copper price and aluminium and everything price volatility post this West Asia crisis.

So, whether there is a further limitation at our end or there is a possibility to expand our margin because we are not into actually commoditized business. We are into specialized products. So ideally, our margin should expand or should not contract to that manner due to the effect of this metal prices volatility. So, in this specifically Industrial Switchgear or Wire & Cables, this margin front pressure is due to exactly only due to this copper price and aluminium prices or any other factors are also there?

Rajeshkumar Doraiswamy: Sir, there are two businesses that we are operating, as you rightly said, 50% -- this quarter, it has been 53% on the Switchgears and 40% on the Wire & Cable. So, if you're coming to the Wire & Cable our margins have been stable over the last 4, 5 quarters and the increase in copper prices have not affected our margins in this business segment. The reason being, I think it is a cost-plus model that we are operating with our customers. And most -- I think almost 70% of the wire and cable business that we do are white labelling to large brands, OEMs. So, it is a cost-plus model.

So, the margin -- the price volatility doesn't affect us and our margins are stable, which we are seeing. Coming to the switchgear industry, it is not a cost-plus model, and it includes a lot of copper, silver and plastic that we use. including the switchgears and the transformers and everything. Though we have a price variation clause built in with our customers, it is not -- the pass on is not immediate.

There is always a lag between the volatility price increase and our price increase and to the actual implementation of our price increase. That is why we have seen contraction of margin from around 12% to around 7.5%, 8%. So clearly, there is a 4% to 5% -- 4.5% margin contraction that has happened in the Switchgear business product -- Switchgear business for us in the last 2 quarters.

Chirag Shah: Got it. Got it. Just to add the same point, say, in our overall sales increase, due to this metal price increase, everything means how is the volume growth and actual genuine volume growth? And second part is growth -- sales growth due to this price hike -- price hike in this metal. So, whether there is an actual number of volume growth is available in terms of units or whatever...

Rajeshkumar Doraiswamy: Yes, we do. We always monitor the volume growth as we grow. I think this quarter, we have had 7% to 8% of volume growth and the rest is the growth because of the price increase.

Chirag Shah: And just to add on one point also. This Smart Meter front, if we see over the last 3 years, if we observe, there is hardly any movement, and the investment has been materially there in terms of our overall balance sheet size. So how we want -- we are going to leverage on that front because it has been a long time when earlier estimate was around a few hundred crores of sales for year FY24, then FY25, now FY26 is also over.

So, if you can just elaborate that how we are expecting it to leverage further or which all our opportunities and some parts of India, we are observing that there is a resistance from the end users due to which there is a lack of progress in installation of the Smart Meters. So overall scenario, how our team is analysing and predicting the future part for this particular segment?

Rajeshkumar Doraiswamy: We are continuing to see what we can do on the Smart Meter investment. As of now, yes, you're right, this is a drag on our balance sheet. However, I think we still believe that the opportunity in the industry is quite huge, and we are trying to benefit out of that.

But right now, as you said, yes, it is a drag, and we are continuing to see what we can do on this as we go forward. So, I have no update right now to give you, and then we have not made any decision as of now on what we will do with this investment. But if we are analysing as we go forward in the next 2, 3 quarters, we will take a call on what we will do on this if the business doesn't continue to come to us.

Chirag Shah: And one last point only. With respect to our working capital, if you see that with -- while the sales growth is moderate, but our working capital requirement or the investment has been increasing substantially. So where exactly -- because ultimately, it is having the financial cost also. And in fact, it's having the ultimate effect on the PAT, EPS, everything. So, where it has been stopped due to which it's increasing at a faster pace with respect to working capital fund requirement as compared to the top line growth? If you can...

Rajeshkumar Doraiswamy: I think this -- the last 2 quarters have been very challenging. In spite of that, I think if you look at this quarter, comparatively, we have been better on the finance cost. At least we have been able to reduce at least 300 basis points, 3% on the revenue, we have been able to reduce the finance cost. I think that's actually on positive sign. Though as you said, the working capital remains a strain on us. We are trying to improve on a number of days compared to what it was in the last quarter.

Look at it, I think the number of working capital days has improved in this quarter, and we see that it will continue to improve. But we -- I think ultimately, what we have to see is when the raw material prices increase and we increase our price, the overall working capital utilization goes up because of the price increase. So that also has to be considered. In spite of that, I think we are trying to see how efficiently we can operate and bring the number of days working capital down.

Chirag Shah: And I'm hopeful that now, this is the tailwind industry for the India. And hopefully, and with the management we have, we will be able to sail through this current scenario of the West Asia crisis, and we will be marching ahead for the further growth for the -- in terms of profitability and top line. Best of luck for that.

Moderator: The next question comes from the line of Madhav Das, an individual investor.

Madhav Das: So, I would just like to ask a few questions. One is that, could the management help me provide an update on the working capital, particularly considering higher commodity prices, export growth and ramp-up of newer businesses? And secondly, how do you view leverage and capex requirements for financial year '27, particularly considering Smart Meter capacity, EV charging investments and other manufacturing initiatives?

Rajeshkumar Doraiswamy: On the working capital, Raman, you have the figures of number of days? Can you share or...

K. Raman: I think presently, right now, I don't have actually. So, we can probably...

Rajeshkumar Doraiswamy: Share it. But overall, the numbers that I saw was that I think we have improved on the number of days working capital cycle compared to what it was in the last quarter and last year. So that is what I can say now. But I will share -- I think I will ask our Investor Relations team to share the details with you, sir. And what was your second question?

Madhav Das: How do you view leverage and capex requirements for this financial year, financial year '27, particularly considering Smart Meter capacity, EV charging investments and other manufacturing initiatives?

Rajeshkumar Doraiswamy: I think on the capex, we will continue to see some capex in FY28. I think FY27 is going to be minimum, not the major capex that we are going to do except for the regular balancing and maintenance capex, which will be approximately, if I take it right, close to around INR15 crores or INR16 crores. Apart from that, we have some capex that is planned for our Saudi plant, and we are also expanding our Hosur plant.

So, these are some of the minor capexes that we will be doing in this current year. And as I mentioned, I think we are operating at lower capacity utilization in our Wire & Cable. So, there is no capex expected as of now. And in the Switchgear industry -- Switchgear business, next year, we will be seeing some capex for capacity expansion. On the Smart Meter and EV charging, we are not expected to do any major capex as of now because we still have capacity available for growth in those two businesses.

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

Bala Murali Krishna: Opening remarks, could you please explain -- help me to understand the margin trajectory for this year. Earlier, we have 9.2% target by seeing this commodity cycle compressing the margins. So how do you see the financial...

Rajeshkumar Doraiswamy: Can you repeat the question, sir? I didn't get. I understand that you're asking about the margin.

Bala Murali Krishna: Yes.

Rajeshkumar Doraiswamy: You're asking for a guidance for the full year?

Bala Murali Krishna: Yes, sir. And also, I think we took some price increase in the Feb and March. So further, have you taken any price increase or even if you take price increase, inflation in the commodity price suppressed the margin again? Could you please help me to understand?

Rajeshkumar Doraiswamy: We have taken price increase in Feb, March and also in May, June, and we are also taking a price increase again in August. So, we are doing a calibrated price revisions of our products. So that all the commodity price increase is passed through. And if you see our -- the results, I think there is close to 3.2% elevation in the raw material consumption, which is nothing but our margin compression.

So, if -- but for this 3.2% compression, this margin -- this percentage would have straight away been our EBITDA percentage growth. So, we believe that whatever price increase we have done, we will take care of the commodity price rise when passed through to the customers.

Bala Murali Krishna: Okay. So FY27, what kind of margins you are expecting?

Rajeshkumar Doraiswamy: I think I already mentioned, I think this full year, we expect between 8% and 8.5% margin -- EBITDA margin for the full year.

Bala Murali Krishna: The Smart Meters, I think you have a GF of something like INR22 crores earlier. So that is still available with us or we have dispatch to some other...?

Rajeshkumar Doraiswamy: INR22 crores of what, sir?

Bala Murali Krishna: Finished goods or Smart Meters.

Rajeshkumar Doraiswamy: Yes. We also have pending order, and we also have finished goods, but we are waiting for the clearance from the customer for dispatch.

Bala Murali Krishna: I think we approached almost all AMISPs for the collaboration. And on the Smart Meter front, Tamil Nadu tender, sir, what is your expectations? And how do you think whether we'll get any opportunity to participate in supplying the smart meters?

Rajeshkumar Doraiswamy: No tender as of now, it is cancelled, and we expect the new tenders to come in the coming year or in the next few months. We don't know what the government stand on that is. Though they have announced that 50 lakh smart meters will be installed in Chennai alone, but we still don't know the details of it under what scheme they are going to buy this, how they are going to buy this. But as and when there is a tender that will come out, I think we will be eligible to participate, and we will definitely participate in those tenders.

Bala Murali Krishna: Directly participate in the government tenders, right?

Rajeshkumar Doraiswamy: Yes. Yes.

Bala Murali Krishna: Okay. So, one more thing on the new products recently, we developed some new products for this Railways and also one is for the control measurements for HVAC. How is the traction or any improvement in the numbers?

Rajeshkumar Doraiswamy: The Railway business is going on, going strong. I think we -- I don't have the figures right now, but we continue to grow with the Railway business. And whatever product we did, it was already an existing product. With the new technology, we were able to reduce the cost of the product and compete in the tenders in a much better way and get better share of business. So that's what we have done.

On the HVAC contactors, I think the business is picking up. That is for the American market. And we -- after the tariff moderation in U.S., I think the business has started picking up. We will see better business in this year.

Bala Murali Krishna: Okay. On Saudi subsidiary, what would be the potential over here and what kind of products we are going to manufacture here...

Rajeshkumar Doraiswamy: Yes, we are starting with only two products as of now in Saudi, that is the wire duct that is cable duct and terminal connectors. These are the 2 products that we are planning to start immediately when we start operations, which we are planning to start sometime in September, October. These are the two products that we are going to start.

And this financial year, we are not seeing any major revenues coming in from the Saudi plant. It will be only a transition of revenue from here to there. And the new customers and new revenues -- additional revenue from Saudi plant will start from next year. The first year of operation, that is FY28, we expect it will be around INR25 crores of additional revenue that will come from the Saudi plant.

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

Rajeshkumar Doraiswamy: Thank you, Atharva. Thank you very much, and thank you, everyone. I would once again like to stress that this quarter's margin pressure is definitely a concern for all of the investors. We also understand the concern, and we are working on it to make this normalized. And as I said in the call, this is not a Salzer-specific issue. This is an industry-wide challenge that we are facing today, and we are confident that we will overcome these short-term headwinds and looking forward to continued interaction with all of you. Thank you.

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