

14<sup>th</sup> September, 2017

To,

The Manager – Listing National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex Bandra East Mumbai – 400051 Symbol – SALASAR	The Secretary Corporate Relationship Dept. BSE Limited P.J.Tower, Dalal Street, Mumbai – 400001 Scrip Code: 540642
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**SUB: Transcript of the Conference call held on 12<sup>th</sup> September, 2017.****Dear Sir/ Madam,**

Please find attached herewith transcript of the Conference Call held on 12<sup>th</sup> September, 2017, for your record and further dissemination.

Kindly take the same on record.

Thanking you,

For **Salasar Techno Engineering Limited**



**(Kamlesh Kumar Sharma)**  
Chief Financial Officer

## **SALASAR TECHNO ENGINEERING LTD.**

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“Salasar Techno Engineering Limited Q1 FY18  
Conference Call”

**September 12, 2017**



**MANAGEMENT: MR. SHASHANK AGARWAL - JOINT MANAGING  
DIRECTOR, SALASAR TECHNO ENGINEERING LIMITED  
MR. KAMLESH SHARMA - CFO, SALASAR TECHNO  
ENGINEERING LIMITED**

**Moderator:** Ladies and gentlemen, good morning and welcome to the Salasar Techno Engineering Limited Q1 FY18 Maiden Conference Call. This conference call may contain forward looking statements about the company which are based on beliefs opinions and expectations of the company as in the date of this call. These statements are not the guarantee of future performance and involves risks and uncertainties that are difficult to predict. 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 \* then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shashank Agarwal, Joint Managing Director, Salasar Techno Engineering Limited. Thank you and over to you sir.

**Shashank Agarwal:** Thank you. Good morning everyone and welcome to Salasar Techno Engineering Limited's maiden conference call for the first quarter of financial year 2018. First of all, I would like to begin by expressing my gratitude to all of you for taking the time to join us today. On the call with me today is Kamlesh Sharma, the CFO of the company and Bridge IR Investor Relation Team, that is our investor relation team.

Since this is our first conference call, I would start with a brief about the company and reflect over the progress we have made over the decade of operations. I would like to put our performance in a very strategic context and throw some light on the foundations we have been building for Salasar Techno Engineering Limited and our growth prospect in the near future. As you know we are more than a decade old company established in 2006-2007 and are leading player in the domestic telecom tower business.

Over the last 10 years, Salasar Techno Engineering Limited has emerged as a strong brand in the sector with a wide geographic presence spanning the length and breadth across India. Since our inception we have supplied more than 20,000 towers of various designs of angular, tubular and hybrid ground based towers and roof top towers. In the financial year FY07, we got our first major order from Reliance, GTL and Idea which boosted our confidence in this business and it just gave us sort of a launching pad. During financial year 2008, we entered into a collaboration with Ramboll, it is a Danish company, as a technical tie up to become one of the India's key players in the manufacturing and fabrication of telecom towers. Ramboll is amongst the leading global players in the designing business. They are basically consultants for Telecom and Infrastructure sector. We also provide customized solutions to steel fabrication and structure in India for telecommunication towers, transmission line towers, substation structures, solar module mounting structures and utility poles. In the year 2011, the company ventured into manufacturing of module mounting structures for solar power plants, as the sector had started growing a big time. We then forayed into transmission business in 2013 where we received our first order for 70 km line in Rajasthan. This was a state electricity board job. With the successful execution of projects over the years in 2015 the company bagged a prestigious order from UPPTCL, that is Uttar Pradesh Power Transmission Corporation Limited, state electricity board for UP, for 400 km transmission line of 220 KVA and 132 KVA. And in 2016, we bagged

projects for rural electrification work from PVVNL, that is Paschimanchal Vidyut Vitaran Nigam Limited, UP. In the last year, that is in financial year 2017, we introduced utility poles, high mast poles, stadium lighting poles and flag poles and smart city poles. In June 2018, we received our approved vendor status from PGCIL, that is Power Grid Corporation of India. Our company received its first order for transmission line monopoles recently which is a new line of business we have started, that is manufacturing of polygonal monopoles for transmission. Along with these orders we also received order for railway from Railways for track electrification, that is from CORE, central organization for railway, that is for 85 km track line.

To summarize, we operate in 4 verticals, one is telecom, other is transmission. When I say transmission it includes supply of towers and EPC and as well as railway track electrification and rural electrification. Third vertical is solar power plants wherein we supply module modeling structures as I said and the fourth one is poles, that includes the utility poles and all sort of poles which are required as per the need of the growing infrastructure in India and that also includes smart poles for telecom. In telecom towers as I said we manufacture angle bar towers, tubular towers, hybrid towers and monopoles, and solar module modeling structures basically covering fixed tilts, smart tilts and seasonal tilt structures. And smart poles which we have recently developed for telecom where basically these are developed keeping in mind the requirement of the smart cities where they require very static kind of poles and it will be a combination of telecom tower, Wi-Fi, smart lighting, local area monitoring and things like that. The company added a new galvanizing plant of about 50,000 metric tonnes capacity, that is per annum capacity in our subsidiary Salasar Stainless Limited in February 2017. The total installed capacity today has become about 1,00,000 tonnes per annum. And with the help of our highly skilled, capable and confident team I am confident that we will be able to increase our reach to a large number of clients. With the experience of a decade behind us where we have constantly innovated to provide efficient and timely delivery to our clients, we are now well equipped to offer a wide range of customized products for the industry. I would also like to thank the entire team of Salasar Techno Engineering for their untiring efforts, hard work, sincerity and dedication in driving the company where it is today.

I will share highlights of our consolidated financials for the first quarter of FY18 which are inline as per the new Indian Accounting Standards. The company registered a revenue of 125 crores with a strong year-on-year growth of about 51% from 83 crores in the same quarter last year. This was mainly on account of increase in our execution of our order book, higher contribution from the tubular tower business from Reliance and higher margin businesses. The EBITDA stood at 12 crores in Q1 FY18 increased by 61% as compared to 8 crores in Q1 FY17. The net profits for Q1 FY18 is at 6 crores compared to 3 crores in Q1 FY17. This represents a growth of about 77% on a year-on-year basis. The EPS in Q1 FY18 stood at Rs. 6.14 registered a growth of 78% as compared to Rs. 3.45 in the respective quarter last year Q1 FY17. The last few months have been game changing for the entire economy of our country, the domestic economy is shaping up with a great new prospect, strong economic fundamentals, reforms, strict norms, GST policies and all that for the businesses to grow and prosper in longer period. The GST, the biggest

reform in India founded on the notion of one nation, one tax, one market has converted India into a unified market of 1.3 billion citizens. Fundamentally the 2.4 trillion economy, \$2.4 trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST. In the first quarter of the industry saw a strong demand in project which had a positive impact because some of the customers preponed their purchases to avoid the lull which could have happened to GST roll out. Post GST, the roll out in overall industry show a slow turn around in the orders in the month of July and August especially as companies were focused on getting GST aligned and temporarily there was a halt by some of the companies wherein they did not buy the material in the month of August and July due to the systems alignment. The orders get a better understanding aligning the new norm. This has led to the temporarily muted and subdued current business scenario with uncertainties getting cleared slowly. We now see a steady increase on order inflows and confident that the GST once is streamlined across sectors will be a big boon to our country adding significant value and bringing growth to our economy.

I think that is about it from my side. I would like to thank our valued shareholders who support and faith in our company, has given us the determination and ambition to go from a strength to strength. I think this is all about from my side and I think we are open for the questions and answers if any from any of the shareholders and the investors.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Prithvi Raj from Unifi Capital. Please go ahead.

**Prithvi Raj:** First one on the order book, what is the current outstanding order book and the breakup between each of the four segments?

**Shashank Agarwal:** As on 20<sup>th</sup> of August, if I talk about, I have the figures in front of me. The telecom had a order book of about 32 crores pending, the transmission had 250 crores, solar had about 11.82 crores. These are the confirmed orders, purchased orders which we have in hand. Other than these like telecom, they give us projections every month wherein we have a clarity in the time to come. I mean, telecom as such though the confirmed purchase orders what we have in hand is about 32 crores. But you can assume it at about 100 crores the kind of projections what we have from our different customers which are to be executed over next 3-4 months. And transmission we have 250 crores orders in hand and other than that we have about 50 crores of contract which is yet to be signed where we are L1 with Himachal, so you can typically consider it as 300 crores. And in solar we have order book of about 10 crores at the moment.

**Prithvi Raj:** So this sums to about 293 crores. This is executable over what, next 3 to 6 months?

**Shashank Agarwal:** Telecom yes, over 3 months transmission out of 250 crores probably this will be executed over a period of about 12 months and solar yes, about in next 1.5 months.

- Prithvi Raj:** So you know, I was looking at the executable order books that culminates over March 2018. So out of 250 could you give us a sense of how much you think you could book by March 2018?
- Shashank Agarwal:** Anywhere between 150-180 crores.
- Prithvi Raj:** Okay. And across the segments of course, telecom you didn't tell us what your bid pipeline is, but what would be your bid pipeline be in transmission apart from this 50 crores?
- Shashank Agarwal:** As I said, we already have a confirmed, where we have been L1 with Himachal for about 45 crores order which is from Himachal state electricity board, and the contract is yet to be signed but we have been finalized as L1 vendor.
- Prithvi Raj:** Okay. So I was just looking at your visibility for FY18, the revenue momentum building up. So are you suggesting that at this point in time we really don't know how Q3 and Q4 will shape up and it remains to be seen how the order build up in telecom and all that happens between Q2 and Q3 for us give an exit for Q4 because obviously if I sum this all up, the quantum of revenue I get for FY18 isn't too much to look at. I was trying to understand how momentum with revenue levels for FY18 will eventually build up and what will contribute towards that?
- Shashank Agarwal:** See, for Q2 we have more or less a clear picture today because majority of Q2 has already passed. So in Q2 we are looking at a sales of about 100 crores plus minus, may be 100-105 depends on how the billing could be done in the transmission and if we look at the overall billing for FY18 I think we should be closing our books somewhere between 475 crores to 500 crores.
- Prithvi Raj:** 475 plus, is that what you said?
- Shashank Agarwal:** That is right.
- Prithvi Raj:** Okay and the margin profile of these contracts in hand and the ones yet to come, there has been a very little margin you have made between Q1 of last year and this year. Do you think we have covered on and go for an upgrade?
- Shashank Agarwal:** See, the margins typically should be in the range of about, the EBITDA should be typically in the range of about 10-10.5 plus minus somewhere there, end of the year.
- Prithvi Raj:** Thanks for that. Last question before I get back into the queue. Which transmission authorities are giving us this. Are we working with UP or is it any other state transmission authorities...?
- Shashank Agarwal:** Now we have a good order from UP and plus this we got from Himachal. And we are also bidden for some projects in UP and Himachal again. So the orders which we have bidden for is about 200 crores which are in the pipeline and apart from what we have in hand. So the fate of those orders are yet to be decided. It all depends, I mean it all depends who L1 is. So I cannot say that those bidding will be converted into orders for sure.

- Prithvi Raj:** What kind of working capital cycles are we looking at with UP?
- Shashank Agarwal:** See, average working capital if we look at, it is about 100 days within UP, that includes our material plus recovery of the funds, the debtors.
- Prithvi Raj:** So the actual receivable cycle would be next to 100 days?
- Shashank Agarwal:** About 100 days, plus minus including total. That includes from working capital, complete working capital cycle is about 100 days.
- Prithvi Raj:** Okay and the debt as on date would be how much, our long term and short term borrowing put together?
- Shashank Agarwal:** See, we don't have any long term borrowings as such from anywhere. It is only the working capital limits what we have. As I said earlier also, we have a working capital limit of about 85 crores from two banks, that is Bank of India and HDFC Bank and about 75 crores of non-fund based limits which are used for bank guarantees and LCs.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Sir now in FY17, our topline grew by about 30%-35% kind of, and based on what you have guided in next year we are looking at maybe 15%-20% growth. So is it that we are worried about the telecom business or from any other segment that we are kind of deepening our growth kind of?
- Shashank Agarwal:** No. I mean in percentage terms, yes maybe you are right, but if you see the value wise probably you know the base for this year's growth is wider compared to what it was last year. Plus yes, you are right. The telecom sector as such is little bit under pressure where the growth has stagnated. I mean the telecom sector has been growing at a CAGR of about 3%. But at the same time the whole industry is under pressure in terms of lower tariffs and things like that, high spectrum cost and everything. So the growth is there, it is not something which we can see, okay yes, three years down the line there will be number of towers required, but plus minus how the Reliance is shaping up they have good requirement. And we are in talks with them, we might get good order from them, may be in next October before Diwali which would give us much better clear picture in terms of revenues. But based on today's order what we have in hand, I am saying that we should be closing at around 475 plus minus.
- Deepak Poddar:** Correct. So point well taken, but for a long term view, may be 3 years, what sort of basically CAGR one should look at? 15%-20% is a more realistic number rather than a 30% or?

- Shashank Agarwal:** I think 15% is a very realistic number. Let us not get into 30% kind of growth expectations, those are difficult to manage, I mean difficult to sustain I would say, maybe for one year or two year we can probably do a 25%-30% growth, but then to sustain year-on-year basis that kind of growth is difficult.
- Deepak Poddar:** So 15% would be a more realistic number to assume maybe on a longer term 3 to 4 year CAGR basis?
- Shashank Agarwal:** That is right.
- Deepak Poddar:** So what sort of CAPEX that might be required to maintain such kind of growth. I understand that we have recently doubled our capacity that might be utilized over next 2 to 3 years. But on a rough view that over next 4-5 years...?
- Shashank Agarwal:** See, the CAPEX in terms of the galvanizing capacity we have already done and one of the plants needed some refurbishment which we are doing now. Suppose we go on a manufacturing capacity of 1,00,000 tonnes probably we will be doing a CAPEX of 10 crores-15 crores again over a period of 2 years-3 years in a very phased manner, in terms of building some floor area and putting some fabrication machines.
- Deepak Poddar:** Okay. And also on the galvanizing or will that not be required given the volume required?
- Shashank Agarwal:** Galvanizing won't be required because we have that capacity available with us.
- Deepak Poddar:** So next 2-3 years only 10-15 crores?
- Shashank Agarwal:** Yes, that is what I am looking at.
- Deepak Poddar:** Thank you. And my final thing I wanted to understand on the margin front. Basically we are currently at 9.5% kind of range. So is that a sustainable kind of level or is there anything on which there is a scope of improvement or any sense on those lines would be helpful.
- Shashank Agarwal:** See, the EBITDA typically would, see when we are growing at about 15% a year, EBITDA of 10% plus minus would be what we should be happy with, 10-10.25 maybe 10.5 depending upon the projects. Sometimes you bid for a project at a slightly lower margins to win that project and increase your topline. But it is very difficult to, see we are not making any run-of-the-mill product wherein we can have definite numbers in front of us. Sometimes these are very project specific numbers. Sometimes you get a better margin and project EBITDA might go up as well. But typically, a minimum of 9.5 and maximum of about 10.5-11 could be something, these are the numbers where the EBITDA should range.
- Deepak Poddar:** So 9.5 to 10.5, would that be a fair range?



- Shashank Agarwal:** Yes. That is a fair range to assume that we should be operating on those numbers.
- Deepak Poddar:** Right. And maybe the higher end of this band would be when we would be fully utilizing over the new capacity?
- Shashank Agarwal:** Yes, of course. We will have of course in terms of operational efficiencies, would have the co reductions overall economies of scale. So EBITDA might of course go up.
- Moderator:** Thank you. The next question is from the line of Kalpesh Parekh from Prabhudas Lilladher. Please go ahead.
- Kalpesh Parekh:** So basically my question was more on, when I am seeing sequential performance where in Q1 vis-à-vis Q4, I am seeing some amount of debt. So is the nature of business like that, it is too heavy centric towards second half or something like that or is it a seasonal phenomena or probably is it because of GST?
- Shashank Agarwal:** No. See, I will tell you. Always if we compared Q1 of last year and Q1 of this year, you can see a growth of about 50%-60%, right? And Q1 always is subdued in our line of business, always. It is always H2 which the whole sales grow. I mean Q4 is always the best and last year Q4 was especially good because of our Reliance orders. They wanted some good numbers in Q4 last year in telecom and lot of numbers came in from there. But typically Q1 is always the subdued one.
- Kalpesh Parekh:** And in terms of our business also like the various segments where we cater to, in terms of margin if I am saying which segments will have a better margin like the transmission will have a better margin over telecom or vice versa? How it will be?
- Shashank Agarwal:** Typically we love telecom business. The EPC has different kind of challenges. Sometimes there are better margins in EPC but end of the day when you close a project those margins get a little bit wiped off because of the projects is being stressed by sometime due to so many reasons. It could be government reason, it could our reason, it could be the land issues, it could be so many issues. Typically the tubular tower process is the best for us where in we manufacturing number of tubular towers and supplying to all these companies, tower poles. Typically that is the best, but it again varies. I mean today we have this RVPNL project going on for rural electrification where I see the better margins coming in compared to all other businesses. So it will vary from time to time. I mean it is very difficult to say that one business will give you better margins always.
- Kalpesh Parekh:** So in the sense like is the working capital requirement also changing based on the segment like tubular and...
- Shashank Agarwal:** Yes, it does.

- Kalpesh Parekh:** The telecom will have a higher and transmission will have a lower working capital cycle?
- Shashank Agarwal:** No. Transmission has the highest working capital requirement and solar has the lowest and after that is the telecom towers.
- Kalpesh Parekh:** In terms of the lower working capital or in terms of the higher working capital?
- Shashank Agarwal:** Yes.
- Kalpesh Parekh:** So how you are saying, the preference?
- Shashank Agarwal:** Low working capital is solar, after that telecom then transmission.
- Moderator:** Thank you. We will take the next question from the line of Vinay Kumar from Expansion Horizon. Please go ahead.
- Vinay Kumar:** Couple of things. In taking cue from the previous few questions, wherein CAPEX was discussed. So when we say that telecom is more over getting into the stagnant mode, where do we see the growth opportunities going forward?
- Shashank Agarwal:** See, it is going to come from transmission undoubtedly we are doing some work in railways where I see a good opportunity. Plus transmission we are bidding projects, every opportunity we get, we bid projects. Today we have reasonable amount of qualification and a reasonable amount of experience with us where in we are confident that we will be able to close these projects in a very well manner, keeping the margins intact and not over stressing the whole cycle. So ultimately see in our line of business, ultimately growth is going to come in transmission which will include of course the newer products like polygonal poles which we have started manufacturing only recently these and the monopoles for transmission which other than us only Valmont and Bajaj is doing. There is no one else who is doing these specialized poles. And transmission EPC and railways track electrification is something which gives us lot of hope in terms of our turnover increase.
- Vinay Kumar:** That is good. Can you elaborate a little more on each of these transmission and railways and polygonal poles, how do we see the growth opportunities in individual segments of each of these?
- Shashank Agarwal:** Today we have an order book pending or about 250 crores as I said apart from 45 crores which is yet to be signed where we are L1. So 300 crores is something which we are looking at in a very near future. I mean this 45 crores project would be completed over a period of two years once we sign that. But apart from that 250 crores is something which is going to be build over the next 10 to 12 months, maybe a maximum 18 months and we are bidding close to 250 crores orders tenders again which are in the pipeline and we will be bidding again over a period of next

6 to 8 months or a year wherever the opportunity comes. So there are lot of opportunity coming in EPC business.

**Vinay Kumar:** So how do we compete with the biggies because there are lot of big players in this, at least 3-4 of them, so how do we compete them and is our competition sustainable?

**Shashank Agarwal:** See the pie is too big actually and the competition of course is there in every business, in our line of business there is lot of competition. We have competition from biggies; we have competition from people in our range and people which are much smaller than us. But even for a very big company it is not possible to win all the tenders. So it is a cycle. Suppose at one time, one point in time, maybe a biggie might have won 10 tenders and after 10 tenders they will think probably no, we don't want to do any more project until unless we complete them and then you get a chance, a better chance. So it is all, I mean it is sometimes the mood of the market, sometimes your gut feeling that this is what and we can win the project at and sometimes it is luck also.

**Vinay Kumar:** So how about the receivables in each of these segments? Are they comfortable or we do have to make a lot of effort?

**Shashank Agarwal:** See, if we talk about the government business, you have to do a little bit of liasoning for getting your work done and your payment received. Other than that telecom is very standard terms of payment. We supply, we get our money in 45 to 60 days in solar, again you know 30 to 45 to 60 days depending from customer to customer. So apart from government business the efforts required are not that large apart from the commercial team you know following up with the invoices booking and getting the payment done. But in government business yes, we have a slightly bigger team which keeps on liasoning for getting the bill passed and getting the payment released. Overall typical working cycle has been about 100 days plus minus for the whole company if I look at it.

**Vinay Kumar:** That is fair. In your opening remarks, you have mentioned about GST. I mean, why this mention and what is the impact, can you elaborate a little more? Do we have a prolonged impact of such an activity?

**Shashank Agarwal:** I would tell you. This is good that you asked this question. See what has happened in, when the GST was introduced on 1<sup>st</sup> of July, some of our telecom customers they had put their purchases on hold. They asked us to hold the orders to be delivered for at least 15-20 days, so that they could get their system aligned to the GST billing, especially in case of Reliance. So little bit of sales took a hit in the month of July which could start only in the month of August. But today they are buying all good numbers. So this quarter as I said should be closing at 95 - 105 crores. And yes, if GST impact was not there probably there could have been another 10-15 crores added to this quarter, but which will ultimately be covered in the next quarters.

- Vinay Kumar:** So in that sense we haven't lost any ground?
- Shashank Agarwal:** No.
- Vinay Kumar:** Probably we may have some bit of extra business because of the other players, hanky panky once going out?
- Shashank Agarwal:** I mean, see whatever orders we had with all the customers those orders are on track and we will be billing. It is just that the billing has been delayed by 15-20 days especially in the telecom sector and in the government sector also. Like RVPNL, they took some time to get aligned. You know the billing which was to be done in the month of July and August could not be done which is eventually been done now. They have started accepting the bills and getting them into the system, even they have to get them GST aligned. My talk was only in that sense that the sales which was supposed to happen in the month of July and August, it could not happen to that kind of volume, it is only been delayed.
- Vinay Kumar:** Okay, got it. So couple of last questions if I may. What is our understanding with Ramboll?
- Shashank Agarwal:** See, Ramboll I would tell you it is a Danish company as I said. They are basically consultants for designing. They design towers, they design bridges, energy sector, roads and things like that. Their revenue itself from consulting is more than a billion Euros. And they are our technical partners wherein they design towers for us and they have a team of professional which sit on our factory. We have given them dedicated office space and they monitor our quality processes in terms of incoming material, the manufacturing process and the outgoing material. And they also help us in getting overseas order for export of telecom towers. And we pay them a royalty on their designs, whatever material we sell as per their designs we pay them a royalty on that.
- Vinay Kumar:** Can you quantify this amount if possible?
- Shashank Agarwal:** It ranges from 3% to 5%.
- Vinay Kumar:** That is fair enough and one last question. What are the chances of getting the Reliance orders?
- Shashank Agarwal:** We are very confident. We should be getting this order anytime soon, maybe in the month of October, may be before Diwali because see, Reliance today has about 40,000 towers to their own kitty and they have around 100,000 towers which they are sharing with people like Indus, Bharti Infratel and American Towers. And as far as the word is spread the management has decided to put up at least 40,000 towers more of their own over a period of next 2 years-3 years which might convert into a 15,000 tower order very soon for 3-4 players.
- Vinay Kumar:** Of which probably will be getting about 40%-50%?

- Shashank Agarwal:** We should be getting close to 35%-40%. It depends what kind of orders they are going to finalize. Once they finalize probably they might decide to do let us say 5000 towers in first place in the month of October.
- Vinay Kumar:** So why this confidence? Just you know this will also build confidence in us for you, so why this confidence oozing out of here?
- Shashank Agarwal:** See, we have been working with Reliance since the day they started putting up towers and we have been performing consistently with them. They are happy with us. We are happy with them. They have been buying this Ramboll tubular towers only. They are not buying any other towers. And there are limited number of players and we have been supporting them in all their endeavors in terms of better designs, in terms of better deliveries in terms of capacities, we are now required to be expanded for them or in terms of doing the better delivery time for them. So as such we have very good relationship with them. The day they decide to do, let us say in first place they do, let us say okay they want to 5000 towers over a period of next 3 months, so probably we will get good numbers out of that.
- Moderator:** Thank you. The next question is from the line of Prithvi Raj from Unifi Capital. Please go ahead.
- Prithvi Raj:** Could you just quantify the total, I am sorry for repetition, could you quantify the total size of this opportunity from Reliance? Is it 40,000 towers over two years? Did I get that right?
- Shashank Agarwal:** 40,000 towers over a period of 3 years that is what we are looking at. Out of which they might decide to order 4000-5000 towers every quarter or something like that.
- Prithvi Raj:** And in terms of your market share did I get you right, you said you might corner about 30% of this opportunity?
- Shashank Agarwal:** Yes.
- Prithvi Raj:** Okay. And what is the pricing part you are very broadly looking at?
- Shashank Agarwal:** See, the typical tower from Reliance cost about 5-6 lakhs, what we supply to them. So there is an opportunity of about 2,500 crores in total.
- Prithvi Raj:** Okay. Lovely. And in terms of margins you said, your telecom tower have a margin profile, which is better than that of transmission?
- Shashank Agarwal:** Typically it has been so like that till date.
- Prithvi Raj:** Okay. So does it translate to 11% or 10.5%, what number you are looking at?

- Shashank Agarwal:** Well, again I would not like to commit anything, but yes, 10.5 is something we should be comfortable with.
- Prithvi Raj:** And you are saying the entire opportunity would be split among three players, right?
- Shashank Agarwal:** It will be spread over 3-4 players, yes.
- Prithvi Raj:** So this roll out would start when? By Q4 of this year or Q1 of next year, what timelines are we looking at?
- Shashank Agarwal:** We have some orders pending from Reliance which are running now which are likely to be completed by 15<sup>th</sup> of October or 20<sup>th</sup> October before Diwali and I am sure before we complete these orders, we should have next order probably in hand which would be again for next 2-3 months.
- Prithvi Raj:** So this run rate of about 4000 towers per quarter, out of this 40,000 pie, I was just trying to understand by when do you think that will roll out?
- Shashank Agarwal:** It will start rolling out next month some time?
- Prithvi Raj:** Okay and it will start with the pace of 4000 towers per quarter?
- Shashank Agarwal:** That is what they have been saying, but Reliance being Reliance they are sometimes very highly unpredictable. Sometimes they will say they want to do 40,000 towers and 6 months later say management has said no, we want to do only 10,000 towers.
- Prithvi Raj:** I appreciate that.
- Shashank Agarwal:** That should not be taken as a commitment or anything. This is the indication what we have from the market. See, anything what I am saying is all indication from the market. We don't have anything in record or anything in written from Reliance that there is going to be 40,000 towers over the next 2 years.
- Prithvi Raj:** And ex Reliance, you know this 32 crores order book in telecom that you have in telecom, what is the proportion of Reliance in that order book?
- Shashank Agarwal:** Reliance order book today?
- Prithvi Raj:** Yes.
- Shashank Agarwal:** Today we have Reliance order book pending about 20 crores.
- Prithvi Raj:** Out of 32?

- Shashank Agarwal:** Yes.
- Prithvi Raj:** And are you seeing CAPEX spends happening by people who are weakening, people like Idea, Vodafone, are they in CAPEX mode yet?
- Shashank Agarwal:** Typically Idea and Vodafone have not been buying. It is only the tower corps which buy like Indus Tower, American Towers and Bharti Infratel.
- Prithvi Raj:** So in terms of people spending, you are saying it will be Reliance and Airtel who have been spending on entire networks?
- Shashank Agarwal:** Correct.
- Prithvi Raj:** I mean, I going with the end use as well?
- Shashank Agarwal:** Yes. Typically the spending by Bharti Infratel and American Towers have been very kind of a stagnant over last one year and even this year they have been pretty stagnant. They are not doing something great. They have been on similar kind of numbers for last one year. Even the year which is going through the numbers have been typically the same what it was last year which is average about 100 towers each from Bharti Infratel and American Tower.
- Prithvi Raj:** What capacity utilization are we at right now?
- Shashank Agarwal:** See, we are at about 60%.
- Prithvi Raj:** Sir and what is the status at the steel subsidiary, given that steel is seeing a recovery across the globe and in India particularly. Is there any turnaround in terms of utilization and revenue and bottom line?
- Shashank Agarwal:** In Salasar Stainless, we are doing all towers only. It is a 100% subsidiary of Salasar Techno. The business what we had in Salasar Stainless was manufacturing of steel pipes, stainless steel pipes which we are not doing. It is a very small, maybe one of the mills, we are doing for one of the customers. Other than that, that capacity is lying idle and I am not seeing much of a turnaround in that.
- Prithvi Raj:** Sir, and can you give us some sense on this monopole transmission towers which you said some of the discoms, utilities are asking for. Do you have any specialization in manufacturing sir, how competitive is that segment?
- Shashank Agarwal:** See, these are specialized poles which have recently started being used by transmission. I would say recently, I mean last 4-5 year. And the number of manufacturers are limited and wherever especially in the urban and suburban areas wherever the utilities are being put up, instead of putting up a big huge tower which is spread over a area of at least 20 meters or 30 meters by 30

meters area, they are trying to put up monopoles and it looks a good opportunity in terms that we have for UPPTCL itself we have a good number of tower order available with us and this has just started. Probably this is something which will go in a long way because if you go overseas instead of putting up this four-legged angle bar towers they have already started putting up these monopoles for the last few years. So India, it has just started. This looks to be a good opportunity for me.

**Prithvi Raj:** And I assume that they have better margins compared to the traditional towers sir?

**Shashank Agarwal:** They are better.

**Prithvi Raj:** Can you quantify that sir?

**Shashank Agarwal:** See, today the volume of business for those monopoles is very small compared to the overall business. So even if the margins on those poles are higher, the overall margin might not go up by that much, but of course typically if I supply a tower versus a monopole the margins are of course instead of 10% EBITDA that might convert into 14%-15% EBITDA, only for that monopole business.

**Prithvi Raj:** And sir one last question on the smart city related poles which you said might be an interesting segment. Are you seeing any traction there?

**Shashank Agarwal:** See, we are in talks with lot of players, where these people like L&T. We are almost in the final stages with them to finalize some 50 smart poles for Vizag. The design is already been approved. It is now just a matter of some approval which they are waiting to get from the local authorities. It think probably they get that approval, probably that order will be, that enquiry or that discussion will be converted into an order very soon and we are on with the smart poles now. Then once that we are on the ground and we approved okay these are the 50 smart poles which we have put up in Vizag, that will become a show case for the whole smart city project. There could be good opportunity there.

**Prithvi Raj:** How much is the railway segment out of the transmission segment?

**Shashank Agarwal:** 50 crores.

**Moderator:** Thank you. We will take the next question from the line of Sachin Shetty, an Individual Investor. Please go ahead.

**Sachin Shetty:** My question is for this telecom sector, for electrical towers at present do you have any overseas order book right now?

**Shashank Agarwal:** For telecom, yes we do have. Telecom order book from overseas is about 10 crores which is to be executed over a period of next 3 months.



- Sachin Shetty:** Who is that customer and which country sir?
- Shashank Agarwal:** This is for basically Airtel in Nigeria through a third party. It is called TYDACOMM Tower. They are basically designer of towers and we are doing some specialized towers for them of 90 meters and this is for Airtel Nigeria. The end customer is Airtel Nigeria. But it is being executed by TYDACOMM. There is a company called TYDACOMM in Nigeria. They are basically designers and we have designed these towers in consultation with them with Ramboll. So these are very specialized towers which we are going to do for them.
- Sachin Shetty:** Right now the order book is 10 crores, right?
- Shashank Agarwal:** For overseas, yes.
- Sachin Shetty:** And sir for this electrical tower, do you have any third-party job work like you are taking order from Power Grid and supplying to, currently you are bidding to government?
- Shashank Agarwal:** As I said we have been recently approved by Power Grid as an approved vendor in the month of June. So we are working on those opportunities wherein we will be able to supply power grid approved towers to some of the vendors like Tata Power or ABB or you know Simplex or customers like that.
- Sachin Shetty:** And in terms of EPC contract, you are only supplying tower or entire supply chain?
- Shashank Agarwal:** No. When I say EPC it is a complete project wherein like from UP we did about 400 km line. So that included right of way, the civil foundation, the tower supply, tower erection, stringing and charging of the line till the handover to the government?
- Sachin Shetty:** What about that ACSR conduction? Do you supply or only your...?
- Shashank Agarwal:** It varies from project to project. This project, the conductor was supplied by the government. The conductor was not part of our supply.
- Sachin Shetty:** Right now how much order book in hand?
- Shashank Agarwal:** 250 crores.
- Sachin Shetty:** Including this Power Grid, anything is there sir?
- Shashank Agarwal:** No.
- Sachin Shetty:** And sir you just now you told that Reliance have setup target of 40,000 towers. So right now how much tower we are supplying?

- Shashank Agarwal:** To Reliance we have supplied more than 10,000 towers already.
- Sachin Shetty:** And what is cost of per tower?
- Shashank Agarwal:** Maybe about, anything between 500-600 crores.
- Sachin Shetty:** Per tower you are saying?
- Shashank Agarwal:** No, total of 10,000. I mean per tower is 5 lakhs to 6 lakhs as I said.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Shashank Agarwal for his closing comments.
- Shashank Agarwal:** I think it has been a good conference and I am happy with the interest from the investors in our company. Bridge Investor Relations are our investor relationship company. For any questions, anything you can come back to us and company is doing good, trust me when I say this. Thank you everyone.
- Moderator:** Thank you. Ladies and gentlemen, with that we conclude today's conference. Thank you for joining and you may now disconnect your lines. Thank you.