

Date: August 21, 2023

Listing Department, The National Stock Exchange of India, Exchange Plaza, C-1 Bandra Krla Complex, Bandra (E), Mumbai- 400051, NSE Symbol: SALASAR	Department of Corporate Services, The BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001, BSE Scrip Code: 540642
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Sub : - Earning call transcript of Q1 FY24

Dear Sir/Madam,

Pursuant to Regulation 30 (Listing Obligations and Disclosure Requirements) Regulation, 2015 enclosed herewith the transcript of conference call of Q1 FY24 held on 16th August, 2023 and information asked during con call, enclosed as reply of con call queries, for your record and further dissemination

Kindly take the same on record.

Thanking you,

**Yours faithfully
For Salasar Techno Engineering limited,**

**Alok Kumar
Managing Director
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“Salasar Techno Engineering Limited
Q1 FY '24 Earnings Conference Call”

August 16, 2023



MANAGEMENT: **MR. SHASHANK AGARWAL – JOINT MANAGING
DIRECTOR – SALASAR TECHNO ENGINEERING
LIMITED**
**MR. PRAMOD KALA – CHIEF FINANCIAL OFFICER –
SALASAR TECHNO ENGINEERING LIMITED**

MODERATOR: **Ms. DEEPIKA MURARKA – CHOICE EQUITY BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Salasar Techno Engineering Limited Q1 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Deepika Murarka from Choice Equity Broking Private Limited. Thank you and over to you ma'am.

Deepika Murarka: Thank you Seema. Good afternoon everyone. On behalf of Choice Security Broking, welcome to the Q1 FY24 post-results conference call of Salasar Techno Engineering Limited. I also take this opportunity to welcome the senior management team. On today's call, we have with us Mr. Shashank Agarwal, Joint Managing Director and Mr. Pramod Kala, Chief Financial Officer. This conference call may contain certain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. I will now invite Mr. Shashank Agarwal for the opening remarks to be followed by question and answer session. Over to you, sir.

Shashank Agarwal: Thanks Deepika. Thank you for hosting us for our quarterly earnings call. Good afternoon, everyone. We welcome you all on our Q1 FY24 earnings call. We, Salasar Techno Engineering Limited, began our operations in the year 2006-07 and have been in the business for more than 15 years. With our unwavering dedication and focus to serve the needs of the clients, we have successfully established ourselves as a one-stop infrastructure solution company, providing 360-degree solutions across continents.

Our area of operations consists of designing and manufacturing of telecom towers, structures for electrification, transmission line towers, distribution poles, monopoles for telecom and power transmission sector, heavy steel structures, such as prefabricated buildings and bridges, and EPC projects for railways and power transmission and distribution lines, including substations. We have emerged as a leading player in most of these sectors. We have consistently been delivering innovative solutions, meeting diversified needs of our clients, and surpassing their expectations.

Our staunch focus on quality, safety and sustainability has enabled us to build a strong relationship with our stakeholders, allowing us to expand our presence across India and serve to over 25 nations. We carry our operations through three state-of-the-art manufacturing facilities located in Uttar Pradesh, having a total capacity of 115,000 metric tons per annum, and are equipped with cutting-edge technologies, in-house certified designs, time-tested Ramboll designs, and tools and other machineries.

We also proudly boast of having zero defect production, shortest delivery windows in the industry, and the ability to ramp up operations in a minimum time span anywhere. Our quality products, services and customer-centric approach has helped us in getting recognition from large government companies, making us an approved vendor for Power Grid Corporation of India Limited, CORE, that is Central Organization for Railway Electrification, and many more.

Till date, we have catered to over 600 clients. We have supplied more than 50,000 telecom towers, laid more than 700 kilometers of power transmission lines, and almost 600 kilometers of railway track. We have a long-standing technical tie-up with Ramboll of Denmark to manufacture lighter and lower costing tower structures and high mass poles. These designs help us reduce the cost by as much as 40% compared to conventional angle bar towers. Apart from the association with Ramboll, we have our own internal design team, which has vast experience of designing towers. These designs are time-tested and proven for performance.

With our partnership and continuous efforts towards innovation, quality, multidisciplinary engineering capabilities, and widely accepted design, we are sure that we will constantly grow and offer our customers the superior products and services. Our diversified business lines allow us to cater to various industries, such as power industry by providing products and EPC solutions, such as transmission and distribution line towers, substation structures, railway overhead electrification and structures. Renewables by providing solar module mounting structures, solar trees, solar water pumps and windmill towers.

Telecommunications by providing every possible solution for the industry, whether it is an angle bar tower or a tubular tower or a bar-style on-wheel tower or a rooftop pole or a monopole. Poles by manufacturing and delivering lighting poles, distribution poles, and other infrastructure poles as required. Heavy steel structures such as bridges, prefabricated buildings, and heavy and complex industrial structures used in power industry and in steel sector.

We also contribute towards modernizing the nation by manufacturing smart city poles and camouflage poles. We are highly committed towards innovating our products. The company's focus on research and development has led to creation of cutting edge solutions that address the evolving needs of its clients. By embracing technological advancements and staying at the forefront of the industry needs, we continue to provide innovative products and services that set new benchmarks in the sector.

Simultaneously, our unwavering focus of maintaining stringent quality standards throughout our manufacturing process, from design to fabrication and to installation, has allowed us to earn a reputation and recognition from major industry giants such as Airtel, Indus Towers, BSNL, KEC, BHEL, L&T, Tata, and many, many more.

Coming on to our financials, in the first quarter of FY '24, revenue from operations experienced a healthy growth of 24.3%, reaching to INR261.86 crores, compared to INR210.67 crores in the Q1 FY '23. This growth was primarily driven by rising demand of customized steel structures and diversified EPC solutions, as well as efficient execution of the order book.

EBITDA increased from 39.54% from INR16.9 crores in Q1 FY '23 to INR23.58 crores in Q1 FY '24. And EBITDA margins increased by 99 bps from 8.02% in Q1 FY '23 to 9.01% in Q1 FY '24. Led by increasing the scale of operations and efficient utilization of resources. Talking about our order book, we stand on a healthy order book of about INR1,435 crores. We are very confident of good growth going forward. We have strong orders from domestic and international markets in the EPC segment, which we expect to complete within the time frames.

Our EPC order pipeline stands at INR1,243 crores. In the towers and poles segment, we have orders more than INR88 crores from domestic and international markets and in our heavy steel and structural division, we are witnessing an unhealthy demand and have orders of more than INR100 crores.

Looking ahead, we expect more orders coming our way. The power segment increases demand for electricity in the country every year, growing at a rate of 7%-8% per annum, will provide ample growth opportunities for us. In order to meet the growing demand, a huge investment in transmission and distribution networks will be required.

Moreover, the government's ambitious plan to achieve a capacity of 500 GW in non-fossil energy by 2030 is set to significantly boost the need for healthy power transmission infrastructure, opening new avenues and opportunities for growth and expansion in the energy industry.

In the telecom sector, the rollout of 5G is going at a very good pace and for effective execution of the same, the demand for telecom towers is set to more than double. Apart from 5G, there is a lot of expansion happening for the strengthening of 4G sector, so for the 4G part of the telecom.

Also we expect our modern product offerings in this segment, such as camouflage towers, smart city solutions, and portable towers will act as a game changer for the industry. In the railway sector, with a hefty budget towards the sector, government is planning to electrify the balance network by the year 2024. And us being a recognized and approved vendor of CORE, we are confident to flourish in the segment.

Moreover, not only just EPCs in the segment, we also provide heavy steel structures and bridges, which is a better margin product. With almost INR1.07 lakh crores dedicated towards capex for railways, we expect to tap this market as well as resulting in favourable results. Further, our new state-of-the-art galvanization plant is nearing completion and the expansion will allow us to manufacture monopoles for power transmission line sector. These monopoles will be high in size, which will be almost three meters in diameter for high voltage transmission lines.

The segment faces less competition owing to our strong presence and will act as a value-added product, offering better margins and boosting our revenue visibility. The new plant also deploys a step ahead processes and cutting edge technologies which will enhance overall efficiency and manufacturing process and enhance margins.

Now I would like to open the floor for question and answer. Deepika, kindly please open the floor for the question and answer.

Moderator: Thank you very much. We will now begin with the question and answer session. We take the first question from the line of Ajay Verma, an individual investor. Please go ahead, sir.

Ajay Verma: Congratulations, sir. I have three questions. Actually, I would like to know, what is the sustainable margin of the company. Is there any scope of expansion because margins have decreased in quarter over quarter? This is my first question.

- Shashank Agarwal:** Your question is what is the sustainable margins for our industry? Right?
- Ajay Verma:** Yes.
- Shashank Agarwal:** Yes. Okay. And next line was?
- Ajay Verma:** Is there any scope of expansion? Because margins have decreased from quarter over quarter.
- Shashank Agarwal:** See, our margins, sustainable margins are in the range of about 9% to 10% on EBITDA level. Okay. We are an infrastructure sector and primarily supply as I said, towers and other structures to various companies. And the margins typically remain in the range of about 10% plus, minus, sometimes 9%, anything between 9% and 10%. Yes, there might be some fluctuations on a quarter to quarter basis. But over the years, what we have seen is that, we are range bound within 9% to 10% EBITDA level.
- And, when I say this, I'm also confident that going forward, we might be able to improve our margins when our new galvanizing plants is operational, wherein we'll be offering a product, which is not being offered by everyone in the industry. And we will have an edge over others compared to other manufacturers. So going forward, the margins might improve slightly, but yes, 9% to 10% is something we sustain, we'll be able to sustain.
- Ajay Verma:** Okay, my second question is, as we all know, a huge amount of capex is planned for the railway electrification. Yes. I just wanted to understand, how much of our company going to get the input from it?
- Shashank Agarwal:** So in railways, see, when you say that there's almost more than one lakh crores of expansion which is happening in the railways, that includes various things that like building new lines, new railway stations, modernization of the infrastructure, modernization of the signal system, and so many other things. What our company focuses on is the electrification sector for railways, wherein we have orders of almost INR400 crores as on date for railways which are under execution. And maybe between INR350 crores to INR400 crores, which are under execution.
- I'm not sure about the unexecuted part, maybe around. I can get those figures for you if you are done. And going forward also we would be bidding for projects which suit us in terms of our operations, in terms of our geography, in terms of our margins. It is difficult to comment as to how much amount of orders, we'll be able to tap on. It depends, tender to tender and job to job.
- Ajay Verma:** Yes. Okay. My last question is from electrification, rural electrification from Har Ghar Yojana, what is the electrification of rural area? What kind of opportunity we can expect and can you give us some idea or any kind of numbers or something?
- Shashank Agarwal:** So we have recently won orders in rural electrification for almost INR750 crores. And this is for four districts, which are nearby to our location. And we have already started executing that order. And going forward also we might be bidding for some projects and there are some projects in the pipeline, which we are expecting to get for rural electrification as more than INR25,000 crores is going to be spent on rural electrification alone. RDS is basically the ramping up for

distribution sector. So yes, we are happy to be part of that and as I said, have already order book of almost INR750 crores in the sector.

Ajay Verma: Okay. Helpful. Thank you so much sir. Okay, I will come in the queue.

Shashank Agarwal: Thank you.

Moderator: Thank you. We take the next question from the line of Kashish, an individual investor. Please go ahead.

Kashish: Good evening, sir. I just have one question. Could you please tell us what are the major growth drivers you are witnessing for EPC projects?

Shashank Agarwal: So EPC projects, as I said, we do EPC projects in basically three sectors, I would say two in power transmission and distribution, right, and another one is railway electrification. So we are not adamant on doing any one particular sector. It depends which particular project can offer us better margins, and which, in terms of operations and execution of the project is most suitable to us. We bid for those projects and try to get those projects.

It could be in power transmission sector, it could be distribution sector of power, or it could be railway electrification all. But our major growth, as I think, would come from power transmission Monopoles, wherein we are trying to bid for projects which have lines running on transmission and Monopoles, wherein we have an edge in terms of designing those Monopoles and manufacturing those Monopoles. So there could be, those would be a major area of growth in terms of business as well as margins.

Kashish: Okay. Thank you.

Shashank Agarwal: Thank you.

Moderator: Thank you, sir. The next question is from the line of Dinesh Narain, an individual investor. Please go ahead.

Dinesh Narain: Hi. Good evening. I have two questions. One is, actually, if you can provide us with visibility in terms of export orders, have you got any export orders or do you expect any export orders over the next few months? The second question is really around visibility on the debt. How much debt are we expecting to take in this financial year?

Shashank Agarwal: So we have a healthy order book for exports. One is a project in Nepal, which is a European bank-aided project, which we had won a few months back. It's a project of almost INR143 crores, out of which almost INR100 crores is a supply part, which would be exported from India. So that will be part of our operations, but that would happen over a period of 18 to 24 months, partly coming in this year and balance going over to the next year. And we have also bid for some project in Africa, which we expect to receive orders very soon.

Apart from this, we have some orders for Telecom Towers as well for Africa from our existing customers and these orders at the moment are in the range of about INR10 crores to INR15

crores for telecom towers at the moment and apart from this, as I said, we have project exports. And what was your next question?

Dinesh Narain: The other question was on the debt levels?

Shashank Agarwal: So we have a working capital limit of INR250 crores and almost the same amount of limits for bank guarantee, which is a non-fund based limit. And going forward, we are planning to increase this by INR50 crores over this year and we are expecting a good growth in the financial year. So that would help us in achieving that growth.

Dinesh Narain: One follow-up question, sir. Are there any plans for any further equity dilution? I mean, considering the overall expansion.

Shashank Agarwal: Not at the moment, but depending upon the situation or some opportunity coming our way, we might think of doing that.

Dinesh Narain: Right. Thank you very much.

Shashank Agarwal: Thank you.

Moderator: We take the next follow-up question from the line of Ajay Verma, an individual investor. Please go ahead, sir.

Ajay Verma: Thanks for the opportunity. As you mentioned that a new plant will be commissioned in Q2 FY '24, right? Then what is the incremental revenue generated from that new plant?

Shashank Agarwal: So we'll have, see right now we have three galvanizing plants, which are running in three units. And in one of the units, that's unit number three, we are putting up a new galvanizing plant and probably when this plant starts, we will put the existing plant in a standby mode and utilizing the capacity of the new plant. But as far as the revenue is concerned, we would at least get an additional revenue of INR50 crores from that plant alone, in addition to whatever our routine.

Ajay Verma: INR50 crores, you said INR50 crores, right?

Shashank Agarwal: Yes, so this will add at least INR50 crores of revenues within this year.

Ajay Verma: Okay.

Shashank Agarwal: Additional revenues.

Ajay Verma: Yes. Okay, thank you. I have one final question from my side. You mentioned largest steel galvanization plant in Asia. Can we expect our exports will be increasing in percentage of revenue and who are the peers in this segment? If you throw some light on this.

Shashank Agarwal: So you are asking, who are the peers in this particular sector for which we are going to use the galvanizing plant? Okay. So, we have Valmont of USA in Pune, and we have Skipper in Calcutta, and then, it's us. So, we have now the biggest capacity, surpassing Valmont, and Skipper and we'll be able to produce the largest possible Monopoles in the industry, scattering

up to very high voltages, 400 kV and above. And this is a very state-of-the-art plant, being imported from Germany and Italy and we expect this to be operational by the end of this quarter.

Ajay Verma: Okay. Sir, actually I want to know the export opportunity from this plant?

Shashank Agarwal: So yes, you are right. We already have export opportunities just this would also help us in getting some extra orders in terms of products, wherein we'll be able to offer these products to developed countries like USA and Canada for their power transmission line sector. Yes. It might take us some time to get approvals, but yes, ultimately we'll be able to offer a quality product to these countries.

Ajay Verma: Okay, sir, thank you. Okay, thank you so much, sir, and wish you all the best.

Shashank Agarwal: Thank you.

Moderator: Thank you, sir. Ladies and gentlemen if you wish to ask a question you may press star and one. Anyone who wishes to ask a question may press star and one. As there are no further questions, I would now like to hand the conference over to Mr. Shashank Agarwal for closing comments.

Shashank Agarwal: Thank you. Since there are no more questions, I would like to conclude. I would like to thank all the participants for attending this virtual session. We believe that, we have satisfactorily run through our company and business model, addressed every question and thereon put up on the floor by the participants. Please follow with the investigation teams Vinayak Shirodkar, Naman Maheshwari, Captive IR, if you have any questions and if these are not covered in the session and I wish you all a great day ahead. Thank you once again. Thank you everyone.

Pramod Kala: Thank you everyone.

Moderator: Thank you. On behalf of Choice Equity Broking Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.