

29th May, 2018

To,

The Manager – Listing National Stock Exchange of India Ltd. Exchange Plaza, BandraKurla 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 Conference call held on May 24th, 2018**Dear Sir/ Madam,**

Please find attached herewith the transcript of Conference call held on 24th May, 2018 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

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“Salasar Techno Engineering Ltd Q4 & FY18 Earnings Conference Call”

May 24, 2018



**MANAGEMENT: MR. SHASHANK AGARWAL – JOINT MANAGING
DIRECTOR
MR. KAMLESH SHARMA – CHIEF FINANCIAL OFFICER**

Moderator: Ladies and Gentlemen, Good Day. And Welcome to the Salasar Techno Engineering Limited Q4 FY18 Earnings Conference Call. As a remainder, 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, Aman. Good afternoon, everyone. And I welcome you all to Salasar Techno Engineering Limited's Earnings Conference Call for the Fourth Quarter and Full Year ended 31st March, 2018. I would like to begin by expressing my gratitude to all of you for taking time to join us today.

On the call with me is Mr. Kamlesh Sharma – Chief Financial Officer of the company. And Bridge IR, our Investor Relations team.

Before we get into financial and business performance for the quarter and full year ended FY18, I would like to give you an overview about the company. Most of you are aware of it, but I would just repeat for the sake of it. We are more than a decade old company, incorporated in 2006 as telecom tower manufacturers primarily. Over the years we have successfully diversified our business into different verticals and emerged as a strong brand in the sector, expanding our operations in various parts of India. As of now we have supplied more than 25,000 telecom towers since our inception and these towers are often designs angular, tubular, or hybrid. Our technical collaboration with Ramboll, Danish company, has enabled us to emerge as one of the key players in to manufacturing and fabrication of telecom towers. The collaboration has helped us provide our customers with better designs and less bulky towers. We are preferred vendors for all major telecom companies and are approved vendor for Power Grid Corporation of India for transmission jobs. Today our offerings include steel fabrication and solutions for telecom towers, transmission line towers, substation structures, solar module mounting structures, we also manufacture and provide utility poles to our customers for different use such as high-mast poles, smart city poles, stadium lighting poles, transmission line poles, flag and whatever it may be.

Our business can be bifurcated into four verticals – one is telecom towers, then transmission. Transmission again can be further divided into EPC projects which are turnkey projects, railway track electrification projects and rural electrification projects. And we are also suppliers to other EPC contractors who are doing EPC projects for transmission. The third vertical is supply of solar module mounting structures. And the fourth vertical is poles, which includes light poles, high mast poles, smart city poles, stadium lighting poles, camouflage tower poles and different other kind of electricity poles which includes such poles also.

Our total install capacity today of galvanizing stands at 100,000 metric tons. During the financial year 2017-2018 we had taken one of the units of galvanizing for refurbication as it was 10-year-old unit. And effectively this year we had available capacity of about 65,000 tons to us. Further, as an ongoing endeavor to expand our product mix we have also forayed into railway track electrification. Company is gearing up to sharpen its focus on railway electrification and intends to start bidding for such projects and strategic alliances with local private players initially, because of QR. We are gearing up by adding more manpower and building capacities to handle our all future railway related projects, the company has always started bidding for such things as I mentioned. This sector continues to witness upward growth in both ordering and execution and the company expects growth to remain strong and gain further with increase participation opportunities.

We have constantly innovated to provide efficient solutions. Our excellent execution capabilities have helped us gain the trust of our clients. This is evident from our strong repeat orders from our clients.

I would like to thank the entire team of Salasar Techo Engineering Limited for their untiring efforts, hard work, sincerity and dedication in driving the company where it is today.

Coming to our consolidated financials for the fourth quarter and full year ended 31st March, 2018. These numbers are in line with the Indian accounting standards, IndAS guidelines. We will come to the financial highlights of the quarter.

The focus has always been on improving overall business and this can be seen in the performance, both telecom business and EPC business have contributed to this growth. The company registered revenue of Rs. 146 crores with a year-on-year growth of 8% from **0:06:07.4** in the same quarter last year. This was driven by entity's execution deficiency, that was comparison between Q4 2017 and Q4 2018. The EBITDA was Rs. 16 crores in Q4 FY18 which has increased by 17% compared to over Rs. 14 crores in Q4 FY17. The net profit for Q4 FY18 is over Rs. 9 crores as compared to Rs. 7 crores in Q4 FY17, this represents a growth of 32% year-on-year basis.

Coming to the financial highlights for the full year ended 31st March, 2018. The company registered a revenue growth of 29% in FY18 at Rs. 495 crores up from Rs. 384 crores in FY17. Our telecom tower businesses contributed 56% of our total revenues, followed by transmission 33%, solar module mounting system at 8%, including poles is about 3%. The EBITDA margins increased by 40% at Rs. 54 crores from Rs. 39 crores last year. Net profit has presented a growth of 58% at Rs. 29.64 compared to Rs. 19 crores in FY17. The EPS in FY18 stood at Rs. 24.21, registering a growth of 28% compared to Rs. 18.86 in FY17.

This is all from our side so far the results of the company. I can now invite the participants and I would like to open the floor for question-and-answers.

- Moderator:** Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Parth Kotak from Fortune Finance. Please go ahead.
- Parth Kotak:** Sir, my first question is regarding trade receivables which has gone up substantially, it has almost doubled over the last year, so what is the main reason for the same?
- Shashank Agarwal:** The trade receivables, since as you can see our business in government sector has increased from last year I think it was around 13.5%, today it is around 26%. And lot of billings for the services happen during February and March which was still outstanding on 31st of March, that is one of the primary reasons for the trade receivables going up.
- Parth Kotak:** Sir, going forward we also wish to have a higher focus on our transmission business which I think will further elevate our business with the government. So, can we see stress on the receivables side going ahead?
- Shashank Agarwal:** See, the government business, especially the transmission is as such that you have to have certain retentions over there which would be released only after completion of the projects. And also payment cycle from government are slightly longer compared to the private sector. So, going forward if we increase our business from here, some more towards transmission then of course there will longer receivable cycles.
- Parth Kotak:** So shall we consider FY18 cash conversion cycle to be the same going forward?
- Shashank Agarwal:** In terms of outstandings the trade receivables probably this is the maximum we are looking at.
- Moderator:** Thank you. Our next question is from the line of Abhilasha Satale from Dalal & Broacha. Please go ahead.
- Abhilasha Satale:** Sir, I wanted to know how much of our revenue is coming from manufacturing, that is galvanizing and how much is from EPC? And how are margins different for both the segments?
- Shashank Agarwal:** See, the manufacturing revenues are about Rs. 451 crores and services is about Rs. 40 crores. But this Rs. 451 crores also include our manufacturing goods, plus some of the goods which we buy and supply as part of the project in transmission. You understand what I am trying to say? like when we do a transmission project we not only supply towers, we also buy things like insulators, lot of other items which go into completion of a transmission line. So, the manufacturing part per say in transmission is about Rs. 125 crores which would include manufacturing of our own manufactured goods or some bought out items. Whereas if you remove Rs. 125 crores out of Rs. 451 crores, which is about Rs. 325 crores, so Rs. 325 crores is pure manufacturing plus around out of Rs. 125 crores our own manufactured goods would

be about Rs. 70 crores to Rs. 80 crores and around Rs. 40 crores to Rs. 45 crores would be the goods which we have bought out and supplied.

Abhilasha Satale: And sir, how are margins for both the segments like? I can consider like around Rs. 60 crores and Rs. 70 crores is our trading turnover.

Shashank Agarwal: Trading turnover is about Rs. 40 crores probably.

Abhilasha Satale: So, how are like margins if we could just bifurcate?

Shashank Agarwal: In terms of traded goods and manufactured goods or...?

Abhilasha Satale: Traded goods, manufacturing as well as EPC.

Shashank Agarwal: See, what happens is whenever you bid for a transmission line project you see the whole project as a bundle and you really do not go into the details of what margins would be having on traded goods or manufactured goods. Overall, margins in any project typically we target about 11% to 12% which actually is reflecting in the balance sheet at about 11% EBITDA end of the day.

Abhilasha Satale: So I mean these are the base margins we consider for whenever we bid for the project and we should be able to maintain it in-spite of some cost escalations in the raw material prices side?

Shashank Agarwal: Yes.

Abhilasha Satale: Sir one more thing, I just missed our revenue breakup, you said that telecom contributed 56%, transmission is 18% and further what was it?

Shashank Agarwal: See, telecom is around 56.19% to be precise, solar is 7.67% to be precise, transmission business is 31.63% and 4.5% is others which include utility poles and things like those.

Abhilasha Satale: And depending on our order book how do we see this mix shifting?

Shashank Agarwal: For FY18 - 19 telecom is one of the most promising sector, especially for us because there is a lot of growth happening in telecom because of Jio, Indus and Bharti coming together. And then Idea-Vodafone would also start doing something in next couple of months. Plus, there is a lot of stress from the government side also to increase telecom infrastructure availability in regions like Northeast and Chhattisgarh which is part of the Network of Spectrum (NFS). So, this year telecom might be almost 60% to 65% of the business probably and if we grow at around let's say about 20% - 25% from Rs. 500 crores if we are able to achieve something like Rs. 625 crores, telecom would go from Rs. 275 crores to may be around Rs. 335 crores odd. And transmission would be roughly in the similar range, 30% to 35%, and solar again which is 8% today might grow to 10% this year. And typically, this should be the run-rate you can expect.

- Moderator:** Thank you. Our next question is from the line of Kalpesh Gothi from Veda Investments. Please go ahead.
- Kalpesh Gothi:** Sir, can you give the number of how much Jio order we executed this quarter?
- Shashank Agarwal:** I am noting this question, I can send it to you.
- Kalpesh Gothi:** Sir, is there any pending orders due?
- Shashank Agarwal:** Yes, as of today we have around Rs. 60 crores orders pending of Jio as on date.
- Kalpesh Gothi:** That are to be executed in next three months, right?
- Shashank Agarwal:** To be executed end of July.
- Kalpesh Gothi:** So, have we bided for any more order?
- Shashank Agarwal:** Yes. See, today total order book is about Rs. 355 crores out of which telecom is Rs. 133 crores, which includes Reliance Rs. 60 crores and railways Rs. 32 crores, transmission is Rs. 180 crores, poles is about Rs. 2 crores and solar is about Rs.8 crores.
- Kalpesh Gothi:** And sir you also spoke about we are expected orders to come from Idea, Vodafone. So, is it in first half or second half?
- Shashank Agarwal:** See, Idea-Vodafone merger is happening, I was expecting them to go operational by somewhere in April, but it seems that something has delayed. So probably another two and three months they should be up and ready for expansion. So we might look at their orders end of first half probably.
- Kalpesh Gothi:** So what will be the size of order?
- Shashank Agarwal:** it is very difficult to predict, just by looking at the overall industry going in for expansion, it is my expectation that these guys will not be left behind, and they will all be going for some kind of expansion. I am not sure that whether it will come or not come, but this is what I can looking at my experience and looking at current market scenario, I mean these people will not be left behind, they will also jump into the fray to keep up the pace with all others. So I am not saying that we will have orders from Idea-Vodafone, but yes I am sure that they will come to the market with the orders somewhere in the first half, they should.
- Kalpesh Gothi:** Sir, actually I was trying to figure out you said telecom will be the growth driver for FY19 and may contributed 60% to 65%, so are we looking for a bigger order from Jio or any other telecom company?

- Shashank Agarwal:** Jio will be consistent for next eight to ten months, we already have two to three months orders with them and we are already expecting to take some more orders in may be next month, in June, July, which would go for deliveries in August and September. And looking at the numbers what they are planning to put up at least during this financial year we should have sufficient amount from Jio itself. Plus Bharti Infratel is going in for good expansion and we are expecting some good, we already have good visibility from them for next six months which was never there earlier. Plus, Indus, again is coming up with very good numbers, we have visibility from them for next three months. See, what happens in case of telecom typically, except for Reliance all the other people they give orders on site basis, but they have given us visibility for next three to six months that these many numbers they are going to pickup which gives us a lot of excitement and hope that these numbers, ultimately these numbers will be converted into purchase orders, but the purchase orders come only in as the site is allocated.
- Kalpesh Gothi:** Okay. So in FY19 the Jio order will be much higher than FY18 that we executed?
- Shashank Agarwal:** Yes.
- Kalpesh Gothi:** And coming to your transmission, do we bid for any Power Grid PGCIL order?
- Shashank Agarwal:** No, we are part o a project where Bajaj has won, and they have given our name as a approved vendor, the vendor to be used for the project. We are not bidding for a PGCIL...
- Kalpesh Gothi:** Have we got any other order?
- Shashank Agarwal:** From transmission, yes, we got a Rs. 52 crores order from Jharkhand where we were L1. And other than that we have some pendency of Himachal of about Rs. 41 crores and then we also have pendency of some Rs. 70 crores - Rs. 80 crores from rural electrification. Rs. 52 crores is the one we just won 15 - 20 days back.
- Kalpesh Gothi:** And sir how is the demand we see in solar there?
- Shashank Agarwal:** Solar was a little down this year, but it is picking up again because now the picture has settled for them and the people have realized that this is what it is, the duty is on panels or the steel prices or whatever. It has come to terms now, the ordering which was stopped completely say in second quarter and third quarter of last year, have started picking up now and we are expecting solar business which was at around only Rs. 37 crores last year might go to Rs. 50 crores to Rs. 60 crores, may be even Rs. 100 crores, it might even cross Rs. 100 crores this year. And coming back to your question of Reliance Q4 execution, we have executed about Rs. 76 crores in Q4 for that.
- Kalpesh Gothi:** And for the full year?

- Shashank Agarwal:** I will just get you those numbers.
- Moderator:** Thank you. Our next question is from the line of Nagendra Maurya as an individual investor. Please go ahead.
- Nagendra Maurya:** Sir, I have a couple of questions. Sir, what kind of trend in raw material we are seeing for FY19 - 20? As we are seeing zinc and steel prices gone up, so are we able to pass on the increased cost to our customers?
- Shashank Agarwal:** Yes, of course. I mean, see we are working only on about 10% to 11% EBITDA and if the steel prices and zinc prices are not passed on it will not be possible for us to survive, even the customer understand this. So, typically in transmission we have standard formula which is applicable all along the industry. And similarly, with telecom operators we have some formula for price variation, so every month or every quarter depending upon the customer. So essentially these costs are passed on more or less.
- Nagendra Maurya:** And we got orders from railway electrification of Rs. 49 crores almost, so what is the execution timeline for that contract?
- Shashank Agarwal:** We are supposed to close in 10 - 18 months, we still have about 8 to 10 months pending. So out of Rs. 49 crores we have already build about Rs. 18 crores, around Rs. 32 crores is pending to be built out of which some is WIP, so this Rs. 32 crores is going to be built in next 10 to 12 months.
- Nagendra Maurya:** So, if I talk about competition as we have seen Bharti Infratel and Indus Tower also doing the same business in telecom business, so what is the competition level in the telecom sector?
- Shashank Agarwal:** See, Bharti Infratel and Indus are going to be merged, the merger has already been announced. So basically, Indus Towers is going to be merged into Bharti Infratel. And the primary reason for that is owners of Bharti Infratel would like to capitalize on their asset and Mr. Mittal would like to utilize that fund into building more infrastructure so that from the operator's side he can spend more money. That is primarily the reason for Indus merger into Bharti Infratel. So from a point of view of competition, there is no competition between infrastructure companies as such, I mean Indus and Bharti Infratel do not compete with each other. And we have both of them as our customers, wherein in Bharti Infratel we enjoy 65% to 70% of the business and in the towers again we are number one vendors for their north requirements.
- Nagendra Maurya:** So, sir any other government order from railway sector we are expecting going forward?
- Shashank Agarwal:** We have bided few orders in railways, a couple of ones we have lost because we were there L3 or L4. But at the same time, we have some opportunities in railways wherein we are supplying structures to lot of other EPC contractors who have already won the railway contracts, people

like Kalptari, KEC and Tata Power, they are executing some railway projects for which we are supplying structures to them as we are approved manufacturers for railways. At the same time we are also bidding for railway project on EPC basis.

Nagendra Maurya: So, currently we have around Rs. 355 crores order base, right sir?

Shashank Agarwal: Correct.

Nagendra Maurya: So what kind of revenue growth we are expecting for FY19 - 20 and what kind of margins we are expecting for the same FY19 - 20?

Shashank Agarwal: The revenue growth should be in the range of 20% - 22% and EBITDA margins would at least be what we have today if not more.

Nagendra Maurya: 10% to 12%?

Shashank Agarwal: About 11%.

Nagendra Maurya: What kind of margins we are getting from the railway segment?

Shashank Agarwal: See, typically as I said earlier also, when you bid for a government project you actually take into consideration margins of about 15%, even up to 20%. But by the time the projects are executed you are left with only 11% to 12%, simple reason that sometimes the projects get assessed because of so many reasons or your retentions are held up for so many reasons. So, typically our overall balance sheet is about 11% is what we target here and there.

Moderator: Thank you. Our next question is from the line of Jehan Bhadha from Nirmal Bang Securities. Please go ahead.

Jehan Bhadha: Sir, question on the transition side. Since last three quarters we have been stating that the order book was around Rs. 250-odd crores and today it stands at Rs. 180 crores. So, what kind of a number do you foresee over next 12 months, what kind of order book should we be ending in FY19 with?

Shashank Agarwal: Rs. 250 crores was there when we had lot of things to execute, but we have executed quite essential part of it during Q3 and Q4. At the same time, we have received new order for about Rs. 52 crores, that is why this figure stands at Rs. 180 crores. We have again bid about Rs. 200 crores in transmission in different sectors of the different board and the outcome will depend on the pricing of what we have quoted and what others have quoted. Typically, our focus this year is more on telecom because we have got visibility in telecom. And transmission, since the working capital cycles are very high we are limiting ourselves to not booking orders of more than Rs. 200 crores to Rs. 300 crores, so that working capital cycles remain in control. Like today transmission order book is around Rs. 180 crores, end of the year out of this probably

would be executing almost Rs. 100 crores to Rs. 130 crores. Plus we would have more orders of about at least Rs. 100 crores to Rs. 150 crores. So end of financial year FY19 again the order book for transmission should be in the range of Rs. 200 crores to Rs. 250 crores.

Jehan Bhadha: Sir, I missed the order book breakup, I have the transmission of Rs. 180 crores, railways Rs. 32 crores, remaining if you can provide?

Shashank Agarwal: Telecom is Rs. 133 crores, and poles is Rs. 2 crores, solar is Rs. 8 crores.

Jehan Bhadha: And sir would you have any idea as to how many Jio towers are there currently all over India and at what rate are they adding per year number of towers?

Shashank Agarwal: See, right now they are adding tower at a fanatic pace. As per my estimate they have close to 120,000 towers on ground of their own. And I am expecting them to add at least many more over next couple of years.

Jehan Bhadha: And out of this how many should come to us, rough market share that we intend to have?

Shashank Agarwal: See, average we would be growing for Reliance for 300 towers per month minimum for at least next till whatever time they require the towers.

Moderator: Thank you. Our next question is from the line of Ashutosh Garud from Reliance Wealth. Please go ahead.

Ashutosh Garud: Sir, I just wanted to know, current order book you mentioned is Rs. 320 crores, right?

Shashank Agarwal: Rs. 355 crores.

Ashutosh Garud: So what was this number at the end of last quarter and what was this number year-on-year one year back?

Shashank Agarwal: I do not have those numbers. By the time we get these numbers you can go ahead with other question.

Ashutosh Garud: I just wanted to know we are like closing to around Rs. 50 crores kind of a top-line and the order book is around Rs. 350 crores. So, this execution period is pretty small, I would presume. So I just wanted to gauge what kind of growth we can see in the next year?

Shashank Agarwal: See, as I said earlier also in telecom we have mentioned Rs. 130 crores, these are the orders which we have confirm purchase orders in our hand. But beyond that we have a visibility of at least Rs. 150 crores more for next six to eight months, right, for which the purchase orders would come gradually, they do not give us purchase orders like Indus Towers, Bharti Infratel and American Tower and Tower Vision, they would not give you order today for next six months,

every week they will be issuing purchase order for whatever size they need. So, the telecom business as I see would be at least Rs. 300 crores to Rs. 325 crores in the coming years, I mean in FY19. And execution period for telecom is short but for transmission it is around Rs. 180 crores out of which we will be doing about Rs. 100 crores to Rs. 125 crores this year.

Ashutosh Garud: So, what kind of growth rate would you be comfortable with given the order book which we already have, and we have done around....

Shashank Agarwal: We are looking at around anything between 20% to 25%.

Ashutosh Garud: And would that be a similar kind of growth in your order book also year-on-year, if you have got those numbers on approximate basis? Rs. 350 crores is also 25% growth year-on-year in orders?

Shashank Agarwal: I will just get the numbers of FY17 closing order book. We do not have those numbers right away. But we can of course get those numbers.

Moderator: Thank you. Our next question is from the line of Abdul Karim from HDFC Securities. Please go ahead.

Abdul Karim: See, receivable days in FY18 was higher than FY17, can you tell me the reason behind it?

Shashank Agarwal: See, I think as I said the transmission business which we completed during the end of Q4, that was in February and March was still receivable as on 31st March because of being typical government business the receivables are typically four to five months from government. So whatever services we have billed to them in February and March were at least receivables as on 31st of March, that is why the receivable cycles have increased in FY18.

Abdul Karim: And could you give CAPEX guidance for FY19?

Shashank Agarwal: CAPEX as of now we are not thinking of anything. We have about 100,000 tons of capacity running as on today, because one of the plants as I had mentioned in my initial speech was under refurbication which has started running in this month. So we are running at 100,000 tons capacity as of now. We were running at 65,000 tons during last year. So we do not foresee any major CAPEX during FY19.

Moderator: Thank you. Our next question is from the line of Kalpesh Gothi from Veda Investments. Please go ahead.

Kalpesh Gothi: Sir, you said that you bided for Rs. 200 crores of transmission orders, so when we expect the accounts to come?

Shashank Agarwal: It is spread over next two months. Some of the tenders are opening in second week of June, some are opening in July.

Kalpesh Gothi: Can you speak about our smart city and smart poles business?

Shashank Agarwal: Smarty poles business is picking up, we have done 50 smart poles in Vishakhapatnam for L&T Smart City. We have got another order of 20 poles in Bhubaneswar. And we are now doing proof-of-concept side in Chennai, again for L&T. And then we are doing something in Gandhinagar as well for proof-of-concept side. So, smart city projects are picking up, now the government has started putting more thrust on this. And we being the pioneers in smart city poles we have good chance of getting some very good orders in the coming time. It is difficult to predict the exact time but like in Bhopal we had done a proof-of-concept POC site which is most likely to be converted into good number of orders in coming month or may be in June or July for Bharti Infratel. Similarly, we are talking to some people in Raipur also via L&T, L&T has got Raipur project. So, a lot of marketing and technical sessions are being held with the agencies who have smart cities in their kitty, and I am quite bullish on that, and it will be a good business.

Kalpesh Gothi: So where do we see smart pole business in next two to three years?

Shashank Agarwal: It is difficult to actually predict, I mean if I tell you the numbers give me Goosebumps, in the sense that today India has about 500,000 towers give and take, which includes BSNL towers, which typically means about 750,000 points of connectivity considering an average of about 1.5 times the ratio. And the infrastructure of telecom everyone knows is in doldrums, I mean we do not get good quality of connectivity whether it is internet services or voice. And as 5G is going to be rolled out it is going to need at least 2 million points of connectivity in next two to three years if we have to roll out 5G all over the country. I mean, 750,000 points have happened over last 25 years and we are expecting to rollout 2 million points of connectivity in two to three years, it really gives me Goosebumps. And when is 5G connectivity, 5G connectivity is going to happen only on small cell sites, these should be smartphones, these will be light poles, these will be lot of roof top poles, these would be poles on building and some very innovative solutions coming up. There will be a lot of innovations happening in next 1 - 1.5 - 2 years in terms of telecom poles specially. The numbers are mindboggling actually, difficult to imagine. But it is yet to be seen how 5G is rolled out in India. But going by the past experience, India is not left behind in terms of technology, we are almost at par with South Korea or USA in terms of rolling out new technology. I mean, 4G today in India is probably better than what it is in US and the internet speed again is better in India in most of the metros compared to what it is in US, leave aside South Korea which has the best speed in the world. But beyond that, again, when 5G is rolled out, the number of sites are actually mindboggling which are required to be effectively roll out 5G. It depends again on the operators and on the government how proactively they do it. I mean, other than the existing towers there will be lot of fill in sites which should not be typically big towers but lot of small cell sites. And smart poles would be one of the options with them other than normal simple poles also.

- Kalpesh Gothi:** Right. Sir, so what kind of margin we are making in smart poles?
- Shashank Agarwal:** See, right now it is difficult to say. Like this 50-pole order it is like a showcase business for us, we just wanted to prove ourselves to the authorities and to the companies who bid for smart cities. It was not a huge margin order. But yes, margins would be better, of course, in smart city poles, it is like a piece of jewellery, it is not a piece of steel which you typically buy and go ahead, it becomes like a piece of jewellery where you have to take care of so many things it is galvanized, painted, camouflaged and spot lighting and so many things. So going forward margins would be better in telecom smart city poles, might even range up to 15% to 20%, or even more.
- Kalpesh Gothi:** Sir, my concern is, in 2018 we have very good growth in telecom, in 2019 we are also expecting good growth, so what about FY20, are we able to grow at a very higher pace in telecom, how the growth will come in FY20, from where?
- Shashank Agarwal:** See, in 2006 when we started manufacturing telecom towers we were told that the business of telecom towers is finished, we entered at the fag-end of the industry. And from there we have continuously have been growing, from a Rs. 4 crores turnover we have reached to Rs. 500 crores turnover in 10-11 years. If 5G happens the way I have just explained to you, the numbers are not going to be a big problem. But again, lot of things which will be depending on the new government coming in 2019 and the government policies and the willingness of the operators to come forward and put up that kind of infrastructure. But it will happen, it has to happen because we cannot be left behind, India cannot be left behind in terms of telecom technology. We have all the facilities available, we have best of the technologies available with our operators. So telecom, I mean on a broader base of FY19, FY20 might not grow at 20% or 25%, but it will grow for sure.
- Kalpesh Gothi:** And one more question, sir. We are also supplying product in railway to Bajaj, are we doing similar kind with other players?
- Shashank Agarwal:** Yes, we are not supplying to Bajaj as of now, we are supplying to Tata projects, we are supplying to KEC, Kalptaru, L&T for overhead electrification project, we are supplying stresses, poles and so many things.
- Kalpesh Gothi:** And how is the growth is there?
- Shashank Agarwal:** It looks the best to me. We have started small because we have just started supplying to these people this financial year and I am looking at good growth in supplies of railway structure for all these players, the demand is good.
- Kalpesh Gothi:** And any new sector we are looking?

- Shashank Agarwal:** In telecom we have started with a new product for us, it is not new for the market. There is something called COW, cell-on-wheels which is typically a tower which is mounted on a chassis which driven through a trailer, the horse comes and it is mounted on a trailer and these towers are left on places wherein you cannot put up fixed towers, permanent structures, places like airports, places like where the fairs happen like Pragati Maidan or something like that, or the areas we have no-mans-and where you are not allowed to build permanent structure, where you cannot build a permanent foundation for a tower. So these cell-on-wheels are used as temporary structures. So we have entered into that and we are likely to get new orders for these towers in next month, the prototype have already been manufactured and tested. We have submitted our proposals to a couple of companies, like Indus and Bharti Infratel and we are expecting some numbers to come in next month or month after that. So basically, it is a new product for us in telecom, not a sector.
- Kalpesh Gothi:** But what will be size of the revenue we can do in FY19?
- Shashank Agarwal:** Overall, we are expecting about 25% growth from Rs. 500 crores anything between Rs. 600 crores to Rs. 625 crores.
- Kalpesh Gothi:** No, for the new product that you were talking about.
- Shashank Agarwal:** For the new product typically, this tower costs about Rs. 10 lakhs, and even if we are able to get 150 numbers during this year so we can expect revenue of about Rs. 15 crores to Rs. 20 crores.
- Kalpesh Gothi:** Sir, what was the sales volume for FY18?
- Shashank Agarwal:** For telecom?
- Kalpesh Gothi:** No, for overall.
- Shashank Agarwal:** Sales volume in terms of tonnage, in terms of value?
- Kalpesh Gothi:** Tonnage.
- Shashank Agarwal:** In terms of tonnage we have sold in FY18 about 55,000 tons.
- Kalpesh Gothi:** And what was your guidance for FY19 in terms of volume?
- Shashank Agarwal:** Anything between 65,000 tons to 70,000 tons.
- Moderator:** Thank you. Our next question is from the line of Vinayak as an individual investor. Please go ahead.

- Vinayak:** I just wanted to understand in telecom tower business who are your big competitors and what kind of market share you have?
- Shashank Agarwal:** Before Reliance Jio happened, we had close to 50% of the market share. But after the Reliance coming in, since their requirement is so huge we are not able to supply all the numbers to them. So they have gone in to different vendors all over India. If we say typically in FY18 out of the total towers deployed probably we would have had the market share of about 35% - 40%, but in FY19 probably our market share would not be more than 25%.
- Vinayak:** And who are the major competitors you have?
- Shashank Agarwal:** In the listed category Skipper of Calcutta is one, and in non-listed category there are quite a few in Hyderabad, there are quite a few in west in Gujarat, there are a couple of them in north also, and a couple of them in Calcutta. They are spread all over the country. I mean last year we had three to four big competitors, but as of now probably we have 10 to 12, because the number of requirement is huge. And everyone who was manufacturing tower at some point in their life, they have order from Reliance.
- Moderator:** Thank you. Our next question is from the line of Nagendra Maurya as an individual investor. Please go ahead.
- Nagendra Maurya:** Sir, I have a very small query with respect to the margin profile of the company, is there any scope for improvement?
- Shashank Agarwal:** I think, yes, I mean going forward as the volumes of manufacturing increase we will have some economies of scale, margins will improve, why not, that is what we are looking always as a company, as a individual, as a promoter, as a investor we always look forward to better margin whatever we are doing. So that is our endeavor to improve EBITDA margins every time and which is quite evident from our operations during last four, five years. So going forward why not, we are looking at it, we are targeting that.
- Nagendra Maurya:** And sir secondly, is there any cyclicity in the business, as in if I see March generally has an higher revenue base compared to the previous quarters.
- Shashank Agarwal:** In telecom, yes, the second quarter and third quarter are little, second quarter specially because of rains, the foundation and sites are not completed, sometimes there is a dip which happens typically. Similarly, in transmission also wherever there is a civil foundation job is involved the foundations are little held up because of the weather condition. But otherwise it is more or less same.
- Nagendra Maurya:** And sir what about your subsidiary, is there any developments going on there on?

- Shashank Agarwal:** So, the subsidiary is basically working for the main company as a job-work. So we have a third galvanizing plant there which is running and which is working for Salasar Techno which is a 100% subsidiary. And we have already floated a merger application with the quote for the subsidiary and sooner or later the first motion has already been awarded by the quote. And sooner or later it will be merged into the main company, so that is being done for basically two reasons, one is ease of operations and documentation. As such whatever we are doing, and subsidiary is doing is being done for the main company.
- Nagendra Maurya:** Sir lastly, I would just request to share on the railways and transmission part where you are involving the government, how exactly is the trade receivable cycle, it is six months, three months or...?
- Shashank Agarwal:** In railways it is slightly better, typically after billing you get your money within 35 to 40 days, sometimes even two months. But in transmission you are working for a distribution project like what we are doing for RE, Rural Electrification, but in transmission typical payment cycle is not less than four months. Whereas if you are working for a transmission line for UPPCL typical cycle after billing is about two months. I mean if you average the whole cycle of payments from transmission sector as such, it is not less than three to four months, it includes your inventory plus billing and inspection and some other things.
- Nagendra Maurya:** And sir last thing, actually my query was as a shareholder, for the next three to five years what should be your view that you are taking forward to in terms of revenue contribution across sectors, whether in telecom you are focusing more or transmission or railway? Because as an analyst we are seeing increased orders coming from railway electrification project or the rural electrification. And as well as telecom we are seeing a little saturation, let us just say it is not the same kind of growth what you are having for last ten years odd. So for the next three to five years how exactly are you taking up the company to a journey, so could you share some insights sir?
- Shashank Agarwal:** See, typically if you talk about railways, I had mentioned earlier also in year call as well, railways is the biggest opportunity as of now available to us. And we are expecting this revenue to go up substantially during next three to five years, both in terms of EPC projects which we take and as well as suppliers to other contractors for the project which already have EPC project, we will be substantial supplier of structures to them. So railways is one of the biggest opportunities in front of us. For telecom it is very difficult for us to predict for next three to five years. This year is looking good, 5G rollout effectively even next couple of years after that looks very good. Again, butts and ifs are involved there. Railways is one of the best possibility available in front of us, plus in transmission as we are manufacturing these transmission lines, monopoles, that also is very exciting and good opportunity for us. Going forward in three to five years a typical mix of revenues could be railways 30%, transmission around 30% or maybe 35%, telecom around 20% - 25% and poles 5% and solar may be 5% top 10%. That would be a typical mix going forward after three or four years.

- Moderator:** Thank you. We have the next question from the line of Paras Adenwala from Capital Portfolio Advisors. Please go ahead.
- Paras Adenwala:** If I recollect during the last conference call you had mentioned about Q4 being one of your best quarters. I am sorry if it is a bit of repetition because I joined a little late. So I just want to check as to what really happened in terms of growth rate which for the first three quarter you did very well, for the last quarter it was flattish?
- Shashank Agarwal:** Last quarter compared to last year it was Rs. 135 crores versus Rs. 145 crores. Whereas Q3 last year was down which we improved this year. And in terms of we are expecting some more billing to happen from our side for the telecom business. And as per the new norms of accounting there was some work which we had done, because those were not actually build or more actually accepted by customer physically, so probably we could not do the billing there. But we had always given total revenues of about 490 crores for last two quarters, by end of FY18 we were targeting revenue of Rs. 490 crores - Rs. 495 crores which we have achieved. So, if we go typically by the quarter it might look a little bit sluggish to you compared to Q4 last year, but if you go year wise that was the guidance we had always given.
- Paras Adenwala:** And secondly, I think you did mentioned about it but I just missed out, in terms of the growth driver for FY19 where you talked about 22% to 25%, is it the telecom that is going to be driving the growth or is it other segments as well?
- Shashank Agarwal:** Telecom and railways. Railways, typically supplying structures to other EPC contractor for railways, like supplying to L&T, Tata Projects, KEC, Kalptaru. They have already won EPC contracts for railways and like in case of Tatas they do not manufacture themselves, in case of L&D they do not manufacture themselves, they have been buying structures from us for their projects. That is going to give us lot of revenues. Plus telecom looks all set for this year from typically we did a revenue of about Rs. 275 crores this year which I am expecting to go up to at least Rs. 325 crores next year.
- Paras Adenwala:** And how about railways, what was it currently?
- Shashank Agarwal:** See, railways we started only this year, last year it was hardly anything in FY18. Yes, of the EPC project we did about Rs. 17 crores - Rs. 18 crores, but that was in the subsidiary which does not reflect in our balance sheet because it is a SPV, a joint venture with another company wherein we have this Rs. 49 crores of railways which is being executed. Supply of structures for railways was not there last year, it started only in April this year.
- Paras Adenwala:** So, how do you see that scaling up in the current year?
- Shashank Agarwal:** Typically, I would give it at least about 8,000 tons which in terms of revenues should be about Rs. 50 crores if not less.

- Paras Adenwala:** From 0 you are talking about Rs. 50 crores in this year?
- Shashank Agarwal:** Yes.
- Paras Adenwala:** And finally, in terms of the margin profile in the various segments that you operate in, be it telecom, be it transmission or railways or solar, which is the most profitable segment for you?
- Shashank Agarwal:** Other than the profit we also look at the ease, telecom is the most easiest sector for us in the sense that the payment cycles are good, we are very comfortable with our customers, the customers are comfortable with us, the cycles are less, it gives us good revenues, it gives us good numbers. But at the same time the margins might be slightly less compared to transmission. But again, in transmission when you do transmission your payment cycle gets stretched up to four months, five months. So end of the day you end up about 11% of EBITDA which we have done in last year, this we are trying to improve in the coming years.
- Paras Adenwala:** And that improvement that you are talking about, would it be due to better volumes or would it be due to better product mix?
- Shashank Agarwal:** it will be both, if the economies of scale play in because the volumes will go up with the same kind of fixed cost and there will be product mix of railways and telecom towers plus monopolies and smart city poles and then transmission line poles that we are manufacturing. So it might give slightly better margins this year.
- Moderator:** Thank you. Ladies and Gentlemen, that was our last question. I now hand the conference over to Mr. Shashank Agarwal for closing comments. Thank you and over to you, sir.
- Shashank Agarwal:** Thank you, everyone, for joining this conference. I appreciate all the time you spent and your patience hearing from my side. And we are always open to your questions if you have any you can always email on our official website, compliance@salasartechno.com or my personal id at shashank.agarwal@salasartechno.com. And I would be happy to answer to any of your questions. And we are all set for our good year with a growth of 20% - 25%. And with that I would like to close my comments. Thank you very much.
- Moderator:** Thank you very much. Ladies and Gentlemen, on behalf of Salasar Techno Engineering Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.