Sahasra Electronic

Operator: Good day and welcome to Sahasra Electronic Solutions Limited H2 FY26 and FY26 Earnings Conference Call hosted by Atlas Capital. We have with us Management today, represented by Mr. Amrit Manwani, Chairman and Managing Director; Mr. Varun Manwani, Non-Executive Director; Mr. Manish Tiwari, Chief Financial Officer; and Mr. Rutul Shah from Atlas Capital, the Company's Investor Relations Advisor. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation. Please note that this conference is being recorded. I will now hand over the floor to Mr. Amrit Manwani for his opening remarks, after which we will open the floor for Q&A. Thank you and over to you, sir.

Management: Thank you. Good afternoon, ladies and gentlemen. I wish to thank you first of all for joining the Sahasra Electronic Solutions H2 results for FY26 and the full year 2026 earnings conference call. The last year has been a very important year for us as we continue to strengthen our position in our core verticals: electronic manufacturing, semiconductor packaging, and technology solutions including memories.

During the year, we saw significant growth. Our revenue increased to 123 crores, which was a jump of about 42%. Our operating profit rose to 18.8 crores, a 93% increase over the previous year, and our EBITDA margin improved by 15%. Profit before tax was 19.7 crores and profit after tax was approximately 15 crores. This represents healthy growth for the company.

During the year, we expanded our customer base and strengthened our domestic market presence. Overall, we have made progress in all the verticals we operate in. One of the key developments during the year was the continued strengthening of our domestic business franchise, which helped diversify our revenue mix. Previously, we were more focused on exports, but in the last year, we expanded our domestic customer base to the point where the revenue mix between domestic and exports was almost equal, allowing us to increase our overall revenue.

Also during this year, we received a capital subsidy for our semiconductor subsidiary amounting to 22 crores, which came in the last quarter of this fiscal year. While certain strategic initiatives progressed at a slower pace than originally anticipated—mainly due to customer qualifications taking time, particularly with domestic customers—the commercialization cycles also take some time as customers ramp up production after qualification. However, the overall direction of the business remains encouraged, and we continue to see significant opportunities across India's electronic and semiconductor landscape.

As mentioned earlier, I am joined by Varun Manwani, Director; Mr. Manish Tiwari, Chief Financial Officer; and Mr. Rutul Shah, our Investor Relations Advisor from Atlas Capital. With that, I would like to hand over to Varun to give a detailed business update. Thank you.

Management: Thank you, Mr. Chairman. Good afternoon to everyone joining us. FY26, as our chairman summarized, was a good year for us. From a business standpoint, FY26 can be summarized into three key areas: scaling our EMS business, strengthening our domestic market presence, and advancing our semiconductor initiatives.

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Starting with EMS, the business continued to witness healthy momentum throughout the year. We expanded customer relationships across several product categories such as IoT electronics, industrial electronics, metering solutions, EV-related products, and other high-growth segments. Demand remained encouraging from both existing and new customers added to our portfolio. This is primarily supported by the broader trend of electronics manufacturing localization in India and the increasing global adoption of electronic products.

Alongside business development, we continued to invest in our manufacturing infrastructure and operational capabilities. Our focus remained on improving capacity utilization, enhancing quality systems, and optimizing our supply chains. Although the second half of the year presented tough supply chain challenges, we were able to mitigate them and deliver products and solutions with faster turnaround times for our customers. These initiatives supported stronger execution and improved customer engagement.

A significant strategic achievement during FY26 was the continued diversification of our revenue base. Historically, the company had a relatively high dependence on export revenues, but as shared in previous calls, we are pivoting significantly toward the domestic market. Over the last year, we strengthened our domestic customer portfolio, resulting in a more balanced revenue mix and improved business visibility. This comes at a time when the export market was challenged by various factors, primarily tariffs imposed on India in the electronics space.

However, due to mitigation from the domestic market, our order pipeline for this fiscal year continues to remain healthy from both domestic and export standpoints. This demonstrates that we have mitigated the risk of depending solely on the export market, which was our largest driver until FY25. As of March 31, 2026, we have an executable order book of approximately 68.5 crores, which provides visibility for the coming quarters. We see strong inquiry activity and improved conversion rates across multiple industry verticals.

We see significant growth in our semiconductor business. The demand for memory, primarily due to shortages within the AI segment, drove customers to look at alternate sources. Considering India's neutral position in the world order today and the fact that we are one of the very few companies offering packaged memory solutions, we benefited from this AI boom. Therefore, FY26 represented a critical year in our journey toward building long-term capabilities in the memory packaging segment.

While the semiconductor business remains in an investment phase as we develop capacity to match growing volumes, we have achieved meaningful progress in operational execution and customer qualification programs that were initiated at the end of 2025. We have reaped the benefits of those early efforts and technology development. As the numbers show, our EBITDA losses in this segment reduced significantly during the year, reflecting improved operational efficiencies and increasing scale.

We are continuing our progress in memory-related initiatives to increase our export customer base, seeing traction from the United States and European countries. While commercial timelines for several projects have been longer than initially expected, some have fructified, and others are in the qualification stages. We expect customers to adopt products supplied from us in the coming weeks and quarters.

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We successfully achieved several important operational milestones during the year and remain optimistic about the long-term opportunity in the memory space, especially in consumer memory. Large companies focusing on enterprise and industrial space have left a void in the consumer segment that we are taking advantage of. This also gives us room to graduate into the industrial segment from the consumer space in the coming quarters, which will bolster our margins. Based on current visibility, we continue to target EBITDA break-even in the semiconductor business by the end of FY27.

In our memory solutions business, we witnessed improving demand and a diversified portfolio, which de-risks us from key customers. We are seeing high demand across Europe, and our export basket is currently very healthy. Increasing focus on indigenous technology solutions and data infrastructure presents attractive long-term opportunities. As a rough metric, we were able to exceed export turnover from our semiconductor operations by more than 60-62%. This led to higher profitability and better cash conversion cycles. While it was a difficult period for accessing raw materials like wafers and we faced price increases at the back end, we were able to pass those increases to our customers in this shortage-driven market and continue growing our business.

Looking ahead, we remain focused on expanding our manufacturing footprint in line with customer demand. Our long-term objective is to scale our SMT infrastructure. Earlier this month, the team was able to install and operationalize the two new SMT lines we spoke about previously. Although originally planned for March 2026, they arrived in late April 2026. This brings us closer to the ten-line capability we aim for over the next several quarters, enabling us to support larger customer programs for both our EMS and IT hardware businesses. Sahasra is well-positioned to benefit from structural growth opportunities in India's electronics manufacturing and semiconductor ecosystem. Our focus remains on profitable growth, customer diversification, and long-term value creation. I will now hand over to our CFO, Mr. Manish Tiwari, for insights into our financial performance.

Management: Thank you. Good afternoon, everyone. I will now take you through the financial performance for FY26 and H2 FY26.

For FY26, the company reported consolidated revenue of approximately 138 crores compared to 95 crores in FY25, representing a year-over-year growth of approximately 45%. This growth was driven by stronger execution in the EMS business, domestic customer contribution, improving demand in memory solutions, and expanded manufacturing capabilities. For H2 FY26, consolidated revenue stood at 78.1 crores compared to 49.5 crores during H2 FY25, reflecting significant business momentum in the second half.

From a segment perspective, EMS was the largest contributor to FY26 revenue at approximately 66%. Memory solutions contributed around 18.9%, while IT and hardware solutions contributed 3.8%. The semiconductor business contributed approximately 11.3% as it continues to scale operations.

Diversification was a notable trend. We significantly increased domestic business contribution through focused customer acquisition in areas like IoT electronics, industrial electronics, EV accessories, instrumentation, GPS tracking, and metering. This helped reduce concentration risk and strengthen visibility.

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On profitability, EBITDA for FY26 was approximately 18.2 crores compared to 7.5 crores in FY25. EBITDA margins improved to 13.1% from 7.9% in the previous year. This was supported by operating leverage, higher capacity utilization, improved product mix, stronger domestic contribution, and cost optimization. For H2 FY26, EBITDA was approximately 7.6 crores compared to a loss of 0.6 crores in H2 FY25. EBITDA margins improved from -1.1% to 9.7%.

Profit after tax for FY26 was 12.1 crores compared to a loss of 2.3 crores in FY25. PAT margins also improved due to stronger operating performance. From a balance sheet perspective, consolidated assets as of March 31, 2026, stood at 377.1 crores. We maintain a prudent financial profile while investing in expansions and technology. The semiconductor incentive of 21.8 crores received during the year strengthened our financial position and provided flexibility for long-term investments. I will now hand the call back to our Chairman.

Management: Thank you, Manish. Before moving to Q&A, I would like to share a brief outlook. Despite prevailing geopolitical uncertainties, we are fine-tuning our business forecasts to be more realistic. Recognizing global challenges, we remain committed to providing responsible guidance. Priorities are clear, considering strong government support for the electronics sector through various incentive schemes and the "Make in India" initiative. We see significant growth opportunities. We will also participate in the upcoming India Semiconductor Mission (ISM) 2.0 scheme for our semiconductor business.

We are committed to monitoring our supply chain closely, particularly for wafers and EMS components. We will improve profitability through higher capacity utilization and look at business partnerships to increase revenue domestically and globally. Combined with our planned merger with our non-listed company, we aim for a revenue target of 275-300 crores for the merged entity, with a strong profit margin of approximately 15%.

We will take a disciplined approach to the balance sheet, timing capital expenditure to production and demand growth while maintaining cash flow. The outlook is positive. After a difficult FY25, the company recovered quickly in FY26, and as we enter FY27, we aim to serve all stakeholders with positive returns. I want to thank our shareholders, customers, employees, partners, banks, and the government for their trust. I would now like to open the floor for questions.

Operator: Thank you. We will now begin the Q&A session. We request participants to restrict themselves to two questions. We'll take our first question from Deepak Poddar of Sapphire Capital.

Deepak Poddar - Sapphire Capital: Thank you very much for the presentation. My first query is on margins. You mentioned a strong profit margin of 15%. Are you referring to EBITDA margin?

Management: No, we are talking about PBT margins of 15%.

Deepak Poddar - Sapphire Capital: Understood. Regarding the 275-300 crores revenue target, can you provide a breakdown between the semiconductor business, the base business, and the unlisted entity being merged?

Management: For the listed entity Sahasra Electronic Solutions Limited alone, we are targeting approximately 160 crores. We are targeting approximately 50 crores from the semiconductor entity,

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which brings us to about 210 crores. The unlisted entity is expected to contribute the remaining 85-90 crores, putting us in the 300 crores range.

Deepak Poddar - Sapphire Capital: And you are looking for break-even in the semiconductor business this year?

Management: Yes, that is correct.

Deepak Poddar - Sapphire Capital: What is the status of the merger?

Management: The merger application has been filed with the NSE. It is difficult to forecast the exact timeline as it requires clearance from the NSE, SEBI, and finally NCLT. We hope the merger will be in place by the end of the financial year or earlier. As per our proposal, it will be effective April 1, 2026, meaning FY27 results would be the consolidated results of all merged entities.

Deepak Poddar - Sapphire Capital: What are the margins in the unlisted entity?

Management: They are similar to the listed company as both are in similar businesses.

Operator: Thank you. We'll take our next question from Paras Chheda of Purple Vertex Ventures.

Paras Chheda - Purple Vertex Ventures: Thank you for the opportunity and congratulations on commencing operations at the semiconductor facility. On a steady-state basis, what PAT margin should we expect for the semiconductor business?

Management: For this year, we are targeting semiconductor revenue of 50 crores. At that level, we expect to reach break-even. While there might be a book loss due to the depreciation portion, there will be no cash loss. For April and May, we are currently on course to achieve that 50 crores target.

Paras Chheda - Purple Vertex Ventures: So once we are above the break-even figure, what is the stable-state margin?

Management: From a consolidated viewpoint, our PAT margin should be about 15%. Once the semiconductor segment starts generating profits, we expect to maintain a PAT margin of 16-17% for the group. In FY28, we are looking at semiconductor revenue of about 150 crores. If that happens, we will have a 10% PAT on semiconductors, but a 16-17% PAT for the overall group.

Paras Chheda - Purple Vertex Ventures: What is the peak revenue capacity for the semiconductor unit and the overall consolidated entity?

Management: We will be participating in the ISM 2.0 scheme, which should be announced in the coming months. With that, we would invest more. With current capacity and some additional equipment to scale certain areas, the semiconductor unit can achieve 250 crores. However, in the next 4-5 years, we aim for that to be significantly higher. For the consolidated entity, we expect 650-700 crores in the next 3-5 years.

Operator: Thank you. Next question is from Shivam Kapoor.

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Shivam Kapoor: I would like to know the future prospects of the entity and the risks involved.

Management: The Government of India is looking at a 400-500 billion dollar demand for electronics in the country, which is at least 4x current levels. We are in a sweet spot with our verticals: PCB assembly, EMS, semiconductors, and memory solutions. We could look at 750 crores or more over the next 3-4 years.

Regarding risks, the global market is currently facing challenges from geopolitical tensions in the Middle East. Additionally, we have to balance chasing growth versus profitability; our DNA leans toward profitability, which can sometimes slow growth. Supply chain challenges, such as those related to materials from China, are an industry-wide risk. However, the general outlook remains positive.

Shivam Kapoor: What verticals do we cover and what is our market share?

Management: There are four verticals: EMS, memory product solutions, semiconductor packaging (primarily feeding the memory portfolio like SD cards and USB drives), and IT hardware. EMS continues to drive the majority of business. We serve diverse industries: industrial electronics, IoT, consumer electronics, healthcare, IT, telecommunications, defense, and automotive.

EMS and memory products currently contribute 85-90% of revenue. The IT hardware business was lower last year as a partnership with a European brand did not take off, but we are tying up with other brands and expect IT hardware to contribute 5-7% this year. The semiconductor memory business currently contributes 10-11%. As we grow that to 50 crores within the 215 crores targeted for the current entities, it will represent approximately 22-25% of revenue.

Shivam Kapoor: Is the deal with the European company canceled or delayed?

Management: It is canceled because they were unable to sustain themselves and have largely exited the market. We have signed up with another company and will announce that shortly once business begins.

Operator: Thank you. We'll take our next question from Ankur Gulati of Ingenuity Capital.

Ankur Gulati - Ingenuity Capital: Can you provide more granular details on client ramp-ups across verticals and our current capacity?

Management: We installed two new lines in April, bringing us to 8 SMT lines as of today—four in Bhiwadi and four in Noida. The infrastructure is sufficient for our projected guidance. The Noida facility is at about 80% utilization, while Bhiwadi is around 20%. The infrastructure is plug-and-play; we just need to bring in additional SMT lines as business scales.

For business development, we have dedicated sales and marketing teams for the semiconductor and memory segments. We are currently catering to the consumer space with MicroSD and USB products through distributors in Nepal, Germany, and soon the US. For EMS, our business development and pre-sales teams target various markets like EV, automotive, IoT, medical, and defense. We also have offices on the East and West Coasts of the US and in Europe to scout for business.

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Ankur Gulati – Ingenuity Capital: If your current lines have a certain revenue capacity, what production schedules do you already have from signed customers?

Management: We are currently operating on a 1.5 shift basis, meaning we can ramp up to second and third shifts. Four lines cater to exports and four to domestic. We follow a high-mix medium-volume model. Some are long-term projects while others are quarterly or back-to-back. The current lines are more than adequate for these schedules.

Additionally, we have sufficient funding for more machines. We have 40 crores remaining from IPO proceeds kept in fixed deposits to be deployed for high-end technology machinery in tranches as required.

Ankur Gulati – Ingenuity Capital: How is the 22 crores government incentive accounted for in FY26?

Management: We treat it as deferred income as per accounting policy. We recognize it over the 15-year useful life of the machines. We have shown a portion this year—over 2 crores—and will recognize approximately 1.6 crores annually in the coming years. Our other income also includes interest from unutilized IPO funds kept in fixed deposits.

Ankur Gulati – Ingenuity Capital: How many shares will be issued after the merger?

Management: Based on the valuation, SCCL shall issue 226 equity shares for every equity share held in SCPL. It will issue 55 equity shares for every share in Sanskar Sambodh Skill Development Private Limited, and 5 equity shares for every share in Info Power Technologies Private Limited. Detailed scheme documents are available on the NSE website.

Operator: Thank you. Next question is from Rohit Balakrishnan of I-Thought.

Rohit Balakrishnan – I-Thought: Is it correct that Noida is primarily exports and Bhiwadi is primarily domestic?

Management: Yes, that is correct.

Rohit Balakrishnan – I-Thought: What is the plan to ramp up utilization at the Bhiwadi unit from the current 22%?

Management: Until FY25, we were primarily an export player. We developed the Bhiwadi facility specifically for domestic demand. As a relatively new player in the domestic market, we are currently at 20-22% utilization. We are engaging with domestic customers and multinational companies setting up subsidiaries for India. The Bhiwadi facility is much larger and can handle higher volumes. We are targeting a move toward 40% utilization. It takes time for domestic customers to get certifications and ramp up production.

Rohit Balakrishnan – I-Thought: How many domestic customers do you have in Bhiwadi?

Management: We have over 110 customers in total. There are at least 20 plus customers at the Bhiwadi facility. We plan to grow through both increasing wallet share with existing customers and adding new ones. The Bhiwadi lines are more recent and have double the capacity of Noida, so

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reaching 40% utilization would represent high incremental growth.

Rohit Balakrishnan – I-Thought: Are your EMS engagements long-term contracts or do they change quarter to quarter?

Management: Our top 5–7 customers have long-term engagements with visibility beyond a single financial year. However, customers typically do not sign contracts longer than one year because of market forces. About 90% of our customers are retained and business repeatability is approximately 92%. We have enough predictability through quarterly interactions to forecast their ordering.

Rohit Balakrishnan – I-Thought: What is the 50 crores semiconductor target based on?

Management: It is based on three reasons: a void in the consumer space left by large brands, increased demand for India as a neutral supply source, and our current performance. In the quarter starting next month, we might clock as much revenue as we did in the previous 12 months. We are confident in the guidance.

Rohit Balakrishnan – I-Thought: Setting aside the merger, do you see the current listed business reaching 300 crores by FY28?

Management: Yes. Without the merged entities, we expect the listed entity to reach the range of 300 crores by FY28. Regarding the unlisted entity, it is currently operating at 85–90% utilization as it is an older entity. We plan to enhance it to increase throughput and bring capacity utilization to 60–65% for the same revenue, leaving room for exports.

Operator: Thank you. Next question is from Heth Ghorecha of Fintura Investments.

Heth Ghorecha – Fintura Investments: Can you share the capex outlook and how the free cash flow will evolve?

Management: We have IPO proceeds in fixed deposits for any significant technical demand that arises. We prioritize cash flow; except for the semiconductor company, we have no long-term borrowings. Our working capital borrowings are also significantly lower than our approvals.

Operator: Thank you. Next we have a follow-up from Paras Chheda of Purple Vertex Ventures.

Paras Chheda – Purple Vertex Ventures: Cash flow from operations has been negative on a consolidated basis for two years. When will this turn positive?

Management: Due to the scaling of the business, we have accumulated inventory for at least 2–3 months. Some customers also have delayed payments. We expect cash flow from operations to turn positive by the end of FY28.

We invested in higher inventory to cater to new domestic customers and hedge against geopolitical uncertainties regarding component availability. In the semiconductor business, we maintained higher inventory to capitalize on price rises for European customers. As we stabilize our credit terms with new customers and receive government incentives like SPECS, our cash flow will improve.

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Paras Chheda – Purple Vertex Ventures: How many active semiconductor customers are onboarded?

Management: We have approximately 24–25 active customers, including both large and small accounts.

Paras Chheda – Purple Vertex Ventures: Are we benefiting from rising memory prices? Also, when will you hit the peak revenue of 600–700 crores?

Management: The memory industry is volatile. While prices in the consumer segment have recently gone down, we maintain healthy demand. Inventory management is crucial in this business. We expect to reach our optimal capacity utilization by FY29. We aim for 65–70% of revenue from EMS and 30–35% from semiconductors.

The semiconductor demand in India is projected to grow from 30 billion dollars to 150 billion dollars. We want a share of that. By applying for ISM 2.0 and focusing on advanced packaging, we can increase our value addition and reduce supply chain risks.

Paras Chheda – Purple Vertex Ventures: How does your model compare to peers like Amtron or Syrma SGS?

Management: Peers are primarily growing their EMS businesses. We consider ourselves a technology company and have invested significantly in semiconductors. While it is capital-intensive and the gestation period is longer than EMS, the long-term benefits of semiconductors far outweigh conventional EMS. We have always targeted high-margin businesses.

Paras Chheda – Purple Vertex Ventures: Which part of the semiconductor value chain is the focus?

Management: Our core focus is on ATMP (Assembly, Testing, Marking, and Packaging) rather than the pure OSAT (Outsourced Semiconductor Assembly and Test) model. It is difficult for an Indian company to enter the standard OSAT space immediately because customers require an established track record. By maturing our ATMP systems in the memory segment, we develop that track record and ecosystem, making our eventual approach toward the broader OSAT market much stronger.

EMS is our legacy business with 25 years of history and management depth. Top management will focus more on semiconductors given the gestation period required to build engineering solutions in the country. We aren't moving away from EMS—it will remain 70% of our revenue—but semiconductors represent a new, major opportunity for value addition and risk mitigation.

As entrepreneurs, we bear the responsibility of ensuring India is self-reliant (Atmanirbhar) in hardware manufacturing. While the world is bipolar, we must develop core capabilities within the country.

Operator: Thank you. Final question from Manan Jariwala, an individual investor.

Manan Jariwala – Individual Investor: Regarding the unlisted companies being merged, previously it was mentioned the EMS entity would do 100 crores and the PCB company would do 20 crores. What was the actual revenue and why has guidance changed?

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Management: The unlisted entity did 97 crores last year, and we expect similar levels next year. For the unlisted PCB entity, Infopower, we expect 24 crores in FY27 compared to 16 crores last year. However, when we consolidate, certain related-party transactions will be eliminated. For example, our semiconductor entity was supplying to an unlisted company that was a certified vendor for Amazon. Post-merger, those internal supply revenues are eliminated in the consolidated accounts.

Operator: Thank you. Due to time constraints, this concludes our question and answer session. I will hand the floor back to Management for closing remarks.

Management: Thank you for supporting us on this investor call. I would like to thank our shareholders, employees, customers, suppliers, and the government. FY25 was turbulent, but the entire Sahasra team put in deep effort to get back on track in FY26. We are well-poised to mitigate global challenges. The semiconductor operation requires management focus due to its long gestation period, but our investments at the EMS level are already paying off. We do not expect heavy equipment investment in the near term, focusing instead on engineering and testing. We are on track as of the start of the first quarter. Thank you to everyone for joining.

Operator: On behalf of Sahasra Electronic Solutions Limited, this concludes today's conference call. Thank you for joining us. You may now exit the meeting.

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