

# Managing Director's Message

“Resilience to sustain through headwinds ensures a successful & thriving business”

**R. DORAISWAMY** Managing Director



## Dear fellow shareholders,

I would like to begin my message by thanking you for your unwavering support to our Company even in the times when the overall global economy is facing an unprecedented challenging scenario resulting in massive disruption in the industrial growth. The commitment and passion of our employees along with diverse product offerings has helped our Company stay strong and resilient during this period, against the backdrop of immense volatility in our key markets across the spectrum. Admire these challenges our Company has always remained focused on its goals and have been generating value to its stake holders both by organic and in-organic growth.

The financial year 2019-2020 saw many events like the US- China trade war at the start of the year, the slowdown in the consumption of the domestic economy and a major event in the last quarter of the year being the spread of the COVID-19 virus all across the world resulting in shutting down of manufacturing activities amid lockdown decisions taken by various authorities to prevent the spread of this deadly virus.

Although in the first nine months of the financial year we had been on track with our estimates, the last quarter which supposed to be the biggest quarter of the financial year witnessed a substantial setback with the economic slowdown combined with the lockdown in our country and across the world. However, we have been using this time effectively - planning, fine tuning, re-examining our set goals, constraints and focussing on building a contingency fund for any future crises. Also, to add that the operations at all our factories have started in a phased manner during May and June with all the requisite safety protocols being adhered to in a stringent manner. Since almost all our workforces are local residents, we don't face any issues in

running factory operations during this Pandemic Period. Our employees are working from home wherever possible and the workforce required in the factory are given necessary connectivity to and from workplace with all necessary safety measures in place at all times.

We are being resilient and working on the plans in order to be future ready which will help us grab the opportunities going forward. We also have been looking at how we can do business better & smarter as many things will change post the lifting of complete lockdown. Our focus has always been on driving sustainable growth and increasing efficiencies across all our business with a clear target of improving our returns on capital employed.

## Financial Performance

As a result of the nation-wide lockdown declared in March 2020, the net sales in the fourth quarter and of the year were lower than the same period last year. Due to the eight days lockdown in March 2020, we have lost revenues to the tune of approx. Rs 18-20 cr across all business divisions.

During the year, our Company registered a revenue growth of 1.28% Y-o-Y to Rs. 567 crores from Rs. 560 crores in FY19. Our EBITDA i.e Operating Profit was at Rs. 65.2 crores as against Rs. 63.6 crore in FY19 representing a growth of 2.4%% Y-o-Y. Profit after tax was at Rs. 26.4 crore during the year as compared to Rs. 24.0 crore in FY19, a YoY growth of 10.2%.

This growth was mainly driven by increased contribution from our key business division of Industrial Switchgear which contributed 45% in the full year led by increase in exports to Europe and US markets.

The wires and cables division contributed 47% towards the yearly revenues. Also, during the year, we have successfully commissioned the LAN Cable plant and trial production have started. We have submitted samples to customer for approval and for third party testing. So far, we have seen good enquiries coming from both local and export markets. We expect the revenues to come from end of Second Quarter this current financial year.

Our Building product division, the only B2C business division, contributed 6% towards the revenue. During the financial year the real estate market has been on a slower side and we are yet to see a pickup in demand that has impacted the overall industry. We hope that this changes in the coming quarters with the proactive measures of the Government and will help us to increase our contribution from this division in our overall revenue.

The fourth is the Energy Management division contributing 2% in FY20. This is an order book driven business and revenues have been driven from Annual maintenance contracts.

The Consolidated revenue of our Company and Subsidiary Company Kaycee Industries Ltd for the financial year 2020 was Rs. 584.4 crores with EBITDA & PAT i.e Profit after Tax of Rs. 66.8 crore & Rs. 27.4 crore, respectively.

### Value Creation

Salzer has successfully crossed multiple technology cycles over the last three decades, pivoting and adapting each time to build new capabilities and help our clients realize the benefits of these new technologies. Our responsiveness, agility, and adaptability to change have been core to our endurance.

At a time when the world is wrestling with problems like COVID 19 and slowdown in the economic activities, we at Salzer have taken this time to focus on our internal strengths and formulate strategies that will tide us through these headwinds. Though in this fluid and uncertain environment it is extremely difficult to predict and give FY21 targets, but our internal targets will be to maintain the FY20 performance. Our team of capable engineers working in the R&D department along with the investments made are helping us create customised solutions for our customers and stay connected. Sustainability, for us, has always been the entrepreneurial pursuit of economic opportunities while aligning the interests of the organization with all of our stakeholders. Also the biggest positive seen is that people are going to become more efficient with out of the box thinking, improvement in productivity which will help us in reducing our costs in the long run.

The opportunities ahead are huge. By staying true to our mission and values, and by continually investing in building newer capabilities, we are well in a position to become the preferred partner of choice for enterprises in their growth and transformation journeys.

Furthermore, I would like to share with you all that, during the financial year we have completed the acquisition of Kaycee Industries Limited, a pre independence Company with a legacy of over 75 years. This acquisition will boost our Company to further strengthen our market share in the industrial switchgear business and reach into newer geographies and products thereby helping us to stay on our long term goal of creating sustainable & long term value for our shareholder.

### Looking Forward

The current global scenario is leading to large Companies looking for other options for their manufacturing activities and supply related goods. In this India is seen as the most favoured nation by most of the Companies for their requirements. The current government has taken major steps under its recently announced Atmanirbhar Bharat Mission aiming to make India a self-Reliant under five pillars focussing on Economy, Infrastructure, System, Vibrant Demography and Demand which will help boost domestic manufacturing as a Vocal for Local and thereby increase contribution of export form India.

We at Salzer are excited about these opportunities that the industry has to offer going forward. We have also received lot of enquires for our products and have supplied them for testing and are hopeful that these get converted into orders in the near future enabling us to increase our revenues and profitability and utilizing our capacities more efficiently.

I am proud to have a motivated team of people who are resolved to perform better and are looking to seize every business opportunity that will create sustainable & profitable growth. Together, we will continue to focus on growing our business, improving our working capital cycle & efficiencies leading to a higher return on capital employed. Our united aim is not just to drive sustainable growth, but also to create value through efficiency and innovation.

I would like to thank our employees for their untiring efforts, the Board for their guidance and all other stakeholders for their consistent support and encouragement in all our endeavours. We continue to look forward to your guidance and support, motivating us to reach newer heights and aim higher!

**R.DORAIWAMY**

MANAGING DIRECTOR

Place: Coimbatore  
Date : June 18, 2020

DIN : 00003131