



Salzer Electronics Limited
Result Update Presentation
Q2 & H1 FY17



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Joint Managing Director's Message



Commenting on the results, Mr. R. Doraiswamy, Joint Managing Director, said :

"We have witnessed robust growth across all the key business of Industrial Switchgears, Copper Business and Building Segment. In our Energy Management Business revenues have come in purely from Operations & Maintenance. This business has a higher margin as compared to other business segments and will continue to give us Operations & Maintenance revenues in the coming quarters. Currently there are no new orders in this segment but we are very optimistic about the growth prospects of this business.

I am happy to inform that this quarter we have been able to increase revenue share from our high margin Industrial Switchgears business. Contribution from higher margin products in this business has increased leading to better margins overall. We have also seen a good growth in the margins sequentially and expect this trend to continue.

Going forward, we will continue to focus on adding new, niche and high margin products, enter new geography and offer total and customised electrical solutions to our existing and new customers."





Quarterly Financial Highlights

Key Highlights – Q2 FY17 Vs. Q2 FY16

12.5% ↑

Revenue

Rs 91.1 crore

4.7% ↑

EBITDA

Rs 11.4 crore

7.2% ↑

Profit After Tax

Rs 5.0 crore

- Growth driven by all three key business of Industrial Switchgears, Building Segment and Copper Business
- Only O&M revenues from Energy Management Business since it is in the final phase of Invoicing

Quarterly Financial Highlights

Rs. in Crore	Q2 FY17	Q2 FY16	YoY %	Q1 FY17	QoQ %
Total Income from Operations	91.1	81.0	12.5%	90.1	1.0%
Raw Materials	64.7	55.6		65.2	
Employee Cost	4.6	4.5		4.3	
Other Cost	10.4	10.0		9.8	
Total Expenditure	79.7	70.1		79.3	
EBITDA	11.4	10.8	4.7%	10.8	4.6%
EBIDTA margin (%)	12.5%	13.4%	(90)bps	12.0%	50 bps
Interest	3.6	2.7		3.4	
Depreciation	2.4	2.0		2.3	
Other Income	1.5	0.2		0.6	
Profit Before Tax	6.9	6.3		5.8	
Tax	1.9	1.7		1.2	
Profit After Tax	5.0	4.6	7.2%	4.6	7.9%
PAT Margin (%)	5.5%	5.7%	(20) bps	5.1%	40 bps

- Sequential increase in EBIDTA margins on account of higher margins in Industrial Switchgears business
- YoY decline in EBIDTA margins on account only O&M revenues from EMS business

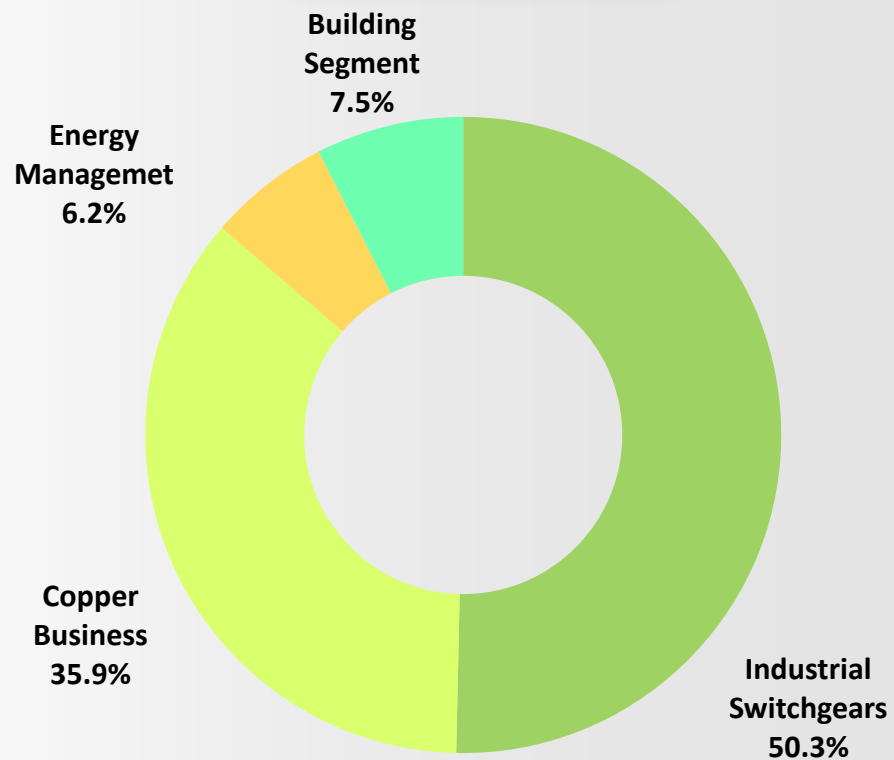
Segment-wise Breakup of Revenues – Q2 FY17 vs. Q2 FY16

Products	Q2 FY17	Contribution (%)	Q1 FY17	Q4 FY16	Q3 FY16	Q2 FY16	Contribution (%)	YoY (%)
Industrial Switch Gears	46.6	50.3%	41.8	42.5	43.8	44.5	55.0%	4.7%
Copper Business	33.2	35.9%	43.7	42.1	32.9	26.7	33.0%	24.5%
Energy Management	5.8	6.2%	1.9	9.4	9.8	6.5	8.0%	-11.4%
Building Segment	7.0	7.5%	3.4	4.3	4.1	3.2	4.0%	117.5%
Grand Total	92.5		90.7	98.3	90.2	80.9		

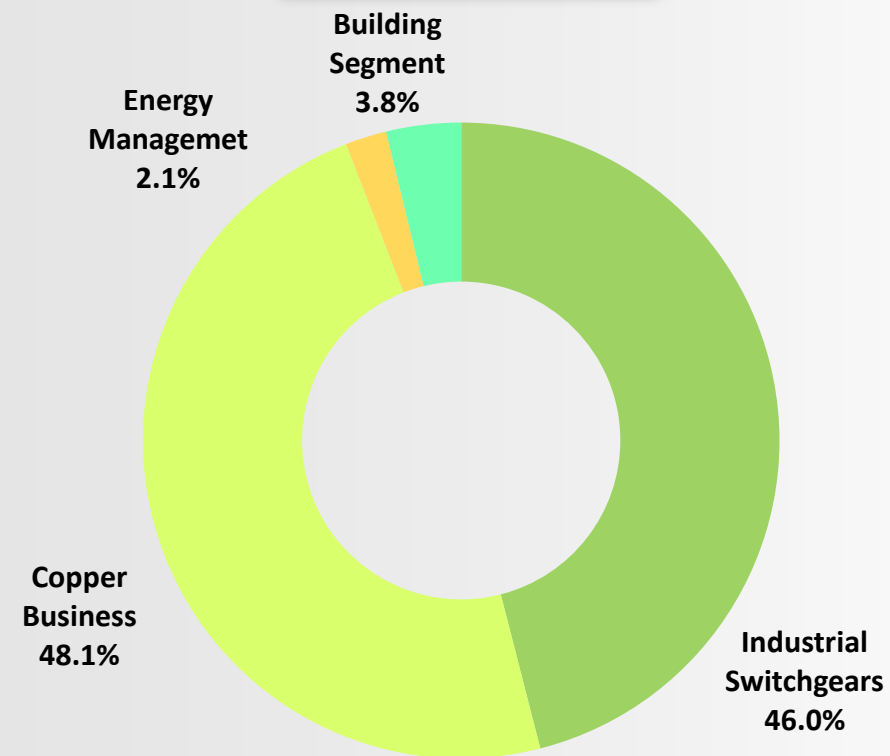
Revenue Breakup – Q2 FY17 vs. Q1 FY17

As per Business Segment

Q2 FY17



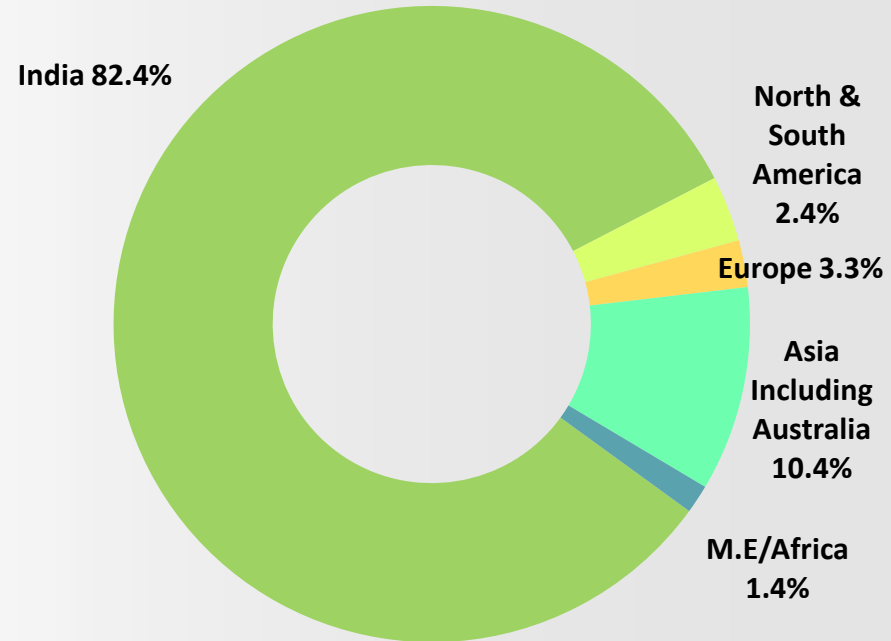
Q1 FY17



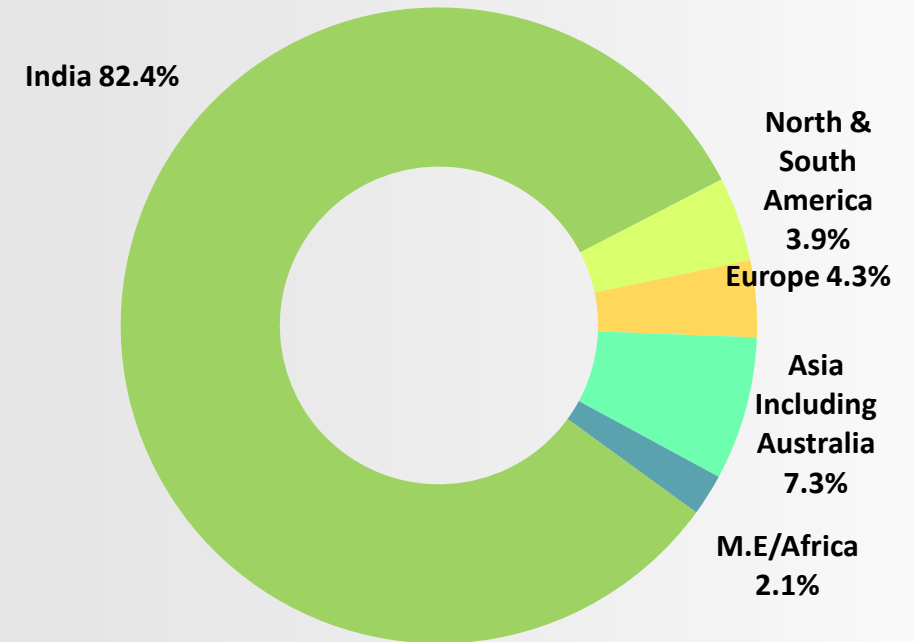
Revenue Breakup – Q2 FY17 vs. Q1 FY17

As per Geography

Q2 FY17



Q1 FY17



Recent Developments

- Amalgamation of Salzer Magnet Wires Limited with Salzer Electronics Limited
 - Board has approved the Merger of Salzer Magnet wires with Salzer Electronic Limited
 - Approved Draft Scheme of Amalgamation
 - Awaiting Approval from Honourable High Court of Judicature at Madras and Stock Exchanges
- Three Phase Dry Type Transformers – Trial Production to start in November 2016 and First Invoicing to start from December 2016



Half Yearly Financial Highlights

Key Highlights – H1 FY17 Vs. H1 FY16

5.3% ↑

Revenue

Rs 181.2 crore

(4.5)% ↓

EBITDA

Rs 22.2 crore

(1.1)% ↓

Profit After Tax

Rs 9.6 crore

- Growth driven by all three key business of Industrial Switchgears, Building Segment and Copper Business
- Only O&M revenues from Energy Management Business
- Decline in EBITDA on account of lower contribution from higher margin EMS business

Half Yearly Financial Highlights

Rs. in Crore	H1 FY17	H1 FY16	YoY %
Total Income from Operations	181.2	172.1	5.3%
Raw Materials	129.9	120.0	
Employee Cost	8.9	8.5	
Other Cost	20.2	20.4	
Total Expenditure	159.0	148.9	
EBITDA	22.2	23.2	(4.5)%
EBIDTA margin (%)	12.3%	13.5%	(120) bps
Interest	6.9	6.9	
Depreciation	4.8	4.0	
Other Income	2.1	0.7	
Profit Before Tax	12.6	13.1	
Tax	3.1	3.4	
Profit After Tax	9.6	9.7	(1.1)%
PAT Margin (%)	5.3%	5.6%	(30) bps

Balance Sheet Highlights- September 16

Rs. in Crore	Sep -16	Sep-15
Shareholder's Funds	204.2	189.8
Share Capital	13.9	13.5
Money Against Warrants	0.0	3.9
Reserves & Surplus	190.4	172.4
Share application money allotment	3.0	0.0
Non-Current Liabilities	21.8	21.6
Long Term Borrowings	17.1	18.2
Defer Tax Liabilities	4.3	2.6
Other Long-Term Liabilities	0.0	0.0
Long Term Provision	0.5	0.6
Current Liabilities	167.4	155.7
Short Term Borrowings	94.1	82.6
Trade Payables	29.6	29.5
Other Current Liabilities	41.0	40.9
Short-Term Provisions	2.7	2.8
Total Equities & Liabilities	396.5	367.1

Rs. in Crore	Sep -16	Sep -15
Non-Current Assets	142.2	100.1
Fixed Assets	115.9	94.4
Non-Current Investments	5.3	4.9
Long-Term Loans & Advances	1.1	0.9
Other Non-Current Assets	19.9	0.0
Current Assets	254.3	267.0
Current Investments	5.5	21.0
Inventories	77.9	70.9
Trade Receivables	97.9	107.0
Cash & Cash Equivalents	13.5	19.4
Short-Term Loans & Advances	50.3	39.0
Other Current Assets	9.3	9.6
Total Assets	396.5	367.1

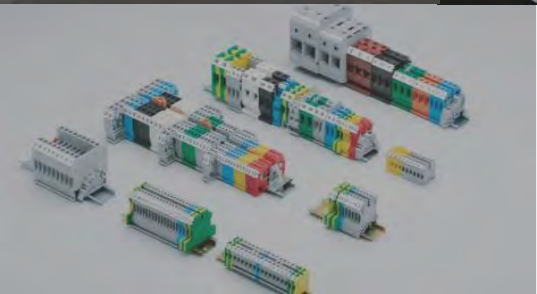
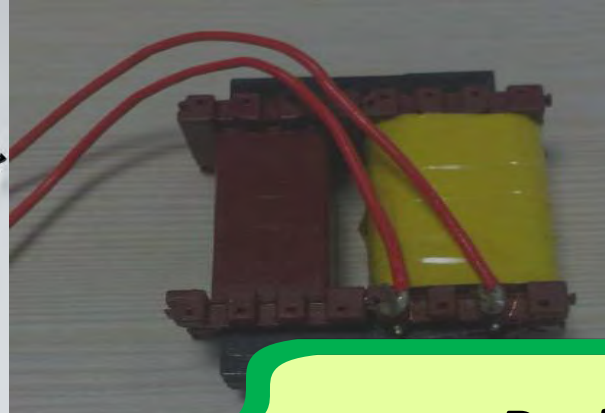
Annual Financial Highlights

Rs. in Crore	FY16	FY15	YoY %
Total Income from Operations	361.1	283.3	27.5%
Raw Materials	256.6	195.9	
Employee Cost	17.7	15.5	
Other Cost	44.0	36.4	
Total Expenditure	318.2	247.9	
EBITDA	42.9	35.5	21.0%
EBIDTA margin (%)	11.9%	12.5%	(60) bps
Interest	13.1	12.3	
Depreciation	8.3	7.1	
Other Income	2.8	1.0	
Profit Before Tax	24.2	17.0	
Tax	7.2	5.0	
Profit After Tax	17.0	11.9	42.2%
PAT Margin (%)	4.7%	4.2%	50 bps

Balance Sheet Highlights

Rs. in Crore	Mar -16	Mar -15
Shareholder's Funds	195.4	107.1
Share Capital	13.6	10.3
Money Against Warrants	4.1	-
Reserves & Surplus	177.6	96.8
Non-Current Liabilities	22.3	22.8
Long Term Borrowings	17.7	17.6
Defer Tax Liabilities	3.9	1.9
Other Long-Term Liabilities	0.0	2.5
Current Liabilities	157.6	144.3
Short Term Borrowings	81.3	75.0
Trade Payables	32.9	27.1
Other Current Liabilities	35.5	36.7
Short-Term Provisions	7.9	5.5
Total Equities & Liabilities	375.4	275.1

Rs. in Crore	Mar -16	Mar -15
Non-Current Assets	136.0	89.2
Fixed Assets	110.4	83.4
Non-Current Investments	5.5	4.9
Long-Term Loans & Advances	0.9	0.7
Other Non-Current Assets	19.3	0.2
Current Assets	239.4	186.0
Current Investments	12.0	0.8
Inventories	66.7	66.1
Trade Receivables	99.8	77.9
Cash & Cash Equivalents	12.5	9.0
Short-Term Loans & Advances	38.8	22.9
Other Current Assets	9.5	9.3
Total Assets	375.4	275.1



Business Overview

Company Overview



Leading player offering total and customized electrical solutions

- Presence in Switchgears, Wires & Cables and Energy management business
- Largest manufacturer of Cam Operated Rotary Switches – Market leader with 25% share



Extensive Product portfolio across segments with In-house manufacturing facilities

- 5 manufacturing units located in Tamil Nadu & Himachal Pradesh
- More than 15 products catering to Industrial / Building / Automobile segments



Strong focus on product development and innovation

- Registered Patent for Rotary Switches, 5 product patents in process



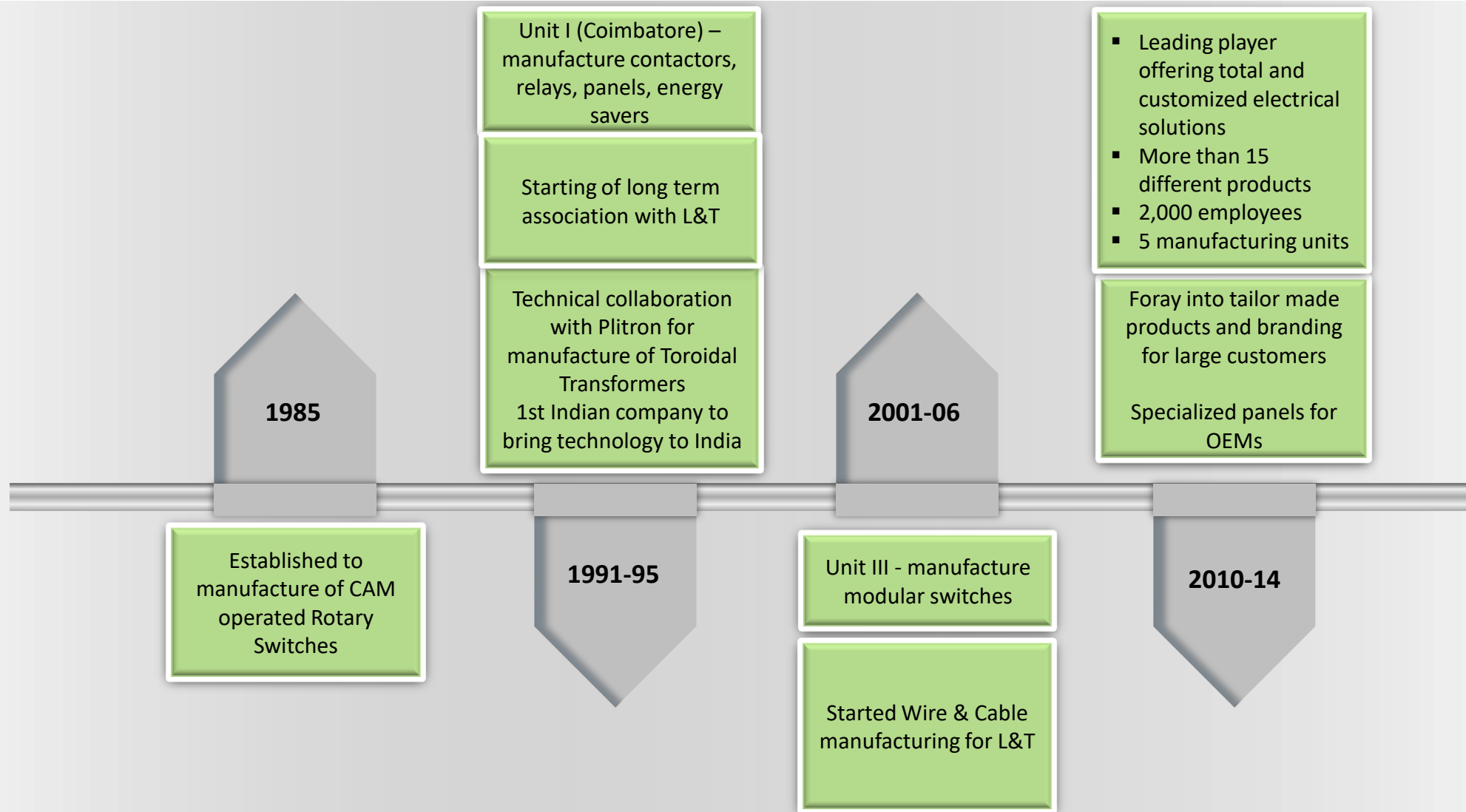
Wide Distribution network – local and global

- Own distribution network – local and global – export to 50 countries
- Access to L&T's local network through more than 350 distributors



Consistent Dividend Payout Track Record for past 16 years

From a Single Product Company...



... to manufacturing multiple products across sectors

Business Overview

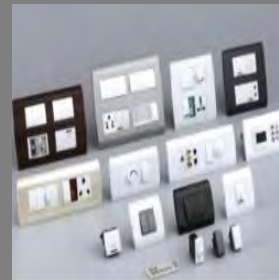
Copper Business

- Wires & Cables
- Flexible Bus Bars
- Enamelled Wires
- Bunched Conductors
- Tinned Copper Wires



Energy Management Business

- Energy Savers
- Street Light Controllers



Industrial Switch Gear Business

- Transformers
- Terminal Blocks
- Rotary Switches
- Isolators
- General Purpose relays
- Wiring Ducts
- MPCB's
- Contactors & OLR's
- Control Panels

Building segment Business

- Modular Switches
- Wires & Cables
- MCB's (Under Development)
- Changeovers

Key Business Strengths

Complete Backward Integration

- In-house manufacturing facilities with process capabilities ensures better product development and customization
- Well developed R&D enables continual product innovation

Strong Customer Relationships

- Strong customer relationships across the world
- Preferred supplier to GE, Schneider and only approved supplier of Nuclear Power Corporation
- Largest supplier of rotary and load break switches to Indian Railways



Wide Product Suite

- Amongst few players in India, to offer total & customized electrical solutions
- Wide product basket – 15 products developed in-house
- Largest manufacturer and market leader in CAM operated rotary switches






Advanced Engineering Capabilities

- Strong engineering capabilities backed by in-house manufacturing and R&D team
- Technical collaboration with Plitron for Toroidal transformers – 1st company to bring technology to India, Joint Venture with C3Controls for contactors and relays
- Resulting in all products been international certified and universal acceptance







Wide Distribution Network

- Wide distribution network – international and domestic
- Tie up with L&T – access to over 350 dealers in India; own network for modular switches with 50 stockist in 4 southern & western states
- Direct network across 50 countries with 40 international distributors

Wide Product Suite

Products	Features	
Rotary Switches	<ul style="list-style-type: none"> 6A to 400 Amps > 2500 ranges UL & CB Tested 	
Isolators (Dis-connectors)	<ul style="list-style-type: none"> 16 to 250 Amps UL 50 rated Enclosed mounting Changeover Switches DC – PV Isolators CB Tested 	
Contactors	<ul style="list-style-type: none"> 16 to 250 Amps UL 50 rated Enclosed mounting Changeover Switches DC – PV Isolators CB Tested 	
Terminals	<ul style="list-style-type: none"> 2.5 to 95 sq mm Screw-less Terminals All Accessories UL Listed 	
Wiring Ducts	<ul style="list-style-type: none"> More than 75 sizes India's largest RoHS and Halogen Free Ducts UL and CSA Listed 	
Toroidal Transformers	<ul style="list-style-type: none"> 15va to 60 Kva 1 and 3 Phase Custom built Assemblies Wide CT Range UL Listed 	

Wide Product Suite

Products	Features	
Control Relays	Plug-in, PCB and Solder type ▪ 1 Amp to 100 Amps	
Wire Harnesses		
Wires & Cables	From 0.5- 240 Sq mm ▪ Single & Multi Core ▪ FR, FRLS, Halogen Free ▪ UL Listed	
Flexible Bus Bars	Upto 1000 Amps ▪ Only Manufacturer in India ▪ UL Listed	
Enamelled Wires	0.3 to 3 mm (9-29 AWG) ▪ Upto 200 Deg Cent ▪ UL Listed	
MPCBs	Two Frames ▪ 0.1 amps to 63 Amps ▪ Type F Co-ordinated ▪ UL Listed	

Wide Product Suite- Customised for OEM's

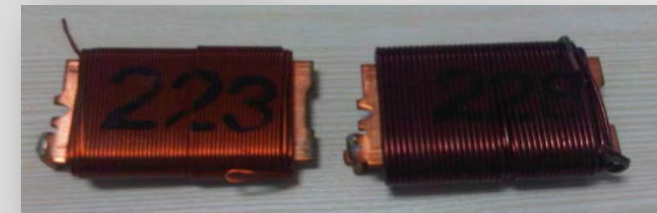
CT's



Terminal Socket



Coils / Inductors

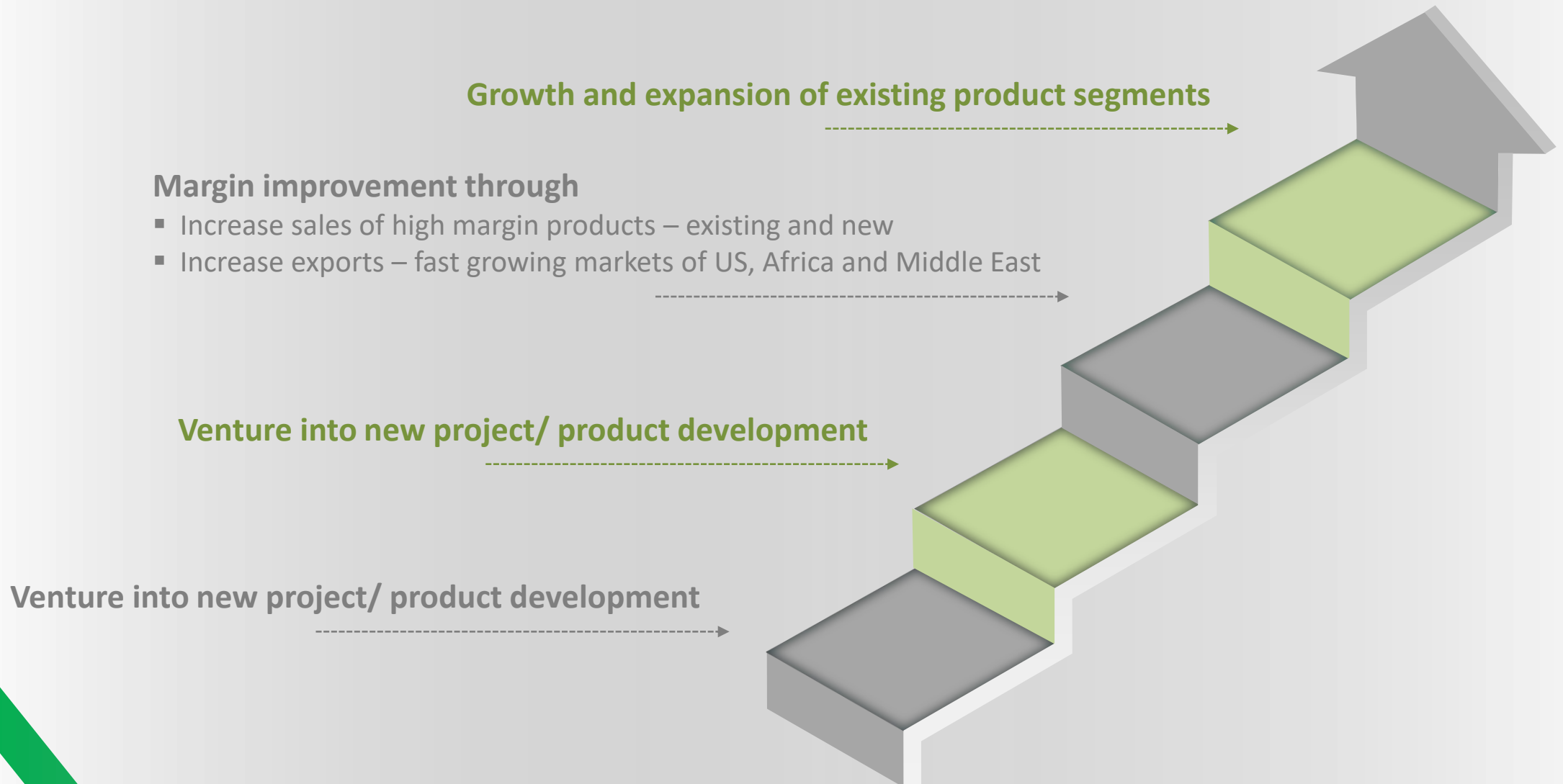


Panels



In-house manufacturing and R&D enables superior customization of products

Future Growth Drivers



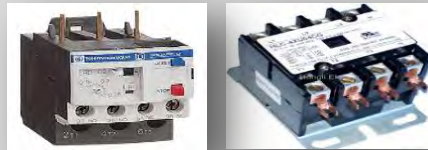
Future Growth Drivers- Expansion in Existing Product Range

Toroidal Transformer



- Collaboration with Plitron Manufacturing, Canada
- Developed inductors & chokes using aluminium wires which finds application in large UPS
- New customers – other UPS manufacturers

Contactors & Overload Relays



- Tie up with C3 Controls, US – leading player in electrical switch gears in US
- Product developed and under validation with UL
- Will target US and Asia as key markets
- Rs. 4 cr business already done in this financial year

Railway Business



- Innovated 'Fuse Change over system' for railway signalling division
- Designed new product – Track Feed Battery System' for changing over battery chargers in railway track feeding system

DC Load Break Switches (PV)



- Product developed and Invoicing started
- Very good potential for this product in Australasia region
- Our switches – best available in market, exporting good volume to Europe & US
- Due to lower costs – can compete with good quality high cost European & low price Chinese manufacturers

Future Growth Drivers- Proposed New Projects/ Product Development

Three Phase Dry Type Transformer



- High tech product with application in large MW UPS, renewable energy business, railways, power generation and marine industry
- Expected CAGR of 35% over next 5 years
- Technical alliance signed with Trafomodern an Austrian company - one of leading manufacturers of transformers in Europe

Capacitors



- Widely used in electronic units for power conditioning, power factor correction, motor starter application, smoothing, filtering, bypassing etc
- Increasing need across industries as it saves energy
- IEEMA estimates market to grow at 30% CAGR from Rs 750 Cr

Future Growth Drivers- Energy Management Business

Only manufacturer in India:

- Energy savers
- Street light controllers

CRISIL rated Grade I ESCO Operator for street lighting

Significant opportunity in power starved country

Successfully implemented for:

- Madurai Corporation
- Coimbatore Corporation
- Navi Mumbai Corporation
- Tirupur Corporation
- Erode Corporation
- Vellore Corporation

In talks with other states to incorporate energy savers and street light controllers



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