



# salzer

## Electronics Limited

Quarterly Update Presentation  
Q2 & H1 FY16

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# Key Highlights

Particulars	Q2FY16	Q2FY15	YoY	H1FY16	H1FY15	YoY
Revenue from operations	80.9	67.8	19%	172.0	136.5	26%
Normalized EBITDA*	11.5	9.5	21%	24.3	18.3	32%
PAT	4.6	3.3	42%	9.7	6.4	51%

\* Post adjusting for onetime TDS expense of Rs 46 lakhs on account of Employee Stock Options in Q2FY16 & H1FY16

- **Robust growth of 19% YoY in revenue in Q2 FY16**
  - Industrial Switchgear business - **55% of total revenues**, YoY growth of 36%
  - Copper business - **33% of total revenues** with muted growth of 1% YoY
  - Building Products business - **4% of total revenues**, 9% YoY decline
  - Energy Management business - **8% of total revenues**, YoY growth of over 600%
- **Robust growth of 26% YoY in revenue in H1 FY16**
  - Industrial Switchgear business - **49% of total revenues**, YoY growth of 26%
  - Copper business - **34% of total revenues** with muted growth of 6% YoY
  - Building Products business - **4% of total revenues**, 9% YoY decline
  - Energy Management business - **13% of total revenues**, YoY growth of over 892%
- **Growth in Industrial Switchgear business - inline with business strategy of focusing on profitable and high growth products**
- **Exports contributed 23% of total revenue in Q2FY16 and 24% of total revenues in H1FY16**

# H1FY16 Developments

## Technical alliance with Trafomodern

- Trafomodern, an Austrian company - one of leading manufacturers of transformers in Europe
- Salzer to use Trafomodern's technology and design to manufacture Dry Type, Air Cooled Transformers, Chokes and Inductors in India
- Set up manufacturing facilities for transformers in Coimbatore

## Successful capital raising through QIP

- Raised Rs. 62.06 crore through Qualified Institutional Placement (QIP)
- Issued 26.41 lac shares at Rs 235 per share, resulting in dilution of 24% of capital base
- Well diversified representation and demand
- Allocation - 55% FII and 45% domestic mutual funds
- Post issue, book value stood at ~ Rs. 132.73 per share
- Proceeds to be used for new product development and growth plans of Company

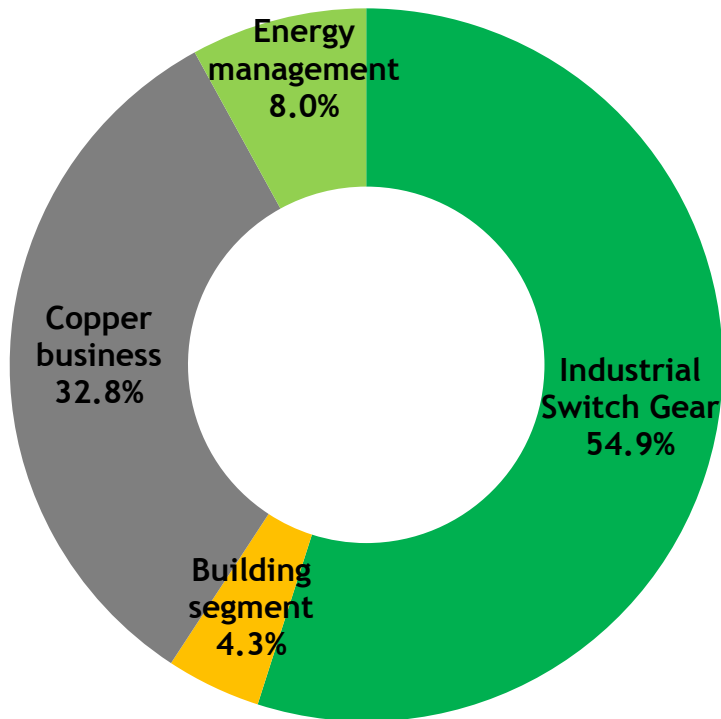
# Profitability Highlights - Q2FY16

Rs. in Crore	Q2 FY16	Q2 FY15	YoY	H1FY16	H1FY15	YoY
<b>Revenue from Operations</b>	80.9	67.8	19.5%	172.0	136.5	26.1%
Other Income	0.2	0.1		0.7	0.3	
<b>Total Income</b>	<b>81.1</b>	<b>67.9</b>	<b>19.5%</b>	<b>172.8</b>	<b>136.7</b>	<b>26.4%</b>
Raw Material & Fuel costs	55.6	46.7		120.1	94.7	
Employee Cost	4.5	3.8		8.4	7.0	
Other costs	10.0	7.9		20.4	16.6	
<b>Total Expenditure</b>	<b>70.1</b>	<b>58.4</b>	<b>20.0%</b>	<b>148.8</b>	<b>118.4</b>	<b>25.7%</b>
<b>Normalized EBIDTA*</b>	<b>11.5</b>	<b>9.5</b>	<b>21.1%</b>	<b>24.3</b>	<b>18.4</b>	<b>32.5%</b>
<b>Normalized EBITDA Margin (%)</b>	<b>14.1%</b>	<b>14.0%</b>		<b>14.1%</b>	<b>13.4%</b>	
Depreciation	2.0	2.0		4.0	3.7	
Interest	2.7	3.2		6.9	6.3	
<b>Profit Before Tax</b>	<b>6.3</b>	<b>4.2</b>	<b>47.4%</b>	<b>13.1</b>	<b>8.3</b>	<b>57.8%</b>
Tax	1.7	1.0		3.4	1.9	
<b>Profit After Tax</b>	<b>4.6</b>	<b>3.3</b>	<b>41.9%</b>	<b>9.7</b>	<b>6.4</b>	<b>50.7%</b>
<b>Margin (%)</b>	<b>5.7%</b>	<b>4.7%</b>		<b>5.7%</b>	<b>4.7%</b>	

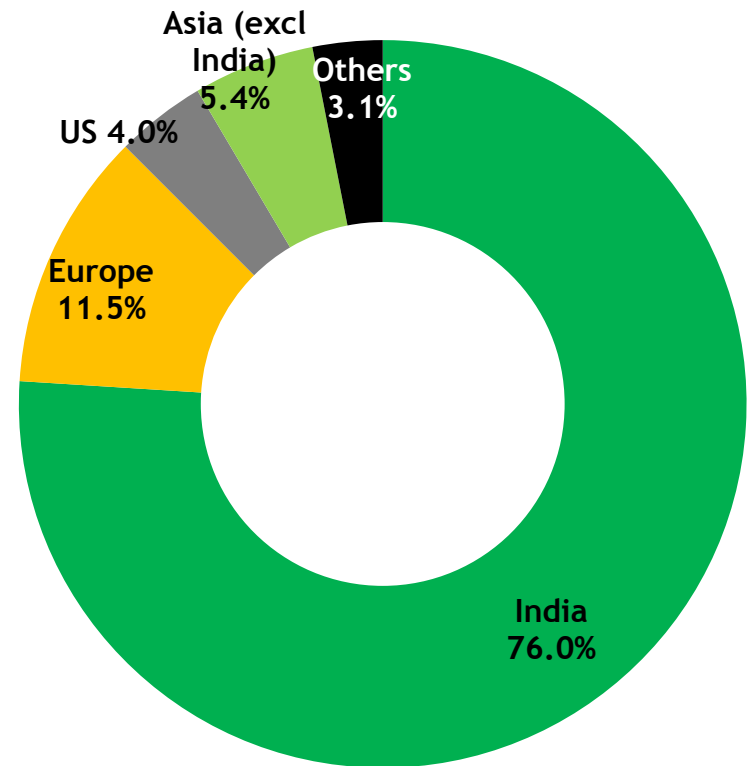
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# Revenue breakup - Q2 FY16

As per Business Segment

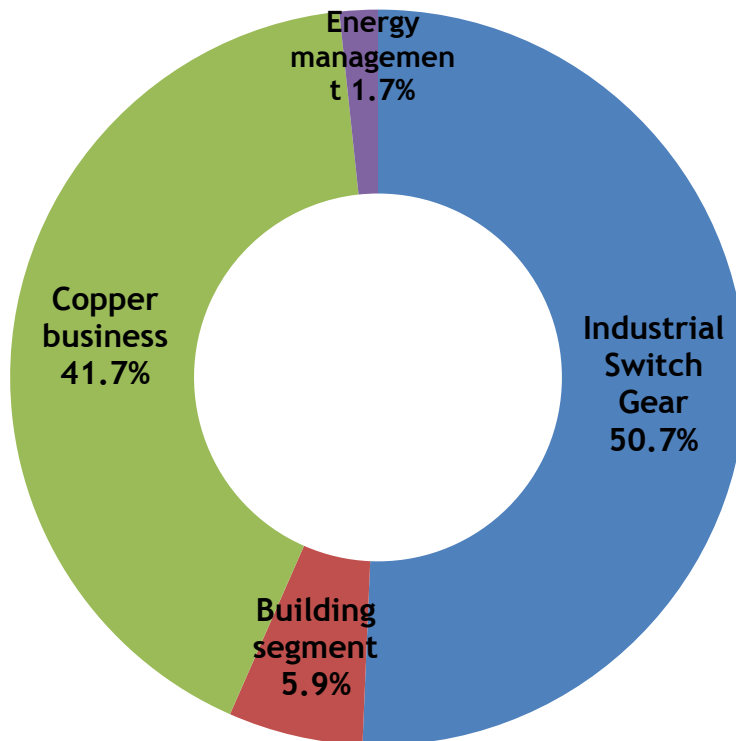


As per Geography

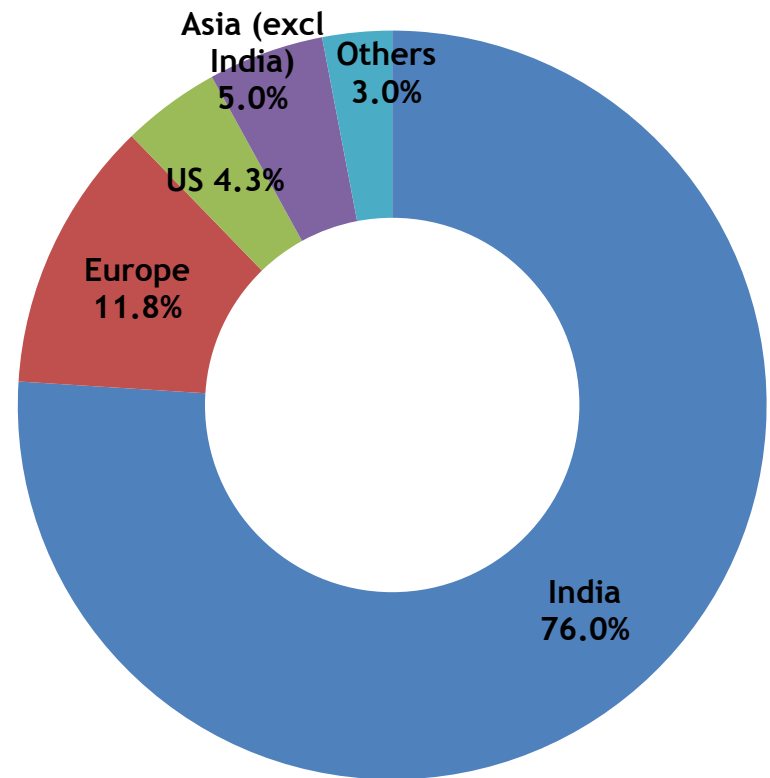


# Revenue breakup - H1 FY16

As per Business Segment



As per Geography



# Annual Profitability Highlights

Rs. in Crore	FY15	FY14
Revenue from Operations	283.3	244.5
Other Income	1.0	0.9
<b>Total Income</b>	<b>284.3</b>	<b>245.5</b>
Raw Material & Fuel Costs	195.9	168.2
Employee Cost	15.5	13.1
Other Cost	36.4	32.9
Total Expenditure	<b>247.9</b>	214.3
<b>EBITDA</b>	<b>35.5</b>	<b>30.2</b>
<b>EBIDTA margin (%)</b>	<b>12.5%</b>	<b>12.4%</b>
Interest	12.3	11.9
Depreciation	7.1	7.5
Profit Before Tax	17.0	11.7
Tax	5.0	3.2
<b>Profit After Tax</b>	<b>12.0</b>	<b>8.4</b>
<b>PAT Margin (%)</b>	<b>4.2%</b>	<b>3.4%</b>

\* Other costs in FY15 includes one time expenses of Rs. 1.7 crore towards product testing & CSR expenses



# Balance Sheet Highlights

Rs. in Crore	Sep-15	Mar-15
<b>Shareholder's Funds</b>	<b>190</b>	<b>107</b>
Share Capital	14	10
Reserves & Surplus	176	97
<b>Non-Current Liabilities</b>	<b>22</b>	<b>23</b>
Long Term Borrowings	18	18
Defer Tax Liabilities	3	2
Other Long-Term Liabilities	0	3
Long-Term Provisions	1	1
<b>Current Liabilities</b>	<b>156</b>	<b>144</b>
Short Term Borrowings	83	75
Trade Payables	30	27
Other Current Liabilities	41	37
Short-Term Provisions	3	6
<b>Total Equities &amp; Liabilities</b>	<b>367</b>	<b>275</b>

Rs. in Crore	Sep-15	Mar-15
<b>Non-Current Assets</b>	<b>100</b>	<b>89</b>
Fixed Assets	94	83
Non-Current Investments	5	5
Long-Term Loans & Advances	1	1
Other Non-Current Assets	0	0
<b>Current Assets</b>	<b>267</b>	<b>186</b>
Current Investments	21	1
Inventories	71	66
Trade Receivables	107	78
Cash & Cash Equivalents	19	9
Short-Term Loans & Advances	39	23
Other Current Assets	10	9
<b>Total Assets</b>	<b>367</b>	<b>275</b>

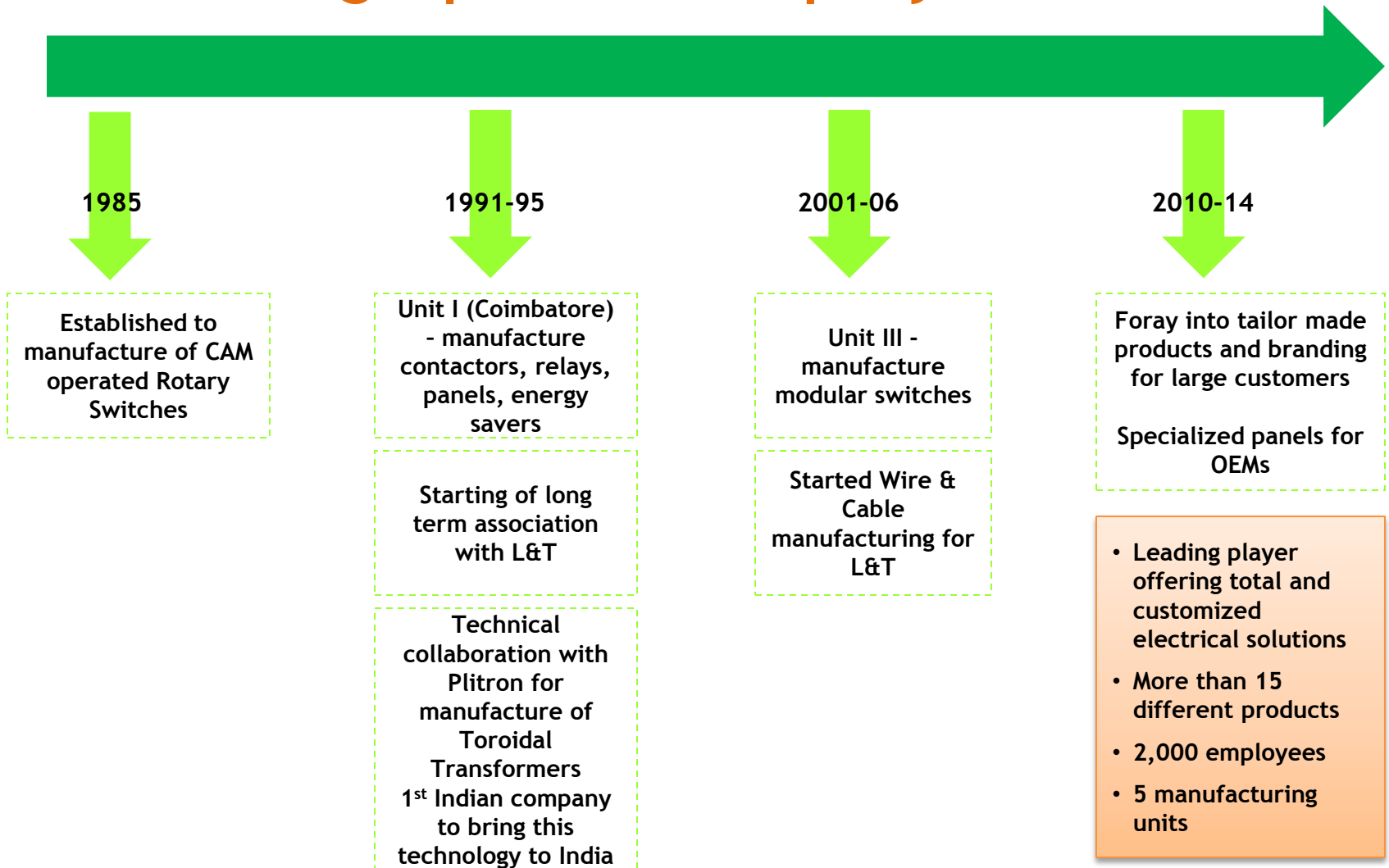
# Company Overview



# Business 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 15 years**

# From a Single product company...



**... to manufacturing multiple products across sectors**

# Business Overview

## Industrial Switch Gear Business

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

## Energy Management Business

- Energy Savers
- Street Light Controllers

## Building segment Business

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

## Copper Business

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

# Key Business Strengths

## 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

## Complete Backward Integration

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

## Advanced Engineering Capabilities

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

## 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 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

# Future Growth Drivers



- Growth and **expansion of existing product segments**
- **Margin improvement through**
  - Increase sales of high margin products - existing and new
  - Increase exports - fast growing markets of US, Africa and Middle East
- Venture into **new project/ product development**
- **Energy management business - huge growth potential**

# Expansion in existing product range

## Toroidal Transformer



- Collaboration with Plitron Manufacturing, Canada
- Developed inductors & chokes using aluminum 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

## Railway Business



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

## DC Load Break Switches (PV)



- High potential - very few manufacturers in the world
- 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



# 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 with TrafoModern (one of leading manufacturers in Europe) - to manufacture dry type, air cooled transformers, chokes and inductors

## Latching Relays



- New kind of relays used in various applications, particularly in Smart Meters
- Smart meter business - future business with high potential in developing economies Every Smart Meter has one latch relay
- Expected CAGR of 40% over next 5 years

## 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



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