



salzer

Electronics Limited

Q4 FY2016
Earnings Presentation

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Table of Contents

1

Joint MD's Message

2

Financial Highlights

3

Segment-wise / Geographical Break up of Revenues

4

Business Overview

Joint Managing Director's Message



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

"We have demonstrated a good growth in revenues and profit this year. The revenue growth is in line with our expectations. However, we have seen a shift in product mix on account of delay in execution of some projects in Industrial Switchgear Business which has impacted our blended profitability margins. Also, in the Energy Management business we have not recognised some revenue as we are waiting for third party audit to be completed but have booked expenses we have incurred for the same.

I am pleased to share that the plant to manufacture 3 phase dry type transformers is well underway and we expect to start manufacturing by the end of Q2 of this financial year. This year we also signed up with two leading distributors in Australia and Croatia, to market Salzer branded products in the respective geographies.

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."

Financial Highlights



Key Highlights – Q4 FY16

27.6%↑

Revenue

Rs 98.8 crore

1.1%↑

EBITDA

Rs 9.6 crore

256bps↓

EBITDA Margin

9.8%

19.4%↑

Profit Before Tax

Rs 6.3 crore

16.6%↑

Profit After Tax

Rs 3.9 crore

38bps↓

PAT Margin

4.0%

Key Highlights – FY2016

27.5%↑

Revenue

Rs 361.1 crore

21.0%↑

EBITDA

Rs 42.9 crore

64bps↓

EBITDA Margin

12%

42.9%↑

Profit Before Tax

Rs 24.2 crore

42.2%↑

Profit After Tax

Rs 17.0 crore

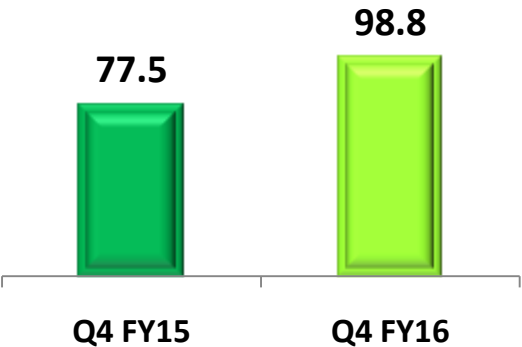
50bps↑

PAT Margin

4.7%

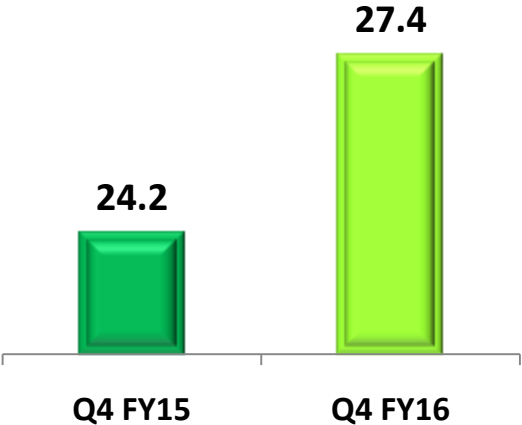
Financial Highlights (Q4 FY16 v/s Q4 FY15)

Revenue

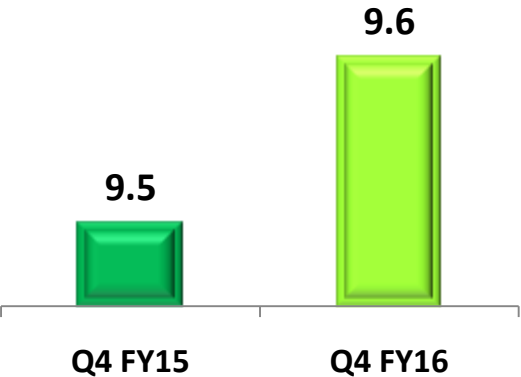


Gross Profit

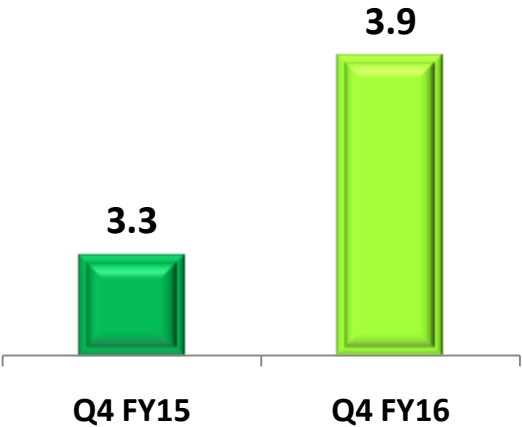
(Rs. Crore)



EBITDA

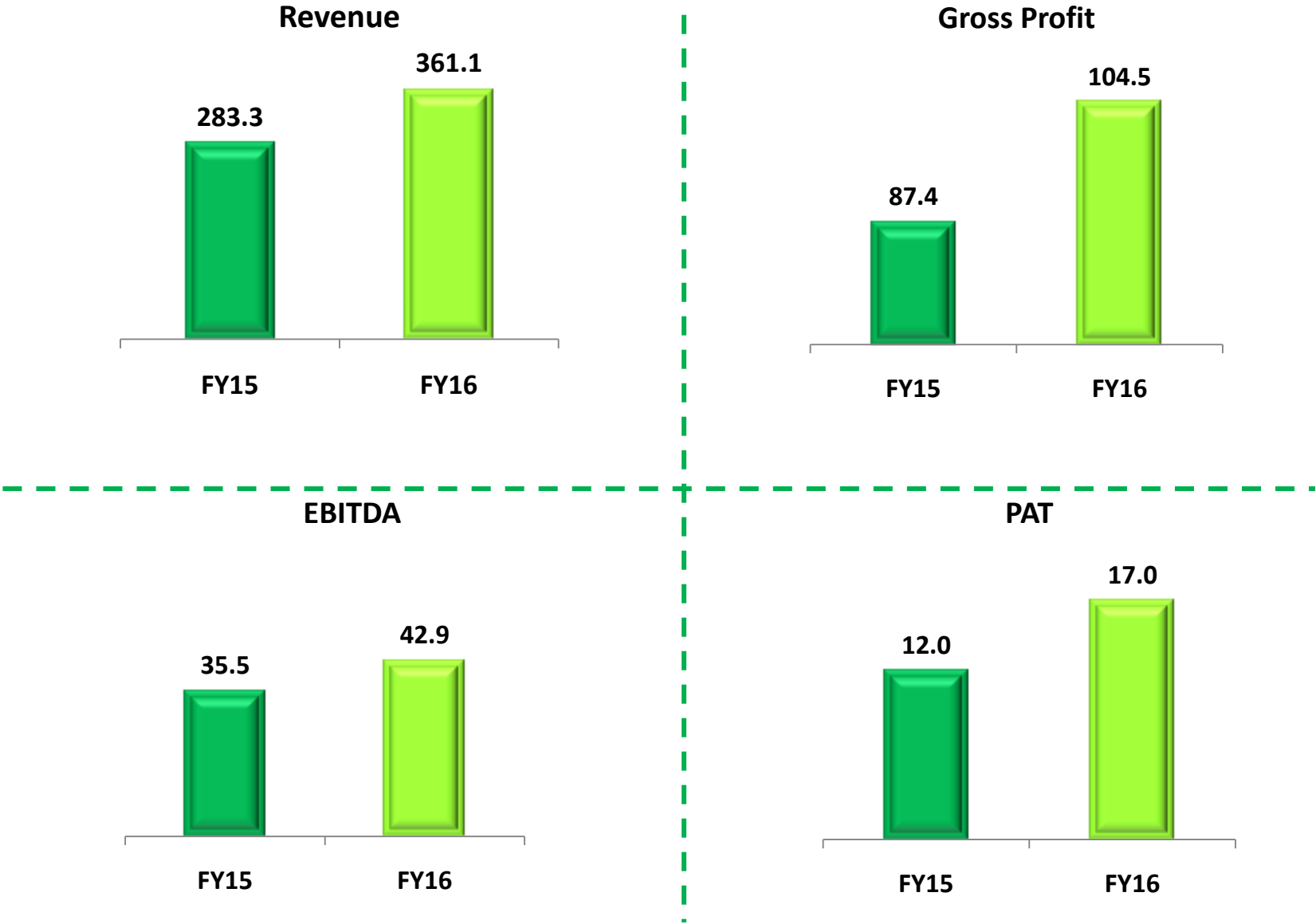


PAT



Financial Highlights (FY2016 v/s FY2015)

(Rs. Crore)



Profitability Highlights

Rs. in Crore	Q4 FY16	Q4 FY15	YoY %	FY16	FY15	YoY %
Total Income from Operations	98.8	77.5	28%	361.1	283.3	28%
Raw Materials	71.4	53.7		256.6	195.9	
Employee Cost	4.9	4.0		17.7	15.5	
Other Cost	12.9	10.2		43.1	36.4	
Total Expenditure	89.2	67.9		318.2	247.8	
EBITDA	9.6	9.5	1%	42.9	35.5	21%
EBIDTA margin (%)	9.8%	12.3%		12.1%	12.5%	
Interest	3.2	3.2		13.1	12.3	
Depreciation	2.1	1.5		8.3	7.1	
Other Income	1.9	0.3		2.8	1.0	
Profit Before Tax	6.3	5.2		24.2	17.0	
Tax	2.3	1.8		7.2	5.0	
Profit After Tax	3.9	3.3	13%	17.0	12.0	42%
PAT Margin (%)	4.0%	4.3%		4.7%	4.2%	

EBITDA margin - 256 bps YoY decline in Q4FY16 and 64bps YoY decline in FY16 – on account of change in product mix

Segment-wise breakup of Revenues – Q4 FY16 vs Q4FY15

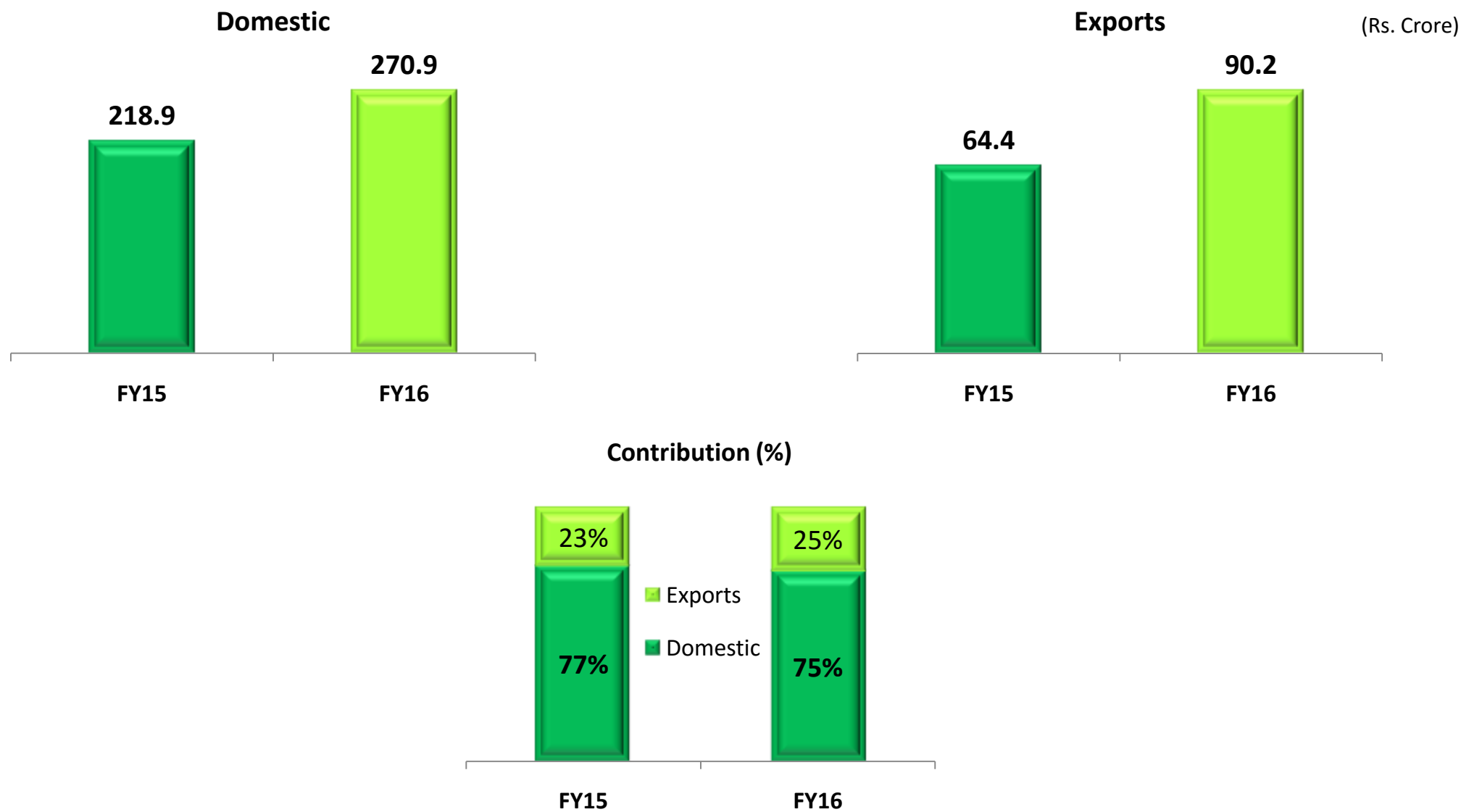
Products	Q4 FY16	Contribution (%)	Q3 FY16	Q2 FY16	Q1 FY16	Q4 FY15	Contribution (%)	YoY (%)
Industrial Switch Gear	40.5	41%	43.3	44.5	40.3	42.2	53%	(4%)
Copper Business	44.2	45%	32.5	26.7	32.1	31.8	40%	39%
Energy Management	9.4	10%	9.9	6.5	15.6	1.6	2%	488%
Building Segment	4.2	4%	4.5	3.2	3.7	4.0	5%	6%
Grand Total	98.3		90.2	80.9	91.7	79.6		

Segment-wise breakup of Revenues – FY16 vs FY15

Products	FY16	Contribution (%)	FY15	Contribution (%)	YoY (%)
Industrial Switch Gear	171.1	47%	147.8	52%	16%
Copper Business	132.6	37%	115.6	41%	14%
Energy Management	42.0	12%	5.7	2%	638%
Building Segment	15.4	4%	14.2	5%	9%
Grand Total	361.1		283.3		

YoY growth of 16% in Industrial Switch Gear business- in line with Company's strategy of focusing on high margin products

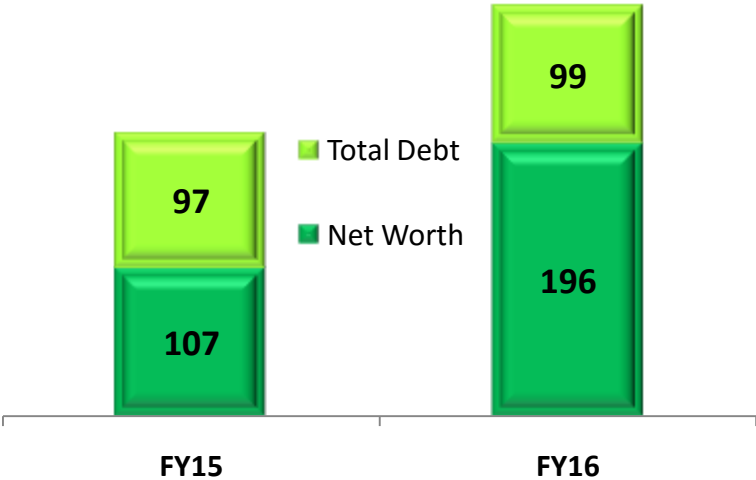
Geographical Breakup of Revenues



Financial Highlights – Balance Sheet Perspective

(Rs. Crore)

Balance Sheet Snapshot (Rs. Crore)	FY 16	FY 15
Net Worth	195.3	107.1
Total Debt	99.0	96.0
Debt/ Equity	0.5	0.9
Working Capital (in days)	135	151



YoY increase of 83% in Networkh

Board recommends dividend of 16 %, subject to shareholder approval

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

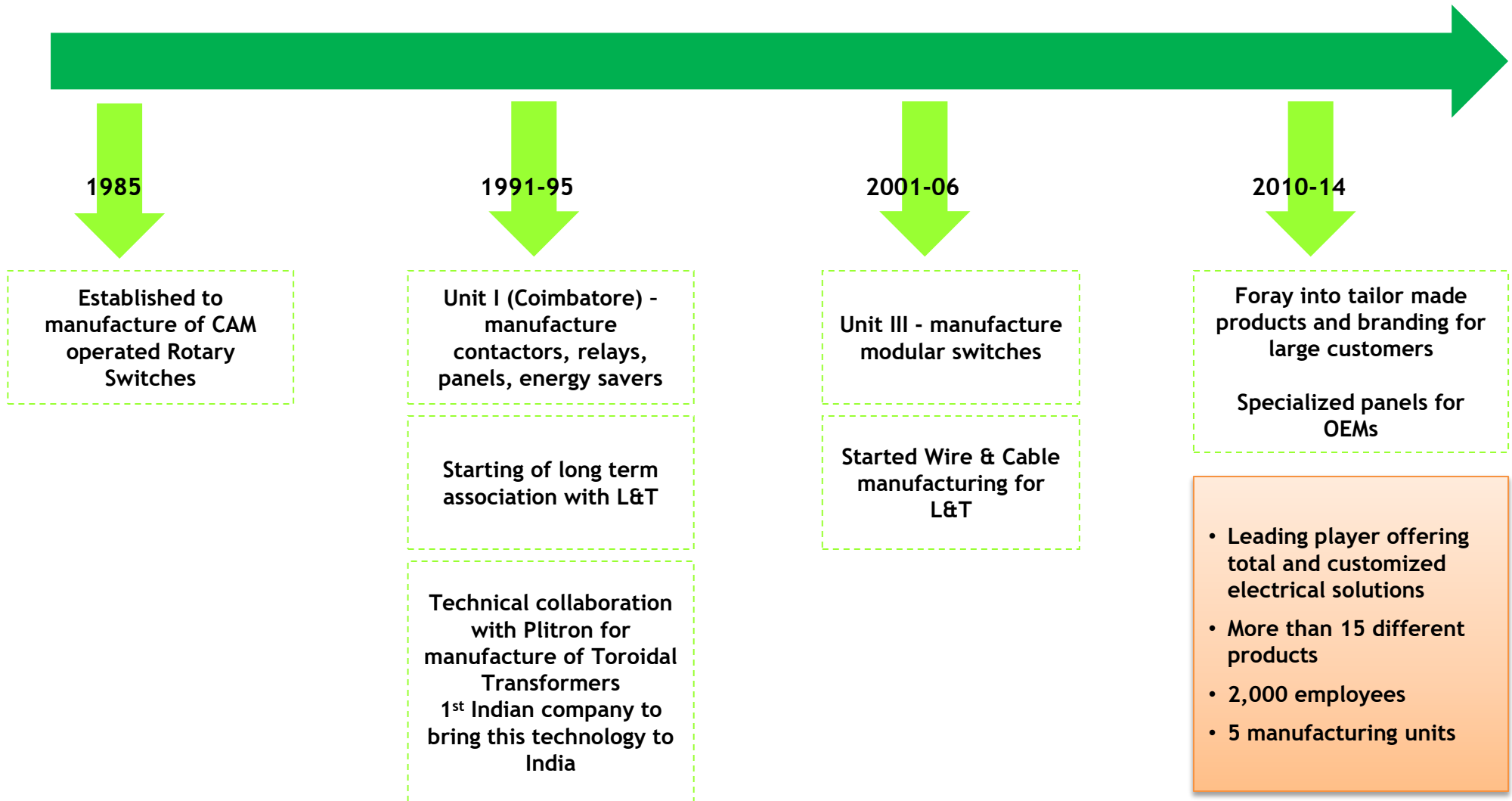
Business Overview



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 16 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 - 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

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

Future Growth Drivers...

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

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

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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