salzer Electronics Limited

Quarterly Update Presentation
Q1 FY16

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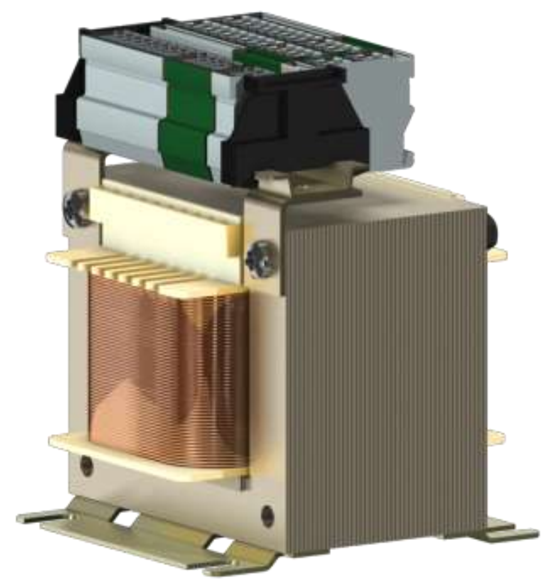
Recent Updates

Technical Alliance with TrafoModern

- To manufacture dry type, air cooled transformers, chokes and inductors
- trafo modern - amongst leading manufacturers of dry type transformers in Europe
- Salzer to use Trafomodern’s technology, design and assistance
- Set up manufacturing facilities in Coimbatore



Successful capital raising through QIP

- **Raised Rs. 62.06 crore** though Qualified Institutional Placement
- Issue of **26.41 lac shares at Rs 235 per share**
- Dilution of 6% on expanded capital base
- Post issue, book value of ~ Rs. 132.73 per share
- Allocation – **55% FII and 45% domestic mutual funds**
- **Well diversified** representation and demand
- Proceeds to be used for **new product development and growth plans of Company**
- Emkay Global Financial Services – Lead Book Runner
- Crawford Bayley – Legal Advisor
- Ms/s Swami & Ravi – Statutory Auditors

Key Highlights

- Revenue registered **growth of 33.4%** Y-o-Y
  - Industrial Switch Gear Business **Y-oY increase of 18%**
  - Copper Business **Y-oY increase of 12%**
  - Energy Saver Business **Y-oY increase of ovr 650%**
- EBITDA margin at **13.6%, improved by 94 bps**
- Net Profit at **Rs. 5.1 crore**, **Growth of 58%**
- L&T, investor since 2007, exits their stake in Salzer
  - In line with their strategic decision to exit all noncore investments made over the years
  - Business and marketing relationship with L&T continues

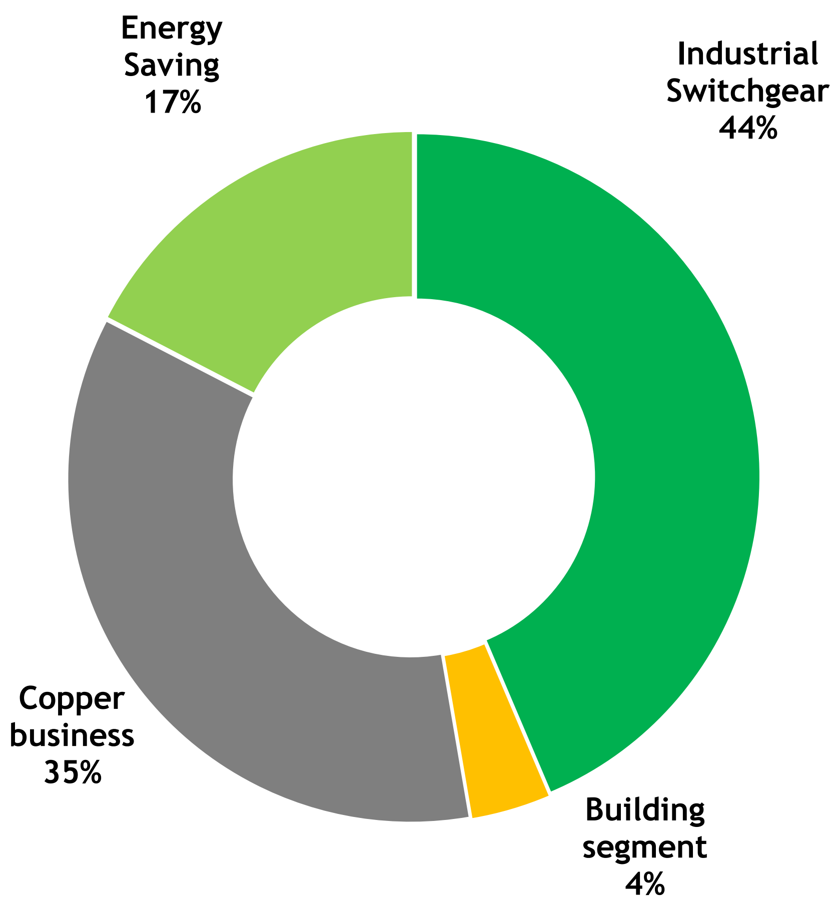
Financial Highlights

Profitability Highlights – Q1 FY16

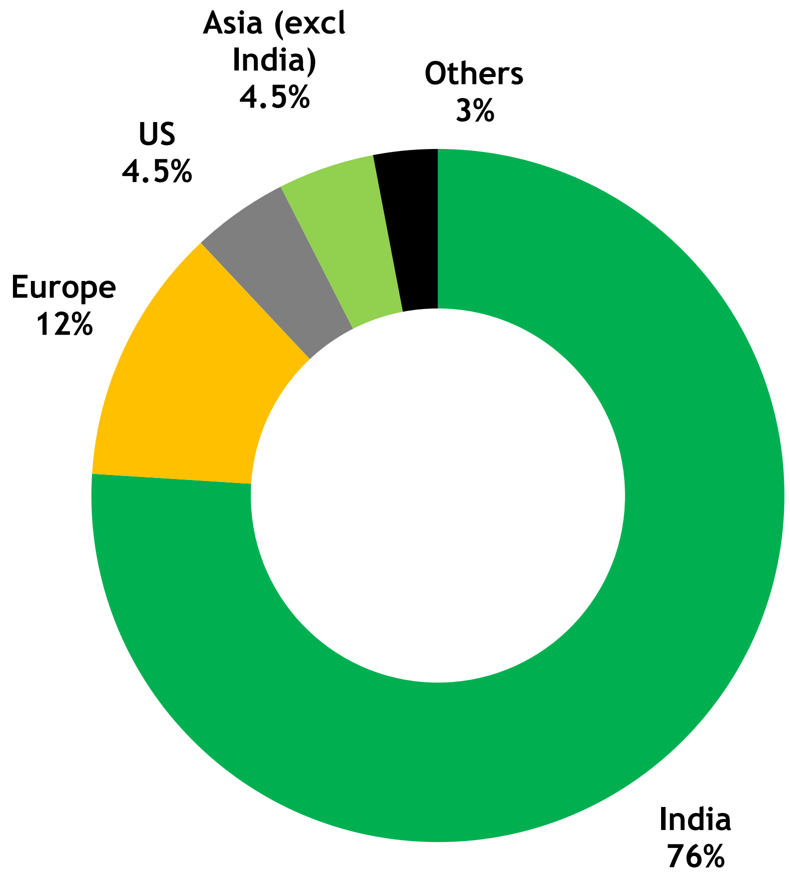
INR Crore	Q1 FY16	Q1 FY15	Y-o-Y
Revenue from Operations	**91.1**	**68.6**	
Other Income	0.5	0.1	
Total Income	**91.7**	**68.7**	**33.4%**
Raw Material & Fuel costs	64.5	48.0	
Employee Cost	3.9	3.2	
Other costs	10.4	8.7	
Total Expenditure	78.7	59.9	
EBIDTA	**12.4**	**8.7**	**42.8%**
EBITDA Margin (%)	**13.6%**	**12.7%**	
Depreciation	2.0	1.7	
Interest	4.2	3.1	
Profit Before Tax	**6.8**	**4.0**	
Tax	1.7	0.8	
Profit After Tax	**5.1**	**3.2**	**57.8%**
Margin (%)	**5.5%**	**4.7%**	

Revenue breakup - Q1FY16

As per Business Segment



As per Geography



Annual Profitability Highlights

INR-Crore	FY-15	FY-14
Revenue from Operations	283.3	244.5
Other Income	1.0	0.9
Total Income	**284.3**	**245.5**
Raw Material & Fuel Costs	195.9	168.2
Employee Cost	15.5	13.1
Other Cost	36.4	32.9
Total Expenditure	**247.9**	214.3
EBITDA	**35.5**	**30.2**
EBIDTA margin (%)	**12.5%**	**12.4%**
Interest	12.3	11.9
Depreciation	7.1	7.5
Profit Before Tax	17.0	11.7
Tax	5.0	3.2
Profit After Tax	**12.0**	**8.4**
PAT Margin (%)	**4.2%**	**3.4%**

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

Annual Balance Sheet Highlights

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INR Crore	Mar-15	Mar-14
Shareholder's Funds	**107.0**	**96.7**
Share capital	10.3	10.3
Reserves & Surplus	**96.8**	**86.4**
Non-current liabilities	22.8	10.7
Long term borrowings	17.6	4.8
Defer Tax liabilities	1.9	0.9
Other Long-Term liabilities	**2.5**	4.5
Long-Term Provisions	**0.8**	**0.5**
Current liabilities	**144.3**	**124.6**
Short Term Borrowings	75.0	74.8
Trade Payables	27.1	23.1
Other Current liabilities	36.7	21.9
Short-term provisions	5.5	4.8
Total Equities & Liabilities	**275.1**	**232.1**

INR Crore	Mar-15	Mar-14
Non-current assets	89.1	75.5
Fixed assets	83.4	68.4
Non-current Investments	**4.8**	**4.9**
Long-term loans & advances	0.7	1.9
Other non-current assets	0.2	0.3
Current assets	185.9	156.6
Current investments	**0.8**	1.2
Inventories	**66.1**	**57.8**
Trade receivables	**77.9**	**57.6**
Cash & Cash equivalents	9.0	11.4
Short-term loans & Advances	22.8	21.0
Other Current Assets	9.3	7.6
Total Assets	275.1	232.1

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 16 years**

From a Single product company…

1985

Established to manufacture of CAM operated Rotary Switches

1991-95

Unit I (Coimbatore) - manufacture contactors, relays, panels, energy savers

Starting of long term association with L&T

Technical collaboration with Plitron for manufacture of Toroidal Transformers
1st Indian company to bring this technology to India

2001-06

Unit III - manufacture modular switches

Started Wire & Cable manufacturing for L&T

2010-14

Foray into tailor made products and branding for large customers

Specialized panels for OEMs

- Leading player offering total and customized electrical solutions
- More than 15 different products
- 2,000 employees
- 5 manufacturing units

… 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

For further information, please contact:

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