

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs633	11.1	Accumulate	Rs800	26%

*as on 27th May, 2026

About the Company:

Salzer Electronics Limited (Salzer) was incorporated in 1985 and is in the business of providing integrated and customized electrical solutions with more than 3 decades of expertise in designing, developing and manufacturing array of products including rotary switches, wiring ducts, sensor and transformers. Salzer is the largest manufacturer of CAM operated rotary switches and wire ducts in India with a market share of 25% and 20% respectively. Salzer is headquartered in Coimbatore, Tamil Nadu and has 5 state of the art manufacturing facilities. It also has an in-house R&D wing, which is recognized by Department of Scientific & Industrial Research, GOI. The company caters to well reputed clientele and has strategic tie-ups with Indian as well as global conglomerates for synergy benefits. It has a professionally managed team, under the leadership of Mr. Rajesh Doraiswamy, as the Joint Managing Director of the company.

Results: Quick Glance:

- The net sales for the quarter reported a growth of 26.2% to Rs4741mn as compared to Rs3757mn in Q4FY25
- The Ebitda margins for the quarter under review stood at 6.6% as compared to 7.8% in the comparative quarter last year
- The company reported profit of Rs105mn as compared to Rs109mn in the same quarter last year
- The EPS for the quarter stood at Rs5.81 as compared to Rs6.19 in the corresponding period of last year
- For FY26, the revenues came in at Rs17584mn as compared to Rs14183mn; growth of 24% while the PAT stood at Rs538mn as against Rs525mn. The EPS came in at Rs29.94 as against Rs29.75 in FY25

Conference Call Highlights:

- The company has delivered strong performance on the topline in Q4FY26 and FY26; however the blended margins were impacted due to continued pressure from geopolitical disruptions, volatile commodity prices, rising input costs (especially copper, silver and plastic raw materials) and elevated freight/supply chain costs. The revenue grew by ~26% on a y-o-y basis driven by demand across industrial switchgears, wires & cables, transformers and wire harnesses
- Geographically, **India** accounted for ~84.4% of revenues as compared to ~76.2% in Q4FY25, followed by Asia at ~7.8% as compared to ~11.4% in Q4FY25, North & South America contribution stood at ~3.8% as compared to ~5.9% in Q4FY25, Europe contribution stood at ~3.0% in Q4FY26 as compared to ~5.0% as in Q4FY25 and the Middle East contribution stood at ~1.0% as compared to ~1.6% in Q4FY25. On FY26 basis, **India** accounted for ~78.9% of revenues as compared to ~72.6% in FY25, followed by Asia at ~8.5% as compared to ~11.4% in FY25, North & South America contribution stood at ~6.1% as compared to ~8.1% in FY25, Europe contribution stood at ~5.1% as compared to ~6.0% in FY25 and the Middle East contribution stood at ~1.4% as compared to ~1.9% in FY25
- The Management anticipates that the Indian electrical equipment industry is expected to witness double-digit growth over the next ~4-5 years driven by increasing electrification, manufacturing expansion under the China +1 strategy, energy transition investments and growing demand for energy-efficient products
- The **exports** contributions stood at ~16% to the overall revenue in Q4FY26 and ~21% during FY26. Europe remained the key export market during the year while exports to the UK benefited from favorable currency movements and zero import duty. The exports were temporarily impacted by geopolitical tensions in the Middle East, which impacted solar energy projects and created volatility in petrochemical prices. Despite these temporary challenges, the company is **targeting export** contribution of more than ~25% over the medium term. The company is also witnessing improved traction in the US market after tariff reductions
- On the segmental front, the **Industrial Switchgear** continues to remain the largest and highest-margin business for the company during FY26. This segment contributed ~51% to the overall revenue in Q4FY26 and ~56% in FY26. This segment would continue to be the key growth driver due to its strong portfolio of specialized engineered products and deep presence across industrial applications. The company currently has a mix of ~40% standard products and ~60% high-value engineered products. The demand remains healthy from infrastructure, power distribution, industrial automation and manufacturing-related sectors. Also, the new products including contactors and engineered solutions are gaining good traction in the market. The **Saudi Arabia manufacturing** facility is expected to be commissioned by June 2026 which will initially focus on the industrial switchgear business and can contribute ~Rs1000mn to the overall revenue

Conference Call Highlights (contd.):

- In terms of the **Wires and Cables** division, the segment has contributed ~43% to the overall revenue in Q4FY26 and ~39% in FY26. However, the Ebitda margins have witnessed pressure due to volatility in copper prices and competitive pricing environment. In order to mitigate the volatility in the prices the company has implemented multiple price hikes. The first round of price hike of ~15% was implemented during February 2026 mainly due to increase in copper and silver prices. Another round of price increase in the range of ~7-10% across different product categories is planned from June 2026 to offset the impact of higher plastic and petrochemical-linked raw material. The customer has accepted the price hikes and the Management anticipates margin recovery to begin from Q2FY27 onwards
- The **Building Electrical Products** division has contributed ~6% to the overall revenue in Q4FY26 and ~5% in FY26. The company continues to leverage the L&T distribution network along with its own dealer network of ~350+ to improve domestic penetration. The focus would continue to remain on expanding the product portfolio, increasing retail footprints and improving channel efficiency across domestic markets
- In **Energy Management Solutions** segment, the company is currently working on a large project in Bangalore Corporation (project value of ~Rs22bn). Revenue contribution from this project under annuity model can generate ~Rs20-25mn per month and is anticipated to start from Q2FY27. In the EV charging business, the subsidiary **Ultra-Fast Chargers Limited** has delivered decent progress during FY26. The company has already sold ~100 EV chargers which has led to revenue contribution of ~Rs59mn in FY26. The company currently holds orders for ~100 DC fast chargers from various customers and is also exploring strategic tie-ups with larger ecosystem players. The increasing EV adoption and expansion of charging infrastructure will create significant long-term growth opportunities for this business. The company is also aiming to double the revenue over the coming years
- In terms of the **Smart Metering** vertical the company has established a fully integrated facility for manufacturing smart meters and electronic PCB boards. While execution timelines have been slower than earlier anticipated due to delays in tender execution and project rollout. The company currently has manufacturing capacity of ~4mn smart meters p.a. and remains optimistic on long-term opportunities under government smart metering programs. The company has recently entered into partnership with **Wirepas**, a Finland-based global leader in wireless mesh technology solutions. With this collaboration, the company will be able to integrate Wirepas-certified technology into its smart electricity meters to support next-generation metering infrastructure and improve utility efficiency and intelligent energy management. This partnership will strengthen the company's smart infrastructure and digital energy platform over the long term
- The subsidiary **Kaycee Industries Ltd** has reported a revenue of ~Rs168mn grew by ~13% on a y-o-y basis in Q4FY26. In FY26 the revenue contribution stood at ~Rs600mn. Ebitda for Q4FY26 stood at ~Rs15mn while PAT stood at ~Rs9mn. In FY26, PAT stood at ~Rs50mn. Kaycee would continue to remain strategically important for strengthening the group's electrical products portfolio and industrial presence
- In FY26, Salzer has made a number of investments in its wholly owned subsidiary **Salzer EV Infra Private Limited** by subscribing to additional equity shares. The company has also invested in **Salzer Electronics Arabia Limited**, which is its wholly owned overseas subsidiary, to strengthen its international manufacturing presence. Further investment in **Effilume Private Limited**, an associate entity has been incorporated as a SPV, and also invested in **Aurawin Solutions Private Limited**. These investments are aligned with the company's long-term strategy of expanding into emerging electrical and energy-related businesses
- The Management anticipates margins to stabilize from Q2FY27 onwards, and remained confident of achieving ~9.5-10% Ebitda margin during FY27E, multiple price hikes which have already been implemented and additional price revisions planned from June 2026 onwards will help to achieve the ambitious target. The company aims to double the revenue and profitability every ~4 years through continuous expansion across core and emerging business segments with an aim to achieve ROCE of ~17-18%

Financial:

Performance (Q4&FY26)									
Q4&FY26 Result (Rs mn)	Mar-26	Mar-25	y-o-y	Dec-25	q-o-q	FY26	FY25	y-o-y	FY27E
Total Revenue	4741	3757	26.2%	4242	11.8%	17584	14183	24.0%	20040
EBITDA	313	291	7.3%	375	(16.6%)	1471	1339	9.8%	1954
Other Income	2	25	-	2	(22.5%)	15	53	(72.0%)	18
Interest	124	107	16.0%	120	2.9%	478	411	16.1%	531
Depreciation	67	60	13.0%	73	(7.2%)	273	234	16.7%	303
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	16	41	(59.7%)	50	(67.1%)	185	222	(16.9%)	279
Share of Associate	2.0	(0.1)	-	7.1	(72.4%)	12.4	0.2	-	0
Net Profit	105	109	(4.4%)	127	(17.5%)	538	525	2.5%	858

Outlook and Recommendations:

Salzer ended FY26 on a stronger note but at the cost of margins owing to pressure from rising commodity prices, global uncertainty and supply chain disruptions. The margins remained under pressure due to sharp increase in copper, silver and petrochemical-linked raw material prices. To mitigate the same, the company has already initiated multiple pricing actions and anticipates the impact to gradually normalize in the coming quarters. All these efforts generally have a lag of approximately 3-4 months and Salzer has experienced/overcome these kinds of disruptions in the past well. This price hike has already been accepted by the customers which shall translate into better profitability going forward. The company is gradually transforming itself from being a traditional electrical products manufacturer into a diversified electrical and energy solutions player.

Growth in revenue was witnessed across the core businesses including industrial switchgears, wires & cables and building electrical products. This momentum is anticipated to continue going forward as well with the growing demand from infrastructure projects, industrial automation, power distribution, manufacturing expansion and electrification related opportunities. Salzer continues to focus on increasing the share of engineered and value-added products within the industrial switchgear segment, with healthy growth from the wires & cables segment. It has continued to strengthen its presence in emerging businesses such as smart meters, energy management solutions and EV charging infrastructure, which could become important long-term growth drivers. The manufacturing and technology capability built for smart meter business is now well positioned to benefit from the increasing rollout of digital utility infrastructure across India. Although industry execution timelines have been slower than expected, the long-term opportunity size continues to remain very large. The technology partnership with Wirepas could strengthen the company's position in next-generation smart metering and intelligent energy management solutions. This collaboration is expected to improve the company's technology capabilities and enhance its ability to participate in large digital infrastructure opportunities going forward.

Increasing focus on energy efficiency, smart infrastructure and intelligent utility management is likely to create strong long-term opportunities in this segment. The EV charging business could play a significant role in the future growth of the company which can be driven by EV penetration and charging infrastructure expansion. There are continuous efforts by the company in order to strengthen its product portfolio and increase customer engagement in this segment. The operations in Saudi Arabia are anticipated to support export growth and improve the company's international competitiveness over the long term. The focus of the company would remain on building strong manufacturing capabilities, expanding product portfolio and increasing export contribution. The overall business momentum remains strong and gradual improvement in profitability is anticipated as pricing actions stabilize and contribution from higher-margin businesses increases. Post the temporary blip in the margins, going forward in the second half of the financial year with all the growth drivers in place, Salzer is well positioned to benefit from these opportunities which shall create a long-term revenue stream; we continue to maintain our target price of Rs800.

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