

salzer

Salzer Electronics Limited

Annual Report 2016-17

Delighting customers



Corporate information

Board of Directors

Mr. Rangachary N.	– Chairman
Mr. Doraiswamy R.	– Managing Director
Mr. Rajeshkumar D.	– Jt Managing Director & CFO
Mr. Ramachandran P.	– Whole Time Director
Mr. Damodharaswamy R.	– Non Executive
Dr. Mrs. Rajeshkumar Thilagam	– Non Executive
Mr. Jayabal N.	– Independent Director
Mr. Nirmal Kumar M. Chandria	– Independent Director
Mr. Sankaran V.	– Independent Director
Mr. Shah P.K.	– Independent Director
Mr. Venkatapathy L.	– Independent Director
Mr. Howard M. Gladstone	– Independent Director (upto Aug 13,2016)
Mr. Thiruvengadam P.R	– (Alternate to Mr. Howard M Gladstone) – automatic vacation on Aug 13,2016
Dr. Otto Eggimann	– Independent Director (From May 25,2017)

Director (Corporate Affairs) & Company Secretary

Mr. CS Baskarasubramanian. S

Auditors

M/s Swamy & Ravi
Chartered Accountants
No.537, N.S.R. Road, Saibaba Colony,
Coimbatore - 641 011
FRN No. 004317 S

Internal Auditor

M/s. Covai Management Services,
Coimbatore - 641 011

Cost Auditor

CMA Mr. A.R. Ramasubramania Raja,
Cost Auditor, Coimbatore - 641 011

Secretarial Auditor

M/s. GV Associates, Company Secretaries, Coimbatore

Registrars & Share Transfer Agent (Physical & Demat)

M/s GNSA Infotech Limited

Nelson Chambers, 'F' Block, 4th floor
115, Nelson Manickam Road
Aminthakarai, Chennai - 600 029
Tel: 044-42962025
E-mail: sta@gnsaindia.com

Listing Arrangements

BSE Limited (Bombay Stock Exchange Ltd) and
National Stock Exchange Limited

Registered Office

Samichettipalayam (PO)
Jothipuram (Via), Coimbatore - 641 047
Tel: 0422-4233600 / 2692531
Fax: 0422-2692170
E-mail: salzer@salzergroup.com
Website: www.salzergroup.net

Bankers

M/s. CANARA BANK

Gudalur Branch
SRKV Post
Coimbatore-641 020

M/s. CANARA BANK

Mid Corporate Branch
16 & 18 East Arokia Swamy Road
R.S. Puram, Coimbatore-641 002

M/s. CITI BANK

Tri Star Towers
Plot No.657,
Avinashi Road,
Coimbatore-641 018

M/s. UNION BANK OF INDIA

Coimbatore Main Branch
235, Oppanakara Street
Coimbatore-641 001

HDFC BANK LIMITED,

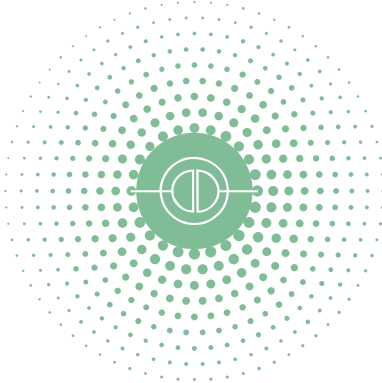
SENAPATI BAPAT MARG HOUSE,
LOWER PAREL (W),
MUMBAI-400013.

Plant Locations

Unit-I Samichettipalayam, Jothipuram(Via), Coimbatore-641047	Unit-II Chinnamaddampalayam, Coimbatore-641 019	Unit-III # 2, Gudalur Village Samichettipalayam, Jothipuram via, Coimbatore-641047	Unit-IV No.882/3, Coimbatore Main Road, Bettathapuram, Coimbatore-641104
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Salzer.

Delighting

customers

with enduring values



Then

Customers appraised vendors on their ability to provide cheaper products



Now

There is a premium on the ability to provide a superior customer experience today



Then

Customers worked with a number of vendors to arrive at competitive price discovery



Now

Customers prefer to work with a smaller number of vendor-partners like Salzer for predictable sourcing and perfect pricing



Then

Customers focused on product delivery



Now

Customers focus on comprehensive solution providers like Salzer who take their businesses ahead



Then

Customers sought one-off price-based engagements



Now

Customers focus on multi-year partnerships with companies like Salzer for mutual growth.



Then

Customers sought to work with vendors who deliver high product quality



Now

Customers seek to work with vendors like Salzer who invest in proactive technology research



Then

Customers sought to work with vendors who are satisfied



Now

Customers seek to work with vendors like Salzer who can delight





Salzer Electronics Limited.

Engaged in the manufacture of cutting-edge electrical, electro-mechanical and miscellaneous products.

Addressing customers in the electrical equipment, power, medical equipment, automotive as well as renewable and uninterrupted power system spaces.



Products that enhance the customer's asset integrity, safety and productivity.

Background

Salzer Electronics Limited has been in business for more than three decades (established 1985). The Company was established to design and manufacture a range of world-class CAM-operated rotary switches in technical collaboration with Saelzer Schaltgerate Fabrik, GmbH, Germany.

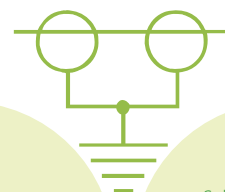
In 1993, Salzer entered into a business association with the country's engineering major Larsen & Toubro Ltd. to market Salzer products at a pan-India level. Currently, 35% to 40% of the Company's product off-take is done by L&T. In 2015, the Company entered into a technical collaboration with Trafomodern, an Austrian company, to expand the transformer range (from single phase to three phases).

Management

Salzer Electronics was founded by Mr. R. Doraiswamy, a first generation entrepreneur with over 20 years of industrial experience. The business is being presently managed by the second generation of the promoter's family; the US-educated Mr. Rajesh Doraiswamy, Joint Managing Director, spearheads day-to-day operations.

Product mix

Salzer manufactures the widest range of electrical products including rotary switches, load-break switches, wiring ducts, terminal connectors, DC disconnectors, electro-magnetic relays, wires & cables, wiring harness, motor control products, and magnetic wires besides modular wiring accessories and allied specialty products.



Salzer is the **largest manufacturer** of rotary switches and cable ducts in India

Salzer is one of the **most competitive global manufacturers** of advanced electrical products

Certifications

Salzer obtained the prestigious ISO 9001 certification bestowed by NQA-UK for design, development, manufacture and supply of CAM-operated rotary switches, selector switches and allied products. The Company is also certified for ISO 14001:2004 and OHSAS 18001:2007 and its products have also been approved by Canadian Standards Association, Underwriters Laboratories, VDE (Association of German Electrical Technologists), Conformite Europeenne (CE) with RoHS compliance, and TS 16949 for quality management system. .

Research

Salzer invested extensively in R&D supported by a full-fledged laboratory and captive tool room to upgrade and develop products, setting new market trends. The Company's in-house R&D was recognized by Ministry of Science and Technology, Department of Science and Industrial Research, Government of India. The Company enjoys one patent for its rotary switch; five products await patent approvals.

Locations



Customers

Salzer provides integrated products and solutions that strengthen customer convenience. The Company's prominent clients include Schneider, GE, Philips, C3 Controls, Larsen & Toubro, LMW, Premier, Valeo, Europa, V-Guard, BHEL, Elgi, ABB, Eaton, Yokogawa, Nuclear Power Corporation, SEARS, CED and Alstom, among others.

Performance

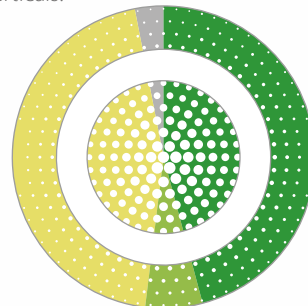
The Company's competitive advantage is reflected in a turnover CAGR of 21% over the last ten years ending 2016-17, outperforming its sectoral growth average. Salzer is a market leader in India in the area of rotary switches, Toroidal Transformers, PV application switches and PVC wiring ducts (channels), providing complete and customized electrical solutions. The Company enjoys a profit-making track record for 25 years, declaring dividends since 1991-92.

Listing and market capitalization

Salzer is listed on the BSE (code: 517059) and NSE (code: SALZERLEEC). The Company's market capitalization was ₹271 crore (31 March 2017).

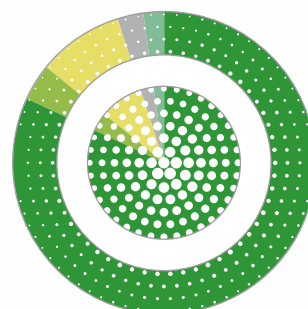
Business divisions

Salzer provides the widest range of electrical products across business verticals:



- Industrial switchgears, 46% of 2016-17 revenues
- Retail modular switches, 6% of 2016-17 revenues
- Wires and cables, 45% of 2016-17 revenues
- Energy management solutions, 3% of 2016-17 revenues

Geo Contribution



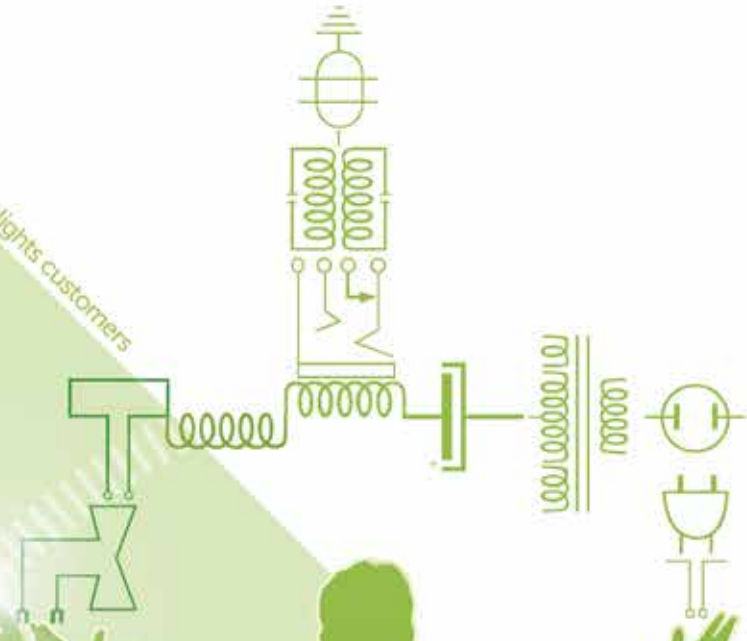
- India – 82% of revenues
- Europe – 4% of revenues
- Asia – 9% of revenues
- North America – 3% of revenues
- Middle East – 2%

Salzer is India's largest and only exporter of rotary switches, isolators and cable ducts

Salzer is committed to make products in India with Global Technology under 'Make in India' initiative of Government.

Salzer leveraged its rich experience to extend into the **space of energy conservation, energy metering and control** through a dedicated vertical.

How Salzer delights customers



Highest service standard



Global electrical installations are becoming increasingly larger and complex.

There is a premium on the need to maintain systemic uptime; there is also a growing need to protect equipment integrity.

The result is a growing premium on quality processes, products and mindset in the global electrical products sector.

■ Salzer's most decisive commitment to delighting customers lies in the selection of its customers – some of the most demanding international names related to electrical and industrial utilities, contractors and component manufacturers.

Their demanding service standards have become Salzer's uniform standard; in turn, Salzer's standard has strengthened its brand as a customer-committed company through the complete complement of product, process, service and solution.

Delighting customers.

Projected outcomes

We intend to enhance EBITDA margin by 100 bps and ROCE to around 18% in three years.

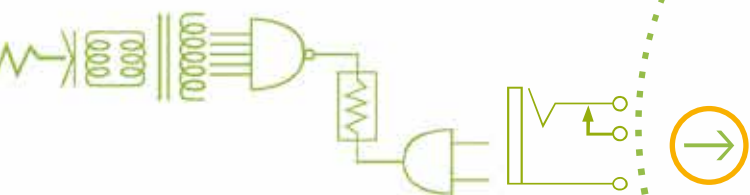
We intend to improve our working capital cycle by moderating inventory and improving our debtors' cycle.

We intend to enhance the proportion of value-added products

We intend to increase EBITDA (quantum and margins) to report profitable growth

How Salzer delights customers

Lean organizational structure



At Salzer, we believe that one of the most effective ways of enhancing customer value is through organisational leanness.

Over the years, Salzer has enhanced its capital efficiency through the optimised use of resources, enhanced manufacturing automation, extensive manufacturing integration and increased material efficiency.

The result is that the Company is driven by the need to enhance revenues through a less than proportionate increase in employed capital. The Company is driven by progressive value-addition that enhances margins. The Company has invested in high-technology products ring-fenced from competition, helping drive revenues during challenging times.

At Salzer, we are engaged in enhancing capital efficiency by attacking waste at all levels, strengthening capital allocation across an innovative product mix, strengthening terms of trade, enhancing people productivity, maximising the use of accruals and moderating the average cost of debt.

At Salzer, we believe that a lower break-even point is one of the best drivers of customer value, extending what could have been one-off profitability into business sustainability that enhances stakeholder value.

How Salzer delights customers

Protecting customer installations