

# ANNUAL REPORT 2018 - 19



Creating Value through  
Efficiency & Innovation

# Contents Reading

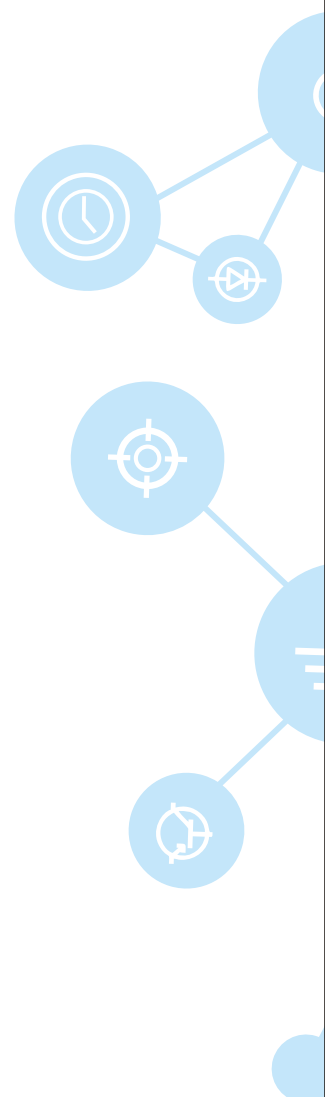
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## 34<sup>TH</sup> ANNUAL GENERAL MEETING (AGM) INFORMATION

Date	: August 10, 2019
Day	: Saturday
Time	: 11.30 am
Venue	: "SAGARI HALL" The Grand Regent, 708, Avinashi Road, Opp. Hotel The Residency, Coimbatore - 641018

### Cautionary Statement

Certain expectations and projections regarding the future performance of the Company Referenced in the Annual Report constitute forward-looking statements. These expectations and 'projections are based on currently available competitive, financial and economic data, along with the Company's operating plans and are subject to certain future events and uncertainties, which could cause actual results to differ materially from those indicated by such statements.



# Corporate Information

## BOARD OF DIRECTORS

Mr. Rangachary N. – Chairman  
 Mr. Doraiswamy R. – Managing Director  
 Mr. Rajeshkumar D. – Joint Managing Director & CFO  
 Mr. Ramachandran P. – Whole Time Director  
 Mr. Damodharaswamy R.  
 Mr. Jayabal N.  
 Mr. Nirmal Kumar M. Chandria  
 Dr. Otto Eggimann  
 Mr. Sankaran V.  
 Mr. Shah P.K.  
 Dr. Thilagam Rajeshkumar  
 Mr. Venkatapathy L.

## DIRECTOR (CORPORATE AFFAIRS) & COMPANY SECRETARY

Mr. S. Baskarasubramanian

## BANKERS

M/S. Canara Bank  
 M/S. AXIS Bank Limited  
 M/S. Citi Bank  
 M/S. HDFC Bank Limited  
 M/s. ICICI Bank Limited  
 M/S. Union Bank of India

## STATUTORY AUDITORS

M/s. Swamy & Ravi  
 Chartered Accountant  
 No.90, Co-operative A Colony  
 K K Pudur, Coimbatore -641038

## INTERNAL AUDITOR

Covai Management Services  
 Coimbatore - 641 011

## SECRETARIAL AUDITOR

CS G.Vasudevan B.COM, LL.B, FCS  
 Company Secretary in Practice  
 No.60A, First Floor, School Road,  
 Krishnasamy Nagar, Ramanathapuram,  
 Coimbatore 641 045.

## COST AUDITOR

CMA A.R. RAMASUBRAMANIA RAJA  
 DTT, BCOM, BGL, MBA, FCS, ACMA  
 19, Third Street, Gokulam Colony, P.N.Pudur,  
 Coimbatore 641 041

## SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

M/s GNSA Infotech Private 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 Exchanges of India Limited

## REGISTERED OFFICE

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

## PLANT LOCATIONS

### UNIT-I

Samichettipalayam, Jothipuram (Via),  
 Coimbatore 641 047

### UNIT-II

Chinnamaddampalayam,  
 Coimbatore 641 019

### UNIT-III

# 2, Gudalur Village Samichettipalayam,  
 Jothipuram via, Coimbatore 641 047

### UNIT-IV

S F No.863, Coimbatore Main Road,  
 Bettathapuram, Coimbatore 641 104

### UNIT-V

S F No.882/3, Coimbatore Main Road,  
 Bettathapuram, Coimbatore 641 104

# SALZER'S JOURNEY

## MANAGEMENT

Mr. R. Doraiswamy, a first-generation entrepreneur and a veteran with over two decades of industrial experience founded and promoted Salzer. Today the Company forges ahead under the able leadership of the US-educated Mr. Rajesh Doraiswamy, Joint Managing Director.

## SALZER'S KEY MILESTONES

It was in 1985 that Salzer Electronics Limited set off on a course that ushered global standards into electricals and electronics. It was a time-bound technical collaboration with Saelzer Schaltgerate Fabrik, GmbH, Germany to manufacture CAM-operated rotary switches.

This was followed by a strategic alliance from 1993 with Larsen & Toubro, an engineering and infrastructure major to market Salzer switches in India.

In 1995 the Company entered into an alliance with Plitron Manufacturing Inc., Canada, for the manufacture of Toroidal Transformers on a 50% buy-back JV.

In 2001, Salzer Controls Limited merged with Salzer Electronics Limited and strengthened the products portfolios with the Products like Load Break Switches, Transformers, Conduit Tubing etc.,

In 2008, Salzer Cables Limited merged with Salzer Electronics Limited and added Wires and Cables products in the total products fold.

In 2016, Technical Tie-up with Trafomodern Austria for Manufacturing of Three Phase dry type Transformers.

In 2017, signed Contract with GE Transportation for supply of Contactors for Locomotives for 10 years.

In 2018, Acquired the total business from Salzer Magnet Wires Limited and complimented the Product basket with the addition of Enamelled Copper wires; and

In 2019, Acquisition of Kaycee Industries Limited is underway so to strengthen market share of Rotary switches products.

## RECOGNIZED RESEARCH & DEVELOPMENT CENTRE

Salzer focuses on designing and developing market-specific products in line with the emerging trends in the industry. The Company's in-house R&D has been



recognized by the Ministry of Science & Technology, Dept. of Science & Industrial Research, Govt. of India.

## PRODUCT PORTFOLIO

Salzer's range of electrical products include load-break switches, wiring ducts, energy-saving products, terminal connectors, selector switches, DC disconnectors, electromagnetic relays, flexible bus bars, wire harnesses, motor control products, Wires & Cables and magnetic wires, besides modular wiring accessories and allied specialty products.

## QUALITY CERTIFICATIONS

Salzer's steadfast commitment to quality adherence has earned the company a clutch of certifications and recognitions from prestigious institutions. These include: ISO 9001, ISO 14001:2004 and OHSAS 1801:2007. Salzer's products have also been approved by Canadian Standards Association, Underwriters Laboratories (UL) and Conformance Europe (CE) with RoHS compliance.

## CUSTOMERS

Salzer has a growing client base in India and abroad. Some the prominent clients include Schneider, Philips, C3 Controls, Larsen & Toubro, LMW, Premier, Valeo, Europa, V-Guard, BHEL, Elgi, ABB, Yokogawa, Nuclear Power Corporation, Sears, Alstom and Eaton, just to mention a few.

## MANUFACTURING HUBS

Salzer has five production facilities in Tamil Nadu.

# This Fiscal in Retrospective

The Year 2018-19 has been one of greater momentum for SALZER.

The thrust mainly came from our two new initiatives: Wire harnesses and three phased dry type transformers under the Industrial Switch gear division. These products opened maiden avenues, new clients and new sectors.

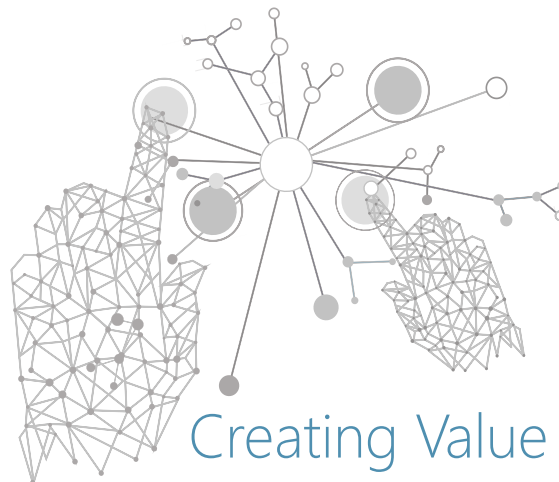
SALZER's culture of innovation has lent a new dimension to the products, generating a wide acceptance across our new clientele.

The Wires & Cable Division, a business vertical contributing 48 per cent of our revenue, will be starting the production of data cables towards the end of FY20. A

product category holding prospects of tremendous demand, Data Cable is expected to make a remarkable upswing in the earnings of the Company

We continue to explore niche and sustainable opportunities that helped us drive both revenue and profitability during the year. Our switchgear business continued to deliver sustainable growth, contributing a 41% share of our revenue and retaining India's leadership position with one-fourth market share in Cam Operated Rotary Switches.

We also made further inroads into the USA and Europe, consolidating our strengths and leveraging our advantage as a domestic market leader.



## Creating Value Through Innovation & Efficiency

The world is increasingly demanding the best. This is true, also, of the manufacturers of electronic and electrical products.

Creation of value no longer depends upon just scale or size, but on smartness and agility.

SALZER adapts to this emerging environment by rediscovering its internal strengths and efficiently redeploying its resources.

Backed by over 28 years of impressive performance and customer centric approach, Salzer aspires to be a global leader by providing total electrical solutions.

This is made possible through optimization of the vital capabilities: intellectual, innovative, physical and technological.

In the global market, where a high order of competence is the rule SALZER moves ahead by sheer merit.



# Broad financial highlights

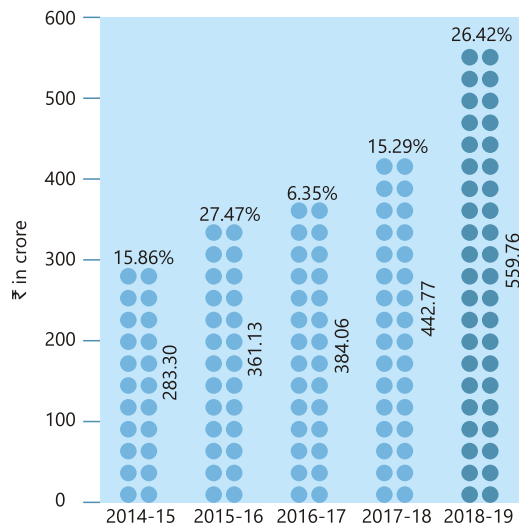
(₹ in Crs)

Results from Operations	2019	2018	2017	2016	2015	2014
Domestic	495.35	394.51	380.80	351.60	262.68	226.66
Exports	56.14	52.15	57.79	54.14	45.45	40.98
Total Gross Sales Revenue	551.49	446.66	438.59	405.74	308.13	267.64
Less: Duties and Taxes	0	10.56	58.69	50.35	31.90	29.37
Revenue from Sale of Products	551.49	436.10	379.90	355.39	276.23	238.27
Sale of services (Energy Saver)	1.16	3.49	1.52	3.56	4.66	3.73
Other Operating Income	7.11	3.18	2.64	2.18	2.41	2.53
Net revenue from Operations	559.76	442.77	384.06	361.13	283.30	244.53
Other Income	0.71	3.10	6.75	2.81	1.00	0.93
Total revenue	560.47	445.87	390.81	363.94	284.30	245.46
Operating Profit (EBITDA)	63.64	53.28	42.91	42.89	35.46	30.22
Depreciation and Amortization	12.16	10.53	9.81	8.32	7.14	7.52
Finance Cost	19.88	14.91	14.59	13.14	12.34	11.94
Profit before Tax	32.31	30.94	25.26	24.24	16.97	11.69
Profit After Tax	23.96	20.02	17.09	17.05	11.98	8.44
Dividend Payout incl Tax	3.08	3.07	2.76	2.65	2.44	1.80
Balance Sheets						
Share Capital	15.98	15.53	14.35	13.64	10.28	10.28
Reserves & Surplus	271.01	255.07	207.65	177.62	96.79	86.42
Net worth	286.99	270.60	222.00	191.26	107.07	96.70
Secured Borrowings	139.81	135.43	105.55	94.38	96.60	74.33
Net fixed Assets	182.97	166.32	129.33	110.36	83.37	68.38
Investments (Current and Non- Current)	3.67	3.08	4.47	17.52	5.66	6.10
Current Assets	349.69	327.59	282.56	239.39	185.98	156.60
Current Liabilities	253.99	236.56	195.44	157.61	144.34	124.66
Net working Capital	95.70	91.03	87.12	81.78	41.64	31.94
Performance Indicators						
Domestic Sales Growth	25.56%	3.60%	8.30%	33.85%	15.89%	6.43%
Exports Sales Growth	7.65%	-9.74%	6.75%	19.09%	10.94%	24.51%
Export contribution to the Sales	10.18%	11.96%	15.21%	15.23%	16.46%	17.20%
Operational Revenue growth	26.42%	15.29%	6.35%	27.47%	15.86%	6.91%
Operating Profit Margin	11.37%	12.04%	11.17%	11.88%	12.52%	12.36%
Operating Profit growth	19.44%	24.19%	0.04%	20.97%	17.33%	6.16%
Net Profit Margin	4.27%	4.49%	4.37%	4.68%	4.21%	3.44%
Net Profit Growth	19.68%	17.14%	0.25%	42.29%	41.90%	19.54%
Earning per shares - Basic (in Rs.)	15.21	13.82	12.35	13.54	11.65	8.21
Dilute (in Rs.)	15.10	13.45	11.89	12.87	10.79	8.21
Book value per share (in Rs.)	185.15	174.58	154.72	140.19	104.12	94.04
Dividend per cent	16%	16%	16%	16%	15%	15%
Dividend per share (in Rs.)	1.6	1.6	1.6	1.6	1.5	1.5
Dividend Payout Ratio	13%	15%	15%	16%	20%	21%
Market Cap (Rs. in Crs) as at March 31	189.27	293.79	271.00	287.59	240.43	63.71
Price Earning Ratio (Times)	8	14	15	14	20	8

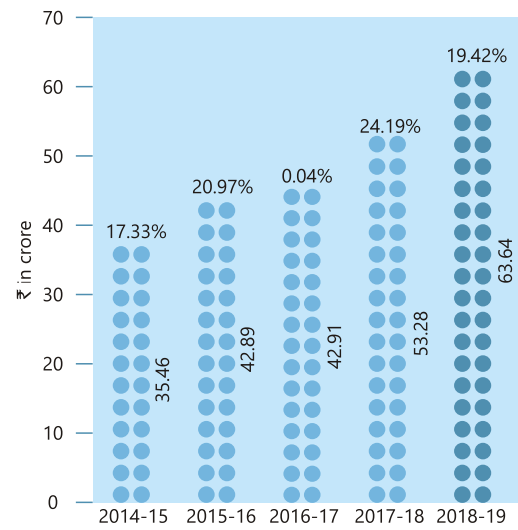
The numbers for FY19 & FY18 are given under IND AS

# Financial Highlights

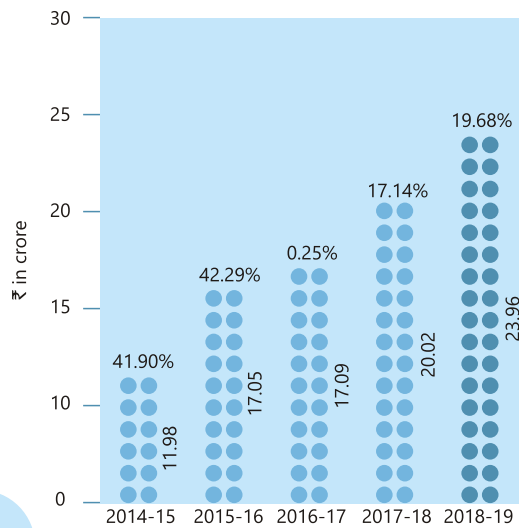
Operational Revenue Growth (Year on Year)



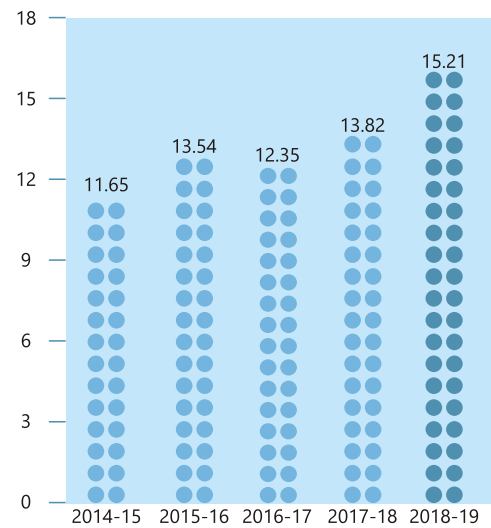
EBIDTA Growth (Year on Year)



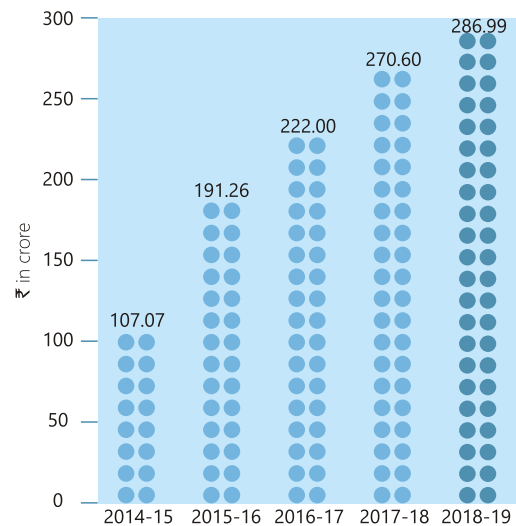
PAT Growth (Year on Year)



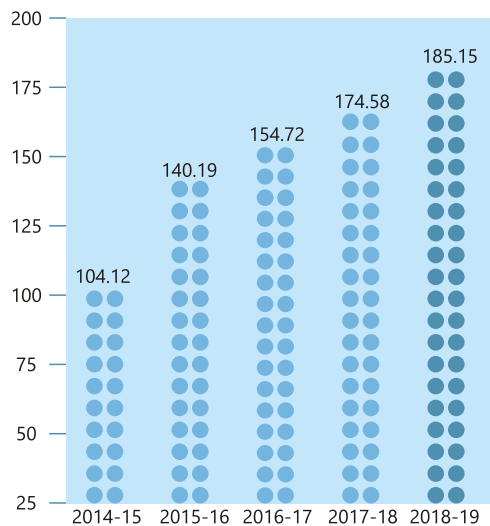
Earnings Per Share (Year on Year)



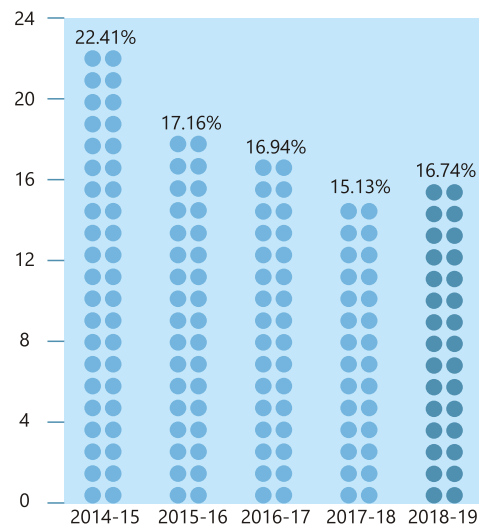
Net worth of the Company



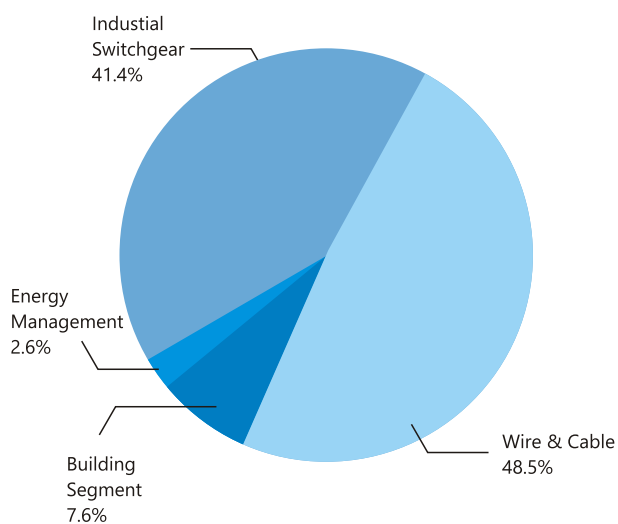
### Book Value Per Share



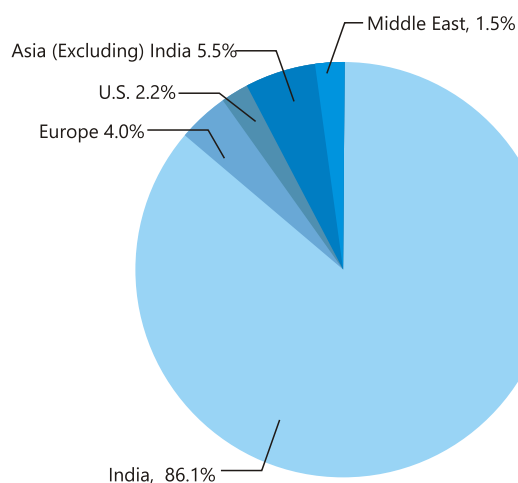
### Return on Capital Employed (ROCE)



### Revenue Contribution FY 19



### Goegraphical Contribution FY 19





# Managing Director's Message

“Sustainability and Persistency are two factors determining the destiny of success of any business”

**R. DORAISWAMY** Managing Director



## Dear Shareholders,

It is my pleasure to share with you all, the progress of our Company over the last year. It indeed was an eventful year for us at Salzer. We focussed not only on driving sustainable growth but also increasing the efficiencies across all our businesses with a clear target on improving our return on capital employed. I am happy to share that despite continued sluggishness and challenges in the economy in general and industry in particular, we demonstrated a robust growth across all performance parameters like revenue, EBITDA, profit after tax and return on capital employed. This growth takes us one step closer to the long-term goals which we have set for ourselves.

I am also pleased to share that our Company's CRISIL credit rating has been upgraded from 'CRISIL A-/Positive' to 'CRISIL A/Stable for long term borrowing, reflecting our strong position in terms of our balance sheet and credit worthiness. Our Company has received the prestigious International Automation Task Force (IATF) Certification and ISO TS 16949 certificate for both our magnetic wire and the cable divisions, reflecting our strong position in terms of our balance sheet and credit worthiness. Such developments serve as a strong testament to our leading position in the domestic rotary switchgear market, and motivate us to further drive innovation in the industry.

## Financial Performance

During the year, our Company registered a revenue growth of 26% Y-o-Y to Rs. 560 crores from Rs. 443 crores in FY18. Our EBITDA was at Rs. 63.6 crores as

against Rs. 53.3 crore in FY18 representing a growth of nearly 20% Y-o-Y. Profit after tax was at Rs. 24.0 crore during the year as compared to Rs. 20.0 crore in FY18, a YoY growth of 20%.

This growth was mainly driven by increased contribution from our key business segments of Industrial Switchgear and Wires & Cables. Our two newly launched products in the Industrial switchgear segment - three phase dry type transformers and wire harness have been successful and continue to witness good traction and are growing steadily.

In the wires and cables segment, we have also started to manufacture and sell products under the brand 'Salzer', which is receiving significant enquiries and is gaining momentum. Also we have shown significant growth in Export marketing particularly to Germany. Going forward, we are confident of growing this business and increasing our revenue contribution from this segment. Our Salzer brand of products represents our vision of technological innovation, while creating value for stakeholders through operational efficiencies.

Our Building product segment, the only B2C business segment, witnessed a growth of 98% during the year. This segment has been growing rapidly on the back of a good product portfolio and increasing focus on the retail business. We are conducting promotional activities to create awareness for our products under this segment, and aim to increase the share of this segment to around 10% of our total revenue over the coming years.



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Our energy management, an order book driven division, offers complete energy saving solutions such as streetlight controllers for corporations across the country. We have successfully commissioned a large project in Tamil Nadu in the past and expect good business coming in from EESL in the near future.

### **Creating Value for Shareholders**

Though the current business environment continued to pose new challenges; our Company has shown the resilience to manage such hurdles. We have been systematically investing in research and innovation to make newer and better products for our customers. We continue to make meaningful progress in our businesses through the launch of new products, optimally utilizing our available resources to improve efficiencies thereby creating sustainable & long term value.

In line with our long term strategy of profitable & value creating growth, I am happy to share that the Board has consented to the acquisition of a majority stake in Kaycee Industries Limited, a pre-independence Company with a legacy of over 75 years. Kaycee Industries is a pioneer in the industrial switchgear business. This acquisition would further boost our Company to increase its market share in the industrial switchgear segment and consolidate our industry leadership in this niche product. The synergies with Kaycee will also enable us to enhance, strengthen and grow our suite of product offerings.

### **Looking Forward**

India is one of the world's fastest growing major economies. But interestingly it is still a developing country. At different levels there are government directives to replace older redundant systems to

achieve operational safety, and security in industrial establishments. Under these developments on the consumption side, India is emerging as a significant player and market on the global map.

We at Salzer are excited about the opportunities that the industry has to offer going forward. We are well-positioned to capitalize upon the same, with our focus on innovation and improving efficiencies. We continue to work on sourcing global technologies to manufacture products in India and have entered into technical tie up's with globally renowned players to develop technically advanced products for our customers.

I am proud to have a motivated team of people, resolved to perform better and to seize the opportunity for sustainable & profitable growth. Together, we will continue to focus on growing our business, improving our working capital cycle & efficiencies leading to a higher return on capital employed. Our united aim is not just to drive sustainable growth, but also to create value through efficiency and innovation.

I would like to thank our employees for their untiring efforts, the Board for their guidance, all our stakeholders including bankers for their consistent support and encouragement in all our endeavours. We continue to look forward to your guidance and support, motivating us to reach newer heights and aim higher!