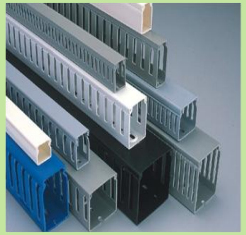
Salzer Electronics Limited

Result Update Presentation
Q2 & H1 FY17



Disclaimer

This presentation has been prepared by Salzer Electronics Limited (the "Company") solely for information purposes and does not constitute any offer, recommendation or invitation to purchase or subscribe for any securities, and shall not form the basis or be relied on in connection with any contract or binding commitment what so ever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.

This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this Presentation is expressly excluded.

Certain matters discussed in this Presentation may contain statements regarding the Company's market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, the performance of the Indian economy and of the economies of various international markets, the performance of the industry in India and world-wide, competition, the company's ability to successfully implement its strategy, the Company's future levels of growth and expansion, technological implementation, changes and advancements, changes in revenue, income or cash flows, the Company's market preferences and its exposure to market risks, as well as other risks. The Company's actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this Presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third party statements and projections.

Table of Contents

1 Joint Managing Director’s Message

2 Quarterly Financial Performance

3 Half Yearly Financial Performance

4 Business Overview

Joint Managing Director's Message

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

"We have witnessed robust growth across all the key business of Industrial Switchgears, Copper Business and Building Segment. In our Energy Management Business revenues have come in purely from Operations & Maintenance. This business has a higher margin as compared to other business segments and will continue to give us Operations & Maintenance revenues in the coming quarters. Currently there are no new orders in this segment but we are very optimistic about the growth prospects of this business.

I am happy to inform that this quarter we have been able to increase revenue share from our high margin Industrial Switchgears business. Contribution from higher margin products in this business has increased leading to better margins overall. We have also seen a good growth in the margins sequentially and expect this trend to continue.

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."

Quarterly Financial Highlights

Key Highlights – Q2 FY17 Vs. Q2 FY16

12.5% ↑

Revenue
Rs 91.1 crore

4.7% ↑

EBITDA
Rs 11.4 crore

7.2% ↑

Profit After Tax
Rs 5.0 crore

- **Growth driven by all three key business of Industrial Switchgears, Building Segment and Copper Business**
- **Only O&M revenues from Energy Management Business since it is in the final phase of Invoicing**

Quarterly Financial Highlights

Rs. in Crore	Q2 FY17	Q2 FY16	YoY %	Q1 FY17	QoQ %
Total Income from Operations	**91.1**	**81.0**	**12.5%**	**90.1**	**1.0%**
Raw Materials	64.7	55.6		65.2	
Employee Cost	4.6	4.5		4.3	
Other Cost	10.4	10.0		9.8	
Total Expenditure	79.7	70.1		79.3	
EBITDA	**11.4**	**10.8**	**4.7%**	**10.8**	**4.6%**
EBIDTA margin (%)	**12.5%**	**13.4%**	**(90)bps**	**12.0%**	**50 bps**
Interest	3.6	2.7		3.4	
Depreciation	2.4	2.0		2.3	
Other Income	1.5	0.2		0.6	
Profit Before Tax	6.9	6.3		5.8	
Tax	1.9	1.7		1.2	
Profit After Tax	**5.0**	**4.6**	**7.2%**	**4.6**	**7.9%**
PAT Margin (%)	**5.5%**	**5.7%**	**(20) bps**	**5.1%**	**40 bps**

- ***Sequential increase in EBIDTA margins on account of higher margins in Industrial Switchgears business***
- ***YoY decline in EBIDTA margins on account only O&M revenues from EMS business***

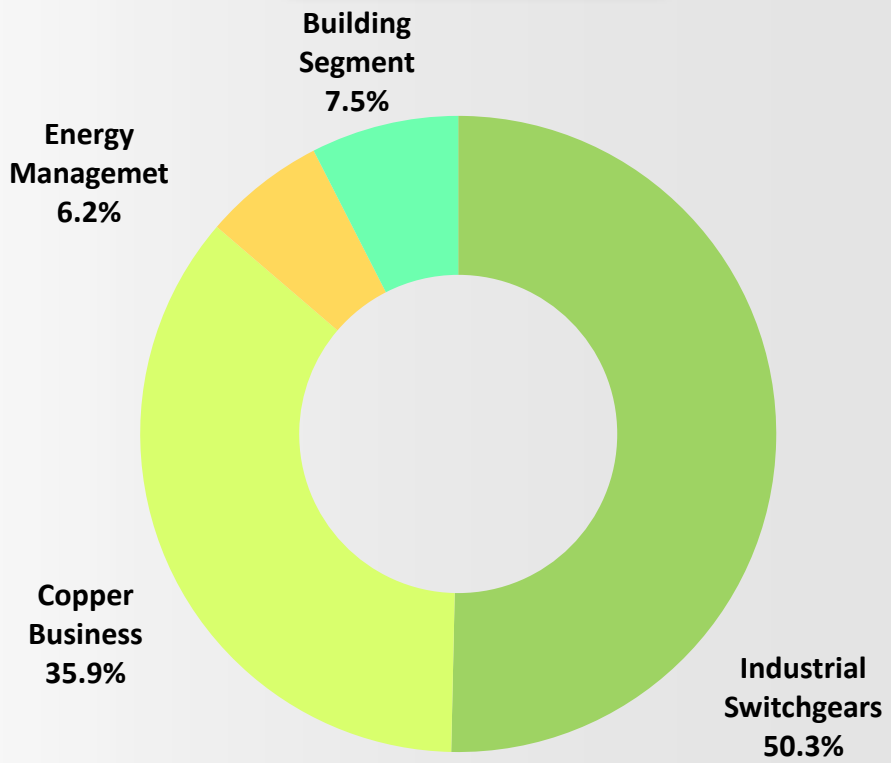
Segment-wise Breakup of Revenues – Q2 FY17 vs. Q2 FY16

Products	Q2 FY17	Contribution (%)	Q1 FY17	Q4 FY16	Q3 FY16	Q2 FY16	Contribution (%)	YoY (%)
Industrial Switch Gears	46.6	**50.3%**	41.8	42.5	43.8	44.5	55.0%	**4.7%**
Copper Business	33.2	**35.9%**	43.7	42.1	32.9	26.7	33.0%	**24.5%**
Energy Management	5.8	**6.2%**	1.9	9.4	9.8	6.5	8.0%	**-11.4%**
Building Segment	7.0	**7.5%**	3.4	4.3	4.1	3.2	4.0%	**117.5%**
Grand Total	**92.5**		**90.7**	**98.3**	**90.2**	**80.9**		

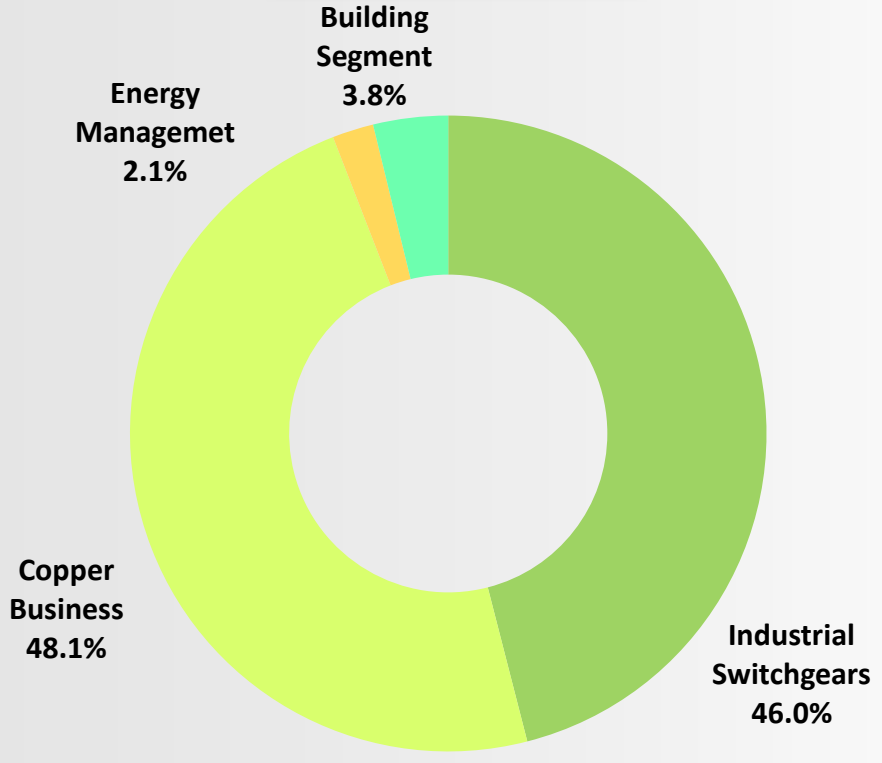
Revenue Breakup – Q2 FY17 vs. Q1 FY17

As per Business Segment

Q2 FY17



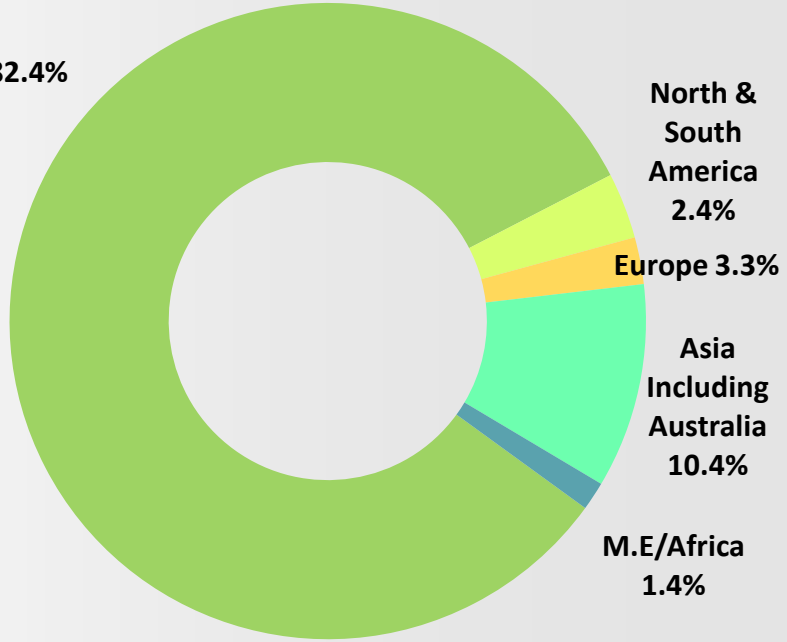
Q1 FY17



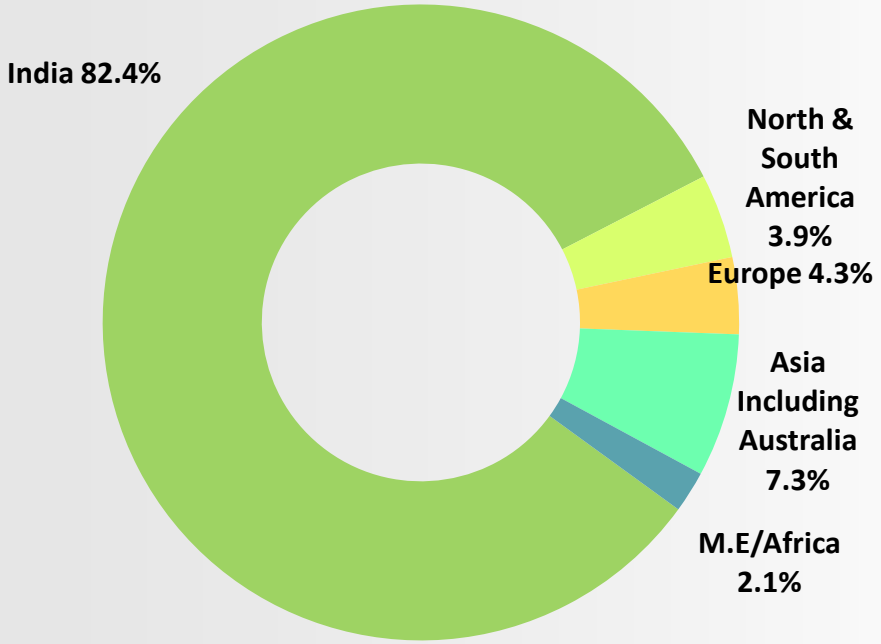
Revenue Breakup – Q2 FY17 vs. Q1 FY17

As per Geography

Q2 FY17



Q1 FY17



Recent Developments

- Amalgamation of Salzer Magnet Wires Limited with Salzer Electronics Limited
  - Board has approved the Merger of Salzer Magnet wires with Salzer Electronic Limited
  - Approved Draft Scheme of Amalgamation
  - Awaiting Approval from Honourable High Court of Judicature at Madras and Stock Exchanges
- Three Phase Dry Type Transformers – Trial Production to start in November 2016 and First Invoicing to start from December 2016

Half Yearly Financial Highlights

Key Highlights – H1 FY17 Vs. H1 FY16

5.3% ⬆

Revenue
Rs 181.2 crore

(4.5)% ⬇

EBITDA
Rs 22.2 crore

(1.1)% ⬇

Profit After Tax
Rs 9.6 crore

- **Growth driven by all three key business of Industrial Switchgears, Building Segment and Copper Business**
- **Only O&M revenues from Energy Management Business**
- **Decline in EBIDTA on account of lower contribution from higher margin EMS business**

Half Yearly Financial Highlights

Rs. in Crore	H1 FY17	H1 FY16	YoY %
Total Income from Operations	**181.2**	**172.1**	**5.3%**
Raw Materials	129.9	120.0	
Employee Cost	8.9	8.5	
Other Cost	20.2	20.4	
Total Expenditure	159.0	148.9	
EBITDA	**22.2**	**23.2**	**(4.5)%**
EBIDTA margin (%)	**12.3%**	**13.5%**	**(120) bps**
Interest	6.9	6.9	
Depreciation	4.8	4.0	
Other Income	2.1	0.7	
Profit Before Tax	12.6	13.1	
Tax	3.1	3.4	
Profit After Tax	**9.6**	**9.7**	**(1.1)%**
PAT Margin (%)	**5.3%**	**5.6%**	**(30) bps**

Balance Sheet Highlights- September 16

Rs. in Crore	Sep -16	Sep-15
Shareholder's Funds	**204.2**	**189.8**
Share Capital	13.9	13.5
Money Against Warrants	0.0	3.9
Reserves & Surplus	190.4	172.4
Share application money allotment	3.0	0.0
Non-Current Liabilities	**21.8**	**21.6**
Long Term Borrowings	17.1	18.2
Defer Tax Liabilities	4.3	2.6
Other Long-Term Liabilities	0.0	0.0
Long Term Provision	0.5	0.6
Current Liabilities	**167.4**	**155.7**
Short Term Borrowings	94.1	82.6
Trade Payables	29.6	29.5
Other Current Liabilities	41.0	40.9
Short-Term Provisions	2.7	2.8
Total Equities & Liabilities	**396.5**	**367.1**

Rs. in Crore	Sep -16	Sep -15
Non-Current Assets	**142.2**	**100.1**
Fixed Assets	115.9	94.4
Non-Current Investments	5.3	4.9
Long-Term Loans & Advances	1.1	0.9
Other Non-Current Assets	19.9	0.0
Current Assets	**254.3**	**267.0**
Current Investments	5.5	21.0
Inventories	77.9	70.9
Trade Receivables	97.9	107.0
Cash & Cash Equivalents	13.5	19.4
Short-Term Loans & Advances	50.3	39.0
Other Current Assets	9.3	9.6
Total Assets	**396.5**	**367.1**

Annual Financial Highlights

Rs. in Crore	FY16	FY15	YoY %
Total Income from Operations	**361.1**	**283.3**	**27.5%**
Raw Materials	256.6	195.9	
Employee Cost	17.7	15.5	
Other Cost	44.0	36.4	
Total Expenditure	318.2	247.9	
EBITDA	**42.9**	**35.5**	**21.0%**
EBIDTA margin (%)	**11.9%**	**12.5%**	**(60) bps**
Interest	13.1	12.3	
Depreciation	8.3	7.1	
Other Income	2.8	1.0	
Profit Before Tax	24.2	17.0	
Tax	7.2	5.0	
Profit After Tax	**17.0**	**11.9**	**42.2%**
PAT Margin (%)	**4.7%**	**4.2%**	**50 bps**

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

Company 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 technology to India

2001-06

Unit III - manufacture modular switches

Started Wire & Cable manufacturing for L&T

2010-14

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

Foray into tailor made products and branding for large customers

Specialized panels for OEMs

… to manufacturing multiple products across sectors

Business Overview

Copper Business

- Wires & Cables
- Flexible Bus Bars
- Enamelled Wires
- Bunched Conductors
- Tinned Copper Wires

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

Key Business Strengths

Complete Backward Integration

- In-house manufacturing facilities with process capabilities ensures better product development and customization
- Well developed R&D enables continual product innovation

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 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

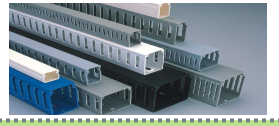
Advanced Engineering Capabilities

- 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

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

Wide Product Suite

Products	Features	
Rotary Switches	▪ 6A to 400 Amps ▪ > 2500 ranges ▪ UL & CB Tested	
Isolators (Dis-connectors)	▪ 16 to 250 Amps ▪ UL 50 rated Enclosed mounting ▪ Changeover Switches ▪ DC – PV Isolators ▪ CB Tested	
Contactors	▪ 16 to 250 Amps ▪ UL 50 rated Enclosed mounting ▪ Changeover Switches ▪ DC – PV Isolators ▪ CB Tested	
Terminals	▪ 2.5 to 95 sq mm ▪ Screw-less Terminals ▪ All Accessories ▪ UL Listed	
Wiring Ducts	▪ More than 75 sizes ▪ India's largest RoHS and Halogen Free Ducts UL and CSA Listed	
Toroidal Transformers	▪ 15va to 60 Kva ▪ 1 and 3 Phase ▪ Custom built Assemblies ▪ Wide CT Range ▪ UL Listed	

23

Wide Product Suite

Products	Features	
Control Relays	Plug-in, PCB and Solder type ▪ 1 Amp to 100 Amps	
Wire Harnesses		
Wires & Cables	From 0.5- 240 Sq mm ▪ Single & Multi Core ▪ FR, FRLS, Halogen Free ▪ UL Listed	
Flexible Bus Bars	Upto 1000 Amps ▪ Only Manufacturer in India ▪ UL LIsted	
Enamelled Wires	0.3 to 3 mm (9-29 AWG) ▪ Upto 200 Deg Cent ▪ UL Listed	
MPCBs	Two Frames ▪ 0.1 amps to 63 Amps ▪ Type F Co-ordinated ▪ UL Listed	

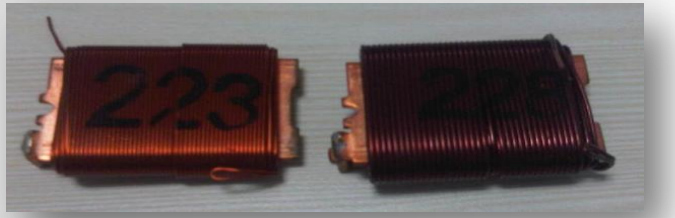
24

Wide Product Suite- Customised for OEM's

CT's

Terminal Socket

Coils / Inductors



Panels

In-house manufacturing and R&D enables superior customization of products

Future Growth Drivers

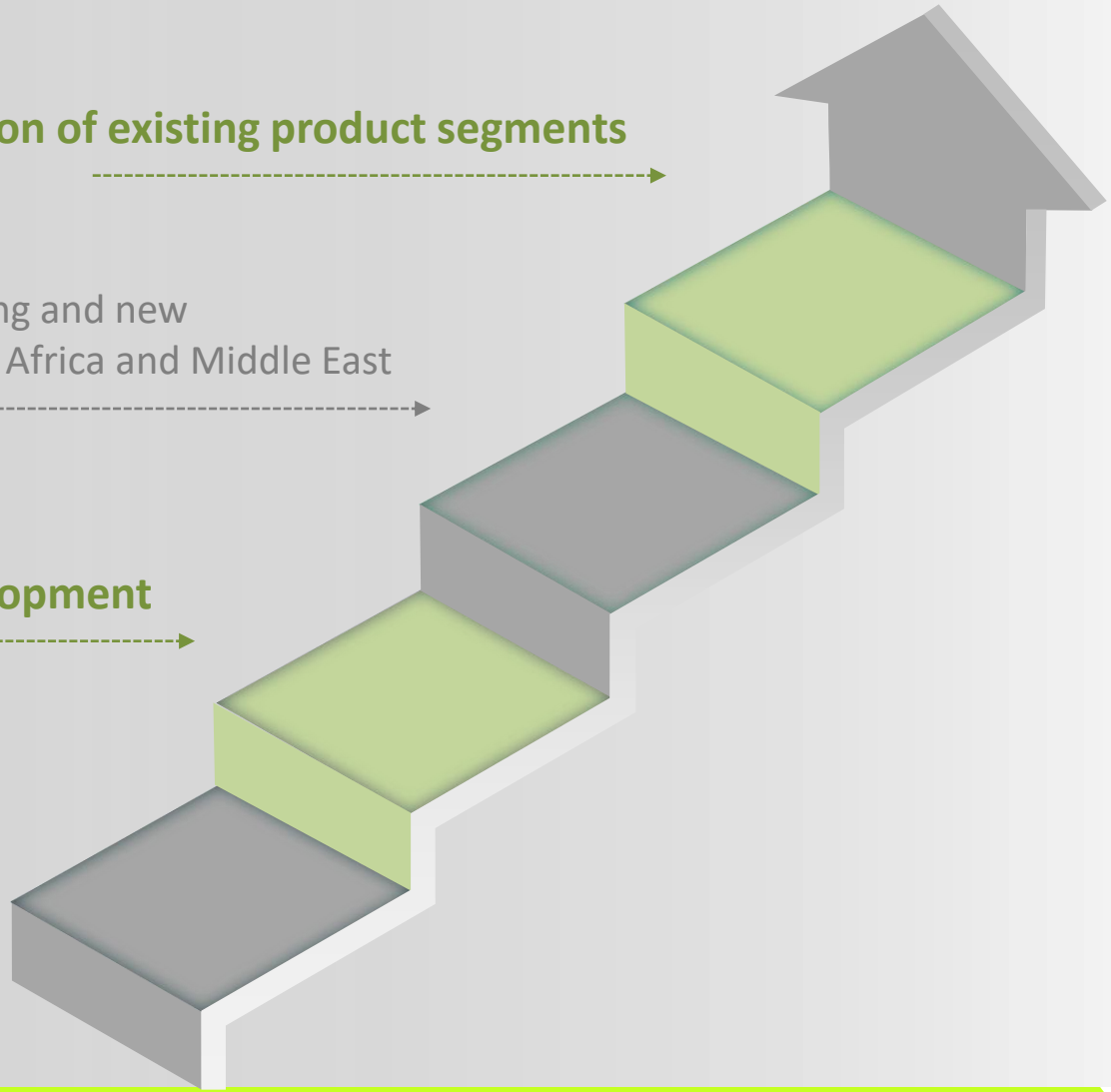
Growth and expansion of existing product segments

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

Venture into new project/ product development



Future Growth Drivers- Expansion in Existing Product Range

Toroidal Transformer

- Collaboration with Plitron Manufacturing, Canada
- Developed inductors & chokes using aluminium 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
- Rs. 4 cr business already done in this financial year

Railway Business

- Innovated 'Fuse Change over system' for railway signalling division
- Designed new product – Track Feed Battery System' for changing over battery chargers in railway track feeding system

DC Load Break Switches (PV)

- Product developed and Invoicing started
- Very good potential for this product in Australasia region
- 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

27

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

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

28

Future Growth Drivers- Energy Management Business

Only manufacturer in India:

- Energy savers
- Street light controllers

CRISIL rated Grade I ESCO Operator for street lighting

Significant opportunity in power starved country

Successfully implemented for:

- Madurai Corporation
- Coimbatore Corporation
- Navi Mumbai Corporation
- Tirupur Corporation
- Erode Corporation
- Vellore Corporation

In talks with other states to incorporate energy savers and street light controllers

29

For further information, please contact:

Company :	Investor Relations Advisors :
Salzer Electronics Ltd. CIN: L03210TZ1985PLC001535	Bridge Investor Relations Pvt. Ltd. CIN: U74900MH2016PTC273679
Mr. Baskarasubramanian baskarasubramanian@salzergroup.com	Mr. Rahul Menon rahul@bridge-ir.com
www.salzergroup.net	www.bridge-ir.com