

November 14, 2016

To

The Corporate Relation Department
BSE Limited
First Floor, New Trading Wing,
Rotunda Building,
P J Towers, Dalal Street,
Fort, Mumbai- 400 001

To

National Stock Exchange
Exchange Plaza, C1 Block G
Bandrakurla Complex
Bandra (E), Mumbai -400 051

Scrip Code :517059

Scrip Code : SALZERELEC

Dear Sir,

Sub: Merger of Salzer Magnet Wires Limited with Salzer Electronics Limited - Continuous Disclosure under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

In furtherance to our intimation dated November 05, 2016 on the outcome of the Board Meeting held on that day connecting to approval of the Board on Merger of Salzer Magnet Wires Limited with Salzer Electronics Limited, we do hereby submit following disclosures in terms of Para A of Part A of Schedule III of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No.CIR/CFD/CMD/4/2015 dated September 09, 2016:-

A) NAME OF THE ENTITY (IES) FORMING PART OF THE AMALGAMATION/MERGER, DETAILS IN BRIEF SUCH AS, SIZE, TURNOVER ETC.;

The Board of Directors of Salzer Electronics Limited (*herein after called "SEL"*) and Salzer Magnet Wires Limited (*herein after called "SMW"*) at their respective meeting held on November 05,2016 considered and duly approved proposal of merger of SMW with SEL with the appointed as April 01, 2016 and consequent Scheme of Arrangement between SMW and SEL for merger, subject to the confirmation of the Regulatory Authorities and Hon'able High Court of judicature at Madras.

SEL, a listed entity promoted by Mr.R.Doraiswamy on January 08, 1985 in Coimbatore, Tamil Nadu, is primarily engaged in the business of manufacturing of electrical installation products with portfolio of 35 products in its basket, having presence both in local and global markets with 45 countries.



1) Key aspects of SEL:-

- Producer of Rotary Switches, Load Break Switches, Wiring Ducts, Terminal Connectors, Selector Switches, Ammeter Switches, Voltmeter Switches, Electro Magnetic Relays and Cables and Wires, Modular Switches etc.,
- Provider of Energy Management, having proven record in saving power, increasing energy efficiency and managing energy assets wirelessly. SEL, in its credit, executed Power Saving projects in different corporations and municipalities at Pan India Level;
- Four division of Revenue Segments- Industrial Switches, Building Switches, Wires and Cables and Energy Management Services;
- Has a strong R&D facility with the full-fledged laboratory and captive tool room to upgrade & develop products setting with new market trends. Our in-house R&D has been recognized by Ministry of Science and Technology, Department of Science and Industrial Research, Government of India;
- State of art four manufacturing facilities with international affiliations;
- Larsen & Toubro Limited, an Engineering conglomerate, has been marketing Salzer Switches throughout India since 1993;
- GE's and Schneider's preferred/recommended supplier and
- Having Technical Collaboration Agreement with Trafomodern, an Austrian company to expand the transformer range (from single phase to three phases)

2) Financials of SEL

Year	2016	2015	2014	2013	2012	2011
		Rs. in Crs				
Results from Operations						
Gross Revenue						
Domestic	334.46	243.28	215.59	201.91	206.41	171.84
Exports	71.27	64.86	52.04	43.96	33.87	19.51
Sale of services (Energy Saver)	3.56	4.66	3.73	9.06	7.46	6.87
Other Operating Income	2.18	2.42	2.53	2.51	1.38	1.18
Total Gross Sales	411.48	315.21	273.90	257.44	249.12	199.39
Duties and Taxes	50.34	31.91	29.37	28.71	26.24	18.74
Net Sales	361.13	283.30	244.53	228.73	222.88	180.65
Operating Profit (EBITDA)	42.89	35.46	30.22	28.46	28.76	25.81
Other Income	2.80	1.00	0.93	1.39	0.91	0.68
Profit before Tax	24.24	16.97	11.69	9.42	10.12	10.68
Profit After Tax	17.05	11.98	8.44	7.06	8.19	9.05



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Earning per shares - Basic	13.54	11.65	8.21	6.87	7.97	8.80
Dilute	12.87	10.79	8.21	6.87	7.97	8.80
Book value per share (in Rs.)	140.19	104.12	94.04	87.58	82.12	75.95
Dividend per cent	16%	15%	15%	12%	12%	16%
Dividend per share (in Rs.)	1.6	1.5	1.5	1.2	1.2	1.6
Dividend Payout Ratio	16%	20%	21%	20%	17%	21%

3) Financial Performance during First Half Year and Second Quarter of FY 17

Particulars	Q2FY17	Q2FY16	YoY	Q1FY17	QoQ	H1 FY17	H1 FY16	YoY
Revenue from Operations	91.1	81.0	12.5%	90.1	1.0%	181.2	172.1	5.3%
EBIDTA	11.4	10.8	4.7%	10.8	4.6%	22.2	23.2	(4.5)%
PAT	5.0	4.6	7.2%	4.6	7.9%	9.6	9.7	(1.1)%

4) Shareholding Details

Currently the Promoters hold 27% equity stake in SEL and rest is in the hands of Public.

SALZER MAGNET WIRES LIMITED (SMW)

SMW, an unlisted entity established by Mr. R Doraiswamy on September 09, 2008 in Coimbatore in the State of Tamil Nadu, is engaged in the business of manufacturing Enameled Copper Wires with various dimensions, catering to the needs of motor industries, automobile industries, electronic industries, electrical switch gear industries, transformer winding industries and relay coil-winding industries.

SMW draws its strength and quality from the state of art manufacturing facilities. The enamelling is fitted with on-line High Voltage continuity tester for detecting pin holes and weak spot on every millimetre. Also the latest PC based equipment for measurement of Dielectric Dissipation Factor ensures consistent wire quality during production.

1) Key aspects of SWM:-

- One of the major suppliers of Enamelled Coppers Wires to the motor& Pump Industry;
- Approximately, 30% Of Its Productions are Consumed By SEL For Its Various Requirements;
- Enamelled wires are produced in compliance with National and International Standards such as IS, NEMA, IEC, UL and JIS;
- Facility equipped with Machineries with contemporary technologies for making transformation in the products in line with changing market needs;



2) Key Financials:-

	2016	2015	2014	2013	2012	2011
	<i>Rs. In Cr</i>	<i>Rs. In Crs</i>	<i>Rs. In Crs</i>	<i>Rs. In Crs</i>	<i>Rs. In Crs</i>	<i>Rs. In Crs</i>
Financial performance						
Sales - Domestic	56.77	56.63	51.69	36.85	42.67	30.98
- Exports	0.00	0.00	0.00	0.00	0.00	0.00
Less : Excise Duty & Taxes	8.89	8.31	7.44	5.47	5.73	3.96
Net revenue from Operation	47.88	48.31	44.25	31.38	36.93	27.02
Other Operating Income	0.32	0.21	0.09	0.16	0.45	0.61
Other Income	0.28	0.22	0.09	0.16	0.07	0.07
Total Income	48.47	48.74	44.42	31.70	37.46	27.70
Share Capital	13.40	13.28	12.80	12.28	11.05	10.41
Face Value in Rs.	10.00	10.00	10.00	10.00	10.00	10.00
General Reserve	16.37	15.35	14.88	13.62	11.94	10.58
Book Value per share in Rs.	12.22	11.56	11.63	11.08	10.81	10.17

3) Board of Directors :

- a. Mr. R Doraiswamy
- b. Mr. D Rajesh Kumar
- c. Mr. L Venkatapathy
- d. Mr. N Jayabal
- e. Mr. P Ramachandran

4) Core Promoters

- a. Mr. R Doraiswamy
- b. Mr. D Rajesh Kumar

5) Shareholding Details

Currently the Promoters hold 32 % equity stake in SMW and rest is in the hands of friends and Associates falling under purview of Non Promoter Category i.e Public.

B) WHETHER THE TRANSACTION WOULD FALL WITHIN RELATED PARTY TRANSACTIONS? IF YES, WHETHER THE SAME IS DONE AT "ARM'S LENGTH"

In terms of Section 2(76)(v) of the Companies Act 2013, SMW is a related party to SEL by virtue of Directors of latter along with their relatives holds more than 2% shares in the former.

SEL has regularly been transacting the business with SMW in form of purchase and sale of materials, which constitutes more than 10% of the Annual Consolidated Revenue of SEL, are being termed as Material Related Party Transactions in terms of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.



Above Transactions with SMW:-

1. Are in the normal course of business and at arm's length basis;
2. Being material in nature, the shareholders at their 31st Annual General Meeting held on August 13, 2016 approved the transactions with SMW as required under Regulation 23(4) of SEBI (Listing Obligations and Disclosures Requirements) Regulation 2015;
3. Are monitored and reviewed by the Audit Committee periodically;
4. Are consistent with the Omnibus approval as granted by the Audit Committee and SEL's Policy on Related Party Transactions.

C) AREA OF BUSINESS OF THE ENTITY (IES);

More particularly briefed in your Question (A) above.

D) RATIONAL FOR AMALGAMATION / MERGER

The Board of Directors of SEL and SMW, after giving due consideration to the factors, culminated a fair view and approved the merger proposal as placed before them at their meeting held on November 05, 2016:-

1. Product Diversification:-

Upon the merger, the Product portfolio of SEL shall include Enamelled Copper Wire, Fine Enamelled Copper Wires and Paper covered Submersible Copper Wires currently being manufactured by SMW. Hence, proposed merger would pave a way for strengthening further the profile of SEL in the market and enlarging the offer to the customers under one roof. SMW's strong clientele base would be another added advantage, facilitating SEL to access more customers and enhance its network for sales growth.

2. Export Potentiality :-

As of now, SMW concentrates only on the domestic market. Upon merger, SEL which has substantial presence in more than 45 countries and driving its 20% revenue from the global market, can use its platform and take the products of SMW to the international market more particularly in European and Gulf countries where the market scope is considered to be high and improve its export revenue.

3. Captive consumption:-

In a way, the contemplated merger is kind of backward integration considering 30% of the products produced by SMW are being consumed by SEL for its products like Three phase transformers and Torodial Transformers. On merger, the pricing of these products will be overhauled taking into account various cost benefits and

make them more competitive in the market in terms of pricing. Torodial Transformer is one of the major revenue contributors in SEL products portfolio which will get more benefit on merger.

4. Operational efficiency:-

Since the products of SMW is complementary in nature, the contemplated merger will lead to economies of scale which in turn will promote cost efficiency by means of reduction in administrative overheads, Lower average cost, elimination of certain other fixed costs. As the results of cost efficiency, it has been estimated that profitable margin would increase by at least 200 to 250 basis points.

5. Leverage in purchasing power

Copper is a major ingredient for manufacture of various products for both SMW and SEL.. In this circumstance, the proposed merger will have strong leverage for price negotiations with suppliers of copper and provide cost advantage and competitiveness in the input cost, and resultant saving would be in the range between Rs.1.50 Crs to Rs.2 Crs per month.

6. Sustainable and Vibrant growth strategies

SEL always looks for both organic and inorganic growth so to achieve Rs.1000 Crs turnover by 2021. In this direction, the merger is also one of the key element of its broad strategies. The merger would add Rs.60 to Rs.70 Crores to the sales of SEL immediately in FY 17, with capable addition of 15% to 20% in the next five years.

7. More scope for product improvement

SEL has recognised In-House state of art Research and Development facilities. The merger will provide enormous scope for more improvement of products of SMW. R & D is fully capable of re-defining applications of Enameled Wires, fitting to multiple use instead of focussing much on the motor and pump industry.

8. Superior Manufacturing facilities

The state-of-art facilities with contemporary standards with both Companies will be capable of providing supportive to the productions in all respects. The contemplated merger would bring value and synergy in the operations.

9. Skills and Knowledge

Pooling of Skills in both the Companies will facilitate utilization of human resources to improve the innovation in the operations including in the area of sales and marketing.



10. Better Control and administration

The combined administration will provide better control on regulating the business affairs and improve utilization of the resources.

Hence, the merger of SMW with SEL will certainly be a win – win situation and beneficial for all the stakeholders.

E) IN CASE OF CASH CONSIDERATION AMOUNT OR OTHERWISE SHARE ENTITLEMENT / EXCHANGE RATIO

The Scheme of Arrangement does not envisage any cash consideration. As per approved scheme by the Board of respective companies, the entire assets and liabilities SMW shall be vested on the SEL as a on-going basis and the shareholders of SMW will be entitled for one (1) share in SEL as fully paid –up for every sixteen (16) shares held by them in SMW on the record date fixed by SEL for allotment of shares.

F) BRIEF DETAILS OF CHANGE IN SHAREHOLDING PATTERN (IF ANY) OF LISTED ENTITY

In the post- merger, there will be no major changes in the promoters holding in SEL and being foreseen only a nominal increase of around of 1% from the current level of 27%.

G) REASON FOR DELAY

We regret for the delay in compliance of continual disclosure due to some internal rearrangements.

Trusts the above information are in order and having merits in meeting your requirements.

Kindly acknowledge the receipt.

For Salzer Electronics Limited



S Baskarasubramanian
Director (Corporate Affairs) &
Company

