



Pennar Industries Limited

(NSE: PENIND, BSE: 513228)

Audited Consolidated and Standalone Full Year Results for FY2012
Unaudited Consolidated and Standalone Fourth Quarter Results for FY2012

May 29, 2012

Management will host a conference call to discuss FY2012 results on **Tuesday, May 29, 2012 at 4:30 pm IST**. To participate, please use the following dial-in numbers:

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This release contains statements that contain "forward looking statements" including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Pennar's future business developments and economic performance. While these forward looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. Pennar undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances.

Hyderabad, India, May 29, 2012 – Pennar Industries Limited (referred to as “Pennar” or the “Company”, BSE: 513228, NSE: PENIND), one of India’s leading industrial companies engaged in the production and marketing of specialized and engineered metal products, and pre-engineered buildings, announces its Consolidated and Standalone Fourth Quarter and Full Year Results for FY2012, in accordance with Indian GAAP.

Performance Highlights: FY2012

- ❖ Consolidated Gross Sales Rs. 1,438 Crore
- ❖ Consolidated EBITDA Rs. 135 Crore and EBITDA Margins 10.6%
- ❖ PEBS¹ Net Sales up 68.3% and EBITDA up 46.0%
- ❖ PEBS Order Book of over Rs. 215 Crore
- ❖ Engineered Products division Net Sales up 15.8% and EBITDA up 10.9%
- ❖ Conservative leverage: Net Debt / EBITDA of 1.17
- ❖ Return to shareholders: Dividend of Rs. 1 per share

Commenting on the results and performance, **Mr. Nrupender Rao, Chairman of Pennar Industries Limited** said:

“In the context of the current economic environment we reported a satisfactory performance for the year. Our PEBS business continued to outperform and delivered over 68% top line growth and 60% Net Income growth. The railways and infrastructure sectors are experiencing macroeconomic pressures, which have led to a degree of temporary uncertainty in some of our businesses. As a result of selectively diversifying our product portfolio, we managed to soften the impact of the slowdown in our railway business. During the year, solar and sheet piles product lines have made a valuable financial contribution to our performance.

Management expects this level of volatility to continue over the near term. We remain focused on productivity and efficiency enhancements through yield optimization, efficient working capital management and improved product mix. As part of our commitment to enhancing shareholders returns, we are pleased to announce a dividend of 20% on equity shares.”

Consolidated Financial Highlights

(Rs. Crore)	Q4		y-o-y	Q3		q-o-q	Full year		y-o-y
	FY2012	FY2011	Growth (%)	FY2012	Growth (%)		FY2012	FY2011	Growth (%)
Gross Sales	424.9	388.5	9.4%	315.4	34.7%		1,438.4	1,370.1	5.0%
Net Sales	373.0	342.2	9.0%	278.7	33.8%		1,267.9	1,208.2	4.9%
EBITDA	26.1	40.5	(35.7)%	31.1	(16.1)%		134.8	150.0	(10.2)%
EBITDA Margin (%)	7.0%	11.8%		11.1%			10.6%	12.4%	
Cash Profit	15.1	26.4	(42.7)%	18.6	(18.7)%		81.9	95.1	(13.9)%
Cash Profit Margin (%)	4.1%	7.7%		6.7%			6.5%	7.9%	
Net Profit	11.4	20.7	(45.0)%	13.5	(15.3)%		62.0	73.9	(16.1)%
Net Profit Margin (%)	3.1%	6.1%		4.8%			4.9%	6.1%	
Basic EPS (Rs)	0.93	1.70	(45.0)%	1.10	(15.3)%		5.08	6.06	(16.1)%

¹ Pennar Engineered Building Systems Ltd., a subsidiary of Pennar Industries Ltd.



Economic Environment²

The Index of Industrial Production (IIP) for FY2012 was up 2.8% but declined by 3.5% in March 2012 compared to the last year. During the year, the cumulative growth rate of the core industries was 4.3% compared to 6.6% during FY2011. The wholesale price index based inflation stood at 6.89% in March 2012. Revisions in electricity tariffs, domestic prices of various fuel items and coal, and higher rates of excise duty are likely to enhance inflationary pressures. A rise in commodity prices and depreciation of the Indian rupee are expected to impact the situation further.

	Q4		y-o-y	Q3		q-o-q	Full Year		y-o-y
	FY2012	FY2011	Growth (%)	FY2012	Growth (%)		FY2012	FY2011	Growth (%)
Index of Industrial Production (IIP)	179.7	179.0	0.4%	168.7	6.5%		170.2	165.5	2.8%

Capex linked sectors including capital goods and infrastructure have suffered from weak order books, high raw material costs, high borrowing costs and stretched working capital cycles. Demand in the auto industry remained moderated due to high interest rates and fuel price hikes. Continued macroeconomic uncertainty impacted the order inflows especially in the power generation and infrastructure sectors. Railways sector continues to await release orders for new wagons/coaches and refurbishment of the existing ones.

Business Performance

FY2012 Financial Highlights

FY2012 consolidated Net Sales increased by 4.9% compared to the prior year. This was primarily due to a slow order inflow in the Heavy Engineering segment in the second half of the year. Excluding this segment, consolidated Net Sales grew by 15.6% y-o-y which was primarily driven by the Pre-Engineered Buildings (PEBS) and Engineered Products segments. PEBS continues to show robust growth and contributed to 19.4% of total consolidated Net Sales in FY2012 up from 12.1% in FY2011.

FY2012 consolidated EBITDA declined by 10.2%, compared to the prior year. This was primarily due to lower sales in the Heavy Engineering segment. Excluding this segment, consolidated EBITDA growth remained flat. Raw material prices remained stable as compared to the last year.

FY2012 consolidated Net Profit decreased by 16.1%, primarily due to lower EBITDA, higher depreciation and increased interest expenses. Depreciation increased from Rs. 13.2 Crore in FY2011 to Rs. 17.0 Crore in FY2012 due to capitalization of new capacity in the CDW Tubes division. Due to a higher interest rate environment, interest expenses increased from Rs. 17.1 Crore in FY2011 to Rs. 21.0 Crore in FY2012.

Balance Sheet

As of March 31, 2012, the Company had Total Debt of Rs. 174.8 Crore, Cash and Cash Equivalents of Rs. 16.1 Crore, Net Debt of Rs. 158.7 Crore and Net Worth of Rs. 314.1 Crore. Total debt consists of Rs. 49.0 Crore of Long Term loans and Rs. 125.9 Crore of Working Capital borrowings. This includes Rs. 8.6 Crore of current maturities of Long Term loan included under current liabilities. Pennar Industries continues to maintain a healthy balance sheet.

² Ministry of Statistics and Programme Implementation, ICRA, Analyst Research



FY2012 Segment Performance

(Rs. Crore)	Sales			EBITDA			EBITDA Margin (%)		
	Full Year		y-o-y	Full Year		y-o-y	Full Year		y-o-y
	FY2012	FY2011	Growth (%)	FY2012	FY2011	Growth (%)	FY2012	FY2011	Change (bps)
Engineered Products	248.6	214.6	15.8%	23.7	21.3	10.9%	9.5%	9.9%	(43)
Cold Rolled Steel Strips	287.5	307.6	(6.5)%	26.7	28.4	(5.8)%	9.3%	9.2%	8
Infrastructure	269.5	252.7	6.6%	27.8	35.4	(21.4)%	10.3%	14.0%	(368)
Standalone (Excl. HE)	805.6	774.9	4.0%	78.2	85.1	(8.1)%	9.7%	11.0%	(127)
Heavy Engineering	171.0	259.2	(34.0)%	33.0	48.0	(31.3)%	19.3%	18.5%	76
Sub Total	976.5	1,034.1	(5.6)%	111.2	133.1	(16.5)%	11.4%	12.9%	(149)
Scrap Sales	47.6	38.0	25.1%						
Total Standalone	1,024.1	1,072.1	(4.5)%	111.2	133.1	(16.5)%	10.9%	12.4%	(156)
Pre-Engineered Buildings	245.9	146.1	68.3%	24.1	16.5	46.0%	9.8%	11.3%	(149)
Sub Total	1,269.9	1,218.2	4.2%	135.2	149.6	(9.6)%	10.6%	12.3%	(163)
Inter Company Adj.	(2.1)	(10.1)		(0.4)	0.5				
Total Consolidated	1,267.9	1,208.2	4.9%	134.8	150.0	(10.2)%	10.6%	12.4%	(179)
Less: Heavy Engineering	171.0	259.2	(34.0)%	33.0	48.0	(31.3)%	19.3%	18.5%	76
Total Consolidated (Excl. HE)	1,096.9	949.0	15.6%	101.8	102.0	(0.2)%	9.3%	10.8%	(147)

Engineered Products

FY2012 Net Sales grew by 15.8% and volumes grew by 7.2%. Both the volume and value growth was due to increased sales from higher value added products including ECD and Tubes.

Cold Rolled Steel Strips (CRSS)

FY2012 Net Sales decreased by 6.5% and volumes declined by 14.3% as the Company continues to focus on higher realization and shift capacity utilization for higher value added products.

Heavy Engineering

FY2012 Net Sales growth in this segment was significantly impacted by slower off-take from the railway industry during the second half of the year.

Infrastructure

FY2012 Net Sales grew by 6.6%. This was primarily due to a change of sales mix. Volumes from fabrication and road safety products for infrastructure declined, which was offset by significant volumes from solar structurals and sheet piles.

Pre-Engineered Buildings (PEBS Pennar)

FY2012 Net Sales growth in this segment was primarily driven by robust volume growth and higher price realizations. In FY2012, Net Sales volume increased by 52.2% to 32,607 MT and price realizations increased by 2.4%, compared to last year. The segment received a number of orders from new customers including ABB, Bosch, Dr Reddy's Laboratories, Godrej, ITC, L&T, Reliance Retail Distribution Centers, Schneider Electric and Ultratech, and repeat orders from Indian Logistics, Ultratech and L&T. The order book as on date was over Rs. 215 Crore.



Q4 FY2012 Financial Highlights

Q4 FY2012 consolidated Net Sales increased by 9.0% compared to the prior year. This was primarily due to a slow order inflow in the Heavy Engineering segment during the quarter. Excluding this segment, consolidated Net Sales grew by 34.7% y-o-y which was primarily driven by the Pre-Engineered Buildings (PEBS), Engineered Products and Infrastructure segments. PEBS continues to show robust growth and contributed to 19.1% of total consolidated Net Sales in Q4 FY2012 up from 14.1% in Q4 FY2011.

Q4 FY2012 consolidated EBITDA decreased by 35.7%, compared to the prior year. This was primarily due to lower sales in the Heavy Engineering segment due to slowdown in orders from railways. Raw material prices remained stable during the quarter as compared to the last year. Q4 FY2012 consolidated Net Profit decreased by 45.0%.

Strategic Initiatives

The Company completed the first phase of capacity expansion projects at the Isnapur and Tarapur plants, increasing the capacity of these plants by 12,000 MT to 82,000 MT. The expansion added new production capacity for CDW tubes and increased capacities for electrostatic precipitator electrodes and precision tubes for automobiles. The second phase of this expansion project of another 12,000 MT is in progress. These projects have been funded from internal cash accruals.

Performance Outlook

Over the past year the Indian economy has been under pressure due to high interest rates, inflation and currency depreciation. IIP growth during the last quarter was the lowest in the past 5 quarters driven by weakness in the capital goods and consumer durables segments. GDP growth rate is expected to be in the range of 6.0% - 6.5% in the near term. Looking forward, management expects continued volatility and weakness in the domestic economy.

As a result, management remains cautious on its approach while making decisions, at the same time, optimistic about the medium term domestic growth story. Pennar continues to focus on engineering excellence through technological innovations, productivity and capacity utilization improvements to counter the current uncertainty.

The Company's PEBS segment continues to outperform despite the overall challenging environment. The recently increased capacity enables PEBS to capitalize on the attractive growth dynamics of the Indian pre-engineered buildings sector. Going forward, Pennar expects this segment to continue delivering growth and profitability. New product lines including tubes, sheet piles and solar structurals are expected to make meaningful contributions to the topline.



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Accounting Notes:

1. Net Sales: Excludes Other Income
2. EBITDA: Earnings before interest, taxes and depreciation; excludes other income and exceptional items
3. Cash Profits: Net Profit plus Depreciation plus Deferred Taxes
4. Basic EPS: Each share face value of Rs. 5.00; 12.2024 Crore shares; includes extraordinary items



Pennar Industries Fact Sheet

Company Background

Pennar is one of India's leading industrial companies engaged in the production and marketing of specialized and engineered steel solutions. The Company is a leading manufacturer of profiles and components in various grades of steel and stainless steel. It caters to the auto, white goods, railways and infrastructure sectors. The Company is also a leading manufacturer of pre-engineered buildings.

The Company has over 30 years of experience and more than 1,000 precision engineered products, 2,500 tools and dies and over 300 customers. Pennar currently has six manufacturing plants located at Patancheru, Sadashivpet and Isnapur, Chennai, Tarapur (Maharashtra) and Hosur (Tamil Nadu) with a total capacity of ~ 300,000 TPA.

Pennar commenced manufacture of cold rolled steel strips in 1988 at Isnapur (45 km from Hyderabad) which currently has a capacity of 67,000 TPA. In 1997, the Company acquired Nagarjuna Steel, Patancheru (32 km from Hyderabad) and in 1999, acquired Press Metal, a unit of Tube Investment (TI), at Tarapur near Mumbai.

Pennar's blue chip customer base includes firms such as Alstom Power, Ashok Leyland, BEML, BPL, Copeland, HCC, Honda, Reliance Retail, Indian Railways, ITC, Integral Coach Factory, L&T, Tata Motors, Toyotsu and Voltas.

The Company operates in four divisions and a subsidiary company:

Engineered Products: Provides automobile products, pressed steel components, CDW and ERW tubes for consumer appliances, automobile and general engineering sectors.

Cold Rolled Steel Strips (CRSS): Provides CRSS for automobile, white goods, electrical and engineering companies

Heavy Engineering Products: Addresses the specific requirements of the railway sector and manufactures floors, side walls, end walls, and underframe components for rail wagons and coaches.

Infrastructure Products: Manufactures diverse products for the building sector like purlins, roofing sheets and deck plates. It also manufactures crash barriers for road safety and fabricated structural products for various engineering industries.

Pre-Engineered Buildings: Operates through its subsidiary, Pennar Engineered Building Systems Ltd. to manufacture pre-engineered building structures. PEBS manufactures modular steel constructions of open-span built up sections, purlins, girts, roofing and wall panels. PEBS has a technical collaboration with NCI Group, a global leader in pre-engineered structures, which enables the Company to provide world class weather proof building.

Industry Overview³

Indian Railways is set to spend Rs 2,500 billion on various infrastructure projects during the 11th five year plan (2007-12) and this amount is likely to go up for the next five year plan considering India's growth and state of its railway infrastructure. Indian Railways is expected to acquire 18,000 wagons in FY2011 compared to 11,000 wagons last year. It is also planning to substitute older wagons with stainless steel ones with higher axle load design. Setting up of dedicated freight corridors, sustained capex by leading container rail logistics companies and the success of wagon leasing scheme will continue to support the growth in wagons.

The increasing demand for pre-engineered buildings also represents a growth opportunity. The Current market size for PEB is estimated to be ~750,000 MT (FY2011) with the market witnessing double digit growth rate over the past few years. Entry of multinational companies in auto, information technology, logistics sectors has accelerated the growth of PEBs in India. Industrial (factories/warehouses) segment has shown growing preference for PEBs over conventional forms of factory buildings.

The India's automobile industry, currently estimated to have a turnover of \$73 billion, accounts for 6% of its GDP, and is expected to reach a turnover of \$145 billion by 2016. The growth in industrial activity and increasing road penetration is expected to increase demand for commercial vehicles. Presently, commercial vehicles account for more than 60% of the total freight movement in India.

³ IBEF.org, ACMA, Deloitte research

