

Pennar Industries Limited

Engineering Excellence



Investor Presentation

Q4FY14



PENNAR INDUSTRIES LIMITED

Disclaimer



This presentation 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 Industries Limited and its subsidiary companies (“Pennar”) 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 periodically revise any forward looking statements to reflect future / likely events or circumstances.



Agenda



Quarter Performance

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Pennar’s Business

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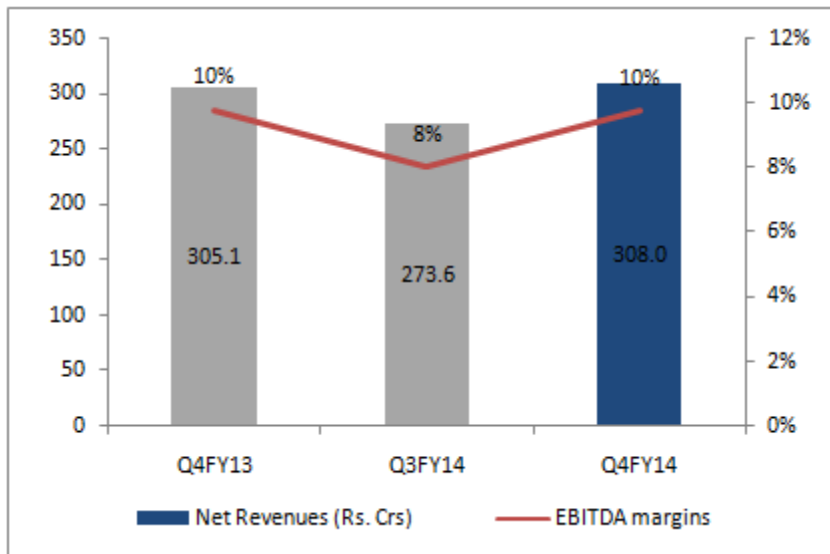


Q4 & FY14 Performance

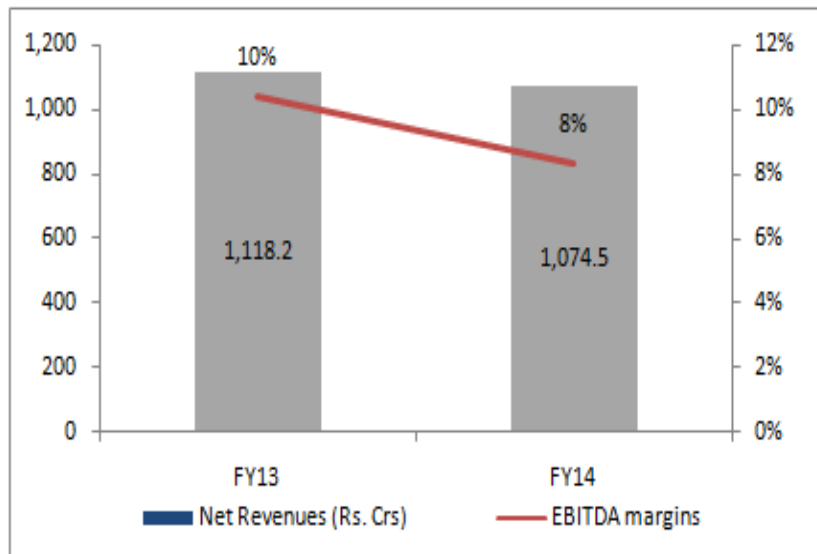
Financial Performance – Consolidated



Q4 FY14



FY14



- Net Sales of Rs. 308 crores; 1.0% YoY and 12.6% QoQ
- Gross Profit of Rs.83 crores; Gross margin at 27%
- EBITDA margin maintained at 9.8% YoY

- Consolidated EPS per share of Rs.0.60 in Q4FY14
- Consolidated Cash EPS per share of Rs.1.16 in Q4FY14

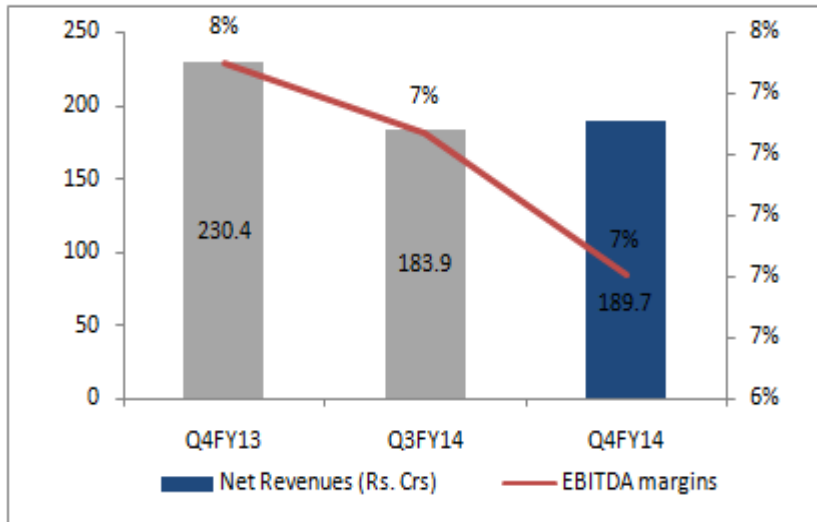
- Net Sales of Rs. 1074 crores; -3.9% YoY
- Gross Profit of Rs.382 crores; Gross margin at 35.6%
- EBITDA margin at 8.4%

- Consolidated EPS per share of Rs. 2.14 in FY14
- Consolidated Cash EPS per share of Rs. 4.01 in FY14



Financial Performance – Standalone

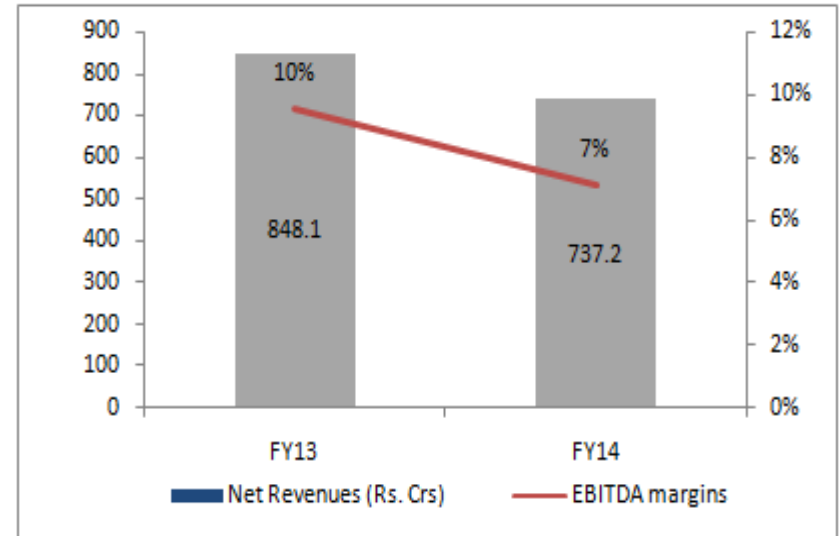
Q4 FY14



- Net Sales of Rs. 190 crores; -17.7% YoY and 3.2% QoQ
- Gross Profit of Rs.56 crores; Gross margin at 29.7%
- EBITDA margin at 6.8%

- Standalone EPS per share of Rs. 0.13 in Q4FY14
- Standalone Cash EPS per share of Rs. 0.55 in FY14

FY14



- Net Sales of Rs. 737 crores; -13.1% YoY
- Gross Profit of Rs.214 crores; Gross margin at 29%
- EBITDA margin at 7.1%

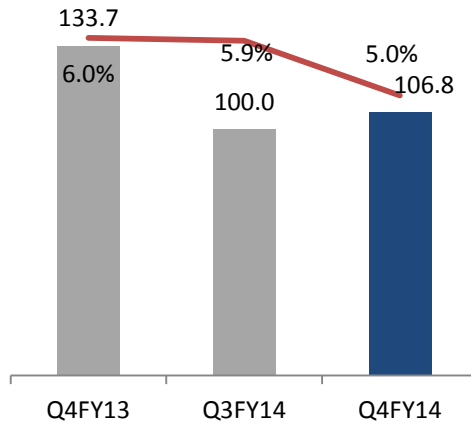
- Standalone EPS per share of Rs. 1.04 in FY14
- Standalone Cash EPS per share of Rs. 2.50 in FY14

Segment Performance

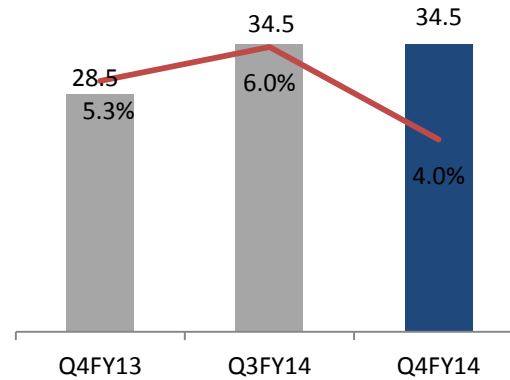


Net Revenues (Rs. Crores) and EBITDA margins (%)

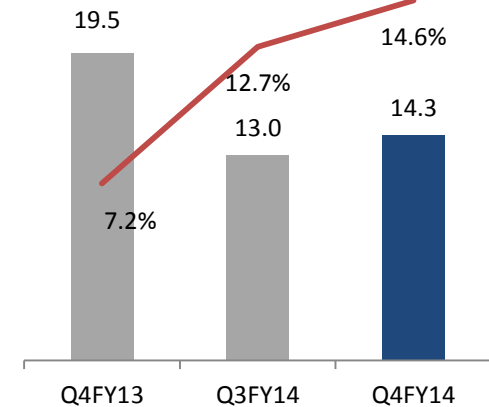
Steel Products



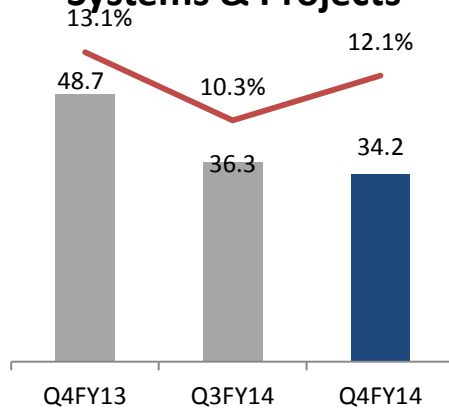
Tubes



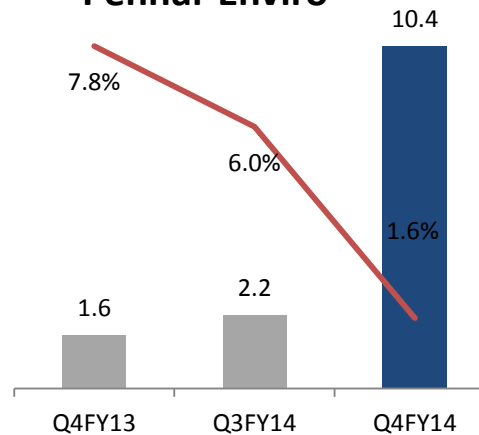
Industrial Components



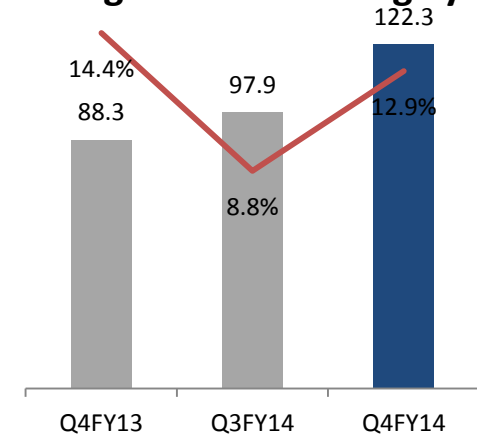
Systems & Projects



Pennar Enviro



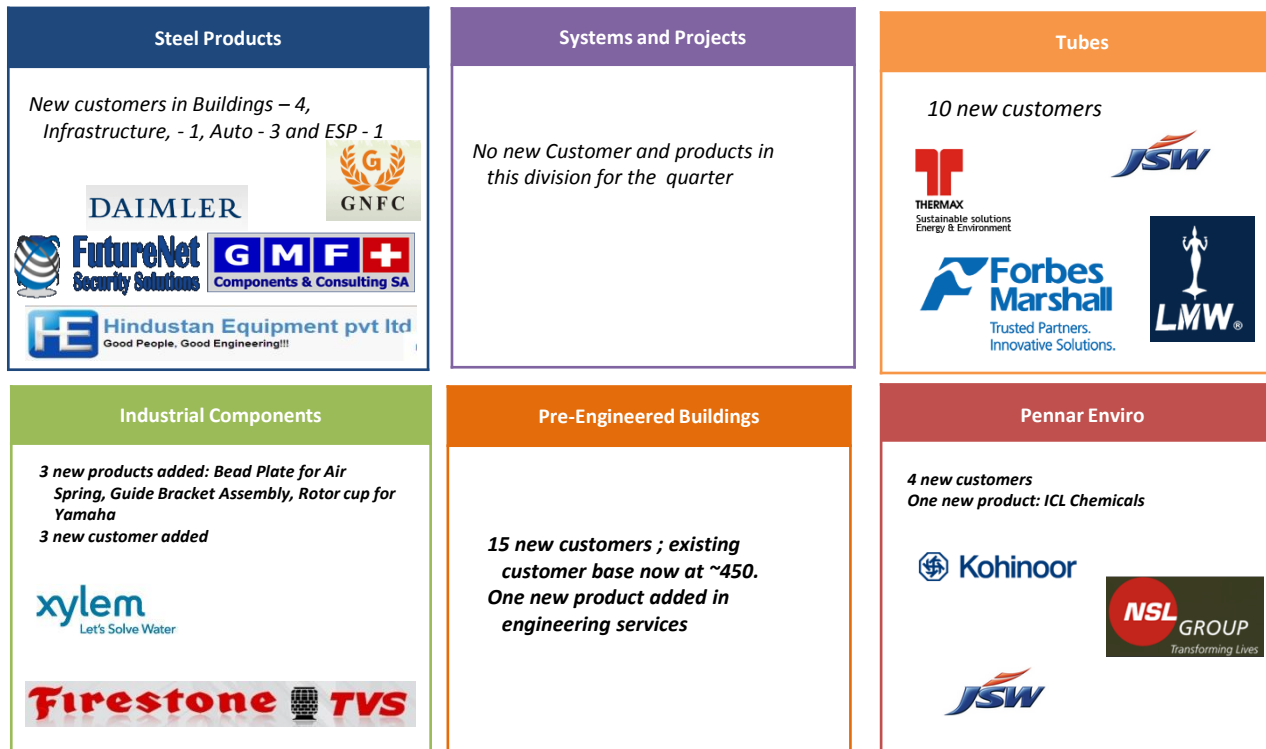
Pre-Engineered Building Systems



New Customers and New Products added in Q4FY14



~10% of Q4 revenue came from new products/customers



* Note: This is not all inclusive list of customers added in FY14; Revenue numbers represent only Standalone business



Business Vertical – Steel Products



Q4 Quarter Highlights

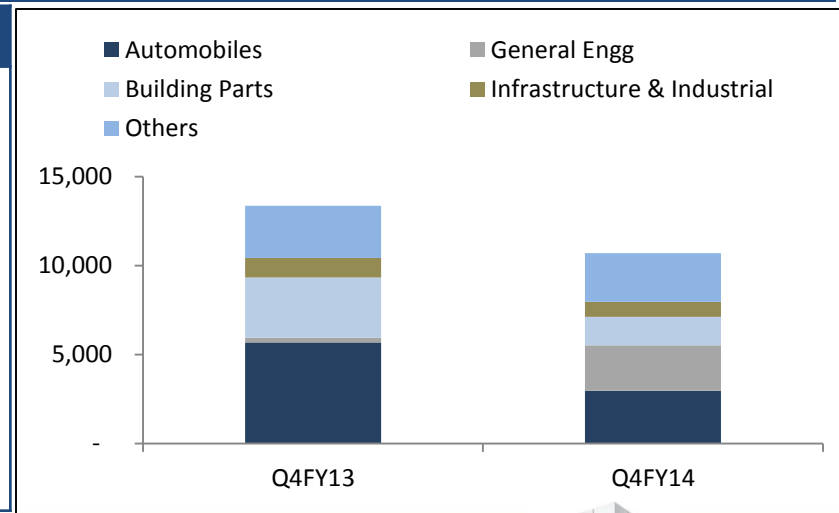
- Sales for Q4FY14 at Rs. 107 crores and FY14 at Rs.428 crores
- Buildings segment - orders worth Rs 1 crore bagged for supply of decking sheet for Diamond Engineering
 - Repeat Orders received from L&T, BGR and Lloyds for supply of Roofing and Decking sheets
- Infrastructure segment – developing Z- shaped sheet piling product
- Auto segment – new customers added: ‘Daimler India’, ‘NSR Elkemet Ltd’ and ‘Scania India Ltd’
- ESP segment – New customer ‘Gujarat Narmada Valley Fertilizers& Chemicals Ltd’.
- International Expansion – Added new prospects from Europe, Australia & USA in the ESP Portfolio.

Future Outlook:

- Sales efforts with new products will help building new products and adding customers in general engineering and infrastructure segments .

Short & Medium Term Plan

- Expecting orders from Future-Net Security in Q1FY15
- New products like
 - ‘Pumping Solutions’ for process and oil and gas industries
 - ‘ESP Retrofitting’



Business Vertical – Industrial Components



Q4 Quarter Highlights

- Sales for Q4FY14 at Rs.14 crores and FY14 at Rs.58 crores
- White Goods segments shows signs of improvement over Q3
- Automotive business with existing customers showing signs of growth
- Repeat orders from Wabcofor, INEL for Honda Project and BEML
- Added three new customers Firestone TVS P Ltd, Xylem and Yamaha Electronics Ltd
- Added three new products: Bead Plate for Air Spring, Guide Bracket Assembly and Rotor cup for Yamaha
- The processes are being enhanced for VDA 6.3 which is a European standard for critical components

Future Outlook:

- We see revenue additions from Automotive industry, where players are expecting a 15% growth through enhancing market share and exports.
- Increased Global Sourcing from India is promising to our business, as India is increasingly seen as cost competitive compared to China
- Post a weak year in white goods, 2014-15 is expected to see a recovery
- Generated a strong pipeline in Hydraulics Business, with a concentrated effort in managing commercials, supplier capability, proto typing and scale up.



Business Vertical – Tubes

Q4 Quarter Highlights

- Sales for Q4FY14 at Rs.35 crores and FY14 at Rs.132 crores
- Posted robust revenues in Q4FY14 & FY14, led by a 30% volume and value growth
- Currently at close to 100 customers including: Tata Motors, Thermax, Forbes Marshall, VECV, LMW
- Plant utilization at 85%

New initiatives to align with market

- To accelerate CDW growth, plant expansions are underway in Annealing furnace, New tube mill and testing/finishing lines.

Future Outlook:

- FY15 growth expected at ~20% led by ~ 60% growth from CDW business
- Led by newer orders, exports is expected achieve a 5% volume share in FY15.



Business Vertical – Systems & Projects



Q4 Quarter Highlights

- Sales for Q4FY14 at Rs.34 crores and FY14 at Rs.120 crores
- Growing Coach business – Rail coach business with Rs.22 crores in Q4FY14 vs. Rs.13 crores in Q4FY13 and FY14 at Rs.75 crores

Railways

- Rs 15 crore of orders booked for Railways in Q4 from IFC
- Two tenders in Raibareli coach factory for stainless steel items provide new opportunity
- New developments under discussion for:
 - complete under frame for conventional coach
 - complete roof for conventional coaches
 - conventional Doors
 - LHB stainless steel items

Solar

- Successfully commissioned the 2.5 MW solar power plant for captive consumption
- Successfully manufactured and supplied a 50 MW and 5.5 MW solar power plant for NTPC and Finolex cables respectively

Future Outlook and Plan...

The Solar business is expected to double in FY15 with foray into solar pump structures and strategic tie ups with major EPC companies



Q4 Quarter Highlights

- Added 15 new customers during the quarter, existing customer base at ~450.
- Engineering services added during the quarter
- 60% revenues from new products/customers

Order Inflows

- Received repeat order from Reliance, Schindler, Ultra Tech, L&T, Gland Pharma, Volvo, ACC Ltd, Frontier Sales Corporation
- Executed major solar orders including Inspira Martifier, Nuevsol and others.
- Executed Major PEB orders for customers like Ultratech Cements, L & T, RCC Infra etc
- Entered the high rise buildings segment
- Order Book currently at Rs 330 Crores

Future Outlook and Plan...

- The market scenario is expected to be positive after the formation of new government.
- Plans for expansion in African and Latin American markets and product diversification in solar segment.

PEBS - Completed Projects





Q4 Quarter Highlights

- Added 4 new customers in the quarter – Kohinoor Group, NSL Group, Radico Distilleries and JSW energy
- Total customers: 18 Water Projects and 200+ Chemicals and O&M

Order Inflows

- Received order from Kohinoor Pulp & Paper – 30 MLD ETP, NSL Sugar – WTP (UF 50m³/hr, RO 30 m³/hr), Balakrishna Industries – 30 KLD ZLD
- Received 3rd repeat order from L&T in the quarter, other repeat orders from JSW and SLM Coffee.
- Order book currently at Rs 50 Crores

Key highlights :

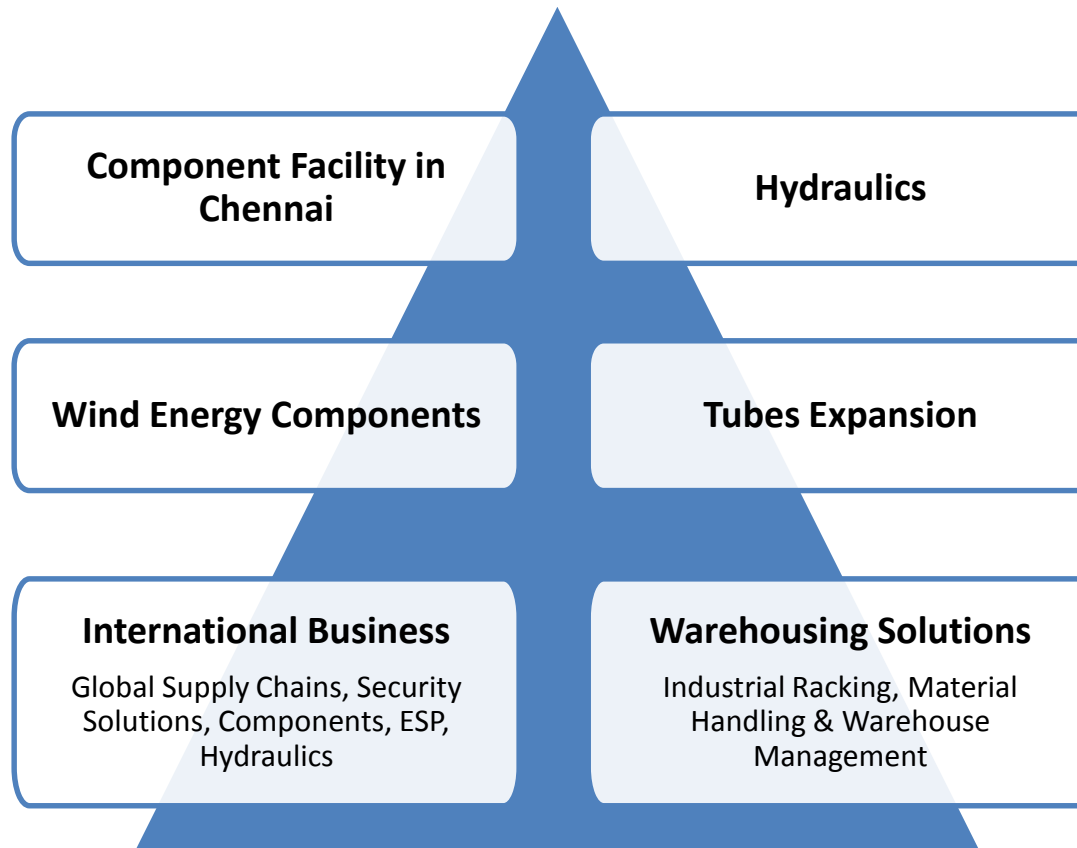
- New product added – ICL chemicals
- Market share in Water Projects – 2%, Water treatment chemicals – 1.5%

Future Outlook:

- This segment to see growth from projects in Desalination and Effluent Recycling sector. Higher requirement is seen from institutional customers for standard treatment plants.
- Steady increase in demand for Bio Toilets from labor camps and small buildings



Continue the move to create an “Engineering Enterprise”



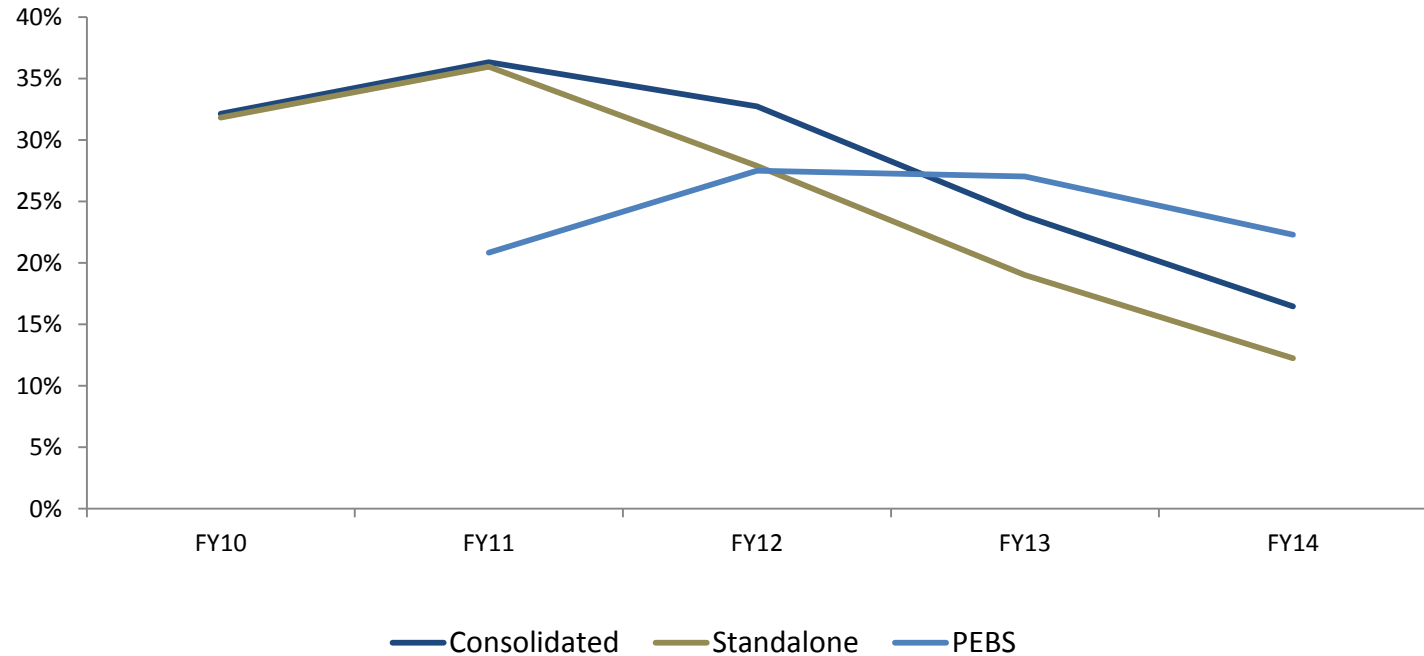
Distributed Manufacturing



.....**DRIVING DOWN OPERATIONAL COST**



Return on Capital Employed



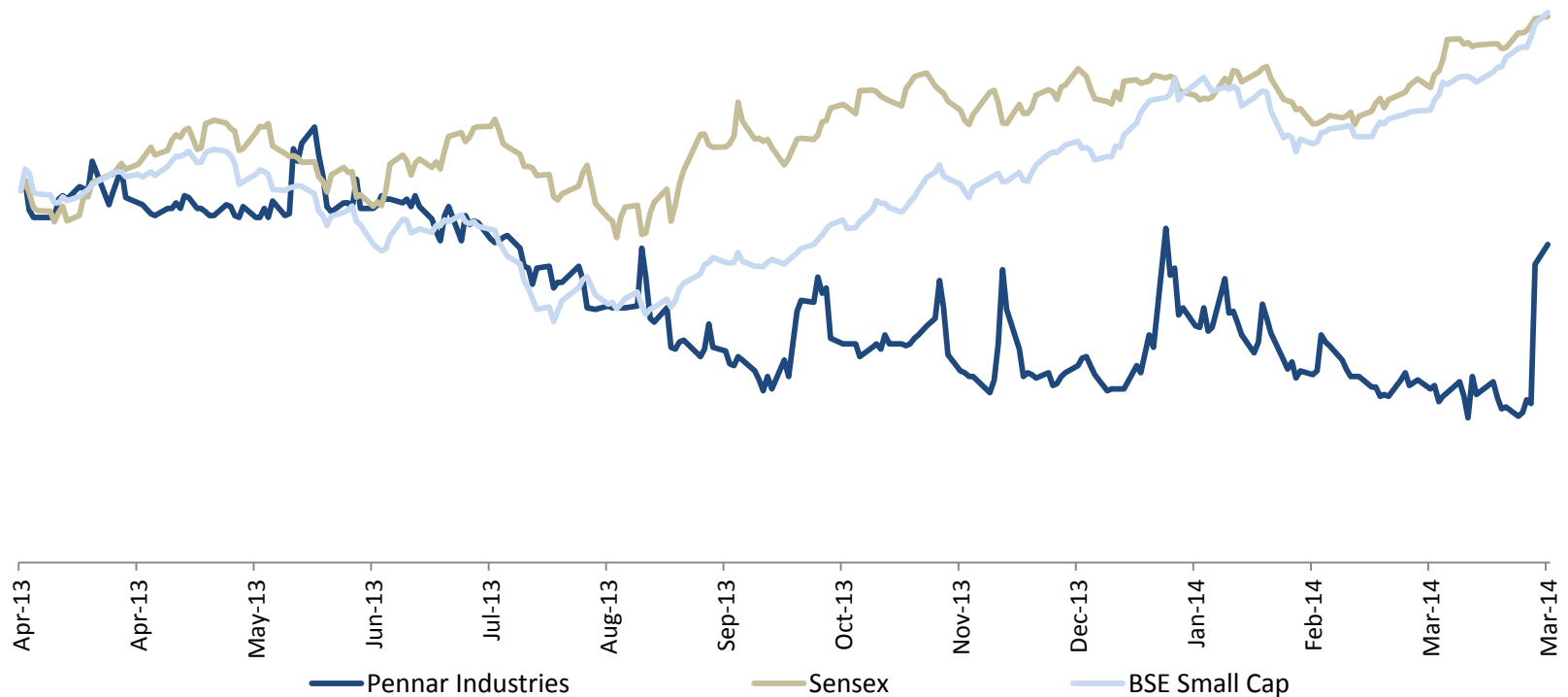
- Consolidated Total Debt as of March 31, 2014: Rs.150 crores
- Consolidated Total Equity as of March 31, 2014: Rs.413 crores

**ROCE = EBITDA / Average Capital Employed*

Pennar Underperformed BSE Small Cap Index by 21%



Stock Movement — Apr 1 2013 to Mar 31 2014

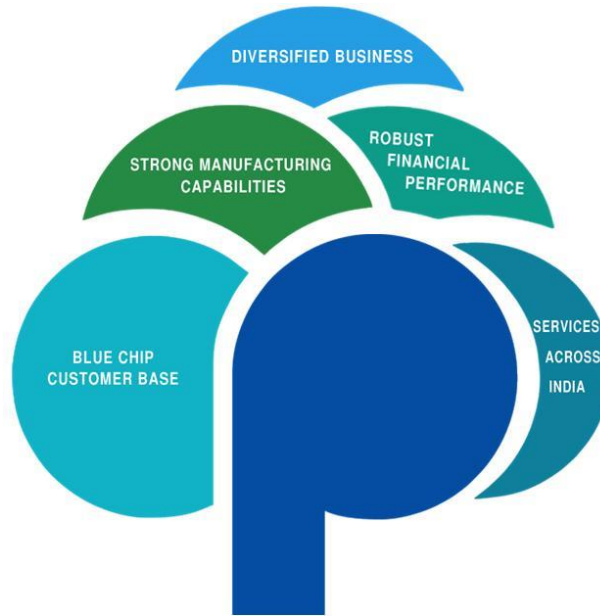


*Rebased to 100



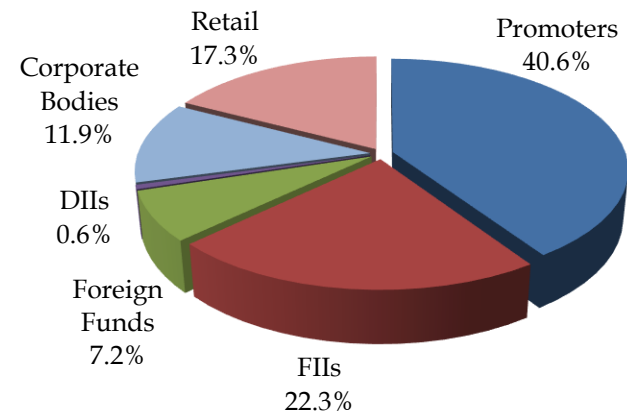
Business Structure, Segments & Leadership Team

Pennar Group – Business Structure, Holdings



Market Cap as of March 31, 2014 (BSE) :
Rs.2,921 million

Shareholding Pattern (Mar 31, 2014)



Pennar Industries Limited

Steel Products; Tubes; Industrial Components; Systems & Projects



Pre-engineered building Systems (PEBS); Roof Top Solar, Solar EPC



PENNAR ENVIRO
Re-engineering Water, Environment & Energy

Industrial water treatment solutions, water treatment chemicals and fuel additives

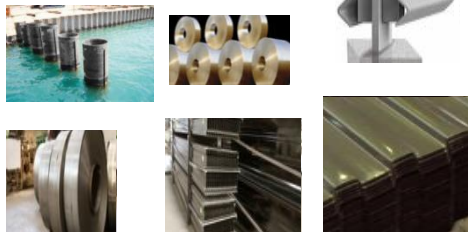


Business Segments and Products

Diversified Product Portfolio Across Industries

Steel Products

- Automobiles
- General Engineering
- Infrastructure
- White Goods



Systems and Projects

- Railways: Coaches and Wagons
- Solar: Solar Mounting Structures



Tubes

- Automobiles
- Power



Industrial Components

- Automobiles
- Industrial
- White Goods
- Hydraulics



Pre-Engineered Buildings

- Pre-engineered building structures
- Industrial buildings
- Warehouses
- Airports and aircraft hangers
- Turnkey buildings
- Leak proof roofing sheets



Pennar Enviro

- Provide EPC turnkey solutions in the field of water and waste water treatment viz. WTPs, STPs, ETPs, ERPs, ZLDPs
- Manufacture and supply of fuel additive and water treatment chemicals



Note: % change based on Q2FY14 net revenues

Segment Composition



Transformation through organization structure, engineering capabilities and human capital ...

Q4FY14 Net Revenues

Pennar Enviro

- Pennar Enviro: 3%

Pre-Engineered Buildings

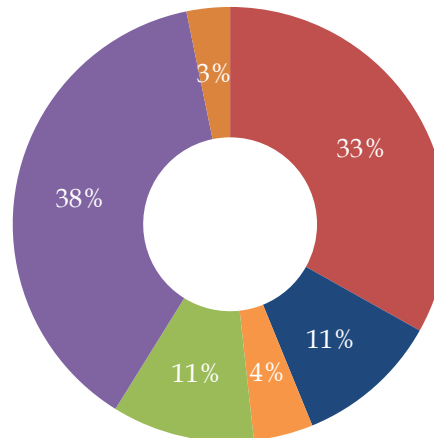
- Pre-Engineered Buildings: 38%

Systems and Projects

- Railways (Systems): 7%
- Projects (Solar): 4%

Industrial Components

- Auto & White good Components: 4%



Steel Products

- General Engg: 8%
- Automobile: 9%
- Buildings: 5%
- Auto: 4%
- Infrastructure Profile: 3%
- Other: 4%

Tubes

- ERW Tubes: 9%
- CDW Tubes: 2%

Industry – wise contribution to revenues (Standalone business):

- | | |
|------------------------------------|------------------------------|
| ○ Auto – 25% | ○ Tubes – 18% |
| ○ General Engineering – 19% | ○ Infrastructure – 8% |
| ○ Building Products – 8% | ○ White Goods – 4% |
| ○ Railways – 11% | ○ Solar – 7% |

...this structure will help create a higher level of market and customer focus to drive business growth.



Leadership Team; Management



Leadership Team



Nrupender Rao

Executive Chairman

Pennar Group



Aditya N. Rao

Vice Chairman & MD

Pennar Group



Suhas Baxi

President and CEO

Pennar Industries



P. V. Rao

Executive Director

PEBS Pennar



Shreepad Purkar

President and CEO

Pennar Enviro

Business Units



Dayasagar Rao

Business Head

Steel Products



Ravi Shankar V

Business Head

Systems & Projects



M. Bhoopal Reddy

Business Head

Tubes



Shiva Kumar K

Business Head

Industrial Components





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Investor Relations

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Annual Report FY12-13 – click [here](#) to visit our website for downloading Annual Report — TRANSFORM



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