

# Pennar Industries Limited

*Engineering Excellence*



## Investor Presentation

### Q1FY15



**PENNNAR INDUSTRIES LIMITED**

# Disclaimer

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*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

- **Financial Performance** \_\_\_\_\_ **5 – 6**
- **New Customers and Products** \_\_\_\_\_ **7**
- **Business Verticals: Q1FY15 Highlights** \_\_\_\_\_ **8 – 16**
- **Continue the move to create an “Engineering Enterprise”** \_\_\_\_\_ **17**
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## Pennar’s Business

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- **Business Segments, Products** \_\_\_\_\_ **22**
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- **Leadership Team** \_\_\_\_\_ **24**

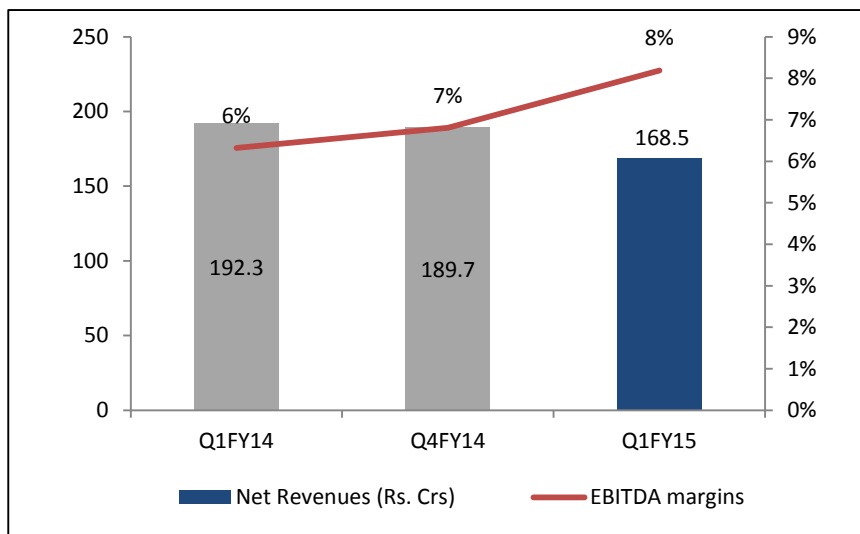


# Q1 FY15 Performance

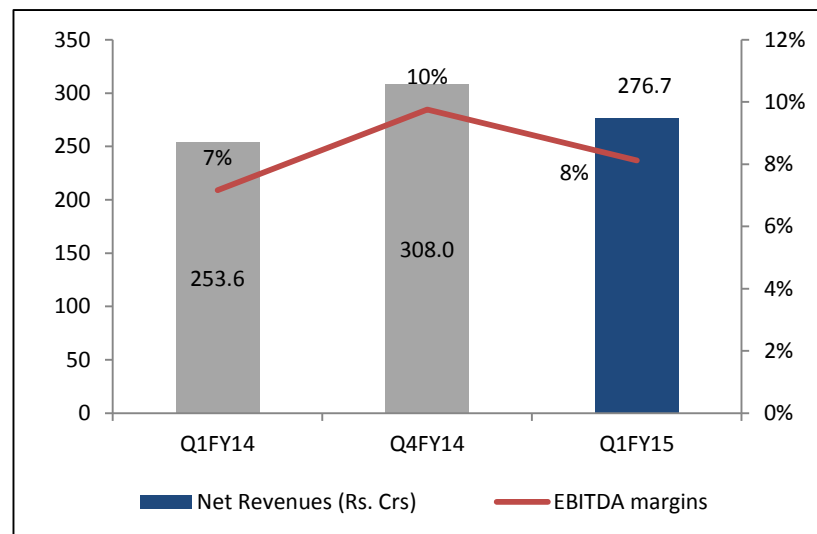
# Financial Performance – Q1 FY15



## Standalone



## Consolidated



- Net Sales of Rs. 168.5 crores; (12) % YoY and (11)% QoQ
- Gross Profit of Rs.48.3 crores; Gross margin at 28.6%
- EBITDA margin at 8.2%

- Standalone EPS per share of Rs. 0.26 in Q1FY15

- Net Sales of Rs. 276.7crores; 9% YoY and (10)% QoQ
- Gross Profit of Rs.96.5crores; Gross margin at 35%
- EBITDA margin at 8.1%

- Consolidated EPS per share of Rs.0.48 in Q1FY15

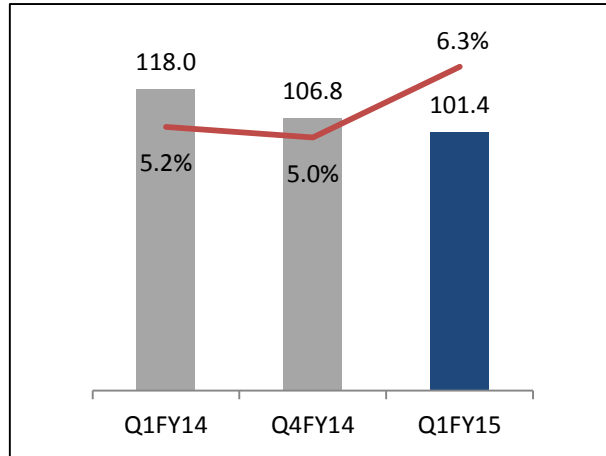


# Segment Performance

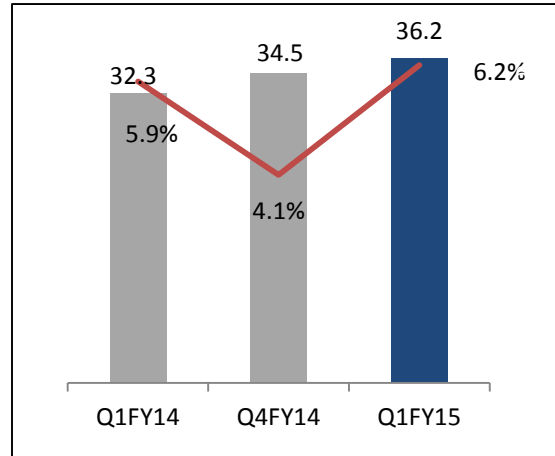


## Net Revenues (Rs. Crores) and EBITDA margins (%)

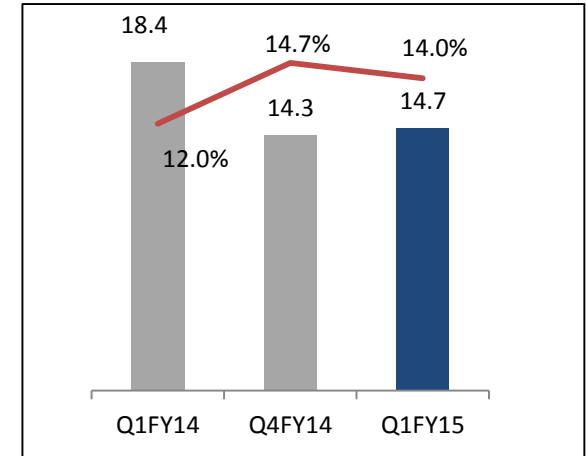
### Steel Products



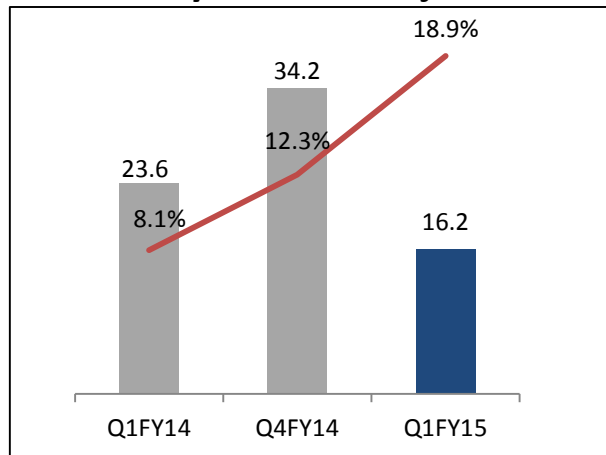
### Tubes



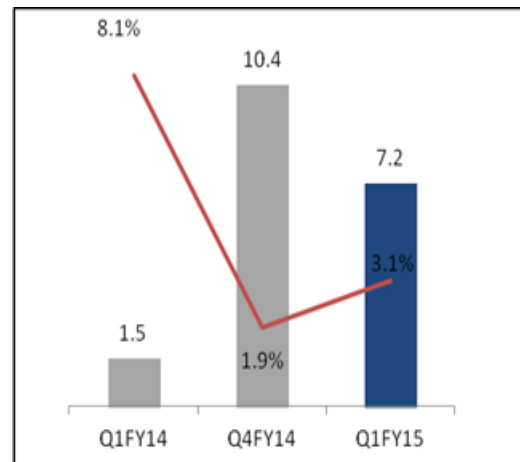
### Industrial Components



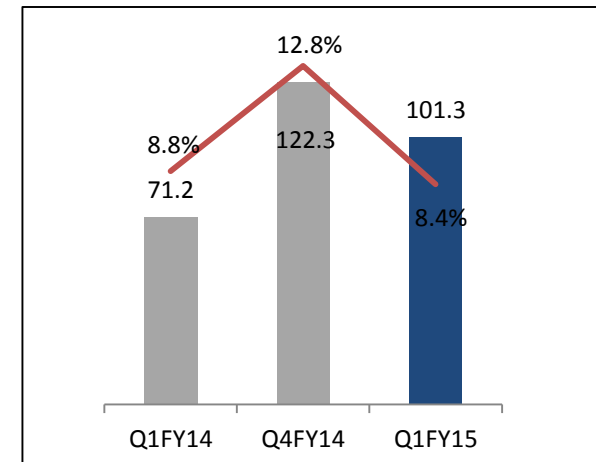
### Systems & Projects



### Pennar Enviro



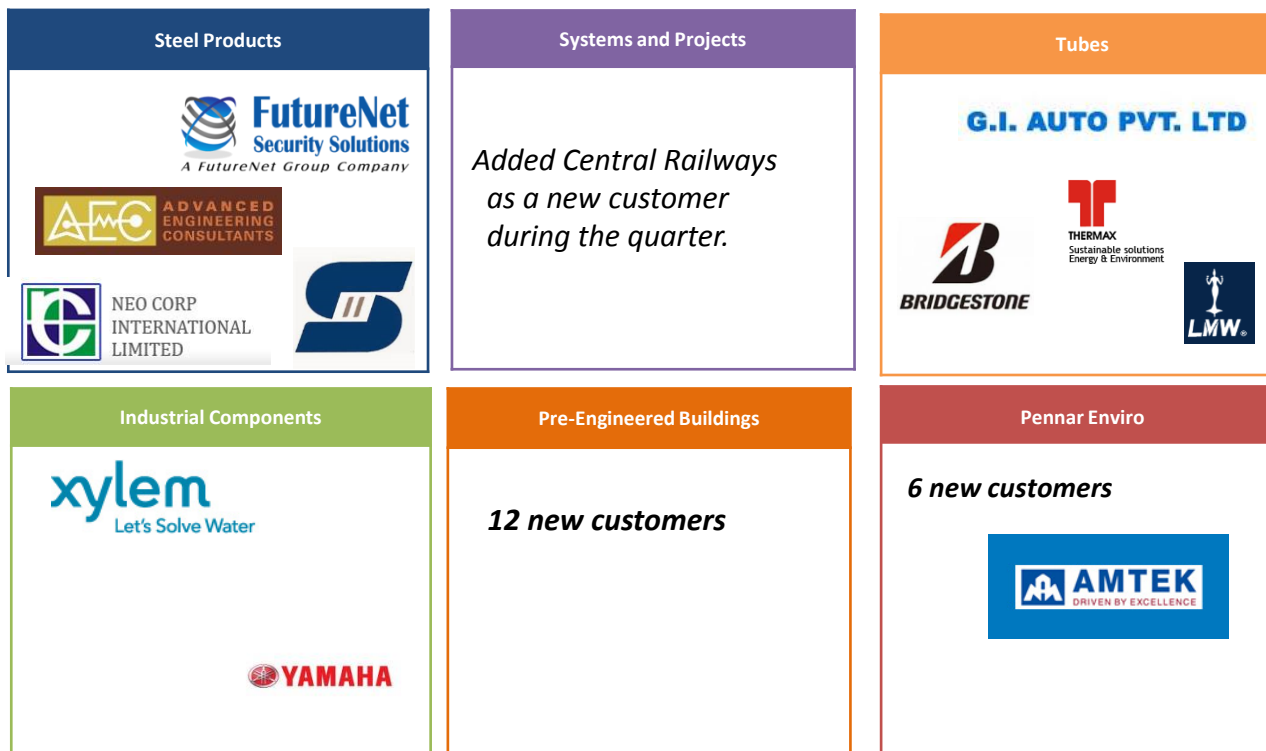
### Pre-Engineered Building Systems



# New Customers and New Products added in Q1FY15



15% of Q1 revenues 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

## Q1 FY15 Highlights

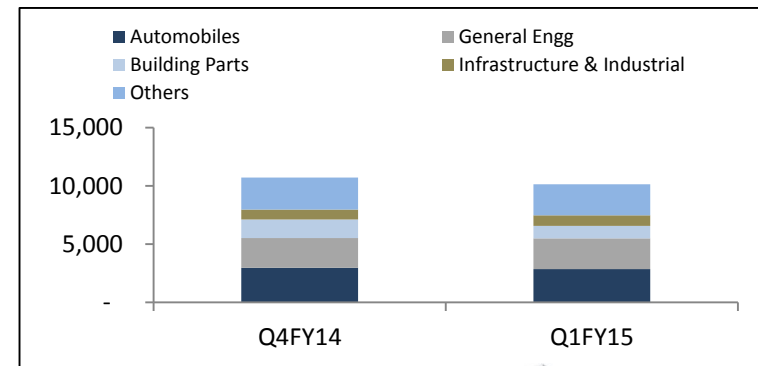
- Sales for Q1FY15 at Rs. **101 crores**
- **Repeat Orders** received from VECV, Ashok Leyland, Prabha Engineers, Tata Group (Auto), Johnson Lifts Ltd.
- **Other major customers** - L&T, Lanco Group, Thermax, Simplex and BGR Energy.
- **New customers added:** Neo Corp International, RKM Powergen Pvt Ltd, Shree Balaji Constructions, Sigma Electric Mfg Corp, MS Global India Automotive Pvt Ltd, Advance Engineering Consultant, Future Net Security Solutions, CK Engineering. Total customers stand at ~100 today.
- **New products** – 250 mt sheet pile (Z Profile) and Wedge Barrier SW1900Type.
- **40% of revenue** from new business.
- **International Expansion** – Added new customer in the US with a new product line. Also getting active enquiries for ESP from Europe and Australia.
- Major orders received in CRSS business- Toshiba Transmission and Distribution, HBL Power Systems LUK India Pvt Ltd.
- ~110 customers in CRSS business. New customers added- ARR Precisions, Vedangh Ent, and Pinnacle Ring Binder India Pvt Ltd.

## Future Outlook:

- **Focus on adding new clients in the Oil and Gas segment. (FMC Technologies Norway)**
- **Receiving enquiries for Proto type job- Torsion Test Frame Assembly**

## Short & Medium Term Plan

- Efforts to add new customers – OTIS, Schindler India, ThyssenKrupp Elevator, Hitachi Lift India etc.
- Submitted proposals to Chattisgarh State Power Generation company Ltd.
- Plans to participate for Tamillnadu Electricity board tenders.





# Business Vertical – Industrial Components



## Q1 FY15 Highlights

- Sales for Q1FY15 at Rs.14.7 crores.
- Major Customers- Emerson Climate Technologies, Tecumseh, India Nippon Electricals, Endurance, Wabco, FSTVS, Letrika Roots, Yamaha, Xylem, FNSS, BEML
- White good Industries slide continues.
- Automotive Industry showing signs of recovery.
- Added five new customers- FNSS, Xylem, Letrika Roots, Yamaha, FSTVS.
- Wabco direct/deemed export order worth Rs. 2 cr in pipeline.
- Honda cup project with INEL started. Sample approval completed.
- Endurance – New Products for new models under discussion.
- Strong global footprint established with customers like- Wabco, Xylem, FutureNet and Letrika.

## Future Outlook:

- Focus on critical high performance components for brake, suspension and auto electrical applications.
- Identify global sourcing and deemed export opportunities, in the Automotive business.
- Focus on increasing the share of business from existing customers.
- Identify opportunities of deep drawn products into other consumer and safety equipment segments.
- Identify sub assembly opportunities – leverage our capabilities of fabrication & pressed components.
- Focus on Bailey Sales Corporation, USA for standard cylinders.
- Explore opportunities in after market construction equipment segments.
- Xylem has offered Base Frame development, which may have a potential of Rs. 20 Cr per annum.



# Business Vertical – Industrial Components



**Guide Bracket**



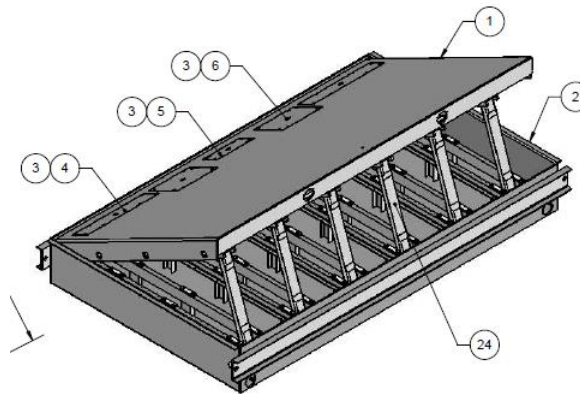
**Rotor cup for Yamaha**



**Bead Plate**



**Wedge Barriers**



**Yoke**

# Business Vertical – Tubes

## Q1 FY15 Highlights

- Sales of Rs 36.2 Crore in Q1; up 12% YoY with CDW volume has grown by 37% .
- Currently at close to 100 customers.
- 60% of business is repeat customers like Isgec, Thermax, ALF Engg, Gabriel, VECV, M.G Auto, Tata Vendors, PHI ,PHA ,LMW, BGR, Patton, TTP etc.
- Clients in the sheet pile segment include- Simplex, HCC, J.Kumar, L& T, Macnally Bharat, Afcon, Gammon.
- New Customers added in Q1 include-
  - Tube: M/s. KTTM, LMW, Bridgestone, GI Auto, Jupitar, Jaypee, Shriram chemicals, Thermax IBR division from Baroda, Raghu Power, Shanthatech, Enmax etc.
  - Sheet piles : Macnally Bharat, Soma Enterprises, BGR.
- New Products added- PRZ 480.
- Market Share- Tubes: ERW : 5% & CDW 6%

## New initiatives to align with market

- Plan to commission the plant expansion equipment worth Rs 4.0Crore like Tube mill, Draw benches- 2 No, Annealing Furnace, Eddy current tester etc.

## **Future Outlook:**

- Doubling the CDW volume from 300MT to 600MT avg. i.e billing Rs 4.5 Crore/month @ 20% contribution.
- To have the end CDW product approvals for Propeller shaft, Hydraulic cylinder tubes, drag links from customer like M/s.QHT /Rane / RSB to plan for higher volumes in 2015/16.



# Business Vertical – Systems & Projects



## Q1 FY15 Highlights

- First quarter begun with order book of Rs. 50 crores.
- Q1 sales at Rs. 16 crore for both coach and wagon.
- New client added - Central Railway; 3.5% of the Q1 revenue.

### Railways

- Integral Coach Factory has indicated outsourcing complete assembly of coaches from FY 15-16. Opportunity worth ~100 crores.
- Plan to manufacture complete under frame Front Part of the coach for which additional infrastructure is needed.
- Market Share ~ 35%

### Solar

- Major orders received- Pennar Engineered Building System, Harsha Abakus Solar Private Ltd, Nuevesol Energy Pvt Ltd, Sterling and Wilson Ltd.
- New customers- Harsha Abakus Solar Pvt Ltd, Ankam Business Solutions.
- Repeat Customers- Pennar Engineered Building System, Nuevesol Energy Pvt Ltd, Sterling and Wilson Ltd.

## Future Outlook and Plan...

- Vendor registration at Rail Coach Factory Kapurthala and Raebareli has been initiated.
- Preparations for supply and installation works at Integral Coach Factory, Chennai for products such as Roof Ventilator, Outer Door Arrangement, Water Tank for which we have to undertake manufacturing, supply, erection & commission from our end, have been initiated.
- In preliminary stage for supply of CRF sections to Bombardier Transport, India, for orders they have received from Queensland Rail & Projects Limited, Australia.



## Q1 FY15 Highlights

- Major Customers are - Reliance, L&T, Schindler India, Sobha Developers, Ultratech, Gland Pharma and NSC Projects
- Installed Capacity of 90000 MT
- 50% revenues from new products/customers.
- 12 new clients added during the quarter- Shyam Indofab, SS Group, Divine Titanium Pvt. Ltd, Lykis Group, SRK Engineering, Azure Power, Syndicate Printers, Whitehouse, YVH Warehouse, Jahnvi Motor Pvt Ltd, Wellman Wacoma Ltd etc.

## Order Inflows

- Received repeat order from Reliance, Schindler India, Ultra Tech, Signode India, Orion Projects, Frontier Sales Corporation, Abir Infrastructure Pvt Ltd.
- Executed Major PEB orders for customers like Ultratech cements, L&T, RCC Infra etc
- Strong order book size of Rs 325 Crores.

## Future Outlook and Plan-

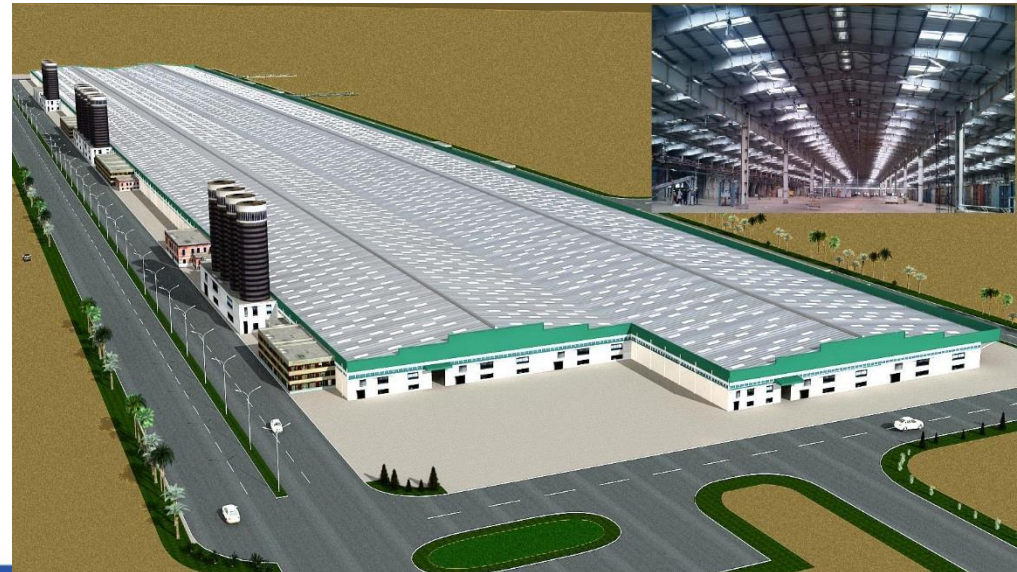
- Expect more orders from Engineering services and high-rise buildings.

# PEBS - Completed Projects

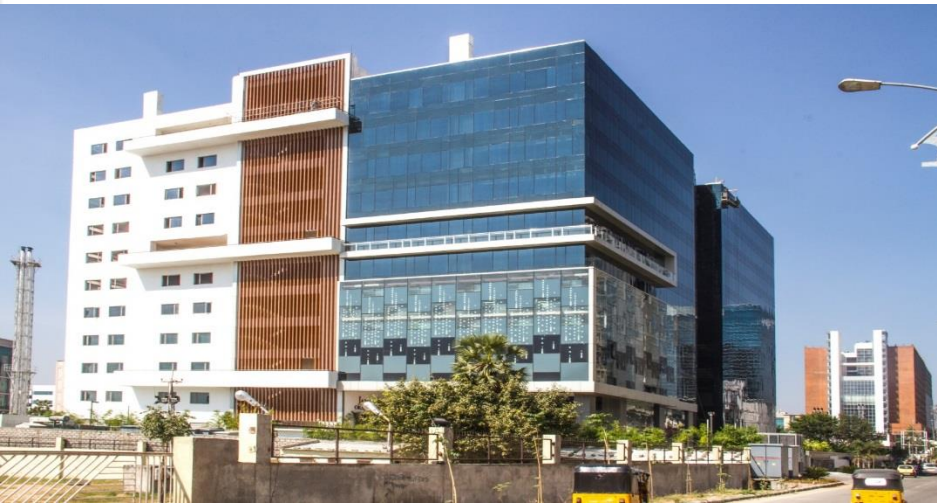


UltraTech Birla White Cement, Jodhpur, Rajasthan - Stacker reclaimer shed of 75m clear span

IOT Infra, Dhahej, Gujarat - Warehouse building of length 1km and 145000 Sqm area



# PEBS - Completed Projects



Jayabheri Orange County, Hyderabad - G+10 floor commercial building for Jayabheri Properties at Hyderabad

Schindler India, Pune, Maharashtra - Factory building covering an area of 25,500 Sqm



Tata Steel Processing & Distribution Limited, Chennai, Tamil Nadu - Factory building



## Q1 FY15 Highlights

- Total customers: 18 Water Projects and 200+ in Chemicals and O&M.
  - Major Customers are- Hero Cycles, Deepak Nitrate, Goodyear India, Silk Road Sugars, SLN Coffee, Lavgan and JSW.
  - Added 6 new customers in the quarter - Jaypee Balaji Cement, SR International Paper, Amtek Auto, Simhapuri Energy Limited, Kalpathruvu Distilleries and Ritwik Power.
- 
- Repeat orders from existing customers –
    - Chemicals: Hero Cycles, Deepak Nitrite Ltd , Goodyear India
    - O&M: Silk Road Sugars, SLN coffee,
    - Projects: Lavgan , JSW
  - Market share
    - Water Projects – 0.5%-1%
    - Water treatment chemicals – 1.5%
    - O&M – 0.5%

## Future Outlook:

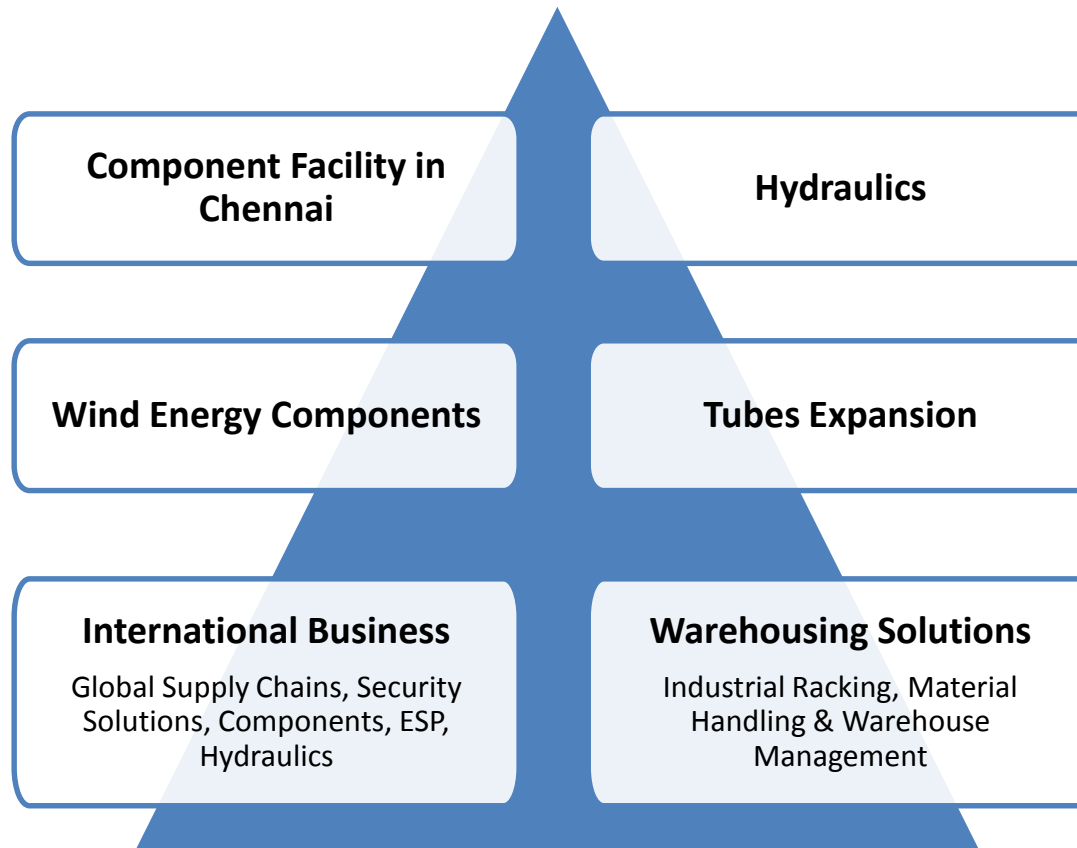
In the first year of commercial operation, the company has crossed the order booking of most established players in the market and secured a significant place among the leaders in the industry.

PEL is in the process of strengthening its position in the coming years and had already initiated activities for tie ups and joint ventures to participate the larger projects coming up the coming years.





# Continue the move to create an “Engineering Enterprise”



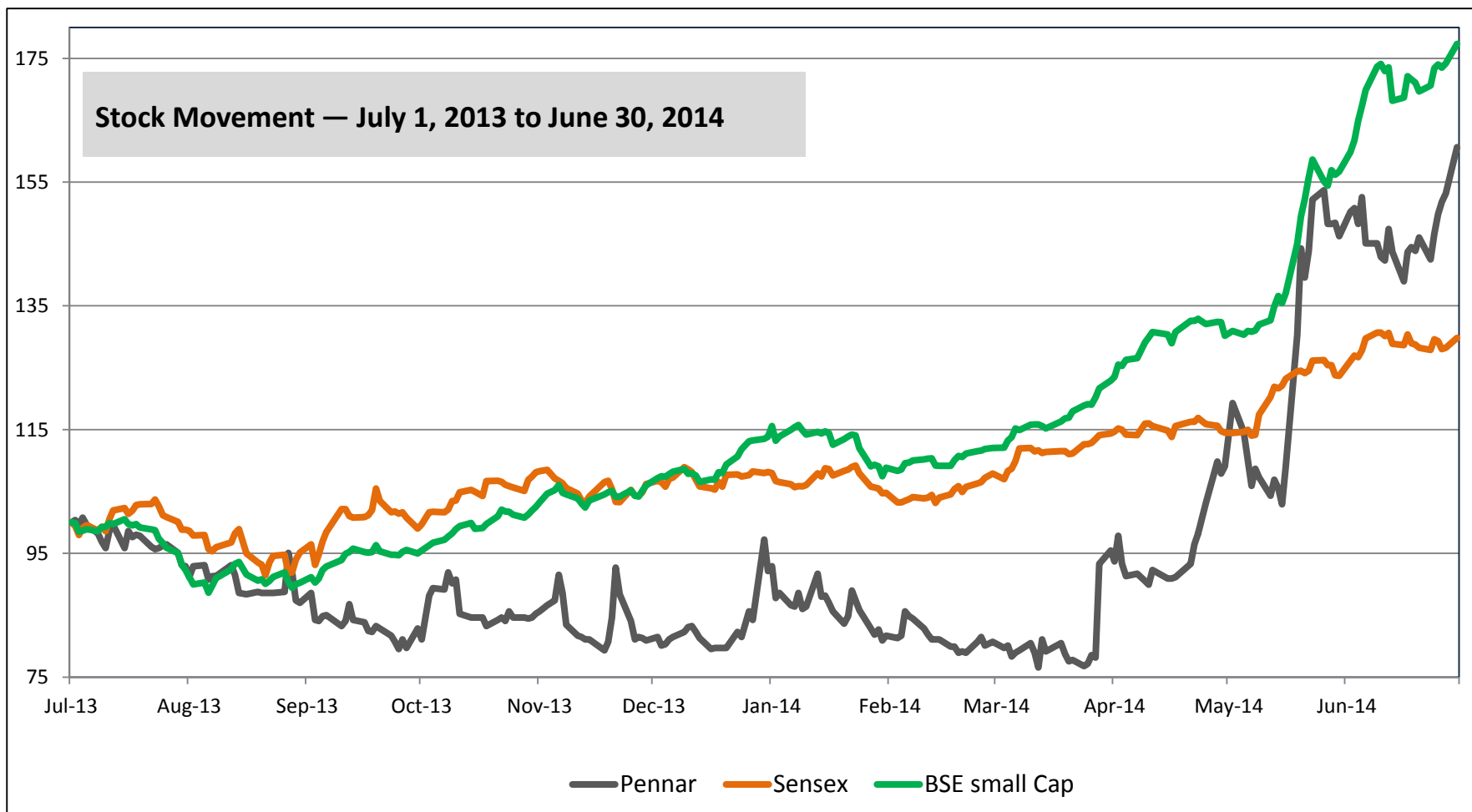
# Distributed Manufacturing



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



# Pennar underperformed BSE Small Cap Index by 17%

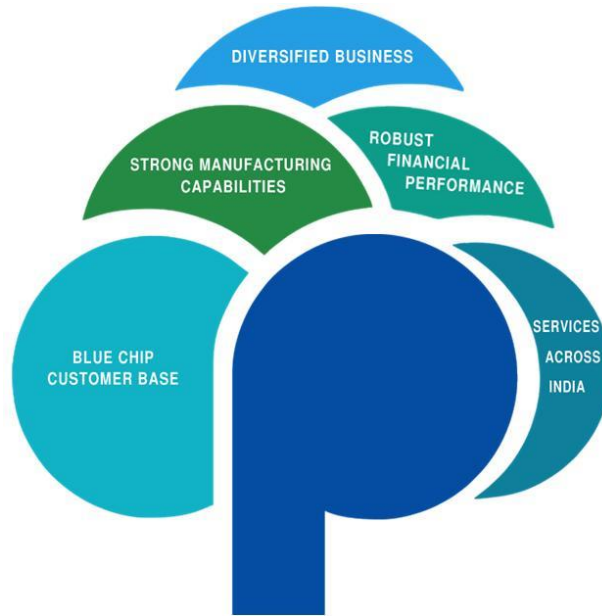


\*Rebased to 100



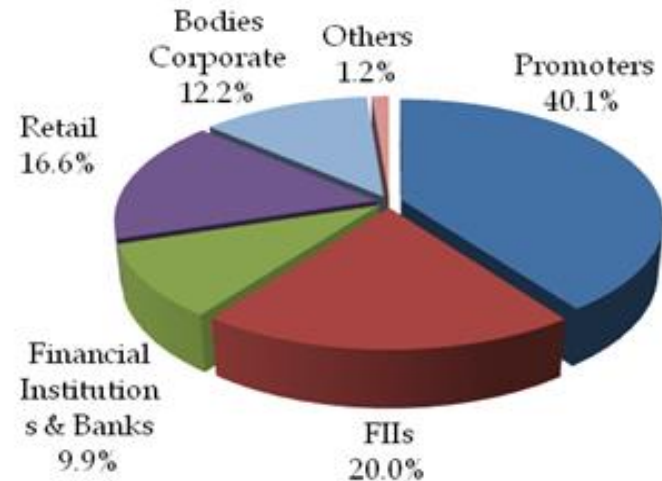
# Business Structure, Segments & Leadership Team

# Pennar Group – Business Structure, Holdings



Market Cap as of June 30 2014 (BSE) :  
Rs.4,896 million; ~120 million shares

Shareholding Pattern (June 30, 2014)



## Pennar Industries Limited

Steel Products; Steel Tubes;  
Industrial Components; Systems &  
Projects



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



Industrial water treatment  
solutions, water treatment  
chemicals and fuel additives

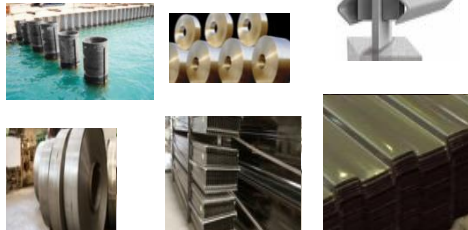


# Business Segments and Products

## 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

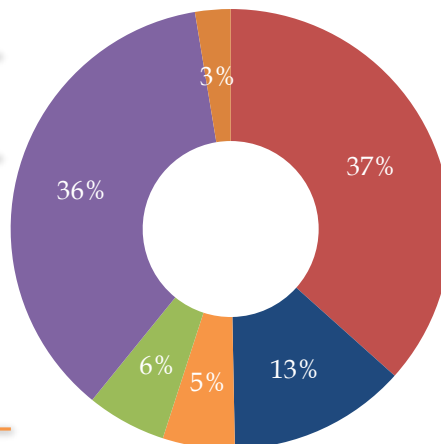


# Segment Composition



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

Q1FY15 Net Revenues



## Pennar Enviro

- Pennar Enviro: 3%

## Pre-Engineered Buildings

- Pre-Engineered Buildings: 36%

## Systems and Projects

- Railways (Systems): 5%
- Projects (Solar): 1%

## Industrial Components

- Auto & White good Components: 5%

## Steel Products

- General Engg: 10%
- Automobile: 10%
- Buildings: 4%
- Auto: 5%
- Infrastructure Profile: 3%
- Other: 5%

## Tubes

- ERW Tubes: 10%
- CDW Tubes: 3%

### Industry – wise contribution to revenues (Standalone business):

- |                                    |                               |
|------------------------------------|-------------------------------|
| ○ <b>Auto – 28%</b>                | ○ <b>Tubes – 21%</b>          |
| ○ <b>General Engineering – 16%</b> | ○ <b>Infrastructure – 13%</b> |
| ○ <b>Building Products – 6%</b>    | ○ <b>White Goods – 6%</b>     |
| ○ <b>Railways – 8%</b>             | ○ <b>Solar – 2%</b>           |

*...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 &  
Managing Director



***P. V. Rao***

Executive Director  
PEBS Pennar



***Shreepad Purkar***

President and CEO  
Pennar Enviro

## Business Units



***Dayasagar Rao***

Business Head  
Steel Products



***M. Bhoopal Reddy***

Business Head  
Tubes



***Shiva Kumar K***

Business Head  
Industrial Components





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