

# Pennar Industries Limited

*Engineering Excellence*



## Investor Presentation

### Q1FY14



**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



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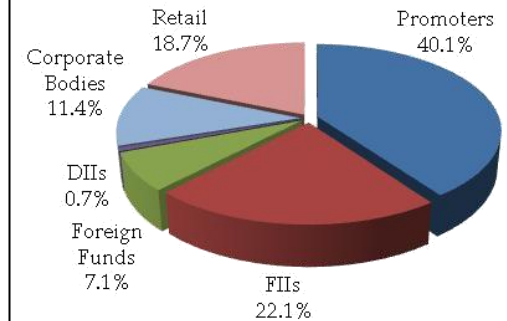
# Pennar Group – Business Structure, Holdings



**PENNAR GROUP**

Market Cap as of June 30, 2013: Rs. 3,112 million; 122 million shares

Shareholding Pattern (June 30, 2013)



**Pennar Industries Limited**

STANDALONE COMPANY

[www.pennarindia.com](http://www.pennarindia.com)

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



SHAPING YOUR IMAGINATION

[www.pebspennar.in](http://www.pebspennar.in)

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



**PENNAR ENVIRO**  
Re-engineering Water, Environment & Energy

[www.pennarenviro.com](http://www.pennarenviro.com)

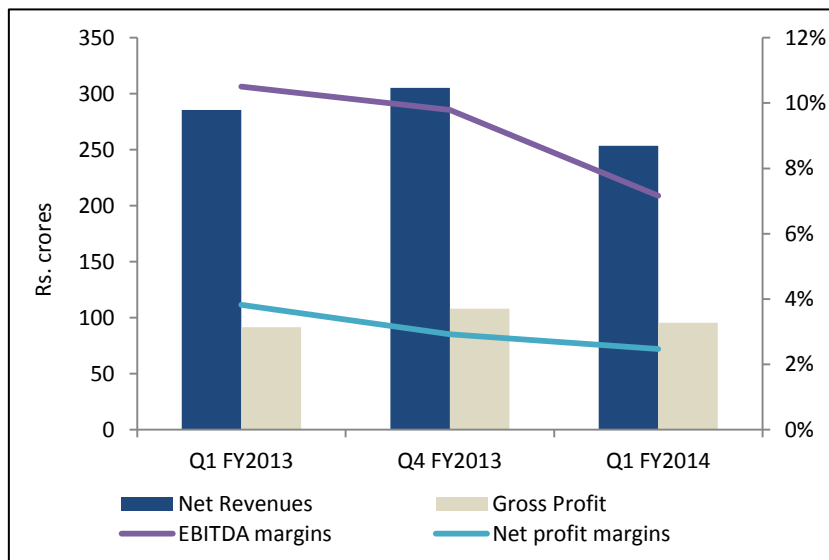
Industrial water treatment  
solutions, water treatment  
chemicals and fuel additives



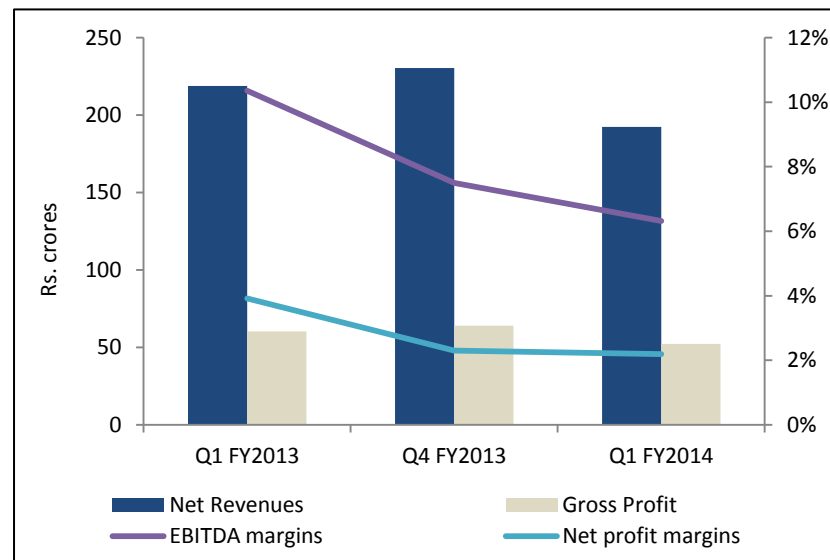
# Q1FY14 Financial Performance



## Consolidated



## Standalone



- Net Sales of Rs. 254 crores; -11% YoY and -17% QoQ
- Gross Profit of Rs.95 crores
- Gross margin of 38%, up from 32% YoY and 35% QoQ
- EBITDA margin of 7%
- PAT margin of 2%

- Net Sales of Rs. 192 crores; -12% YoY and -17% QoQ
- Gross Profit of Rs.52 crores
- Gross margin of 27%, compared to 28% YoY and 28% QoQ
- EBITDA margin of 6%
- PAT margin of 2%

- Consolidated EPS per share of Rs. 0.51 in Q1FY14; -43% YoY and -30% QoQ
- Consolidated Cash EPS per share of Rs. 0.88 in Q1FY14; -34% YoY and -12% QoQ



# Business Segments and Products



## Diversified Product Portfolio Across Industries

**↓12% QoQ**      **Steel Products**      **↓12% YoY**

- Automobiles
- General Engineering
- Infrastructure
- White Goods

**↓52% QoQ**      **Systems and Projects**      **↓38% YoY**

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

**↑14% QoQ**      **Tubes**      **↑18% YoY**

- Automobiles
- Power

**↓6% QoQ**      **Industrial Components**      **↓2% YoY**

- Automobiles
- Industrial
- White Goods

**↓19% QoQ**      **Pre-Engineered Buildings**      **↑6% YoY**

- 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 Q1FY14 net revenues

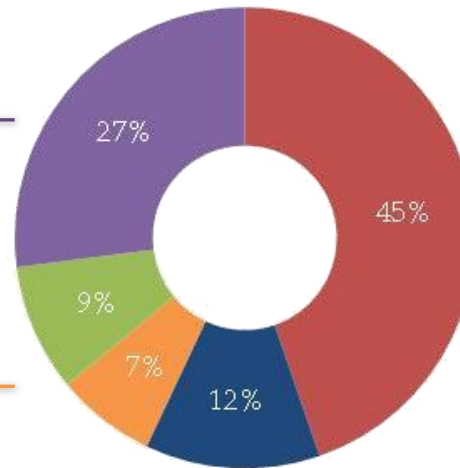


# Segment Composition



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

## Q1FY14 Net Revenues



### Pre-Engineered Buildings

- Pre-Engineered Buildings: 27%

### Systems and Projects

- Railways (Systems): 6%
- Projects (Solar): 3%

### Industrial Components

- Auto & White good Components: 7%

### Steel Products

- Cold Rolled Steel Strips: 24%
- Auto: 6%
- General Engineering Profiles: 2%
- Infrastructure Profiles: 13%

### Tubes

- ERW Tubes: 11%
- CDW Tubes: 1%

### Industry – wise contribution to revenues:

- Auto – 22%
- General Engineering – 18%
- Railways – 13%
- Infrastructure – 40%
- White Goods – 5%
- Others – 2%

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



# New Customers and New Products – *as a way to counter low demand from key segments*

Over 110 new customers added in Q1 alone

10% of Revenue for PIL standalone from New Customers & New Products

## PENNAR INDUSTRIES

ROSE ENGINEERING  
Rose Engineering – Pune

Bostik India Pvt. Ltd.

ISGEC

WABCO

KZL

AEG POWER SOLUTIONS

Praja Mechanical

Ambuja Cement

TATA MOTORS

SOLON

B L HASHYAP  
WE BUILD YOUR WORLD

## PRE-ENGINEERED BUILDINGS

Shapoorji Pallonji & Co. Ltd.

ACC

GLAND PHARMA

Reliance Industries Limited

ABIR Infrastructure Pvt. Ltd.  
Adding Strength to Infrastructure

Ambuja Cement

## PENNAR ENVIRO

AMTEK  
Experience Excellence

MY HOME CONSTRUCTIONS  
MY HOME GROUP

## New Products and Associated Customers in Q1FY14

### New Products added in Industrial Components:



Piston Rod & Fork Assembly



Service Piston Rod Assembly



Piston Rod Assembly

### Steel Products:

- Leaf springs
- 'C' channel
- Cross members
- Fuel tanks for 11 variants
- Protection grill
- Mounting plate
- Runway half KBK profile

### Prototypes for Railways:

- Retention tank
- Fiat bogie
- Nose cone
- Water tank

ASHOK LEYLAND

Praja

Reliance Industries Limited

DSC  
Deachang India Ltd - Chennai

SCHWING Stetter

GREAVES  
SINCE 1859

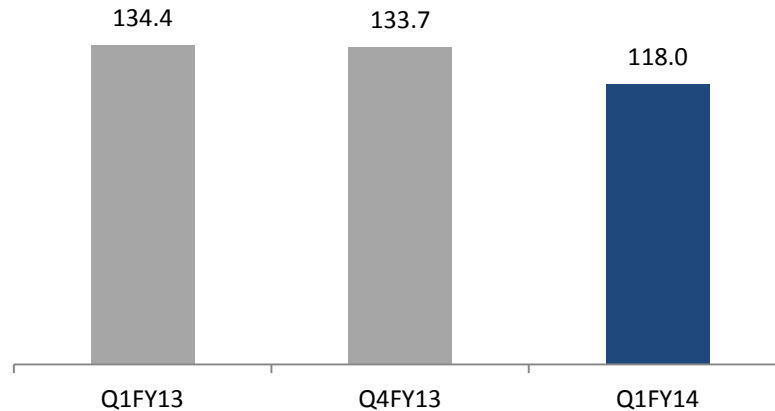
Fenesta Windows  
Transforming Homes

Target to add Rs.150 Crore Revenue in 2014

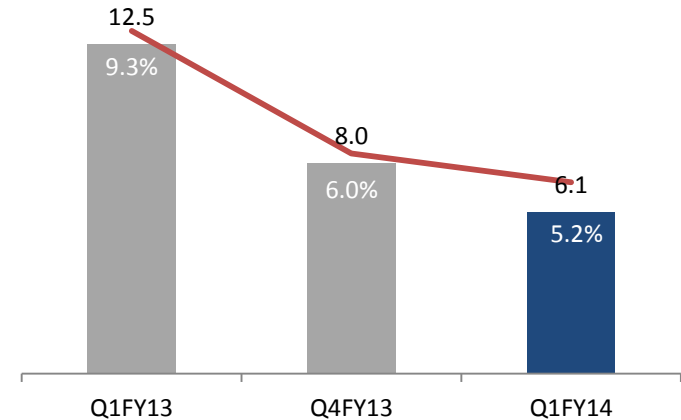


# Business Vertical – Steel Products

**Net Revenues** (Rs. Crores)



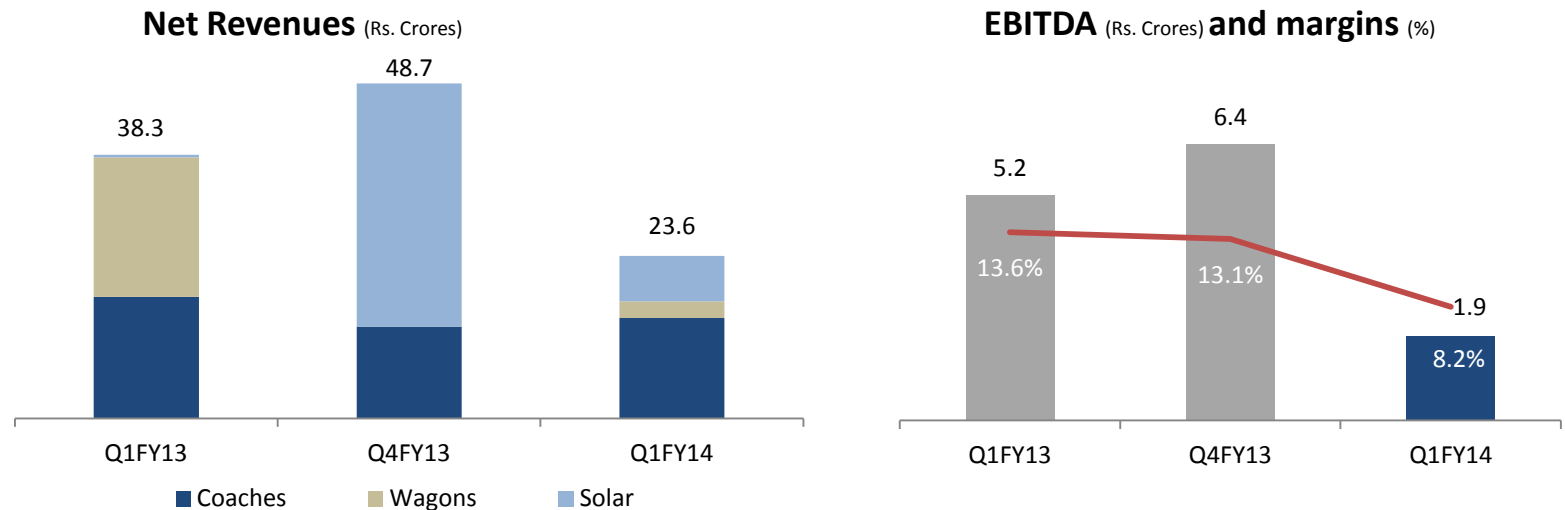
**EBITDA** (Rs. Crores) and margins (%)



## Quarter Highlights

- Lower volumes from Automobile segment; changed product / customer mix
- >75% of the business comes from Auto, Power and Infrastructure Industry
- Volume expansion through smaller ticket sizes and steeply widening customer base → Revenue growth but margin erosion
  - 54 new customers added in Q1. Several new product development programs initiated
- TPM initiatives undertaken to reduce wastage and improve product quality
- Good order entry in steel products; Focus on non auto segments to mitigate slowdown in auto
- **Future Outlook:** Continued focus on new customers and new products to compensate for lower demand from key segments

# Business Vertical – Systems & Projects



## Quarter Highlights

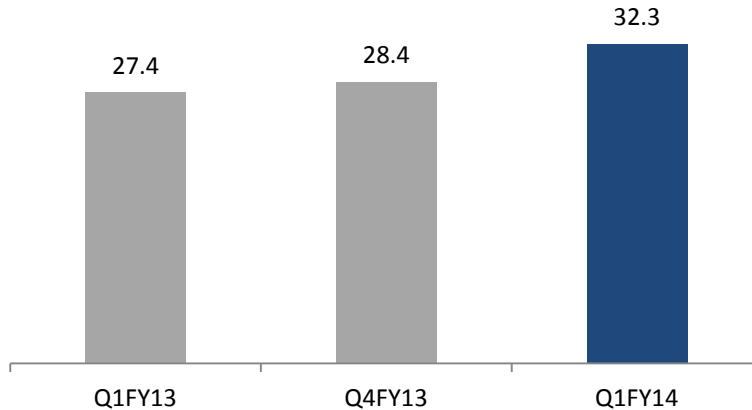
- Solar and Coach component business shows a QoQ growth; Wagon orders continue to get delayed
- Solar segment - offerings now include large as well as small projects
  - Seasonality mitigated by new product approach aiding even in low activity quarters
  - 4 new customers to solar
  - New Offering: Solar mounting structures with Tracking System
  - Solar business grew from Rs.39 lakhs in Q1 2013 to Rs. 6.6 crore in Q1 2014
- Railways
  - Began work for BEML on a new product of body pillars for coaches
  - New Product Development & Engineering Team

## Future Outlook:

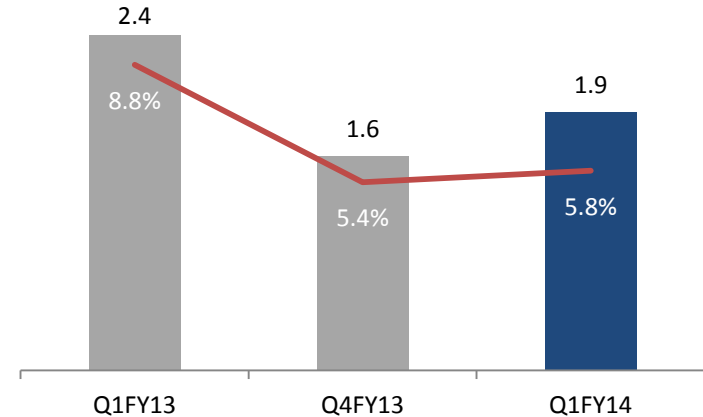
- Sales pipeline in Solar business is at more than Rs.80 crores; Order book for Railways business Rs.23.2 crores
- Visibility for Railways business is approximately Rs.100 crores in Coach segment

# Business Vertical – Tubes

**Net Revenues** (Rs. Crores)



**EBITDA** (Rs. Crores) and margins (%)



## Quarter Highlights

- Growth in CDW product area
- Tubes grew by 18% over Q1 2013 despite overall negative development
- Added over 25 new customers in Q1FY14
- Focus more on special grade ERW / CDW products; new product development for CDW accelerated
- Utilized over 80% of the installed capacity at 2,200 MT per month; adding capacity for increasing volumes
- Full-fledged product development team; marketing team in place

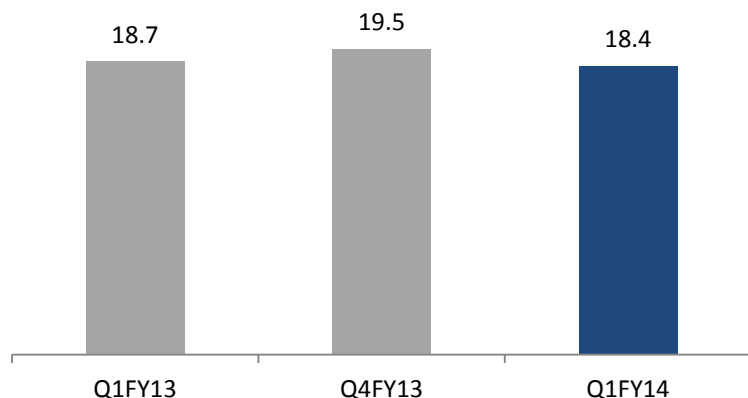
## Future Outlook:

- Current order book and product acceptance indicates that the growth in Tubes business can continue in the coming quarters
- Capacity addition underway to address growing demand for CDW Tubes

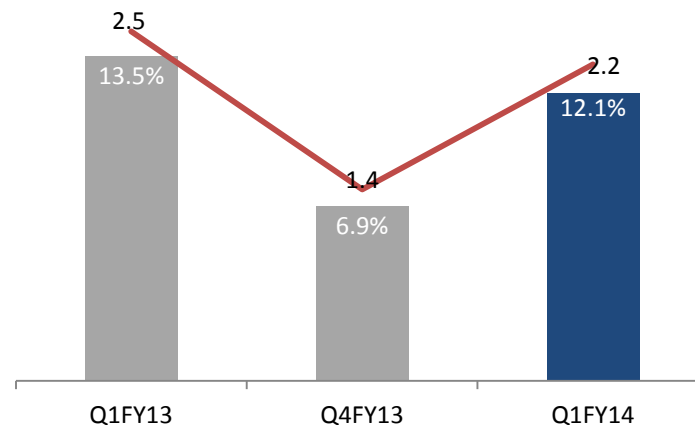
# Business Vertical – Industrial Components



**Net Revenues** (Rs. Crores)



**EBITDA** (Rs. Crores) and margins (%)



## Quarter Highlights

- Significantly lower volumes from White Goods sector
- Shifting components activities to Chennai under way
- Wabco China approves Piston Rod assembly for exports
- With Wabco India's Press Metal Supplier consolidation in progress, Pennar will witness enhanced market share
- Phase 1 of India Nippon Electricals Limited (INEL) consolidation is completed.
- Opportunity pipeline generated worth Rs. 60 crores

## Future Outlook:

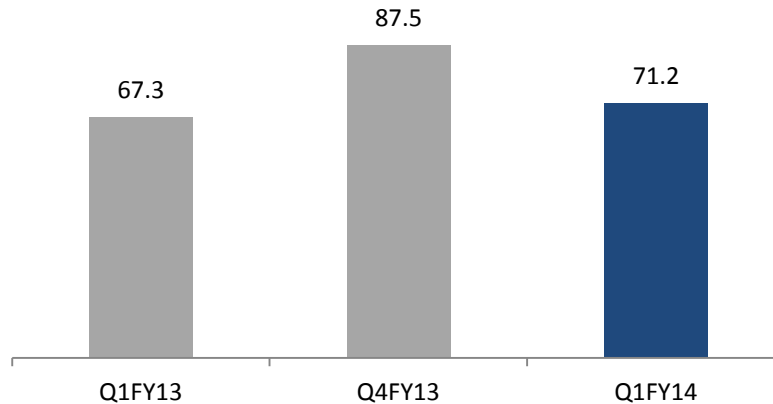
- Growth from New customers and New products to mitigate slowdown in White Goods and Auto segment



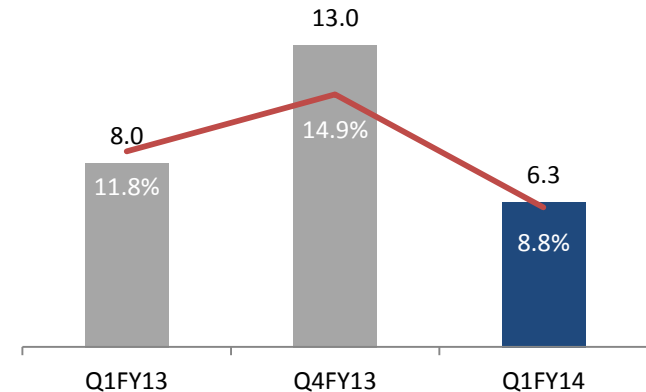
# Segment – Pre-Engineered Buildings



**Net Revenues** (Rs. Crores)



**EBITDA** (Rs. Crores) and margins (%)



## Quarter Highlights

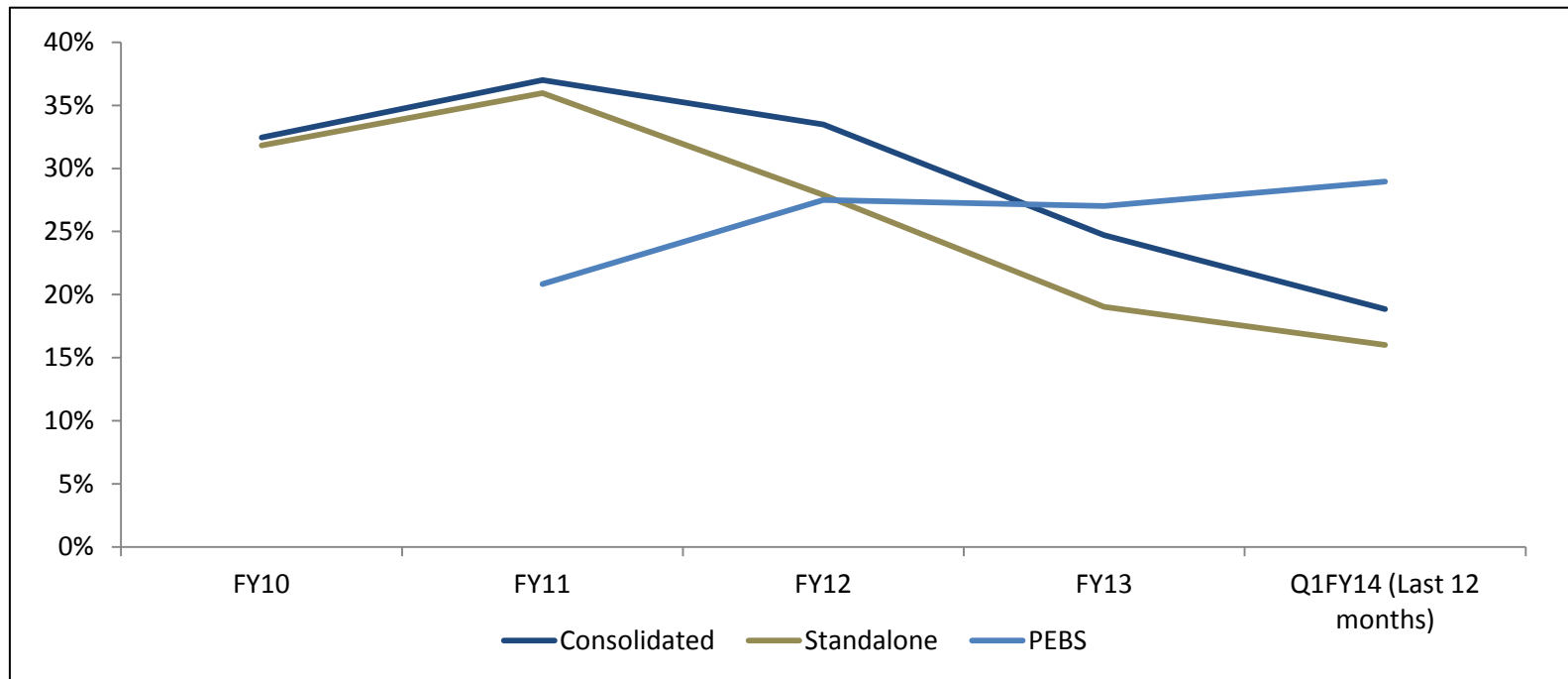
- Net Revenues up by 6% YoY
- Over 30 customers added during the quarter
- Received major orders from customers such as India Logistics, Shapoorji Pallonji, Gland Pharma and others
- Received repeat orders from Reliance, Abir Infra, ACC, S S Developers, Volvo and others
- Began solar order execution and also started implementation of ERP
- Current order book of over Rs.320 crores

## Future Outlook:

- The Company plans to expand to international markets and will be setting up sales offices in East Africa and Middle East
- Focus will be on new segments like structural steel, multi-storied buildings, industrial racking systems and space frames
- Growth in next few quarters would make up for Q1 seasonality



# Return on Capital Employed



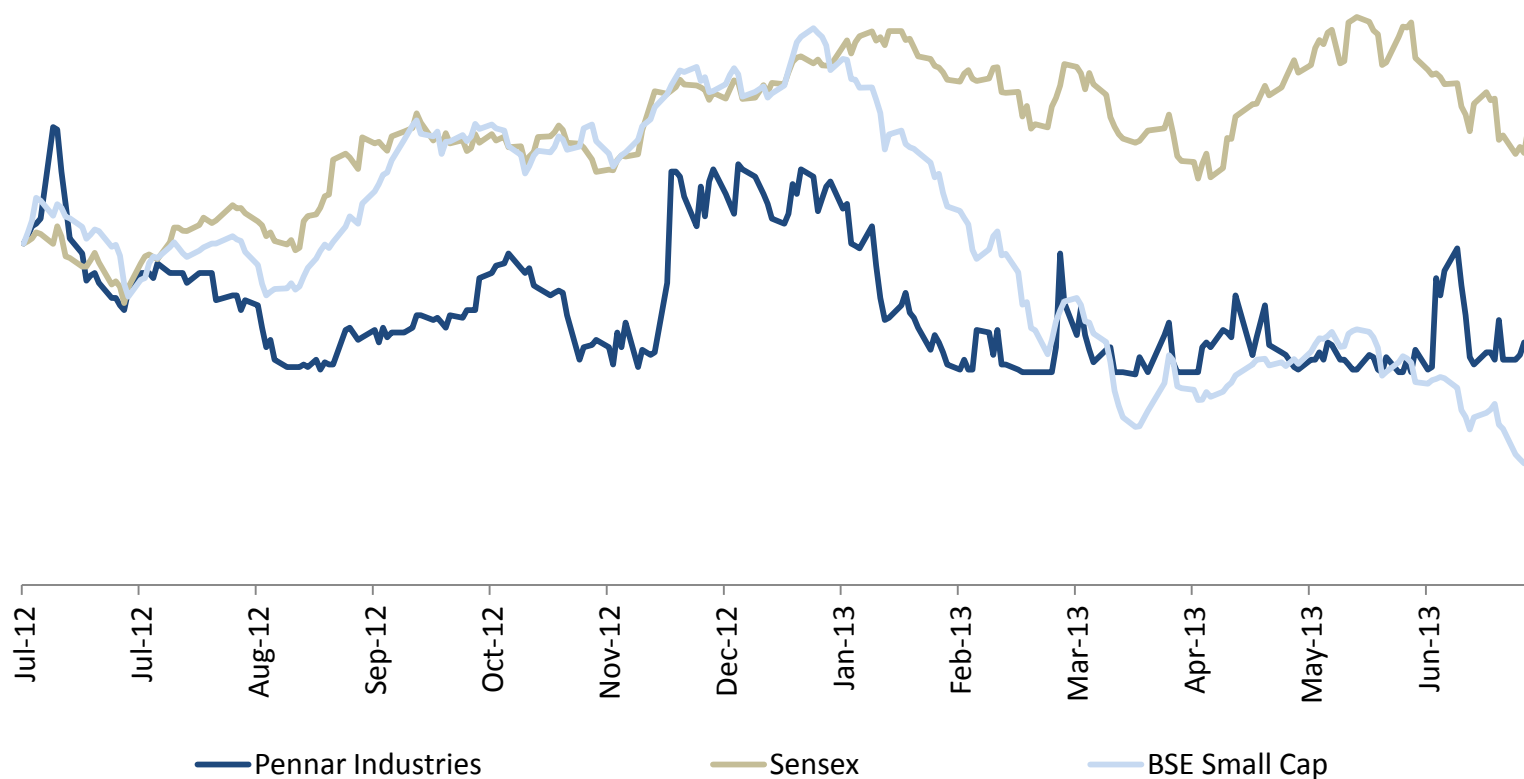
- Consolidated Total Debt as of June 30, 2013: Rs.161 crores
- Consolidated Total Equity as of June 30, 2013: Rs.354 crores

\*ROCE = EBITDA / Average Capital Employed

# Pennar Outperformed BSE Small Cap Index by 8.3%



Stock Movement — Jul 1 2012 to Jun 30 2013



\*Rebased to 100



# Focus on Quality Management

## India Nippon Electricals Limited (INEL) Visit to Chennai Plant



INEL Line exclusive for XLS



Auditing the process



Inspecting the quality of the product



Verification of the corrective actions taken in the tools



# Focus on Quality Management

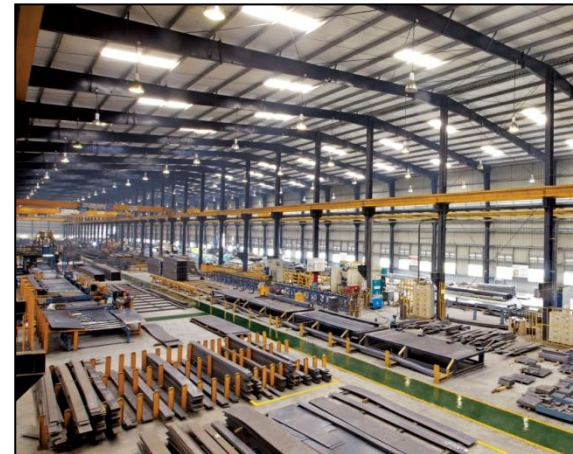
## 1S Drive – “My Machine Campaign”



## Other initiatives @ Pennar



Open House Programme for Workers



India's First IGBC Factory, PEBS Plant at Sadashivpet

# Focus on Quality Management

## Improvement Project

### Surface improvement at Pickling



Before - Un-pickled surface



After - Bright surface finish

### At Skin-Pass Mill



Before - Waviness & Camber

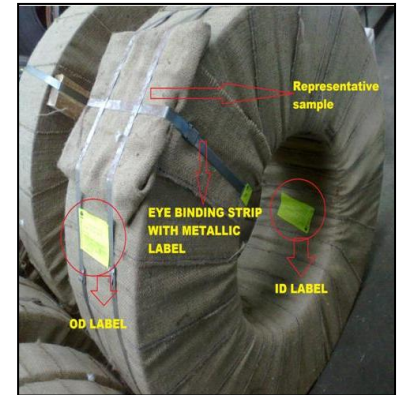


After - Waviness & Camber eliminated

### Packing Improvements



Before - Poor Packing



After - Good Packing

# Leadership Team; Management



## Leadership Team



**Nrupender Rao**

Executive Chairman

Pennar Group



**Aditya N. Rao**

Executive Vice Chairman

Pennar Group



**Suhas Baxi**

President and CEO

Pennar Industries



**P. V. Rao**

Executive Director

PEBS Pennar



**Shreepad Purkar**

President and CEO

Pennar Enviro

## Management Team with rich, diverse experience



**Ravi Rajgopal**

Vice President

Finance & Company  
Secretary



**Chandrashekhara  
Talathi**

Executive Vice President  
Head of Operations



**G. Venkat Rao**

Business Head  
Steel Products



**Ravi Shankar V**

Vice President  
Systems & Projects



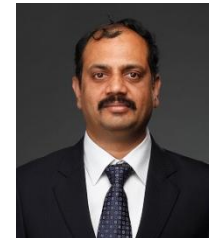
**M. Bhoopal Reddy**

Business Head  
Tubes



**Shiva Kumar K**

Business Head  
Industrial Components



**Ramesh Nandagiri**

Vice President  
Engineering &  
Development



# Awards and Recognitions



- Mr. Nrupender Rao, Chairman of Pennar Industries, received FAPCII award for Best Allround Performance – Pennar Industries



- Mr. P V Rao, Managing Director of PEBS Pennar, chosen by Hyderabad Management Association (HMA) as Manager of the Year for 2013



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



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