



Press release

For immediate release

November 6, 2013

Pennar consolidated Q2FY14 Revenues at Rs 238 Cr; EBITDA margin improves 66 bps QoQ

Forays into Hydraulics with acquisition of Wayne Burt Petro Chemicals assets

Hyderabad, November 6, 2013: Pennar Industries Limited, one of India's leading industrial companies engaged in the production and marketing of specialized engineered steel solutions, announced their unaudited financial results for the quarter ended 30th September, 2013, today.

Commenting on the results and performance, **Aditya Rao, Vice – Chairman of Pennar Industries Limited**, said: *“Pennar’s entry into hydraulics and industrial storage and warehousing, our investment in new product development and expansion of customer base are the foundation of our evolution into an engineering enterprise. We believe that these efforts are necessary for long term value creation. Pennar’s subsidiaries Pennar Engineered Building Systems and Pennar Enviro have had a strong quarter and have booked orders across multiple verticals. The subsidiaries will now focus on revenue growth and expanding addressable market size”.*

Commenting on the results and performance, **Suhas Baxi, President and CEO of Pennar**, said: *“Operating cost efficiency projects have started yielding results for us. The improved margins in Q2 prove that process improvement and innovation is translating into better bottom line. Q2 also saw an impressive performance on order entry. This has created a platform for growth in the near term. Even in times of turnover stress, Pennar continues to produce good, positive margins and cash flow. This is keeping our balance sheet strong and allowing us to invest in growth through new businesses and assets”.*

Read more on Pennar’s growth story in the latest FY12-13 annual report titled “TRANSFORM” [LINK](#)

CONSOLIDATED FINANCIAL HIGHLIGHTS:

(Rs. Crore)	Q2		y-o-y	H1 FY14	y-o-y
	FY2014	FY2013	Growth (%)		Growth (%)
Gross Sales	274.1	300.4	(8.7)%	567.2	(10.0)%
Net Sales	238.3	260.0	(8.4)%	491.9	(9.9)%
EBITDA	18.6	27.8	(32.9)%	36.8	(37.0)%
EBITDA Margin (%)	7.8%	10.7%		7.5%	
Cash Profit	10.7	15.9	(33.0)%	21.4	(33.5)%
Cash Profit Margin (%)	4.5%	6.1%		4.4%	
Net Profit	5.9	11.2	(47.3)%	12.2	(45.1)%
Net Profit Margin (%)	2.5%	4.3%		2.5%	
Basic EPS (Rs)	0.49	0.92	(46.9)%	1.00	(45.1)%

SEGMENTAL PERFORMANCE:

(Rs. Crore)	Sales				EBITDA				EBITDA Margin (%)						
	Q2		y-o-y	Q1	Q2		y-o-y	Q1	Q2		y-o-y	Q1	Q2		
	FY14	FY13	Growth (%)	FY14	Growth (%)	FY14	FY13	Growth (%)	FY14	Growth (%)	FY14	FY13	Growth (%)	FY14	Growth (%)
Steel Products	102.0	110.7	(8)%	118.0	(13)%	6.7	8.5	(20.9)%	6.1	9.9%	6.6%	7.7%	(109)	5.2%	140
Tubes	30.3	21.7	40%	32.3	(6)%	1.5	1.5	(4.3)%	1.9	(22.2)%	4.8%	7.0%	(220)	5.8%	(97)
Industrial Components	11.9	18.6	(36)%	18.4	(35)%	1.5	3.4	(55.2)%	2.2	(31.4)%	12.8%	18.4%	(557)	12.1%	70
Systems and Projects	25.8	46.9	(45)%	23.6	9%	3.0	7.0	(56.4)%	1.9	56.1%	11.7%	14.8%	(310)	8.2%	350
Total Standalone	170.1	197.9	(14.0)%	192.3	(11.6)%	12.7	20.4	(37.5)%	12.2	4.8%	7.5%	10.3%	(281)	6.3%	117
Pre-Engineered Buildings	70.0	62.6	12%	71.2	(2)%	6.3	7.4	(14.2)%	6.3	1.0%	9.0%	11.8%	(274)	8.8%	24
Sub Total	240.1	260.5	(7.8)%	263.5	(8.9)%	19.1	27.8	(31.3)%	18.4	3.5%	7.9%	10.7%	(272)	7.0%	95
Regrouping Adjustments	(1.8)	(0.4)		(9.9)		(0.4)	0.0		(0.3)						
Total Consolidated	238.3	260.0	(8.4)%	253.6	(6.1)%	18.6	27.8	(32.9)%	18.2	2.6%	7.8%	10.7%	(286)	7.2%	66

BUSINESS HIGHLIGHTS FOR Q2FY14:

- **Steel Products:** There is a substantial increase in the contribution of the general engineering segment which gained 20% revenue share YoY. This was accompanied by an increase in market share with existing customers and foray into new areas with new customers. Going into the remainder of the year, we see a seasonal recovery in certain segments like commercial vehicles as well as good volumes from new products and customers.
- **Systems & Projects:** We have seen stable performance in both the Railways and Solar segments. The order book for Railways stands at Rs. 50 crore while Solar stood at Rs 30 crores as of September 30, 2013. While the order book is expected to help in QoQ growth, we continue to have a healthy pipeline both in Railways and Solar segments.
- **Tubes:** Business volumes have stabilized and consolidated. Stability and increased capacity utilization has led us to make some calculated investments in expansion. The topline and EBITDA grew business despite the slowdown in the automobile and power sectors. Growth in the Tubes business is due to new customers in the precision tubes (CDW) segment. We expect this growth to continue in the next quarters. We also expect margins in this business to improve as new customers stabilize their schedules in the coming quarters.
- **Industrial Components:** The acquisition of Wayne Burt Petro Chemicals would lead to expansion of product offerings like Hydraulic Cylinders for construction equipment. We are singularly focused on adding new products, segments and customers. We have added two new products in the auto components segment – braking components and steering components. This will help us in market expansion and reduce our dependence on the White goods segment.
- **Pre-Engineered Buildings (PEBS):** Received new orders from reputed companies like Inspira Martifies, RCC Infra, Sobha Developers, Ashirvad Pipes and others. We also received repeat orders from L&T, Schindler and others. We added over 15 new customers during the quarter. The total number of customers as of Q2FY14 stands at 150.

- **Pennar Enviro:** This is a new business for Pennar. In Q2, we began order booking in the water EPC vertical. We booked 2 MLD desalination orders and 2 large scale STP and ETP orders. Orders worth Rs. 15 crores were received during Q2 from customers such as HETERO Drugs, L&T Metro, Hyderabad, Holycross Hospital and others. Repeat orders were received from United Breweries, L&T Metro Hyderabad, PARK, Cummins India and others. We are exploring “water recycling / reuse” TTP projects in the industrial segment in the area of effluent treatment. We are also focused on launching water-based polymer series in effluent water treatment markets in India Q3 onwards.

ABOUT PENNAR INDUSTRIES LIMITED:

Pennar Industries (NSE: PENIND, BSE: 513228) is one of India’s leading industrial companies engaged in the production and marketing of specialized engineered steel solutions. The Company has a strong presence across growth sectors in India through four business units, Steel Products, Tubes, Industrial Components and Systems & Projects, and two subsidiary companies, Pennar Engineered Building Systems Limited and Pennar Enviro Limited. All of Pennar’s manufacturing units are ISO 9001:2008-certified and the Company has presence across 10 industry verticals. Pennar has over 30 years of rich experience and more than 1,000 precision engineered products, 2,500 tools and dies, over 600 customers and six manufacturing plants located at Patancheru, Sadashivpet and Isnapur, Chennai, Tarapur (Maharashtra) and Hosur (Tamil Nadu). For more information, please visit www.pennarindia.com

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Safe Harbour:

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, macroeconomic, 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.

Q2FY14 CONFERENCE CALL INVITATION:

The Earnings Conference Call of Pennar Industries to discuss Q2FY2014 Results & Business Outlook will be held on **Thursday, November 7, 2013 12pm Indian Standard Time**

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