

Pennar Industries Limited

Engineering Excellence



Investor Presentation

Q2FY14



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

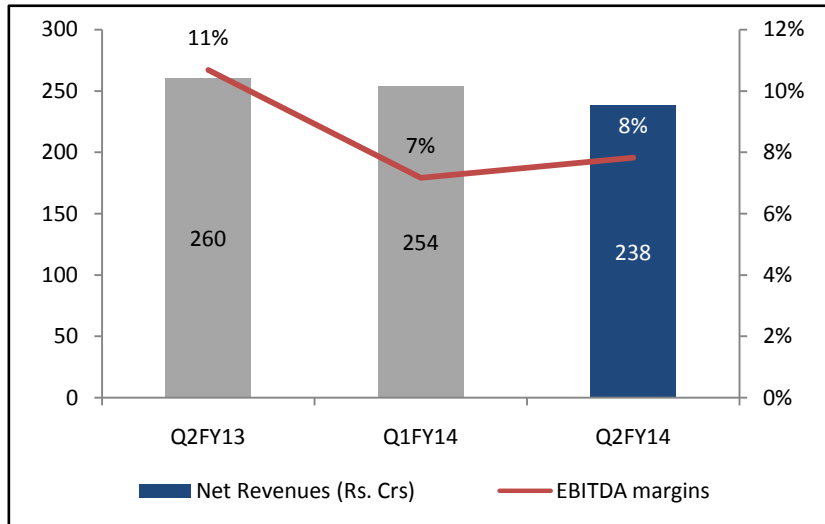
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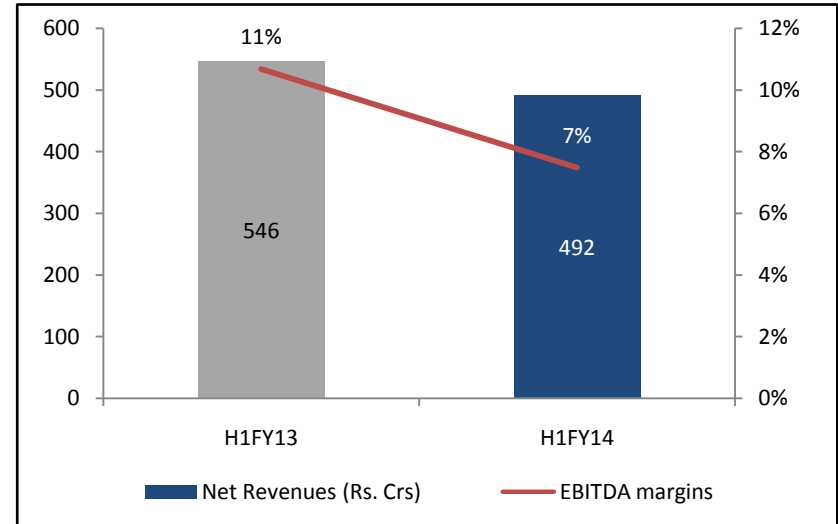
Q2FY14 & H1FY14 Quarter Performance

Financial Performance – Consolidated

Q2 FY14



H1 FY14



- Net Sales of Rs. 238 crores; -8% YoY and -6% QoQ
- Gross Profit of Rs.89 crores; Gross margin at 37%
- EBITDA margin up QOQ to 8%
- **Operational efficiencies have improved margins**

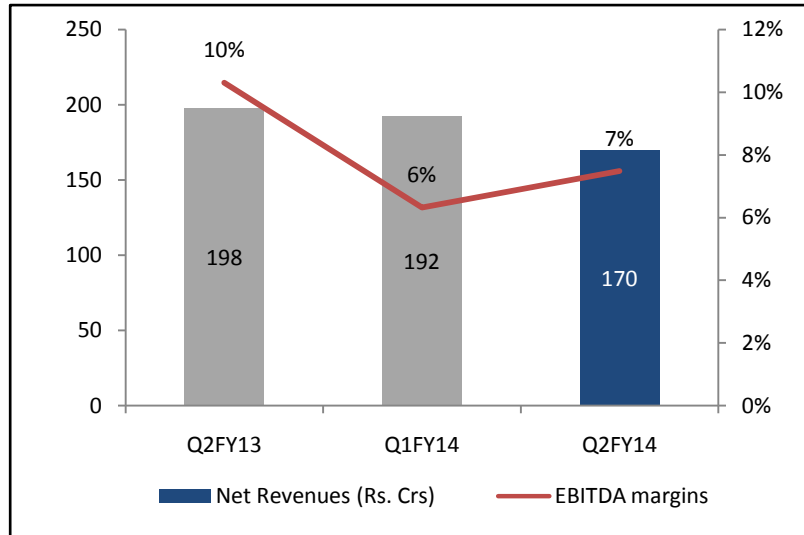
- Consolidated EPS per share of Rs. 0.49 in Q2FY14
- Consolidated Cash EPS per share of Rs. 0.88 in Q2FY14

- Net Sales of Rs. 492 crores; -10% YoY
- Gross Profit of Rs.185 crores; Gross margin at 38%
- EBITDA margin at 7%

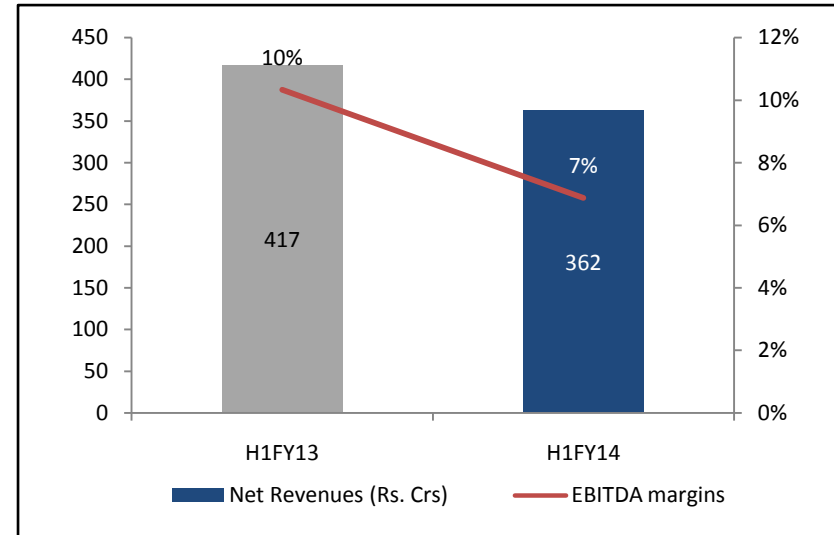
- Consolidated EPS per share of Rs. 1.00 in H1FY14
- Consolidated Cash EPS per share of Rs. 1.76 in H1FY14

Financial Performance – Standalone

Q2 FY14



H1 FY14



- Net Sales of Rs. 170 crores; -14% YoY and -12% QoQ
- Gross Profit of Rs.48 crores; Gross margin at 28%
- EBITDA margin up QoQ to 7%
- **Operational efficiencies have improved margins.**

- Consolidated EPS per share of Rs. 0.30 in Q2FY14
- Consolidated Cash EPS per share of Rs. 0.62 in Q2FY14

- Net Sales of Rs. 362 crores; -13% YoY
- Gross Profit of Rs.100 crores; Gross margin at 28%
- EBITDA margin at 7%

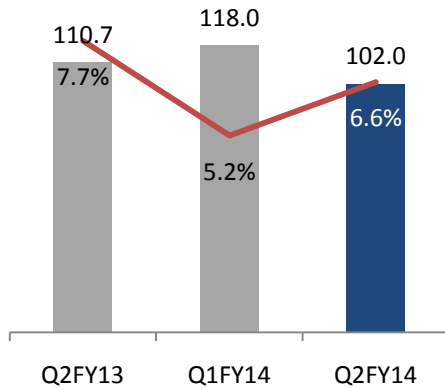
- Consolidated EPS per share of Rs. 0.64 in H1FY14
- Consolidated Cash EPS per share of Rs. 1.25 in H1FY14

Segment Performance

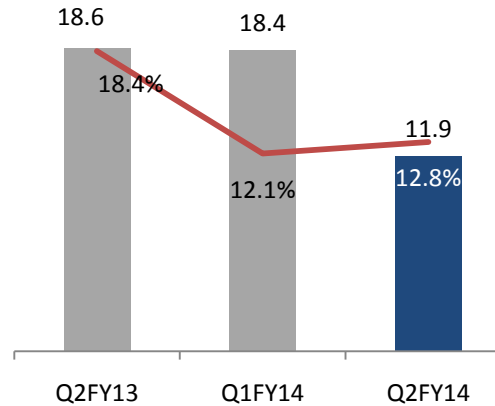


Net Revenues (Rs. Crores) and EBITDA margins (%)

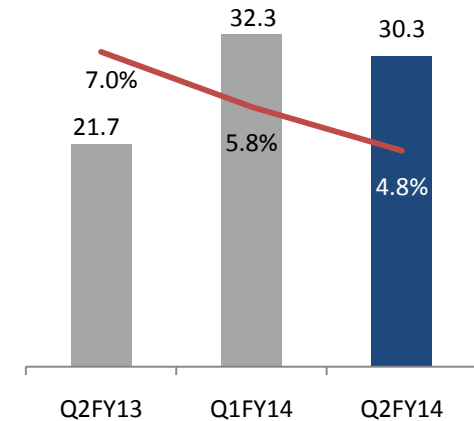
Steel Products



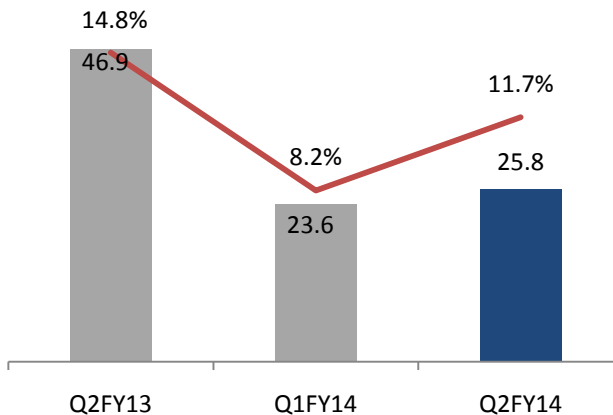
Industrial Components



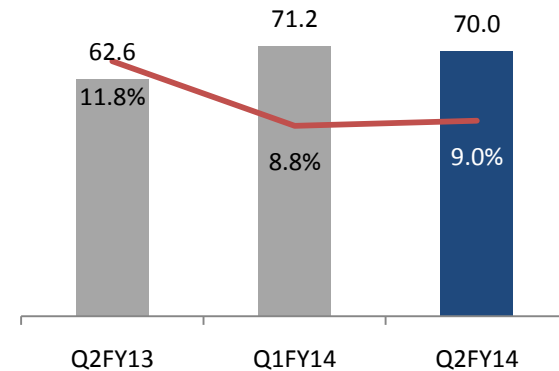
Tubes



Systems & Projects



Pre-Engineered Building Systems



New Customers and New Products added in Q2FY14



~ 8% of Standalone Revenue generated from new customers and new products in Q2FY14

Steel Products

Products

- Schwing Setter (Construction equipment)

Customers

- Classic Auto Products
- Enginotech Systems
- G.B. Engineering Enterprises
- Guts Electromech
- Karthik Roofings
- Sunbeam Industries Engg
- Windals Auto
- Worldbestech Cool Panel (India)



Systems and Projects

- Track mounted Solar Structures
- Door Rails for Coaches
- Retention Tanks







Tubes

- Propeller Shaft
- Steering Column Parts











Industrial Components

- Brake components
- Steering Components

No new customers added during Q2

Pre-Engineered Buildings












Pennar Enviro

- Coal Preservative Additive
- Water Based Polymer Series

* Note: This is not all inclusive list of customers added in FY14



Business Vertical – Steel Products

Q2 Quarter Highlights

- Slowdown in commercial vehicle production has impacted steel products sales
- Efforts in expanding customer base/segmental diversification yielding results
- Increased market share with existing customers and also penetrated into new areas by adding new customers
- Plans to push the sales of building products through indirect sales channel – channel sales network will be established during H2 FY14

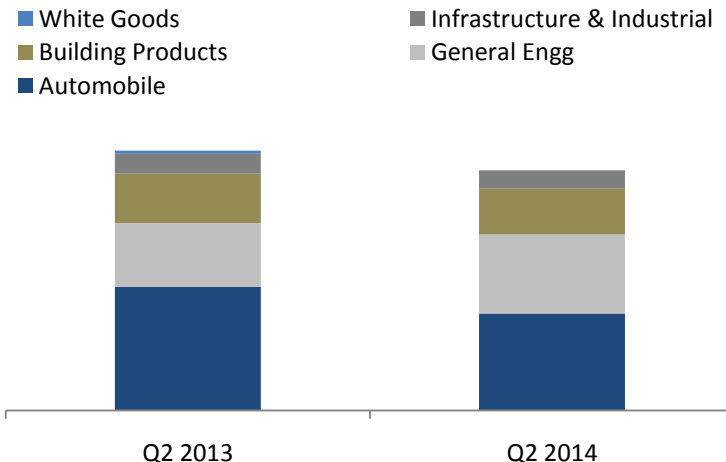
Future Outlook:

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

Short & Medium Term Plan

- More OEMs in autos
- New products for autos like Cross Members, Leaf Springs
- Distributed Manufacturing (Indore, Pune)
- Target to move up the value chain
- Expect to see a seasonal recovery plus volumes from new products/ customers

General Engg gained 20% revenue share in Q2F13-Q2F14

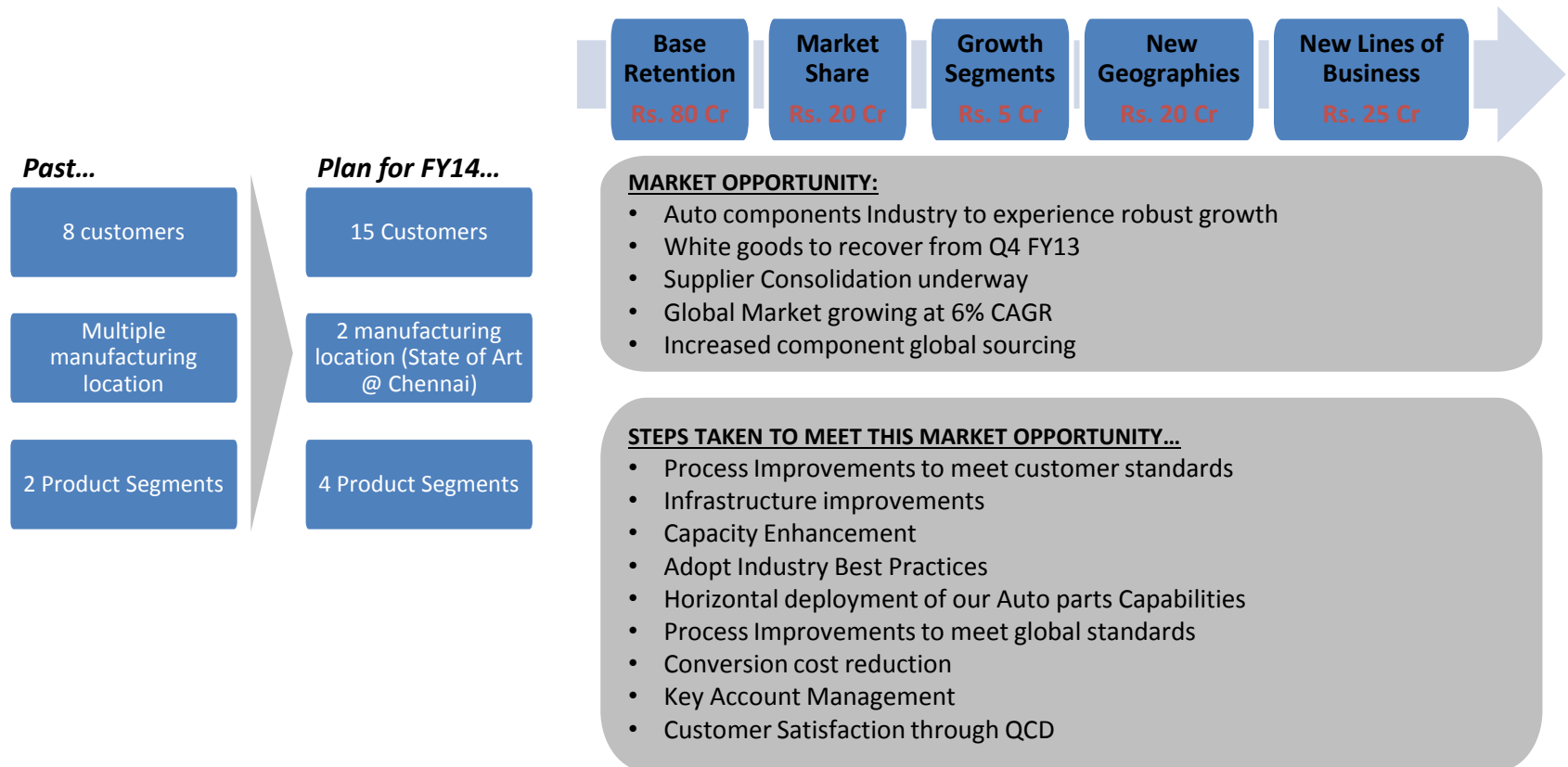


Business Vertical – Industrial Components

Q2 Quarter Highlights

- Acquisition of Wayne Burt Petro Chemicals assets for foray in Hydraulics
- Drop in white goods sales owing to customer concentration; addressing this with increase in customer base

Road Map of Rs 150 crores by FY15



Acquisition of Assets of Wayne Burt Petro Chemicals – Foray into Hydraulics Business



Pennar can leverage Wayne Burt's –

- 1 **Technological ability to operate in US and India with different specifications. Very few companies in the world have that capability.**
- 2 **Wide range of sizes – will allow Pennar to operate at both ends**

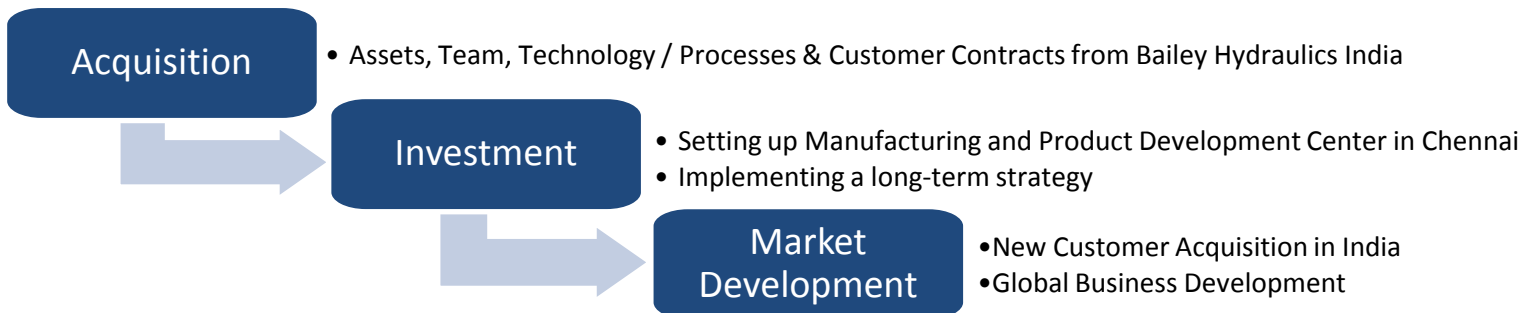


	Cylinders	Pumps	Valves	Power Packs	Accessories
Market Size, (INR Million)	11,449	7,067	4,515	3,627	3,284
Market CAGR (2012-2017)	6.6 %	6.2 %	6.1%	6.2%	6.8%
Competition	☹️	😊	😊	😊	😊
Hydro's Current Position	☹️	---	---	---	---
Hydro's Future Position (with current capabilities)	😊	😊	---	😊	---
Major Customer Segment	●	●	●	●	●
Potential Entry	😊	😊	😊	😊	😊

● Construction ● Agriculture

Source: Frost & Sullivan analysis

3 Steps for 2014



Business Vertical – Tubes



Q2 Quarter Highlights

- Added new customers



- Business volumes have stabilized and consolidated.
- Stability and increased capacity utilization has led to investments in expansion

New initiatives to align with market

- Expanding tube capacity and enhancing product range at Isnapur.
- Adding new tube mill at Chennai in 2015 to take advantage of growing automobile market in T.N., shifting operations close to the end customer for local advantage.
- To accelerate CDW growth plan to the installed capacity of 600MT/month
- Move up the value chain like high end CDW product like Propeller shaft, Tie rod, Hydraulic cylinders, Shock absorber tube. Make an entry into Chassis sub assembly, tubular products & export opportunity.
- Currently Tubes margins impacted due to new product/new customer acquisition process.

Future Outlook:

- Market recovery expected for power sector – will boost demand for APH/IBR Tubes



Business Vertical – Systems & Projects

Q2 Quarter Highlights

- Order entry in Aug / Sep is substantially higher compared to June quarter – Presents opportunity for Q3
- Tepid quarter in customer industries due to volatility in currency, leading to weakening and expensive imports
- Stable and growing Coach business - rail coach business with Rs.18 crores in Q2FY14 vs. Rs.16 crores in Q2FY13
- No fresh wagons tenders approved by the Railway Board in Q2FY14
- Began execution of first Solar Tracking Structures for Solon India and Photon India
- Pursuing new opportunities for supply of components to locomotive manufacturing companies
- Q3 and Q4 are peak seasons for railways and solar, Pennar can leverage this opportunity.

Future Outlook and Plan...

Railways

- Rs. 50 crore of order book for railways; foresee an upside in wagon business with new tender openings in November
 - Over Rs. 50 crores of qualified tenders
- Aggressively pursuing wagon business opportunities from Western and East Central Railways
- New and renewed products / customers (70% business from coaches)

Solar

- **Order book in Q2FY14 Rs.30 crore vs. Q1FY14 sales of Rs. 7 crore .**
- Huge pipeline of opportunities witnessed in solar segment
- **Visible opportunities for solar power projects in Q3 – 180 MW of solar power projects likely to be finalized in Q3**
- Pursuing business opportunities in wind energy and warehousing systems

Subsidiary – Pre-Engineered Buildings Systems



Q2 Quarter Highlights

- Added over 15 new customers during the quarter
- Received new orders from Inspira Martifer, RCC Infra, Sobha Developers, Ashirvad Pipes and others
- Received repeat orders from L&T, Schindler, and others
- Received PEB Contractor of the year award from “Construction week India”
- Total number of customers as of Q2: 150

Future Outlook:

- Plan to expand to international markets
- Apart from PEB segment, focus will be on new segments like structural steel, multi-storied buildings, Solar EPC

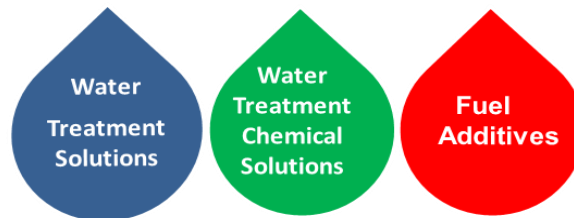


Q2 Quarter Highlights

- Started order booking in water EPC vertical. Booked 2 MLD desalination orders and 2 large scale STP and ETP orders.
- Orders worth Rs. 15 crores received during Q2 from customers such as HETERO Drugs, L&T Metro Hyderabad , Holycross Hospital and others
- Repeat orders received from United Breweries, L&T Metro Hyderabad, PARK, Cummins India and others
- Exploring “water recycling / reuse” TTP projects in industrial segment in effluent treatment area
- Bio Toilet – intend to make it suitable for rural & remote areas
- Focus on launching water-based polymer series in effluent water treatment markets in India Q3 onwards

Future Outlook:

- Power sector slow down is triggering captive power plant projects and Pennar Enviro focuses those for Water EPC – TTP to be in demand

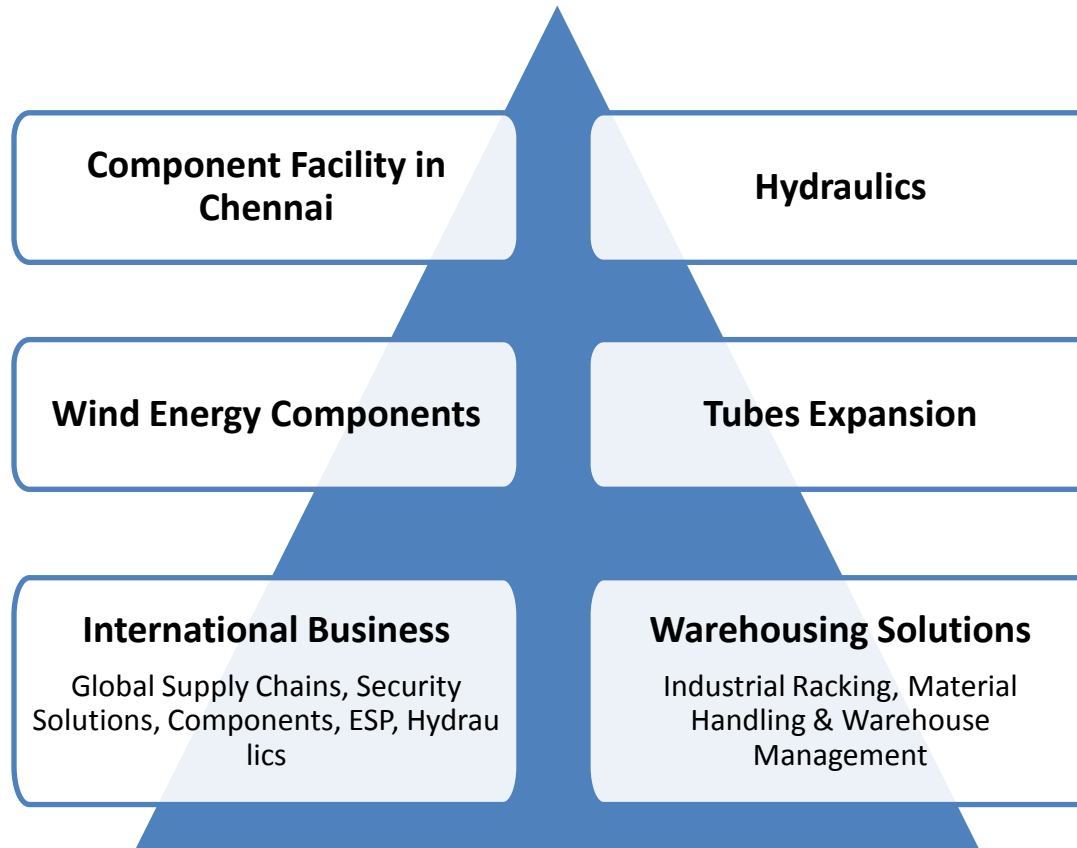


**Total Solutions Provider for
Water, Environment & Energy**

Continue the move to create an “Engineering Enterprise”



GOING FORWARD.....



The “Bachat Program” update

Lower Fixed Cost

5-day week

Savings: Rs 25Lakhs pm

Administration

Savings: Rs 15 Lakhs pm

Other Bachat Initiatives

Power Cost

(2.5 MW Solar power plant live by Jan 2014)

Higher Yield

(1.4% points improvement)

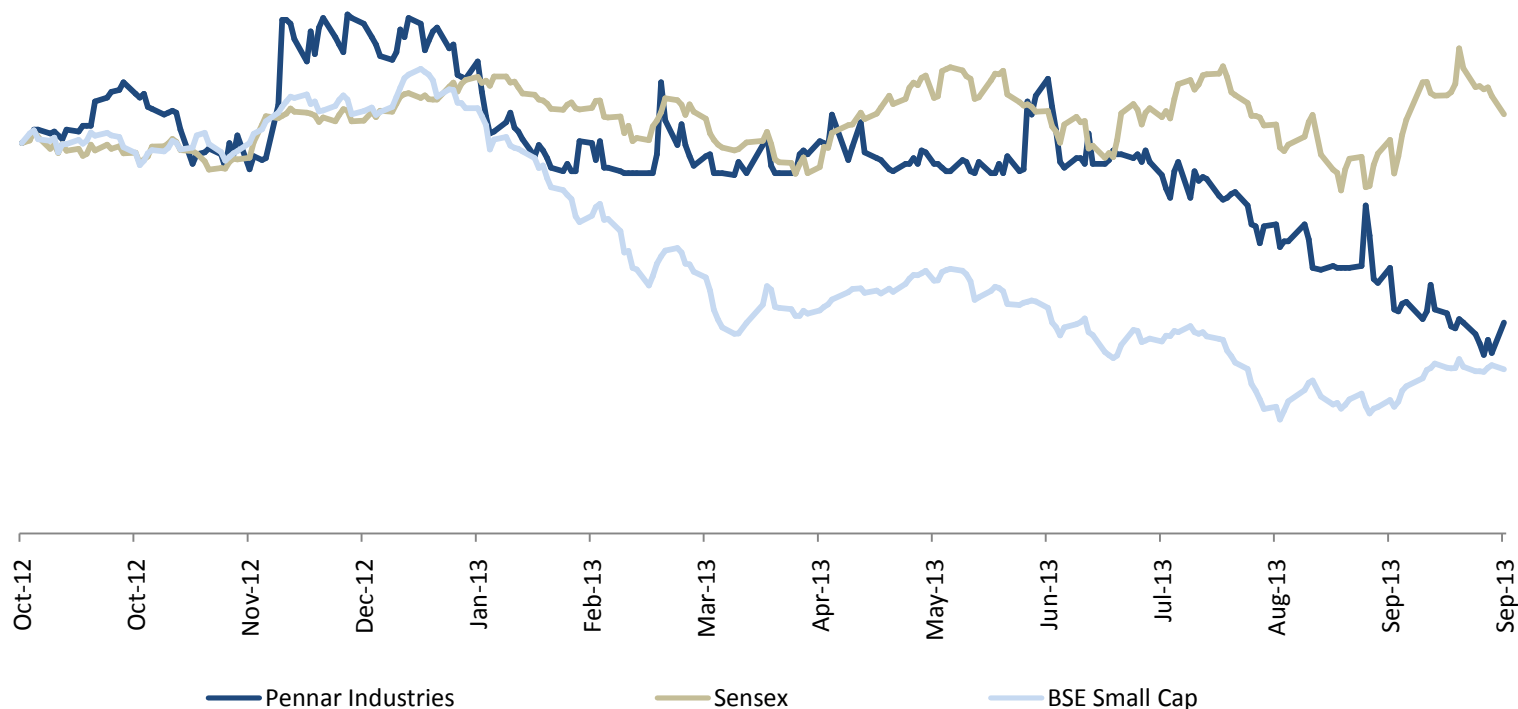
28 Projects

Savings: Rs 25Lakhs pm

Pennar Outperformed BSE Small Cap Index by 6%



Stock Movement — Oct 1 2012 to Sep 30 2013



*Rebased to 100



Awards and Recognitions



- PEB Contractor of the Year Award from “Construction Week India”

- Infrastructure Company of the Year (Runner-Up) Award from “Construction Week India”





Contact Details:

Pennar Industries Limited

Floor: 3, DHFLVC Silicon Towers
Kondapur, Hyderabad - 500 084, Andhra Pradesh

Ravi Rajgopal

Vice President – Finance & Company Secretary

+91 994 868 8771

ravirajgopal@pennarindia.com

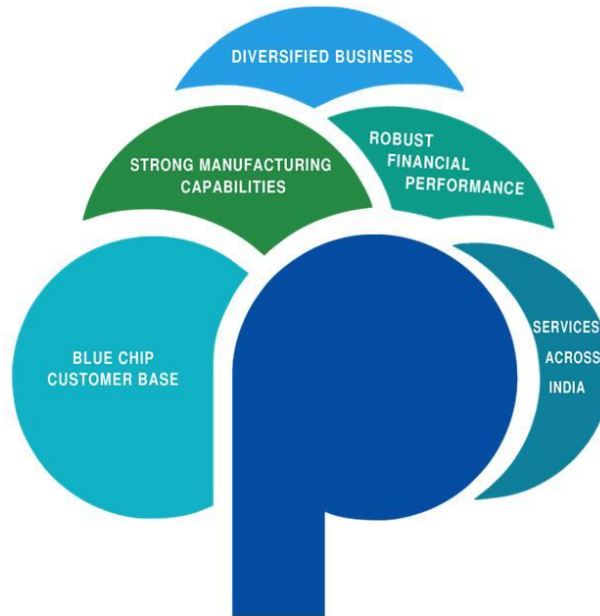
Annual Report FY12-13 – click [here](#) to visit our website for downloading Annual Report — TRANSFORM



Engineering Excellence

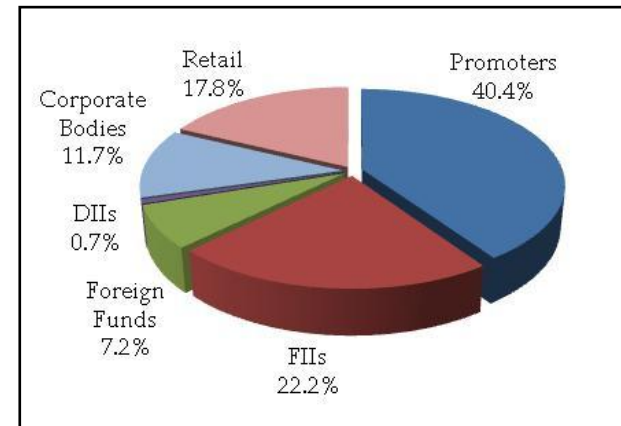
Business Structure, Segments & Leadership Team

Pennar Group – Business Structure, Holdings



Market Cap as of September 30, 2013 (BSE) :
Rs. 2,546 million; ~121 million shares

Shareholding Pattern (Sep 30, 2013)



Pennar Industries Limited

Steel Products; Steel 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



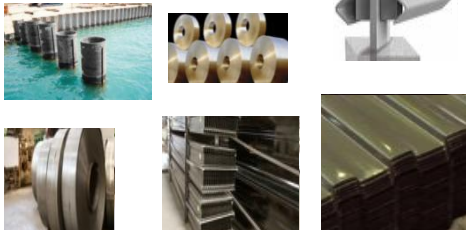
Business Segments and Products



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



Q2FY14 Net Revenues

Pre-Engineered Buildings

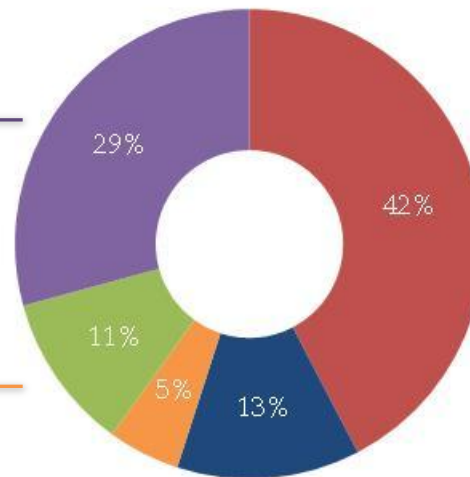
- Pre-Engineered Buildings: 29%

Systems and Projects

- Railways (Systems): 8%
- Projects (Solar): 3%

Industrial Components

- Auto & White good Components: 5%



Steel Products

- General Engg: 15%
- Automobile: 11%
- Buildings: 8%
- Auto: 6%
- Infrastructure Profile: 2%

Tubes

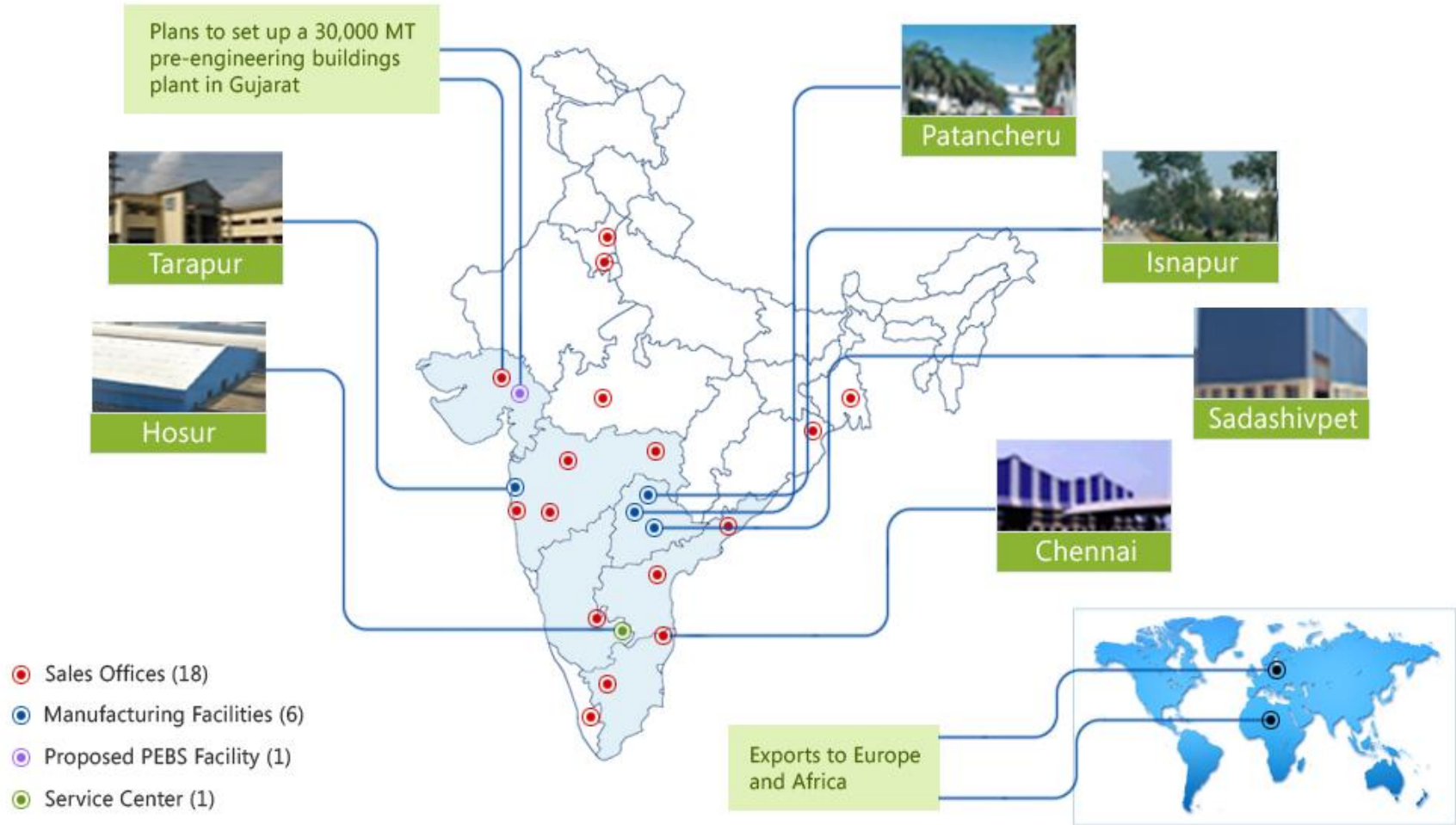
- ERW Tubes: 11%
- CDW Tubes: 2%

Industry – wise contribution to revenues (Standalone business):

- | | |
|------------------------------------|------------------------------|
| ○ Auto / Automobile – 28% | ○ Tubes – 18% |
| ○ General Engineering – 20% | ○ Infrastructure – 4% |
| ○ Building Products – 11% | ○ White Goods – 3% |
| ○ Railways – 11% | ○ Solar – 5% |



Manufacturing Set Up & Footprint



Focus on Quality Management



Primary focus is a reduction in waste and improvement in operating efficiencies

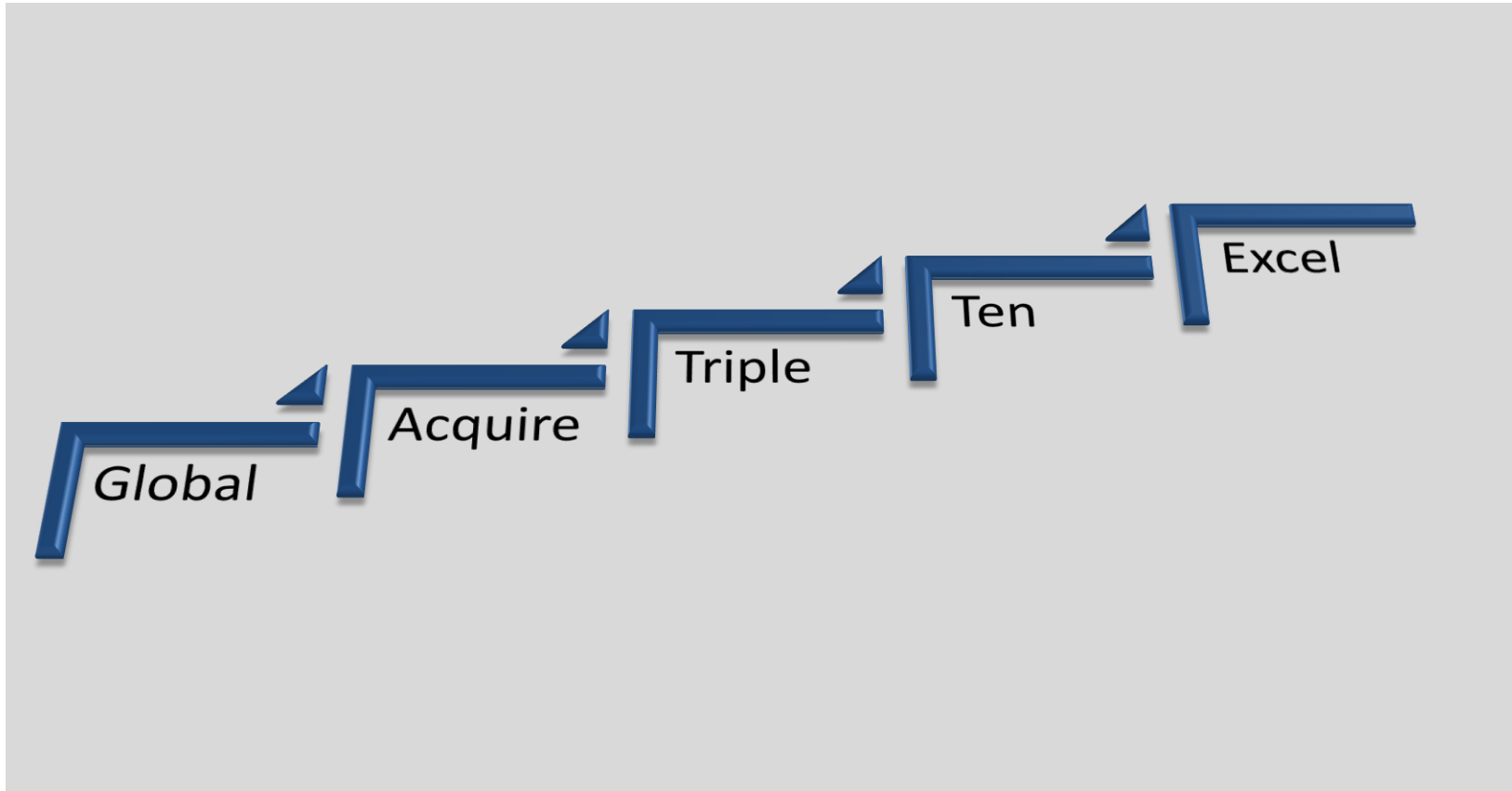
Total Productive Maintenance (TPM) : Ensures productivity improvement, reduction in number of sporadic failures, reduction in product defects and customer claims, cost reduction, OTIF to 100%, zero accidents and lastly and importantly, morale increase!

Use of modern tools like TPM, 5S and QFD to improve the present quality system , resulting in -

- Significant waste reduction
- Process improvements
- Periodic review of the processes for continuous improvement



Goal – GATE TO ONE BILLION DOLLARS...



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

Business Units



Dayasagar 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

