

# Pennar Industries Limited

*Engineering Excellence*



## Investor Presentation

### Q3FY14



**PENNAR 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 – 7**
- **New Customers and Products** \_\_\_\_\_ **8**
- **Business Verticals: Q3FY14 Highlights** \_\_\_\_\_ **9 – 15**
- **Continue the move to create an “Engineering Enterprise”** \_\_\_\_\_ **16**
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- **Return on Capital Employed** \_\_\_\_\_ **18**
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- **Awards and Recognitions** \_\_\_\_\_ **20**

## Pennar’s Business

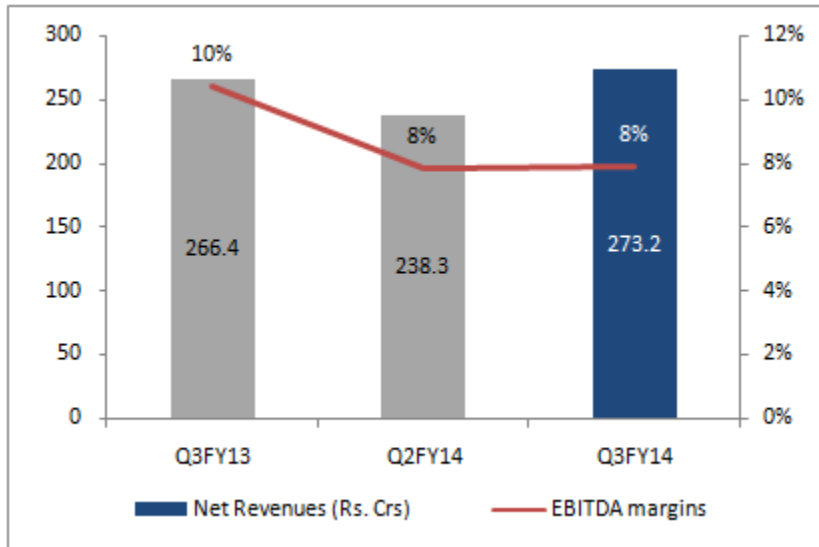
- **Pennar Group – Business Structure, Holdings** \_\_\_\_\_ **22**
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# Q3FY14 & 9MFY14 Quarter Performance

# Financial Performance – Consolidated

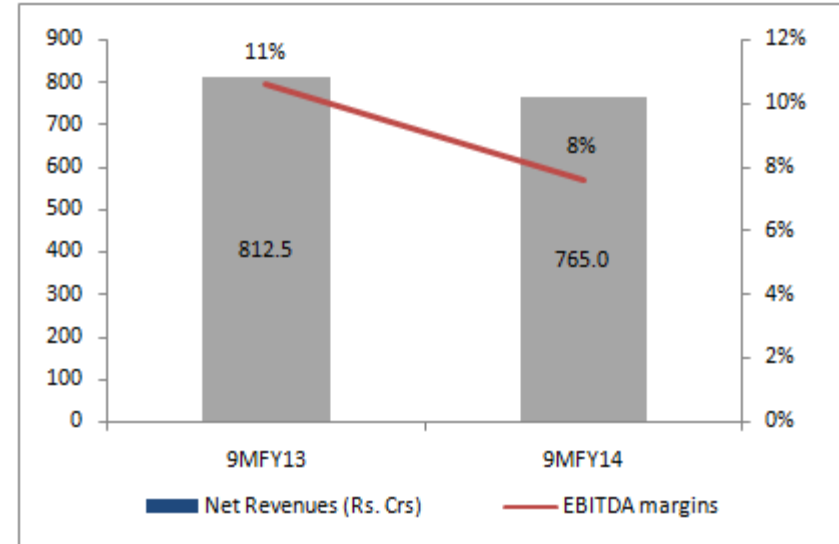
## Q3 FY14



- Net Sales of Rs. 273 crores; 2.5% YoY and 14.7% QoQ
- Gross Profit of Rs.112 crores
- Gross margin at 41%, up from 37% QoQ
- EBITDA margin maintained at 8% QoQ

- Consolidated EPS per share of Rs. 0.53 in Q3FY14
- Consolidated Cash EPS per share of Rs. 1.08 in Q3FY14

## 9M FY14



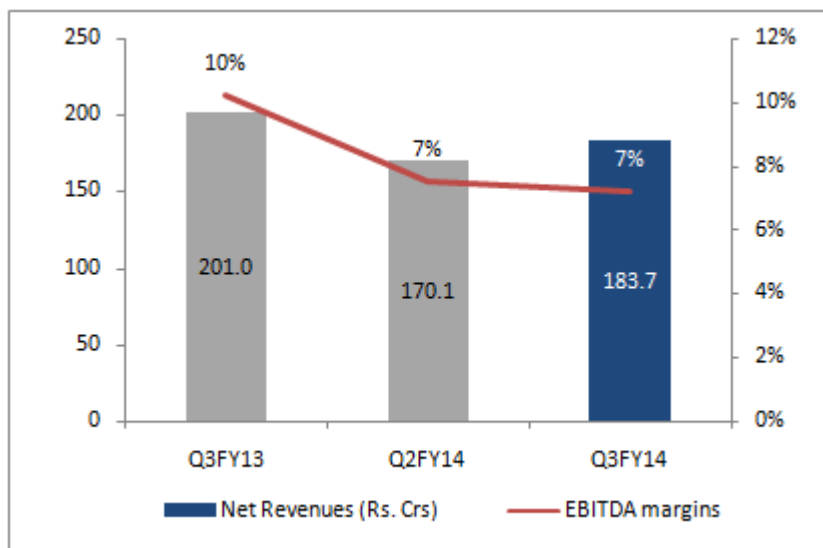
- Net Sales of Rs. 765 crores; -5.8% YoY
- Gross Profit of Rs.297 crores; Gross margin at 39%
- EBITDA margin at 8%

- Consolidated EPS per share of Rs. 1.54 in 9MFY14
- Consolidated Cash EPS per share of Rs. 2.86 in 9MFY14

# Financial Performance – Standalone



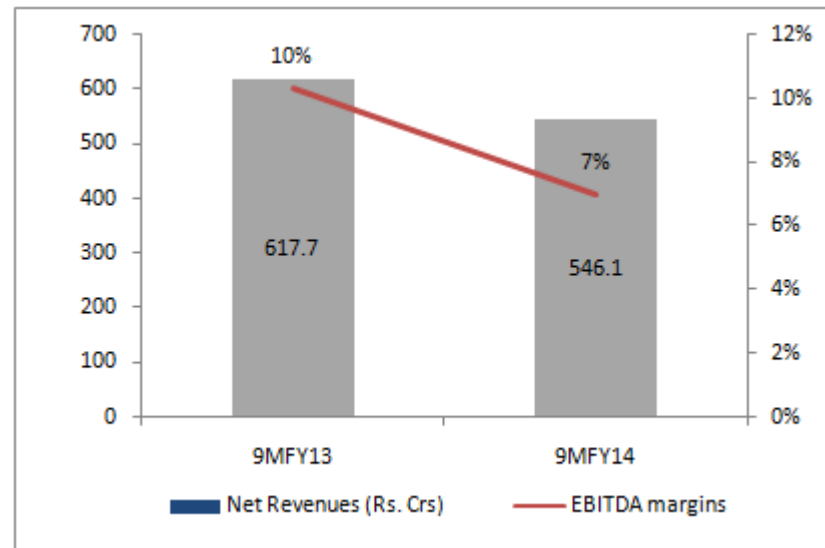
## Q3 FY14



- Net Sales of Rs. 183 crores; -8.6% YoY and 8% QoQ
- Gross Profit of Rs.56 crores; Gross margin at 30%
- EBITDA margin at 7.2%

- Standalone EPS per share of Rs. 0.26 in Q3FY14
- Standalone Cash EPS per share of Rs. 0.70 in Q3FY14

## 9M FY14



- Net Sales of Rs. 546 crores; -11.6% YoY
- Gross Profit of Rs.156 crores; Gross margin at 29%
- EBITDA margin at 7%

- Standalone EPS per share of Rs. 0.91 in 9MFY14
- Standalone Cash EPS per share of Rs. 1.95 in 9MFY14

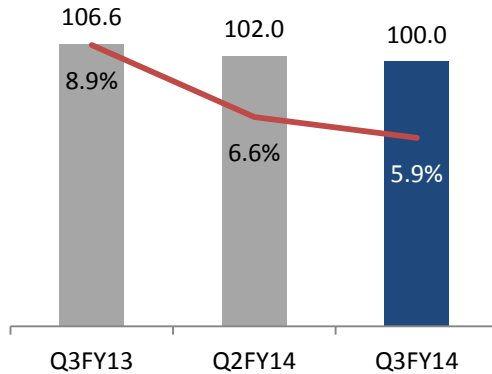


# Segment Performance

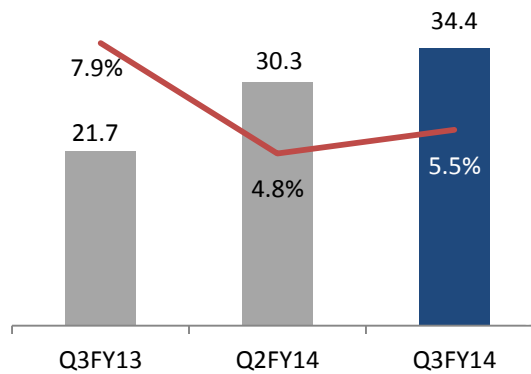


## Net Revenues (Rs. Crores) and EBITDA margins (%)

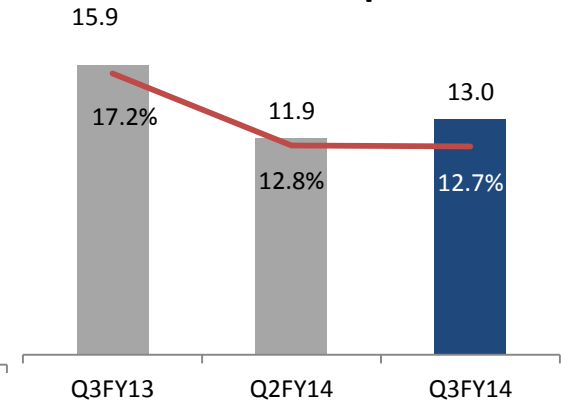
### Steel Products



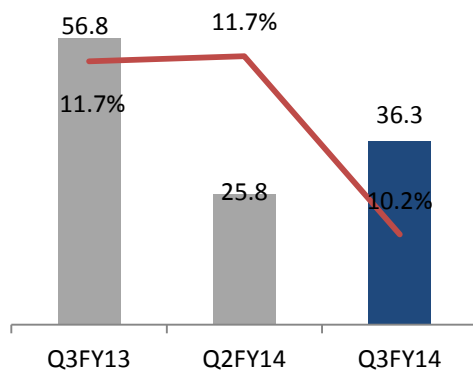
### Tubes



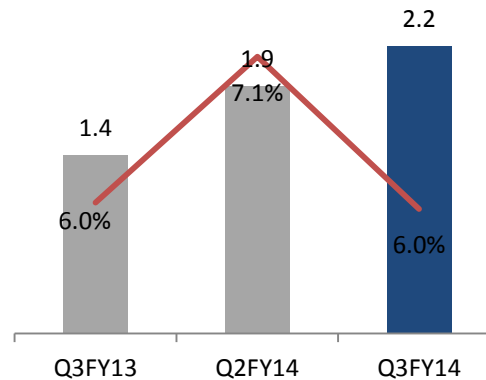
### Industrial Components



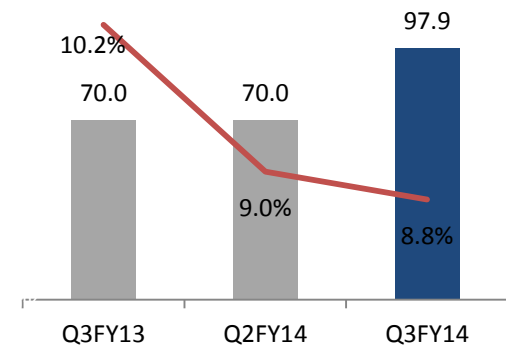
### Systems & Projects



### Pennar Enviro



### Pre-Engineered Building Systems



# New Customers and New Products added in Q3FY14



~10% of Q3 revenue came from new products/customers

Steel Products	Systems and Projects	Tubes
<p>20 new Customers</p>	<p>Wagons: New Product for Burn standards (S&amp;P) Coaches: several small new products</p>	<p>14 new customers</p>
Industrial Components	Pre-Engineered Buildings	Pennar Enviro
<p><b>Products</b></p> <ul style="list-style-type: none"> <li>Wabco Piston Assy</li> <li>Wabco Piston Assy 4 parts</li> </ul> <p><b>Customer</b></p> <ul style="list-style-type: none"> <li>XYLEM Guide Bracket Assembly</li> <li>INEL Honda Project</li> </ul>		

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





# Business Vertical – Steel Products



## Q3 Quarter Highlights

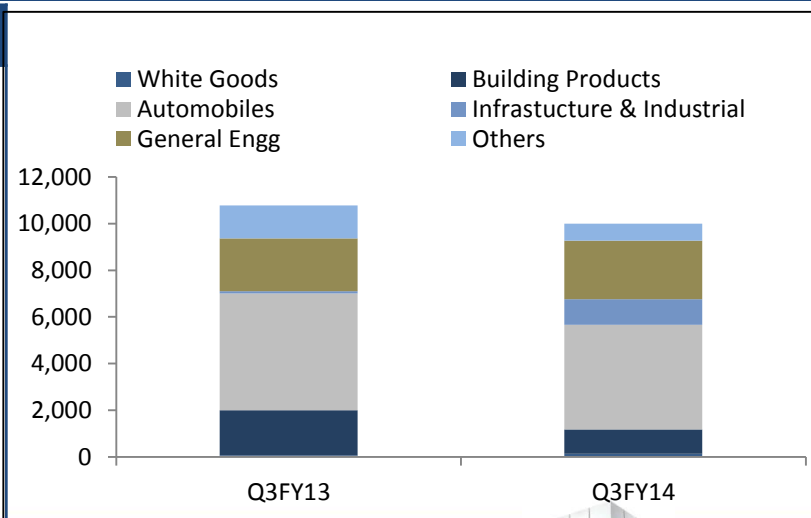
- The CR segment has grown consistently.
- Growth in both new customers and market. This was done primarily through improving quality and achieving 95% on-time deliveries to customers.
- Business for auto profiles has seen a small dip as our customers - the commercial vehicle manufacturers - are facing challenges. We expect this to continue.
- In the building products segment, begun seeing a seasonal recovery and expect volumes to continue its pick up in Q4FY14.
- In the infrastructure and Engineering profiles, we have adopted a conservative stand of adding new customers slowly.
- Significant enquiries are coming on sheet piles for various Ports, Metro Rail, drainage system upgrade projects etc. We expect many of these to fructify.

## 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



# Business Vertical – Industrial Components



## Q3 Quarter Highlights

- White Goods segments shows signs of recovery.
- Customer addition and share of business improvement during Q3 will lead to 10% growth in turnover (Honda Scooters account obtained through INEL)
- Hydraulics Plant will commission from Chennai facility by Mid March 2014.

## Future Outlook:

- Number of customers increased from 8 to 13 during FY 2014
- New product development and prototype approval at advanced stage; customer commitment for additional schedules expected in Q4.
- Direct Export opportunities to Germany and other European countries being pursued.
- Plant , process and System mapped and practiced to meet Automotive customer expectation & standards.



# Business Vertical – Tubes

## Q3 Quarter Highlights

- The topline and EBITDA grew despite the slowdown in the automobile and power sectors. In value terms, 55% growth in Q3 as compared with FY2013
- An order book of Rs.24 crores is in the pipeline.
- Volumes from CDW tubes have reached a good critical mass at more than 400 MT/a month. We expect new orders will take this up ~25 % over the next few months.
- Product mix is changing in favor of high-value-added products.

## New initiatives to align with market

- Adding new tube mill at Isnapur to serve precision & thin gauge ERW tubes to Auto industry
- 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.

## Future Outlook:

- Plan to move up value chain & grow by 34% in FY 14 as compared with previous year..
- Strong customer base, coupled with new product introduction & additional capacity creation expected to give planned growth in FY2015.

# Business Vertical – Systems & Projects



## Q3 Quarter Highlights

- Stable and growing Coach business - Rail coach business with Rs.16 crores in Q3FY14 vs. Rs.5.5 Crores in Q3FY13
- Q3 and Q4 are peak seasons for railways and solar, Pennar can leverage this opportunity.

### Railways

- Rs. 58 crore of order book for railways;
- Company has made good headway with coach manufacturers.
- New and renewed products / customers (15% business from Wagons & coaches)

### Solar

- **Order book in Q3FY14 Rs. 19 Crore vs. Q2FY14 sales of Rs. 8 crore .**
- Huge pipeline of opportunities witnessed in solar segment – gaining from seasonality.
- **Visible opportunities for solar power projects in Q3 – 180 MW of solar power projects likely to be finalized in Q3. PIL has acquired business for 63.5MW.**

## Future Outlook and Plan...

Focus on Railway coaches, adding new products through technical tie up for products in security solutions and wind energy area; prototype phase completed



## Q3 Quarter Highlights

- Added 12 new customers during the quarter

### Order Inflows

- Received repeat order from Ultratech cements for Rs 29 crs
- Received order from Nuevosol for design, manufacturing and supply of Solar structures for Rs 18 Crs
- Received order for station buildings from L & T Metro for Rs 13 crs
- Received order from Saraf agencies for Rs 12 Crs
- Has order backlog of Rs 310 Crs

### Financials

- Achieved highest turnover in November & December
- Recorded highest EBIDTA in November & December

### Awards

Received Institution of Engineers (India) “**Industry Excellence Award**” in Manufacturing Category

# PEBS - Completed Projects



*Tata Steel Processing & Distribution Ltd., Chennai, TN*



*Mandana Industries Ltd. Tarapur near Pune, Maharashtra*



*Schindler, near Pune, Maharashtra*



*Jayabheri Orange County, Multi-storied building - G + 10, Hyderabad, AP*

**PENNAR INDUSTRIES LIMITED**

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## Q3 Quarter Highlights

- Added 8 new customers during the quarter

### Order Inflows

- Received order from JBF Petrochemicals Limited of 12 Crs
- Received order from Shanth ( A Sanofi Group Company ) for Effluent Treatment Plants
- Received order from Hetero Drugs for 2 MLD Desalination Plant .
- Received order from JSW for Sewage Treatment Plant
- Has also bagged orders from Chowgule Ports & Infra, SLN Coffee , IVRCL & Avtec Auto .

### Key highlights :

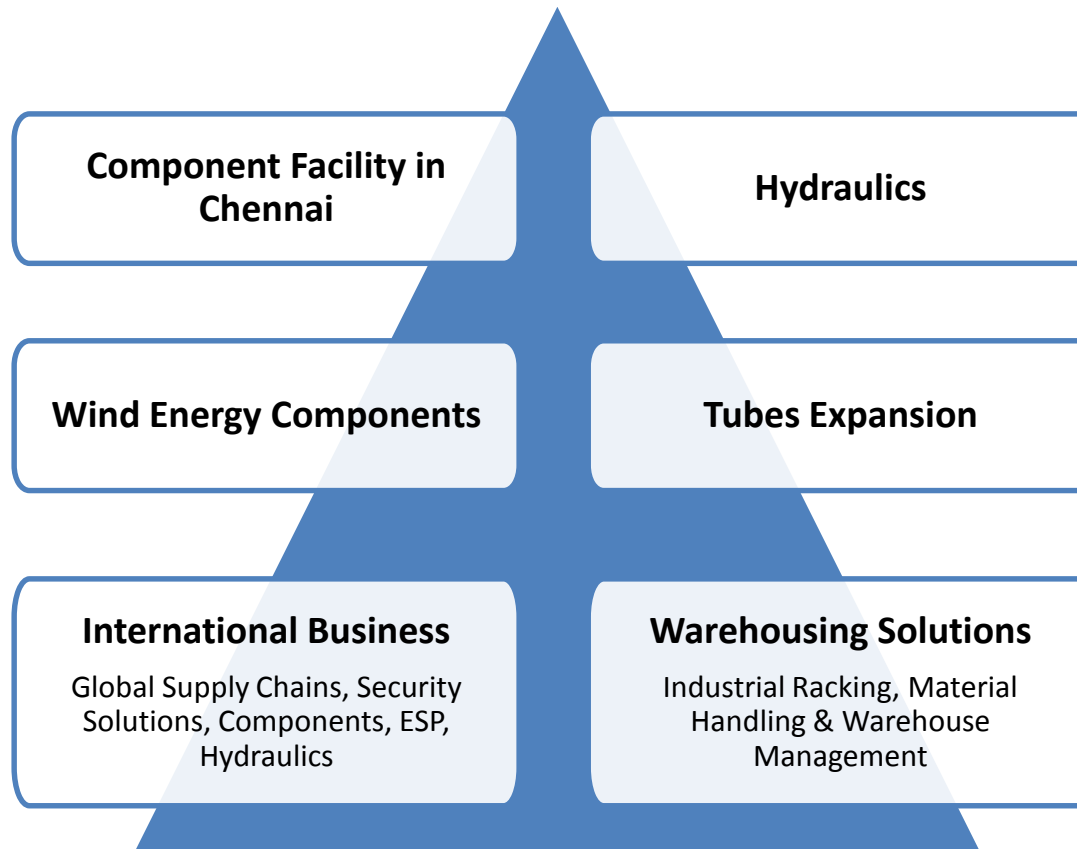
PEL has started its executing in Power & Petrochemical sectors  
Company has made headway in Pharma sector

### Future Outlook:

- Looking to capitalize on the segments like Pharma , Petrochemicals and Infra Developers where we have started execution
- Bidding for more projects in Desalination and Effluent Recycling Sector



# Continue the move to create an “Engineering Enterprise”





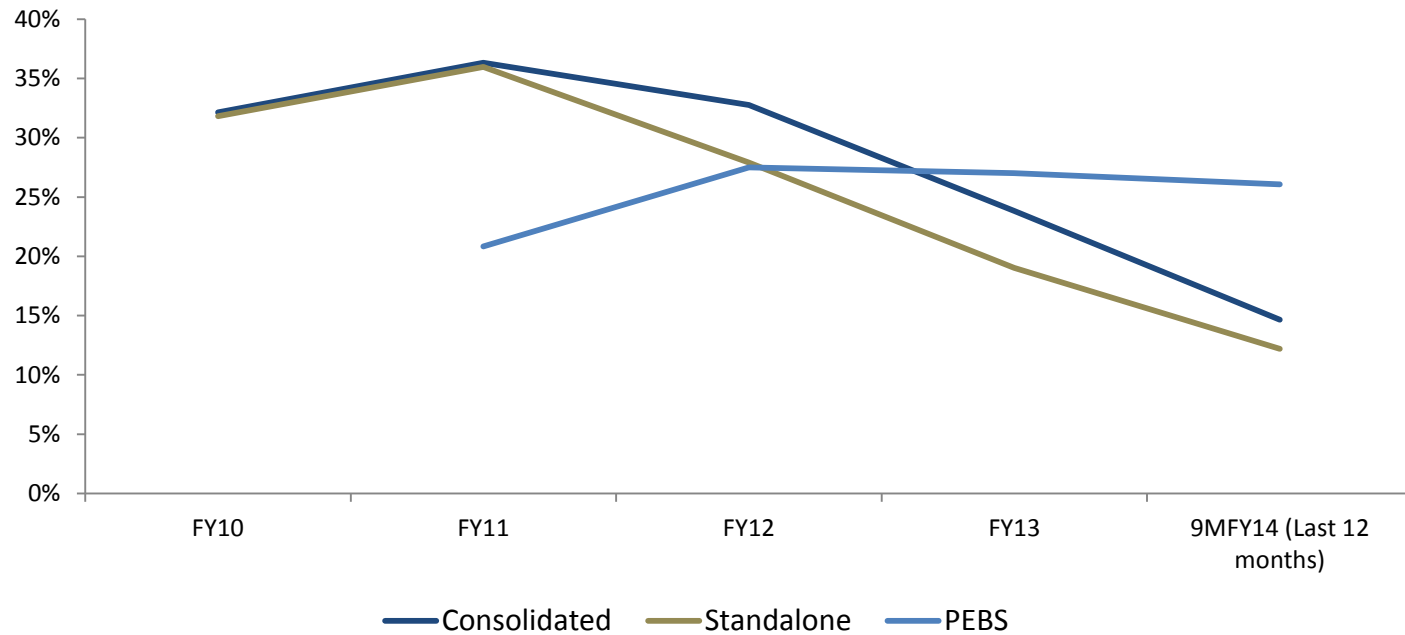
# Distributed Manufacturing



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



# Return on Capital Employed



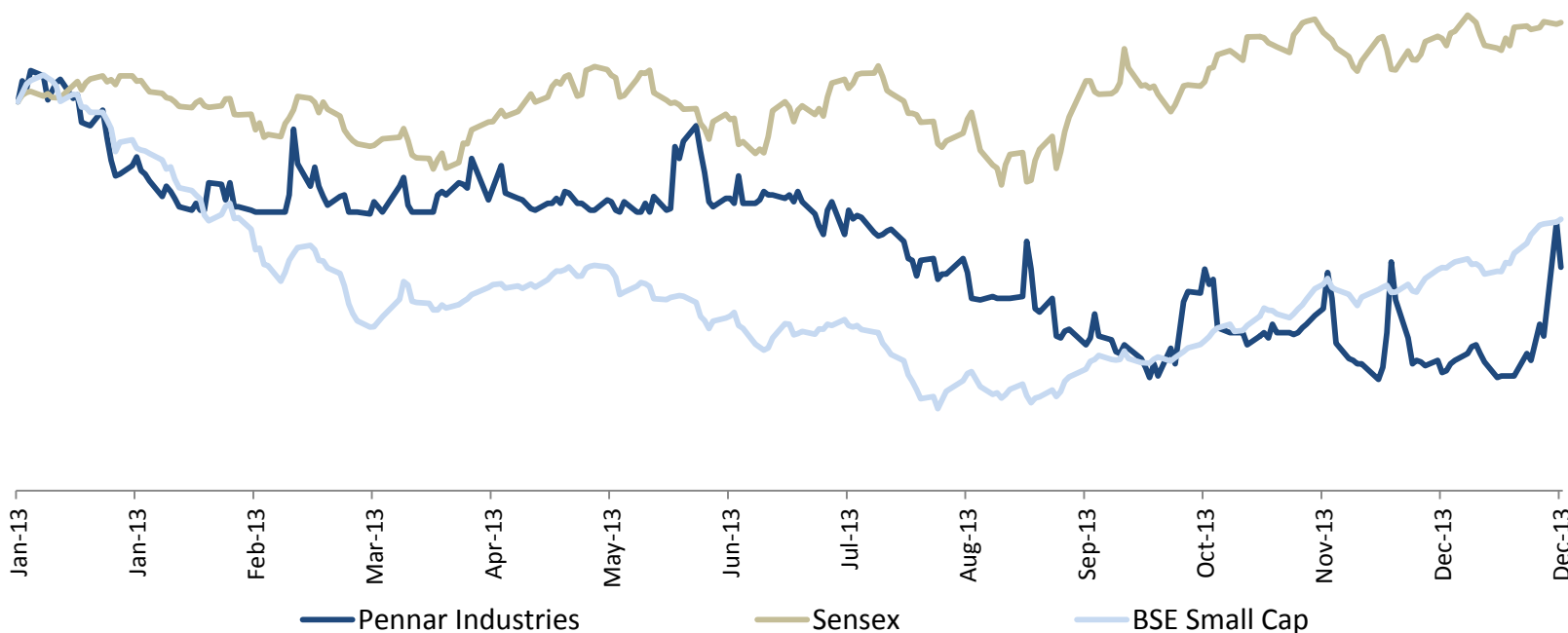
- Consolidated Total Debt as of December 31, 2013: Rs.165 crores
- Consolidated Total Equity as of December 31, 2013: Rs.390 crores

\*ROCE = EBITDA / Average Capital Employed

# Pennar Underperformed BSE Small Cap Index by 6%



Stock Movement — Jan 1 2013 to Dec 31 2013



\*Rebased to 100



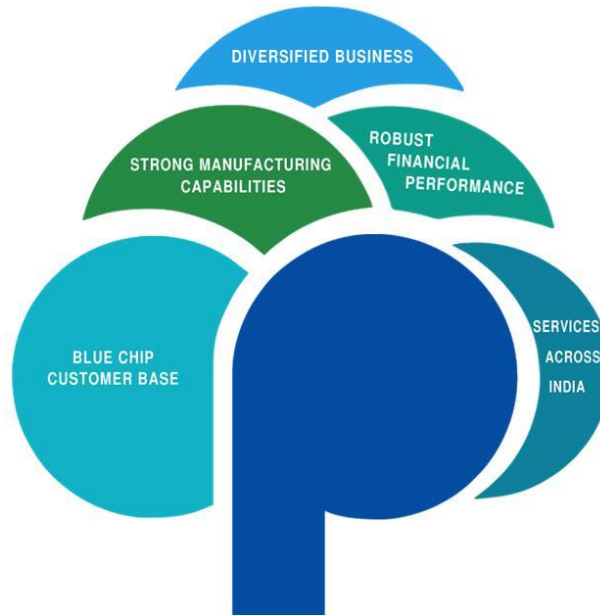
# Awards and Recognition

Mr. P V Rao, MD of PEBS Pennar receiving the IEI Industrial Excellence Award 2013



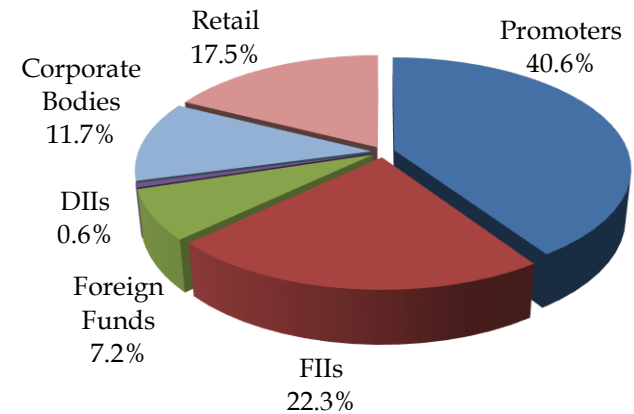
# Business Structure, Segments & Leadership Team

# Pennar Group – Business Structure, Holdings



Market Cap as of December 31, 2013 (BSE) :  
Rs. 2,819 million; ~121 million shares

Shareholding Pattern (Dec 31, 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

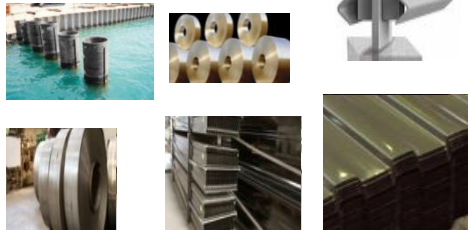


# Business Segments and Products

## 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



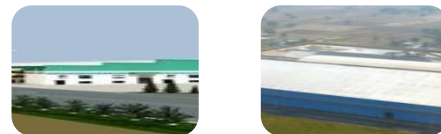
### Industrial Components

- 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



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

## Q3FY14 Net Revenues

### Pennar Enviro

- Pennar Enviro: 1%

### Pre-Engineered Buildings

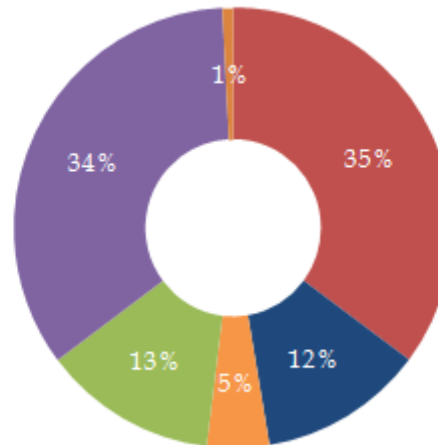
- Pre-Engineered Buildings: 34%

### Systems and Projects

- Railways (Systems): 7%
- Projects (Solar): 6%

### Industrial Components

- Auto & White good Components: 5%



### Steel Products

- General Engg: 9%
- Automobile: 12%
- Buildings: 4%
- Auto: 4%
- Infrastructure Profile: 4%
- Other: 3%

### Tubes

- ERW Tubes: 10%
- CDW Tubes: 2%

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

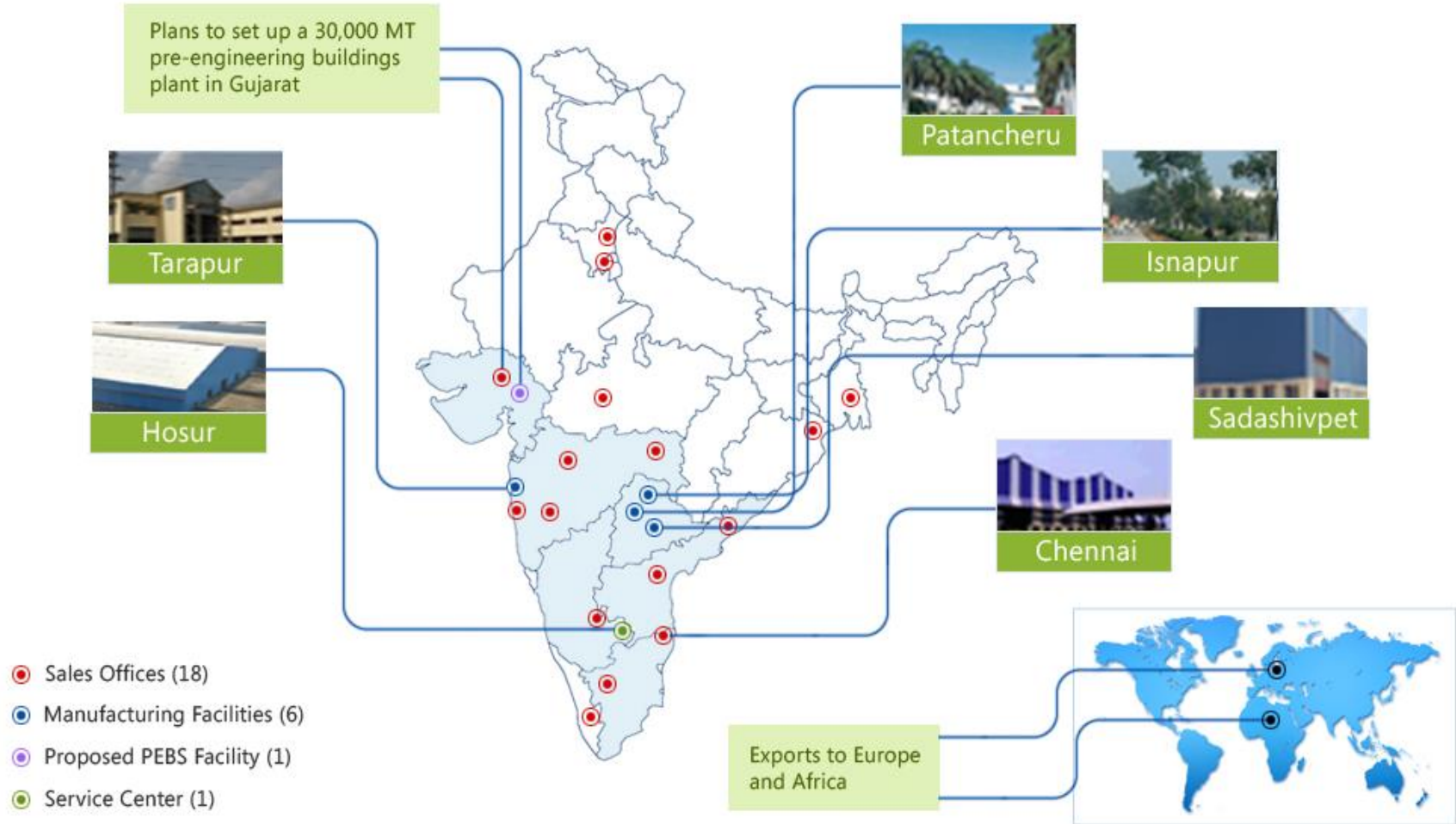
- |                                    |                              |
|------------------------------------|------------------------------|
| ○ <b>Auto – 27.5%</b>              | ○ <b>Tubes – 19%</b>         |
| ○ <b>General Engineering – 18%</b> | ○ <b>Infrastructure – 6%</b> |
| ○ <b>Building Products – 6%</b>    | ○ <b>White Goods – 4%</b>    |
| ○ <b>Railways – 10.5%</b>          | ○ <b>Solar – 9%</b>          |

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





# Manufacturing Set Up & Footprint



# 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





**Contact Details:**

**Pennar Industries Limited**

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

Investor Relations [investorrelations@pennarindia.com](mailto:investorrelations@pennarindia.com)

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