

Pennar seeks to buy engg firm with sheet-metal skills and ₹200 cr sales

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Pennar Industries, a leading player in engineering and fabrication sectors, is scouting for targets to take its inorganic growth plans forward.

The company is keen on acquiring an engineering company particularly with skills in sheet metal works with a topline of ₹100-200 crore.

"We would like to step in and take the target company forward by doubling its turnover and also adding value to Pennar's topline," Nrupendar Rao, Pennar's chairman, said.

In fact, the company has been working on inorganic plans for some time but could not bring them to a logical end owing to pricing issues. "We had looked at some companies earlier. In fact, we were about to sign an agreement with one company. But, the problem

was with the pricing. The promoter wants more money," he said.

The company for the third quarter ended December 2010 recorded ₹314 crore turnover, a growth of about 49%. The company recorded a net profit of ₹18.3 crore for the quarter, a growth of about 34%.

On a consolidated basis, the company gets another Rs 40 crore turnover from Pennar Engineered Builders Ltd (PEBL), which is into pre-engineered building solutions. PEBL currently is working on capacity expansion to double the capacity from 30,000 tonnes to 60,000 tonnes.

For the full year ending March 2011, Pennar Industries expects to clock a turnover of ₹1,350 crore and a net profit of ₹75 crore. PEBL is expected to contribute ₹170 crore to the topline.

"Pennar Industries too is



expanding the capacities at its two plants at Isnapur (AP) and Tarapore," Rao said. The cost of expansion is pegged at about ₹30 crore. While about ₹15 crore is being raised from banks, the balance would be raised from internal accruals.

The company, which gets about 49% of its revenue from engineering division, is expecting about ₹250 crore from railways. Pennar is also a major supplier of components to automobile sector. On the de-

mand front, the company is expecting 10% growth in auto sector, the railways activities are expected to record a growth of about 20%.

PEBL has been a major player in the southern market while the logistics are proving to be a major hurdle in the expansion of the pre-engineered building structures to the northern market.

"We are looking at expansion in North as well. This might happen by acquiring a company in that part of the country," he said.

However, the company is not keen on raising any funds by diluting the equity.

"There will be no further equity dilution. We are planning to tap the debt market. Even for our inorganic plans, we would look at various other sources of funds than diluting the equity," Rao explained.