

Pennar Industries Limited

Engineering Excellence



Investor Presentation

Q4FY13 and FY13



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



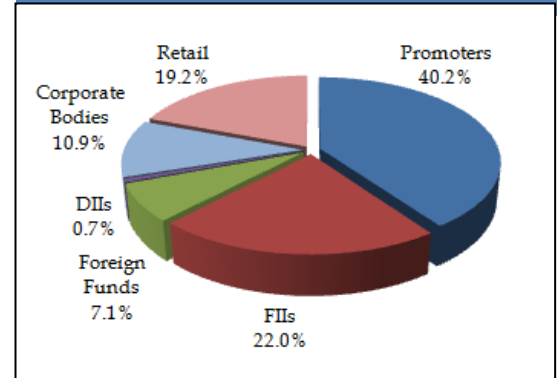
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Business Structure, Holdings



Market Cap: Rs. 3,051 million; 122 million shares

Shareholding Pattern (March 31, 2013)



www.pennarindia.com



www.pebspennar.in

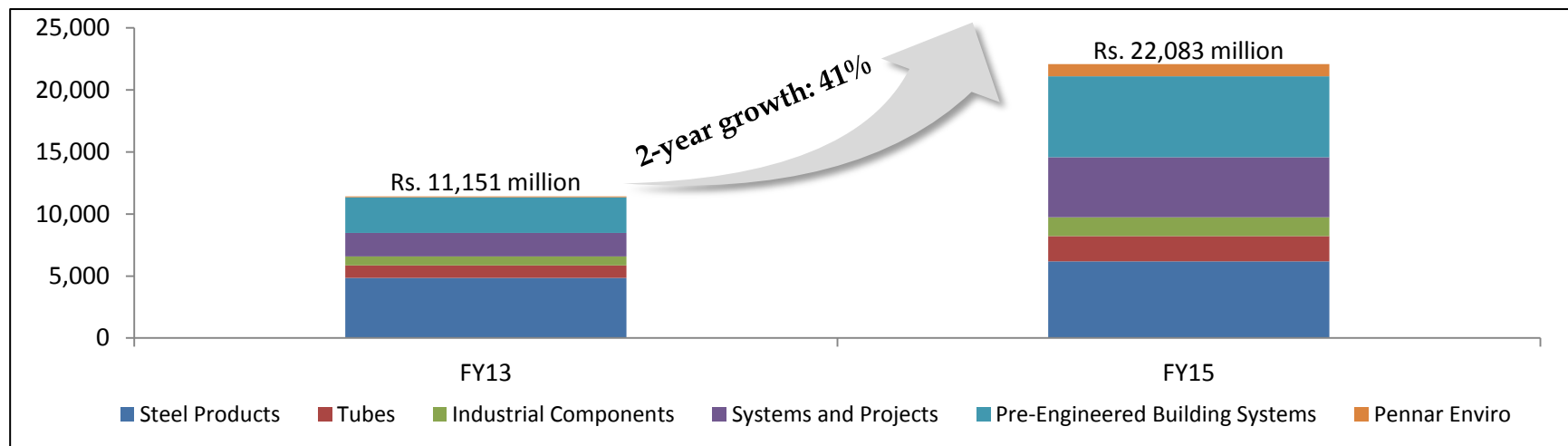


www.pennarenviro.com

Platform for Engineering Excellence



Diversified Business	Strong Manufacturing Capabilities	Blue Chip Customer Base	Robust Financial Performance
<ul style="list-style-type: none"> Pennar Industries business is organized in four business verticals: Steel Products, Tubes, Industrial Components and Systems & Projects PEBS: Pre engineered buildings represent a strong potential Pennar Enviro: Entry into water treatment space. 	<ul style="list-style-type: none"> First IGBC green factory rating in India for PEBS Technical collaborations with leading technology partners Multi Locational manufacturing base 73% of revenue through Engineered products 	<ul style="list-style-type: none"> Over 600 customers existing customers Key clients include Dr. Reddy's, Reliance, L&T, Tata Motors, Texmaco and Ultratech, Thermax, ABB, Ashok Leyland, IFB and TVS Group Adding 50 new customers every year 	<ul style="list-style-type: none"> 5-yr net sales growth CAGR of 15% and EBITDA growth CAGR of 12% FY2013 net revenues of Rs. 11,151 mn and EBITDA of Rs. 1,165 mn 5-yr avg ROCE of 28% Strong balance sheet to support organic and inorganic growth plans Long-term rating of A and short-term rating of A1 from CARE Zephyr Peacock invests Rs.50cr in PEBS



Emerged as a Diversified Engineering Company with Robust Financial Foundation

Diversified Product Portfolio

Steel Products	Tubes	Industrial components	Systems and Projects	Pre-Engineered Buildings
<ul style="list-style-type: none"> ○ Narrow and special grade cold rolled strips ○ Engineered profiles such as ESP electrodes ○ Building products ○ Road safety systems ○ Sheet piles ○ Automobile panels and profiles 	<ul style="list-style-type: none"> ○ Precision tubes ○ CDW/ERW Tubes ○ GP Tubes 	<ul style="list-style-type: none"> ○ Pressed steel precision components for auto, industrial and white goods segments 	<ul style="list-style-type: none"> ○ Systems for rail wagons and coaches (roof, furnishing, side wall assembly, coach body components, under frame and chassis members) ○ Solar PV structural 	<ul style="list-style-type: none"> ○ Pre-engineered building structures ○ Industrial buildings ○ Warehouses ○ Airports and aircraft hangers ○ Turnkey buildings ○ Leak proof roofing sheets

Less than 25% of Group Revenues from Steel Strips – increasing focus on engineering

Pre-Engineered Buildings

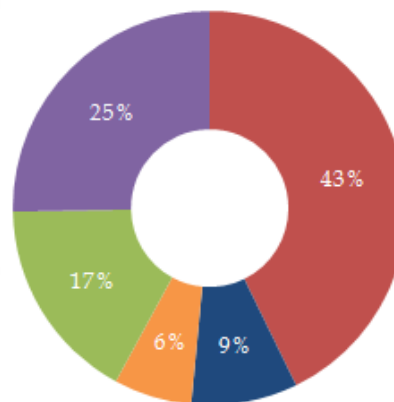
- Pre-Engineered Buildings: 25%

Systems and Projects

- Railways (Systems): 9%
- Projects (Solar): 8%

Industrial Components

- ECD: 6%



Steel Products

- Cold Rolled Steel Strips: 20%
- Auto: 7%
- General Engineering: 1%
- Blanks: 3%
- Buildings: 9%
- ESP: 2%
- Others: 1%

Tubes

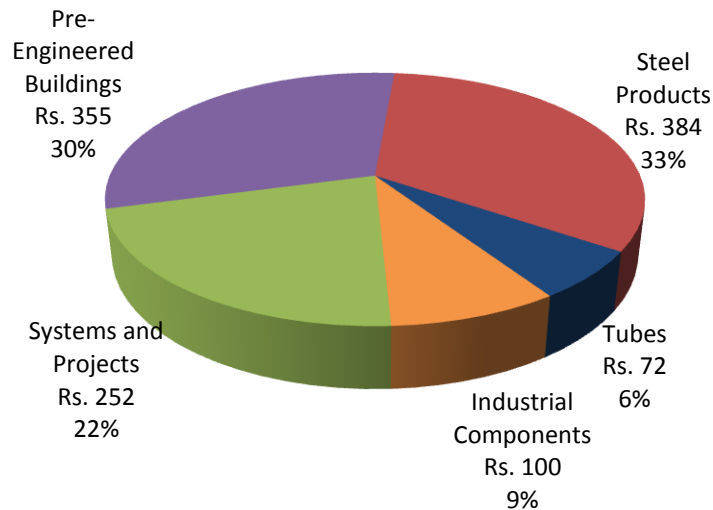
- Tubes: 8%
- CDW Tubes: 1%

Business Overview

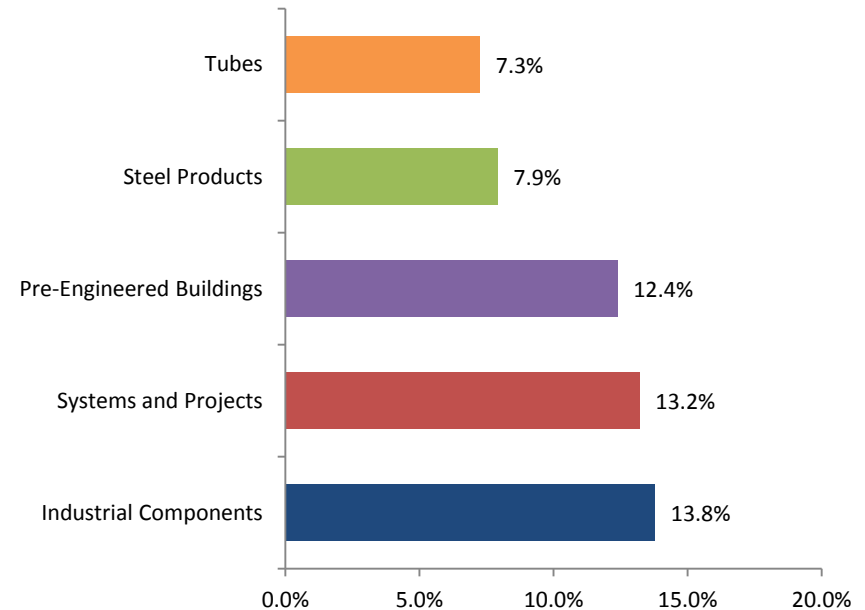


Robust growth in Projects & Systems and Pre-Engineered Building Systems

FY2013 EBITDA By Vertical (Rs. million)



FY2013 EBITDA Margin (%)



Related diversification to drive growth through new products and geographies

- Related diversification through addition of business segments and capacity expansion of existing businesses
- Margin expansion through higher value-added products, Systems & Projects business
- Scaling existing businesses including Pre-Engineered Buildings, Heavy Fabrication and CDW tubes
- Setting up of new capacities in the Western India to cater to Northern markets

Business Overview



Strong Manufacturing Capabilities



Pursue business in Europe and Africa

Plans to set up a 30,000 MT pre-engineering buildings plant in Gujarat

Tarapur
Steel products

Patancheru
Steel Products
Industrial components

Hosur
Tubes
Industrial Components

Isnapur
Steel Products
Tubes
Industrial Components

Sadashivpet
Pre Engineered Buildings

Chennai
Steel Products
Industrial Components

- Manufacturing Facilities (5)
- Service Center (1)
- Sales Offices (18)
- Proposed PEBS Facility (1)

Business Overview



Blue Chip Customer Base

Steel Products



Tubes



Industrial Components



Systems and Projects



Pre-Engineered Buildings



Pennar Enviro



No Single Customer Accounts for Over 7% of FY2013 Revenues

Business Vertical – Steel Products

Leading Provider of Steel Solutions

Product Profile

Panels and Profiles



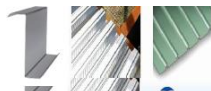
Road Safety Systems



Sheet Piles



Building Products



Steel Strips



ESP Electrodes



Key Assets

- Ability to mass produce complex profiles for industrial and infrastructure sectors
- Special grades and niche application support
- Standard products for Building and Infrastructure segments
- In-house tool design and manufacturing for new products
- Multi locational manufacturing base provides competitive advantage

Q4 Business Highlights

Rs. crore	Revenue	EBITDA	margins (%)
Q4FY13	133.7	8.0	6.0%
FY13	485.5	38.4	7.9%

Orders received:

- Major orders for sheet piles booked for supply to Delhi Metro rail
- Vijayawada road project – 30 km for the supply of metal crash barriers
- Deck sheets for Power projects

Growth Strategy

- Investment in product portfolio expansion and new product development
- New sales and distribution model for building products
- Growth through expansion into North India
- Lean operations and processes
- Manufacturing Hub in North India

Business Vertical – Tubes

67% growth in business as compared with 2012

Product Profile



Key Assets

- Commissioned ERW + CDW Manufacturing hub in Hyderabad
- Service centres established in Chennai and Hosur
- Product development and engineering team for application and custom development
- Approved products for Automotive, Boiler and other Industrial Applications
- A strong B2B sales and service process

Q4 Business Highlights

Rs. crore	Revenue	EBITDA	margins (%)
Q4FY13	28.4	1.6	5.4%
FY13	99.2	7.2	7.3%

- This vertical has grown by 27% YoY in volume and 23% YoY in value, whereas CDW has grown by 175%.
- Isnapur plant recorded the highest ever production, amounting to 1900MT of ERW and 290MT of CDW

Growth Strategy

- Value added tubular products
- Network of product service centres in South and West
- New sales distribution model for ERW tubes
- Manufacturing Hub in North India
- International business

Geographies Covered

Tamil Nadu, Karnataka, Maharashtra

Business Vertical – Industrial Components

Wide Range of offerings in Sheet Metal Processing Technology and Products

Product Profile

Break Drum



Metal Stamped Rotor



Compressor Shell



General Engineering Components



Key Assets

- In-house tool development and manufacturing
- Diversity in customer segments (Automotive, White Goods and Industrial)
- Two production locations along with one service centre

Q4 Business Highlights

Rs. crore	Revenue	EBITDA	margins (%)
Q4FY13	19.5	1.4	6.9%
FY13	72.7	10.0	13.8%

- The stabilization of new disc brakes for Endurance has begun generating revenues

Growth Strategy

- Creation of independent New Product Development Cell
- Expansion of sales and engineering team for new customer acquisition and key account management
- Value differentiator through combination of technology, capacity, logistics and customer support
- Pursue export business
- Expansion of Chennai Unit
- TPM implementation

Geographies Covered

Southern and Western Region

Business Vertical – Systems & Projects



Solutions for Railways, Solar and other emerging industries

Solutions Profile

Rail Coaches



Rail Wagons



Under frame Assembly



Solar Structures



- In-house Tool Development and Manufacturing
- One stop shop for engineering, manufacturing, project management,, supply and erection of PV structures for the solar industry
- Railway Coach and Wagon system manufacturing facility
- Manufacturing capacity in Hyderabad and Chennai

Q4 Business Highlights

Rs. crore	Revenue	EBITDA	margins (%)
Q4FY13	48.7	6.4	13.1%
FY13	190.7	25.2	13.2%

- Solar Business maintained its Business Levels while Railways Business saw a major decline primarily due to lower Coach & Wagon manufacturing plans announced by the Railway Board

Growth Strategy

- Creation of engineering and product development centre
- Diversification into related areas such as warehousing systems and process equipment
- Plan to acquire technology to enter performance products and life cycle services/ support
- Project management organization
- Development of systems for larger transport segment

Geographies Covered

AP, Tamil Nadu, Kolkata, Maharashtra

Subsidiary – Pre-Engineered Building Systems (PEBS)



PE firm Zephyr Peacock invests Rs 50 crores in Q4FY13

Product Profile

PRIMEBUILD

- Offers premium features



VALUEBUILD

- Offers value for money features



Key Developments

- Increased capacity to 90,000 MT
- Exported its products to Tanzania, Angola and Zambia in Africa
- Expanded into cold roll formed buildings
- Expanded into solar EPC business
- Current order book of Rs. 230 Crore
- **Technical Collaboration:** NCI Inc, for Providing Double Lok roofing systems. It offers 100% leak-proof product with warranty for 10 years

Q4 Business Highlights

Rs. crore	Revenue	EBITDA	margins (%)
Q4FY13	88.8	13.0	14.7%
FY13	287.0	35.5	12.4%

- Major breakthrough in the Cold form steel buildings segment
- Successful break through into Metro Rail Project through L&T Hyderabad
- Entered power plant segment by bagging order from Ramky

Growth Strategy

- **Geographic expansion:** Enter new markets (Northern and Western India)
- **Vertical expansion:** Extend mandate with tensile structures, high rise buildings and civil works
- **Focus on increasing exports:** Expand presence in export markets, in particular Africa, Russia and the Middle East
- Provide green buildings that reduce power consumption by 10-15% as opposed to conventional buildings

Subsidiary – Pennar Enviro



Reengineering water, environment & energy

Product Profile



Key Developments

- 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
- Technical collaboration with TOTAL, France and with Tech Universal, UK
- Expanded product profile into solid fuel additives
- Built up a team of 50 plus engineers in business development, engineering, project management and other verticals

Q4 Business Highlights

- The Net Sales Revenue recorded a growth of 9% YoY
- Overall net sales revenue growing by 10% for last two years.
 - The growth is primarily driven by sale of solid fuel additives and water chemicals
- Water projects booked orders from companies like L&T , Amtek Auto , My Home, AGI Glass

Growth Strategy

- Bidding for and executing water projects, thereby building up the references
- Expansion into Desalination segment
- Focus on expanding the market of coal additives and its allied products, having a market of Rs. 700 crores
- Expanding the water treatment chemicals basket and market spread across the untapped markets

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



Chandrashekhar Talathi

Executive Vice President

Head of Operations



G. Venkat Rao

Business Head

Steel Products



Ramesh Nandagiri

Vice President

Engineering &
Development – S&P



Ravi Shankar V

Vice President

Sales – Systems &
Projects



M. Bhoopal Reddy

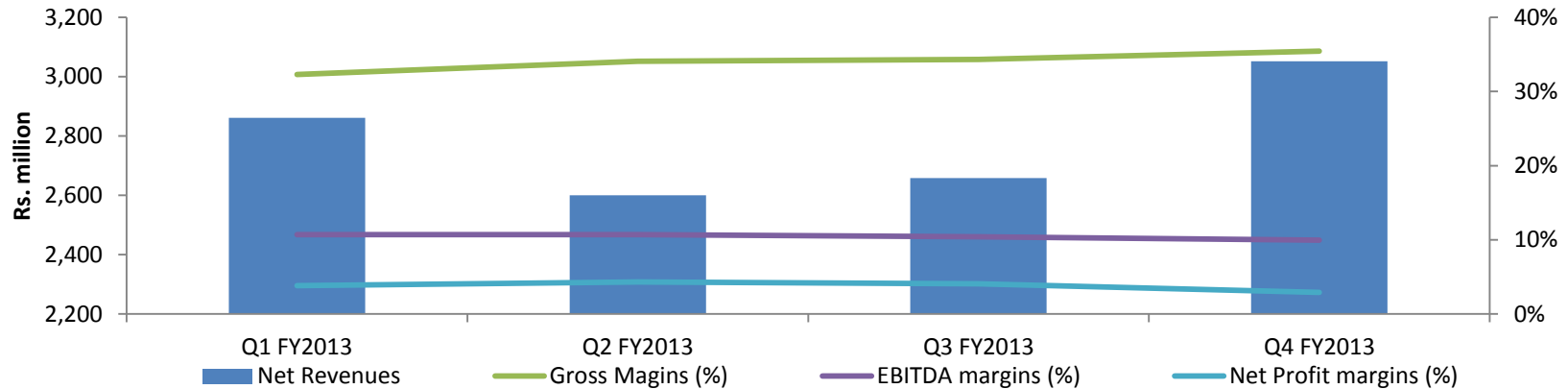
Business Head

Tubes

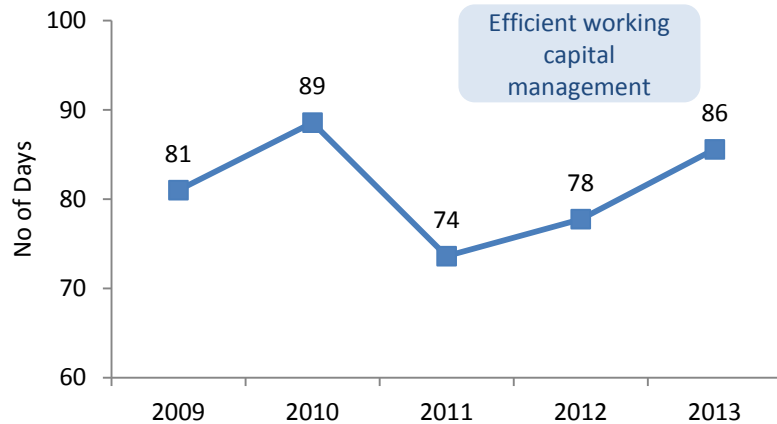
Financial Overview



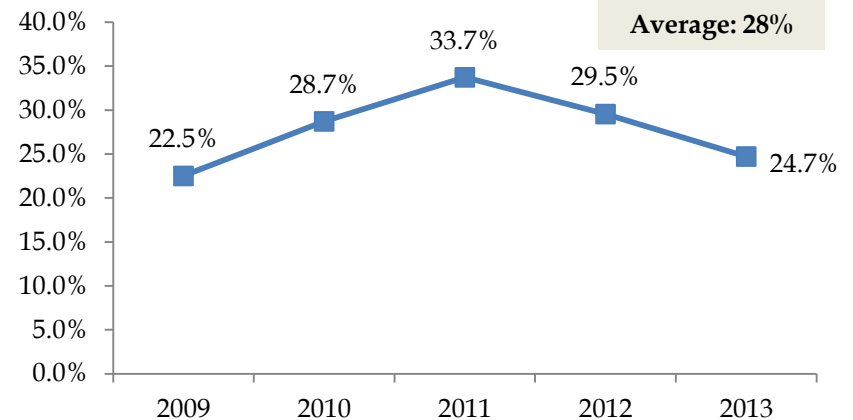
Operating Metrics



Cash Conversion Cycle



Return on Capital Employed



Notes:

1) Cash conversion cycle is inventory conversion period plus receivables conversion period less payables conversion period

Financial Highlights for Q4FY13 & FY13



Financial Performance

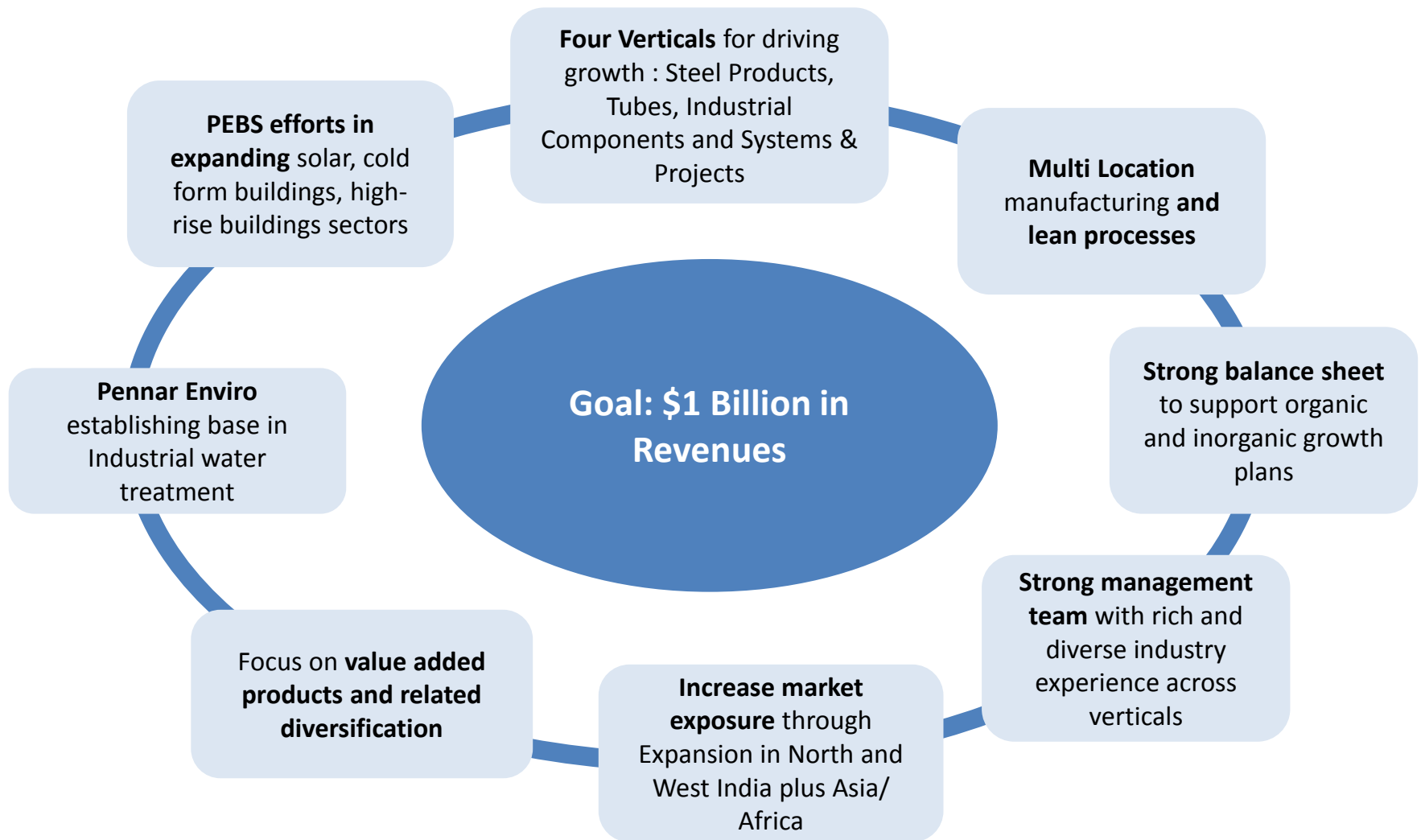
(Rs. Crore)	Q4		y-o-y	Q3		q-o-q		y-o-y
	FY2013	FY2012	Growth (%)	FY2013	Growth (%)	FY2013	FY2012	Growth (%)
Gross Sales	345.9	408.3	(15.3)%	300.4	15.2%	1,274.4	1,381.5	(7.8)%
Net Sales	305.1	358.9	(15.0)%	265.8	14.8%	1,115.1	1,218.6	(8.5)%
EBITDA	30.4	26.9	12.9%	27.7	9.7%	116.5	144.7	(19.5)%
EBITDA Margin (%)	10.0%	7.5%		10.4%		10.4%	11.9%	
Cash Profit	12.2	15.1	(19.3)%	15.4	(20.8)%	59.8	81.9	(27.0)%
Cash Profit Margin (%)	4.0%	4.2%		5.8%		5.4%	6.7%	
Net Profit	8.9	11.4	(21.8)%	10.8	(17.5)%	41.9	62.0	(32.5)%
Net Profit Margin (%)	2.9%	3.2%		4.1%		3.8%	5.1%	
Basic EPS (Rs)	0.73	0.94	(21.8)%	0.89	(17.5)%	3.43	5.08	(32.5)%

Note: Scrap sales has been adjusted against raw materials costs

Segmental Performance

(Rs. Crore)	Sales					EBITDA					EBITDA Margin (%)						
	Q4		y-o-y	Q3		Q4		y-o-y	Q3		Q4		y-o-y	Q3		Q4	
	FY13	FY12	Growth (%)	FY13	Growth (%)	FY13	FY12	Growth (%)	FY13	Growth (%)	FY13	FY12	Growth (%)	FY13	Growth (%)	FY13	Growth (%)
Steel Products	133.7	168.4	(20.6)%	106.6	25.4%	8.0	12.3	(35.4)%	9.5	(15.6)%	6.0%	7.3%	(136)	8.9%	(289)		
Tubes	28.4	23.2	22.8%	21.7	31.2%	1.6	1.7	(8.0)%	1.7	(9.4)%	5.4%	7.3%	(182)	7.9%	(244)		
Industrial Components	19.5	20.8	(6.3)%	15.9	22.5%	1.4	2.5	(45.8)%	2.7	(50.7)%	6.9%	12.0%	(504)	17.2%	(1,028)		
Systems and Projects	48.7	76.0	(35.9)%	56.8	(14.2)%	6.4	8.2	(22.1)%	6.6	(3.5)%	13.1%	10.8%	233	11.7%	146		
Total Standalone	230.4	288.4	(20.1)%	201.0	14.6%	17.3	24.7	(30.1)%	20.5	(15.8)%	7.5%	8.6%	(108)	10.2%	(271)		
Pre-Engineered Buildings	88.8	71.1	25.0%	68.6	29.5%	13.0	6.8	91.1%	7.2	82.0%	14.7%	9.6%	508	10.4%	424		
Sub Total	319.2	359.5	(11.2)%	269.6	18.4%	30.3	31.6	(3.9)%	27.7	9.5%	9.5%	8.8%	72	10.3%	(77)		
Regrouping Adjustments	(14.1)	(0.6)		(3.9)		0.1	(4.6)		0.0								
Total Consolidated	305.1	358.9	(15.0)%	265.8	14.8%	30.4	26.9	12.9%	27.7	9.7%	10.0%	7.5%	246	10.4%	(46)		

Key Takeaways





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