



“Pennar Industries Limited
Q4 FY2018 Results Conference Call”

May 21, 2018

**MANAGEMENT: MR. J KRISHNA PRASAD – CHIEF FINANCIAL OFFICER –
PENNAR INDUSTRIES LIMITED
MR. MANOJ CHERUKURI – HEAD, CORPORATE
PLANNING – PENNAR INDUSTRIES LIMITED**

MODERATOR: MS. MONALI JAIN – DOLAT CAPITAL



Pennar Industries Limited
May 21, 2018

Moderator: Good morning ladies and gentlemen and welcome to the Pennar Industries Limited Q4 FY2018 Results Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Monali Jain of Dolat Capital. Thank you and over to Madam!

Monali Jain: Good morning everyone. I welcome all of you to the conference call of Pennar Industries to discuss the Q4 FY2018 results. We have with us the senior management of the company, Mr. J. Krishna Prasad, CFO and Mr. Manoj Cherukuri, Head, Corporate Planning. We will first begin with the management commentary and then open the question and answer session. I would now hand over the call to Mr. J Krishna Prasad. Thank you and over to you Sir!

Krishna Prasad: Good morning to you all. This year financial ending FY2018 on consolidated basis we have grown by 23% from Rs.1,700 Crores to Rs.2,100 Crores from gross and in the standalone we have grown by 32%. Net sales increase in consolidated is around 15% from Rs.1,550 crores to Rs.1,784 crores. The EBITDA has increased by 36% and that is before the exceptional entries which have gone up from Rs.162 Crores in last financial year to Rs.221 Crores in FY2018. Net profit increased from Rs.34 Crores to Rs.70 Crores, more or less it has doubled in consolidated. In standalone, net revenue has increased by 25% and EBITDA has increased by 30.6% from Rs.92 Crores to Rs.120 Crores and net profits increased from Rs.28 Crores to Rs.54 Crores, which is 90% increase compared to FY2017.

In segmental, we have grown in each segment. In tubes we have increased by 58% and industrial components by 26% and railways by around 74.8% and in consolidated we have increased by 10% in Q4. The finance cost has gone up from Rs.62 Crores to Rs.67 Crores in the consolidated and after minority interest the total PAT has come to Rs.70 Crores versus Rs.34 Crores in the last year and this year all segments have shown improvement including subsidiaries. We have completed capex plans and the plant has started giving revenue of around Rs.80 Crores to Rs.90 Crores last year and we are having future plant expansion of railways and CDW and we are going into the other verticals of stainless steel tubes.

For all these, we will have very good impact in the coming years and we are hopeful of having a minimum double digit growth in each segment, which will result in the EBITDA margin growth and also net turnover and the cash profits. This is for Q4. We will hand over now for any questions.



Pennar Industries Limited
May 21, 2018

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ashwini Agarwal from Ashmore. Please go ahead.

Ashwini Agarwal: Good morning. Congratulations on a very strong set of results. I just wanted to understand if you look at the next year, you are saying that you expect double digit growth in all the segments, any particular revenue target or revenue budget you could share with us?

Krishna Prasad: What we are doing is for last year also we had capex plans, which were executed and they have resulted in strengthening the company in our product range and also the base turnover. In the same way going forward, this year also we are having capex plans, which will definitely strengthen in each sector and each segment including railways and components and tubes. These segments we are strengthening further with the capex plans, so all these put together definitely will have an impact in our topline and also bottom line because whatever we are investing in are all high value businesses, so the turnover growth will definitely be positive and also bottom line will see the impact. What we can say is higher double digit growth is expected and most probably as far as the exact numbers and all, it will be very difficult as of now.

Ashwini Agarwal: The EBITDA margin that you reported on a standalone basis was 11.7% for the quarter ended March, this is the highest that has been reported by the company in many, many years that I could see, is there any one off element in terms of stock gains or anything like that, which is helping the EBITDA margins, what could be the normalized margin in your view?

Krishna Prasad: It is not having any exceptional entries as such because we never deal in stocks or one-time thing. It is only the mix. What may create this type of upward or downward trend because if railway business is stronger, my margins will move further; it is only because of the mix in the last quarter we had a very strong order book and also execution of railways and CEW tubes and also industrial components and we expect that this will continue.

Ashwini Agarwal: What is the railway order book now?

Krishna Prasad: Railway order book maybe roughly around some Rs.250 Crores I think, but exact figures I will give it offline.

Ashwini Agarwal: Because I think in the March quarter you have done almost about Rs.79 Crores in railways, which is actually pretty large number and I guess there is cyclicalities because delivery has



Pennar Industries Limited
May 21, 2018

probably become strongest in the fourth quarter, so I guess that is what lifted up your margins for the quarter?

Krishna Prasad: It is correct Sir and railway order book and also our execution capacity has increased so much along with industrial components also because industrial components have shown a very high growth and especially in hydraulics and all, we think that it is sustainable. It is not one off.

Ashwini Agarwal: Great. Thank you so much. Quickly sorry, one more question. Could you give me the EBITDA figures for Enviro and PEBS please?

Krishna Prasad: The results are not being discussed in public at the moment, so as of now I am not having, but if you come in offline, then we may be able to share because I also will get it. Right now I am having only one consolidated figure.

Ashwini Agarwal: Fine. Thank you so much.

Moderator: Thank you. The next question is from the line of Ranjit Kothari from Vibrant Securities. Please go ahead.

Ranjit Kothari: Sir my question is regarding the understanding of the profit before tax figures, so when I see on consolidated levels the profit for the quarter is Rs.57.5 Crores, so out of that Pennar Industries standalone is Rs.19.4 Crores and Pennar PEBS is Rs.9.8 Crores, so that leads to a difference of Rs.28 Crores approximately, so can you tell me from where does it come from?

Krishna Prasad: That is the sale of PRPL. There is one element, which we have recovered and we have shown that figure, so PRPL when we have sold we had that capital gain, which is reflecting in the particular figure.

Ranjit Kothari: This profit before tax, which I am asking is before exceptional items?

Krishna Prasad: The clarity of what exactly sir?

Ranjit Kothari: Basically on consolidated level we are having profit before tax of approximately Rs.57 odd Crores and if I break it down then standalone brings in Rs.19.4 Crores and Pennar PEBS brings in Rs.9.8 Crores, so I want to know from where does that breakup of Rs.28 Crores come?



Pennar Industries Limited
May 21, 2018

- Krishna Prasad:** In this quarter we have Pennar Global and also PRPL which is also having something to contribute to this and also we had one specific order what we have received towards the engineering services, which are given to Enviro. It has also resulted in quite a double digit contribution towards the particular amount, so all these put together is now coming to the particular Rs.57 crores odd.
- Ranjit Kothari:** Is it coming from the Enviro Company?
- Krishna Prasad:** Correct Sir.
- Ranjit Kothari:** The whole of the amount or significant operations?
- Krishna Prasad:** It is part of Enviro and a part is from Pennar Global.
- Ranjit Kothari:** Can you help me segregate the numbers Sir, are you having it?
- Krishna Prasad:** As of now exact segregation I am not having, but I will share it with you.
- Ranjit Kothari:** Another question is regarding the net debt position, so our net debt position on YOY basis on consolidated level has increased by Rs.50 Crores, but the standalone entity Pennar Industries, the debt has increased by Rs.100 Crores, so can you help me with that?
- Krishna Prasad:** Because in PRPL when it is disposed of, we had reduced the total exposure by Rs.90 crores. In standalone we are going for capital investments and we need to have the debt equity ratio to see my if working capital needs will be met with internal accruals, so we have gone for a term loan of roughly around Rs.45 Crores to Rs.50 Crores and balance is our working capital to support whatever the turnover increases to.
- Ranjit Kothari:** Sir another question was regarding the depreciation amount so actually it was pertaining to the Q4 of FY2017, it was significantly less compared to the other quarter run rate?
- Krishna Prasad:** It is because of PRPL because we had disposed of that particular asset.
- Ranjit Kothari:** My last question is regarding the capex, so for the whole year we had done addition to the net block of approximately Rs.90 Crores, so how have we funded that in the ratio from how much from debt and how much from internal accruals?



Pennar Industries Limited
May 21, 2018

- Krishna Prasad:** It is for last year I think we had gone for 1:1, but from now onwards it is going to be around 70:30.
- Ranjit Kothari:** 70 would be from debt and 30 from internal accruals?
- Krishna Prasad:** Because going forward I have to finance working capital also because we are having very aggressive plans of turnover increase, so we may be going at more or less 70:30 ratio.
- Ranjit Kothari:** That is it from my side. Sir I will come with follow up questions afterwards. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajat Sethia from Briddi Capital. Please go ahead.
- Rajat Sethia:** Sir what is the gross debt on consolidated level and standalone level?
- Krishna Prasad:** On consolidated, it will be around some Rs.330 crores total debt including working capital, term loans and all put together and standalone it will be around Rs.230 crores.
- Rajat Sethia:** Sorry how much?
- Krishna Prasad:** Rs.230 crores.
- Rajat Sethia:** Current investments and cash on books?
- Krishna Prasad:** Current investments what you are calling, not current assets as such?
- Rajat Sethia:** No, liquid investments and cash and bank balance?
- Krishna Prasad:** It will be around some Rs.70 crores.
- Rajat Sethia:** Is this standalone or consolidated?
- Krishna Prasad:** No only on standalone what I am saying.
- Rajat Sethia:** On a consolidated basis?
- Krishna Prasad:** Consolidated will be another Rs.120 crores to Rs.125 crores roughly.



Pennar Industries Limited
May 21, 2018

- Rajat Sethia:** Basically net debt on consolidated basis is around Rs.200 Crores right?
- Krishna Prasad:** Correct.
- Rajat Sethia:** How much of that is long term debt?
- Krishna Prasad:** Long term debt is around Rs.80 Crores to Rs.90 Crores.
- Rajat Sethia:** Do we expect this number to go down?
- Krishna Prasad:** It may increase because we are planning further expansion and my payment schedule will be anyhow on a four year basis more or less, so in a very short time it may go up, but if you take some two or three years definitely everything will come.
- Rajat Sethia:** Whatever debt reduction was expected because of the asset sale, nothing more is going to come now?
- Krishna Prasad:** Yes.
- Rajat Sethia:** Got it and Sir other question is around other opex that we have in this quarter, so in this quarter our other expenses are around Rs.70 Crores, last quarter they were Rs.53 Crores and Q4 of last year they were Rs.42 Crores, there is a big jump in this quarter?
- Krishna Prasad:** Other expenses related to the manufacturing. Wherever we have very specific manufacturing expenses just like your freight charges they will go with the turnover. The other expenses, which relates to the turnover, has increased because of turnover increase of some 30% - 35%.
- Rajat Sethia:** You are saying they have increased because of the increase in turnover?
- Krishna Prasad:** It is in relation with turnover increase.
- Rajat Sethia:** I will tell you the numbers as a percentage of sales, the number as a percentage of sales has increased drastically to 20.4% in Q4, I am talking about standalone numbers Sir.
- Krishna Prasad:** That is what I am saying, it depends on first the turnover and the second is mix in the turnover. If it is ordinary thing, it will go into raw material. If it is going to be some processor for all our value added products, raw material value will be less and the process cost is going to be



Pennar Industries Limited
May 21, 2018

more than only I will be getting the margin, so whenever we are pushing the mix towards value added production, these expenses will go off.

- Rajat Sethia:** In this quarter our receivables have increased a lot?
- Krishna Prasad:** It is quite in relation with my turnover of Q4 here. If my last two to three month sales are going to be very high, it will automatically get adjusted because the same trend you might have observed for the last few years also. Q1 it will be less when compared to Q4 of the year.
- Rajat Sethia:** You are saying this is nothing unusual, it is business as usual going ahead?
- Krishna Prasad:** It is because we are very, very specific and also our concentration is also greater and much stress we will give towards the cash flow management.
- Rajat Sethia:** Sir what is our course, let us say the merger goes through, but we will be shareholding as a promoter group after that?
- Krishna Prasad:** Can you repeat the question?
- Rajat Sethia:** Post the merger, what is the promoter shareholding going to be?
- Krishna Prasad:** It will most probably reduce by few basis points.
- Rajat Sethia:** Few basis points it can go down you said right?
- Krishna Prasad:** Slightly, but more or less it won't be sizeable. You may consider it to remain constant or grow by some few basis points.
- Rajat Sethia:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.
- Manish Bhandari:** Good morning. Sir I see this consolidated other income of Rs.7.9 Crores, if you can give some explanation in the consolidated statement?
- Krishna Prasad:** Consolidated Rs.7.9 Crores versus my Rs.503 Crores of turnover is not sizeable amount sir but I will be giving it, if you allow me to come offline then I can share because Rs.7 Crores



Pennar Industries Limited
May 21, 2018

will be having several items, which may run into some few lakhs or Rs.40 lakhs, Rs. 30 lakhs and above. We can share it with you. You come offline no problem.

Manish Bhandari: In interest of everyone if you could share this as a broad number online rather than me coming offline would not make any sense and second thing sir you mentioned about this Rs.57 Crores, it will be helpful for all the participants if you could tell in detail what is this Rs.57 Crores number attribution, how much has come from the Pennar environment, offline would not help us by any chance and once again in interest of all the participants it will be great idea if you can share with everyone?

Krishna Prasad: Out of Rs.57 Crores major part is coming from Pennar Industries and the PEBS because we are having compositions now, four compositions are there PIL, PEBS, PEL and PGI. Out of these two, we are disclosing whatever numbers are being announced so that is what we are trying to say - PGI,PEL and PRPL have contributed to the balance figure, which is around that particular set of somewhere around Rs.20 crores plus, 70 Crores less.

Manish Bhandari: Is that number sustainable or is it one off, which has come in this quarter and finally ended up?

Krishna Prasad: In the past, the amount is more or less there because this is the first time we had experienced the engineering services in PEL and we think once we have got it and it is possible to sustain that type of thing in the coming quarters also and we are hopeful of getting that, but that is what is not there in earlier quarter and is the only difference.

Manish Bhandari: I would be glad if you can tell which engineering services you are talking about engineering services part of the PEBS, which engineering service you are talking about?

Krishna Prasad: It is Enviro for design of ETP systems or treatment of their wastages for that we have got the engineering services order, which is quite large because there the contribution levels will be around some 85% to 86%.

Manish Bhandari: Is it like designing, what we have done in ETP designs?

Krishna Prasad: It is designing and engineering solutions not operating or erecting it.

Manish Bhandari: Who would be the clients, what kind of clients or single clients or there are multiple clients?



Pennar Industries Limited
May 21, 2018

- Krishna Prasad:** There are multiple clients.
- Manish Bhandari:** This could be a sustainable business in this process?
- Krishna Prasad:** Once we have got the taste we feel that it is sustainable.
- Manish Bhandari:** How much turnover this Pennar Environment would have done in this whole year?
- Krishna Prasad:** Before this year?
- Manish Bhandari:** Yes FY2018.
- Krishna Prasad:** Around Rs.120 crores.
- Manish Bhandari:** And this would have resulted in a PAT of Rs.15 Crores to Rs.18 Crores?
- Krishna Prasad:** Roughly around that figure.
- Manish Bhandari:** This number Rs.120 crores could be sustainable am I right?
- Krishna Prasad:** Yes.
- Manish Bhandari:** Rs.120 crores and above, so it is not a one off project it is a sustainable number?
- Krishna Prasad:** Because they are in the business for years and it is possible to sustain.
- Manish Bhandari:** Sir what will be our Pennar Environment holding after the merger, we will be owning 100% am I right?
- Krishna Prasad:** It is 100%.
- Manish Bhandari:** At the moment you have added 51% of the Pennar Enviro?
- Krishna Prasad:** Correct.
- Manish Bhandari:** Are you by any chance benefited from the rising of the steel price because I remember at least some four quarters back there was a hit because of the decline in the steel prices, so in this process this year and last quarter, we have gained from the rise of the steel prices?



Pennar Industries Limited
May 21, 2018

Krishna Prasad: To my knowledge I have not come across any decline in prices because it is strengthening from Q4 and also current Q1 also it has further strengthened only, so we have not seen the price drop.

Manish Bhandari: I meant that have you gained out of the price increase or not, I did not mean that there is a drop I am saying I understand there is a rise in the prices, so have we gained from the rise of the prices or not?

Krishna Prasad: Usually we are not in the type of bargaining of holding stocks for that because Pennar Industries is having a very short cycle of the total HAM purchase to say. This is actually not too much, so usually we did not go by the theory of holding the stock and getting that particular type of advantage or disadvantage. We want to pass it on whether it may be either increase or decrease.

Manish Bhandari: Even for your long order, which would be three months and six months you would be in a position to pass on the steel prices?

Krishna Prasad: The project is going to be sustained with back to back orders.

Manish Bhandari: So there is no steel prices what you are telling and four quarters back there was some discussion maybe I can pull out those transcripts and say that there was some discussion where Aditya made a comment that there was a decline because of the steel prices if my memory serves me right?

Krishna Prasad: In short run that is what I am telling.

Manish Bhandari: That is what I am saying in short run yes.

Krishna Prasad: In short run we cannot pass on 100% or else either increase or decrease. It is not possible to pass on 100% in very short run. What we go by is because of the cycle what we are in it is not longer than three months, so there is no point of holding or else releasing the stock and going on that type of say what is something very different gambling, but we do not want to have any margin on that particular type of volatility.

Manish Bhandari: Sure I appreciate that. Sir would the railway order book go from where the level we are looking at the kind of business railways is throwing in?



Pennar Industries Limited
May 21, 2018

- Krishna Prasad:** You will think as of now we are having very strong order book and it is going to be increasing only.
- Manish Bhandari:** Wonderful. Sir my last question again from where I started on the other income since the numbers versus the last year of Rs.43 lakhs versus the Rs.7.95 Crores, so what I understand from your commentary is that this number looks sustainable to you based on the turnover what we have am I right on this?
- Krishna Prasad:** It is possible Sir because we are having something with current investments and they are going to yield that one to the extent.
- Manish Bhandari:** So Rs.14 Crores to Rs.15 Crores of run rate of other income is possible?
- Krishna Prasad:** It is possible.
- Manish Bhandari:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital India Private Limited. Please go ahead.
- Vikram Suryavanshi:** Some of the questions are answered, can you share what is the order book in solar now?
- Krishna Prasad:** Solar order book also when compared to others it is in a sustainable range because my total solar, the cycle is roughly around one and a half months to two months.
- Vikram Suryavanshi:** In third quarter I guess we had around Rs.150 Crores order book, so what is that number now?
- Krishna Prasad:** It is more or less increased by double digit figure.
- Vikram Suryavanshi:** How is the share with this what we are talking about the value added steel products and all that, so within steel products how do you see the mix between the value added products and normal steel?
- Krishna Prasad:** Earlier it used to be something very different. Now we are more or less converting the base products into our value added chain, which is that special steel and all that and we are going to have another site of drilling base, which is going to be commissioned most probably during the next month. With that most probably our ratio will be something better than what we are



Pennar Industries Limited
May 21, 2018

now going to have and it will be around some 40:60 percentage wise because it is also getting increased, the percentage if you keep constant also value added products will grow up in a very substantial manner.

- Vikram Suryavanshi:** CDW tubes how much is our monthly volume now?
- Krishna Prasad:** It has increased by 25% when compared to last year and we are going to expand that CDW length during this year and we hope that it is going to be sustainable and it will be increased further.
- Vikram Suryavanshi:** Broadly in terms of tonnes per month how would be the number now?
- Krishna Prasad:** As of now it is around some Rs.1200 crores and it will go up because the entire capex we have invested in that particular thing has to come into practicality.
- Vikram Suryavanshi:** These railway orders are seeing the traction in coaches also and wagon also or it is just in coaches only?
- Krishna Prasad:** As of now what we are able to see is only regarding coaches and it is up and down as far as the wagons are concerned and the situation has not improved much when compared to before.
- Vikram Suryavanshi:** Last question Sir in terms of capex how many Crores we will be spending this year or you can give some ballpark number?
- Krishna Prasad:** As of now we are having plans of repeating the last year, so most probably we will be having the same thing for this year and also the next year.
- Vikram Suryavanshi:** And what would be that number?
- Krishna Prasad:** It will be close to Rs.80-90 crores.
- Vikram Suryavanshi:** Consolidated whole capex?
- Krishna Prasad:** More or less, correct.
- Vikram Suryavanshi:** Thank you Sir.



Pennar Industries Limited
May 21, 2018

- Moderator:** Thank you. The next question is from the line of Swarn Agarwal from Axis bank. Please go ahead.
- Swarn Agarwal:** Export accounts for what percentage of the tubes division?
- Krishna Prasad:** As of now it is not so significant because of the volatility in their duties and all, but going forward there is an opportunity to strengthen it further, as of now it is insignificant.
- Swarn Agarwal:** Sir, I just wanted to understand what will be the share and revenue for domestic sales versus exports in US?
- Krishna Prasad:** That is what I am telling, as of now it is insignificant when compared to some 2,100 Crores of my total gross turnover that whatever percentage it comes to and it will be very negligible, but going forward what we think is yes because of PGI we will be able to have something, which is sizable.
- Swarn Agarwal:** Like in the investor presentation it was written that you have received export orders from US, Europe and South Africa, so I was just wondering what will be the impact of duties, which has been revived in for steel imports in US?
- Krishna Prasad:** That is why we are not going into that particular area where we are getting extracted with the so called Enviro goes off the duties and all. As of now we are now negotiating with the customer and how the prices are going to be sustainable after the duties. It is taking sometime that our margins we have to protect and based on that only we will be going forward.
- Swarn Agarwal:** So the expansion, which you are doing from 1,000 to 1,500 tonnes will largely be utilized in the domestic market?
- Krishna Prasad:** Yes, we are having scope of increasing the domestic market so whatever now we are planning it the market is much more, the requirement of market is much more than the capex plans.
- Swarn Agarwal:** What will be the EBITDA margin of this division?
- Krishna Prasad:** It will be around double digits on mix basis because we are having several products in tube, so they are somewhat likely less margin and higher margins now put together and CEW is going to be roughly around somewhere 16% to 17%.



Pennar Industries Limited
May 21, 2018

- Swarn Agarwal:** And steel, which you have procured to make the tubes, is procured domestically only?
- Krishna Prasad:** It is domestically only.
- Swarn Agarwal:** And for export orders you also procured domestically only?
- Krishna Prasad:** As of now yes because once it goes then we may think of exporting whatever the other basics are there that is what you are pointing it out now more or less.
- Swarn Agarwal:** I was just thinking that like for export orders if you kind of import steel from outside?
- Krishna Prasad:** Duty effects and all will be nullified or we will get a drawback and all that is what you are asking?
- Swarn Agarwal:** Yes.
- Krishna Prasad:** Once we come to that particular sizable stage then definitely we will think it.
- Swarn Agarwal:** I am sorry Sir, I just missed the revenue numbers, which you told for export, what was that revenue number, which you said?
- Krishna Prasad:** As of now it is not so significant, but right now I am not having exact number, I will give it later.
- Swarn Agarwal:** Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Harsh from Dimensional Securities. Please go ahead.
- Harsh:** Good morning Sir. Most of my questions have been answered. Sir, one question is pertaining to your gross margin, you mentioned that there has been some sale of value added products like railways and all, but your gross margins have reduced by 3% for this quarter, if the contribution of value added products is high then should not the gross margins be better?
- Krishna Prasad:** On the consolidated basis is what you are asking?
- Harsha:** Consolidated basis yes.



Pennar Industries Limited
May 21, 2018

- Krishna Prasad:** On consolidated basis yes. When we talk of standalone yes the mix is very favorable as of now and we are going into value addition thing, but in my subsidiaries the entire thing is not going to be this one and because of mix, their margins are to some extent not so good while it comes to consolidated, but in standalone in all my value addition chain products they have improved a lot.
- Harsha:** Coming to your balance sheet, while your trade receivables have increased corresponding to your sales, but your trade payables have reduced considerably, so what has increased your working capital cycle?
- Krishna Prasad:** We are also thriving for it here because I am having one type of great wall of China as far as my suppliers are concerned because all are integrated steel clients, they do not yield much even if we improve the uptake from there and we are trying, we are going on trying with JSW and most probably when you are on the con call of JSW, please ask them also.
- Harsha:** That is it from my side.
- Moderator:** Thank you. The next question is from the line of Sachit Khera from Smart Equities. Please go ahead.
- Sachit Khera:** Good morning Sir. I just wanted to confirm if there is any timeline for the merger process to get concluded?
- Krishna Prasad:** As of now it is going as per the schedule, so BSE has given some clearance and the other things are lined up.
- Sachit Khera:** Could you briefly mention what all our programs are pending broadly?
- Krishna Prasad:** Basically it has to be cleared through NCLT and also the secured creditors and shareholders, so there are some other few steps, which are remaining and it will be done in a course of time and whatever the estimates other parties are giving it is going also.
- Sachit Khera:** We do not foresee any kind of risks to the major process?
- Krishna Prasad:** As of now we did not visualize, but I think it depends on entire shareholders.
- Sachit Khera:** Great. Thank you. That is all I had.



Pennar Industries Limited
May 21, 2018

- Moderator:** Thank you. The next question is from the line of Anirudh Agarwal from AAA Investments. Please go ahead.
- Anirudh Agarwal:** My first question was what is the solar revenue for Q4 and for FY2018?
- Krishna Prasad:** Q4 the solar revenue is around Rs.18 to 19 Crores, actual figures as of now I am not having it, but I will communicate it to you.
- Anirudh Agarwal:** Can we start disclosing solar separately because it becomes very difficult to understand otherwise what is solar?
- Krishna Prasad:** Administratively and also communication wise, this is what we feel is better to include because it is the same head it would fall under, so for management control and also better understanding of the margins and also aggregation wise we have clubbed with steel production.
- Anirudh Agarwal:** And can you disclose the segmental EBITDA margins for the quarter and financial year, we had stopped disclosing those in the last quarter?
- Krishna Prasad:** That I will come back to you.
- Anirudh Agarwal:** But at least can you tell me the solar EBITDA margin?
- Krishna Prasad:** Solar EBITDA margins are more or less the same near about to double digit where the same way that is why we are clubbing, earlier we used to club this under projects and systems, which are going have a mix change, once clubbed, something which is in a year or two and also manageable because of our view concepts, the same thing is being attended by the steel view, so we have added into that particular steel segment.
- Anirudh Agarwal:** And what about the special grade steel products, so what has been the revenue in FY2018 and what we think can be the revenues from that at end of FY2019?
- Krishna Prasad:** Because earlier we had installed the hydrogen annealing, which is mostly useful for special products and we are going on strengthening that one by putting another hydrogen annealing and also retrofit and all. We think that the steel products, whatever the total turnover, will get converted into special steel to have a higher margin.



Pennar Industries Limited
May 21, 2018

- Anirudh Agarwal:** But can you share I mean the figures, so I think you were targeting earlier Rs.80 to 90 Crores so what has been the actual outcome and what will be for FY2019?
- Krishna Prasad:** What we are doing is in the steel PRPA that falls under my sub view. In steel it is one subcomponent, which is called as cold rolled steel, so in that whatever the chunk of my turnover is there we want to convert that into special steel not increasing the total turnover because we are having some big turnover going into some standard products, which are not yielding that much bottom line to us so we want to convert that and come to the special steel, so as far as turnover is concerned I do not think we will be doing on a gross revenue wise too much, but my bottom line will be improved because of this special steel.
- Anirudh Agarwal:** Because what I wanted to understand is that in terms of Pennar Enviro we mentioned that PAT was around 15 Crores on turnover of Rs.120 crores, last year revenues are Rs.115 crores and PAT around Rs.6 crores if I remember correctly, so why that drastic increase in profitability?
- Krishna Prasad:** That is what we are explaining in the last quarter, we are having some service orders for engineering, which we started and this quarter only it has materialized and that is your colleague is asking about the sustainability and all that, what we have tasted in this quarter is that particular engineering subcontract and we think that it is sustainable because of that we had particular growth of cash and PBT has come.
- Anirudh Agarwal:** And in terms of tubes what would be the growth and the margins going forward?
- Krishna Prasad:** In tubes?
- Anirudh Agarwal:** Yes, tubes.
- Krishna Prasad:** Whatever we are expanding we are expanding at least some 80% to 90% is going to CEW, so the growth and growth in turnover and also EBITDA margins are going to be very high.
- Anirudh Agarwal:** Finally can you share the Pennar Enviro order book as on date?
- Krishna Prasad:** Pennar Enviro order book, right now I am not having, but we will sustain whatever the growth of double digit we are showing, we are also anticipating for that particular company.



Pennar Industries Limited
May 21, 2018

- Anirudh Agarwal:** Because earlier if I remember we had an order book of Rs.200 Crores and some orders had deviated, so I am just wondering what the position is.
- Krishna Prasad:** As of now I think the cycle is also around some four to five months after order execution and as of now we are well taken with that type of estimates.
- Anirudh Agarwal:** In terms of railways I mean these kinds of numbers, almost 80 Crores that we have done in Q4, it is continuing or will it start dropping off because of seasonal effects?
- Krishna Prasad:** No, whatever the order book is right now is what we feel is sustainable for coming quarter.
- Anirudh Agarwal:** The 250 Crores order book, what is the execution period for this?
- Krishna Prasad:** Based on our execution, the orders can be delivered within the span of more or less a year and we are anyhow strengthening the order book.
- Anirudh Agarwal:** So you mean new order traction still remains well and this is basically for sidewall and modular toilets that we have started?
- Krishna Prasad:** It is for coaches, sidewall is one section in particular coach.
- Anirudh Agarwal:** And what will be the capex for railways division?
- Krishna Prasad:** This year whatever we are planning, half of that is going towards railways.
- Anirudh Agarwal:** Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Rajat Sethia from Briddi Capital. Please go ahead.
- Rajat Sethia:** Thanks once again for giving me the opportunity. Sir, in the Pennar renewable division, which we have sold this year, what are the revenues, EBITDA and PAT that we have booked for FY2018?
- Krishna Prasad:** Right now I am not having each individual concerns, how it is going to be because whatever we have publically announced to that extent I am having and we will give you once you come offline, otherwise once you mail it to me and in the meantime I will check it and give it to you.



Pennar Industries Limited
May 21, 2018

- Rajat Sethia:** So, shall we reach out to the investor relations?
- Krishna Prasad:** No problem.
- Rajat Sethia:** Sir, one more question. If you look at the consolidated borrowings for 2017 and 2018, there is practically no change. In fact they have increased on the short-term side, but long-term side there is no change. We were expecting it to go down after the asset sale so why isn't it reflecting?
- Krishna Prasad:** Yes, you say short-term you have understood because it is some working capital and turnover increase and we are planning this capex consistently. Last year also we had and this current financial year we are going to have it and next year also we are planning it and you see entire working capital requirement cannot be met without debt, I should be having some equity portion in working capital also, so entire internal generations we may not be able to use for working capital purpose.
- Rajat Sethia:** Sir, what was the sale amount and how much of that has gone for the debt reduction?
- Krishna Prasad:** With the sale amount that we had earlier, certain long-term debt that we have paid off which has led to reduction of term debt. To sustain the growth what we are planning for, we have taken the subsequent capex through debt of term loans that is why my long-term debt cycle is not getting reduced to the extent of whatever we planned to be reduced through PRPL sale.
- Rajat Sethia:** So, my question is how much of the sale proceeds of the asset sale has gone for the debt reduction?
- Krishna Prasad:** Debt reduction, 60% of it has gone towards debt.
- Rajat Sethia:** What was the sale amount?
- Krishna Prasad:** If you come in later maybe I will be able to tell you, but as of now I have nothing to say on individual components.
- Rajat Sethia:** No problem. I will write an e-mail for all these questions.
- Krishna Prasad:** We will give that.



Pennar Industries Limited
May 21, 2018

- Rajat Sethia:** Alright. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Ms. Monali Jain for her closing comments.
- Monali Jain:** Thanks for giving us the opportunity for hosting the call and I would like to hand over the call to Mr. Krishna Prasad for his closing comments. Thank you.
- Krishna Prasad:** Thank you to the investor community and it is a great pleasure announcing the results and we are sustaining the growth and we hope that the same thing will be continued in quarters to come. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Dolat Capital that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

(The Document has been edited for readable purposes)

Pennar Industries Limited

Floor: 3, DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084, Telangana.

CIN: L27109AP1975PLC 001919. Investor Relations – corporatecommunications@pennarindia.com