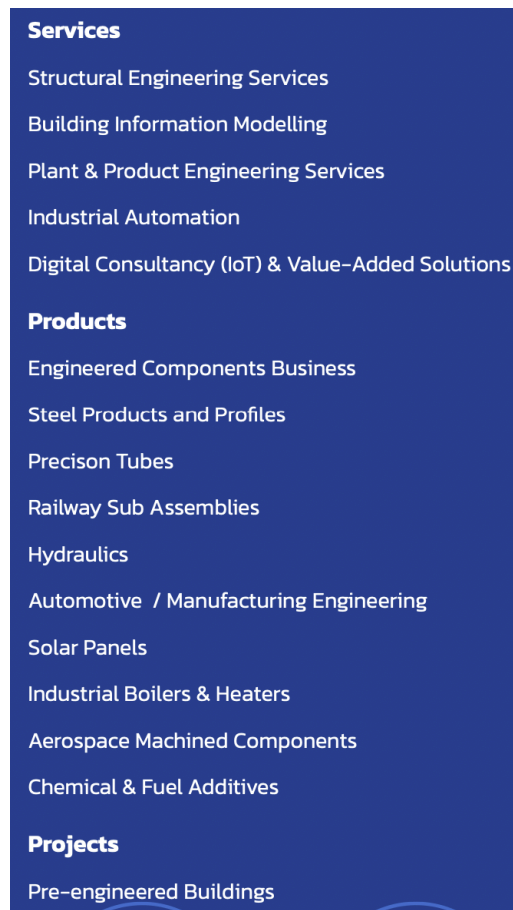


## **Pennar industries**

FY22 Annual report



- Works in areas such as construction, engineering design, water and wastewater treatment solutions, solar and aerospace.
- The Company has a well-diversified product portfolio classified into Engineered Products and Engineering Solutions, catering to six sectors, namely: Automotive, Construction, General Manufacturing, White Goods, Railways, and Solar.
- Three subsidiaries. Pennar Global in US. Pennar GMBH in Germany, Enertech Pennar in Hyderabad.
- The company has 10 manufacturing capacities in India. 2 international plants, One in USA and one in France.

- Commissioned Ascent buildings in the US and Body in white component plant in Chennai in Q4 FY22. White goods mean Heavy consumer durable goods and/or large home appliances, such as washing machines, air conditioners, stoves, refrigerators, etc.
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### Business verticals

- Engineered component business is expected to grow over 30% in FY23 and cross revenue of 50 million dollars.
- Hydraulics will cross 15 million dollars this year.
- The company is engaged in the manufacture of large diameter welded tubes mainly for non- auto application which is largely imported. Recently, Pennar Industries has also expanded into wider diameter tubes, opening more business opportunities.
- They have a capacity to make 3000 tonnes of CDW tubes per month.

Segment	FY2021	FY2022	Change
Structural railway components for Coaches, Wagons, and other parts (Revenue) to seven customers	₹ 1,411 million	₹ 1,464 million	4%
Industrial components to Automobile & White Goods sectors (Weight)	8,027 MT	17,280 MT	115%
Precision Tubes (Revenue & Weight) to more than 350 customers	₹ 2,013 million 23,188 MT	₹ 2,916 million 27,515 MT	18%
ESP electrodes, building materials, special grade CRSS, and solar MMS (Revenue)	₹ 5,078.8 million	₹ 6,309 million	24%

## FY23 Q1

- Working capital days from 80 to 78 days
- ROC AT 17%
- The BIW plant in Chennai is already cash profitable(PAT+ depreciation) and will achieve its target profitability by October.
- expanding capacity in PEB for India, solar modules capacity and also engineering services
- Finance cost will keep decreasing as a % of sales.
- PAT margins are at 2%, goal is 5%.
- In subsidiaries, Ascent is doing very well.
- PEB business net margins increase have been because of scale. They expect a low base effect to take place, which will dramatically improve net margins. The operating margins of PEB are something like 10%.
- Engineering is doing 5.5 crores per month, which they expect going to 6-7 crores soon. Net margins here are in the range of 20-30% which is very good.
- EBITDA of 10% they will achieve this financial year.
- 2016-2018 was a different time because back then, they supplied railways the most and that business was around 20% margin. Competition came and things happened which reduced their revenue and the margins. So now, it's a small part of their business and they aren't dependent on one product now. They are working towards businesses and products with similar high margin profile that will bring them to peak profitability

## Q2 FY23

- PEB: Pre engineered buildings order book at 540 crores.
- Cadnum acquired in france.
- Ascent's order book at 45 million dollars. Railways order book at 120 crores.
- Products such as Industrial components, hydraulics, solar panels, aerospace components, automotive, steel products, railway assemblies and Precision tubes at 441.5 crores revenue, up 42% YOY
- PEB, water treatment and solar structures at 368 crores, up 59.2% YOY
- Engineering services at 14 crores, up 43.2% YOY

Major Location	Products
<b>Patancheru</b> , Telangana	Press Components, Profiles, ESP / Building Products, Solar, Railway Components, CRSS, Fabrication
<b>Chennai</b> , Tamil Nadu	Coaches, Auto Profiles, Components / Hydraulics, Building Products, Body in white
<b>Isnapur</b> , Telangana	CRSS, ERW / CDW Tubes, Profiles, Solar
<b>Velchal</b> , Telangana	Strip Galvanizing, Hot Dip Galvanizing, Pre engineered building systems
<b>Tarapur</b> , Maharashtra	Solar, Building Products, Auto Profiles, ESP
<b>Sadashivpet</b> , Telangana	Pre-Engineered Building Systems, Steel structures and Photo voltaic Module
<b>Trichy</b> , Tamil Nadu	Boilers
<b>Mallapur</b> , Hyderabad	Fuel Additives, Water Treatment Chemicals & Solutions
<b>Tennessee</b> , USA	Metal Buildings
<b>Chicago</b> , USA	Tubes
<b>France</b>	Auto & Aerospace

- Goal for working capital by the end of FY23: 75 days.
- BIW division has reached profitability.

- currently expanding capacity at PEB business unit at Ascent and also in industrial components business.
- Interest rate costs are below 3% of revenue and the goal is to keep it at that.
- Debt/equity is 0.7. The goal is 0.5 and they are working towards it, but they are fine with it.
- Operating leverage can improve 100-200 basis points in PAT margins in the future.
- The BIW plant could do 100 crores in sales this FY23. Double next year and high PAT margins.
- Second quarter is supposed to be the weakest, and the third is a little weak as well. 4th is the strongest. H1 and H2 split could be 40-60.
- Over next 1.5 years, PAT margins to be 5%
- PEB margins at 4% operating margin, because they are scaling up and it takes time to reach good margins. After some time they will be able to reach 7% for the profits.

### Q3 FY23

- Moderation in growth on QoQ basis reason: This was due to low margin revenue being remotely placed by higher margin revenue streams.
- YoY growth is mainly due to geographical expansion in USA. In India, Increase of bow business and increase in high profit making business
- Wc days at 77, goal is still 75 days
- For the larger revenue streams, they compete against Thermax, Tube investments and Kirby, but Thermax is also their customer.

- They tend to get into industries which are matured and can scale and ones that have large players, so that the competitive intensity isn't that high and margins are not compromised.
- Capacity utilization of the company around 60-65%
- Capex for BIW over the next Q and PEB in US and India.
- PEB order book at 800 crores, and it will convert in 6-8 months to sales.
- All verticals the order book is 1500 crores, and a PSU order of 1100 crores.
- Tube manufacturing: they are expanding into large diameter tubes in the next FY. not sure of capacity. They will only do CDW tubes, and will be second biggest after tube investments.
- Their acquisition in France of Cadnum. Cadnum is in the aerospace field and has achieved profitability but very small numbers.
- In solar they do: module mounting systems, tracker solutions and module manufacturing.

#### Q4 FY23

- Growth drivers for the business are: BIW Division, PEB, engineering services, PGIS and subsidiaries.
- 30% of order will be international
- They have exited water EPC business, retail business and MMS business. To stay focus and improve capital allocation.
- PEB business run rate to be 25-30%
- PEB margins are 14%. PEB capacity of 8000-9000 tons per month.

## FY24 Q1

- Working capital days at 74, target of 72 days.
- 7% YoY increase in sales but 57% increase in PBT.
- 21% ROCE, with FY24 goal of 22% and long term goal of 25%.
- Interest cost has been high due to the increase in the working capital in the business which has slightly increased.
- Ascent is 30% of their profits. Order book at 45 million dollars, and it does a PBDT of 10%+
- The US has TAM of 6 billion while India has 2 billion.
- Engineering services doing great at 30 crores quarterly compared to 50-60 yearly and it will continue to do good.
- The Raebareli plant is being set up in the North for PEB because it is difficult to transport big structures. Total capex being 40 crores.
- Order book: PEB is close to Rs. 714 crore, Railway is Rs. 110 crore. Boiler at 130 crores.
- Q4 when our new Raebareli plant comes online, our hydraulics capacity comes online, our aerospace capacity comes online, Ascent is going through the CAPEX phase right now that also gets commissioned in So, you may see some higher revenue growth rates in Q4. = growth to come from FY25 onwards in terms of revenue.
- Goal for growth: PEB, hydraulics, boiler businesses and BIW. Services are less revenue but come at 20% PBT basis.
- Regarding a decline in margin on a quarterly basis: we do have some orders that come in the fourth quarter which tend to be higher margin. These include our BIW tooling revenue which comes in, gets recorded once a year so that tends to push up Q4 margins. But on an overall year basis obviously in this year too we will have the same

impact of some of our revenue for BIW tooling projects getting recorded in their entirety in the fourth quarter. If you were to look on a year-to-year basis you will not see a decline in our margins.

- for our large diameter tube, we will be deploying about Rs. 30 crore in terms of our CAPEX in this financial year.
- We can expect Ascent to do around 90 million dollars. Around that

#### Q2 FY24

- The asset turnover goal is 8 times on an annualized basis. The capex that they are doing, we can expect an asset turnover of 8 times, that's their goal.
- The orderbook for PEB is 660 crores, and the goal from Feb onwards is to increase it by 50 crore every month to 800, when capex goes live.
- The run rate of PEB is 72 crores per month, post capex should be 88 crores, even 100 crores is possible.

#### Q3 FY24

- PBT margins at 4.4% due to evolving business composition.
- Working capital days at 77. Significant current assets are the reason behind this. Aiming to rid themselves of this and achieve target working capital days by the next FY.
- Pat margins to reach 5% means PBT of 7%, they said around 1.5 to 2 years it will take.
- But from an EBIT point of view, we expect going forward about 10% in India and about 15% in the U.S for PEB.
- Consol-standalone = Ascent + very small europe.



- Raebbarali opening in the next few weeks.
- Most of the capacity has been commissioned. However, 40-50 crores will be happening in US.
- For every 100 cr they spend in capex, 700-800 revenue can happen except for BIW, which is less.