



Pitti Laminations Limited

Engineering Solutions



November 4, 2013

Q2 FY2014 Earnings Presentation

Cautionary Statement

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 Pitti Laminations’ 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. Pitti Laminations undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances.

Investment Highlights

Market Positioning

- India's only end-to-end product and service provider in the electrical lamination segment
- Market leader in the special purpose motors segment in India
- Pioneer for manufacture of traction motor subassemblies in India
- One of the few supplier in the World with tooling, laminations, casting and machining under one roof
- Long term customer relationship: Crompton Greaves (20 yrs), Siemens (15 yrs), GE (10 yrs)

Financial Performance

- FY2008-13 revenue and EBITDA CAGR of 13% and 17% , respectively
- 5 year average EBITDA margin of ~14%
- Dividend payout of 14% in FY2013 with dividend yield of 3%
- Long term contracts with built in material price variation clause

Best-in Class Operations

- Supplier of choice: One of the few globally vertically integrated companies with tooling, lamination, casting and machining facilities
- First commercial manufacturer of laminations in India certified by BVQI of UK for ISO 9002
- Has 2 world class manufacturing facilities in Hyderabad, Andhra Pradesh (India)
- India's only indigenously developed tool room with a portfolio of over 3,400 tools

Business Initiatives

- Larger and more sophisticated laminations with size in excess of 750 mm in diameter
- De-risked business by product diversification: Added castings as a new product
- Diversified customer base from motor and alternator to mining, oil & gas and infra sectors
- Balanced exports and domestic orders to 50:50 level

Performance Highlights

Consolidated Financial Highlights: Q2 FY2014 vs. Q1 FY2014

- Sales increased by 7.9% to ₹690 million
- Volumes increased by 2.2% to 3,820 MT
- EBITDA increased by 20.0% y-o-y to ₹119 million at 17.3% margin
 - Significant EBITDA margin expansion of 308 bps y-o-y and 174 bps q-o-q
- Adjusted PAT¹ increased by 141.8% to ₹69 million with margin of 10.0%
 - Significant margin expansion of 663 bps y-o-y and 244 bps q-o-q
- Total Debt reduced from ₹1,298 million in June 2013 to ₹1,106 million in September 2013, a 15% decline

Management Commentary

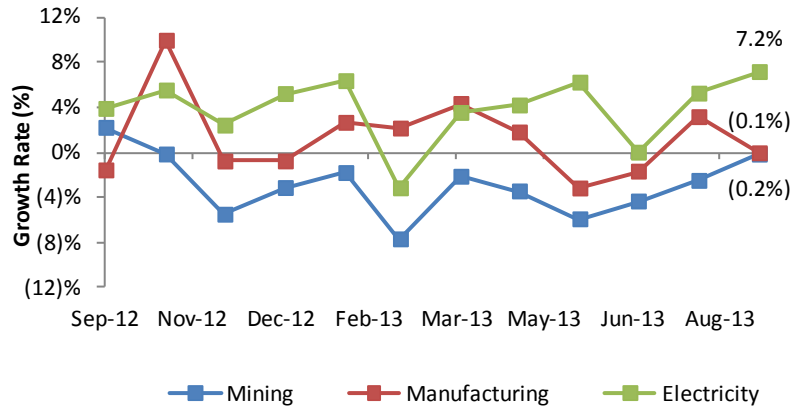
Commenting on the results, **Mr. Akshay S Pitti, Vice Chairman and Managing Director of Pitti Laminations** said:

“In context of the difficult and volatile economic environment, I am pleased to announce that our performance was satisfactory. Our sales increased by 8% on a sequential quarter basis, indicating a stabilising trend. We had taken certain cost optimizing and efficiency improvement measures during last financial year. This has now started to yield results which is evident from significant improvement in our operating margins.

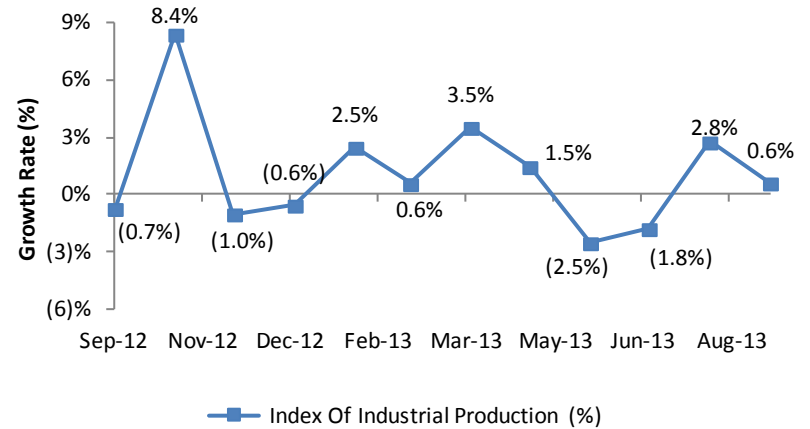
Going forward, we expect the near term demand scenario to remain unpredictable. However, the longer term growth story of India remain intact driven by recent government measures such as improved allocation of resources. We are also planning to diversify our end market to consumer sector which is relatively less cyclical. We expect this to be operational from FY2015 and contribute to our top-line and margins”

Industry Dynamics

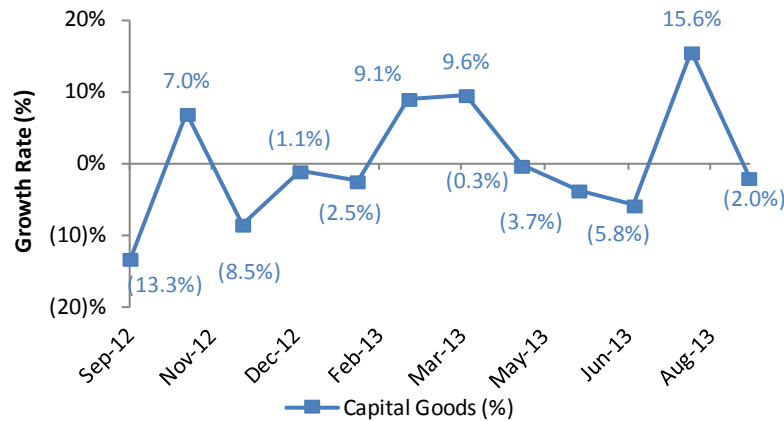
Index of Industrial Production – Sectoral



Index of Industrial Production



Index of Industrial Production – Use Based



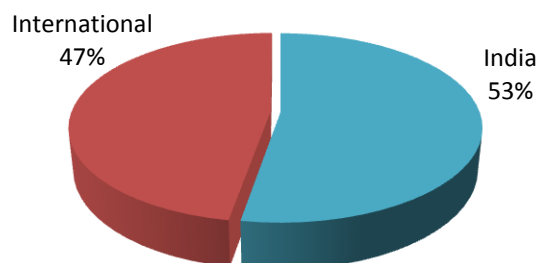
Financial Performance Summary

Consolidated Financial Highlights

₹ million)	Q2		y-o-y	Q1	q-o-q	Half Year		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	Growth (%)	FY2014	FY2013	Growth (%)
Sales Volume (MT)	3,820	5,188	(26.4)%	3,739	2.2%	7,559	10,185	(25.8)%
Net Sales	690	843	(18.1)%	640	7.9%	1,330	1,596	(16.7)%
EBITDA	119	120	(0.4)%	99	20.0%	218	222	(1.7)%
Margin (%)	17.3%	14.2%		15.5%		16.4%	13.9%	
Profit After Tax (PAT)	12	39	(68.8)%	7	73.5%	19	48	(59.9)%
Margin (%)	1.8%	4.6%		1.1%		1.4%	3.0%	
Basic EPS (₹)	0.90	2.87	(68.6)%	0.52	73.1%	1.41	3.52	(59.9)%
Adjusted PAT ¹	69	29	141.8%	49	42.6%	118	64	82.6%
Margin (%)	10.0%	3.4%		7.6%		8.9%	4.0%	

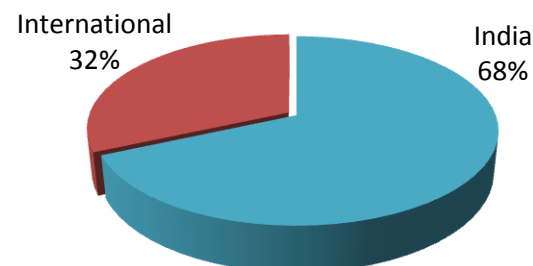
Sales By Geography

Q2 FY2014



Volumes By Geography

Q2 FY2014

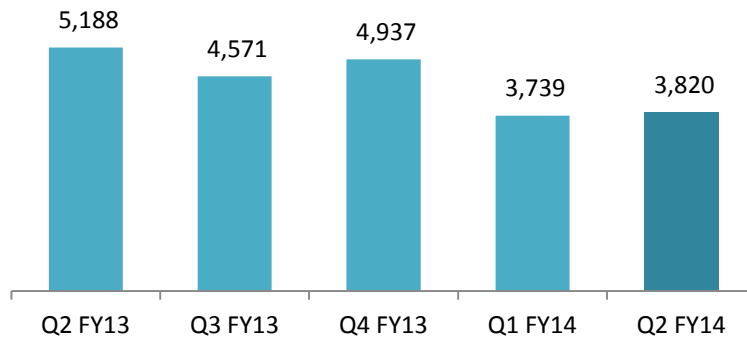


Note 1: Adjusted for foreign currency loss / (gain) of ₹57.1 mn in Q2 FY2014, ₹(10.1) mn in Q2 FY2013, ₹41.6 mn in Q1 FY2014, ₹98.7 mn in H1 FY2014 and ₹16.9 mn in H1 FY2013

Financial Performance Trend

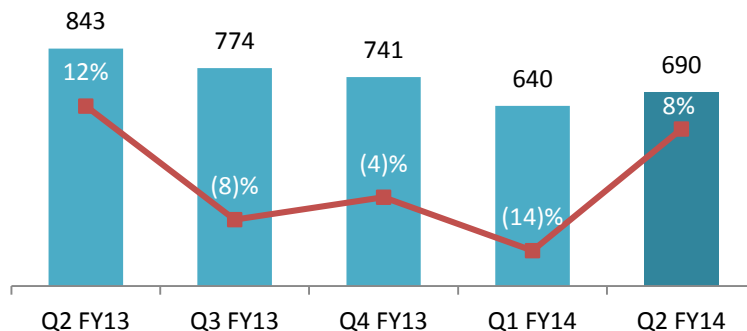
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Volume (MT)



- Q2 FY2014 volumes decreased (26.4)% y-o-y and increased 2.2% q-o-q to 3,820 MT
 - Domestic volumes declined by (22.3)% y-o-y and increased 6.5% q-o-q to 2,611 MT
 - International volumes declined by (33.8)% y-o-y and (6.1)% q-o-q to 1,209 MT

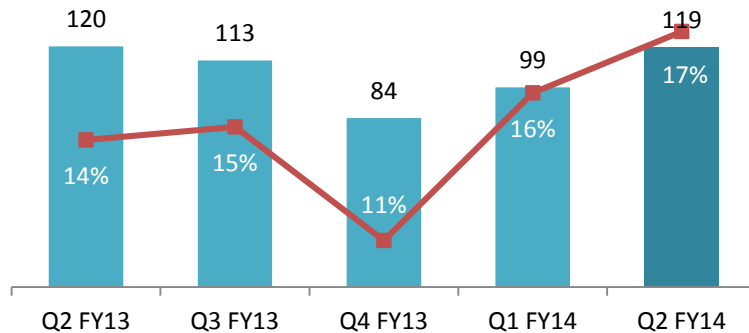
Revenue (₹ million) and Q-o-Q Growth (%)



- Domestic sales declined marginally by (2.6)% y-o-y and increased by 8.0% q-o-q to ₹364 million
- Export sales decreased by (30.5)% y-o-y and increased by 7.8% q-o-q to ₹327 million
- Q2 FY2014 domestic sales included other operating income of ₹12 million

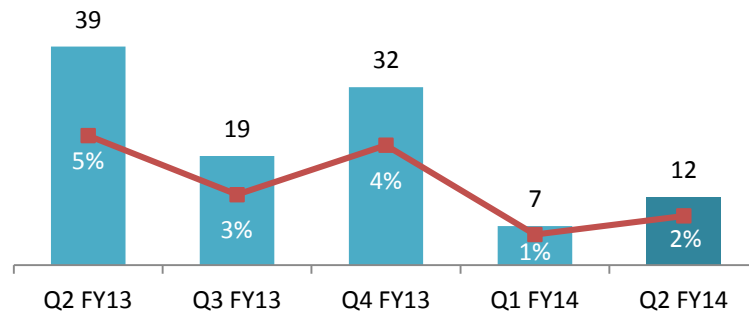
Financial Performance Trend

EBITDA (₹ million) and Margin (%)



- EBITDA Margin improved by 308 bps y-o-y and 174 bps q-o-q
- Continued focus on cost optimization and operating efficiency measures have resulted in margin enhancement

PAT (₹ million) and Margin (%)



- PAT was impacted by unfavorable foreign exchange fluctuations
- PAT adjusted for foreign currency loss / (gain) increased 141.8% y-o-y and 42.6 q-o-q
 - Adjusted for foreign currency loss / (gain) of ₹57.1 mn in Q2 FY2014, ₹(10.1) mn in Q2 FY2013, ₹41.6 mn in Q1 FY2014

Leverage Profile

Total Debt reduced from ₹1,298 million to ₹1,106 million, a 15% decline







(₹ million)	30-Sep-2013	30-Jun-2013
Long Term Debt	113	140
Short Term Debt	993	1,158
Total Debt	1,106	1,298
Less: Cash & Cash Equivalents	(61)	(62)
Net Debt / (Net Cash)	1,045	1,236
Net Worth	1,108	1,096
Net Debt / EBITDA (x)¹	2.5x	3.0x
Total Debt / Net Worth (x)	1.0x	1.2x

- The Company has a BBB+ rating for its long term bank facilities and A2 rating for its short term bank facilities by CARE

Note:

1. Based on LTM EBITDA

Product Portfolio

Product	Description	Application / End-market
<p>Electrical Steel Laminations</p> 	<ul style="list-style-type: none"> • Produces laminations from 50mm to 1,250mm outer diameter • Spacer/vent and glued laminations for hydro/thermal Generators 	<ul style="list-style-type: none"> • Power generation • Transportation • Mining • Industrial motors • Locomotives • Aerospace • Automobile • Oil & gas
<p>Die Cast Rotors & Assemblies</p> 	<ul style="list-style-type: none"> • Skew angle rotors upto 540mm OD & 1,000mm height including end rings and fins • Riveting or bolting the rotor stacks under hydraulic pressure 	
<p>Stator Core Assemblies</p> 	<ul style="list-style-type: none"> • Assemblies upto a diameter of 2,000mm with circular and segmental laminations and cleating / welding / riveting of assemblies 	
<p>Rotor Core Assemblies</p> 	<ul style="list-style-type: none"> • Supplies ready to use assembled rotor cores with stacking under hydraulic pressure 	
<p>Pole Assemblies</p> 	<ul style="list-style-type: none"> • Assembled pole bricks with stacking under hydraulic pressure and welding / core bolting with end castings 	
<p>Casting & Machine Components</p> 	<ul style="list-style-type: none"> • Machine shop that can handle range of precision machined components for different applications 	

Blue Chip Customers

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Laminations



Casting



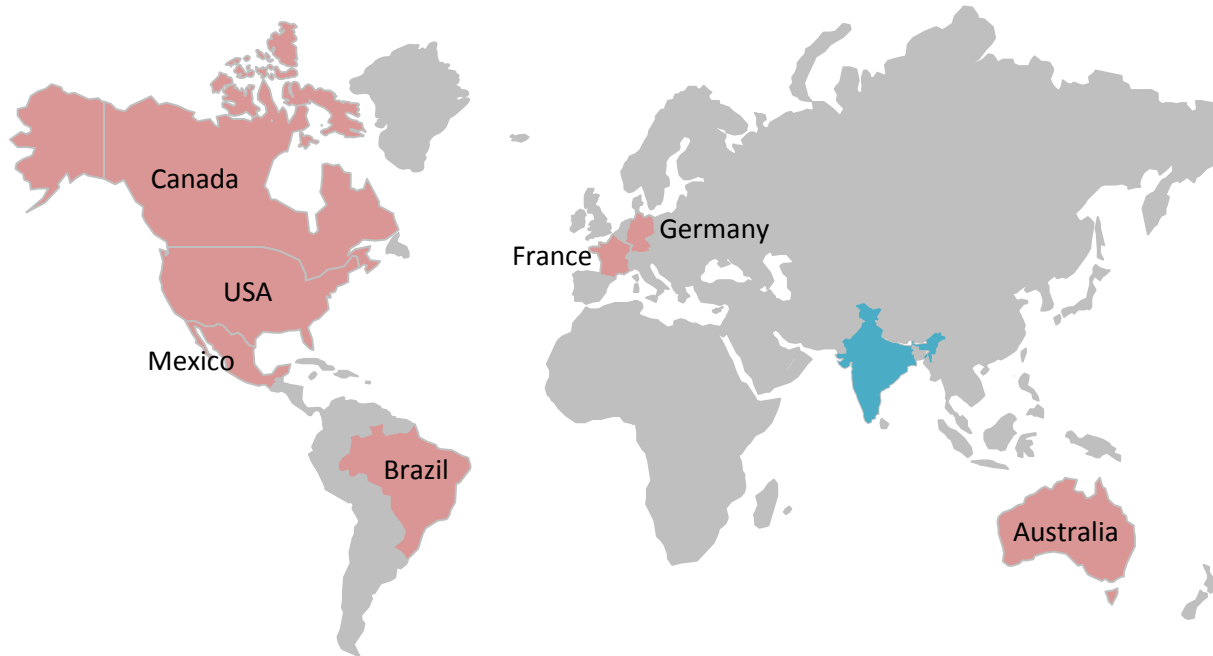
Machining




Note: Customers arranged in alphabetical order


Global Footprint

Geographically Diversified Customer Base



Facilities in Hyderabad	Capacity
Plant I	11,000 MT
Plant II	21,000 MT
Machined Casting	3,000 Nos.

 Indicates the location of manufacturing facilities

 Indicates the location of customers


Management and Board


Management Team

Key Executives	Role
Sharad B Pitti	Chairman and MD
Akshay S Pitti	Vice Chairman and MD
Y B Sahgal	Executive Director
Sanjay Srivastava	Executive Director
GVSN Kumar	Chief Financial Officer
Shruti Agarwal	Head, Industrial Relations and Human Resource Development

Board of Directors

Board Member	Background
Sharad B Pitti	Chairman and MD
Akshay S Pitti	Vice Chairman and MD
Y B Sahgal	Executive Director
Sanjay Srivastava	Executive Director
N R Ganti	Management Consultant
Kanti Kumar R Podar	Former President, FICCI
G Narayana Rao	Businessman
Arun Garodia	Businessman
G Vijaya Kumar	Senior Advocate, AP High Court
M Gopala Krishna	Retired IAS
TSSN Murthy	Senior Partner, Sankaran & Krishnan (Chartered Accountants)

 Executive Director

 Independent Director



Contact Details:



6-3-648/401, Padmaja Landmark, Somajiguda
Hyderabad – 500 082

Phone: +91 40 2331 2770, 2331 2774

Fax: +91 40 2339 3985

www.pittielectrical.com

GVSN Kumar, CFO
Pitti Laminations

Bijay Sharma
Churchgate Partners

vijay.kumar@pittilam.com
+91 40 2331 2774

bijay@churchgatepartnersindia.com
+91 22 3953 7444