

Pitti Laminations Limited

(BSE: 513519, NSE: PITTILAM)

Q4 and Full Year FY2016 Earnings Presentation

20 May 2016

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.

Performance Highlights



FY2016 Highlights

- Total Volume of 19,654 MT
 - Domestic: 13,936 MT
 - Exports: 5,717 MT
- Net Revenue of Rs. 3,115 Million
- EBITDA of Rs. 187 Million

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

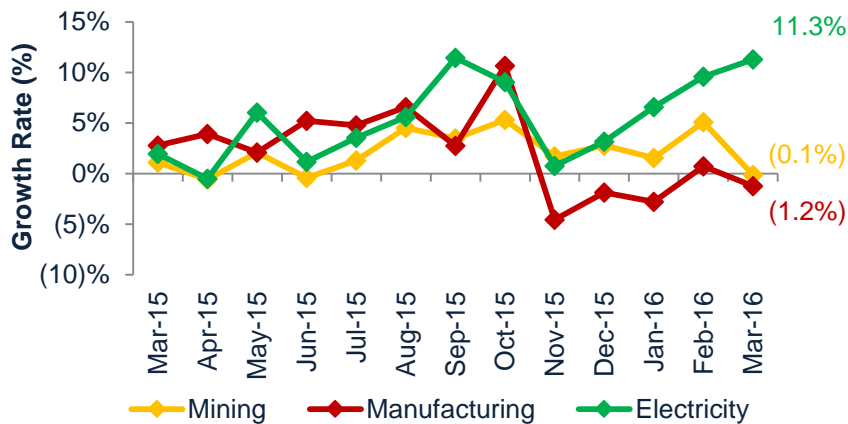
“FY2016 remained challenging for the Company primarily due to the prevailing difficult economic scenario globally. Decline in commodity prices including scrap and prices of other raw material also impacted the profitability during the year.

However, we believe the input cost, i.e. scrap and other raw material, has bottomed out and we see an uptrend going ahead. We anticipate our operational and financial performance to demonstrate a positive trend during the first half of the next fiscal year. However, the latter half of the year is expected to show recovery in the performance. Better product mix coupled with operational efficiency and cost optimization measures will drive the growth in the near term.”

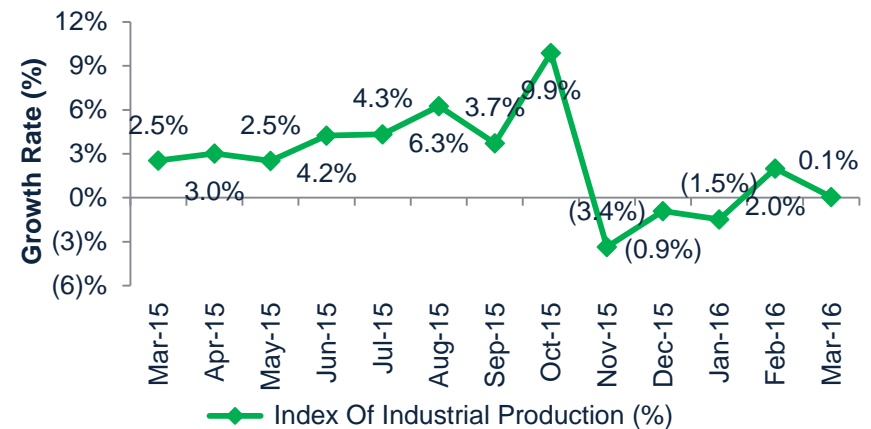
Note: Above figures are rounded off

Macroeconomic Update

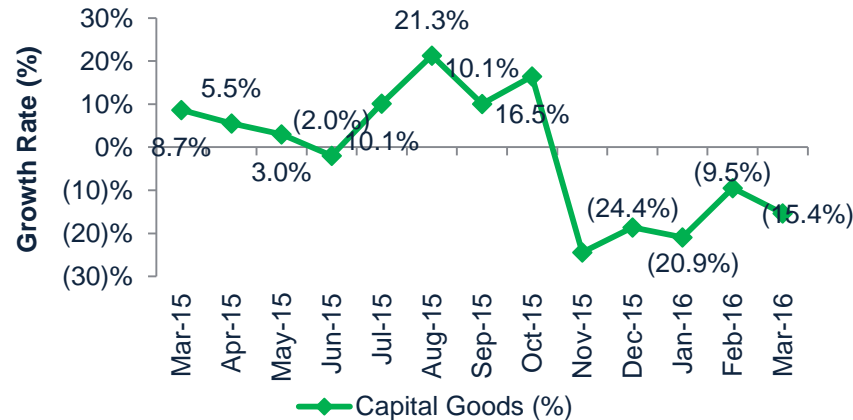
Index of Industrial Production – Sectoral



Index of Industrial Production



Index of Industrial Production – Use Based



Financial Performance Summary

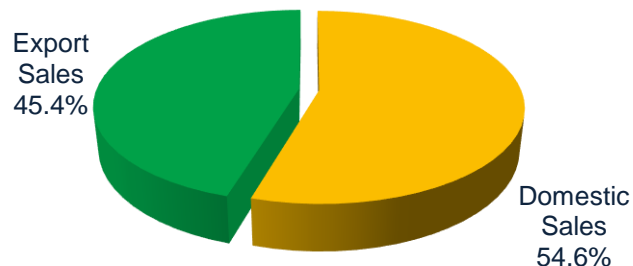
Consolidated Financial Highlights

(Rs. Million, unless stated)

Particulars	Q4		y-o-y Growth (%)	Q3	q-o-q Growth (%)	Full Year		y-o-y Growth (%)
	FY2016	FY2015				FY2016	FY2015	
Sales Volume (MT)	4,889	6,016	(18.7)%	4,921	(0.6)%	19,654	21,414	(8.2)%
Net Revenue	769	1,039	(26.0)%	708	8.6%	3,115	3,410	(8.7)%
EBITDA ¹	37	145	(74.1)%	23	60.0%	187	422	(55.6)%
Margin (%)	4.9%	14.0%		3.3%		6.0%	12.4%	
Profit After Tax (PAT)	(43)	46	nm	(40)	nm	(96)	93	nm
Margin (%)	nm	4.4%		nm		nm	2.7%	
Basic EPS (Rs.) ²	(1.58)	3.41	nm	(1.49)	nm	(3.54)	6.91	nm

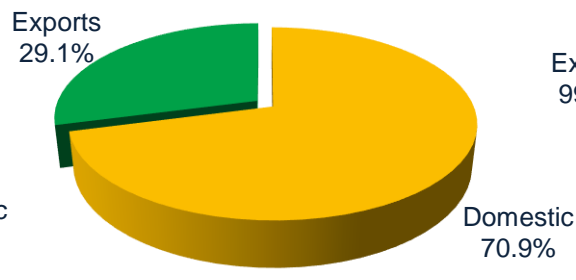
Sales By Geography

FY2016 (Rs.3,115 mn)



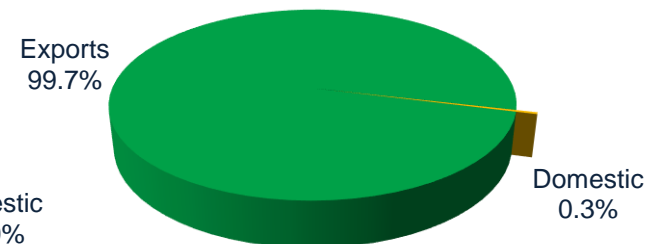
Volumes By Geography (Laminations)

FY2016 (19,654 MT)



Volumes By Geography (Machined Casting)

FY2016 (3,616 Nos.)



Note:

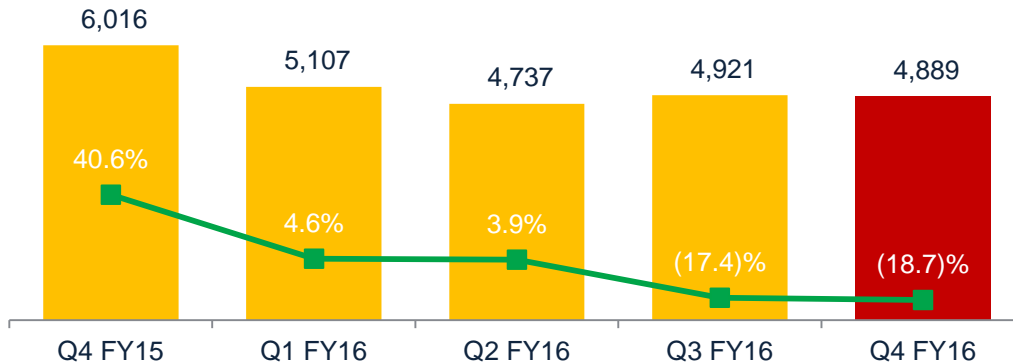
1 EBITDA is Profit from ordinary activities before finance cost, depreciation, exceptional items and includes forex loss / (gain)

2 Of Rs.5/- each; previous period upto 31st March 2015 Rs.10/- not annualized

Financial Performance Trend



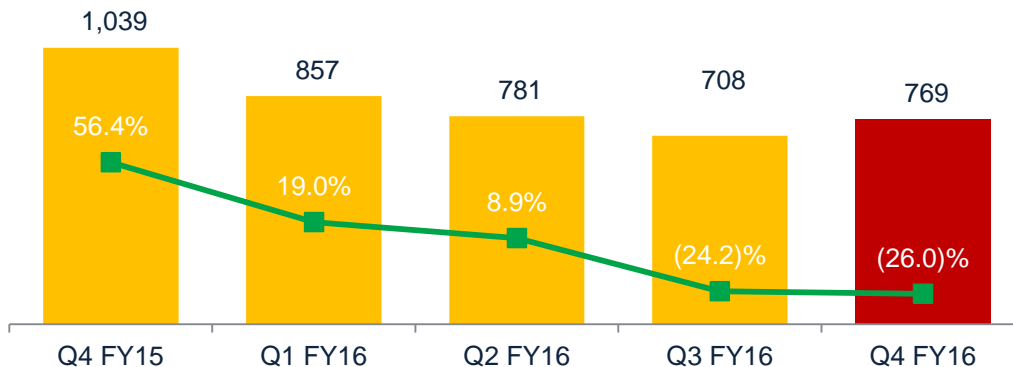
Volume (MT)



FY2016 vs. FY2015

- Domestic volumes increased by 3.0% to 13,936 MT
- Export volumes declined by 27.5% to 5,717 MT
- Challenging demand scenario impacted the overall volumes, especially exports

Net Revenue¹ (Rs. mn) and Y-o-Y Growth (%)

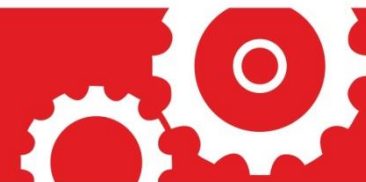


FY2016 vs. FY2015

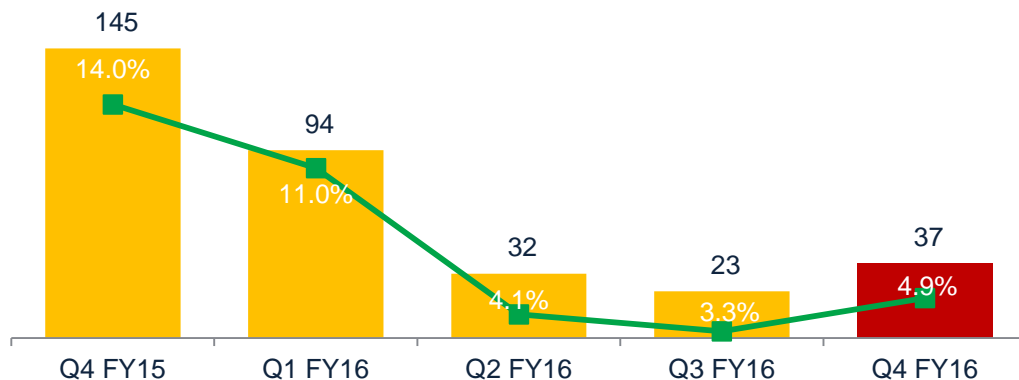
- Significant decline in volumes impacted overall top-line performance
- Domestic sales declined by 1.3% to Rs. 1,688 million
- Export sales declined by 15.4% to Rs. 1,402 million

Note: 1. Includes other operating income

Financial Performance Trend



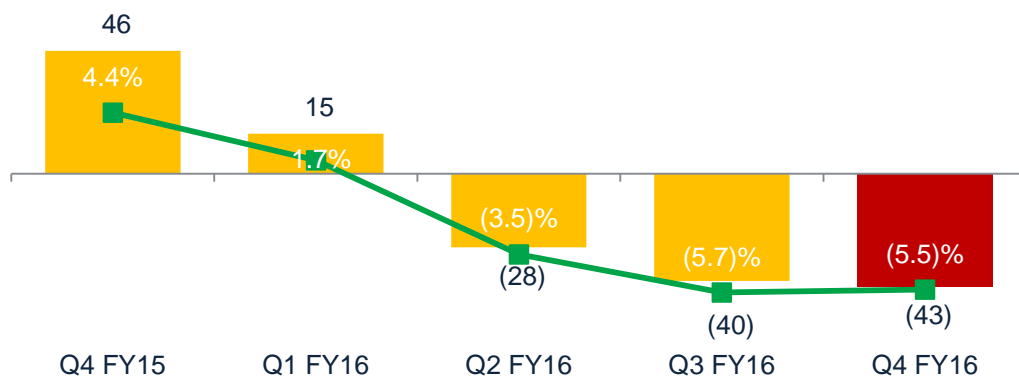
EBITDA¹ (Rs. mn) and Margin (%)



FY2016 vs. FY2015

- EBITDA was impacted by significant decline in export volumes and lower realization on scrap sales
- Higher employee addition in anticipation of better demand and for ramping up Pune operations also impacted operating profit

PAT (Rs. mn) and Margin (%)



FY2016 vs. FY2015

- Profitability for the quarter was impacted due to provision for employee severance costs, componentisation and lower operating margin
- Elongated working capital cycle also impacted the profitability

Note:
 1 EBITDA is Profit from ordinary activities before finance cost, depreciation, exceptional items and includes forex loss / (gain)

Performance Overview



Major Reasons for Muted Performance

- The raw material prices during the year declined by 11% which was on continuous basis giving a hit on opening inventory as well as sequentially running inventory as there is always a time lag between the procurement and sale of material.
- The scrap prices fell by 40% which was unprecedented giving a major hit on operating margin as it was not a part of the price variation clause (PVC) with the customers.
- Employee Cost rose by 33% due to ramp up of Pune Plant operations along with the continuation of existing manpower at Plant 1 where the operations were minimal .
- Employee Cost was adversely impacted by a one time separation compensation of Rs. 44 lacs due to Staff reduction and Rs. 200 lacs due to severance package to unionized workmen as part of 12(3) settlement.
- Elongated operating cycle due to delayed lifting of material by the customers, increasing interest and inventory holding costs.
- Impact of componentization of Rs. 30 lacs in terms of additional depreciation hitting profit & loss account during the year.
- The volume of export sale has drastically fallen in particular the high value addition business of stator frame effecting both topline and bottom line

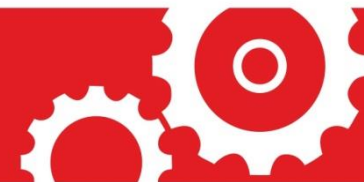
Performance Overview



Mitigation Steps Taken by the Management

- The commodity prices has stabilized and in fact increased marginally in last few months giving reasonable assurance of bottoming out. The cycle of rising prices will be positive for the operating margin as was the case of negative margins in falling price cycle.
- The scrap price is included as an item under PVC clause with certain customer and ad-hoc rate increase sought from some others.
- The manpower has been rationalized which will ensure trimming down the manpower cost substantially & sustainably.
- Lower carrying levels of inventory achieved by March end.
- Export of lamination has stabilized and the business of stator frame is estimated to be returning in good volumes. Domestic business volumes are also on a rise.

Leverage Profile



Conservative Leverage Profile

(Rs. million)	31-Mar-16	31-Dec-15
Long Term Debt	261	363
Short Term Debt	1,365	1,315
Total Debt	1,626	1,678
Less: Cash & Cash Equivalents	182	157
Net Debt / (Net Cash)	1,443	1,521
Net Worth	1,070	1,119
Total Debt / Net Worth (x)	1.5x	1.5x

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

Industry Developments



Emerging Opportunities

- **General Electric (GE)** and **Alstom** have won **contracts worth a combined \$5.6 billion** to supply India's railways with new locomotives for modernization
- **Alstom** will supply **800 electric locomotives** and will also build a factory in the state of Bihar. The total value of the contract and the new factory is about 200 billion Indian rupees (\$3 billion)
- **GE** will provide the Indian railways with **1,000 diesel locomotives** over the **next 11 years** and will also invest \$200 million in a plant and maintenance sheds, in a deal worth \$2.6 billion
- The contracts are two of the first and the largest to be awarded to foreign firms since last year India government allowed 100% foreign direct investment in certain parts of its railways

Awards & Accolades



Awarded Best Supplier – Lean & Fast 2015

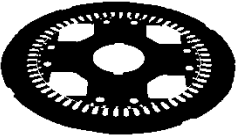





Pitti Laminations was awarded the '**Certificate of Excellence**' by GE. This certificate was awarded to the Company for being the '**Best Supplier – Lean & Fast 2015**'

This award is a testament to the Company's commitment to adhering international quality standards and ensuring timely delivery



Product Portfolio



Product	Description	Application / End-market
Electrical Steel Laminations	 <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
Die Cast Rotors & Assemblies	 <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 	
Stator Core Assemblies	 <ul style="list-style-type: none"> • Assemblies upto a diameter of 2,000mm with circular and segmental laminations and cleating / welding / riveting of assemblies 	
Rotor Core Assemblies	 <ul style="list-style-type: none"> • Supplies ready to use assembled rotor cores with stacking under hydraulic pressure 	
Pole Assemblies	 <ul style="list-style-type: none"> • Assembled pole bricks with stacking under hydraulic pressure and welding / core bolting with end castings 	
Casting & Machine Components	 <ul style="list-style-type: none"> • Machine shop that can handle range of precision machined components for different applications 	

Blue Chip Customers



Laminations



Casting



Machining

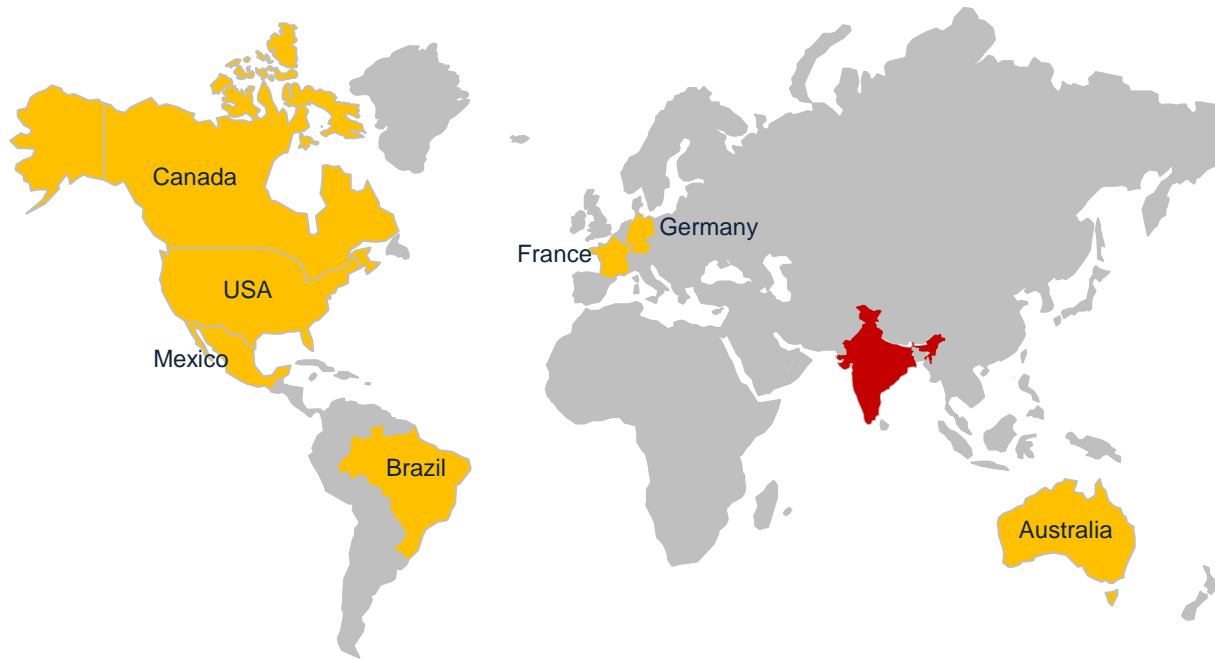


Note: Customers arranged in alphabetical order

Global Footprint




Geographically Diversified Customer Base

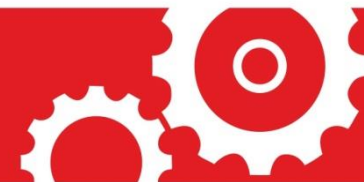


Facilities	Capacity
Lamination	32,000 MT
Machined Casting	113,400 No. of available hours

 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
N. K. Khandelwal	CFO

Board of Directors

Board Member	Background
Sharad B Pitti	Chairman and MD
Akshay S Pitti	Vice Chairman and MD
Y B Sahgal	Executive Director
N R Ganti	Management Consultant
G Vijaya Kumar	Senior Advocate, AP High Court
M Gopala Krishna	Retired IAS
Gayathri Ramachandran	Retired IAS
S Thiagarajan	Chartered Accountant



Executive Director



Independent Director



Pitti Laminations Limited

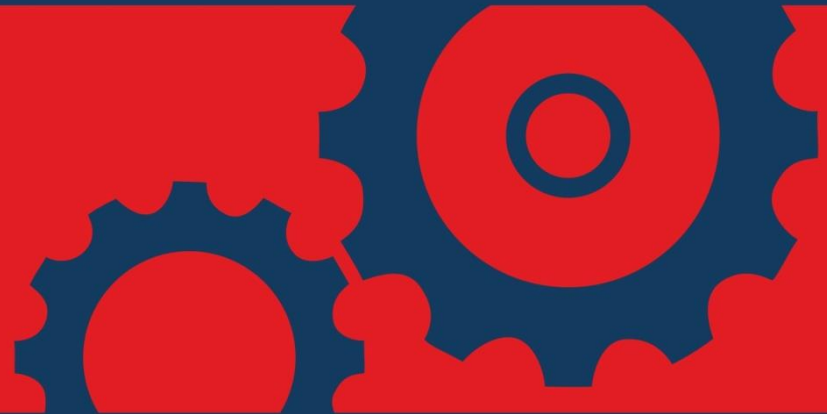
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