

# DYNAMATIC TECHNOLOGIES LIMITED

## Q2 FY2018 **EARNINGS** PRESENTATION



HYDRAULICS



AEROSPACE & DEFENCE



AUTOMOTIVE



DYNAMATIC TECHNOLOGIES LIMITED



**BORN TO FLY**

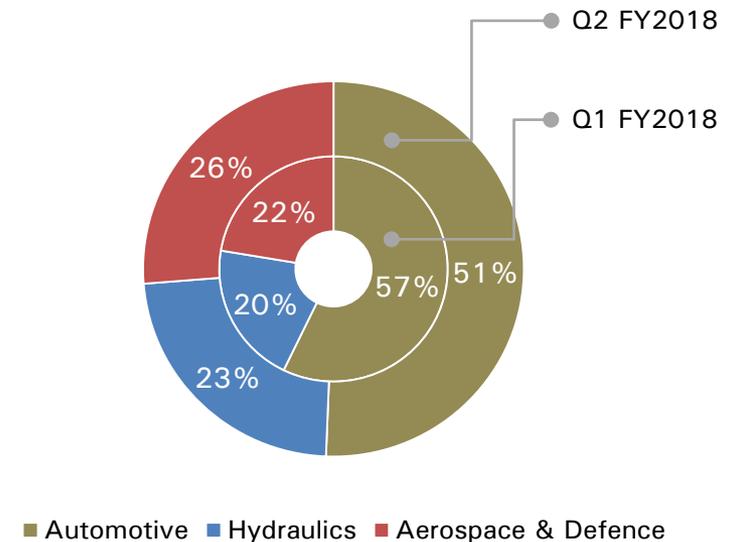


## Q2 FY2018 PERFORMANCE HIGHLIGHTS

### Q-o-Q Highlights

- Net Revenue of Rs. 3,421 mn; up 8.6% from Rs. 3,148 mn in Q1 FY18
  - Aerospace & Defence segment revenue of Rs. 898 mn; up 27.4% from Rs. 705 mn last quarter
  - Hydraulics segment revenue of Rs. 790 mn; up 22.9% from Rs. 643 mn last quarter
- EBITDA of Rs. 319 mn; compared to Rs. 217 mn in Q1 FY18
  - EBITDA margin of 9.3%; up 245 bps q-o-q
- PAT of Rs. 13 mn; compared to Rs. (95) mn last quarter

### Q2 FY2018 Revenue Breakup





## PERFORMANCE HIGHLIGHTS

### Management Commentary

Commenting on the results, **Mr. Udayant Malhoutra, CEO and Managing Director** said:

“Two of the most historic reforms – Goods and Services Tax (GST) and application of IND-AS were implemented in the midst of the financial year. During the Q2 FY2018, the Company has transitioned seamlessly, both in operational and financial sphere, reflecting the intrinsic strength of our business and the industry as a whole. The orders offtake for the Hydraulics segment increased considerably during the quarter resulting in strong segmental sales. The Aerospace & Defence segment revenue also increased substantially driven by continuing order book execution. However, aligned to our long term growth strategy, Company focused on new capacity addition (early stage of facilities ramp up), incurring higher expenses . This impacted the overall operating profile marginally. Further, although our Automobile segment may initially appear to have underperformed, but to enhance margins we have adopted the products rationalization strategy in our Germany operations. We are committed to perform well over the long term and therefore, we have been taking off all the low margin products from our automobile portfolio. This will continue to impact our automobile segment financials for few quarters but exponential benefits to be reaped there after.

We are proud to announce that we will become the sole source supplier for major sub assemblies for Bell 407 helicopter cabins from Q3 FY2018. It is expected to lead to volume expansion and continuous order flows. To conclude, we have seen the implementation of game changing initiatives, met all the regulatory changes with ease and steered all the turbulences behind us. Dynamatic Technologies is stepping towards the next level of growth and remain committed to creating value for all of its stakeholders.”



## FINANCIAL PERFORMANCE SUMMARY

### Consolidated Performance Highlights

Rs. Million	Q2		y-o-y Growth (%)	Q1 FY18	q-o-q Growth (%)	Six Month		y-o-y Growth (%)
	FY18	FY17				FY18	FY17	
Revenue	3,421	3,813	(10.3)%	3,148	8.6%	6,569	7,751	(15.3)%
EBITDA	319	457	(30.2)%	217	47.4%	536	937	(42.8)%
Margin (%)	9.3%	12.0%		6.9%		8.2%	12.1%	
Profit After Tax (PAT)	13	100	(87.0)%	(95)	nm	(82)	228	nm
Margin (%)	0.4%	2.6%		(3.0)%		nm	2.9%	
Basic EPS (Rs.)	2.05	15.79	(87.0)%	(14.92)	nm	(12.87)	36.00	nm
Total Comprehensive Income (Rs.)	50	79	(10.3)%	(40)	nm	10	124	nm

- Q2 FY2018 revenues from Aerospace & Defence and Hydraulics segments increased by 7.8% and 14.2%, respectively on a y-o-y basis
- Revenues from Automotive segment declined by 24.8% on a y-o-y basis due to the ongoing low margin product rationalization strategy
- Q2 FY2018 EBITDA margin declined by 220 bps y-o-y on account of higher expenses incurred related to new capacity addition (early stage of facilities ramp up)



## PERFORMANCE HIGHLIGHTS

### Foreign Exchange Fluctuation

Exchange Rate	Q2 FY2018	Q2 FY2017	Impact	Impact %	Q1 FY2018	Impact	Impact %
EURO vs. INR	73.31	75.15	(1.84)	(2.44)%	71.02	2.29	3.22%
GBP vs. INR	83.34	92.02	(8.68)	(9.43)%	82.47	0.88	1.06%
USD vs. INR	64.37	66.95	(2.57)	(3.84)%	64.46	(0.08)	(0.13)%

### Impact due to change in average exchange rates (Y-o-Y)

Particulars	Q2 FY2018 vs. Q2 FY2017			Total Impact
	Erla	DL UK	JFTL	
<i>Currency</i>	EURO	GBP	EURO	
Revenue (Rs. mn)	(33.4)	(64.2)	(1.1)	(132.9)
EBITDA (Rs. mn)	(1.2)	(6.3)	(1.1)	(42.8)

- On a constant currency basis, Q2 FY2018 revenue, if adjusted for a foreign exchange impact of Rs. (132.9) mn would be Rs. 3,554 mn (representing a decline of 6.8% compared to 10.3% before adjustment)
- On a constant currency basis, Q2 FY2018 EBITDA, if adjusted for a foreign exchange impact of Rs. (42.8) mn would be Rs. 362 mn (compared to RS. 319 mn before adjustment)
- The Company has exposure to EUR, GBP and USD. The impact from transactions denominated in all of these currencies was unfavorable both on Y-o-Y and Q-o-Q basis

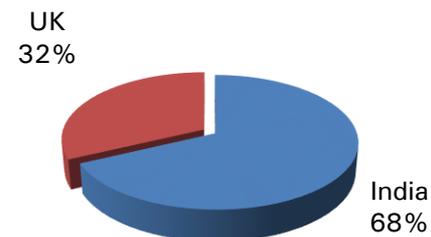


## AEROSPACE AND DEFENCE SEGMENT

### Financial Overview

Rs. million	Q2		y-o-y Growth (%)	Q1 FY18	q-o-q Growth (%)	Six Month		y-o-y Growth (%)
	FY18	FY17				FY18	FY17	
<b>Revenue</b>	<b>898</b>	<b>833</b>	<b>7.8%</b>	<b>705</b>	<b>27.4%</b>	<b>1,603</b>	<b>1,681</b>	<b>(4.6)%</b>
India	610	531	14.8%	458	33.2%	1,067	1,031	3.5%
UK	288	302	(4.5)%	247	16.5%	535	649	(17.5)%
<b>EBITDA</b>	<b>206</b>	<b>257</b>	<b>(19.7)%</b>	<b>132</b>	<b>56.7%</b>	<b>338</b>	<b>534</b>	<b>(36.7)%</b>
<i>Margin (%)</i>	<i>23.0%</i>	<i>30.9%</i>		<i>18.7%</i>		<i>21.1%</i>	<i>31.8%</i>	
India	174	216	(19.3)%	102	70.2%	276	421	(34.4)%
<i>Margin (%)</i>	<i>28.5%</i>	<i>40.6%</i>		<i>22.3%</i>		<i>25.9%</i>	<i>40.8%</i>	
UK	32	42	(21.8)%	30	9.8%	62	113	(45.3)%
<i>Margin (%)</i>	<i>11.3%</i>	<i>13.8%</i>		<i>12.0%</i>		<i>11.6%</i>	<i>17.4%</i>	

### Q2 FY18 Revenue Breakup



### Performance Overview

- Continuing order book execution led to substantial revenue growth in Q2 FY2018
- Increase in raw material expense on account of new projects mix combined with higher headcount for new projects and related employee expense led Q2 & 6M FY2018 EBITDA to decline on a y-o-y basis
- **Outlook:** Strong order book. New enquiries and orders to further strengthen the order book. Order execution for Airbus and Bell Helicopters continues at the new facility in Bangalore. Ramp up of phase 2 Airbus orders started. Also, have become the sole supplier of cabin assemblies to Bell Helicopters. This will lead to volume expansion in the future
- **Strategy:** Developing capabilities in large aero-structural assemblies, composites, and high precision aero-structure design and engineering.

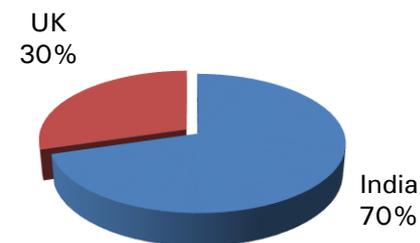


## HYDRAULICS SEGMENT

### Financial Overview

Rs. million	Q2		y-o-y Growth (%)	Q1 FY18	q-o-q Growth (%)	Six Month		y-o-y Growth (%)
	FY18	FY17				FY18	FY17	
<b>Revenue</b>	<b>790</b>	<b>692</b>	<b>14.2%</b>	<b>643</b>	<b>22.9%</b>	<b>1,433</b>	<b>1,373</b>	<b>4.4%</b>
India	556	481	15.5%	446	24.7%	1,002	924	8.4%
UK	234	211	11.3%	197	19.0%	431	449	(3.8)%
<b>EBITDA</b>	<b>106</b>	<b>96</b>	<b>10.8%</b>	<b>58</b>	<b>81.4%</b>	<b>165</b>	<b>188</b>	<b>(12.2)%</b>
<i>Margin (%)</i>	<i>13.4%</i>	<i>13.8%</i>		<i>9.1%</i>		<i>11.5%</i>	<i>13.7%</i>	
India	75	89	(15.0)%	59	28.4%	134	164	(18.1)%
<i>Margin (%)</i>	<i>13.6%</i>	<i>18.4%</i>		<i>13.2%</i>		<i>13.4%</i>	<i>17.7%</i>	
UK	31	7	338.5%	(0)	nm	30	24	27.9%
<i>Margin (%)</i>	<i>13.1%</i>	<i>3.3%</i>		<i>(0.1)%</i>		<i>7.0%</i>	<i>5.3%</i>	

### Q2 FY18 Revenue Breakup



### Performance Overview

- Hydraulics segment continued its strong performance during Q2 and 6M FY2018, mainly on account of increased order offtakes. UK operations also performed well during Q2 FY2018. Also, for 6M FY2018, on a constant currency basis, revenue from UK increased marginally
- With a recently established sales office in the US, the Company expects to expand further in the North American market
- Outlook:** Performance in India expected to remain strong on the back of improved farm sentiment and investment in the infrastructure sector. Started production of the new order in the UK; benefits to be realized during FY2018
- Strategy:** Focus on OEM market and exports. Growth through replacement market and lean manufacturing systems

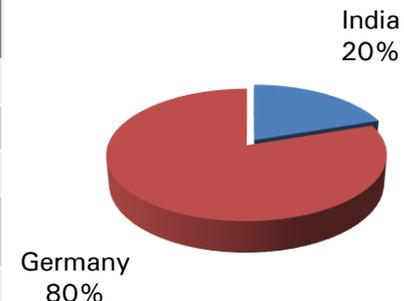


## AUTOMOTIVE SEGMENT

### Financial Overview

Rs. million	Q2		y-o-y Growth (%)	Q1 FY18	q-o-q Growth (%)	Six Month		y-o-y Growth (%)
	FY18	FY17				FY18	FY17	
<b>Revenue</b>	<b>1,732</b>	<b>2,303</b>	<i>(24.8)%</i>	<b>1,801</b>	<i>(3.8)%</i>	<b>3,532</b>	<b>4,717</b>	<i>(25.1)%</i>
India – M	192	186	3.2%	183	4.6%	375	386	(2.8)%
India – F	256	258	(0.9)%	237	7.9%	493	542	(9.1)%
India – F: Inter Co. Settlement	(104)	(163)	<i>nm</i>	(97)	<i>nm</i>	(201)	(342)	<i>nm</i>
Germany	1,388	2,022	<i>(31.4)%</i>	1,478	<i>(6.1)%</i>	2,866	4,131	<i>(30.6)%</i>
<b>EBITDA</b>	<b>16</b>	<b>97</b>	<i>(83.5)%</i>	<b>41</b>	<i>(60.9)%</i>	<b>57</b>	<b>214</b>	<i>(73.4)%</i>
<i>Margin (%)</i>	<i>0.9%</i>	<i>4.2%</i>		<i>2.3%</i>		<i>1.6%</i>	<i>4.5%</i>	
India – M	(34)	(21)	<i>nm</i>	(29)	<i>nm</i>	(63)	(42)	49.4%
<i>Margin (%)</i>	<i>nm</i>	<i>nm</i>		<i>nm</i>		<i>(16.8)%</i>	<i>(10.9)%</i>	
India – F	(8)	16	<i>nm</i>	3	<i>nm</i>	(5)	31	<i>nm</i>
<i>Margin (%)</i>	<i>nm</i>	<i>6.2%</i>		<i>1.1%</i>		<i>(1.0)%</i>	<i>5.8%</i>	
Germany	58	102	<i>(43.7)%</i>	67	<i>(14.6)%</i>	125	225	<i>(44.4)%</i>
<i>Margin (%)</i>	<i>4.1%</i>	<i>5.1%</i>		<i>4.6%</i>		<i>4.4%</i>	<i>5.4%</i>	

### Q2 FY18 Revenue Breakup



Note:  
 India – M: India – Machining  
 India – F: India – Iron Foundry

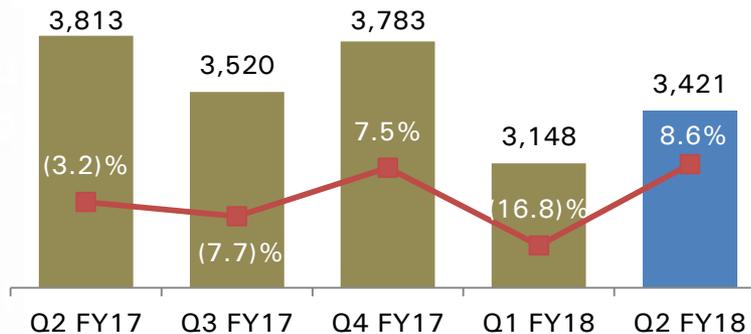
### Performance Overview

- With focus on margin expansion, low margin products rationalization started during the last quarter
- Adoption of such rationalization strategy impacted overall financials. However, positive synergy to be derived in next few quarters
- **Outlook:** Ramp up of new orders in India to begin during FY2018. New machining facility commissioned in Germany to drive both revenue and profitability in the coming year
- **Strategy:** Focus on high margin product mix, exports, ramp-up of existing products, performance-critical components, customer diversification, steel castings & capacity utilization

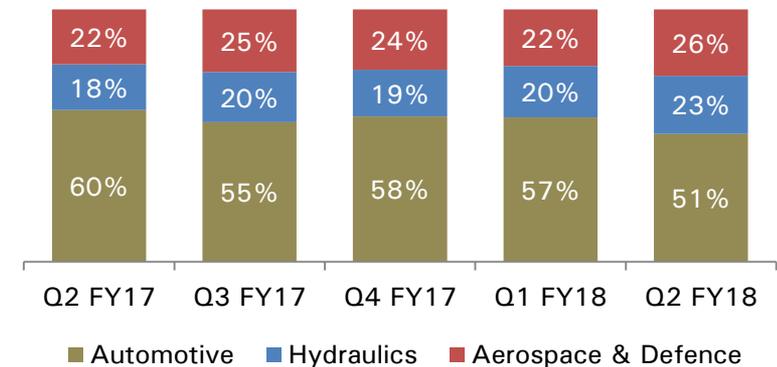


## QUARTERLY FINANCIAL TRENDS

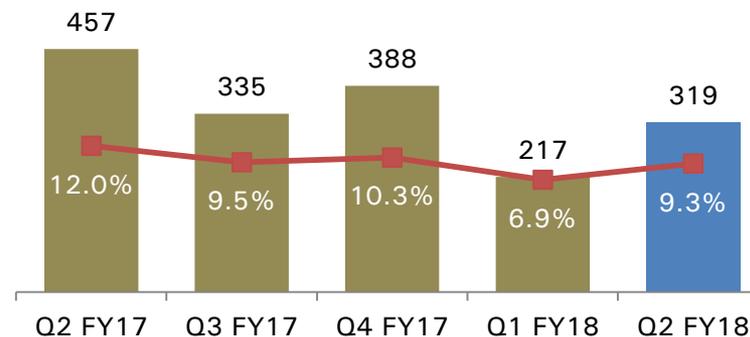
### Revenue (Rs. mn) and Growth (Q-o-Q)



### Segment Wise Revenue Contribution



### EBITDA (Rs. mn) and Margin (%)



Note: Financials for Q1 FY18 & Q2 FY18 and Q2 FY17 are Ind-AS based

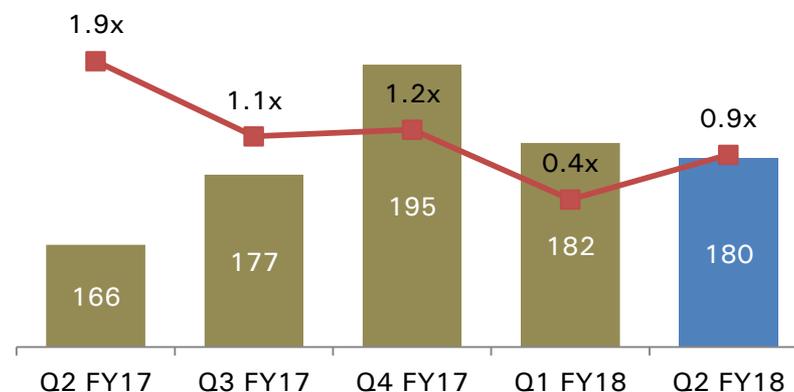


## QUARTERLY FINANCIAL TRENDS

### Capital Structure

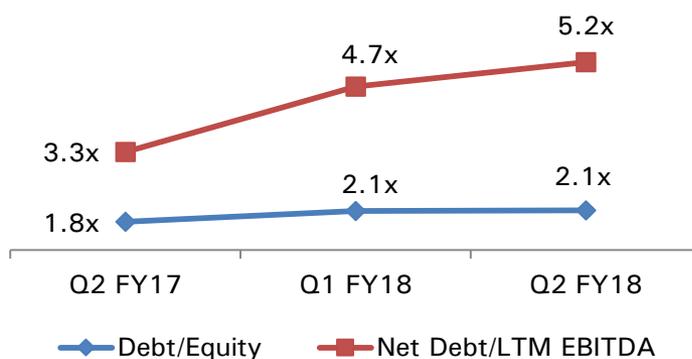
(Rs. million)	Sept 30, 2017	June 30, 2017
Long Term Borrowings	4,913	5,099
Short Term Borrowings	2,084	1,798
<b>Total Debt</b>	<b>6,997</b>	<b>6,897</b>
Less: Cash & Cash Equivalents	419	319
<b>Net Debt</b>	<b>6,577</b>	<b>6,579</b>
Net Worth	3,350	3,325

### Interest Expense (Rs. mn) & Interest Coverage (x)



Note: Interest Coverage ratio = Operating Profit / Interest Expense

### Net Debt/LTM EBITDA & Debt/Equity (x)



### Credit Ratings

- India Rating & Research (a Fitch Group company) has assigned a long term issuer rating of "IND A-" with Stable outlook



## DYNAMATIC OVERVIEW

### Diversified business

- A combination of stable and high growth businesses with highly engineered products for the automotive, hydraulic, aerospace and defense industries
- Successful track record of enhancing manufacturing capabilities through R&D and selective acquisitions

### Competitive market position

- One of the world's largest manufacturers of hydraulic gear pumps and automotive turbochargers; leadership in hydraulic gear pumps market for over 35 years
- Has 65% share of the Indian organized tractor market, supplies to almost all OEMs in India
- Pioneer and leader in the Indian private sector for manufacture of high precision airframe structures and aerospace components. Tier I supplier to the global aerospace OEMs such as Airbus, Boeing, Bell Helicopters and HAL
- Manufactures high precision, complex metallurgical ferrous and aluminium castings for performance critical components such as turbochargers and exhaust manifolds and has capabilities to develop automotive components on single-source basis

### Locational advantages

- Automotive facilities in Chennai, one of India's major automotive hubs and in Germany, a global auto OEM hub
- Aerospace and Defense facilities in Bangalore, headquarters of primary clients and in Bristol, UK's south west aerospace hub



## DYNAMATIC OVERVIEW

### Vertically Integrated Facilities

- Advanced iron foundry in India and Germany. Also has aluminium foundry in India for captive use
- Owns one of the most advanced ferrous foundries in Europe (Germany) capable of manufacturing highly intricate castings
- In-house division for design validation and optimization, analysis and prototypes
- Has 11 facilities across India (Bangalore, Chennai, Coimbatore, Nasik), UK (Swindon, Bristol) and Germany (Schwarzenberg)

### R&D and Intellectual Property

- Owns 17 patents for various products in India and internationally
- Has the design IP for all the products manufactured in the Hydraulics segment
- R&D units recognized by Department of Scientific and Industrial Research, Government of India

### Blue Chip Customers

- Automotive: Audi, BMW, Daimler, Ford, Hyundai, Nissan, Tata Motors, Volkswagen
- Hydraulics: Caterpillar, Cummins, Eicher, Escorts, John Deere, Mahindra & Mahindra, New Holland Fiat, Same Deutz-Fahr
- Aerospace and Defence: Airbus, Bell Helicopter, Boeing, GKN Aerospace, HAL, Spirit Aerosystems

### Board and Management

- Highly qualified board and management team with significant industry experience
- 5 out of 11 Directors Independent



# DYNAMATIC TECHNOLOGIES LIMITED

## DYNAMATIC OVERVIEW

Combination of Stable and High Growth Businesses

### AUTOMOTIVE

50.6% of Q2  
FY18  
Revenue

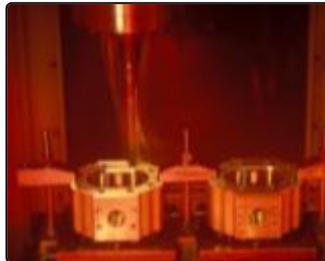


- Ferrous and non-ferrous automotive components including engine, transmission, turbocharger and chassis parts
- Metallurgical ferrous and aluminium castings

- Audi
- BMW
- Daimler
- Ford
- Hyundai
- Nissan
- Tata Motors
- Volkswagen

### HYDRAULICS

23.1% of Q2  
FY18 Revenue



- Hydraulic valves
- Hydraulic gear pumps
- Combined displacement pump packages
- Fan drive systems
- Fixed displacement pumps

- Caterpillar
- Eicher
- Escorts
- John Deere
- Mahindra & Mahindra
- New Holland Fiat
- Same Deutz-Fahr

### AEROSPACE & DEFENCE

26.3% of Q2  
FY18 Revenue



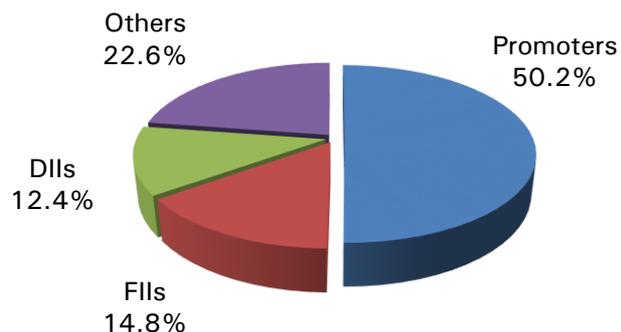
- Wings, rear fuselages, ailerons, wing flaps and major airframe structures
- Ramp structure assembly
- AFT Pylon assembly
- Defense products and solutions

- Airbus
- Boeing
- Bell
- Spirit Aerosystems
- HAL



## BLUE CHIP INVESTOR BASE

### Shareholding Structure



### Key Institutional Investors

- Samena Capital and Citi Group
- HDFC Mutual Fund
- Alchemy and Group
- SBI Mutual Fund
- Goldman Sachs
- Mukul Agarwal and Group
- Premier Investment Fund
- Cyril Traders
- L&T Mutual Fund

### Shareholding Pattern Trend

Shareholders	Mar-17	Jun-17	Sep-17
Promoters	50.2%	50.2%	50.2%
FII	14.7%	15.3%	14.8%
DII	13.1%	12.4%	12.4%
Others	22.0%	22.1%	22.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Equity History

Year	Event	Equity Capital (Rs. mn)
1974	Initial Public Offering	2.9
1987	Rights Issue	11.2
1992	Rights Issue	21.0
1994	Rights Issue	31.5
1995	Bonus Issue	41.9
2008	Amalgamation	48.1
2008	Qualified Institutional Placement	54.1
2014	Preferential convertible warrants	60.4
2014	Qualified Institutional Placement	63.4



# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Income Statement (Y-O-Y Comparison)

Profit & Loss Statement (Rs. million)	Q2 FY18	Q2 FY17
<b>Revenues</b>		
Net Sales / Income from Operations (Net of Excise Duty)	3,421	3,813
Other Operating Income		
<b>Total Revenues</b>	<b>3,421</b>	<b>3,813</b>
<b>Expenses</b>		
Cost of Raw Materials Consumed	1,612	2,274
Changes in Inventories of Finished Goods, WIP and Stock in Trade	158	(163)
Employee Benefit Expenses	599	557
Other Expenditure	732	688
<b>Total expenses</b>	<b>3,101</b>	<b>3,355</b>
<b>Operating Profit (EBITDA)</b>	<b>319</b>	<b>457</b>
Depreciation and Amortization Expenses	151	129
<b>EBIT</b>	<b>169</b>	<b>329</b>
Other Income	13	22
Finance Costs	180	166
<b>PBT – Pre Exceptional</b>	<b>1</b>	<b>184</b>
Exceptional (Gain)/ Losses	0	0
<b>PBT</b>	<b>1</b>	<b>184</b>
Tax Expenses	(12)	84
<b>PAT</b>	<b>13.0</b>	<b>100</b>
Basic EPS (Rs)	2.05	15.79
<b>Margins (%)</b>		
Gross Margins	48.3%	44.6%
EBITDA margins	9.3%	12.0%
PAT margins	0.4%	2.6%
<b>Y-o-Y Growth (%)</b>		
Total Revenues	(10.3)%	2.9%
EBITDA	(30.2)%	35.3%
PAT	(87.0)%	nm



# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Balance Sheet – Assets

Balance Sheet (Rs. million)	Sep-17
<b>ASSETS</b>	
<b>Non-Current Assets</b>	
Goodwill	907
Fixed Assets	7,139
Non-Current Investment	17
Deferred tax asset (net)	0
Long Term Loans and Advances	156
Other Non Current Assets	42
<b>Total Non-Current Assets</b>	<b>8,261</b>
<b>Current Assets</b>	
Inventories	2,659
Trade Receivables / Sundry Debtors	1,779
Cash and Cash Equivalents	256
Bank Balance Other than Cash	164
Other Financial Assets	1
Short-Term Loans and Advances	216
Income Tax Assets (net)	12
Other Current Assets	752
<b>Total Current Assets</b>	<b>5,838</b>
<b>TOTAL ASSETS</b>	<b>14,099</b>



# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Balance Sheet – Liabilities

Balance Sheet (Rs. million)	Sep-17
<b>EQUITY and LIABILITIES</b>	
<b>Shareholders Fund</b>	
Share capital	63
Reserves and surplus	3,286
Money Received against Share Warrants	0
Non-controlling interest (Preference capital)	0
<b>Total Shareholders Fund</b>	<b>3,349</b>
<b>Non-Current Liabilities</b>	
Long-Term Borrowings	4,489
Deferred Tax Liabilities (net)	89
Other Long Term Liabilities	16
Long Term Provisions	125
<b>Total Non-Current Liabilities</b>	<b>4,719</b>
<b>Current Liabilities</b>	
Short-Term Borrowings	2,084
Trade Payables	2,503
Other Financial Liabilities	932
Other Current Liabilities	374
Income Tax Liabilities (net)	66
Short-Term Provisions	72
<b>Total Current Liabilities</b>	<b>6,030</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,099</b>



## IMPORTANT NOTICE

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 Dynamatic Technologies’ (“Dynamatic” or the “Company”) 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.

Dynamatic Technologies undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances.



# DYNAMATIC TECHNOLOGIES LIMITED

## CONTACT DETAILS

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