

DYNAMATIC TECHNOLOGIES LIMITED

Q3 and 9M FY2019 **EARNINGS**  
PRESENTATION



HYDRAULICS



AEROSPACE & DEFENCE



AUTOMOTIVE



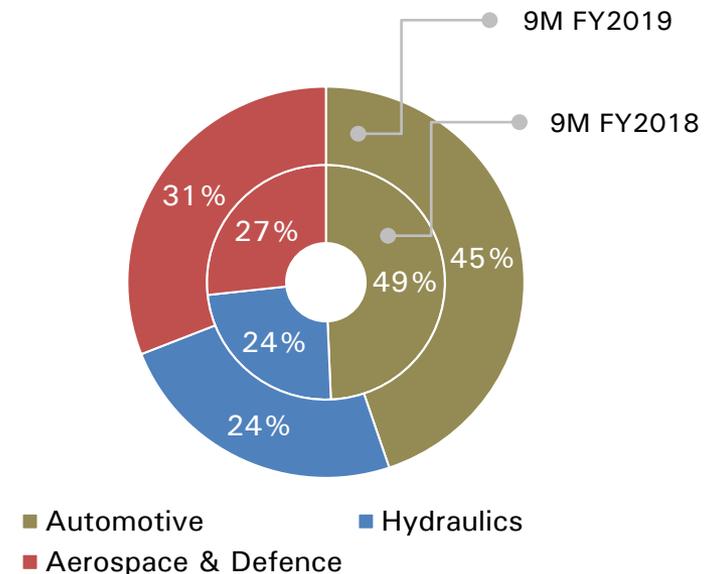


## 9M FY2019 PERFORMANCE HIGHLIGHTS

### Highlights 9M FY19 vs. 9M FY18

- Net Revenue of Rs. 11,154 mn; up 17.5% from Rs. 9,491 mn in 9M FY18
  - Aerospace & Defence segment revenue of Rs. 3,457 mn; up 35.4% from Rs. 2,554 mn
  - Hydraulics segment revenue of Rs. 2,697 mn; up 17.9% from Rs. 2,288 mn
  - Automotive segment revenue of Rs. 5,001 mn; up 6.1% from Rs. 4,713 mn
- EBITDA of Rs. 1,278 mn; up 38.9% from Rs. 921 mn in 9M FY18
  - EBITDA margin of 11.5%; up 176 bps
- PAT of Rs. 219 mn; up from Rs. (0) mn in 9M FY18

9M FY2019 Revenue Breakup





## PERFORMANCE HIGHLIGHTS

### Management Commentary

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

“Building on the momentum created since the beginning of FY19, Dynamatic continued to deliver steady performance this quarter. Revenue for 9M FY2019 increased by 17.5% over the same period last year. This performance was largely attributable to a strong 35.4% y-o-y growth in the Aerospace & Defence segment revenues as a result of ramp up and delivery of our order book. Hydraulic business segment maintained its strong performance driven by improved sentiments across farming and construction sectors with revenue growth of 17.9% during the same period.

On December 31, 2018, we executed a business transfer agreement with Hi-Tech Arai Private Limited with respect to the divestment of the aluminium business of the Auto Division for a consideration of Rs. 40 Crore. During January 2019, we successfully completed the business transfer including the transfer of employees. The sale proceeds shall be utilised primarily for deleveraging and subsequent interest cost savings. Further, Hi-Tech Arai has also agreed to acquire inventories of the same business.

Dynamatic’s performance during FY2019 has been a result of the strategic initiatives undertaken over the last couple of years. This coupled with the improved industry scenario will drive growth for the Company in the future.”



## FINANCIAL PERFORMANCE SUMMARY

### Consolidated Performance Highlights

Rs. Million	Q3		y-o-y Growth (%)	Q2 FY19	q-o-q Growth (%)	9M		y-o-y Growth (%)
	FY19	FY18				FY19	FY18	
Revenue (Net of Excise Duty)	3,666	3,303	11.0%	3,699	(0.9)%	11,154	9,491	17.5%
EBITDA	439	341	28.5%	426	3.1%	1,278	921	38.9%
Margin (%)	12.0%	10.3%		11.5%		11.5%	9.7%	
Profit Before Tax (PBT)	102	47	119.5%	134	(23.6)%	382	56	578.7%
Profit After Tax (PAT)	57	20	185.0%	79	(27.7)%	219	(0)	nm
Margin (%)	1.6%	0.6%		n/a		2.0%	(0.0)%	
Basic EPS (Rs.)	8.99	3.15		12.43		34.56	(0.08)	

- 9M FY2019 revenues from Aerospace & Defence and Hydraulics segments increased by 35.4% and 17.9%, respectively on a y-o-y basis
- Revenues from Automotive segment for 9M FY2019 increased by 6.1% on a y-o-y basis
- EBITDA for Aerospace & Defence, Hydraulics and Automotive segments in 9M FY2019 increased by 54.1%, 19.7% and 22.1%, respectively on y-o-y basis, driven largely by strong order book execution
- 9M FY2019 overall EBITDA increased by 38.9% y-o-y with margin expansion of 176 bps to 11.5% driven by facilities ramp up and resource optimization



## PERFORMANCE HIGHLIGHTS

### Foreign Exchange Fluctuation

Exchange Rate	Q3 FY2019	Q3 FY2018	Impact	Impact %	Q2 FY2019	Impact	Impact %
EURO vs. INR	81.2	74.3	6.9	9.3%	80.6	0.5	0.7%
GBP vs. INR	91.7	84.2	7.5	9.0%	91.2	0.5	0.5%
USD vs. INR	69.7	64.5	5.2	8.1%	68.5	1.2	1.7%

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

Particulars	Q3 FY2019 vs. Q3 FY2018				Q3 FY2019 vs. Q2 FY2019			
	Erla	DL UK	DTL	Total Impact	Erla	DL UK	DTL	Total Impact
<i>Currency</i>	EURO	GBP	USD & GBP		EURO	GBP	USD & GBP	
Revenue (Rs. mn)	114.5	52.6	47.3	214.4	8.7	3.4	9.0	21.1
EBITDA (Rs. mn)	3.1	2.9	47.3	53.3	0.2	0.2	9.0	9.4

- On a constant currency basis, Q3 FY2019 revenue, if adjusted for a foreign exchange impact of Rs. 214.4 mn would be Rs. 3,451 mn (representing a growth of 4.5% compared to 11.0% before adjustment)
- On a constant currency basis, Q3 FY2019 EBITDA, if adjusted for a foreign exchange impact of Rs. 53.3 mn would be Rs. 385 mn (compared to Rs. 439 mn before adjustment), representing a growth of 2.9%.
- The Company has exposure to EUR, GBP and USD. The impact from transactions denominated in all three currencies was favorable on a Y-o-Y basis.



## AEROSPACE AND DEFENCE SEGMENT

### Financial Overview

Rs. Million	Q3		y-o-y	Q2	q-o-q	9M		y-o-y
	FY19	FY18	Growth (%)	FY19	Growth (%)	FY19	FY18	Growth (%)
Revenue	1,198	951	25.9%	1,143	4.7%	3,457	2,554	35.4%
EBITDA	316	231	36.7%	289	9.3%	882	572	54.1%
Margin (%)	26.4%	24.3%		25.3%		25.5%	22.4%	

### Performance Overview

- Continuing order book execution and delivery led to substantial revenue growth in 9M FY2019
- Outlook: Strong order book. Volume increase on major programs to drive the growth. Strengthening of supplier eco-system and vertical integration. Focus on increasing operational excellence through Mission Zero and APQP concepts
- Strategy: Enhancing capability in large aero-structure assemblies, composites and high precision aero-structure design and engineering



## HYDRAULICS SEGMENT

### Financial Overview

Rs. Million	Q3		y-o-y	Q2	q-o-q	9M		y-o-y
	FY19	FY18	Growth (%)	FY19	Growth (%)	FY19	FY18	Growth (%)
Revenue	891	811	10.0%	922	(3.3)%	2,697	2,288	17.9%
EBITDA	104	84	23.8%	115	(9.5)%	297	249	19.7%
Margin (%)	11.7%	10.4%		12.5%		11.0%	10.9%	

### Performance Overview

- Hydraulics segment continued its strong performance during 9M FY2019 with both Agri Sector (farm mechanisation – tractors & harvester combines) and construction industry growing (off highway vehicles) at a strong rate globally
- Margins remained relatively stable on account of product mix changes in India. We expect to see similar results from our UK operations in coming quarters
- Outlook: Tractor production continues to grow due to positive sentiments in both farming sector and construction activities. Tractors are increasing being used as a multi utility vehicle for haulage and construction activities further driving growth
- Strategy: Growth from farm mechanisation sector through increase in share of business with OEMs in this sector and adding new OEMs, addition of new products and expansion of wallet share per tractor. Momentum in new market segment, i.e. off highway vehicles



## AUTOMOTIVE SEGMENT

### Financial Overview

Rs. Million	Q3		y-o-y	Q2	q-o-q	9M		y-o-y
	FY19	FY18	Growth (%)	FY19	Growth (%)	FY19	FY18	Growth (%)
Revenue	1,577	1,541	2.3%	1,634	(3.6)%	5,001	4,713	6.1%
EBITDA	39	24	62.6%	40	(1.3)%	148	81	82.7%
Margin (%)	2.5%	1.6%		2.5%		3.0%	1.7%	

### Performance Overview

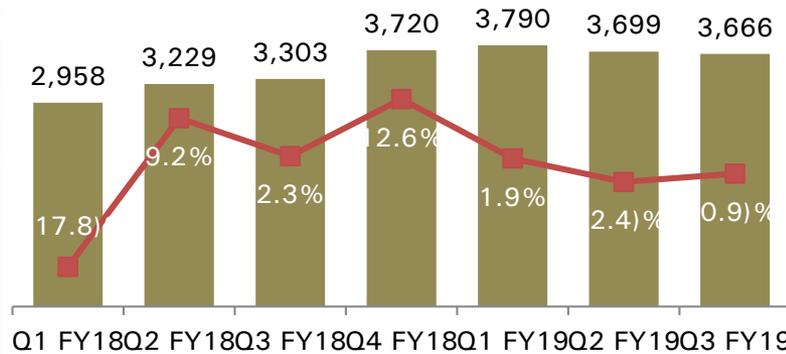
- With a focus on margin expansion, low margin products rationalization continued during the period. New order execution in India resulted in topline growth across the business division. This is a result of volume growth from investments made by the Company in the new product development
- Outlook: Ramp up of new orders in India started during the year, with benefit to be derived in the coming quarters. Successfully completed the divestment of the Auto division (i.e. aluminium business within the auto division)
- Strategy: Focus on high margin product mix, exports, ramp-up of existing products, performance-critical components, customer diversification and capacity utilization



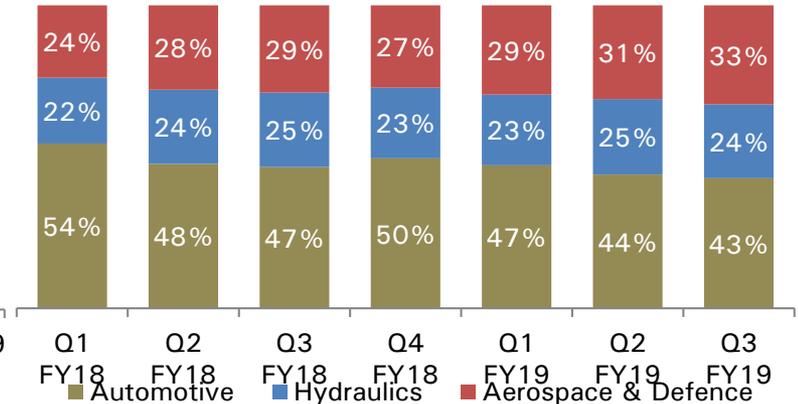
# DYNAMATIC TECHNOLOGIES LIMITED

## QUARTERLY FINANCIAL TRENDS

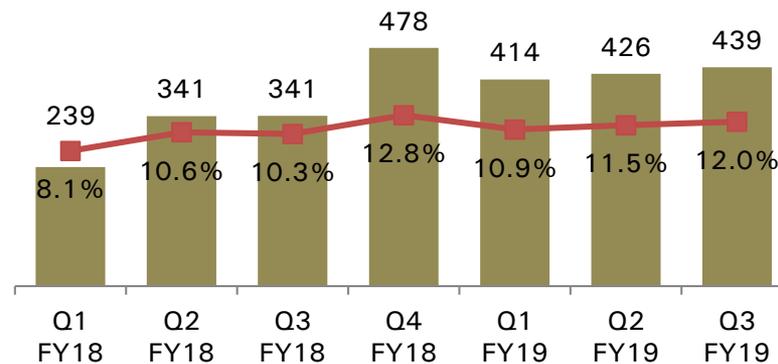
### Revenue (Rs. mn) and Growth (Q-o-Q)



### Segment Wise Revenue Contribution



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



Note:

- 1. All financials excluding discontinued operations

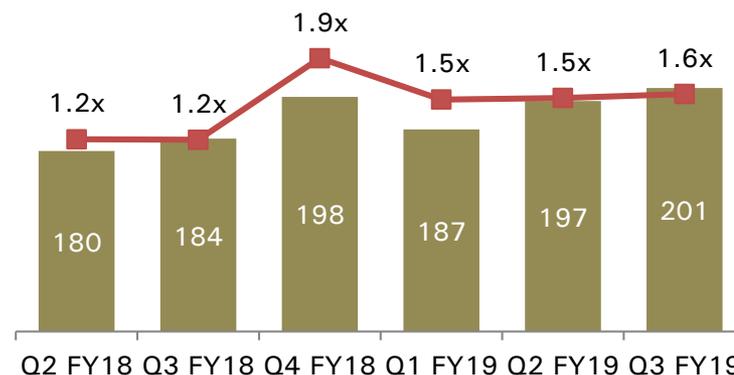


## QUARTERLY FINANCIAL TRENDS

### Capital Structure

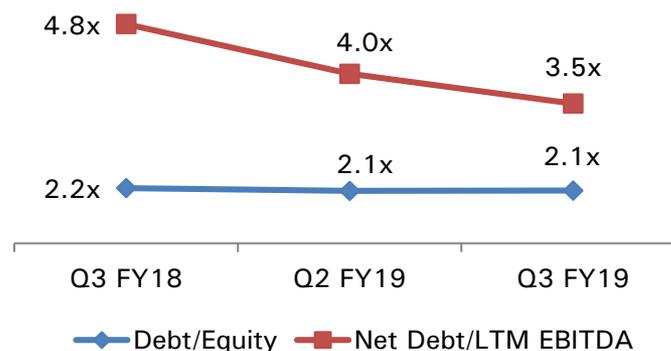
(Rs. million)	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018
Long Term Borrowings	4,772	4,667	4,521
Short Term Borrowings	2,256	2,393	2,281
Total Debt	7,028	7,061	6,802
Less: Cash & Cash Equivalents	381	392	595
Net Debt	6,647	6,669	6,207
Net Worth	3,138	3,352	3,220

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



Note: Interest Coverage ratio = Operating Profit / Interest Expense

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





## 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: 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
- 3 out of 8 Directors Independent



## DYNAMATIC OVERVIEW

Combination of Stable and High Growth Businesses

### AUTOMOTIVE

45% of 9M FY19 Revenue

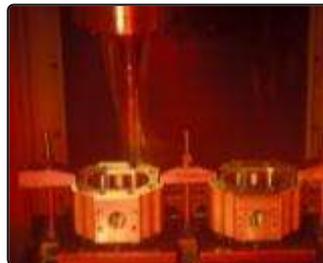


- Ferrous and non-ferrous automotive components including engine, transmission, turbocharger and chassis parts
- Metallurgical ferrous and aluminium castings

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

### HYDRAULICS

24% of 9M FY19 Revenue



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

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

### AEROSPACE & DEFENCE

31% of 9M FY19 Revenue



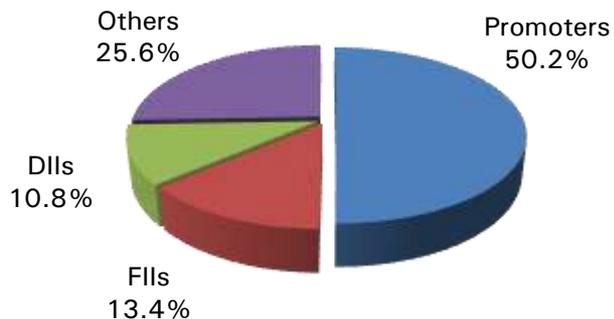
- Wings, rear fuselages, ailerons, wing flaps and major airframe structures
- Ramp structure assembly
- AFT Pylon assembly
- Defense products and solutions

- Airbus
- Boeing
- Bell
- Spirit Aerosystems
- HAL



## BLUE CHIP INVESTOR BASE

### Shareholding Structure



### Key Institutional Investors

- Samena Capital
- HDFC Mutual Fund
- Alchemy and Group
- Taiyo Greater India Fund
- Girish Gulati - HUF
- Mukul Agarwal and Group
- SBI Mutual Fund
- Premier Investment Fund

### Shareholding Pattern Trend

Shareholders	Jun-18	Sep-18	Dec-18
Promoters	50.2%	50.2%	50.2%
FIIIs	15.2%	13.4%	13.4%
DIIIs	10.9%	10.8%	10.8%
Others	23.8%	25.6%	25.6%
<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 and Q-o-Q Comparison)

Profit & Loss Statement (Rs. million)	Q3FY19	Q2FY19	Q3FY18
Revenues			
<b>Net Sales / Income from Operations (Net of Excise Duty)</b>	<b>3666</b>	<b>3,699</b>	<b>3,303</b>
<b>Other Operating Income</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Revenues	3,666	3,699	3,303
Expenses			
<b>Cost of Raw Materials Consumed</b>	<b>1,891</b>	<b>1,751</b>	<b>1,642</b>
<b>Changes in Inventories of Finished Goods, WIP and Stock in Trade</b>	<b>(65)</b>	<b>183</b>	<b>77</b>
<b>Employee Benefit Expenses</b>	<b>653</b>	<b>631</b>	<b>614</b>
<b>Other Expenditure</b>	<b>748</b>	<b>708</b>	<b>629</b>
Total expenses excluding D&A	3,227	3,273	2,962
Operating Profit (EBITDA)	439	426	341
<b>Depreciation and Amortization Expenses</b>	<b>123</b>	<b>123</b>	<b>122</b>
EBIT	316	302	219
<b>Other Income</b>	<b>(12)</b>	<b>28</b>	<b>12</b>
<b>Finance Costs</b>	<b>201</b>	<b>197</b>	<b>184</b>
PBT - Pre Exceptional	102	134	47
<b>Exceptional Item</b>	<b>0</b>	<b>0</b>	<b>0</b>
PBT	102	134	47
<b>Tax Expenses</b>	<b>45</b>	<b>55</b>	<b>27</b>
PAT	57	79	20
<b>Basic EPS (Rs)</b>	<b>8.99</b>	<b>12.43</b>	<b>3.15</b>
Margins (%)			
<b>Gross Margins</b>	<b>50.2%</b>	<b>47.7%</b>	<b>48.0%</b>
<b>EBITDA margins</b>	<b>12.0%</b>	<b>11.5%</b>	<b>10.3%</b>
<b>PAT margins</b>	<b>1.6%</b>	<b>2.1%</b>	<b>0.6%</b>
Y-o-Y Growth (%)			
<b>Total Revenues</b>	<b>11.0%</b>		
<b>EBITDA</b>	<b>28.5%</b>		
<b>PAT</b>	<b>185.0%</b>		



# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Balance Sheet – Assets

Balance Sheet (Rs. million)	Sep-18	Mar-18
Assets		
Non-current assets		
Property, plant and equipment	5,516	6,702
Capital work in progress	47	82
Goodwill	987	951
Intangible assets	266	274
Financial assets		
Investments	6	6
Loans	160	129
Other financial assets	2	2
Income tax assets	-	2
Other non-current assets	42	48
	7,025	8,195
Current assets		
Inventories	2,838	2,831
Financial assets		
Trade receivables / sundry debtors	1,932	1,861
Cash and cash equivalents	164	399
Bank balance other than cash	228	228
Other financial assets	11	-
Loan	31	30
Income tax assets (net)	-	-
Other current assets	759	646
Total current assets	5,963	5,994
Disposal Group Assets - Held for Sale	1,323	
Total assets	14,310	14,189



# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Balance Sheet – Liabilities

Balance Sheet (Rs. million)	Sep-18	Mar-18
<b>EQUITY and LIABILITIES</b>		
Shareholders Fund		
Share capital	63	63
Reserves and surplus	3,288	3,075
Money Received against Share Warrants	-	-
Non-controlling interest (Preference capital)	-	-
Total Shareholders Fund	3,352	3,138
Non-Current Liabilities		
Financial liabilities		
Borrowings	4,033	4,287
Other financial liabilities	37	33
Deferred Tax Liabilities (net)	228	251
Other Long Term Liabilities	4	10
Long Term Provisions	148	167
Total Non-Current Liabilities	4,451	4,748
Current Liabilities		
Financial liabilities		
Borrowings	2,315	2,209
Trade Payables	2,271	2,631
Other Financial Liabilities	1,011	1,062
Other Current Liabilities	118	180
Income Tax Liabilities (net)	246	113
Short-Term Provisions	108	108
Total Current Liabilities	6,068	6,303
Disposal Group Liabilities - Directly Associated with Assets Held for Sale	440	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,310</b>	<b>14,189</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

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