

# DYNAMATIC TECHNOLOGIES LIMITED

## Q1 FY2018 **EARNINGS** PRESENTATION



HYDRAULICS



AEROSPACE & DEFENCE



AUTOMOTIVE





DYNAMATIC TECHNOLOGIES LIMITED



**BORN TO FLY**

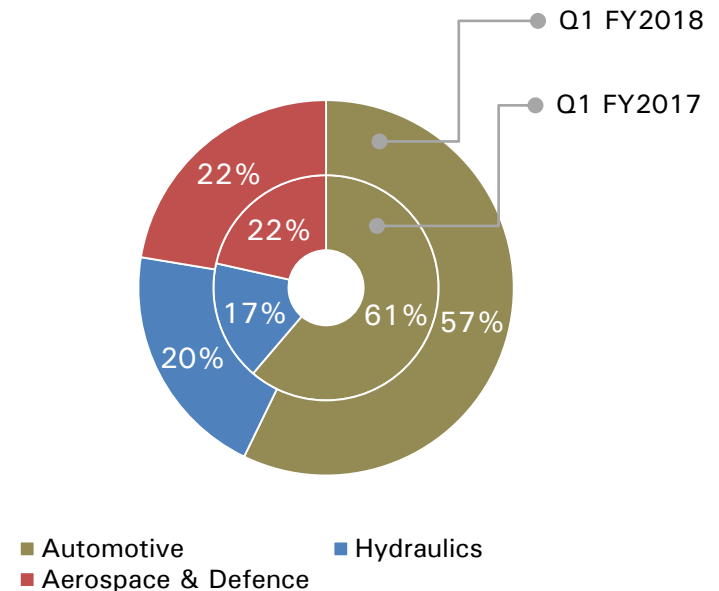


## Q1 FY2018 PERFORMANCE HIGHLIGHTS

### Y-o-Y Highlights

- Net Revenue of Rs. 3,148 mn; down 20.1% from Rs. 3,939 mn in Q1 FY17 primarily due to the impact of GST
- EBITDA of Rs. 217 mn; compared to Rs. 480 mn in Q1 FY17
  - EBITDA margin of 6.9%
- Debt/ Equity improved to 2.5x from 2.7x at the end of March 2017

### Q1 FY2018 Revenue Breakup







## PERFORMANCE HIGHLIGHTS

### Management Commentary

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

“Q1 FY2018 was outlined with one of the most momentous events in the history of Indian economy – the implementation of the Goods and Services Tax (GST). This coupled with IND-AS application has impacted our overall financials. Orders offtake for the Hydraulics and Aerospace & Defence segments declined considerably mainly on account of destocking by our customers towards the end of June 2017 and initial uncertainty around exports procedure, at onset of GST. It was a short term phenomenon and deliveries for these orders were completed in Q2 FY2018. Temporary shortages in the Global Supply Chain of Aerospace, negatively affected deliveries in one of the company's programs. These volumes will be compensated during the period leading up to the New Year.

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.

Given Dynamatic Technologies has steered all the turbulences behind it, this has further enhanced our brand equity and reinforced our market position globally. 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. With a strategic focus on further enhancing our Aerospace business, we expect the ramp up of phase 2 of Airbus orders to driver performance in the near to mid term. Dynamatic Technologies is stepping towards the next level of growth and we remain committed to creating value for all our stakeholders.”



## FINANCIAL PERFORMANCE SUMMARY

### Consolidated Performance Highlights

| Rs. Million                | Q1      |       | y-o-y<br>Growth (%) | Q4      | q-o-q<br>Growth (%) |
|----------------------------|---------|-------|---------------------|---------|---------------------|
|                            | FY18    | FY17  |                     | FY17    |                     |
| Revenue                    | 3,148   | 3,939 | (20.1)%             | 3,783   | (13.9)%             |
| EBITDA                     | 217     | 480   | (54.9)%             | 388     | (38.2)%             |
| Margin (%)                 | 6.9%    | 12.2% |                     | 10.3%   |                     |
| Profit After Tax (PAT)     | (95)    | 128   | nm                  | (75)    | nm                  |
| Margin (%)                 | nm      | 3.3%  |                     | nm      |                     |
| Basic EPS (Rs.)            | (14.92) | 20.22 | nm                  | (11.76) | nm                  |
| Total comprehensive income | (40)    | 46    | nm                  | -       | -                   |

- Q1 FY2018 Revenue declined 20.1% y-o-y. Revenues from Aerospace & Defence and Automotive segments decline by 16.9% and 25.4%, respectively on a y-o-y basis
- Aerospace & Defence and Hydraulics segment largely impacted by GST implementation which delayed uptake from customers
- Q1 FY2018 EBITDA margin declined by 530 bps y-o-y due to weaker operating margin profile across all segments
- However, deliveries of all three new projects namely Airbus, Boeing and Bell are going as per schedule

Note: Financials for Q1 FY2018 and Q1 FY2017 are based on Ind-AS



## PERFORMANCE HIGHLIGHTS

### Foreign Exchange Fluctuation

| Exchange Rate | Q1 FY2018 | Q1 FY2017 | Impact  | Impact % | Q4 FY2017 | Impact | Impact % |
|---------------|-----------|-----------|---------|----------|-----------|--------|----------|
| EURO vs. INR  | 71.02     | 75.57     | (4.55)  | (6.0)%   | 73.61     | (2.58) | (3.5)%   |
| GBP vs. INR   | 82.47     | 96.10     | (13.63) | (14.2)%  | 87.71     | (5.25) | (6.0)%   |
| USD vs. INR   | 64.46     | 66.93     | (2.48)  | (3.7)%   | 67.09     | (2.63) | (3.9)%   |

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

| Particulars      | Q1 FY2018 vs. Q1 FY2017 |        |       | Total Impact |
|------------------|-------------------------|--------|-------|--------------|
|                  | Erla                    | DL UK  | JFTL  |              |
| <i>Currency</i>  | EURO                    | GBP    | EURO  |              |
| Revenue (Rs. mn) | (95.3)                  | (86.9) | (3.5) | (225.0)      |
| EBITDA (Rs. mn)  | (4.7)                   | (4.2)  | (3.5) | (51.6)       |

- On a constant currency basis, Q1 FY2018 revenue, if adjusted for a foreign exchange impact of Rs. (225) mn would be Rs. 3,373 mn (representing a decline of 16.8% compared to 19.6% before adjustment)
- On a constant currency basis, Q1 FY2018 EBITDA, if adjusted for a foreign exchange impact of Rs. (52) mn would be Rs. 268 mn (compared to RS. 217 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

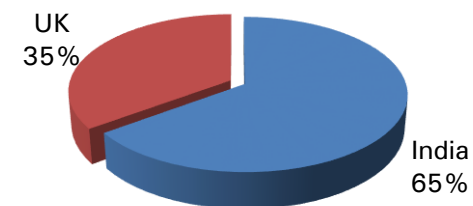


## AEROSPACE AND DEFENCE SEGMENT

### Financial Overview

| Rs. million       | Q1           |              | y-o-y<br>Growth (%) | Q4           | q-o-q<br>Growth (%) |
|-------------------|--------------|--------------|---------------------|--------------|---------------------|
|                   | FY18         | FY17         |                     | FY17         |                     |
| <b>Revenue</b>    | <b>705</b>   | <b>848</b>   | <b>(16.9)%</b>      | <b>902</b>   | <b>(21.9)%</b>      |
| India             | 458          | 501          | (8.6)%              | 653          | (29.9)%             |
| UK                | 247          | 348          | (28.9)%             | 250          | (0.9)%              |
| <b>EBITDA</b>     | <b>132</b>   | <b>277</b>   | <b>(52.5)%</b>      | <b>239</b>   | <b>(44.9)%</b>      |
| <i>Margin (%)</i> | <i>18.7%</i> | <i>32.7%</i> |                     | <i>26.5%</i> |                     |
| India             | 102          | 206          | (50.3)%             | 200          | (48.9)%             |
| <i>Margin (%)</i> | <i>22.3%</i> | <i>41.1%</i> |                     | <i>30.6%</i> |                     |
| UK                | 30           | 72           | (58.8)%             | 39           | (24.9)%             |
| <i>Margin (%)</i> | <i>12.0%</i> | <i>20.6%</i> |                     | <i>15.8%</i> |                     |

### Q1 FY18 Revenue Breakup



### Performance Overview

- Significant impact on the operations as there was uncertainty in export procedure under GST which resulted in reversal of sales due to cut off procedure
- **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 likely to drive performance going forward. 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.

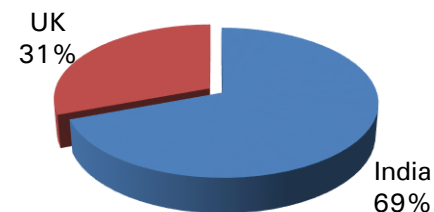


## HYDRAULICS SEGMENT

### Financial Overview

| Rs. million       | Q1            |              | y-o-y<br>Growth (%) | Q4           | q-o-q<br>Growth (%) |
|-------------------|---------------|--------------|---------------------|--------------|---------------------|
|                   | FY18          | FY17         |                     | FY17         |                     |
| <b>Revenue</b>    | <b>643</b>    | <b>681</b>   | <b>(5.5)%</b>       | <b>700</b>   | <b>(8.2)%</b>       |
| India             | 446           | 442          | 0.8%                | 483          | (7.8)%              |
| UK                | 197           | 238          | (17.2)%             | 217          | (9.1)%              |
| <b>EBITDA</b>     | <b>58</b>     | <b>92</b>    | <b>(36.3)%</b>      | <b>116</b>   | <b>(49.4)%</b>      |
| <i>Margin (%)</i> | <i>9.1%</i>   | <i>13.5%</i> |                     | <i>16.5%</i> |                     |
| India             | 59            | 75           | (21.7)%             | 91           | (35.6)%             |
| <i>Margin (%)</i> | <i>13.2%</i>  | <i>17.0%</i> |                     | <i>18.9%</i> |                     |
| UK                | (0)           | 17           | <i>nm</i>           | 24           | <i>nm</i>           |
| <i>Margin (%)</i> | <i>(0.1)%</i> | <i>7.0%</i>  |                     | <i>11.3%</i> |                     |

### Q1 FY18 Revenue Breakup



### Performance Overview

- Despite significant impact on the operations due to lower orders offtake toward the end of June, Indian operations continued strong performance and increased marginally
- On a constant currency basis, revenue from UK registered only marginal decline
- 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



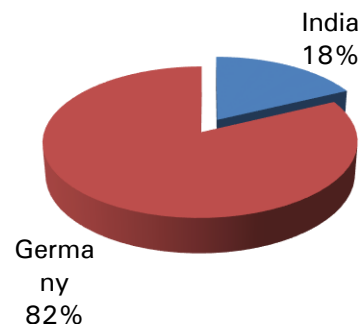


## AUTOMOTIVE SEGMENT

### Financial Overview

| Rs. million                     | Q1           |              | y-o-y Growth (%) | Q4           | q-o-q Growth (%) |
|---------------------------------|--------------|--------------|------------------|--------------|------------------|
|                                 | FY18         | FY17         |                  | FY17         |                  |
| <b>Revenue</b>                  | <b>1,801</b> | <b>2,415</b> | <b>(25.4)%</b>   | <b>2,171</b> | <b>(17.1)%</b>   |
| India – M                       | 183          | 200          | (8.5)%           | 183          | (0.1)%           |
| India – F                       | 237          | 284          | (16.6)%          | 220          | 7.6%             |
| India – F: Inter Co. Settlement | (97)         | (179)        | (45.6)%          | (117)        |                  |
| Germany                         | 1,478        | 2,109        | (29.9)%          | 1,885        | (21.6)%          |
| <b>EBITDA</b>                   | <b>41</b>    | <b>117</b>   | <b>(65.1)%</b>   | <b>88</b>    | <b>(53.6)%</b>   |
| <i>Margin (%)</i>               | 2.3%         | 4.9%         |                  | 4.1%         |                  |
| India – M                       | (29)         | (21)         | 39.7%            | (33)         | (12.9)%          |
| <i>Margin (%)</i>               | (15.8)%      | (10.4)%      |                  | (18.2)%      |                  |
| India – F                       | 3            | 15           | (83.7)%          | 5            | (50.0)%          |
| <i>Margin (%)</i>               | 1.1%         | 5.4%         |                  | 2.3%         |                  |
| Germany                         | 67           | 123          | (45.0)%          | 116          | (41.9)%          |
| <i>Margin (%)</i>               | 4.6%         | 5.8%         |                  | 6.2%         |                  |

### Q1 FY18 Revenue Breakup



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

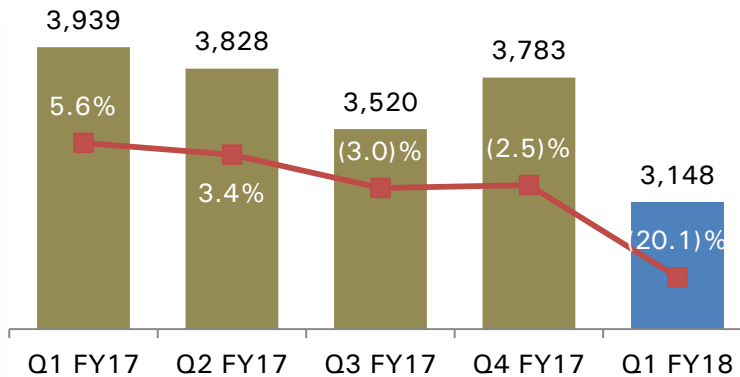
### Performance Overview

- With focus on margin expansion, low margin products rationalization started during the 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 starting 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

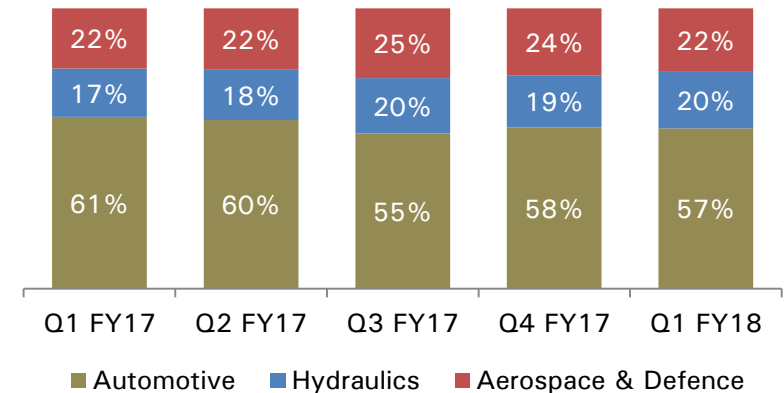


## QUARTERLY FINANCIAL TRENDS

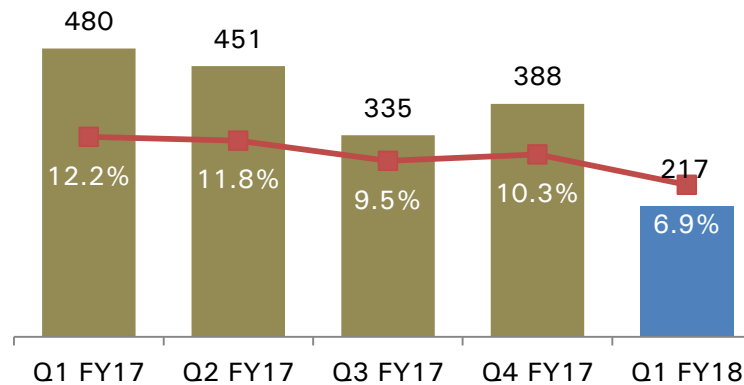
### Revenue (Rs. mn) and Growth (Q-o-Q)



### Segment Wise Revenue Contribution



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



Note: Financials for Q1 FY2018 and Q1 FY2017 are based on Ind-AS

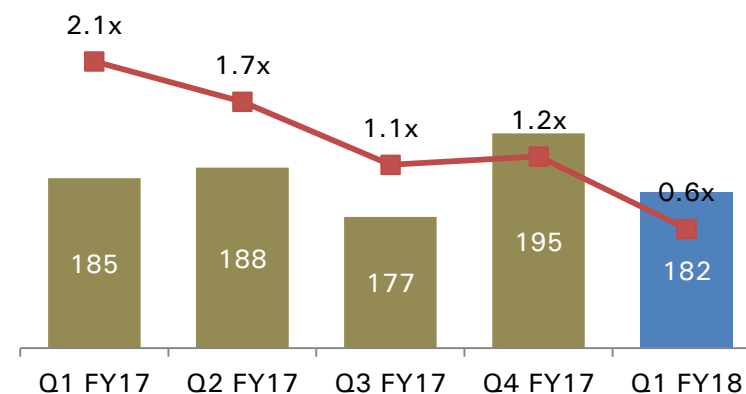


## QUARTERLY FINANCIAL TRENDS

### Capital Structure

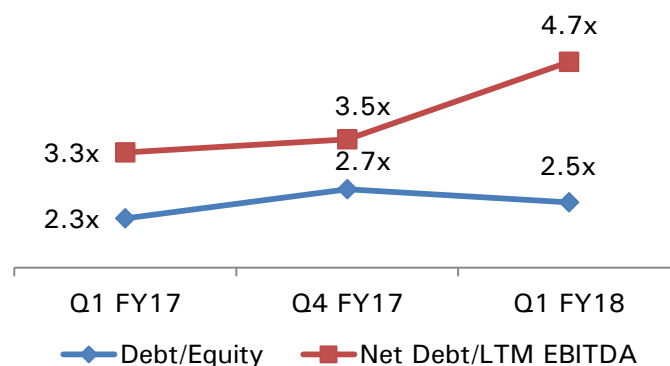
| (Rs. million)                 | June 30, 2017 | Mar 31, 2017 |
|-------------------------------|---------------|--------------|
| Long Term Borrowings          | 5,099         | 5,092        |
| Short Term Borrowings         | 1,798         | 1,559        |
| <b>Total Debt</b>             | <b>6,897</b>  | <b>6,651</b> |
| Less: Cash & Cash Equivalents | 319           | 826          |
| <b>Net Debt</b>               | <b>6,579</b>  | <b>5,825</b> |
| Net Worth                     | 2,758         | 2,464        |

### 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

Note: Short Term Borrowings and Net Worth for June 30, 2017 were higher due to the impact of Ind-AS





## 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

57.2% of Q1  
FY18  
Revenue

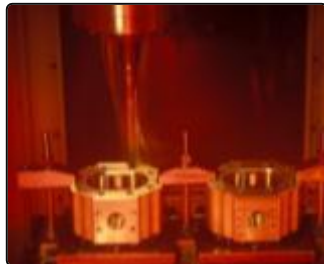


- Ferrous and non-ferrous automotive components including engine, transmission, turbocharger and chassis parts
- Metallurgical ferrous and aluminium castings

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

### HYDRAULICS

20.4% of Q1  
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

22.4% of Q1  
FY18 Revenue



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

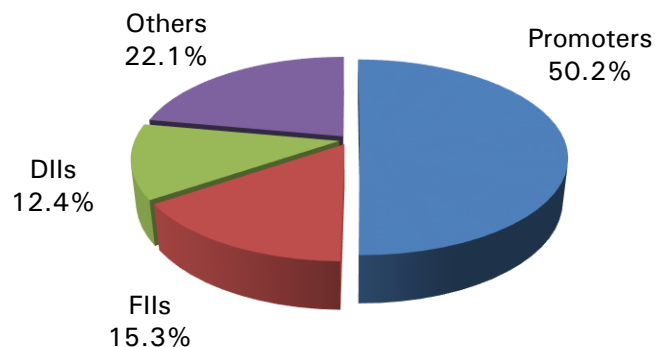
- Airbus
- Boeing
- Bell
- Spirit
- HAL





## 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 | Dec-16        | Mar-17        | Jun-17        |
|--------------|---------------|---------------|---------------|
| Promoters    | 50.3%         | 50.2%         | 50.2%         |
| FII's        | 14.5%         | 14.7%         | 15.3%         |
| DII's        | 13.1%         | 13.1%         | 12.4%         |
| Others       | 22.1%         | 22.0%         | 22.1%         |
| <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

## 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

**Mr. Hanuman Sharma**

*Executive Director and Group Chief Financial Officer*

Dynamatic Technologies Limited

Dynamatic Park Peenya Industrial Area

Bangalore 560 058 India

**T:** + 91 80 2839 4933 / 34 / 35

**F:** + 91 80 2839 5823

**E:** [hanuman.sharma@dynamics.net](mailto:hanuman.sharma@dynamics.net)

**Mr. Naveen Chandra**

*Head – Legal, Compliance & Company Secretary*

Dynamatic Technologies Limited

Dynamatic Park Peenya Industrial Area

Bangalore 560 058 India

**T:** + 91 80 2839 4933 / 34 / 35

**F:** + 91 80 2839 5823

**E:** [naveen.c@dynamics.net](mailto:naveen.c@dynamics.net)

**www.dynamics.net**

**CIN:** L72200KA1973PLC002308