

DYNAMATIC TECHNOLOGIES LIMITED

Q4 and Full Year FY2018 **EARNINGS** PRESENTATION



HYDRAULICS



AEROSPACE & DEFENCE



AUTOMOTIVE



DYNAMATIC TECHNOLOGIES LIMITED



BORN TO FLY

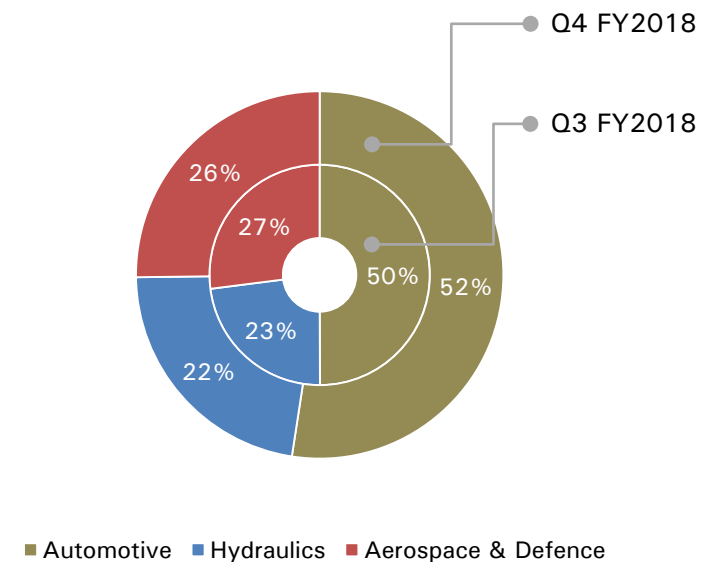


Q4 FY2018 PERFORMANCE HIGHLIGHTS

Q-o-Q Highlights

- Net Revenue of Rs. 3,911 mn; up 11.2% from Rs. 3,517 mn in Q3 FY18
 - Aerospace & Defence segment revenue of Rs. 1,010 mn; up 6.2% from Rs. 951 mn last quarter
 - Hydraulics segment revenue of Rs. 867 mn; up 7.0% from Rs. 811 mn last quarter
 - Automotive segment revenue up 15.7% to Rs. 2,034 mn from Rs. 1,758 mn last quarter
- EBITDA of Rs. 452 mn; compared to Rs. 336 mn in Q3 FY18
 - EBITDA margin of 11.6%; up 130 bps q-o-q
- PAT of Rs. 88.8 mn; compared to Rs. 1.1 mn last quarter

Q4 FY2018 Revenue Breakup





PERFORMANCE HIGHLIGHTS

Management Commentary

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

“FY2018 was marked by two of the most historic reforms – Goods and Services Tax (GST) and application of IND-AS, during midst of the financial year. On account of the implementation of GST, our working capital utilization increased, leading to higher short-term borrowings on a y-o-y basis. Despite an initial impact on our financials, Dynamatics performed well operationally during the year. The orders offtake increased for both Hydraulics and the Aerospace & Defence segment. We successfully started the ramp up of phase 2 of Airbus orders; putting in place a cutting-edge infrastructure and achieved a full scale industrialization of the entire value chain. Further, we became the sole supplier of major sub assemblies for Bell 407 helicopter cabins.

Eventually, our strategic initiatives have started reflecting in overall financials growth during H2 FY2018. The orders offtake for the Hydraulics segment increased considerably during the quarter resulting in both revenue and EBITDA growth. Further, it is quite encouraging to see the results of product rationalization strategy adopted for our Automotive segment, during the year. We are committed to perform well over the long term and therefore, we have been taking off all the low margin products from our Automotive portfolio. This will lead to moderate growth in Automotive segment financials for next few quarters and exponential benefits to be reaped there after.

Taking a strategic view of our business, we have decided to divest JKM Auto Division, Chennai and Wind Farm Division situated Coimbatore, Tamil Nadu and received board of directors’ and shareholders’ approval for the divestment. The funds raised from divestment are to be used for debt reduction thereby reducing finance cost going forward. Dynamatic Technologies is optimistic of the global economy and industrial sector as a whole while remaining committed to create utmost value for all of its stakeholders.”



FINANCIAL PERFORMANCE SUMMARY

Consolidated Performance Highlights

Rs. Million	Q4		y-o-y Growth (%)	Q3	q-o-q Growth (%)	Full Year		y-o-y Growth (%)
	FY18	FY17		FY18		FY18	FY17	
Revenue (Net of Excise Duty)	3,911	3,783	3.4%	3,517	11.2%	13,997	15,061	(7.1)%
EBITDA	452	388	16.5%	336	34.5%	1,324	1,653	(19.9)%
<i>Margin (%)</i>	11.6%	10.3%		9.6%		9.5%	11.0%	
Profit Before Tax (PBT)	131	(48)	<i>nm</i>	19	<i>nm</i>	73	356	(79.5)%
Profit After Tax (PAT)	89	(75)	<i>nm</i>	1	<i>nm</i>	7	196	(96.3)%
<i>Margin (%)</i>	2.3%	<i>nm</i>		<i>n/a</i>		0.1%	1.3%	
Basic EPS (Rs.)	14.00	(11.76)	<i>nm</i>	0.17	<i>nm</i>	1.14	30.94	(96.3)%

- Q4 FY2018 revenues from Aerospace & Defence and Hydraulics segments increased by 11.9% and 23.9%, on a y-o-y basis and 6.2% & 7.0% on a q-o-q basis, respectively
- Revenues from Automotive segment increased by 15.7% on a q-o-q basis. On a y-o-y basis, EBITDA increased by 22.2% coupled with a revenue decline of 6.3% as result of low margin product rationalization strategy
- EBITDA for Aerospace & Defence and Hydraulics segments increased by 1.4% and 5.5% respectively on y-o-y basis, driven by strong order book execution
- Q4 FY2018 overall EBITDA increased by 16.5% y-o-y with margin expansion of 130 bps to 11.6% driven by facilities ramp up and resource optimization



PERFORMANCE HIGHLIGHTS

Foreign Exchange Fluctuation

Exchange Rate	Q4 FY2018	Q4 FY2017	Impact	Impact %	Q3 FY2018	Impact	Impact %
EURO vs. INR	75.47	73.61	1.87	2.5%	74.26	1.21	1.6%
GBP vs. INR	85.51	87.71	(2.20)	(2.5)%	84.19	1.31	1.6%
USD vs. INR	64.44	67.09	(2.65)	(3.9)%	64.49	(0.05)	(0.1)%

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

Particulars	Q4 FY2018 vs. Q4 FY2017				FY2018 vs. FY2017			
	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)	8.98	(17.92)	(28.14)	(7.07)	145.72	(63.71)	(96.35)	(14.33)
EBITDA (Rs. mn)	1.79	(0.56)	(28.14)	(26.90)	5.72	(5.10)	(96.35)	(95.72)

- On a constant currency basis, Q4 FY2018 revenue, if adjusted for a foreign exchange impact of Rs. (7.07) mn would be Rs. 3,918 mn (representing a growth of 3.6% compared to 3.4% before adjustment)
- On a constant currency basis, Q4 FY2018 EBITDA, if adjusted for a foreign exchange impact of Rs. (26.90) mn would be Rs. 479 mn (compared to Rs. 452 mn before adjustment). Furthermore, On a constant currency basis, FY2018 EBITDA, if adjusted for a foreign exchange impact of Rs. (95.72) mn would be Rs. 1,420 mn
- The Company has exposure to EUR, GBP and USD. The impact from transactions denominated in USD and GBP currencies was unfavorable on a Y-o-Y basis



AEROSPACE AND DEFENCE SEGMENT

Financial Overview

Rs. Million	Q4		y-o-y	Q3	q-o-q	Full Year		y-o-y
	FY18	FY17	Growth (%)	FY18	Growth (%)	FY18	FY17	Growth (%)
Revenue	1,010	902	11.9%	951	6.2%	3,564	3,458	3.1%
EBITDA	243	239	1.4%	231	5.0%	812	1,047	(22.4)%
<i>Margin (%)</i>	24.0%	26.5%		24.3%		22.8%	30.3%	

Performance Overview

- Continuing order book execution led to substantial revenue growth in Q4 FY2018
- Ramp up of phase 2 Airbus orders started and overall operations are stabilizing
- **Outlook:** Strong order book. New enquiries and orders to further strengthen the order book. Order execution for Airbus and Bell Helicopters to remain robust with shifting of facilities ongoing and expected to be completed during H1 FY2019
- **Strategy:** Developing capabilities in large aero-structural assemblies, composites, and high precision aero-structure design and engineering.



HYDRAULICS SEGMENT

Financial Overview

Rs. Million	Q4		y-o-y	Q3	q-o-q	Full Year		y-o-y
	FY18	FY17	Growth (%)	FY18	Growth (%)	FY18	FY17	Growth (%)
Revenue	867	700	23.9%	811	7.0%	3,155	2,949	7.0%
EBITDA	122	116	5.5%	84	45.2%	371	398	(6.8)%
<i>Margin (%)</i>	14.1%	16.5%		10.4%		11.7%	13.5%	

Performance Overview

- Hydraulics segment continued its strong performance during Q4 and FY2018, mainly on account of better order offtakes
- One time impact of long term union wages revision led FY2018 EBITDA to decline on a y-o-y basis
- With a recent past established sales office in the US, the Company expects to expand further in the North American
- **Outlook:** Performance in India expected to remain strong on the back of improved farm sentiment and investment in the infrastructure sector
- **Strategy:** Focus on OEM market and exports. Growth through replacement market and lean manufacturing systems



AUTOMOTIVE SEGMENT

Financial Overview

Rs. Million	Q4		y-o-y	Q3	q-o-q	Full Year		y-o-y
	FY18	FY17	Growth (%)	FY18	Growth (%)	FY18	FY17	Growth (%)
Revenue	2,034	2,171	(6.3)%	1,758	15.7%	7,362	8,971	(17.9)%
EBITDA	107	88	22.2%	24	345.5%	188	294	(36.0)%
<i>Margin (%)</i>	5.3%	4.0%		1.4%		2.6%	3.3%	

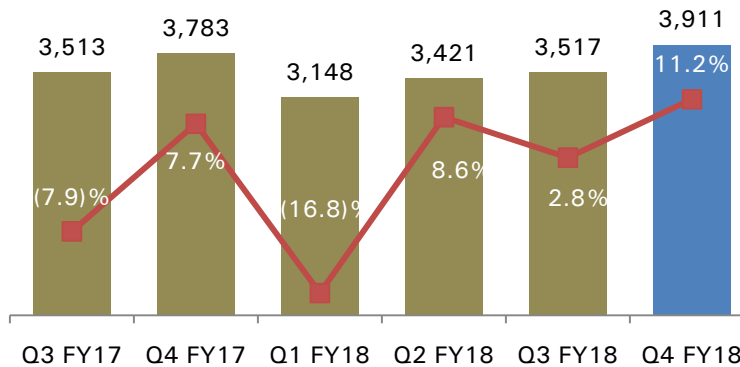
Performance Overview

- With a focus on margin expansion, low margin products rationalization continued during the Q4 FY2018. Adoption of such rationalization strategy impacted the financials performance during the year but significant improvement in EBITDA during Q4 FY2018. Further, positive synergy to be derived over next few quarters
- **Outlook:** Ramp up of new orders in India started during the year, with benefit to be derived from FY2019. 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

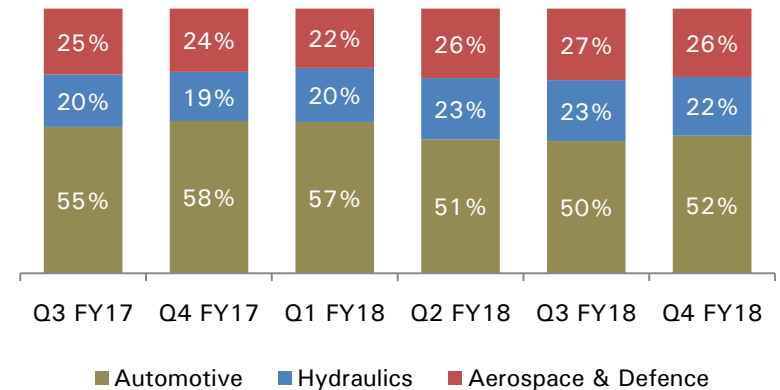


QUARTERLY FINANCIAL TRENDS

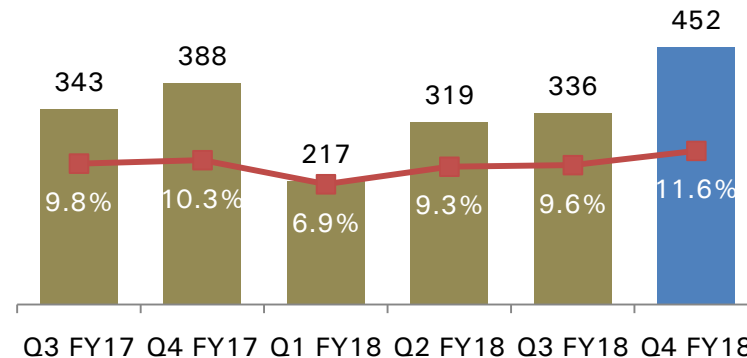
Revenue (Rs. mn) and Growth (Q-o-Q)



Segment Wise Revenue Contribution



EBITDA (Rs. mn) and Margin (%)



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

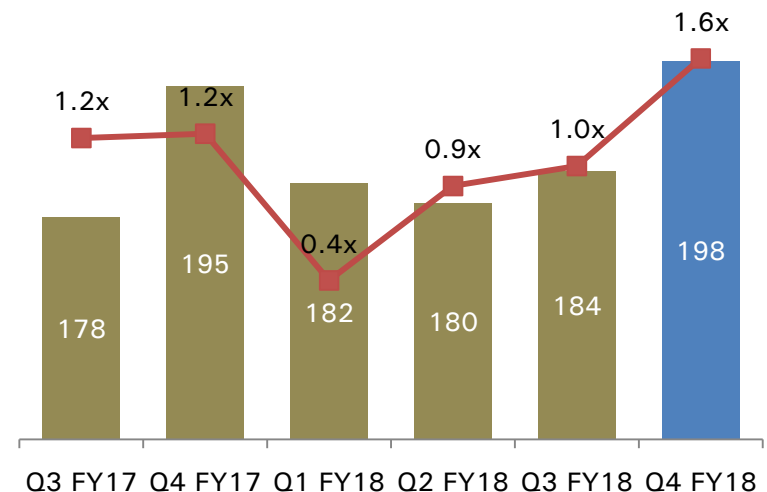


QUARTERLY FINANCIAL TRENDS

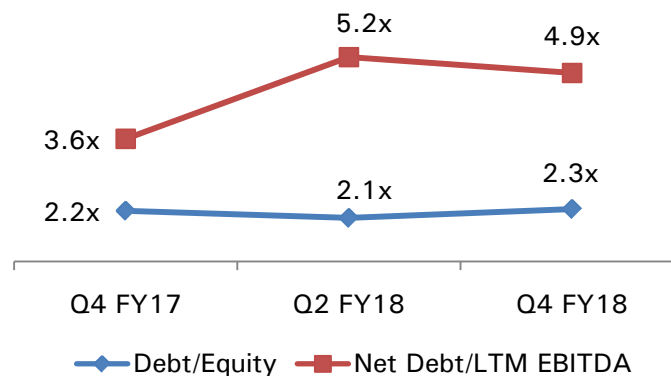
Capital Structure

(Rs. million)	Mar 31, 2018	Dec 31, 2017
Long Term Borrowings	4,893	4,763
Short Term Borrowings	2,209	2,243
Total Debt	7,102	7,006
Less: Cash & Cash Equivalents	627	520
Net Debt	6,475	6,486
Net Worth	3,138	3,255

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



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



Note: Interest Coverage ratio = Operating Profit / Interest Expense



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

52% of Q4 FY18 Revenue

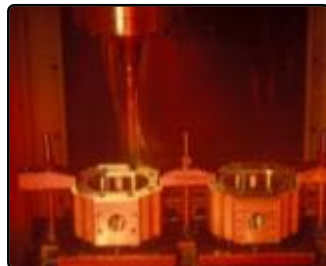


- Ferrous and non-ferrous automotive components including engine, transmission, turbocharger and chassis parts
- Metallurgical ferrous and aluminium castings

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

HYDRAULICS

22% of Q4 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% of Q4 FY18 Revenue



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

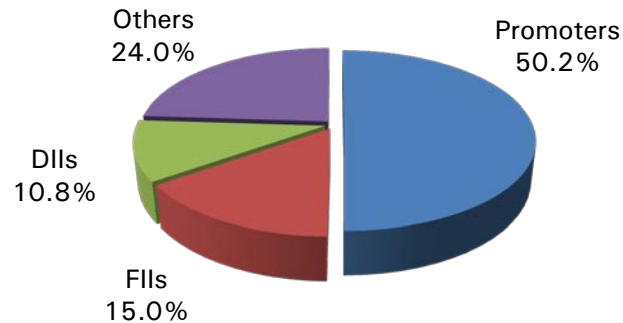
- Airbus
- Boeing
- Bell
- Spirit Aerosystems
- HAL



DYNAMATIC TECHNOLOGIES LIMITED

BLUE CHIP INVESTOR BASE

Shareholding Structure



Key Institutional Investors

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

Shareholding Pattern Trend

Shareholders	Sep-17	Dec-17	Mar-18
Promoters	50.2%	50.2%	50.2%
FII	14.8%	15.0%	15.0%
DII	12.4%	12.2%	10.8%
Others	22.6%	22.6%	24.0%
Total	100.0%	100.0%	100.0%

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)	Q4 FY18	Q3 FY18	FY18	FY17
Revenues				
Net Sales / Income from Operations (Net of Excise Duty)	3,911	3,517	13,997	15,061
Other Operating Income	-	-	-	-
Total Revenues	3,911	3,517	13,997	15,061
Expenses				
Cost of Raw Materials Consumed	2,135	1753	7,231	8459
Changes in Inventories of Finished Goods, WIP and Stock in Trade	(168)	92	(35)	(78.6)
Employee Benefit Expenses	656	638	2484	2296
Other Expenditure	837	698	2,993	2732
Total expenses excluding D&A	3,460	3,180	12,673	13,408
Operating Profit (EBITDA)	452	336	1,324	1,653
Depreciation and Amortization Expenses	133	144	564	528
EBIT	319	192	759	1,125
Other Income	10	12	58	57
Finance Costs	198	184	744	784
PBT - Pre Exceptional	131	19	73	399
Exceptional Item	0	0	0	43
PBT	131	19	73	356
Tax Expenses	42	18	66	160
PAT	89	1	7	196
Basic EPS (Rs)	14.00	0.17	1.14	30.94
Margins (%)				
Gross Margins	49.7%	47.5%	48.6%	44.4%
EBITDA margins	11.6%	9.6%	9.5%	11.0%
PAT margins	2.3%	0.0%	0.1%	1.3%
Y-o-Y Growth (%)				
Total Revenues	11.3%	(0.1)%	(7.1)%	
EBITDA	31.7%	(2.0)%	(19.9)%	
PAT	372.8%	(94.1)%	(96.3)%	



DYNAMATIC TECHNOLOGIES LIMITED

FINANCIAL STATEMENTS

Balance Sheet – Assets

Balance Sheet (Rs. million)	Mar-18
Assets	
Non-current assets	
Property, plant and equipment	6,702
Capital work in progress	82
Goodwill	951
Intangible assets	274
Financial assets	
Investments	6
Loans	129
Other financial assets	2
Income tax assets	2
Other non-current assets	48
	8,195
Current assets	
Inventories	2,831
Financial assets	
Trade receivables / sundry debtors	1,861
Cash and cash equivalents	399
Bank balance other than cash	228
Other financial assets	-
Loan	30
Income tax assets (net)	-
Other current assets	646
Total current assets	5,994
Total assets	14,189



DYNAMATIC TECHNOLOGIES LIMITED

FINANCIAL STATEMENTS

Balance Sheet – Liabilities

Balance Sheet (Rs. million)	Mar-18
EQUITY and LIABILITIES	
Shareholders Fund	
Share capital	63
Reserves and surplus	3,075
Money Received against Share Warrants	-
Non-controlling interest (Preference capital)	-
Total Shareholders Fund	3,138
Non-Current Liabilities	
Financial liabilities	
Borrowings	4,287
Other financial liabilities	33
Deferred Tax Liabilities (net)	251
Other Long Term Liabilities	10
Long Term Provisions	167
Total Non-Current Liabilities	4,748
Current Liabilities	
Financial liabilities	
Borrowings	2,209
Trade Payables	2,631
Other Financial Liabilities	1,062
Other Current Liabilities	180
Income Tax Liabilities (net)	113
Short-Term Provisions	108
Total Current Liabilities	6,303
TOTAL EQUITY AND LIABILITIES	14,189



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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