

Q2 FY2016 **EARNINGS**  
PRESENTATION



HYDRAULICS



AEROSPACE & DEFENCE



AUTOMOTIVE





## 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.



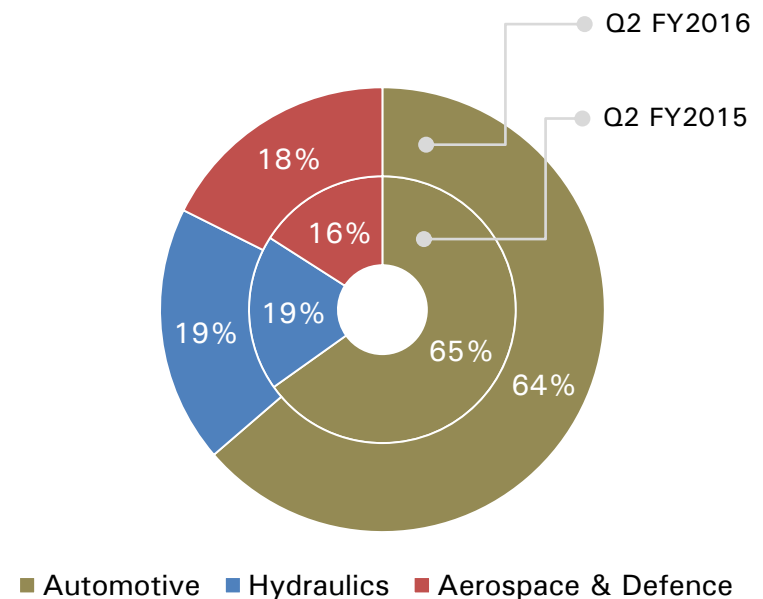
## PERFORMANCE HIGHLIGHTS

### Consolidated Financial Highlights

#### Q2 FY2016 Highlights

- Net Revenues of Rs. 3,704 million
- EBITDA of Rs. 338 million at 9.1% margin
- Interest expense declined by 14.6% y-o-y to Rs. 182 million
- Net Debt of Rs. 5,284 million (vs. Rs. 4,695 million as of September 30, 2014)
- Net Worth of Rs. 2,460 million (vs. Rs. 2,194 million as of June 30, 2014)
- Debt/Equity Ratio of 2.3x (vs. 2.4x as of September 30, 2014)
- Net Debt/LTM EBITDA of 4.2x (vs. 2.8x)

#### Revenue Breakup





## PERFORMANCE HIGHLIGHTS

### Management Commentary

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

“Our Automotive segment performance was impacted by the high volatility across various auto sub-sectors and geographies. Further, given the erratic and weak monsoon, rural demand has been under pressure resulting in poor tractor sales and shrinking two-wheeler sales. Continued depreciation of the Euro against the Indian Rupee has also had an impact on our Q2 FY2016 financial results.

In the Hydraulic segment, to diversify revenue stream and minimize the impact of the subdued demand environment in the agriculture industry, we are focusing more on industrial components. Performance of our Aerospace segment will continue to improve as we are ramping up execution of the order book. Execution of all our aerospace orders is going well and ramp up will start from Q4 FY2016 onwards. With improved economic outlook and balance sheet strength coupled with a robust order book, we are confident of delivering better performance in the near term.”



## PERFORMANCE HIGHLIGHTS

### Foreign Exchange Fluctuation

Exchange Rate	Q2 FY2016	Q2 FY2015	Impact	Impact %
EURO vs. INR	71.22	81.11	(9.89)	(12.2)%
GBP vs. INR	99.11	100.94	(1.83)	(1.8)%
USD vs. INR	64.19	60.19	3.99	6.6%

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

Particulars	Erla	DL UK	JFTL	Total Impact
<i>Currency</i>	<i>EURO</i>	<i>GBP</i>	<i>EURO</i>	
Revenue (Rs. mn)	(277.0)	(10.7)	(26.5)	(314.2)
EBITDA (Rs. mn)	(9.3)	(13.1)	(26.5)	(48.9)

- Q2 FY2016 Revenue of Rs. 3,704 million compared with Rs. 4,319 million representing a decline of Rs. 615 million. Of this total decline Rs. 314 million was due to unfavorable foreign exchange fluctuation, in particular EURO-INR
- Q2 FY2016 EBITDA of Rs. 338 million compared with Rs. 374 million representing a decline of Rs. 36 million. Of this total decline Rs. 49 million was due to unfavourable foreign exchange fluctuation, in particular EURO-INR



## FINANCIAL PERFORMANCE SUMMARY

### Consolidated Performance Highlights

Rs. million	Q2		y-o-y Growth (%)	Q1 FY16	q-o-q Growth (%)	Half Year		y-o-y Growth (%)
	FY16	FY15				FY16	FY15	
Revenue	3,704	4,319	(14.2)%	3,728	(0.7)%	7,432	8,569	(13.3)%
EBITDA	338	374	(9.6)%	245	38.1%	583	837	(30.4)%
Margin (%)	9.1%	8.7%		6.6%		7.8%	9.8%	
Profit After Tax (PAT)	3	340	(99.1)%	(97)	nm	(94)	230	nm
Margin (%)	0.1%	7.9%		(2.6)%		(1.3)%	(2.7)%	
Basic EPS (Rs.)	0.49	56.75	(99.1)%	(15.31)	nm	(14.82)	39.68	
Adjusted PAT	3	33	(90.4)%	(97)	nm	(94)	113	nm
Margin (%)	0.1%	0.8%		(2.6)%		(1.3)%	1.3%	

Adjusted PAT: Excludes exceptional item adjusted for tax using effective tax rate

- Q2 FY2016 revenue growth was impacted to a certain extent by continued softness and slower than expected recovery in both the auto and hydraulics segments. Furthermore, unfavorable foreign currency fluctuation had a significant bearing on the overall performance. The Hydraulics segment declined by 15.3% y-o-y and the Automotive segment declined by 16.3%. Aerospace segment registered a 5.4% y-o-y decline and order ramp up expected in the coming quarters
- EBITDA margin was impacted by lower volumes across segments and foreign currency fluctuations; as the volumes and facility ramp up increase from H2 FY2016 onwards, margins are expected to improve
- Decline in Interest expenses by 14.6% to Rs. 182 million compared with Q2 FY2015

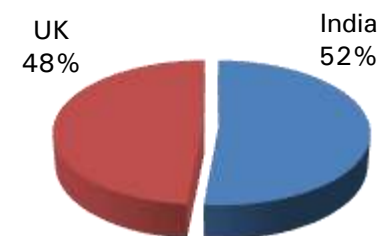


## AEROSPACE AND DEFENCE SEGMENT

### Financial Overview

Rs. million	Q2		y-o-y Growth (%)	Q1 FY16	q-o-q Growth (%)	Half Year		y-o-y Growth (%)
	FY16	FY15				FY16	FY15	
Revenue	652	689	(5.4)%	598	9.1%	1,250	1,282	(2.5)%
India	<b>336</b>	<b>297</b>	13.2%	<b>266</b>	26.3%	<b>602</b>	<b>535</b>	12.5%
UK	<b>316</b>	<b>392</b>	(19.4)%	<b>332</b>	(4.7)%	<b>648</b>	<b>747</b>	(13.2)%
EBITDA	171	163	4.7%	138	24.2%	308	300	2.8%
Margin (%)	26.2%	23.7%		23.0%		24.7%	23.4%	
India	<b>112</b>	<b>114</b>	(2.3)%	<b>94</b>	19.4%	<b>206</b>	<b>211</b>	(2.6)%
Margin (%)	33.3%	38.5%		35.2%		34.1%	39.4%	
UK	<b>59</b>	<b>49</b>	21.3%	<b>44</b>	34.4%	<b>103</b>	<b>89</b>	15.6%
Margin (%)	18.6%	12.4%		13.2%		15.9%	11.9%	

### Q2 FY16 Revenue Breakup



### Performance Overview

- Strong revenue growth in India driven by order ramp-ups; UK declined primarily due to the impact of foreign currency fluctuation
- EBITDA margin improved due to better capacity utilization levels
- Outlook: Strong order book in excess of Rs 60 billion. New orders and delivery of existing orders to drive growth. Execution of existing orders going as per plan and the ramp up will start from Q4 FY2016
- Strategy: Establishing state-of-the-art Bangalore facility; developing capabilities in large aero-structural assemblies, composites, and high precision aero-structure design and engineering

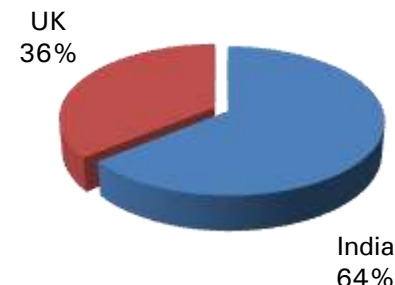


## HYDRAULICS SEGMENT

### Financial Overview

Rs. million	Q2		y-o-y Growth (%)	Q1 FY16	q-o-q Growth (%)	Half Year		y-o-y Growth (%)
	FY16	FY15				FY16	FY15	
Revenue	692	817	(15.3)%	616	12.3%	1,308	1,599	(18.2)%
India	443	508	(12.7)%	391	13.4%	834	965	(13.6)%
UK	249	309	(19.5)%	225	10.4%	474	633	(25.2)%
EBITDA	91	104	(12.6)%	58	57.1%	148	192	(22.7)%
Margin (%)	13.1%	12.7%		9.4%		11.3%	12.0%	
India	79	86	(8.0)%	57	39.3%	136	160	(14.6)%
Margin (%)	17.9%	17.0%		14.6%		16.3%	16.5%	
UK	11	17	(35.1)%	1	nm	12	32	(62.9)%
Margin (%)	4.5%	5.6%		0.3%		2.5%	5.1%	

Q2 FY16 Revenue Breakup



### Performance Overview

- Continued slowdown in the Indian tractor industry impacted India revenue. However, Dynamatic focused on more industrial components to diversify revenue stream. UK revenues declined due to muted demand in Europe for agricultural machinery and aftermarket
- Overall profitability impacted y-o-y due to volume decline
- Outlook: New order wins in the UK and supplies to start in Q4 FY2016. Demand pick up in the domestic construction equipment and infrastructure industries to drive growth in the coming quarters
- 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 FY16	q-o-q Growth (%)	Half Year		y-o-y Growth (%)
	FY16	FY15				FY16	FY15	
Revenue	2,357	2,815	(16.3)%	2,510	(6.1)%	4,867	5,694	(14.5)%
India – M	254	345	(26.5)%	281	(9.5)%	535	678	(21.1)%
India – F	77	68	13.2%	79	(2.3)%	156	169	(7.5)%
Germany	2,026	2,402	(15.7)%	2,151	(5.8)%	4,176	4,847	(13.8)%
EBITDA	83	78	6.2%	72	15.3%	155	297	(47.7)%
Margin (%)	3.5%	2.8%		2.9%		3.2%	5.2%	
India – M	(27)	(11)	nm	(39)	nm	(65)	(24)	nm
Margin (%)	(10.5)%	(3.1)%		(13.7)%		(12.2)%	(3.5)%	
India – F	16	(24)	nm	6	142.2%	22	(10)	nm
Margin (%)	20.1%	(34.9)%		8.1%		14.0%	(5.7)%	
Germany	94	113	(16.5)%	104	(9.6)%	198	330	(39.9)%
Margin (%)	4.7%	4.7%		4.8%		4.8%	6.8%	

### Q2 FY16 Revenue Breakup



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

### Performance Overview

- Recovery in the Auto sector in India remains slow and demand volatile. Germany sales impacted due to muted demand and change in sales mix coupled with significant depreciation in the Euro
- Margins improved primarily due to decline in raw material prices
- Outlook: Higher revenue and profitability expected to be driven by steel castings production by German foundry; recovery in the domestic auto industry also expected to improve demand
- Strategy: Focus on high margin product mix, exports, ramp-up of existing products, performance-critical components, customer diversification, steel castings and capacity utilization

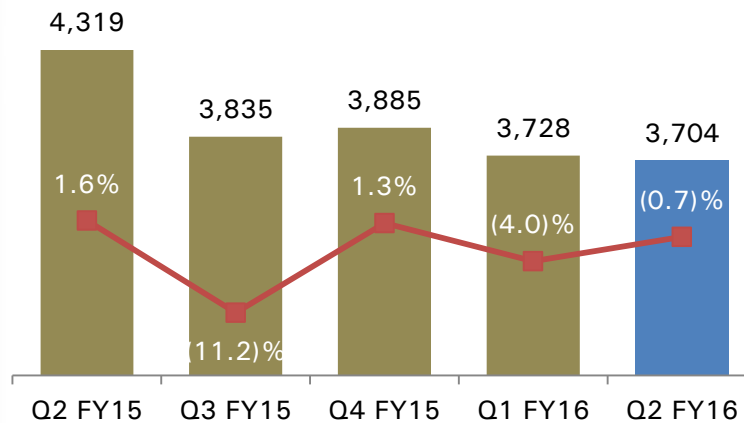
# DYNAMATIC TECHNOLOGIES LIMITED



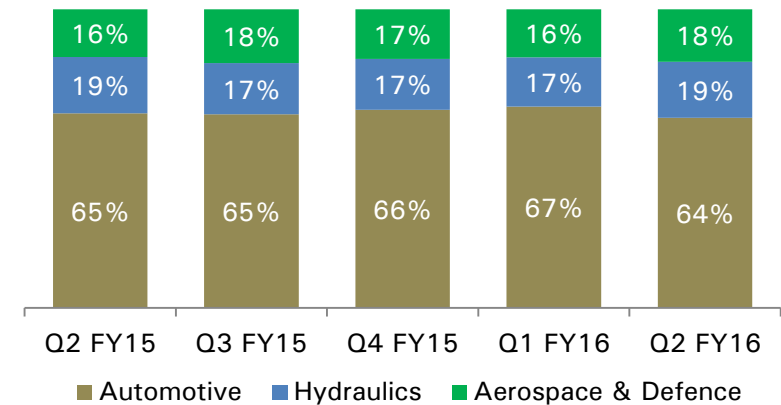
## QUARTERLY FINANCIAL TRENDS

Financial Performance

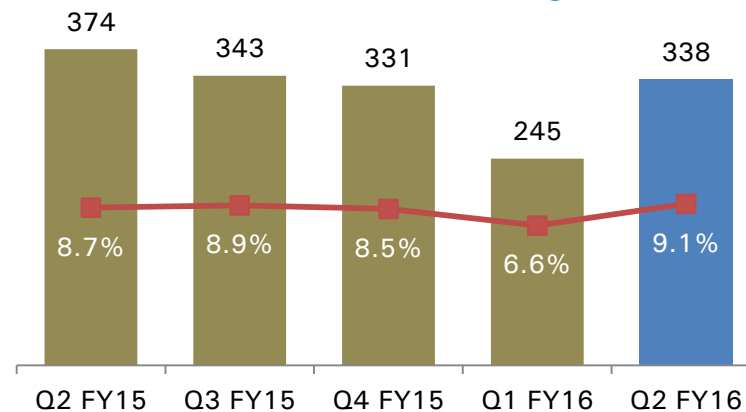
Revenue (Rs. mn) and Growth (Q-o-Q)



Segment Wise Revenue Contribution



EBITDA (Rs. mn) and Margin (%)



# DYNAMATIC TECHNOLOGIES LIMITED



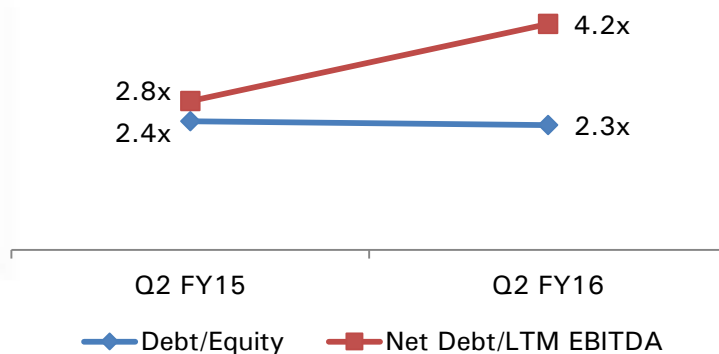
## QUARTERLY FINANCIAL TRENDS

Focus on Deleveraging the Balance Sheet

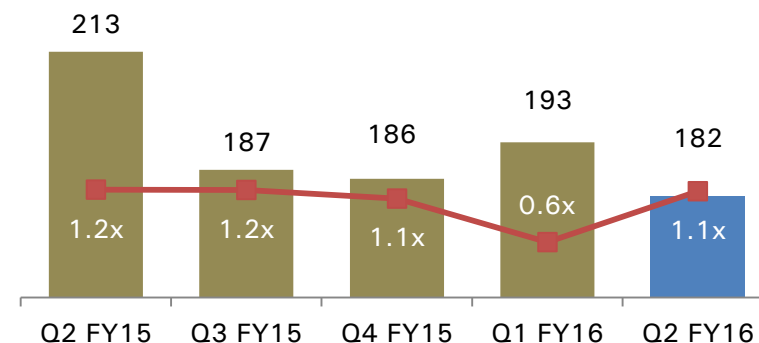
### Capital Structure

(Rs. million)	Sep 30, 2015	Sep 30, 2014
Long Term Borrowings	4,760	3,987
Short Term Borrowings	956	1,265
Total Debt	5,716	5,252
Less: Cash & Cash Equivalents	432	557
Net Debt	5,284	4,695
Net Worth	2,460	2,194

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



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



Note: Interest Coverage ratio = Operating Profit/Interest Expense

### Management Perspectives

- During H1 FY2016, the Company successfully completed the consolidation of bankers from 18 to 13 now
- Converted the non fund based working capital to fund based facilities which resulted in:
  - Increase in total borrowings
  - Building up of inventories and decline in trade payables



## DYNAMATIC OVERVIEW

### Diversified business

- A combination of stable and high growth businesses with highly engineered products for the automotive, hydraulic, aerospace and defence 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 Defence 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
- 6 out of 13 Directors Independent



# DYNAMATIC TECHNOLOGIES LIMITED

## DYNAMATIC OVERVIEW

Combination of Stable and High Growth Businesses

### AUTOMOTIVE

64% of Q2  
FY16  
Revenue

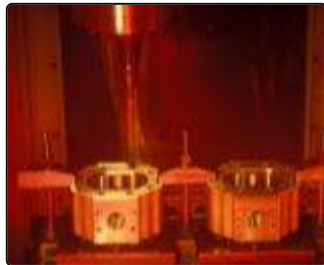


- Ferrous and non-ferrous automotive components including engine, transmission, turbocharger and chassis parts
- Metallurgical ferrous and aluminium castings

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

### HYDRAULICS

19% of Q2  
FY16 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

18% of Q2  
FY16 Revenue



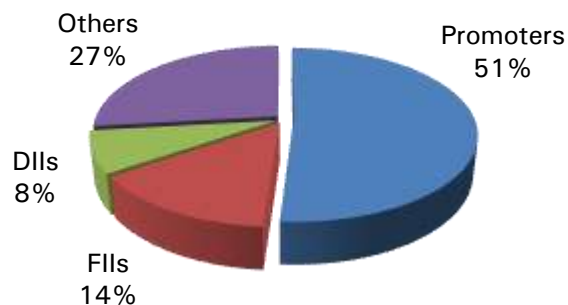
- Wings, rear fuselages, ailerons, wing flaps and major airframe structures
- Defence products and solutions

- Airbus
- Boeing
- Bell
- Sprint
- HAL



## BLUE CHIP INVESTOR BASE

### Shareholding Structure



### Key Institutional Investors

- Goldman Sachs India Equity Fund
- L&T Infrastructure Fund
- HDFC Trustee Company Limited (HDFC Infrastructure Fund)
- Principal Mutual Fund
- SBI Magnum Multiplier Plus Scheme 1993
- Param Capital Research Pvt Ltd
- Alchemy India Long Term Fund
- Citigroup Global Mauritius Markets Pvt Ltd
- Samena Special Situations Mauritius

### Shareholding Pattern Trend

Shareholders	Mar-15	Jun-15	Sep-15
Promoters	51.1%	51.1%	51.1%
FIIIs	15.2%	14.3%	14.3%
DIIIs	6.8%	7.3%	7.8%
Others	26.9%	27.3%	26.8%
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 (Quarterly Trend)

Profit & Loss Statement (Rs. million)	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
Revenues					
Net Sales / Income from Operations (Net of Excise Duty)	4,270	3,790	3,838	3,691	3,670
Other Operating Income	49	45	47	37	33
Total Revenues	4,319	3,835	3,885	3,728	3,704
Expenses					
Cost of Raw Materials Consumed	2,532	2,237	2,249	2,180	2,014
Changes in Inventories of Finished Goods, WIP and Stock in Trade	1	(71)	(68)	(29)	9
Employee Benefit Expenses	612	580	572	549	542
Other Expenditure	800	746	801	783	800
Total expenses	3,945	3,492	3,554	3,483	3,366
Operating Profit (EBITDA)	374	343	331	245	338
Depreciation and Amortisation Expenses	127	126	134	129	130
EBIT	247	217	197	116	208
Other Income	11	20	64	11	6
Finance Costs	213	187	186	193	182
PBT – Pre Exceptional	44	49	76	(66)	32
Exceptional (Gain)/ Losses	(416)	0	0	0	0
PBT	461	49	76	(66)	32
Tax Expenses	120	44	25	31	29
PAT	340	5.7	50.4	(97)	3
Basic EPS (Rs)	56.75	0.91	7.95	(15.31)	0.49
Margins (%)					
Gross Margins	41.4%	43.5%	43.9%	42.3%	45.4%
EBITDA margins	8.7%	8.9%	8.5%	6.6%	9.1%
PAT margins	7.9%	0.1%	1.3%	(2.6)%	0.1%
Y-o-Y Growth (%)					
Total Revenues	7.3%	(4.1)%	(9.7)%	(12.3)%	(14.2)%
EBITDA	(21.0)%	(20.8)%	(22.3)%	(47.1)%	(9.6)%
PAT	384.0%	(85.4)%	(61.8)%	nm	(99.1)%
Q-o-Q Growth (%)					
Total Revenues	1.6%	(11.2)%	1.3%	(4.0)%	(0.7)%
EBITDA	(19.2)%	(8.4)%	(3.5)%	(26.0)%	38.1%
PAT	nm	(98.3)%	nm	nm	nm
Effective Tax Rate	26.1%	88.4%	33.6%	nm	90.1%





# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Income Statement (Annual Trend)

Profit & Loss Statement (Rs. million)	FY14	FY15
Revenues		
Net Sales / Income from Operations (Net of Excise Duty)	15,719	16,115
Other Operating Income	156	174
Total Revenues	15,875	16,288
Expenses		
Cost of Raw Materials Consumed	8,982	9,458
Changes in Inventories of Finished Goods, WIP and Stock in Trade	(71)	(125)
Employee Benefit Expenses	2,216	2,360
Other Expenditure	3,119	3,084
Total expenses	14,246	14,778
Operating Profit (EBITDA)	1,629	1,511
Depreciation and Amortisation Expenses	513	509
EBIT	1,117	1,002
Other Income	35	106
Finance Costs	997	799
PBT – Pre Exceptional	155	308
Exceptional (Gain)/ Losses	(103)	(191)
PBT	258	499
Tax Expenses	120	213
PAT	137.7	286.5
Basic EPS (Rs)	25.42	47.28
Margins (%)		
Gross Margins	43.9%	42.7%
EBITDA margins	10.3%	9.3%
PAT margins	0.9%	1.8%
Y-o-Y Growth (%)		
Total Revenues		2.6%
EBITDA		(7.3)%
PAT		108.1%
Effective Tax Rate		42.6%



# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Balance Sheet – Assets

Balance Sheet (Rs. million)	Mar-14	Sep-14	Mar-15	Sep-15
<b>ASSETS</b>				
Non-Current Assets				
Goodwill	679	679	879	950
Fixed Assets				
i) Tangible Fixed Assets	5,967	5,558	5,355	5,211
ii) Intangible Fixed Assets	224	193	202	179
iii) Capital work in progress	28	71	44	295
Non-Current Investment	0	0	0	0
Deferred tax asset (net)	0	5	0	0
Long Term Loans and Advances	250	273	242	223
Other Non Current Assets	110	79	161	139
Total Non-Current Assets	7,258	6,858	6,882	6,998
Current Assets				
Inventories	2,280	2,257	2,272	2,504
Trade Receivables / Sundry Debtors	1,016	1,020	1,131	1,049
Cash and Cash Equivalents	441	557	761	432
Short-Term Loans and Advances	321	352	314	351
Other Current Assets	278	254	138	179
Total Current Assets	4,336	4,440	4,616	4,514
<b>TOTAL ASSETS</b>	<b>11,594</b>	<b>11,298</b>	<b>11,498</b>	<b>11,512</b>



# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Balance Sheet – Liabilities

Balance Sheet (Rs. million)	Mar-14	Sep-14	Mar-15	Sep-15
<b>EQUITY and LIABILITIES</b>				
Shareholders Fund				
Share capital	55	60	63	63
Reserves and surplus	1,376	2,134	2,453	2,397
Money Received against Share Warrants	100	0	0	0
Non-controlling interest (Preference capital)	26	26	4	0
Total Shareholders Fund	1,558	2,220	2,520	2,460
Non-Current Liabilities				
Long-Term Borrowings	3,619	3,005	2,658	3,977
Deferred Tax Liabilities (net)	341	278	276	282
Other Long Term Liabilities	139	33	30	32
Long Term Provisions	29	37	68	67
Total Non-Current Liabilities	4,127	3,352	3,032	4,358
Current Liabilities				
Short-Term Borrowings	1,008	1,265	1,397	956
Trade Payables	2,806	2,617	2,743	1,907
Other Current Liabilities	1,939	1,578	1,580	1,581
Short-Term Provisions	157	265	226	251
Total Current Liabilities	5,909	5,726	5,946	4,694
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,594</b>	<b>11,298</b>	<b>11,498</b>	<b>11,512</b>



# DYNAMATIC TECHNOLOGIES LIMITED

## CONTACT DETAILS

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