

# DYNAMATIC TECHNOLOGIES LIMITED

## Q1 FY2020 **EARNINGS** PRESENTATION



HYDRAULICS



AEROSPACE & DEFENCE



AUTOMOTIVE





# DYNAMATIC TECHNOLOGIES LIMITED

## Q1 FY2020 PERFORMANCE HIGHLIGHTS

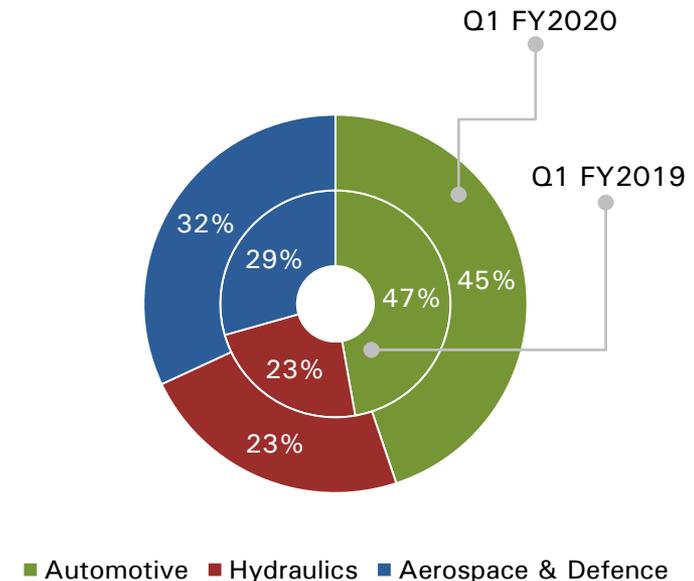
### Highlights Q1 FY2020 vs. Q1 FY2019

- Net Revenue of Rs. 3,747 mn; down 1.1% from Rs. 3,790 mn in Q1 FY19
  - Aerospace & Defence segment revenue of Rs. 1,198 mn; up 7.5% from Rs. 1,115 mn
  - Hydraulics segment revenue of Rs. 868 mn; down 1.8% from Rs. 884 mn
  - Automotive segment revenue of Rs. 1,681 mn; down by 6.1% from Rs. 1,790 mn
- Adjusted EBITDA of Rs. 462 mn; up 11.5% from Rs. 414 mn in Q1 FY19
  - Adjusted EBITDA margin of 12.3%; up 297 bps
- Adjusted PAT of Rs. 111 mn; up by 33.6% from Rs. 83 mn in Q1 FY19

Note:

1. The result / numbers are presented excluding Discontinued operations
2. EBITDA and PAT adjusted for IND AS 116 impact

### Q1 FY2020 Revenue Breakup





# DYNAMATIC TECHNOLOGIES LIMITED

## PERFORMANCE HIGHLIGHTS

### Management Commentary

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

“Over the years, Dynamatic Technologies has transformed itself into a leading supplier of mission-critical, highly engineered components to the leading global OEMs. In particular, the Company has made investments in enhancing capacities and capabilities in the Aerospace & Defence segment. Our years of hard work has started to produce desired results as we are acknowledged for our quality products by the global aerospace leaders such as Airbus, Boeing and Bell Helicopters.

In this division, Dynamatic Technologies achieved a significant milestone in the flap track beam assemblies by delivering the 5000<sup>th</sup> shipset, making Dynamatic the largest producer of flap track beams for the Airbus A320 family. We have also delivered the 100<sup>th</sup> shipset of all major assemblies of Bell 407 Helicopter.

Topline growth for both our Automotive and Hydraulics divisions was impacted due to the prevailing industry scenario. However, we were able to improve margins due to our focus on cost management, operating efficiencies and product rationalization in the Automotive division.

We remain focused on enhancing our technological leadership position through ongoing investment in research & development. Dynamatic Technologies has established a brand equity for itself, which will enable us to deliver sustainable long-term value creation for all our stakeholders.”

# DYNAMATIC TECHNOLOGIES LIMITED



## FINANCIAL PERFORMANCE SUMMARY

### Consolidated Performance Highlights

Rs. Million	Q1		y-o-y Growth (%)	Q4	q-o-q Growth (%)
	FY2020	FY2019		FY2019	
Revenue (Net of Excise Duty)	3,747	3,790	(1.1)%	3,849	(2.6)%
EBITDA	573	414	38.4%	474	20.9%
<i>Margin (%)</i>	15.3%	10.9%		12.3%	
Profit Before Tax (PBT)	165	146	13.2%	155	6.4%
Profit After Tax (PAT)	102	83	22.0%	92	9.8%
<i>Margin (%)</i>	2.7%	2.2%		2.4%	
Basic EPS (Rs.)	16.03	13.13	22.1%	14.59	9.8%
Adjusted EBITDA	462	414	11.5%	474	(2.6)%
<i>Margin (%)</i>	12.3%	10.9%		12.3%	
Adjusted Profit After Tax (PAT)	111	83	33.6%	92	20.3%
<i>Margin (%)</i>	3.0%	2.2%		2.4%	

- Revenues from the Aerospace & Defense segment increased by 7.5% y-o-y. Automotive and Hydraulics segments decreased by 6.1% and 1.8%, respectively on a y-o-y basis
- Reported EBITDA increased by 38.4% y-o-y with margin of 15.3%. Due to the implementation of IND AS 116 on operating leases, operating rent expenses are now reclassified into lease interest of Rs. 25 mn and depreciation of Rs. 102 mn. Had IND AS 116 been not implemented, there would have been an operating rental expense of Rs. 111 mn
- Adjusted for the above, EBITDA for Q1 FY2020 would have been Rs. 462 million, an increase of 11.5% y-o-y and at 12.3% margin and adjusted PAT would be Rs. 111 mn with an increase of 33.6% y-o-y

#### Note:

1. The result / numbers are presented excluding Discontinued operations
2. Adjusted PAT takes into consideration the reduction of PBT by 15.7 mn due to IAS 116, adjusted for effective tax rate for Q1 FY2020

# DYNAMATIC TECHNOLOGIES LIMITED



## PERFORMANCE HIGHLIGHTS

### Foreign Exchange Fluctuation

Exchange Rate	Q1 FY2020	Q1 FY2019	Impact	Impact %	Q4 FY2019	Impact	Impact %
EURO vs. INR	78.15	79.86	(1.71)	(2.1)%	80.93	(2.78)	(3.4)%
GBP vs. INR	89.43	91.16	(1.72)	(1.9)%	91.74	(2.31)	(2.5)%
USD vs. INR	69.56	67.04	2.52	3.8%	69.89	(0.33)	(0.5)%

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

Particulars	Q1 FY2020 vs. Q1 FY2019				Q1 FY2020 vs. Q4 FY2019			
	Erla	DL UK	DTL	Total Impact	Erla	DL UK	DTL	Total Impact
<i>Currency</i>	EURO	GBP	USD		EURO	GBP	USD	
Revenue (Rs. mn)	(30.1)	(11.0)	36.1	(5.0)	(49.0)	(14.7)	(11.7)	(75.4)
EBITDA (Rs. mn)	(2.5)	(1.2)	36.1	32.3	(4.0)	(1.7)	(11.7)	(17.4)

- On a constant currency basis, Q1 FY2020 revenue, if adjusted for a foreign exchange impact of Rs. (5.0) mn would be Rs. 3,752 mn (representing a decline of 1.0% compared to a decline of 1.1% before adjustment)
- On a constant currency basis, Q1 FY2020 EBITDA, if adjusted for a foreign exchange impact of Rs. 32.3 mn would be Rs. 541 mn (compared to Rs. 573 mn before adjustment)
- The Company has exposure to EUR, GBP and USD. The impact from transactions denominated in USD currencies was favorable on a Y-o-Y basis



# DYNAMATIC TECHNOLOGIES LIMITED

## AEROSPACE AND DEFENCE SEGMENT

### Financial Overview

Rs. Million	Q1		y-o-y <i>Growth (%)</i>	Q4	q-o-q <i>Growth (%)</i>
	FY20	FY19		FY19	
Revenue	1,198	1,115	7.5%	1,232	(2.7)%
EBITDA	382	277	37.8%	286	33.4%
<i>Margin (%)</i>	31.9%	24.9%		23.2%	
Adjusted EBITDA*	323	277	16.6%	286	12.9%
<i>Margin (%)</i>	27.0%	24.9%		23.2%	

### Performance Overview

- Continued order book execution and delivery leading to robust Q1 FY2020 revenue growth. Achieved a milestone in flap track beam assemblies by delivering the 5000<sup>th</sup> shipset, making Dynamatic the largest producer of flap track beams for Airbus A320 family. Bell, which has seen a steady growth in volumes, achieved the 100<sup>th</sup> shipset of all major assemblies of Bell 407 Helicopter. The Company has expanded its tooling capabilities and delivered major assembly tools for Dassault's Rafale Aircraft
- **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. Conversion of Aerospace division into EOU will further drive business efficiencies
- **Strategy:** Enhancing capability in large aero-structure assemblies, composites and high precision aero-structure design and engineering

Note: Segmental revenue adjusted for excise duty

\*EBITDA adjusted for IND AS 116 impact



# DYNAMATIC TECHNOLOGIES LIMITED

## HYDRAULICS SEGMENT

### Financial Overview

Rs. Million	Q1		y-o-y	Q4	q-o-q
	FY20	FY19	Growth (%)	FY19	Growth (%)
Revenue	868	884	(1.8)%	934	(7.1)%
EBITDA	108	74	46.5%	118	(8.1)%
Margin (%)	12.5%	8.4%		12.6%	
Adjusted EBITDA*	89	74	20.6%	118	(24.4)%
Margin (%)	10.3%	8.4%		12.6%	

### Performance Overview

- Hydraulics segment revenue growth was impacted by the overall industry slowdown. Margins improved due to product mix changes and material cost savings
- **Outlook:** Tractor production expect to improve during the course of the year due to positive sentiments in both farming sector and construction activities. Tractors are increasingly 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

Note: Segmental revenue adjusted for excise duty

\*EBITDA adjusted for IND AS 116 impact



# DYNAMATIC TECHNOLOGIES LIMITED

## AUTOMOTIVE SEGMENT

### Financial Overview

Rs. Million	Q1		y-o-y Growth (%)	Q4 FY19	q-o-q Growth (%)
	FY20	FY19			
Revenue	1,681	1,790	(6.1)%	1,683	(0.1)%
EBITDA	125	71	76.1%	98	27.5%
Margin (%)	7.4%	4.0%		5.8%	
Adjusted EBITDA*	92	71	29.0%	98	(6.2)%
Margin (%)	5.5%	4.0%		5.8%	

### Performance Overview

- With a focus on margin expansion, low margin products rationalization continued during the period. Topline growth subdued due to the slowdown in the auto industry in India as well as Europe
- **Outlook:** Product rationalization and ramp up of new orders in India will benefit the profitability and growth 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

Note: Segmental revenue adjusted for excise duty

The result / numbers are presented excluding Discontinued operations

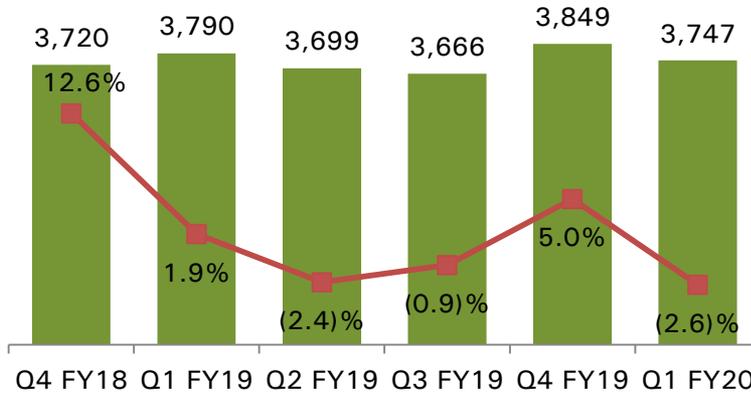
\*EBITDA adjusted for IND AS 116 impact



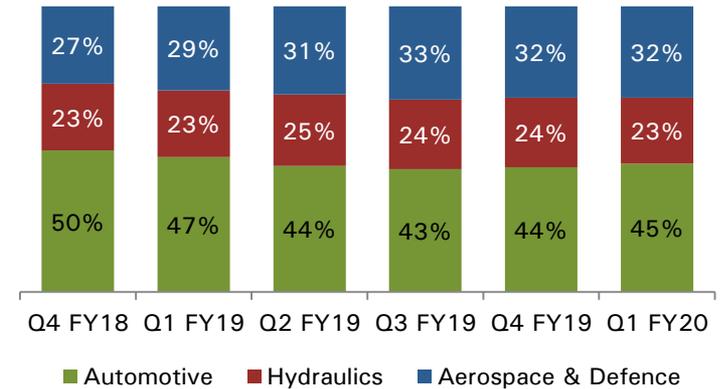
# DYNAMATIC TECHNOLOGIES LIMITED

## QUARTERLY FINANCIAL TRENDS

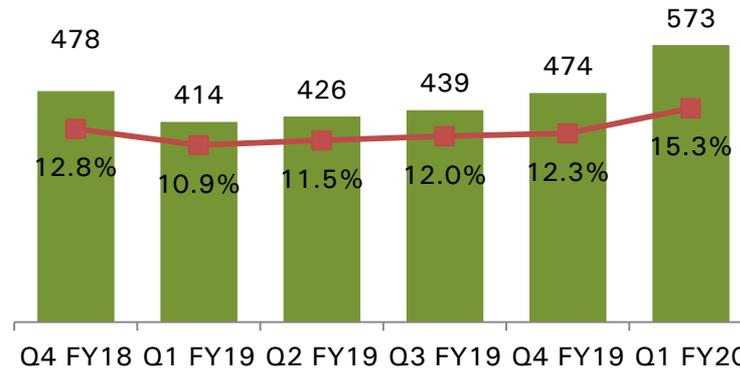
### Revenue (Rs. mn) and Growth (Q-o-Q)



### Segment Wise Revenue Contribution



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



Note:

- The result / numbers are presented excluding Discontinued operations



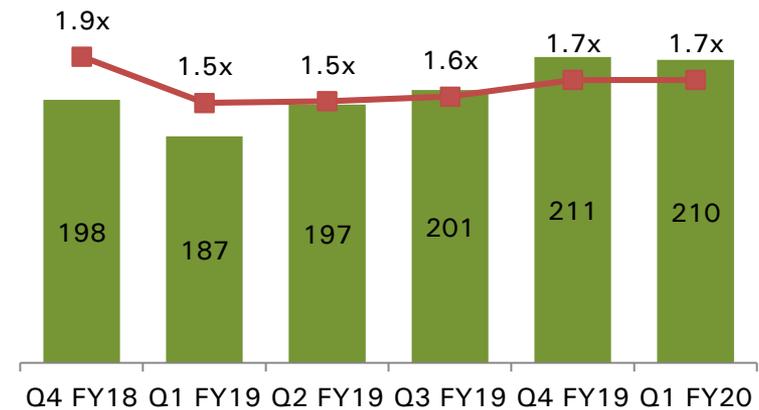
# DYNAMATIC TECHNOLOGIES LIMITED

## QUARTERLY FINANCIAL TRENDS

### Capital Structure

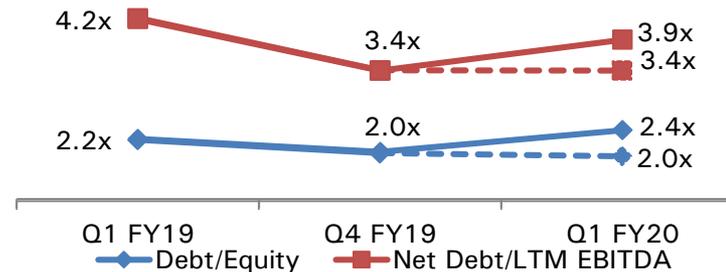
(Rs. million)	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019
Long Term	4,667	4,521	4,432	4,300
Short Term	2,393	2,281	2,160	2,276
Operating Lease	-	-	-	1,353
<b>Total Debt</b>	<b>7,061</b>	<b>6,802</b>	<b>6,592</b>	<b>7,929</b>
Less: Cash & Cash Equivalents	392	595	679	509
<b>Net Debt</b>	<b>6,669</b>	<b>6,207</b>	<b>5,913</b>	<b>7,420</b>
Net Worth	3,352	3,220	3,249	3,324

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



Note: Interest Coverage ratio = Operating Profit / Interest Expense

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



Note: The result / numbers are presented excluding Discontinued operations



# DYNAMATIC TECHNOLOGIES LIMITED

## 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 74% 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 and Swindon, UK's south west aerospace hubs



# DYNAMATIC TECHNOLOGIES LIMITED

## 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: BMW, MAN, Daimler, Hyundai, Volkswagen, Sundaram Fastners
- Hydraulics: Cummins, Escorts, John Deere, Mahindra & Mahindra, 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 10 Directors Independent



# DYNAMATIC TECHNOLOGIES LIMITED

## DYNAMATIC OVERVIEW

### Combination of Stable and High Growth Businesses

#### AUTOMOTIVE

45% of Q1 FY20 Revenue

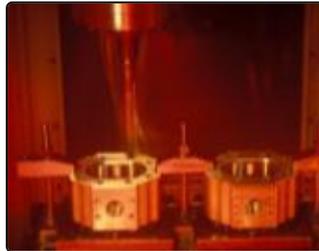


- Ferrous and non-ferrous automotive components including engine, transmission, turbocharger and chassis parts
- Metallurgical ferrous and aluminium castings

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

#### HYDRAULICS

23% of Q1 FY20 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

32% of Q1 FY20 Revenue



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

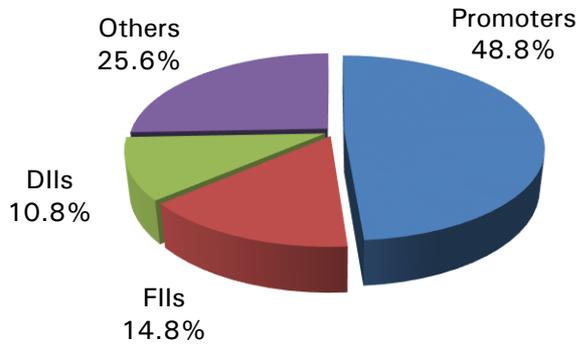
- Airbus
- Boeing
- Bell
- Spirit Aerosystems
- HAL



# DYNAMATIC TECHNOLOGIES LIMITED

## BLUE CHIP INVESTOR BASE

### Shareholding Structure



### Key Institutional Investors

- Samena Capital
- 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	Sep-18	Dec-18	Mar-19	Jun-19
Promoters	50.2%	50.2%	48.8%	48.8%
FII's	13.4%	13.4%	14.7%	14.8%
DII's	10.8%	10.8%	10.8%	10.8%
Others	25.6%	25.6%	25.7%	25.6%
<b>Total</b>	<b>100.0 %</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)	Q1FY20	Q4FY19	Q1FY19
<b>Revenues</b>			
Net Sales / Income from Operations (Net of Excise Duty)	3,747	3,849	3,790
Other Operating Income	-	-	-
<b>Total Revenues</b>	<b>3,747</b>	<b>3,849</b>	<b>3,790</b>
<b>Expenses</b>			
Cost of Raw Materials Consumed	1,775	1,913	2,185
Changes in Inventories of Finished Goods, WIP and Stock in Trade	103	14	(199)
Employee Benefit Expenses	648	610	646
Other Expenditure	648	838	744
<b>Total expenses excluding D&amp;A</b>	<b>3,173</b>	<b>3,375</b>	<b>3,376</b>
<b>Operating Profit (EBITDA)</b>	<b>573</b>	<b>474</b>	<b>414</b>
Depreciation and Amortization Expenses	218	117	129
<b>EBIT</b>	<b>355</b>	<b>357</b>	<b>285</b>
Other Income	19	9	48
Finance Costs	210	211	187
<b>PBT - Pre -Exceptional</b>	<b>165</b>	<b>155</b>	<b>146</b>
Exceptional Item	0	0	0
<b>PBT</b>	<b>165</b>	<b>155</b>	<b>146</b>
Tax Expenses	64	63	63
<b>PAT</b>	<b>102</b>	<b>92</b>	<b>83</b>
Basic EPS (Rs)	16.03	14.59	13.14
<b>Margins (%)</b>			
Gross Margins	49.9%	49.9%	47.6%
EBITDA margins	15.3%	12.3%	10.9%
PAT margins	2.7%	2.4%	2.2%
<b>Y-o-Y Growth (%)</b>			
Total Revenues	(1.1)%		
EBITDA	38.4%		
PAT	22.0%		

Note: The result / numbers are presented excluding Discontinued operations



# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Balance Sheet – Assets

Balance Sheet (Rs. million)	Mar-19	Sep-18	Mar-18
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5,259	5,516	6,702
Capital work in progress	56	47	82
Goodwill	925	987	951
Intangible assets	254	266	274
<b>Financial assets</b>			
Investments	3	6	6
Loans	115	160	129
Other financial assets	2	2	2
Income tax assets	63	-	2
Other non-current assets	45	42	48
	<b>6,723</b>	<b>7,025</b>	<b>8,196</b>
<b>Current assets</b>			
Inventories	2,808	2,838	2,831
<b>Financial assets</b>			
Trade receivables / sundry debtors	2,294	1,932	1,861
Cash and cash equivalents	371	164	399
Bank balance other than cash	308	228	228
Other financial assets	-	11	-
Loan	41	31	30
Income tax assets (net)	-	-	-
Other current assets	546	759	646
<b>Total current assets</b>	<b>6,368</b>	<b>5,963</b>	<b>5,994</b>
Disposal Group Assets - Held for Sale	<b>758</b>	<b>1,323</b>	
<b>Total assets</b>	<b>13,848</b>	<b>14,310</b>	<b>14,189</b>



# DYNAMATIC TECHNOLOGIES LIMITED

## FINANCIAL STATEMENTS

### Balance Sheet – Liabilities

Balance Sheet (Rs. million)	Mar-19	Sep-18	Mar-18
<b>EQUITY and LIABILITIES</b>			
<b>Shareholders Fund</b>			
Share capital	63	63	63
Reserves and surplus	3,186	3,288	3,075
Money Received against Share Warrants	-	-	-
Non-controlling interest (Preference capital)	-	-	-
<b>Total Shareholders Fund</b>	<b>3,249</b>	<b>3,352</b>	<b>3,138</b>
<b>Non-Current Liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	3,958	4,033	4,287
Other financial liabilities	10	37	33
Deferred Tax Liabilities (net)	345	228	251
Other Long-Term Liabilities	-	4	10
Long Term Provisions	200	148	167
<b>Total Non-Current Liabilities</b>	<b>4,513</b>	<b>4,451</b>	<b>4,748</b>
<b>Current Liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	2,160	2,315	2,209
Trade Payables	2,767	2,271	2,631
Other Financial Liabilities	825	1,011	1,062
Other Current Liabilities	168	118	180
Income Tax Liabilities (net)	42	246	113
Short-Term Provisions	116	108	108
<b>Total Current Liabilities</b>	<b>6,078</b>	<b>6,068</b>	<b>6,303</b>
Disposal Group Liabilities - Directly Associated with Assets Held for Sale	8	440	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,848</b>	<b>14,310</b>	<b>14,189</b>



# 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

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