

Q2 and H1 FY2019 **EARNINGS**  
PRESENTATION



HYDRAULICS



AEROSPACE & DEFENCE



AUTOMOTIVE



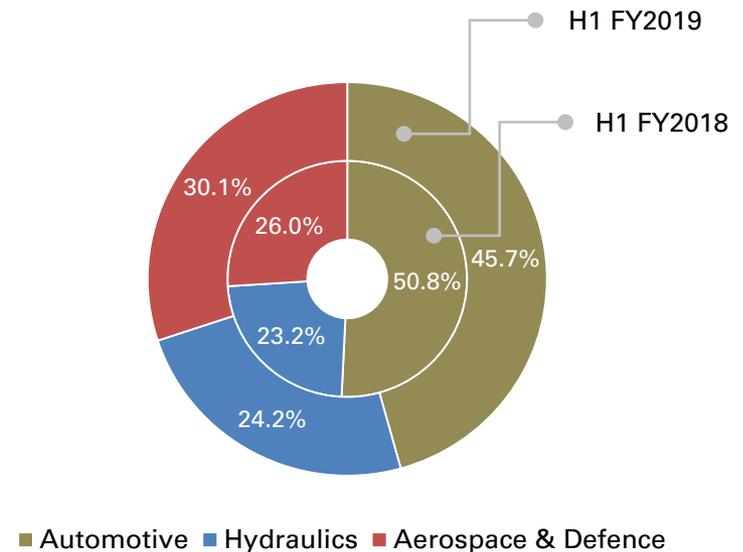


## H1 FY2019 PERFORMANCE HIGHLIGHTS

### Highlights H1 FY19 vs. H1 FY18

- Net Revenue of Rs. 7,489 mn; up 21.0% from Rs. 6,188 mn in H1 FY18
  - Aerospace & Defence segment revenue of Rs. 2,259 mn; up 41.0% from Rs. 1,603 mn
  - Hydraulics segment revenue of Rs. 1,806 mn; up 22.3% from Rs. 1,477 mn
  - Automotive segment revenue of Rs. 3,424 mn; up 7.9% from Rs. 3,172 mn
- EBITDA of Rs. 840 mn; up 44.9% from Rs. 579 mn in H1 FY18
  - EBITDA margin of 11.52%; up 185 bps
- PAT of Rs. 162 mn; compared to a loss of Rs. 21 mn in H1 FY18

### H1 FY2019 Revenue Breakup





# DYNAMATIC TECHNOLOGIES LIMITED

## PERFORMANCE HIGHLIGHTS

### Management Commentary

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

“Building on the strong start to the year, Dynamatic delivered robust financial results during the first half of the year with a 21% top line growth. This performance was led by a strong 41% jump in the Aerospace & Defence segment revenues during H1 FY2019 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 22% during the first half of the year.

I am pleased to report that the Board of Directors of the Company, after a comprehensive due diligence and review of the various bids submitted, has approved the proposal regarding the divestment of aluminium business within the Auto Division received from Hi-Tech Arai Private Limited. Hi-Tech Arai is a joint venture between Japan based Arai Seisakusho and Mitsubishi Corporation. This transaction will be completed shortly and the expected sale proceeds will be utilised primarily for deleveraging which will result in interest cost savings.

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



## FINANCIAL PERFORMANCE SUMMARY

### Consolidated Performance Highlights

Rs. Million	Q2		y-o-y Growth (%)	Q1	q-o-q Growth (%)	H1		y-o-y Growth (%)
	FY19	FY18		FY19		FY19	FY18	
Revenue (Net of Excise Duty)	3,699	3,229	14.5%	3,790	(2.4)%	7,489	6,188	21.0%
EBITDA	426	341	24.9%	414	2.7%	840	579	45.0%
Margin (%)	11.5%	10.6%		10.9%		11.2%	9.4%	
Profit Before Tax (PBT)	134	48	180.1%	146	(8.2)%	280	10	
Profit After Tax (PAT)	79	33	137.3%	83	(5.4)%	162	(21)	
Margin (%)	2.1%	1.0%		2.2%		2.2%	(0.3)%	
Basic EPS (Rs.)	12.43	5.24		13.14		25.57	(3.23)	

- H1 FY2019 revenues from Aerospace & Defence and Hydraulics segments increased by 41.0% and 22.3%, on a y-o-y basis
- Revenues from Automotive segment for H1 FY2019 increased by 7.9% on a y-o-y basis
- EBITDA for Aerospace & Defence and Hydraulics segments in H1 FY2019 increased by 65.9% and 17.6% respectively on y-o-y basis, driven largely by strong order book execution
- H1 FY2019 overall EBITDA increased by 45.0% y-o-y with margin expansion of 185 bps to 11.5% driven by facilities ramp up and resource optimization



## PERFORMANCE HIGHLIGHTS

### Foreign Exchange Fluctuation

Exchange Rate	Q2 FY2019	Q2 FY2018	Impact	Impact %	Q1 FY2019	Impact	Impact %
EURO vs. INR	80.6	73.3	7.4	10.0%	79.9	0.8	1.0%
GBP vs. INR	91.2	83.3	7.9	9.5%	91.2	0.1	0.1%
USD vs. INR	68.5	64.4	4.1	6.4%	67.0	1.5	2.2%

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

Particulars	Q2 FY2019 vs. Q2 FY2018				Q2 FY2019 vs. Q1 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)	121.4	56.4	51.3	229.1	13.5	0.6	13.0	27.2
EBITDA (Rs. mn)	3.7	3.8	51.3	58.9	0.4	-	13.0	13.5

- On a constant currency basis, Q2 FY2019 revenue, if adjusted for a foreign exchange impact of Rs. 229.1 mn would be Rs. 3,470 mn (representing a growth of 7.5% compared to 14.5% before adjustment)
- On a constant currency basis, Q2 FY2019 EBITDA, if adjusted for a foreign exchange impact of Rs. 58.9 mn would be Rs. 367 mn (compared to Rs. 426 mn before adjustment), representing a growth of 7.7%.
- 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	Q2		y-o-y	Q1	q-o-q	H1		y-o-y
	FY19	FY18	Growth (%)	FY19	Growth (%)	FY19	FY18	Growth (%)
Revenue	1,143	898	27.3%	1,116	2.4%	2,259	1,603	41.0%
EBITDA	289	209	38.0%	277	4.3%	566	341	65.9%
Margin (%)	25.3%	23.3%		24.8%		25.1%	21.3%	

### Performance Overview

- Continuing order book execution and delivery led to substantial revenue growth in H1 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	Q2		y-o-y	Q1	q-o-q	H1		y-o-y
	FY19	FY18	Growth (%)	FY19	Growth (%)	FY19	FY18	Growth (%)
Revenue	922	790	16.7%	884	4.3%	1,806	1,477	22.3%
EBITDA	119	106	12.2%	74	60.8%	193	165	17.6%
Margin (%)	12.9%	13.4%		8.4%		10.7%	11.1%	

### Performance Overview

- Hydraulics segment continued its strong performance during H1 FY2019 with both Agri Sector (farm mechanisation – tractors & harvester combines) and construction industry growing (off highway vehicles) at a healthy rate globally
- Margins improved compared to last quarter on account of cost structure rationalisation 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 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



## AUTOMOTIVE SEGMENT

### Financial Overview

Rs. Million	Q2		y-o-y	Q1	q-o-q	H1		y-o-y
	FY19	FY18	Growth (%)	FY19	Growth (%)	FY19	FY18	Growth (%)
Revenue	1,634	1,540	6.3%	1,790	(8.5)%	3,424	3,172	7.9%
EBITDA	43	47	(8.5)%	71	(39.4)%	114	117	(2.6)%
Margin (%)	2.6%	3.1%		4.0%		3.3%	3.7%	

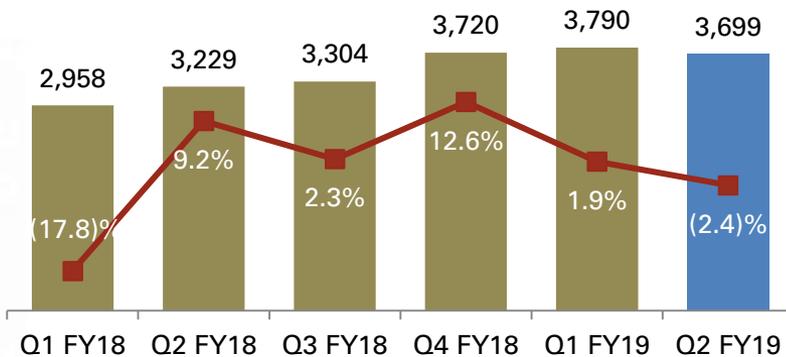
### Performance Overview

- 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. Received board approval on the proposal from Hi-Tech Arai regarding 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

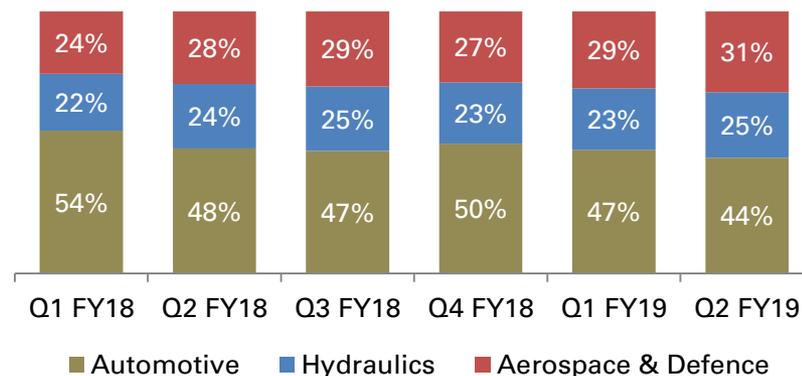


## QUARTERLY FINANCIAL TRENDS

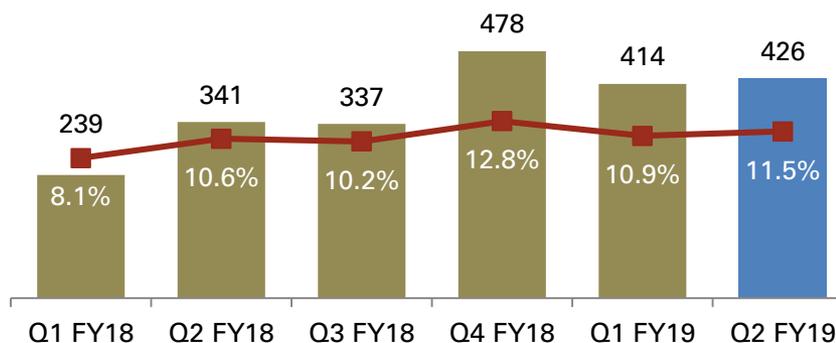
### Revenue (Rs. mn) and Growth (Q-o-Q)



### Segment Wise Revenue Contribution



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



Note:

- All financials excluding discontinued operations

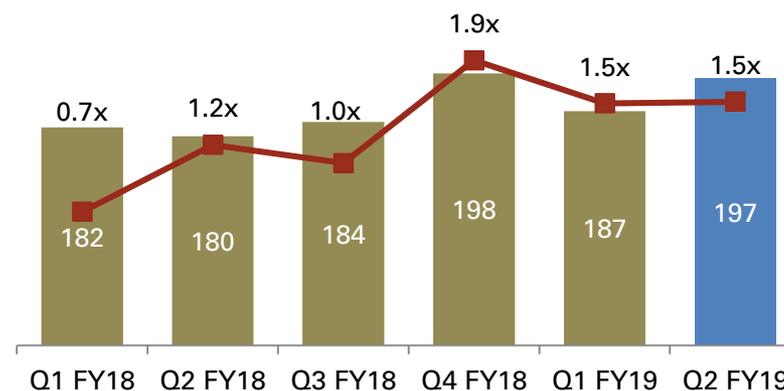


## QUARTERLY FINANCIAL TRENDS

### Capital Structure

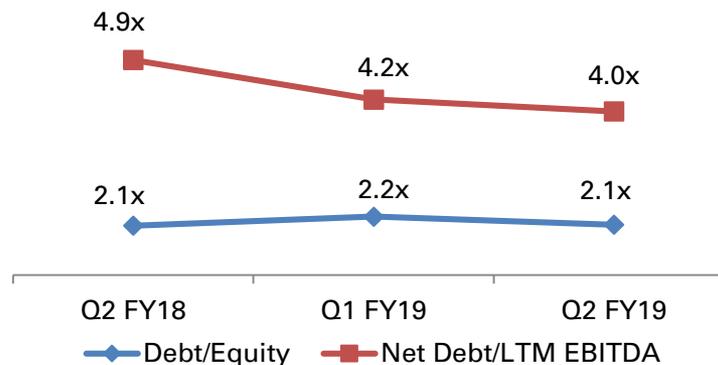
(Rs. million)	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Long Term Borrowings	4,667	4,772	4,893
Short Term Borrowings	2,393	2,256	2,209
<b>Total Debt</b>	<b>7,061</b>	<b>7,028</b>	<b>7,102</b>
Less: Cash & Cash Equivalents	392	381	627
<b>Net Debt</b>	<b>6,669</b>	<b>6,647</b>	<b>6,475</b>
Net Worth	3,352	3,138	3,138

### 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 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: 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

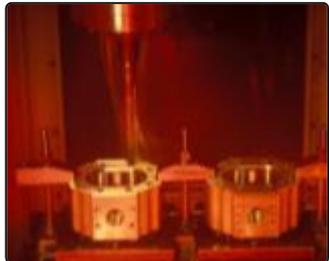
- Highly qualified board and management team with significant industry experience
- 3 out of 8 Directors Independent



# DYNAMATIC TECHNOLOGIES LIMITED

## DYNAMATIC OVERVIEW

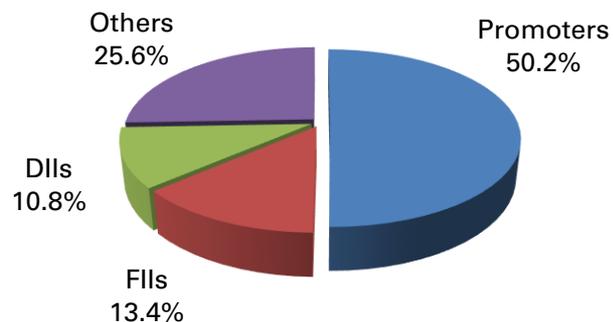
### Combination of Stable and High Growth Businesses

<p><b>AUTOMOTIVE</b></p> <p>46% of H1 FY19 Revenue</p>		<ul style="list-style-type: none"><li>• Ferrous and non-ferrous automotive components including engine, transmission, turbocharger and chassis parts</li><li>• Metallurgical ferrous and aluminium castings</li></ul>	<ul style="list-style-type: none"><li>• Audi</li><li>• BMW</li><li>• Daimler</li><li>• Ford</li><li>• Hyundai</li><li>• Nissan</li><li>• Tata Motors</li><li>• Volkswagen</li></ul>
<p><b>HYDRAULICS</b></p> <p>24% of H1 FY19 Revenue</p>		<ul style="list-style-type: none"><li>• Hydraulic valves</li><li>• Hydraulic gear pumps</li><li>• Combined displacement pump packages</li><li>• Fan drive systems</li><li>• Fixed displacement pumps</li></ul>	<ul style="list-style-type: none"><li>• Cummins</li><li>• Eicher</li><li>• Escorts</li><li>• John Deere</li><li>• Mahindra &amp; Mahindra</li><li>• New Holland Fiat</li><li>• Same Deutz-Fahr</li></ul>
<p><b>AEROSPACE &amp; DEFENCE</b></p> <p>30% of H1 FY19 Revenue</p>		<ul style="list-style-type: none"><li>• Wings, rear fuselages, ailerons, wing flaps and major airframe structures</li><li>• Ramp structure assembly</li><li>• AFT Pylon assembly</li><li>• Defense products and solutions</li></ul>	<ul style="list-style-type: none"><li>• Airbus</li><li>• Boeing</li><li>• Bell</li><li>• Spirit Aerosystems</li><li>• HAL</li></ul>



## BLUE CHIP INVESTOR BASE

### Shareholding Structure



### Key Institutional Investors

- Samena Capital and Citi Group
- 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	Mar-18	Jun-18	Sep-18
Promoters	50.2%	50.2%	50.2%
FIs	15.0%	15.2%	13.4%
DIs	10.8%	10.9%	10.8%
Others	24.0%	23.8%	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)	Q2FY19	Q1 FY19	Q2FY18
<b>Revenues</b>			
Net Sales / Income from Operations (Net of Excise Duty)	3,699	3,790	3,229
Other Operating Income	-	-	-
<b>Total Revenues</b>	<b>3,699</b>	<b>3,790</b>	<b>3,229</b>
<b>Expenses</b>			
Cost of Raw Materials Consumed	1,751	2,185	1,488
Changes in Inventories of Finished Goods, WIP and Stock in Trade	183	(199)	169
Employee Benefit Expenses	631	646	573
Other expenditure	708	744	658
<b>Total expenses excluding D&amp;A</b>	<b>3,273</b>	<b>3,376</b>	<b>2,889</b>
<b>Operating Profit (EBITDA)</b>	<b>426</b>	<b>414</b>	<b>341</b>
Depreciation and Amortization Expenses	123	129	126
<b>EBIT</b>	<b>302</b>	<b>285</b>	<b>215</b>
Other Income	28	48	13
Finance Costs	197	187	180
<b>PBT - Pre Exceptional</b>	<b>134</b>	<b>146</b>	<b>48</b>
Exceptional Item	0	0	0
<b>PBT</b>	<b>134</b>	<b>146</b>	<b>48</b>
Tax Expenses	55	63	15
<b>PAT</b>	<b>79</b>	<b>83</b>	<b>33</b>
Basic EPS (Rs)	12.43	13.14	5.24
<b>Margins (%)</b>			
Gross Margins	47.7%	47.6%	48.7%
EBITDA margins	11.5%	10.9%	10.6%
PAT margins	2.1%	2.2%	1.0%
<b>Y-o-Y Growth (%)</b>			
Total Revenues	14.5%		
EBITDA	24.9%		
PAT	137.3%		



## FINANCIAL STATEMENTS

### Balance Sheet – Assets

Balance Sheet (Rs. million)	Sep-18	Mar-18
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,516	6,702
Capital work in progress	47	82
Goodwill	987	951
Intangible assets	266	274
<b>Financial assets</b>		
Investments	6	6
Loans	160	129
Other financial assets	2	2
Income tax assets	-	2
Other non-current assets	42	48
	<b>7,025</b>	<b>8,195</b>
<b>Current assets</b>		
Inventories	2,838	2,831
<b>Financial assets</b>		
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
<b>Total current assets</b>	<b>5,963</b>	<b>5,994</b>
Disposal Group Assets - Held for Sale	<b>1,323</b>	
<b>Total assets</b>	<b>14,310</b>	<b>14,189</b>



## FINANCIAL STATEMENTS

### Balance Sheet – Liabilities

Balance Sheet (Rs. million)	Sep-18	Mar-18
<b>EQUITY and LIABILITIES</b>		
<b>Shareholders Fund</b>		
Share capital	63	63
Reserves and surplus	3,288	3,075
Money Received against Share Warrants	-	-
Non-controlling interest (Preference capital)	-	-
<b>Total Shareholders Fund</b>	<b>3,352</b>	<b>3,138</b>
<b>Non-Current Liabilities</b>		
<b>Financial liabilities</b>		
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
<b>Total Non-Current Liabilities</b>	<b>4,451</b>	<b>4,748</b>
<b>Current Liabilities</b>		
<b>Financial liabilities</b>		
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
<b>Total Current Liabilities</b>	<b>6,068</b>	<b>6,303</b>
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

## CONTACT DETAILS

**Mr. Chalapathi P**

*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: [chalapathi.p@dynamatics.net](mailto:chalapathi.p@dynamatics.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@dynamatics.net](mailto:naveen.c@dynamatics.net)

**www.dynamatics.net**

**CIN: L72200KA1973PLC002308**