

ANNUAL REPORT, 2014-15

OUTPERFORMANCE

A story of dynamic transformation that makes us one of the fastest growing mid-sized engineering companies in India



Pennar Industries Limited

Inside the report

- 02 ► Business overview
- 11 ► Corporate identity
- 14 ► Chairman's overview
- 16 ► Managing Director's overview
- 18 ► Core competencies
- 20 ► Notice
- 32 ► Directors' report
- 40 ► Compliance report on Corporate Governance
- 77 ► Management discussion and analysis
- 91 ► Financial section

A black and white photograph of a modern cable-stayed bridge. The bridge's structure, including its tall pylons and numerous stay cables, is visible against a clear sky. The bridge deck and a pedestrian walkway with a railing are in the foreground. A solid blue rectangular box is superimposed over the center of the image, containing white text.

There is one overarching
message that we wish to
communicate.

That Pennar Industries now
has a new soul in an old body.

Fresh direction.
Younger businesses. Nimbler
management.

These are the realities that
make us a dynamic face of a
modernising India.

There are three realities that point to a rejuvenated Pennar.



1

More businesses.

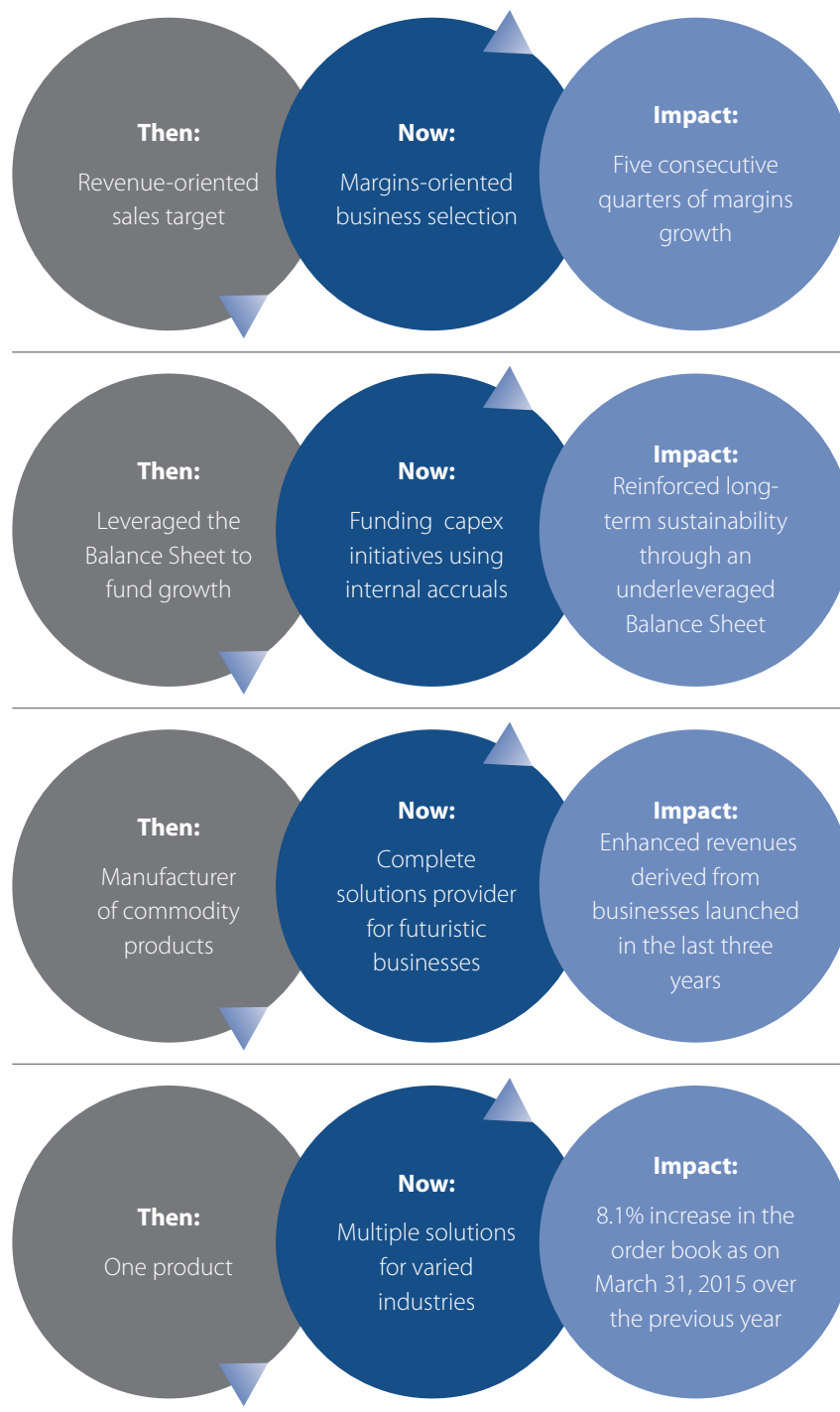
2

Rejuvenating revenue streams.

3

Stronger margins.

Pennar's culture of transformation



There is just one way to grow in a rapidly-changing India. *Faster.* For years, we were respected as a proxy of India's mature economy. *We are now being recognised as a faithful picture of a New India.* For years, we were expected to mirror the growth of the broad Indian economy. *We are now aggressively outperforming the country's economic growth.* For years, we comprised a large proportion of conventional revenue streams. *A sizeable proportion of our revenues are now derived from businesses launched in the last three years.* For years, we were respected for being a volume-driven, low margin business. *We are respected for possessing a dynamic volume-value proposition today.* For years, we were recognised as a steel products manufacturer. *We are respected as a full-fledged engineering organisation today.* For years, we were predominantly present in conventional spaces. *We are showcasing our presence in futuristic business spaces today.* For years, we were a company that patiently built on its proprietary competencies. *We are accelerating the pace of our business through alliance-driven technology transfers today.* For years, we were a standalone products manufacturer. *We have now emerged progressively as a complete solutions provider.*

FOR MOST COMPANIES, BUSINESS BEGINS WITH PRODUCT SALE AND ENDS WITH MARGINS. AT PENNAR, WE IDENTIFY OUR PREFERRED MARGINS FIRST AND FINISH WITH REVENUES THEREAFTER.

8.3

EBIDTA margin (%),
2013-14

9.6

EBIDTA margin (%),
2014-15



The conventional business model focuses on product creation, expense deduction and finishing eventually with profits (hence margins).

At Pennar, we have reversed the paradigm.

We start with an understanding of what margins we would like to earn, what businesses would



sustain those margins and what products one would need to manufacture to realise those margins.

This selection of margins – and hence, products and customers – has gradually evolved our business model towards superior client profiles, competition-protected spaces, lower receivables and higher profitability.

In turn, this approach is graduating Pennar's business towards asset-lightness, lower cost and enhanced competitiveness.

The good news at Pennar is that the proportion of these younger non-commodity businesses is expected to increase from 10% of the revenues a few years ago to a projected 60% in 2015-16.

MOST PEOPLE WAIT FOR THE FUTURE. AT PENNAR, WE ARE COMFORTABLY EMBRACING THE FUTURE TODAY THAT WOULD OTHERWISE BE ABSOLUTELY NECESSARY TOMORROW.

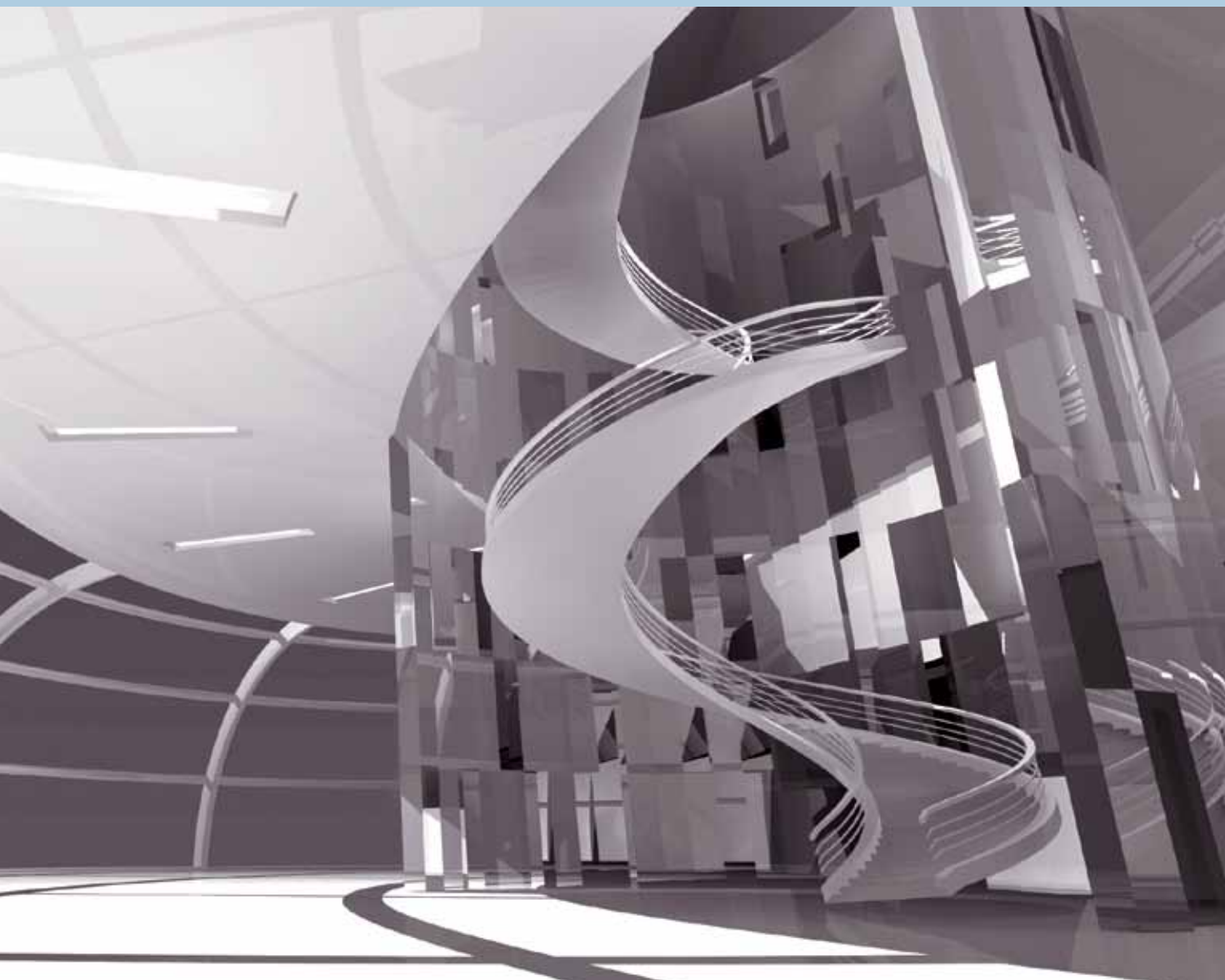
₹ 890.11 crore
Revenues, 2009-10

₹ 1442.42 crore
Revenues, 2014-15

At Pennar, our success in a competitive sector has not been derived from doing things a little different from what everyone has been doing. It has been derived from doing completely different things.

Legacy competencies; futuristic objectives.

In the mid-sized engineering space, there is a tendency to capitalise on the usual national opportunities. Pennar leveraged its rich engineering experience to work in futuristic spaces.



Slow-moving economy; fast-growing revenues. In a sluggish economy, most engineering companies reported sluggish revenues on account of stalled or slowed infrastructure projects. Pennar selected to be present in niche fast-moving sectors that translated into sectoral outperformance.

Capital-intensive business; debt-light business model. In a capital-intensive

engineering company, Pennar has selected to be relatively debt-light, growing its business largely through accruals.

Mid-sized engineering space; value-added niche specialisation. In a mid-sized engineering space, the leadership lies with the largest. Pennar outperformed larger players through speed, foresight and responsiveness.

**MOST CORPORATES OPT FOR A
COMPLEX BUSINESS MODEL. AT
PENNAR, WE HAVE SELECTED TO
SEEK SIMPLICITY INSTEAD.**

