

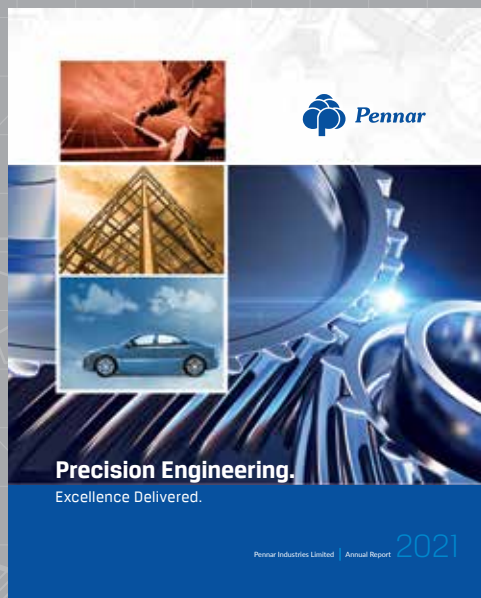


Precision Engineering.

Excellence Delivered.

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Pennar Industries Limited | Annual Report 2021



<https://www.pennarindia.com>

Contents

CORPORATE OVERVIEW

Precision Engineering. Excellence Delivered.	03
Pennar in Perspective	04
Our Manufacturing Presence	05
Engineering Excellence	06
Message from the Chairman	08
Message from the Vice-Chairman & MD	10
Message from the Executive Director	14
Aggressive countering against the COVID-19	16
Diversified Portfolio Across Market	20
Financial & Operational Overview	21
Board of Directors	22

STATUTORY REPORTS

Management Discussion & Analysis	24
Directors' Report	49
Report on Corporate Governance	60
Business Responsibility Report	110

FINANCIAL STATEMENTS

Standalone Financial Statements	120
Consolidated Financial Statements	181
Notice	242
Corporate Information	262



Precision Engineering.

Excellence Delivered.

Since the beginning, our journey to becoming an engineering powerhouse was built on persistence and grit. Today, we stand tall with an unmatched portfolio of products and solutions focused on serving high growth sectors of India, and advanced markets such as the USA and Europe.

In our quest to create sustainable value, we have been expanding our operational footprint nationwide and globally, setting new benchmarks for operational efficiencies, investing in global resources and redefining paradigms.

With agility and resilience ingrained, we are focused on building a quality business, where we give importance to value over volume. Our efforts are aligned towards growing our high margin business segments, carefully targeting interesting opportunities to widen our addressable market.

Under the cloud of a global pandemic, we are quickly adapting to the new normal with prudence and ingenuity, confident on delivering consistent performance in the medium term. Being a smart, forward-thinking engineering products and solutions company, we remain undaunted by the recent events, and we are inspired and humbled by the way our people have stood up to this challenge. Our time-tested business model, combined with our proven track record of strong operations, gives us the confidence to serve our stakeholders well.

We have seen and endured several challenging times during our 30 years of history, only to come out stronger at the other end. Our sustained vigour is the result of our cautious capital allocation and risk management frameworks. The resilient strength of our company gives us a valid license to dream the future with positivity. We welcome all our stakeholders to join us in becoming a solutions powerhouse.



Pennar in Perspective

Who we are

Pennar Industries Limited is one of the leading engineering organisations in India well known for its expertise in providing engineered products & services. An epitome of quality, precision, and perfection, Pennar is driven by an unrelenting desire to excel with experience spanning over three decades.

What we do

Today, with an annual production capacity of more than 350,000 MTPA, we are a multi-location, multi-product company manufacturing precision engineering products such as: Cold Rolled Steel Strips, Precision Tubes, Railway wagons / Coaches, Pre-Engineered Building Systems, Sheet Metal Components, Road Safety Systems, etc. Recently we have also added Hydraulics and Warehousing solutions as two new products in our portfolio.

Pennar in Numbers

Total Income (Net)

**₹15,440
million**

CAPEX

**₹612
million**

Revenue from Operations

**₹15,254
million**

EBITDA Margin

9%

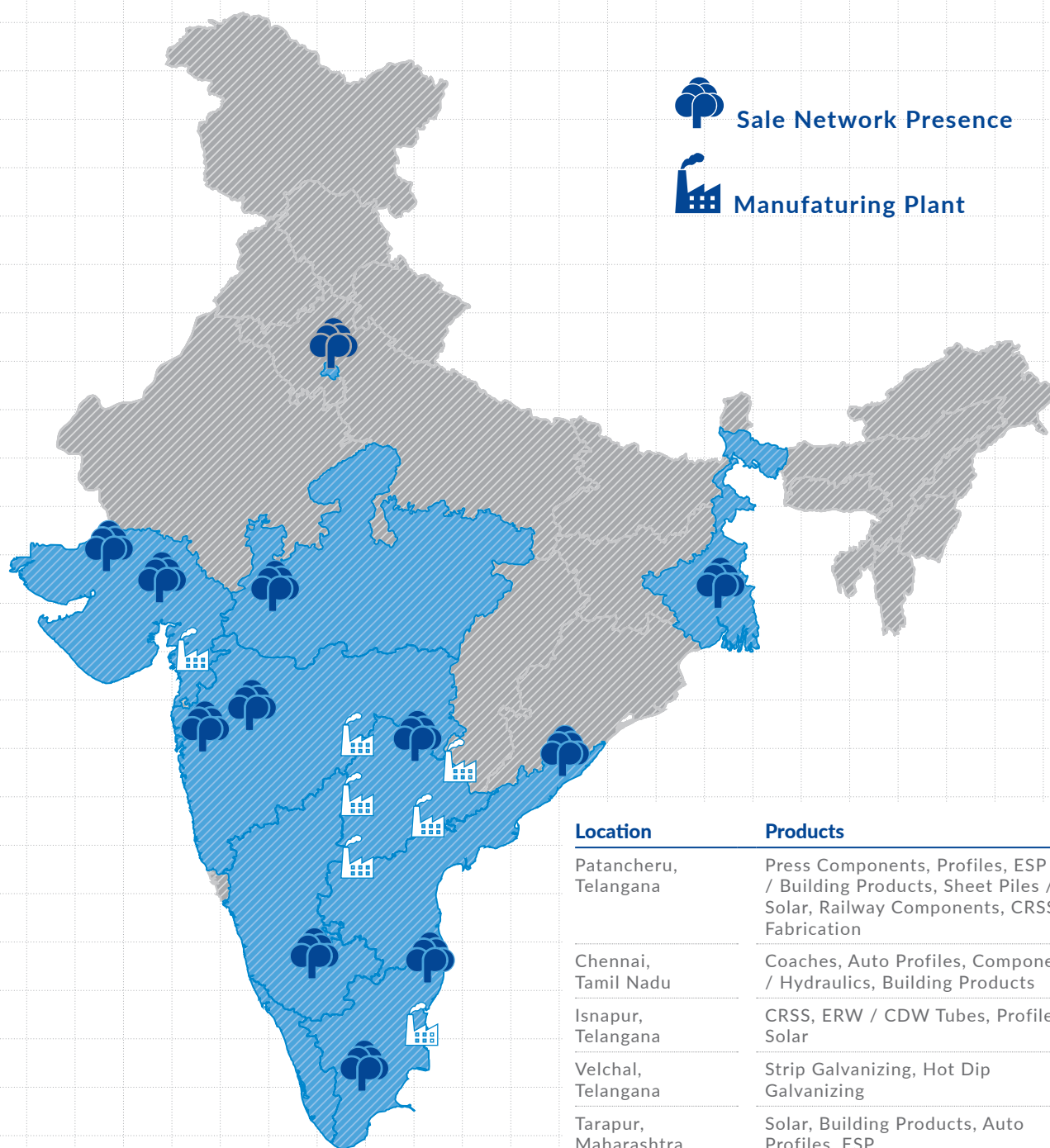
Profit After Tax (PAT)

**₹28.4
million**

CSR Outreach

**>14
million**

Our Manufacturing Presence



Location	Products
Patancheru, Telangana	Press Components, Profiles, ESP / Building Products, Sheet Piles / Solar, Railway Components, CRSS, Fabrication
Chennai, Tamil Nadu	Coaches, Auto Profiles, Components / Hydraulics, Building Products
Isnapur, Telangana	CRSS, ERW / CDW Tubes, Profiles, Solar
Velchal, Telangana	Strip Galvanizing, Hot Dip Galvanizing
Tarapur, Maharashtra	Solar, Building Products, Auto Profiles, ESP
Sadashivpet, Telangana	Pre-Engineered Building Systems
Mallapur, Hyderabad	Fuel Additives, Water Treatment Chemicals & Solutions

Engineering Excellence

Established in 1988, Pennar is headed by **Mr. Nrupender Rao** (*Chairman*), **Mr. Aditya Rao** (*Vice Chairman and MD*) and is managed by experienced professionals. Being one of the leading engineering company, our business philosophy strives on capital efficiency and accelerated growth. This serves as a key differentiator and consciously adds value to all of our processes and stakeholders.



We make difference through:





Our Vision

Our vision is to evolve into a globally reputed, diverse and innovative engineering company. We thrive to have a strong and enduring relationship with our customers based on the quality of our products and services.



Our Mission

Our mission is to leverage modern infrastructure, technical expertise and decades of experience to provide high quality and cost-effective products to our customers. We are committed to delivering premium quality products to our customers. We work closely with shareholders, suppliers, customers and employees to pledge high economic returns.



Pennar Edge



Technology-driven

Having a strong technology focus, it has invested in state-of-the-art manufacturing facilities resulting in customisation of products. Besides, the Company created a repository of over 2,500 tools and dies, enabling it to manufacture a large product portfolio.



Value-added products

The Company increased the proportion of value-added products in its revenue mix resulting in a higher margin-accretive product mix and improved realisations.



Quality focus

The Company is committed to provide quality products to customers. All manufacturing units are ISO 9001:2008-certified, resulting in a high-quality discipline.



High-growth markets

The Company focuses on high-growth sectors of the Indian economy, such as infrastructure, railways, construction and automobiles, which the government has prioritised for increased investments.



Blue-chip clients

The Company has a blue-chip client roster, which includes TATA Motors, L&T, Ashok Leyland, ABB, Schneider Electric, MRF, among others. The five leading clients accounted for 25% of the Company's revenues. The building subsidiary developed prestigious customers like L&T, Ultratech Cement, Dr. Reddy's Labs, My Home Group, Reliance Retail and others.



Diversified product mix

The Company's portfolio comprises over 1,000 products, across diverse sectors like railways, automobiles, general engineering, building and construction among others, thus de-risking the business.



Message from the Chairman

Nrupender Rao, Chairman

Cash and cash equivalent

**₹200
million**

Operating Profit Margin

39%

Dear Shareholders,

FY2021 will be remembered as the year of COVID-19. For the Pennar team, it was a tale of resilience reflected in our determination to face down challenges and continue to deliver on our commitments. The year saw multiple national lockdowns when only essential services were allowed and people were confined to their homes. These restrictions placed significant pressure on our people and our operations. Throughout, our priority has been the well-being of our people. In our various works and projects across India, we rolled out our operations with a minimal workforce to continue delivering on our committed output to our customers. We have worked hard to foster employee engagement through online resources to create a culture of support and understanding where everyone has access to the aid they need. Your Company is an exemplary illustration of true grit put on view by its employees. I am immensely proud of the way our people have banded together in steering the Company through the last fiscal year. I am pleased to inform you that, despite a tough year, I believe that we have come out stronger through FY2021.

Our Financial Performance

With the spread of the COVID-19 pandemic, resultant national level and localised lockdowns impacted economic activity, with many sectors slowing down drastically. Despite these challenges, our performance for the fiscal year under review reflected resilience and strength. During FY20-21, our total revenue from operations decreased by 27.59% at ₹15,254 million as compared to ₹ 21,066 million in the



Despite the pandemic affecting much of India's economy, our business continued to make progress towards our clear ambitions. Our sustainable business model, combined with our proven experience in the engineering space, offer us significant opportunities to continue to generate value for all our stakeholders.

previous year. Our EBITDA margin was at 9% as of FY20-21, while gross margin decreased by 60 bps YoY. We sustained our track record of strong cash generation, with cash and cash equivalent at ₹ 200 million. With our Operating Profit Margin staying intact at around 39%, our steady performance gives further credence to our approach to pursue both good top and bottom-line numbers.

Resilience & Long-Term Strength

Over the years, we have successfully overcome many challenges and going forward, our goal is to become an enduring company that can withstand challenging market conditions. We are confident that our prudent capital budgeting approach, to sustain our balance sheet strength and keep adequate liquidity positions, will give us the currency to extend our position in the marketplace. We have, by design, built up our financial strength and flexibility over the last couple of years, so we are well placed to deliver on our strategy. With strong progress under our belt already, our management team is strong, enthusiastic, and committed to delivering for all our stakeholders. We have excellent people across our business, who have got us through multiple crisis and will stand us in good stead for the future. Again, I would like to thank the whole team for their contribution this year.

In closing

During FY2021, despite the pandemic playing spoil sport to much of India's economy, our business continued to make progress towards our clear ambitions. Our sustainable business model, combined with our proven experience in the engineering space, offer us significant opportunities to continue to generate value for all our stakeholders. We are confident

that our initiatives, directed towards bringing normalcy to our operations, will make us bounce back in a post-pandemic world.

I would like to thank the entire Pennar family for their contribution this year. Our sustainable business model, combined with our proven record of accomplishment for scaling, offer us significant opportunities to continue to generate value for all our stakeholders. Going forward, our goal is to continuously deliver outlier performance that can withstand challenging market conditions.

I express my sincere gratitude to my shareholders, suppliers, bankers, associates, financial institutions, and Central and State Governments for their patience. We look forward to a healthier and more vibrant world for all of us.

Sincerely,

Nrupender Rao

Chairman

DIN No. 00089922



Message from the Vice-Chairman & MD

Aditya Rao, Vice-Chairman & MD



India's V-shaped recovery is being augmented by a robust rise in consumption and investment coupled with a mega vaccination drive and bounce-back in the infrastructure, real estate and services sectors.

Dear Shareholders,

We all know how severely the global economy has suffered over the last year and half. We're now learning to live with new realities and to prepare ourselves for a post covid era. Looking ahead, there is scope for optimism. Global growth is expected to attain 6% in 2021 and 4.4% in 2022 backed by fiscal support in key economies, projected vaccine-powered recovery in the latter part of 2021 and evolving economic activity. Closer home, India's GDP growth is estimated to bounce back at 11% in FY2022 led by the Government's Atma Nirbhar Bharat Abhiyaan resulting in a stimulus package exceeding ₹ 29 trillion, translating to about 15% of India's GDP. India's V-shaped recovery is being augmented by a robust rise in consumption and investment coupled with a mega vaccination drive and bounce-back in the infrastructure, real estate and services sectors. The reinstatement of inter and intra state movement and record-high monthly GST collections resonate with the unlocking of industrial and commercial activities. The potential of becoming the fifth largest economy by 2025, overtaking the United Kingdom, bodes well for a company like ours that participates in selling diversified engineering products and solution into multiple sectors. I am pleased to confirm that your Company is well positioned to ride this wave of growth and opportunity.