

For Immediate Release

July 20th, 2011

Pennar Industries Limited

Announces

Unaudited Consolidated and Standalone First Quarter Results for Fiscal FY2012

Consolidated Q1 FY2012 vs. Q1 FY2011

Net Sales increased by 14.0%

EBITDA increased by 14.9%

Net Profit increased by 14.1%

PEBS sales volumes increased 66.2% and order book doubled

Heavy Engineering sales volumes increased 20.8%

Hyderabad, India, July 20th, 2011 – Pennar Industries Limited (referred to as “Pennar” or the “Company”, BSE: 513228, NSE: PENIND), one of India’s leading industrial companies engaged in the production and marketing of specialized and engineered steel solutions, and pre-engineered buildings, announces its Unaudited First Quarter Results for Fiscal 2012, in accordance with Indian GAAP.

Commenting on the results and performance, **Mr. Nrupender Rao, Chairman of Pennar Industries Limited** said:

“Pennar continued its strategic focus on higher value engineering products as demonstrated by strong performance in the Heavy Engineering and Pre-Engineered Building (PEBS) segments. Recently increased capacity in PEBS enabled us to capitalize on the attractive dynamics in the industrial infrastructure sector. The heavy engineering fabrication project further reinforces our strategy to become a one-stop engineering solutions provider. We also remain focused on enhancing cash flow generation through ongoing operational efficiencies.”

Financial Highlights

(Rs. Crore)	Consolidated			Standalone		
	Q1		y-o-y	Q1		y-o-y
	FY2012	FY2011	Growth (%)	FY2012	FY2011	Growth (%)
Net Sales	321.3	281.9	14.0%	265.4	250.3	6.1%
EBITDA	39.9	34.7	14.9%	33.4	32.0	4.4%
EBITDA Margin (%)	12.4%	12.3%		12.6%	12.8%	
Cash Profit	25.0	22.3	12.3%	21.8	21.2	3.0%
Cash Profit Margin (%)	7.8%	7.9%		8.2%	8.5%	
Net Profit	19.4	17.0	14.1%	17.9	16.5	8.6%
Net Profit Margin (%)	6.1%	6.0%		6.7%	6.6%	
Basic EPS (Rs)	1.59	1.40	14.1%	1.47	1.35	8.6%

Operational Highlights

Economic Environment

Inflationary and interest rate pressures during the quarter impacted growth in core sectors such as construction, automotive and white goods. This resulted in subdued demand in the steel industry. Steel prices remained relatively flat during the quarter and volume off-take from customers was



low. The Union Railway Budget for FY2012 provided for a US\$ 12.7 billion¹ plan outlay, which is expected to include plans to procure 18,000 new wagons.

Business Performance

Q1 FY2012 consolidated Net Sales grew by 14.0% compared to the prior year. This growth was driven primarily by the Heavy Engineering and Pre-Engineered Buildings (PEBS) segments. Growth in Net Sales also benefited from relatively strong performance in the Engineered Products segment, particularly for products catering to the auto, general engineering and infrastructure sectors. PEBS continues to show strong growth and contributed to 17.4% of consolidated Net Sales in Q1 FY2012 up from 11.4% in Q1 FY2011.

Q1 FY2012 consolidated EBITDA grew by 14.9% and EBITDA margins increased by 11 bps, compared to the prior year. This growth was primarily driven by higher Net Sales and an improved mix of value-added and higher margin products. EBITDA margins also benefited from increased volumes and capacity utilization, which resulted in greater operating efficiencies.

Q1 FY2012 consolidated Net Profit increased 14.1% and Net Profit margins remained relatively flat, compared to the prior year. This growth was driven by higher EBITDA. The Company's ongoing initiatives to improve operating efficiencies resulted in prudent working capital management. Despite a significantly higher interest rate environment, net interest expenses remained relatively flat as compared to Q1 FY2011.

As of June 30, 2011, total debt is Rs. 95.5 Crore, cash and cash equivalents is Rs. 9.0 Crore, net debt is Rs. 86.5 Crore and Net Worth is Rs. 249.8 Crore. Total debt consists of Rs. 4.3 Crore of long term loans and Rs. 91.2 Crore of working capital borrowing.

Engineered Products

Q1 FY2012 Net Sales remained relatively flat and EBITDA margins showed slight improvement.

Heavy Engineering Products

Q1 FY2012 Net Sales growth in this segment was driven by robust volume growth and higher price realizations for wagons and coach components for the Indian Railways. Sales volume increased by 20.8% during the quarter compared to the prior year. This segment secured new orders from the South Western and Western Railways. The Company has also bid for additional contracts from other geographical areas within the Zonal Railways. The segment also benefited from an improving product mix.

Infrastructure

Q1 FY2012 Net sales and EBITDA from this segment decreased primarily due to delays in commissioning of various projects by customers, particularly in construction and road infrastructure. Infrastructure projects have been impacted by higher interest rates and a more stringent financing environment. This further led to a decline in demand for road safety systems and fabricated products for the engineering sector.

¹ IBEF.org



Pre-Engineered Buildings (PEBS Pennar)

Q1 FY2012 Net Sales growth in this segment was primarily driven by robust volume growth and higher price realizations. In Q1 FY2012, sales volume increased by 66.2% and price realizations increased by 8.0%, compared to last year. The segment received a number of orders from new customers including ABB, Bosch, Dr Reddy's Laboratories, Godrej, L&T, Schneider Electric and Ultratech. The Company had recently increased its capacity to 60,000 MT to cater to the increasing demand in the Indian infrastructure sectors. Order book in the segment more than doubled to over Rs. 200 Crore as compared to Q1 FY2011.

Strategic Initiatives

Capacity Expansion at Isnapur and Tarapur Plants: The Company is in the process of implementing the first stage of this project, which will increase total capacity by 24,000 MT. The expansion would add new production capacity for heavy engineering fabrication and increase capacities for electro static electrodes and precision tubes for automobiles. The project is progressing as per schedule and is expected to be completed by H1 FY2012.

Performance Outlook

Pennar is well positioned to benefit from steady growth in the Indian economy through its presence in many of the core sectors. The Company expects to expand volumes and enhance realizations in its core engineering product markets through strengthening capacity utilization levels and by catering to the growing demand for value added products. In the Heavy Engineering Products segment, Pennar is focused on moving up the value chain in specialized heavy engineering products and forward integrating into the manufacture of complete railway wagons and coaches. The Isnapur and Tarapur project will enable the Company to cater to the heavy engineering fabrication segment. The Company also continues to focus on pre-engineered steel buildings which have high potential due to the continued large scale investments in infrastructure.



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Notes:

1. Net Sales: Excludes Other Income
2. EBITDA: Earnings before interest, taxes and depreciation; excludes other income and exceptional items
3. Cash Profits: Net Profit plus Depreciation plus Deferred Taxes
4. Basic EPS: Each share face value of Rs. 5.00; 12.2024 Crore shares over the period calculated on a weighted average basis; includes extraordinary items

Safe Harbor

This release contains statements that contain "forward looking statements" including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Pennar's 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. Pennar undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances.



Pennar Industries Fact Sheet

Company Background

Pennar is one of India's leading industrial companies engaged in the production and marketing of specialized and engineered steel solutions. The Company is a leading manufacturer of profiles and components in various grades of steel and stainless steel. It caters to the auto, white goods, railways and infrastructure sectors. The Company is also a leading manufacturer of pre-engineered buildings.

The Company has over 30 years of experience and more than 1,000 precision engineered products, 2,500 tools and dies and over 300 customers. Pennar currently has six manufacturing plants located at Patancheru, Sadashivpet and Isnapur, Chennai, Tarapur (Maharashtra) and Hosur (Tamil Nadu) with a total capacity of 275,000 TPA.

Pennar commenced manufacture of cold rolled steel strips in 1988 at Isnapur (45 km from Hyderabad) which currently has a capacity of 50,000 TPA. In 1997, the Company acquired Nagarjuna Steel, Patancheru (32 km from Hyderabad) and in 1999, acquired Press Metal, a unit of Tube Investment (TI), at Tarapur near Mumbai.

Pennar's blue chip customer base includes firms such as Alstom Power, Ashok Leyland, BEML, BPL, Copeland, HCC, Honda, Indian Railways, Integral Coach Factory, L&T, Tata Motors and Voltas.

The Company operates in four divisions:

Engineered Products: Provides automobile products, pressed steel components, precision tubes and rolled steel products for consumer appliances, automobile and general engineering sectors.

Heavy Engineering Products: Addresses the specific requirements of the railway sector and manufactures floors, side walls, end walls, and underframe components for rail wagons and coaches.

Infrastructure: Manufactures diverse products for the building sector like purlins, roofing sheets and deck plates. It also manufactures crash barriers for road safety and fabricated structural products for various engineering industries.

Pre-engineered Buildings: Operates through its subsidiary, Pennar Engineered Building Systems Ltd. to manufacture pre-engineered building structures. PEBS manufactures modular steel constructions of open-span built up sections, purlins, girts, roofing and wall panels. PEBS has a technical collaboration with NCI Group, a global leader in pre-engineered structures, which enables the Company to provide world class weather proof building.

Industry Overview²

Indian Railways is set to spend Rs 2,500 billion on various infrastructure projects during the 11th five year plan (2007-12) and this amount is likely to go up for the next five year plan considering India's growth and state of its railway infrastructure. Indian Railways is expected to acquire 18,000 wagons in FY2011 compared to 11,000 wagons last year. It is also planning to substitute older wagons with stainless steel ones with higher axle load design. Setting up of dedicated freight corridors, sustained capex by leading container rail logistics companies and the success of wagon leasing scheme will continue to support the growth in wagons.

The increasing demand for pre-engineered buildings also represents a growth opportunity. The warehousing market is expected to grow at 40% from Rs 10,000 Crore in 2008 to Rs 27,500 Crore in 2013. Planned capacity expansion to handle 35 million MT by 2012 and Rs 2,500 Crore expected to be invested in new warehousing during three years. Two dedicated freight corridors- Ludhiana-Kolkata and Delhi-Mumbai of 2,700 kms at a cost of Rs 3,250 Crore in phase I will set up new hubs of industrial activity by 2012. Four more dedicated freight corridors in phase II will increase industrial expansion.

The Indian auto component industry expects to grow by over four-fold to US\$ 113 billion by 2020. A portion of this growth is expected to be driven by strong sales volume growth in the passenger vehicles. Passenger vehicle sales are expected to grow from 2.8 million units in 2011 to 5.1 million units in 2015 and 9.2 million units in 2020. Auto component exports from India are expected to increase from US\$ 5 billion in 2011 to US\$ 9.4 billion by 2015 and US\$ 30 billion by 2020.

² IBEF.org, ACMA

