



Arfin India Limited



Corporate Presentation

June, 2018

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About Arfin India Limited

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Company Overview

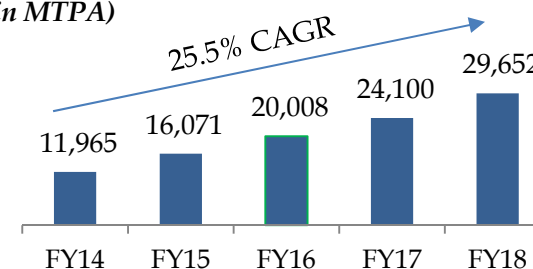
- ▶ Arfin India Limited ("Arfin") forayed into aluminium products manufacturing in the year 2012
- ▶ Emerged as one of the largest players in the non ferrous metal products segment in a short span of five years
- ▶ Product Portfolio includes :
 - ▶ Aluminium Wire Rod -15,000 MT p.a.
 - ▶ Aluminium Deox – 20,000 MT p.a.
 - ▶ Aluminium Alloy Ingot- 6,000 MT p.a.
 - ▶ Cored Wire – 1,500 MT p.a.
 - ▶ Automobile Components
- ▶ Expanded product portfolio by diversifying into production of
 - ▶ Conductor & Cables – 12,000 MT p.a.
 - ▶ Master & Ferro Alloys – 1,200 MT p.a.
- ▶ Arfin plans to aggressively scale up the aluminium castings business and aluminium alloy ingots business for the automotive segment
- ▶ Total capacity of Arfin stands at 55,700 MT per annum with manufacturing facility located at Chhatral industrial area in Gandhinagar
- ▶ Aggressively developing export markets in Japan, Middle East and South America. Appointed a sales representative in Europe to further expand export presence.
- ▶ Registered member of the Aluminium Association of India, BIR (Bureau of International Recycling) and MRAI (Metal Recycling Association of India)
- ▶ Listed on BSE with a market capitalization of INR 4,384.3 mn as on 29th June 2018

Financial Performance (INR Million)

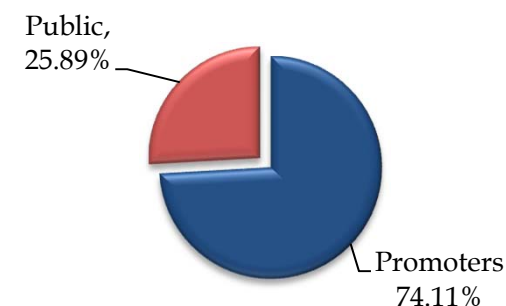
Particulars	FY16	FY17	FY18
Net Revenue	2,728.76	3,437.95	4,661.10
<i>%growth</i>	9.17	41.74	20.51
EBIDTA	157.07	277.13	453.70
<i>%margin</i>	5.76	8.06	9.73
PAT	66.10	130.09	217.00
<i>%margin</i>	2.42	3.78	4.66
Net worth	237.72	548.80	826.30
Total Debt	431.30	606.37	934.20

Strong Volume Growth

(in MTPA)



Shareholding Pattern



Management team with vast industry experience



Mr. Mahendra R. Shah
Chairman & CEO

- ▶ A Science graduate from Gujarat University, Mahendra R. Shah's leadership has led Arfin's emergence as India's leading aluminium products company
- ▶ Chairman of Gujarat Chapter of Non Ferrous Metals by All India MSME Association [AIMA MSME] and has recently he has been appointed as President of All India Non Ferrous Metal Association.
- ▶ Has over 20 years of rich industrial experience and has represented metal industry on various topics of public interest in different forums.
- ▶ Actively involved in corporate and strategic planning, corporate finance & restructuring, risk management system and process implementation at Arfin



Mr. Jatin M. Shah
Managing Director

- ▶ Started his journey in the aluminium industry in 2002 and has over 14 years of rich industrial experience.
- ▶ Represented metal industry on various topics of public interest in different forums and has strong domain knowledge of Indian Metal Industry with good understanding of manufacturing, sales, imports, exports international markets, and proven ability in business, setting up systems and procedures for robust growth.



Mr. Vijay Lathi
CFO

- ▶ A qualified Chartered Accountant from Institute of Chartered Accountants of India (ICAI) with over 16 years of rich managerial experience
- ▶ Previously worked with Arfin from 2003 to 2006 post which he spent 8 years with the Future Group before rejoining Arfin in 2014
- ▶ Strong domain knowledge of Indian non ferrous metal and retail industry with good understanding of information technology systems and proven ability in setting up systems and procedures for robust management accounting..



Mr. Ashish Thakkar
Group President

- ▶ A BE Mech with an experience of 20 years in the metal industry
- ▶ Associated with Minerals Technologies, SMS Siemag and Essar steel in past.
- ▶ His exposure in global markets led Arfin to expand its foot print into geographies like Japan, Middle East and Europe

Awards Received by Arfin



WnfA 2017 **WORLD NON FERROUS AWARDS**

Mtlexs Organizes World Non-Ferrous Awards

"Best Performing Company - WnfA"



Ranked at 602nd position among 1000 fastest growing companies in Asia Pacific. AIL was selected from 10 million Companies of 11 countries of Asia Pacific region.

Arfin India Limited has been Awarded as India's Best Company of the Year for 2017 for India's best Aluminium Products manufacturing Company.

Financial Highlights



25.1%

*Revenue CAGR
FY14 - FY18*

64.3%

*EBITDA CAGR
FY14 - FY18*

70.2%

*PBT CAGR
FY14 - FY18*

69.2%

*PAT CAGR
FY14 - FY18*

FY16

9%

*Revenue Growth
FY16 v/s FY15*

26%

*Growth in EBITDA
FY16 v/s FY15*

42%

*Growth in PBT
FY16 v/s FY15*

41%

*Growth in PAT
FY16 v/s FY15*

FY17

26%

*Revenue Growth
FY17 v/s FY16*

89%

*Growth in EBITDA
FY17 v/s FY16*

102%

*Growth in PBT
FY17 v/s FY16*

97%

*Growth in PAT
FY17 v/s FY16*

FY18

36%

*Revenue Growth
FY18 v/s FY17*

61%

*Growth in EBITDA
FY18 v/s FY17*

66%

*Growth in PBT
FY18 v/s FY17*

67%

*Growth in PAT
FY18 v/s FY17*

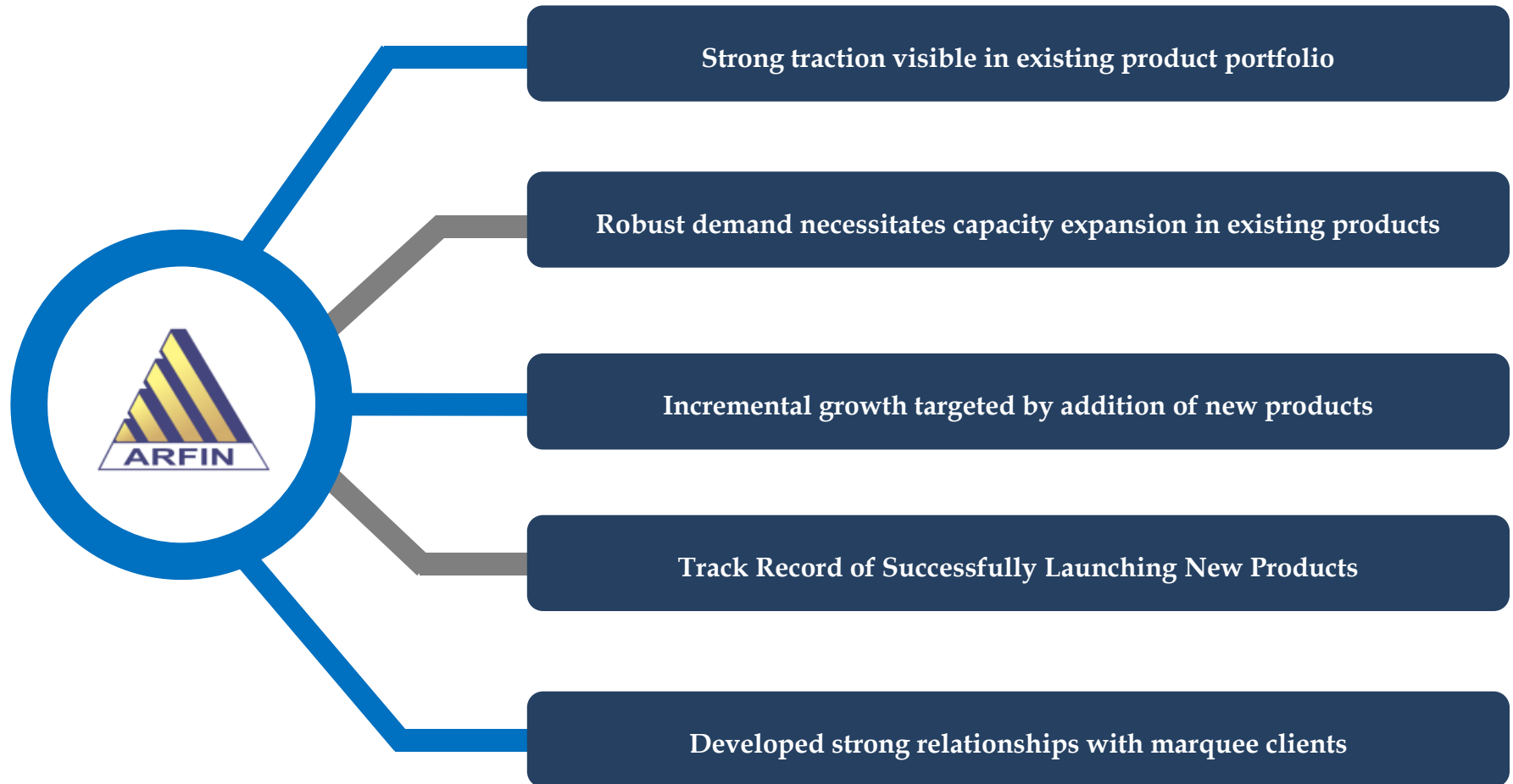
Manufacturing Facilities



	Unit 1	Unit 2	Unit 3	Unit 4 & 5
Area	16,000 sq. yards	8,148 sq. yards	17,000 sq. yards	2,560 sq. yards (Unit No.4) 1,587 sq. yards (Unit No.5)
Product	- Aluminium Wire Rod - Master and Ferro Alloy Products - Cored Wires	- Conductors and Cables	- Aluminium Alloy Ingots - Automobile Parts.	- Aluminium Deox
Launch of Operations	January 2012	December 2017	March 2019	Unit 4 : Q1FY19 Unit 5 : Q1FY19

Note: Shed construction work at Unit 3 is in progress. Unit 4 was added through Malco merger.

Delivering strong performance with multiple growth drivers



Strong traction visible in existing product portfolio



Aluminium Products				
	Capacity	Utilization	Clients	Applications
Wire Rod 	15,000 MT	54.4%	     	Deoxidize the steel and to complete the steel manufacturing process and also for captive use in the conductor and cables business
Deox 	20,000 MT	58.7%	    	Deoxidize the steel and to complete the steel manufacturing process
Alloy Ingots 	6,000 MT	95.7%	     	Automotive Industry
Cored Wire 	1,500 MT	86.1%	    	Desulphurization & inclusion-modification in the steel industry

Robust demand necessitates capacity expansion in existing products



Aluminium Wire Rod



15,000 MT



20,000 MT
(FY19)

Capex of INR 50 mn

- ▶ Plans to expand aluminium alloy wire rod production facilities by addition of one more aluminium alloy wire rod plant
- ▶ Offtake is expected to increase through existing customer demand as well as in house requirement of aluminium alloy wire rod for the new conductor plant
- ▶ Commercial production is expected to begin in Q2FY19
- ▶ Added two export clients for the aluminium wire rod segment in FY18

Aluminium Alloy Ingots



6,000 MT



18,000 MT
(FY20)

Capex of INR 100 mn

- ▶ Plans to expand aluminium alloy ingots production facilities by addition of one more automated aluminium alloy plant with capacity of 12,000 metric tons per annum.
- ▶ Commercial production on the new line is expected to begin in Q3FY20

Total capacity post expansion to increase to 73,900 MT in FY20

Incremental growth targeted by addition of new products



New Additions



Master & Ferro Alloys

- ▶ Master Alloy is a base metal such as aluminium combined with a relatively high percentage of one or two other elements
- ▶ It is a semi-finished product and is manufactured for its usage as a raw material by the Metal Industry
- ▶ A master alloy is an economical solution, as it dissolves much quicker at lower temperatures, saving valuable energy and production time
- ▶ Arfin is the only domestic producer of ferro titanium in India hence the product helps clients to substitute imports
- ▶ Client base already developed include Essar Steel, JSW Steel, Jindal Steel and Power, Jindal Shadeed Iron & Steel.
- ▶ Production started in Q4FY17 and has received encouraging response which has led to the company to initiate process of doubling capacity to **2,400 MT**



Conductor and Cables

- ▶ Completed the set up of conductor & cables plant and the commercial production was started in **Q3FY18**
- ▶ Equipped with state of the art, manufacturing machineries completely equipped, up-to-date laboratory which ensures rigid check at every stage of production
- ▶ Received orders from MP State Electricity Board Companies, GETCO, Voltas and Punjab State Electricity Board
- ▶ Approved with 7 SEBs and Adani Transmission in the Private sector
- ▶ Client base include Voltas, MP Madhya Kshetra, MP Poorv Kshetra, MP Paschim Kshetra.

1,200 MTPA

Capacity

12,000 MTPA

Rs. 50 mn

Order Book

Rs. 100 mn

Automotive Components

- ▶ Manufactures aluminium castings which are used in the engines, radiators and various other components of this segment

Top Brackets for Centrifugal Pumps



Cast Tank for Radiators



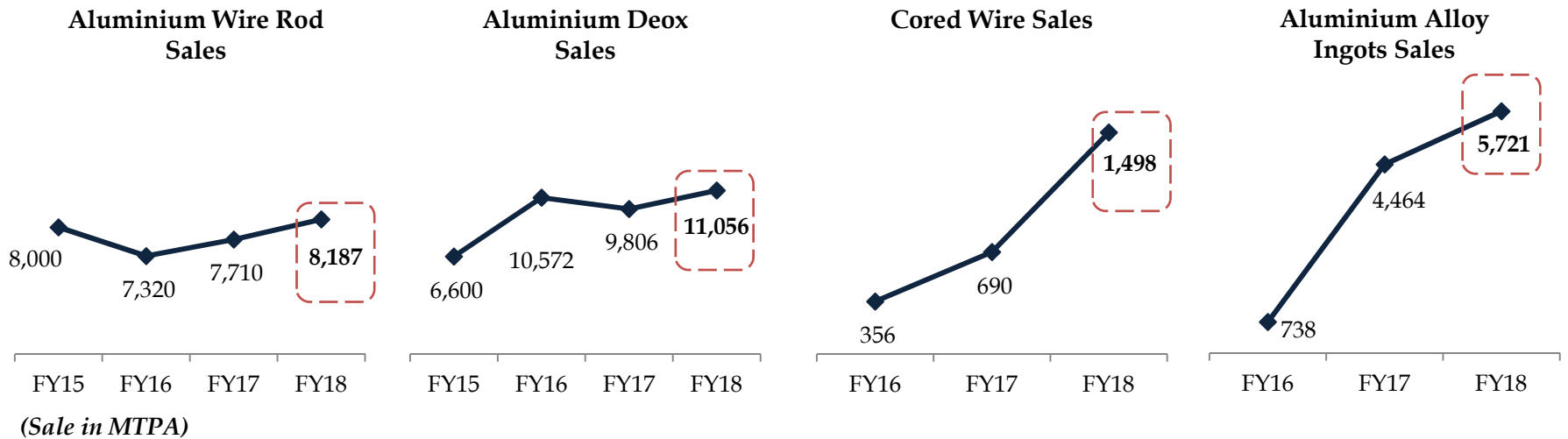
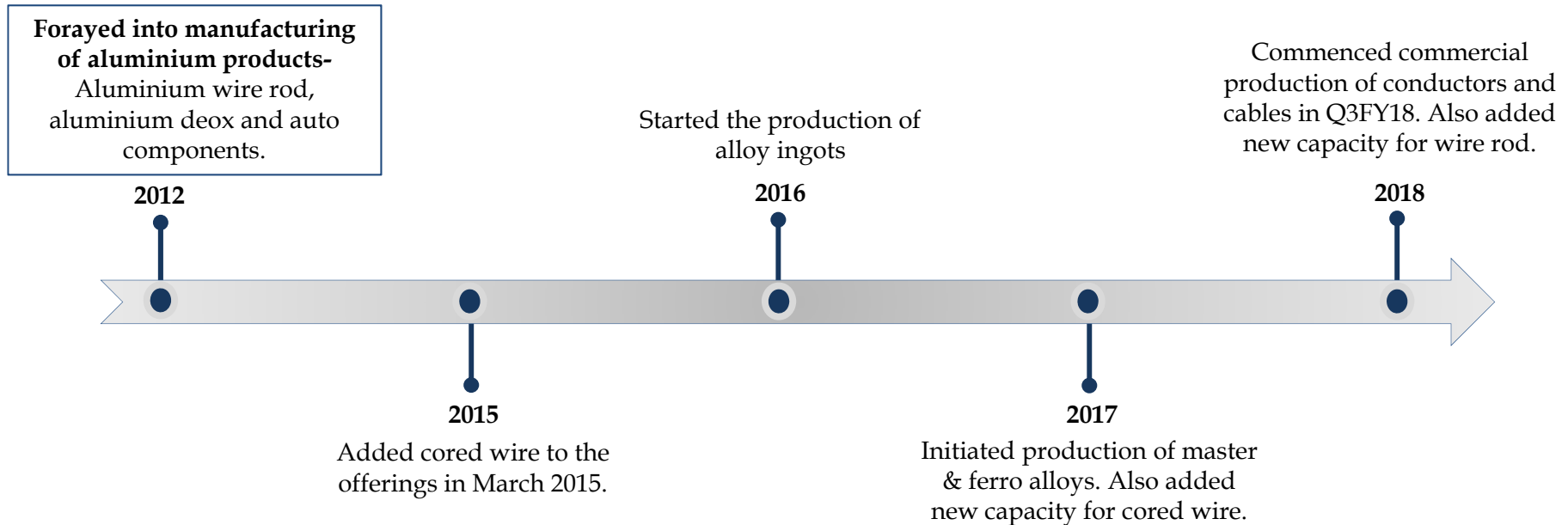
Cast Pipes for Radiators



Key Customers



Track Record of Successfully Launching New Products



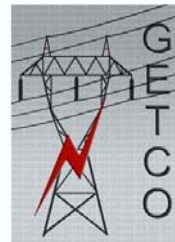
Developed strong relationships with marquee clients



Steel



Power



Automotive



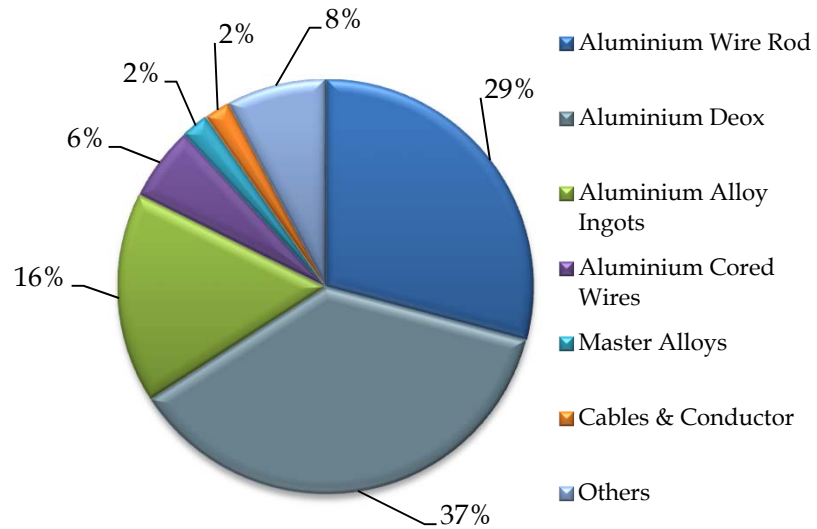


Financial Performance

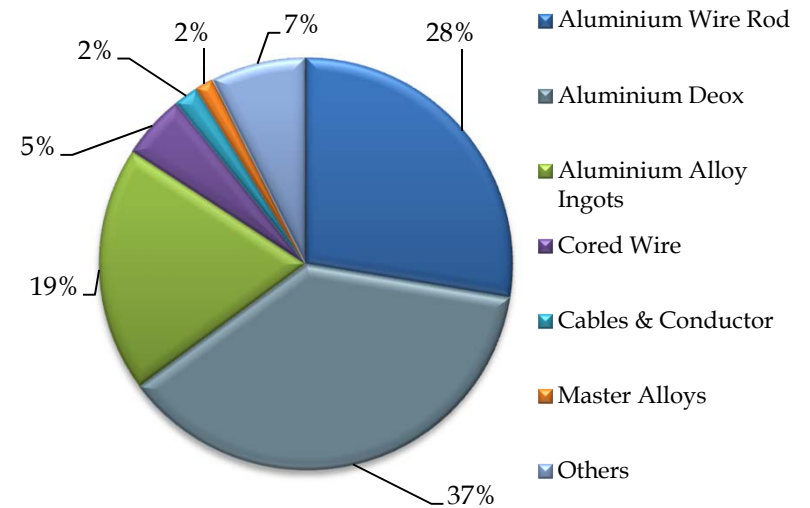
Sales Mix



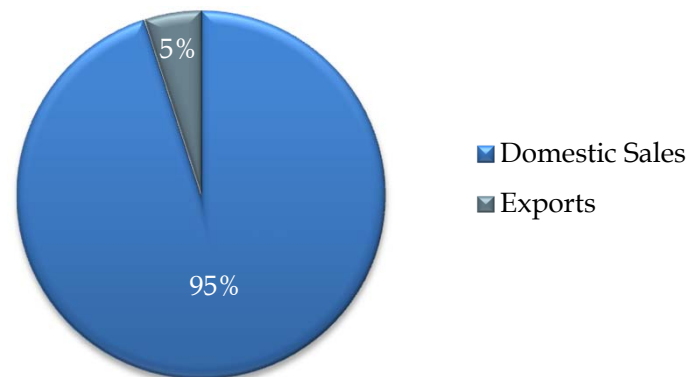
Diversified Product Portfolio



Product-wise volume



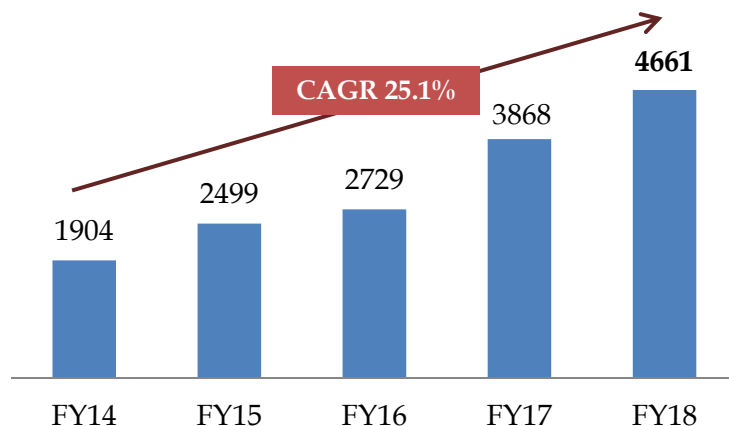
Exports Contribution expected to increase significantly...



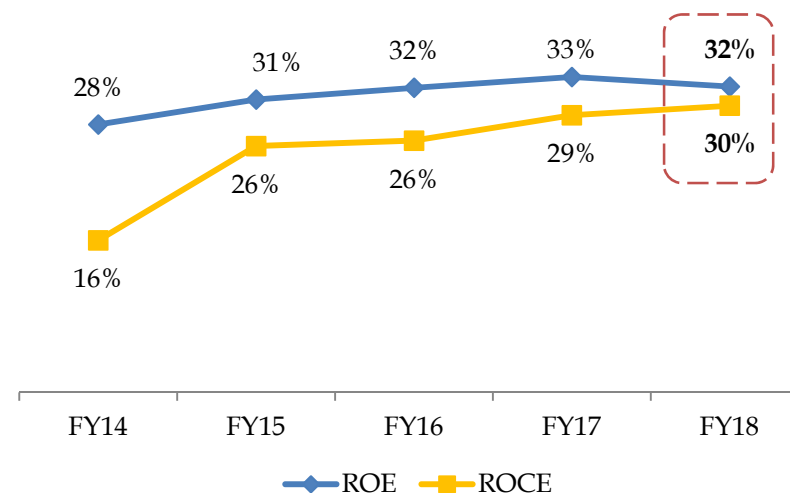
Consistent Improvement in Financial Performance



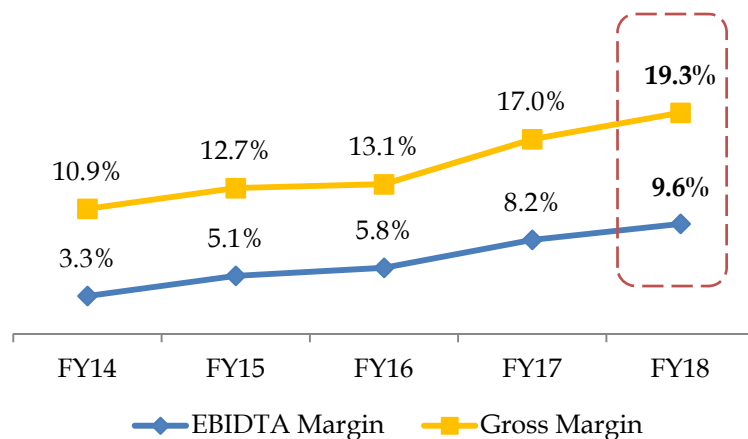
Consistent Revenue Growth (INR mn)



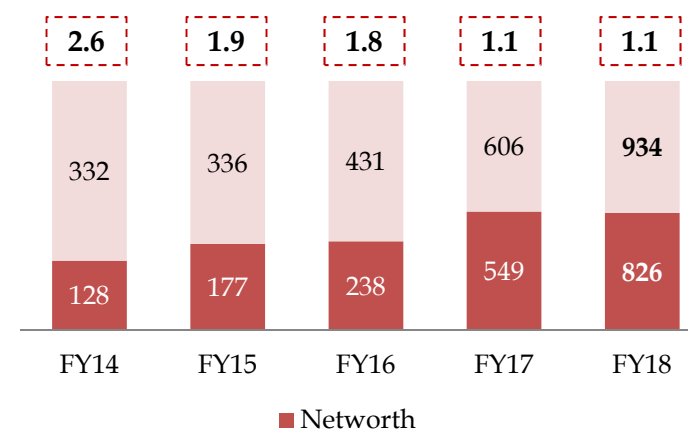
Strong Returns



Improving Margin Profile



Rationalizing Capital Structure



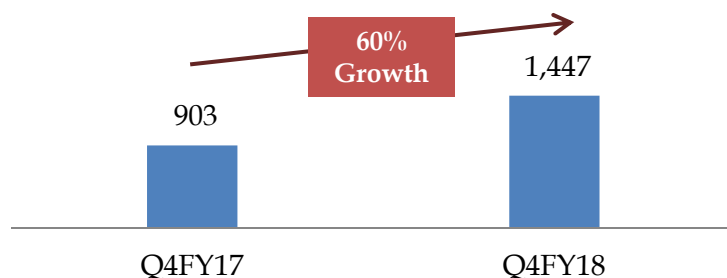
Balance Sheet (INR Mn)	FY16	FY17	FY18
Share Capital	30	41	132
Reserves & Surplus	208	508	694
Net worth	238	549	826
Long Term Borrowings	109	46	110
Deferred Tax Liabilities (Net)	12	18	23
Short Term Borrowings	322	560	825
Trade Payables	464	352	217
Other Current Liabilities	10	29	27
Short Term Provisions	37	50	99
Total Liabilities	1,191	1,604	2,127
Fixed Assets (incl. CWIP)	184	216	402
Long Term Loans & Advances	2	6	11
Current Investments	-	41	44
Inventories	619	714	803
Trade Receivables	329	583	759
Cash & Cash Equivalents	40	33	37
Short Term Loans & Advances	18	11	71
Total Assets	1,191	1,604	2,127

Income Statement (INR Mn)	FY16	FY17	FY18
Revenue from Operations (Net)	2,729	3,438	4,661
COGS	2,372	2,854	3,761
<i>% of sales</i>	<i>86.9</i>	<i>83.0</i>	<i>81</i>
Employee expenses	27	39	60
<i>% of sales</i>	<i>1.0</i>	<i>1.1</i>	<i>1.3</i>
Other Expenses	182	275	394
<i>% of sales</i>	<i>6.7</i>	<i>8.0</i>	<i>10.4</i>
EBITDA	147	270	446
<i>Margin(%)</i>	<i>5.4</i>	<i>7.9</i>	<i>9.5</i>
Other Income	10	9	9
EBITDA (incl. other income)	157	279	455
<i>Margin(%)</i>	<i>5.8</i>	<i>8.1</i>	<i>9.7</i>
Finance costs	48	62	101
Depreciation	9	12	16
PBT	100	205	338
<i>Margin(%)</i>	<i>3.7</i>	<i>6.0</i>	<i>7.2</i>
PAT	66	130	217
<i>Margin(%)</i>	<i>2.4</i>	<i>3.8</i>	<i>4.6</i>

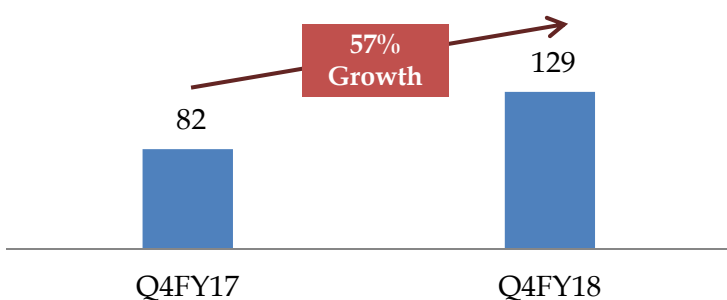
Quarter Results



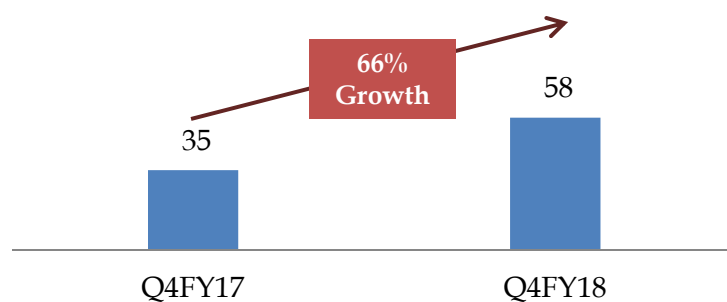
Revenue (INR Mn)



EBIDTA (INR Mn)



PAT (INR Mn)



Income Statement (INR Mn)	Q3FY18	Q4FY17	Q4FY18
Revenue from Operations (Net)	1,193.1	902.7	1,447.2
COGS	941.2	725.1	1,145.9
% of sales	78.9	80.3	79.1
Employee expenses	16.5	17.6	19.2
% of sales	1.4	1.9	1.3
Other Expenses	106.1	77.6	152.8
% of sales	8.9	8.6	10.6
EBITDA	129.2	82.4	129.2
Margin(%)	10.8	9.1	8.9
Other Income	1.9	0.4	4.8
EBITDA (incl. other income)	131.1	82.8	134.0
Margin(%)	11	9.2	9.3
Finance costs	17.8	18.8	42.2
Depreciation	3.7	3.2	3.6
PBT	109.5	60.8	88.2
Margin(%)	9.2	6.7	6.1
PAT	70.1	34.7	58.3
Margin(%)	5.9	3.8	4.0



Industry

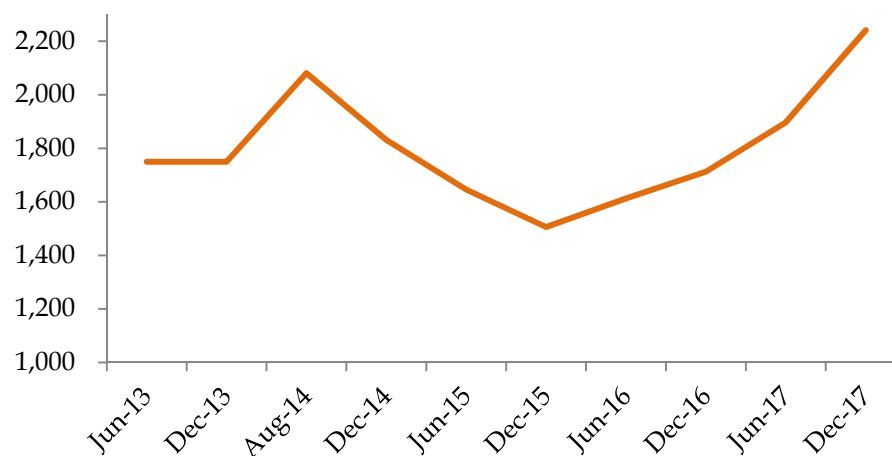
Aluminium Industry Overview



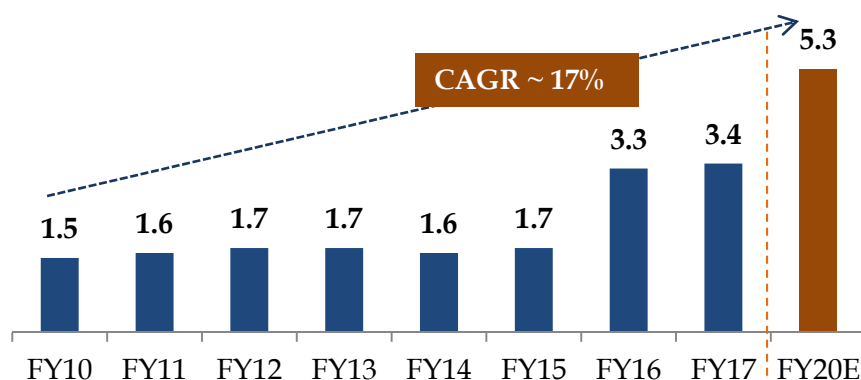
Aluminium Industry Overview

- ▶ India is amongst the lowest cost producers of aluminium across the world owing to easy availability and ranks 4th in terms of primary aluminium production
- ▶ Over the next 5 years, expect overall aluminium demand is expected to rise at **8-9% CAGR** largely driven by increase in asset demand especially in automotive sector and infrastructure (building and power)
- ▶ Global aluminium prices had fallen sharply in FY16 (USD 1592/tonne) mainly caused by oversupply of Chinese aluminium due to overcapacity
- ▶ However given better macro economic conditions globally aluminium prices have made a stellar comeback and the outlook continues to remain stable.

LME Aluminium Prices (USD/MT)

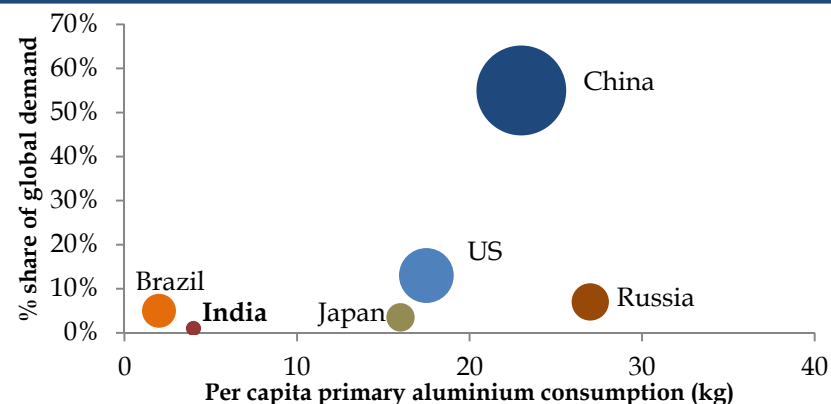


Total Aluminium Consumption in India (MT)



Aluminium consumption picked up after remaining stagnant for a few years and is expected to grow further.

Per Capita Consumption of Aluminium



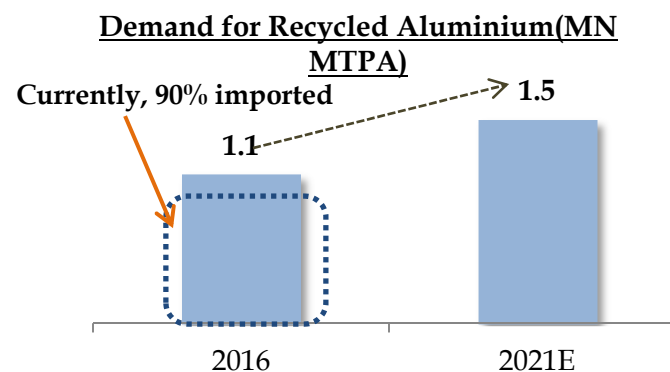
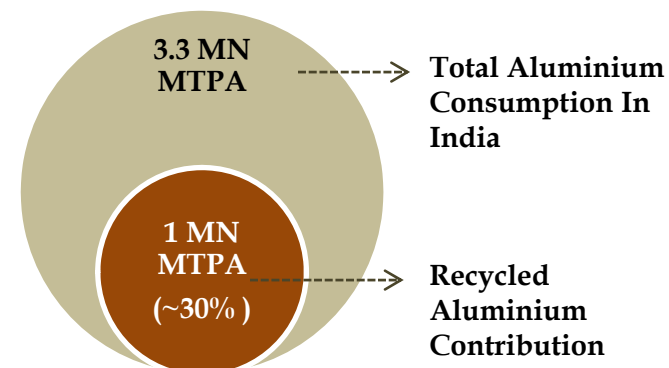
India's per capita aluminium consumption is amongst the lowest in the world presenting huge opportunity for growth.

Aluminium Recycling Industry Overview



Indian Aluminium Recycling Industry

- ▶ Aluminium is 100% recyclable and the process is less capital intensive than primary metal production as the process requires only 5% of energy
- ▶ At present, in India, all the activity related to aluminium scrap recovery are limited to the unorganised sector with the presence of around 3500 producers.
- ▶ In 2016, secondary aluminium demand accounted for 31% of overall demand and has grown at ~11% over the past 5 years
- ▶ India's secondary aluminium market is the fastest growing in the world. The recycled aluminium market is predicted to grow at a CAGR of 9-10% fuelled by increase in demands for automotive sector especially two-wheelers and cars
- ▶ The proportion of recycled aluminium has been increasing over the years. It is expected that in the years to come, it will reach a figure of about 35-40% of total aluminium consumption
- ▶ In 2016, around 120,000 tons of aluminium scrap was generated in India, with the automotive and power sectors together contributing to 75% of the total.
- ▶ Since the cost of primary aluminium smelting is high in India, the secondary producers depend upon imports of aluminium scrap from the Middle East, China, South Africa, China, Taiwan, Nigeria, Spain, Australia, Malaysia and the EU.
- ▶ The country imports huge quantities of scrap which has rose at a CAGR (compounded annual growth rate) of 27 per cent since 1997-98.



Market Growth Drivers



Energy and environmental factors



Increasing use of aluminium in automobile industry

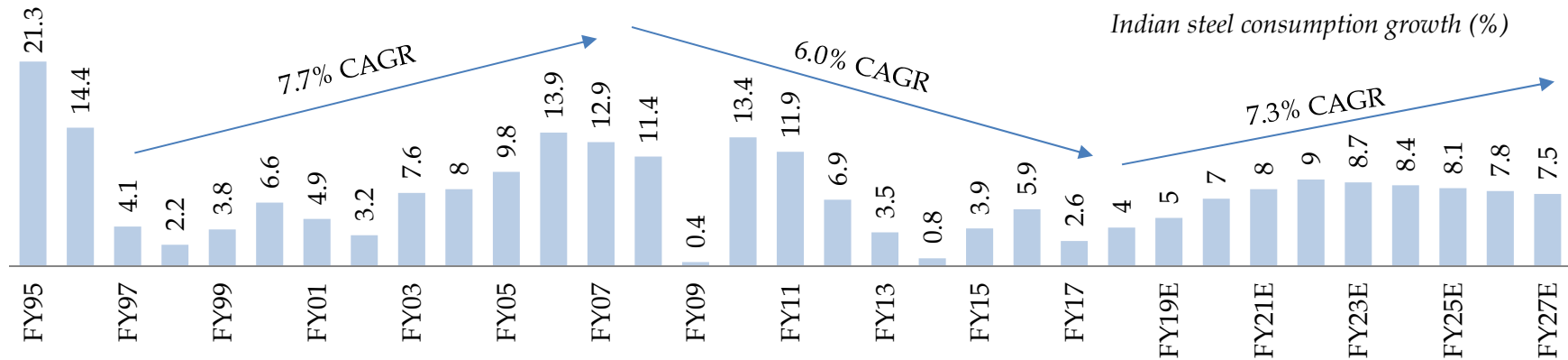


Increased adoption and construction of green buildings

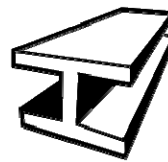
Strong Growth of Steel Industry to ensure sustained demand for Arfin



Indian steel demand growth cycle is upticking

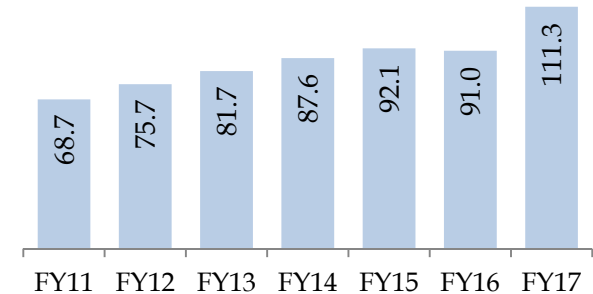


India became the 2nd largest crude steel producer in 2017



India's total finished steel production has increased at a CAGR of 8.39 per cent during FY12-17

Total finished steel production (MTPA)



- ▶ Steel production in India is forecast to double by 2031, with growth rate expected to go above 10 per cent in FY18.
- ▶ Major public and private companies are expanding their production capacity (Tata Steel, SAIL, JSW Steel).
- ▶ The government is targeting a steel production capacity of 150 million tonnes by 2020. The government is targeting a steel production capacity of 150 million tonnes by 2020.

Growth Drivers



India's lower per capita consumption compared to the international average leaves a huge potential for increased demand and consumption. New Steel Policy seeks to increase per capita steel consumption to the level of 160 kgs by 2030 from existing level of around 60 kg.



Government's initiatives like "Housing For All" and plans to increase capex in railways and infrastructure sector are expected to drive the demand and consumption of steel. Budget 2017's outlay of ~ **4 tn** in infrastructure space is also expected to drive domestic steel consumption.

Power Transmission Industry Overview

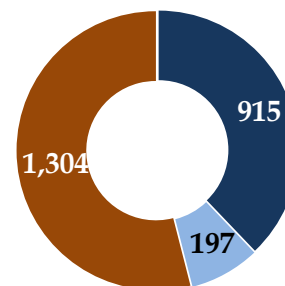
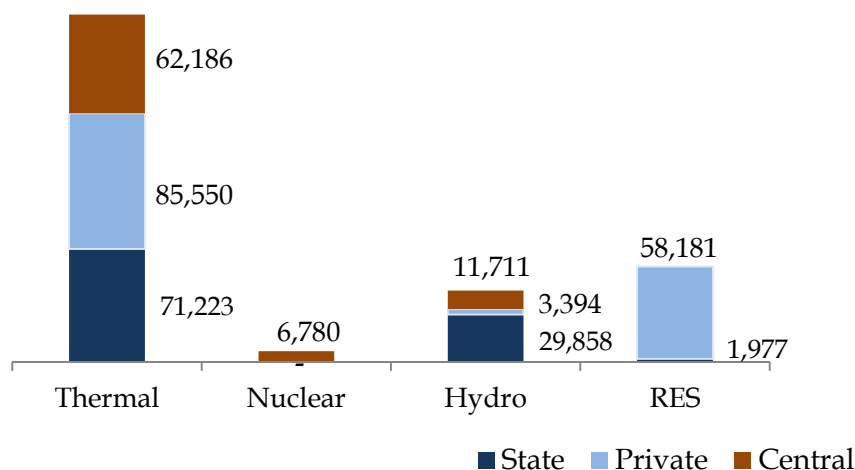


Industry Overview

Planned Capex

All India Installed Capacity (MW) as on 31-12-2017

No. of Transmission Lines



~ USD 640 Bn

Proposed Global Spend



~ INR 98,000 Cr

Proposed Spend by State transmission utilities

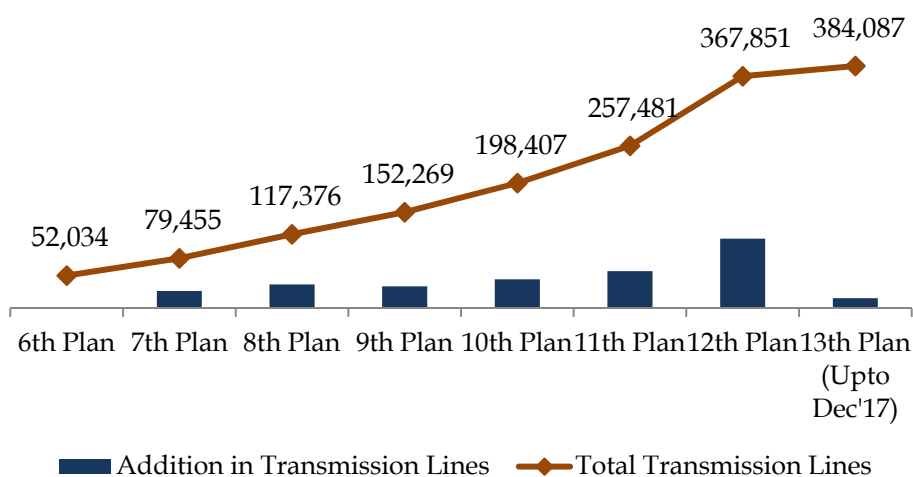


INR 2,60,000 Cr

Proposed total spend in India

Growth in Transmission Lines (CKM)

Industry Growth Drivers



1

State transmission investments to provide impetus to demand with increased focus on intra-state transmission

2

Additional renewable energy capacities reflect a high potential for transmission line investments over the next few years

3

Development of green transmission corridors as outlined by the National Green Corridor Programme will provide further impetus for the sector

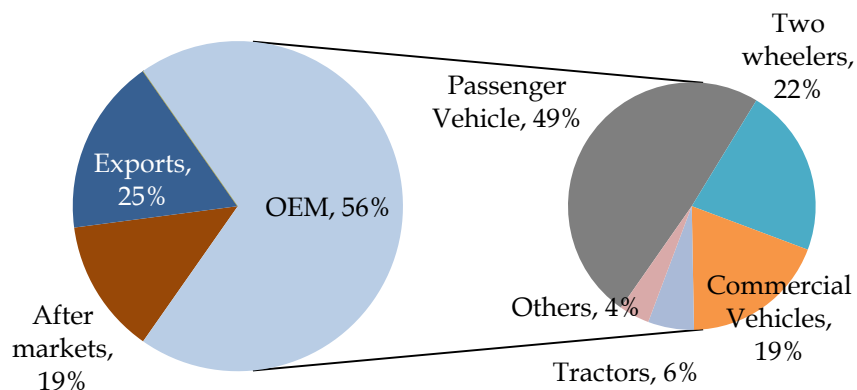
Auto Components Industry Overview



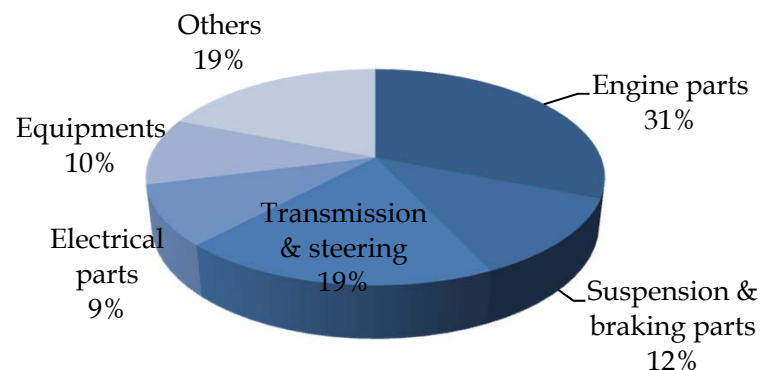
Favorable Industry Dynamics: Indian auto comps to grow threefold by CY21

- ▶ Over the last decade, the automotive components industry has registered a CAGR of 14 per cent and has scaled three times to US\$ 43.5 billion in 2016-17 while exports have grown to US\$ 11 billion
- ▶ According to the Automotive Component Manufacturers Association of India (ACMA), the Indian auto-components industry is expected to register a turnover of US\$ 100 billion by 2020
- ▶ The industry offers ~20,000 components grouped into 7 categories. Engine parts & drive transmission and steering parts are the two main product categories
- ▶ The industry consists predominantly SMEs and few organised players. The organized sector caters to high value-added precision engineering products whereas the unorganised sector caters to aftermarkets
- ▶ As per ACMA, the industry is composed of 700+ organised players (contributing 85% of revenues) & 10,000+ unorganised players
- ▶ The Indian auto component industry caters to the needs of OEMs as well as replacement markets, with OEMs contributing around 80% of total component demand
- ▶ The industry has a distinct global competitive advantage in terms of cost which stems from cost-competitiveness in raw material & labour. An average cost advantage of ~25-30% has attracted several global automobile manufacturers to set base since 1991

End-users of Auto components



India auto ancillary industry segment share



Thank You !

For Further Queries Please Contact :

Mr. Vijay Lathi
Chief Financial Officer
Email id – vijay.lathi@arfin.co.in