

# **Business Update**

**29<sup>th</sup> March, 2017**

## Introduction

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1. This business update sets out the key initiatives taken by the management in FY17, the strategies adopted and projections for FY17 and FY18
2. The aims, strategies, target, plans, intentions and projections referred to in this presentation are based upon assumptions which are considered reasonable by the management, but are subject to variation based on actual performance

## Key Initiatives and Updates : FY17

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### Revenue Growth and Business Development

1. Company has secured one new large customer and executed significant business volume with them in current financial year. This win has helped offset to a large extent loss in business from some of the existing customers
2. Sharp focus on improving profitability profile of customers through pricing renegotiation, rationalization of business, efficiency improvement and re-alignment of business with manufacturing units.
3. One of the key customers has recognized GE as a strategic vendor which improves the business prospects of the company going forward

### Cost Reduction

1. Through numerous initiatives, company has been able to reduce its cost base by almost 10% across factories, corporate and other cost elements. Substantial cost optimisation initiatives implemented during the last 12 months which has now enabled the company to compete aggressively in the market
2. Setting up factories in low cost locations has been identified as a key priority and company is gearing to increase its presence in these locations
3. Company has undertaken program on modernization of plant and machineries in factories in a phased manner which will help company achieve improved productivity and cost efficiency

## Key Initiatives and Updates (cont.)

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### Organization Redesign

1. Restructured organization and consolidated businesses for sharper focus and accountability
2. Strengthened quality of senior and middle management level across functions

### Merger of Subsidiaries

1. Initiated merger of all nine subsidiaries
2. Consolidation of subsidiaries will result in cost savings and improve ease of doing business

### Internal Systems

1. Strengthening the IT Platform for better internal controls and faster decision making

## FY17 Projections

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INR mm	YTD Q3 FY17	Q4 Est.	FY17 Est.
Revenue	6,059	2,815	8,874
EBITDA	(227)	240	13
<i>EBITDA Margin</i>	<i>(3.7%)</i>	<i>8.5%</i>	<i>0.1%</i>
PBT	(614)	100	(514)



## FY18 Strategic Focus

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- 1. Customer Win:** Improve order book by winning new customers and ramping up business with them; Received sample orders from some of the targeted new customers in FY17
- 2. Productivity-led competitiveness :** Focus on improving manufacturing productivity to enhance market competitiveness and improve profitability
- 3. Increase presence in low-cost locations:** Embark on comprehensive cost reduction plan to improve profitability by setting up manufacturing units in low-cost locations and consolidation of units. Company is preparing to set up factories in Andhra Pradesh where the cost of operation is relatively lower

## FY18 Plan

INR mm	FY17 Est.	FY18 Plan
Revenue	8,874	10,600
<i>Revenue Growth</i>		<i>19.5%</i>
EBITDA	13	706
<i>EBITDA Margin</i>	<i>0.1%</i>	<i>6.7%</i>
PBT	(514)	200

## Challenges Ahead

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1. **Forex Risk:** Rupee has appreciated in the recent past. Appreciating Rupee could impact revenue as well as profitability adversely
2. **US Border Adjustment Tax:** Increasing US protectionist measures (e.g. US border adjustment tax) may impact India's as well as company's competitiveness in the US market
3. **Customer Ramp-up:** Company is focusing on bringing in new customers to drive growth. High than planned lead time in on-boarding and ramp up could affect growth
4. **Ramp up in new manufacturing facilities:** Delayed ramp-up in new manufacturing facilities could adversely affect profitability of the business
5. **Employee Wages:** Any abnormal hike in minimum wages could increase cost of production