"Pennar Engineered Building Systems Limited
Q4 FY17 Earnings Conference Call"

May 12, 2017

MANAGEMENT:	**MR. ADITYA RAO -- VICE CHAIRMAN, PENNAR ENGINEERED BUILDING SYSTEMS LIMITED** **MR. P. V. RAO - MANAGING DIRECTOR, PENNAR ENGINEERED BUILDING SYSTEMS LIMITED** **MR. SHRIKANT BHAKKAD -- CHIEF FINANCIAL OFFICER, PENNAR ENGINEERED BUILDING SYSTEMS LIMITED**
MODERATOR:	**MR. VIKRAM SURYAVANSHI – PHILLIP CAPITAL (INDIA) PRIVATE LIMITED.**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Pennar Engineered Building Systems Q4 FY 2017 Earning Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' then '0' on your Touchtone Telephone. Please note, this conference is being recorded.

I now hand the conference over to Ms. Vikram Suryavanshi of Phillip Capital (India) Private Limited. Thank you and over to you, sir!

Vikram Suryavanshi: Good Morning and Very Warm Welcome to Everyone. Thank you for being on the call of Pennar Engineered Building Systems.

From management, we have with us Mr. Aditya Rao -- Vice Chairman; Mr. P. V. Rao -- Managing Director; Mr. Shrikant Bhakkad -- Chief Financial Officer.

I hand over call to the management for their opening remarks.

Aditya Rao: Thank you, this is Aditya Rao to all the stakeholders of PEBS who are joining us on this May Investor Conference Call, we are glad to have you here with us.

The challenging conditions of raw material volatility, we have completed a good year with a highest ever sales. We have recorded good growth in our High-Rise Buildings, Engineering services, and Solar segments and our positioning has also improved with our new plants coming up in Baroda coming online also a plant in Hyderabad. And we are very confident of scaling our growth further in the future.

We are well placed for growth in the next financial year. And in this financial year in spite of the massive challenges because of the raw material price increases volatility in our input cost, we have managed to scale well.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

I would like to hand it over to Mr. P. V. Rao to give a broader description of our performance for this financial year.

P. V. Rao: Thanks, Aditya. Good Morning, Everybody, this is P. V. Rao -- I am the Managing Director. I would like you to explain you the highlights of the previous financial year this 2016 - 2017.

The major orders that we received are from JSW Cement, JSW Paint, Toyo, and the Amplus Energy Solutions, the Hetero, the Aequz SEZ, Azure Power, and Shahi Exports, and Walmart. And we have received repeat orders also from companies like JSW Cement, Hetero, and Shapoorji and Aequz. And the current order book stands at around Rs. 372 crores.

And revenue has increased to Rs. 570 crores from Rs. 513 crores and due to steep increase in raw material prices profitability reduced to some extent. The other reasons is that we had higher margin jobs in the last year, so that is another reason where there was EBITDA higher growth last year and the tonnage has increased from 50,007 tonnes to 61,271 tonnes.

The Engineering services has doubled compared to the previous year both revenue and profitability and we are expecting to go in a similar way in this financial year also. We are opening an office in USA to take the engineering business to a greater scale. We opened backend office in Vishakhapatnam also recently. And Baroda facility we started operations in May 2016. Our Solar operations have increased by 30% compared to previous year. Our High-Rise has increased by 20% compared to last year and Towers we are expecting good orders from Jio Infocomm Phase-II in coming month, it is a big expansion of Jio and we are expecting sizeable orders in this year. Last year we could not get because the Phase-I erection was going on at that time.

Then Structural Steel orders also we got considerable orders now. We have expanded and taken another facility at Hyderabad on lease basis. We are confident that we will do better in terms of revenues and EBITDA in this financial year.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

Thank you. I will ask Shrikant to take you to financials and P&L and balance sheet details.

Shrikant Bhakkad: Good Morning, Everyone. We have grown from last year to current year and we are confident that momentum to continue.

Just to give you highlights where we were in terms of last year vis-à-vis current year, in terms of PEB we have grown from 463 to 503 which has increase 9%. Solar we have grown from Rs. 43 crores to Rs. 56 crores in the current year that is around 30% increase and Engineering services have doubled by Rs. 5 crores to Rs. 10 crores in the current year. That is in terms of the top-line.

In terms of EBITDA, last year we were Rs. 66.6 crores. Now current year it is at Rs. 56.35 crores, there is a dip close to around Rs. 10 crores in this. And in terms of profit after tax, also we have a dip in the current year from Rs. 30 crores to Rs. 24.5 crores; predominant reasons being the decrease in the margins that we had due to higher margin job last year and also, the contribution margins on the current products being a little lower due to abnormal increase in raw material price.

Provisions for doubtful debts in the current year are higher as the provisions are close to around Rs. 4 crores that is also another reason which is also a one-time reason for us to take ahead because of the debtors being a little higher and we have made provision. Depreciation part of it, we are standstill where we are, we have taken due to the change in the accounting standards we have made close to around Rs. 1.40 crores of dismantling provision during the year which is under the new Accounting Standards, the impact has been recorded in the depreciation. The increase in the financial charges from Rs. 11 crores to Rs. 17 crores was predominantly on account of higher raw material that we had in the current year and for this raw material we have to open a lot of LCs and the bank charges for increase in the finance cost is due to higher jobs carried during the year compared to last year. So, the corresponding bank charges have gone up and the higher utilization of the

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

working capital vis-à-vis the last year. These are the three main reasons for increase in the finance charges.

In terms of tax expense, we are lower due the settlement of the prior year income tax and close to around Rs. 3.5 crores, Rs. 3.23 crores has been recorded as the provision reversal where the assessments are closed that is the reason the tax expense has been reduced in the current year and this effectively also explained and included in the note to the financial statement. That is in terms of P&L account.

Just to give you an overview of in terms of balance sheet where we are, I will take you through the liabilities side first. There is increase in the long-term provisions in the current year because of the higher employees that we have and the additional dismantling cost as I have said, due to the change in the account provisions that has been made. That is the reason there is an increase in our long-term provision. Other long-term liabilities has gone up by Rs. 3 crores because of the increase in the retention money that is payable to our builder.

Borrowings remained more or less flat in terms of where we were in terms of last year Rs. 54 crores versus Rs. 55 crores, trade payable has gone up again due to the increase in the raw material procurement. As you see the inventory is higher the corresponding trade payable is also higher.

In terms of other current liabilities predominantly considering various provision made in terms of provision for erection and provision for subcontractors and job worker that is the reason there is an other liabilities increased.

Yes, we have done well in terms of trade receivables that has dropped from 140 to 97 this is due to the higher collection that we have had which was stuck in the last year, there is a substantial reduction in terms of trade receivable. We are able to maintain current investments whatever we have the money in the Mutual Funds at the same level. The short-term loans and

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

advances predominantly due to advance for the raw material that we have given.

So, these are the main highlights in terms of the balance sheet. I connect the call to the moderator for any questions that we have.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Vinay Menon from Centrum Group. Please go ahead.

Vinay Menon: Sir, can I get the volume numbers for the three businesses for Q4 and FY 2017?

Shrikant Bhakkad: In terms of tonnage Q4.

P. V. Rao: FY 2017.

Vinay Menon: Yes.

Shrikant Bhakkad: FY 2017 if you see tonnage wise 61,200 tonnes as against 50,000 tonnes last year.

Vinay Menon: Okay. And for our Solar business, sir?

Shrikant Bhakkad: Solar business it was 4,300 tonnes last year and this year it is 4,900 tonnes and we have civil and erection work also added to that that is why the revenue has increased by 30%. The tonnage is flattish but the revenue has increased by 30%.

Vinay Menon: Okay. And sir, for Engineering services?

Shrikant Bhakkad: Engineering services totally Rs. 10.04 crores from this year as against Rs. 5 crores in the previous year.

Vinay Menon: Okay, Rs. 10 crores this year, Rs. 5 crores previous year.

Shrikant Bhakkad: Previous year, Yes.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

P. V. Rao: The number of hours I want to tell you, last year we have done 44,660 hours, current year it is close to around 79,560 hours.

Vinay Menon: Okay, in hours. And sir, any outlook on the raw material cost for FY 2018?

P. V. Rao: Currently it is flattish as of now. So, we are not expecting any surprises in the time to come and last time it was September November and December three months raw materials have gone up by almost Rs. 8,000 to Rs. 9,000 per tonne. And we maintain this in inventory but still we have to take some hit because of the raw material, steep increase which we did not expect.

Vinay Menon: Okay. And sir any reasons other expenses being high in Q4.

P. V. Rao: Further expansion, you are talking about expansion?

Vinay Menon: No, other expenses being high, sir in Q4 any reason for that, sir?

Shrikant Bhakkad: Predominantly last year current year we have carried erection expenditure, erection expense, the erection revenue has also gone up, corresponding erection expense is sitting there, higher provisioning for debtors is another thing which is reflecting in other expenses.

Vinay Menon: And last question sir, any reason for inventory days rising

Shrikant Bhakkad: Inventory that is why I told you we had to procure a lot raw material to almost 20,000 tonnes to 22,000 tonnes we have procured raw material, just to safeguard against this steep increase in the raw material prices suddenly they increase in October, November and December and it was a terrible increase by these raw material price. So, we have to keep raw material at least sufficient for at least three months to four months primarily we generally keep only for two months. So, we have to keep for additional two months.

Moderator: Thank you. Next question is from the line of Lokesh Mane**,** he is an Individual Investor. Please go ahead.

Lokesh Mane: My question was regarding more on the raw material cost, we had discussed a few years back in terms of you mentioning that you have the ability to pass it

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

on to your customers and the genuine policy that you follow is you book your raw material at the time of the receiving the order. So, why are we facing such huge variation in terms of…

P. V. Rao: Normally, what happens is that we have normally an increase is of Rs. 1,000 to Rs. 1,500 or Rs. 2,000, normal fluctuations are there**.** But because of the Coking Coal shortage in Australia there is sudden increase of Rs. 8,000 to Rs. 9,000. So, when there is the contracts initially what we do is that we take a contract for example and some of the raw material we book against that contract and we did not anticipate that it will be such an increase of Rs. 8,000 per tonne to Rs. 9,000 per tonne. Though we maintained almost four months' inventory, we have to take this hit because everything cannot be passed on to the customers. Some contracts where there is a delay, there is s delay from the customer in approving the drawings, there is delay from the customer in terms of paying advance, there is delay from the customers that type of cases we can pass on to the customers otherwise these are fixed price contracts and we have to book the raw material, we book the raw material normally in a bigger jobs sizeable jobs, we book by paying advance amount and then opening the LCs. But it is on a month-on-month basis we have to buy raw material, so we have to take some hit even though we had maintained some inventory.

Lokesh Mane: And what would be the spike in raw material in terms of percentage…

P. V. Rao: Only cyclical during rainy season and all it will be flattish normally, that has been traditional, it will be same. In the last three years if you see the raw materials till last year October, it is almost flattish, the difference of only Rs. 1,000 per tonne to Rs. 2,000 per tonne because of sudden increase in the Coking Coal price which is unexpected which the mills also did not anticipate all the downstream people have to face this actually.

Lokesh Mane: Okay. And sir, another question was on the minimum import price on certain products, in which most of some of our suppliers in terms of JSW Steel are beneficiary. Does that also increase have an impact on the increase in the raw material prices just to get some traction?

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

P. V. Rao: There are two things, one is there is a resolution by the Indian government that the minimum import prices there that will continue. The next was Safeguard Duty, Anti-Dumping Duty that are still continuing but because of that the import prices are still higher than the local raw material prices.

Lokesh Mane: Okay. And they have not come down due to the recent currency**.**

P. V. Rao: If you look at the statistics import from China have come down considerably mainly the plates and all flat products. And if you look at the National Steel Policy recently released by the Union Government that will be mostly supporting the local manufacturers Steel manufacturers.

Lokesh Mane: Would we be beneficiary of that?

P. V. Rao: It will be beneficial to the local Steel mills I must say. Imports will definitely be expensive.

Lokesh Mane: For us?

P. V. Rao: For us, Yes.

Moderator: Thank you. Next question is from the line of Vikram Suryavanshi. Please go ahead.

Vikram Suryavanshi: Sir, this provision of Rs. 3 crores how much was in this quarter out of this Rs. 3 crores?

Shrikant Bhakkad: Totally around Rs. 2.7 crores were in this quarter.

Vikram Suryavanshi: Okay. And can you tell us more about the competitive scenario in this segment now and what kind of opportunities do we see post GST particularly for PEB and opportunities in Solar also.

P. V. Rao: See, as far as Pre-Engineered Buildings segment is concerned it is a little flattish I would say. But one segment which we are considering very high potentially is Structural Steel and High-Rise Buildings these two significantly gone up, the quota activity almost gone up by 35% to 40% quota has gone up

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

both in High-Rise Buildings as well as in Structural Steel also. So, these fertilizer companies after this Modi government has come, they are reviving the old fertilizer companies. There are many fertilizer companies because of the shortage of urea they are reviving them. So, there is a huge demand for Structural Steel in all over India. So, as far as we are concerned, we almost got 12,000 tonnes of last month itself 12,000 tonnes of Structural Steel orders. The other segment I was telling you about the High-Rise. High-Rise Buildings in Hyderabad we are currently executing six building in Hyderabad. One is a 20 floors building which is meant for Genpact. The others are residential buildings and one more is a commercial building. So, the acceptability among consultants and architects is growing in High-Rise Buildings, so I am expecting a very high potential in the coming years also High-Rise Buildings. And then in Engineering services as I told you we have doubled the revenues in Engineering services compared to the previous year and the same scenario will also happen in this year also because we are opening an office in Houston in Texas and we want to have a front-end office and front end sales team. So, we are gearing up, so whatever Engineering services as far as whatever Engineering services is concerned, we opened an office in Vizag also. So, we are very bullish on Engineering services the EBITDA is almost 45% .

Moderator: Thank you. We take the next question from the line of Vishwesh Mehta from Birla Sunlife. Please go ahead.

Vishwesh Mehta: Sir, I may have missed the earlier part. Just wanted to get a proper understanding on why has generally quarter four seems to be the best quarter for us, why has the margin collapsed so much and is it one off or do you see that kind of pressure going ahead as well.

P. V. Rao: I will explain to you, there are two reasons in that. One reason is that the Q4 versus Q4 if you compare the EBITDA in the Q4 last year was 20%; the reason predominately was we have a very high margin almost 32% to 33% contribution jobs in this while that quarter which are very rare. Normally, our contribution levels are 20% to 22% in PEB industry normally. So, because that is one reason. Second reason is that the raw material prices have short up

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

like anything almost Rs. 8,000 per tonne to Rs. 9,000 per tonne the raw material prices has increased in November - December and January because of the shortage of Coking Coal in Australia. So, that has hit most of the downstream people, these are the two reasons.

Vishwesh Mehta: But my understanding was we generally have a fixed price contract and we end up getting the conversion margin and we generally do not take the commodity. So, I alter my thinking in terms that there would be some commodity based fluctuation that you may entail having in your P&L?

Aditya Rao: This is Aditya. We are covering our raw material risk to the greatest extended possible. But the degree of rise as Mr. P. V. Rao said if it is Rs. 1,000 - Rs. 2,000 rise a 4% - 5% rise in raw material price we are well geared up to take care of that. But the fundamental risk in this industry is sudden massive volatility in steel prices because the only response we have to increase our working capital and buy inventory for our entire order book. And we did that if you look at our inventory we are sitting on Rs. 207 crores right now which has prevented us from not taking a huge hit. But in a market where your raw material prices are going up by 30% - 40% over a period of a quarter or a quarter and half, it is very difficult for us to cover the entirety of raw material as I think I said I mean the fundamental risk it is sudden rapid rise. So, Rs. 1,000 - Rs. 2,000 but more than there will be an impact and this is an even that is not very common, it happens the last time this happened was back in 2008 and if you see what happened in October, November, December, it is not representative of it anything that were happening in our history in our seven-year history. So, in terms of your assumptions the one thing we should take into account is for the most part we are well covered we are well hedged raw material prices which do not affect our margins powerfully. But we very powerful rises if you can look at what some of our competitors and other adjacent companies have gone through a very rapid rise in raw material is almost impossible to address completely. We did our best but a little bit has to be left uncovered even our ability to source working capital is limited and we took it as high you are comfortable with we took it Rs. 207 crores inventory and the remaining we have to swallow which is the reason for the

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

decline in margins in fourth quarter but this is a one-off I would like to stress that.

Vishwesh Mehta: Great. That is very helpful on the quarter part. Since, Aditya you are also there on the call, would you like to share what would be the guidance for the year ahead in sense of what sort of normalize margin should we work with because as I know the business wise there are a lot of volatility because of the metal prices as well. But as an industry are we seeing there is a compression in terms of margins given to the PEBS players, is that also happening or no that is not happening?

P. V. Rao: I am P. V. Rao here, I will answer your question. We are company where we are entirely not depending on one product like PEB. We have diversified into Solar, we are diversified into Engineering services, Structural Steel, Transmission Towers, so about six or seven products what we have in addition to PEB. So, because we have up and downs in PEB we have successfully diversified it. And as far as the market is concerned it is growing definitely but not to the extent PEB market we expected. But in other segments it is very significant growth Structural Steel, High-Rise Buildings and Engineering services there is a significant growth definitely. But if you look at the overall blend, I would say that with this blend we can expect steady state about 11% to 12% EBITDA and what we are trying to do is that we are trying to increase the quantum of EBITDA by getting into diversified product that we have. We are also thinking because the Engineering services is highly is profitable to us we are thinking of having a front end office, so that trying to take some sales people local Americans and trying to participate in METALCON Exhibition in this year we are going to have a stall also in Las Vegas this year October. So, thereby we want to capture the local Structural Steel market also because back end there is no issue we can use the man power here. So, the front end is a main issue that is why we are now concentrating on that. So, with this blend I would say 11% to 12% is doable in this type of industry.

Moderator: Thank you. Next question is from the line of Prem Thakkar from Unilazer Ventures. Please go ahead.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

Prem Thakkar: Just a couple of book keeping question, I think I missed on the order book and order inflow for FY 2017 can you please help me with that?

P. V. Rao: P. V. Rao here I will explain to you. The order is around Rs. 372 crores as on 31st March but it increased in the last month April we booked considerable jobs of Structural Steel from JSW Steel and JSW Paint. So, now the current order book if you look at as of today it looks at around Rs. 410 crores it is there.

Prem Thakkar: Okay. And how much was the order inflow for the full year?

P. V. Rao: For the full year?

Prem Thakkar: Yes, order inflow.

P. V. Rao: Full we booked last year about Rs. 625 crores.

Prem Thakkar: Rs. 625 crores and how much was in the last month? So, in last month this could be around Rs. 38 crores in April?

P. V. Rao: Rs. 110 crores we booked last month.

Prem Thakkar: So, looking at this then how much can we expect for next year?

Shrikant Bhakkad: We would not be providing guidance.

P. V. Rao: Definitely it is good growth and double-digit growth.

Prem Thakkar: Because see, I understand that. because in our conversation we have this revenue impact due to steel prices also then you are saying that the core PEB business you are not expecting it that much to grow but structural steel is expected to do well. So, just want to understand from there what part of our mix the core PEB business what is the new Structural Steel business.

P. V. Rao: Roughly around 60% to 62% we are in core PEB business.

Prem Thakkar: Okay. And you are saying that business will not be growing?

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

P. V. Rao: No, it is there, it is growing but not to the extent what we expected actually because growing roughly around the market is growing around 10% - 12% like. But in Structural Steel and High-Rise it is almost growing at 30% - 40%.

Prem Thakkar: Okay. And how much is the structural steel as a percentage of our whole business?

P. V. Rao: Structural Steel currently we are doing around 14%. This year we are expecting to cross around 20% this year.

Prem Thakkar: Okay. So, just want to understand the entire mix, 60% is the core PEB; 14% is Structural Steel and the rest should be from the Solar?

P. V. Rao: High-Rise Building is there and Solar about 15% and then the High-Rise Buildings are there to about 10% and then the Engineering services. This year the mix has been changed because we are getting sizeable orders in Structural Steel it may go up to even 25% also. Anyways, both are fabrication there is no difference. In Structural Steel the designs are done by somebody else. Whereas the PEB design is done by us that is the only difference that is all both are buildings only.

Prem Thakkar: Okay, got it. And just a bit more clarity on the raw material but I know you have given a lot of explanation on that. But you were saying that you already have a lot of inventory on your book. But do you still think there will be some more hit in the next quarter or we are done for that?

P. V. Rao: It is the most difficult question to answer actually. We normally give/inform what we get inputs are front raw material mills only. As of today, they are saying that it will be flattish, it may not increase that is what they are saying and even the Coking Coal supply also has been regularized I believe. So, I am not expecting any increase in raw material price in the near future I guess.

Prem Thakkar: Yes, so assuming there is no further volatility in the raw material price you are saying that there should be no further hit.

P. V. Rao: Exactly.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

Aditya Rao: From a margin point of view, I think operating margin contribution you can continue to assume it will be in the 20% - 22% range. We only providing guidance but if you look at the way we have our own internal budges as Mr. P. V. Rao said our goal will be to scale revenue further keeping our margins intact and with kickers like Engineering services and others providing a margin boost that will continue to be the model. We have been through a process of very high raw material price increase, so correspondingly that has impacted margins in the third quarter and fourth quarters. Q1 onwards I think you will definitely not see a large impact. We do not expect as Mr. P. V. Rao said there will be a large impact. On revenue growth and margin retention we are very confident you should not expect to see raw material write-down again, in the next few quarters, we do not see that right now. But that change obviously we will come to you at that time.

Prem Thakkar: Just last thing on these revenue Aditya again you know Q4 is traditionally a very-very strong quarter but if we compare it with the growth rate, in the nine months we had around 14% - 15% of growth but Q4 was about 9%. So, we just want to get a bit more understanding on this part.

Aditya Rao: From a revenue growth per say last year to this year point of view, Q4 last year was a little bit of a aberration in terms of us having got a lot of high margin and also obviously orders which we are able to scale very quickly. That is not to say that our Q4 we would not see continual growth, we continue to expect that but if you were to remove that one quarter, Q4 last year out I think our growth path has been reasonably steady and this is the first year in which we have a decrease in EBITDA and decrease in profitability in our history. Every year we have scaled always scale revenue EBITDA and profitability, this year we have scaled revenue but because of the raw material impact as we keep as we have told you before also there has been impact on profitability. But this has to be seen in light of our fourth quarter last year having done very-very well where our EBITDA actually shot up in the fourth quarter to 20%. Sustainably like Mr. P. V. Rao said 12% you can expect and from a scale point of view with Baroda plant up and the new initiatives which we have outlined in High-Rise and Solar and others

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

driving revenue growth, we are quite confident that you should I think we can go ahead and say Q1 revenue growth will be double-digit.

P. V. Rao: Will definitely be. Absolutely.

Aditya Rao: We are certain we are going to have, continue to have double-digit growth the fourth quarter I suppose we are asking you to take it in perspective of last year's fourth quarter being the best quarter we have ever had and from a revenue point of view we have scaled but the margins we are just a lot higher.

Prem Thakkar: Okay, got it. And debtor days finally, we have got it down to I think reasonably 70 days, so we expect this to stay around these levels only?

P. V. Rao: Yes, we expect that, Yes.

Moderator: Thank you. We take the next question from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

Nitin Gandhi: Sir, almost 10% of your IPO proceeds and may be almost 90% of your general financing and procurement of infrastructure is pending. Can you explain that and may be is that something which could be another growth driver or you have certain plans?

Shrikant Bhakkad: Yes, out of the total IPO proceeds that we have close to around Rs. 55 crores, Rs. 34 crores was intended for the working capital purposes which has been deployed.

Nitin Gandhi: It was probably infrastructure part where the Rs. 8 crores was there.

Shrikant Bhakkad: Yes, in terms of Rs. 8 crores, for Engineering services last year we have deployed approximately Rs. 2 crores for the expansion in the software licenses, furniture, office fixture and in Vizag office and in Hyderabad the expansion which has been taken place**.** The amount that is unspent will be utilized for the U.S. office and the infrastructure once there is an increase in the man power. And the Engineering services we have planned to double this year to the next year and the budgets and the plans have been made out how

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

we would utilize this money and this will help us given the contribution and the EBITDA higher. Software licenses and the computers and the office space that we will use. So, the balance amount would be utilized there.

Nitin Gandhi: This will be spent in this first-half?

Shrikant Bhakkad: Yes, most of would get spent in the first-half and whatever the balance remaining would get absorbed in the second-half.

Nitin Gandhi: Can you share on nature of other income and sustainability there?

Aditya Rao: Nature of the other income predominately the amount that is coming is from the amount that we have deposits in the Mutual Funds and the fixed deposit that is there and in terms of the deposits that we have given to certain corporates and other things was included there, this is very small part of the overall consumption and there are certain write-back that we have done close to around Rs. 1.2 crores wherein the provisions is no longer required who are written-back.

Nitin Gandhi: So, the sustainable other income will be somewhere around Rs. 2 crores - Rs. 2.5 crores only?

Shrikant Bhakkad: Yes, you can take, may be little higher only.

Moderator: Thank you. We take the next question from the line of Vinay Menon from Centrum Group. Please go ahead.

Vinay Menon: Can I just get the revenue for the solar business for FY 2016 and FY 2017?

Shrikant Bhakkad: Rs. 55 crores this year as against Rs. 42 crores last year.

Vinay Menon: Rs. 42 crores. And sir, can I get Q4 sales volume for the overall business?

Shrikant Bhakkad: Q4 sales volume for the overall business 17,500 tonnes versus 14,300 tonnes.

Vinay Menon: And Q3?

P. V. Rao: Roughly around 14,500 - 15,000 roughly.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

Vinay Menon: Okay, 14,500.

P. V. Rao: Yes, roughly.

Vinay Menon: Okay. And Solar just to clarify Rs. 42 crores for FY 2016 and Rs. 55 crores for FY 2017?

P. V. Rao: Yes.

Moderator: Thank you. We take the next question from the line of Amit Shah from Motilal Oswal Securities. Please go ahead.

Amit Shah: Just wanted to understand on the inventory side, you mentioned that almost Rs. 200 crores of inventory has been piled up to mitigate the steel price rise which had happened in the month of October, November, December. Sir, going ahead how do we see the inventory position panning out, if you can just help us understand that?

P. V. Rao: We had an abnormal situation where the raw material prices have shot up to the tune of almost Rs.8,000-Rs.9,000 per tonne. So, we had to approach in the raw material suppliers for higher tonnage delivery and then we have to maintain inventory because we thought that we cannot take that much heat that is why we have maintained lighter inventory. But in the coming time I think it will taper down, I do not think we are expecting any further steep increase in this financial year. So, we expect that the inventory should taper down in the time to come.

Amit Shah: Sir, so what would be the ideal situation for the inventory, mean do we keep an inventory of almost two months - three months, how do we…

P. V. Rao: Normally around two months to and half months normally, two months to two and half months.

Amit Shah: Two months to two and half months. And sir, on the CAPEX, if you can just provide some guidance for FY 2018 - FY 2019 what sort of CAPEX we are planning and in which areas?

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

P. V. Rao: CAPEX see, currently we are operating from Baroda on a leased premises, we expect to buy a land in Baroda to have our own Greenfield factory.

Amit Shah: Okay. Sir, what would be the CAPEX amount for this site.

P. V. Rao: Roughly around Rs. 30 crores but currently what we are looking at is that we buy the land and keep it. Currently we do not have issue with regards lease of that facility what we are taken from other company in Baroda there is an indication to us that we have to may be vacate because that property they want to use it for themselves or they want to sell, there is a time period anyway, the agreement is of eight months' time period notice they have to give and when they will give notice then we will construct our own plant.

Aditya Rao: Just to add on to that, the key rationale for CAPEX is increase of addressable market size to scale revenue and profitability, so accordingly Mr. P. V. Rao and team also headed a strategy session in the last month to identify various addressable market growth for us considering our core assets. So, there will be significant investments made over the course of this year in order to increase our capabilities not just capacity increase in Hyderabad and Baroda or purchase of new land for our own plant in Baroda which Mr. P. V. Rao spoken off but also to extent capabilities in terms of our software licenses, Hyderabad plant also. We are also entering into certain precast concentrate technologies combined with Steel technologies as well because we find that sector to be attractive. So, we will continue to make these investments. From a rupee value point of view, we do not have a number for you right now but we do have a reasonably aggressive CAPEX plans which will obviously be funded for more internal accruals in order to. As that inventory number 200 you see comes back down that throws up a lot of free cash for us to be able to deploy into the growth initiatives, so we can continue on our to scale revenue and profitability.

Amit Shah: Okay. Sir, by FY 2018 do we expect the inventory levels to come down to 2.5 months that you suggested?

Aditya Rao: Yes.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

Amit Shah: Okay. And sir, in terms of our revenue if you can just help me understand the bifurcation from the Solar, how much is the contribution from the Solar segment sir?

P. V. Rao: Contribution levels are around 8% - 10% in Solar.

Amit Shah: Sir, in terms of percentage contribution to the overall sales Solar.

P. V. Rao: That is what I am saying, yes.

Amit Shah: Okay. 22%-odd.

P. V. Rao: 10%.

Amit Shah: Okay, 10%.

Moderator: Thank you. Next question is from the line of Paras Adenwala from Capital Portfolio Advisors. Please go ahead.

Paras Adenwala: I am happy to know about your optimism for next year and I basically wanted to know which are the customer segments that help you gain this optimism I believe one would be solar and you also mentioned about Steel. So, which are the customer segments please.

P. V. Rao: Customer segments one is fertilizer plants is one manufacturing industry I would say. So, fertilizer plants is one area where we are expecting a lot of orders. Pharma is growing a lot, Pharma field we have received orders from Mylan, Hetero and Sun Pharma and so many other three - four companies also we received and warehousing we are expecting because of GST we are expecting warehousing to increase a lot because Amazon itself is constructing 14 fulfilment centers all over India. The first we have done in Hyderabad at Shamshabad Airport and I am expecting defense to raise because a lot of indigenous manufacturing people are planning to do to cut down expenditures and as I told you fertilizers is very prominent focus that is being given the Indian Government currently to see that they reduce the imports of urea and all. So, these are the segments where we are expecting. Solar of course is

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

increasing and then Pharma as I told you. Then engineering services has definitely, we are almost doubling every year so this year also we expect to double that.

Paras Adenwala: Talking about the fertilizer segment have you received any leads from them about their CAPEX plan?

P. V. Rao: We have got orders already from two fertilizers companies one is Chambal Fertilizers we have received already. Then we are expecting order from Coromandel Fertilizers, we almost signed the deal and we are expecting order.

Moderator: Thank you. Next question is from the line of Nitin Gandhi from KIFS Trade. Please go ahead.

Nitin Gandhi: Can you share gross margin for PEB, Solar, HR, SS separately.

P. V. Rao: Gross margins.

Nitin Gandhi: Segment wise.

P. V. Rao: Normally on average we get about 18% - 22% gross margin in Structural Steel and Solar and PEB but these margins are more in Engineering services to around 45% to 50%.

Nitin Gandhi: And Engineering as percentage of sales is how much?

P. V. Rao: Engineering services is Rs. 10 crores first on the turnover of Rs. 570.

Nitin Gandhi: Okay, sir. And you are likely to almost…

P. V. Rao: Yes, double it definitely in the current financial year.

Nitin Gandhi: Okay. So, most of the existing pipeline is 22% and Engineering which is a new segment which you added is only….

P. V. Rao: That is right.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

Moderator: Thank you. Next question is from the line of Victory Raju from Equity Analysis Pvt. Ltd. Please go ahead.

Victory Raju: I have two questions, one is with the government projecting Solar institutions to grow double every year for example from 4 gigawatts this year they are planning 10 gigawatt. What is the internal target for the Solar sectors growth in the company and where do you see the Solar sector share say three years down the line this is my first question.

Aditya Rao: Understand it correctly, you are looking at what do we expect from Solar revenue growth percentage over the next few I suppose operating periods and the first question what is our positioning in Solar. Was that your question?

Victory Raju: Yes.

Aditya Rao: Okay. From a quarter point of view, yes, obviously our solar growth is predicated on the market size growth, last year about 7 gigawatts is implemented in India, this year they are targeting 10 I think more than last year will get implemented and we are in a unique position in that while the prices for Solar power plant declined, our proportion as a percentage of Solar project MMS supplies and DC works which is what we provide design manufacture, erection of MMS and DC, that proportion is growing up it use to be 7 then it became 10 now it is 15 and 20. So, we are becoming an integral part and a major part of the CAPEX for Solar power plants. Increasingly, companies want to tie-up with larger companies which can extent MNRE credit. So, in this kind of market share situation we believe our addressable market in solar is going to continue to grow. So, with revenue of about Rs. 55 crores we still are very-very picky and choosy in terms of the kind of orders we take. I think we will not be giving guidance but I think, on behalf of the team I can definitely commit double-digit growth over the next few years is certainly something which we are going to price in and this will primarily be driven by the state and independent power plants. The save Solar policies in independent power plants.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

Victory Raju: Okay, thanks for that. Next question is what do you see, we see mixed feedback from the papers and news magazines about realistic sector growth. For example, recently we saw the trend map marked residential real estate through sales grew 50% or so. How are we positioned there and what we really see enquiries on the ground on residential real estate and our business prospects?

P. V. Rao: So, residential frankly speaking except one project where we are constructing six towers, residential towers in Hyderabad we are not into residential. Residential acceptability has to come in steel building as of now it is less actually. But we are more into commercial building in steel High-Rise Buildings. So, it will take time time for residential building in steel.

Moderator: Thank you. We take the next question from the line Vikram Suryavanshi. Please go ahead.

Vikram Suryavanshi: Sir, how much is the volume we are doing in Baroda facility on monthly basis now?

P. V. Rao: 800-1000 tonnes monthly.

Vikram Suryavanshi: Okay. And can you tell us more about this Hyderabad additionally facility we have taken in terms of what is capacity?

P. V. Rao: See, what is happening is that we need some more space in the plant to do painting and all because painting we are having some bottleneck so that is the reason and the other thing is fabrication, Structural Steel we result getting more orders in Structural Steel. So, we want more space for fabrication also that is why we thought that instead of investing CAPEX. There are some factories available in Hyderabad which are basically BHEL ancillary units, so because BHEL Hyderabad is not doing well so their sheds are idle so we have hired one of the big sheds over there and that is almost a 10,542 square meters building with an open area, so that is being used for fabrication as well as outside area paining also.

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182

Moderator: Thank you. Well, since, that was the last question. I now hand the floor over to Mr. Vikram Suryavanshi for his closing comments.

Vikram Suryavanshi: I thank the management for taking time out for interacting with the stakeholders and we wish you very good year ahead and thank you all for being on the call.

P. V. Rao: Thank you very much to the whole team, your team and all involved in this and it is pleasure talking to the investors and we keep doing good business and we aim for good results in the coming year.

Moderator: Thank you. Ladies and gentlemen, on behalf of Phillip Capital (India) Private Limited, that concludes this conference. Thank you for joining. You may now disconnect your lines.

(This document has been edited for readability)

Pennar Engineered Building Systems Ltd., 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084.
T: +91 40 4021 0525/ 26. F: +91 40 4018 6992. Investor Relations - cs@pebspennar.com.
CIN: L45400TG2008PLC057182