Tube Investments of India Limited

Investor Presentation
May 2019

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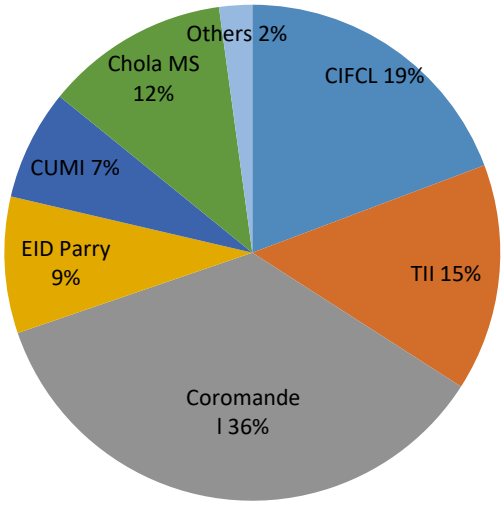
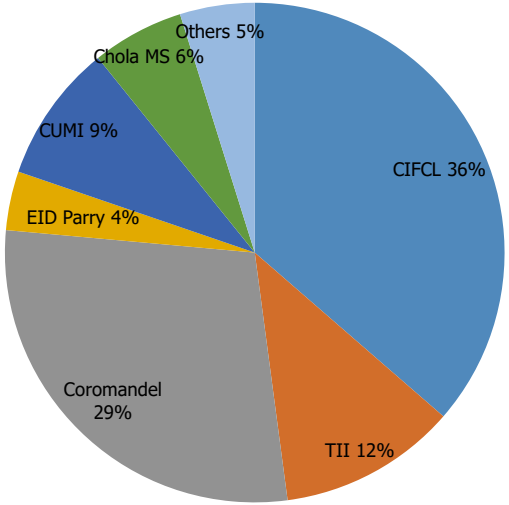
Murugappa Group and Philosophy

Net Sales FY 2018-19



EBITDA FY 2018-19



Company Name	Market Capitalisation	Description
Chola Enter a better life	INR 2,27,096 mn (USD$ 3,283mn)	Cholamandalam Investment and Finance Company Limited is a Non Banking Finance Company and one of the leading financial provider for vehicle finance, business finance, home loans stock broking & distribution of financial products
TI INDIA	INR 71,931mn (USD$ 1040mn)	Tube Investments of India Limited offers wide range of engineering products such as Steel Tubes, Chains, car door frames, etc. apart from Fitness equipment and Cycles
CFHL	INR 91,294 mn (USD$ 1,320 mn)	Cholamandalam Financial Holdings Limited holds investments in financial services business
Coromandel	INR 148,458 mn (USD$ 2,146 mn)	Coromandel International Limited is the leading phosphatic fertilizer company in India
PARRYS	INR 36,208 mn (USD$ 523 mn)	EID Parry (India) Limited offers wide range of agro products such as sugar, microalgal health supplements and bio products
CUMI	INR 77,619 mn (USD$ 1122 mn)	Carborandum Universal Limited is a pioneer in coated and bonded abrasives, super refractories, electro mineral and industrial ceramics. The Company currently has presence in Australia, South Africa, Russia, Canada and Middle East
Chola MS GENERAL INSURANCE	Unlisted	Cholamandalam MS General Insurance Company Limited is a JV of Murugappa Group with Mitsui Sumitomo Insurance Group of Japan

Note: Market data as on 29th Mar 2019. Source: NSE Sensex and Conversion Rate of 1USD = Rs.69.17 as on 29th Mar 2019 Source: RBI

PARRY AGRO · Parry Infra · PARRY ENTERPRISES · Morgan ThermalCeramics INDIA · KADAMANE · Coromandel Engineering · Ambadi · sedis · Shanthi Gears

The fundamental principle of economic activity is that no man you transact with will lose; then you shall not.

- Arthashastra

Corporate Overview

Manufacturing Businesses

- Engineering Segment (Tubes, Value Added Cold Rolled Strips, & Tubular Components)
- Cycles and Accessories (Bicycles & Fitness Products)
- Great Cycles (Private) Limited and Creative Cycles (Private) Limited are two Srilankan subsidiaries acquired to strengthen sourcing
- Metal Formed Products (Chains for Automobile sector & Industrial applications, Doorframe & Channels for Passenger Cars)
- Gears and Gears Products (Investment in Shanthi Gears Limited - Industrial Gears)
- 16 Manufacturing plants and Suppliers to all major automotive OEMs or Tier 2/3 Suppliers

Rs. Cr.

Key Financials - TII Standalone		
Particulars	17-18	18-19
Revenue from Operations (Net)	4,571	5,286
PBIT (Before Exceptional Item)	274	423
PBT (Before Exceptional Item)	218	371
PAT	136	244

Key Financials - TII Consolidated		
Particulars	17-18	18-19
Revenue from Operations (Net)	5,000	5,775
PBIT (Before Exceptional Item)	276	427
PBT (Before Exceptional Item)	217	375
PAT	156	251

TII (Standalone) Businesses

Engineering

ERW & CDW Tubes, Large Diameter Tubes, Value Added Cold Rolled Strips and Tubular Components

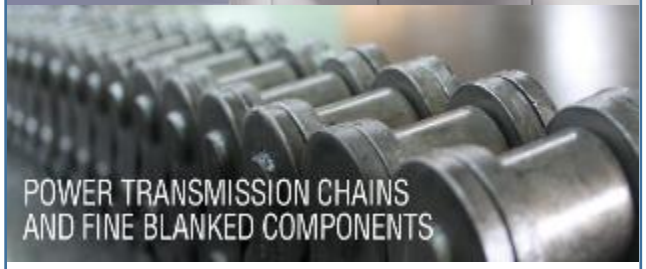
Largest Supplier of Precision Steel Tubes (CDW)

Cycles and Accessories

Bicycles, fitness products and accessories

Our Brands command a leadership position in India

Metal Formed Products



Chains for Automobile sector and Industrial applications, Doorframes and Channels for Passenger Cars

- Leader in Chains and Fine blanked components
- Preferred supplier for roll-formed door frames

Business Highlights 2018-19

Revenue grown by 16%

PBT before exceptional items at Rs.371 Cr., grown by 70%. PBT margin improved to 7.1% from 5.0%

ROCE stands at 21% as against 14% in the PY

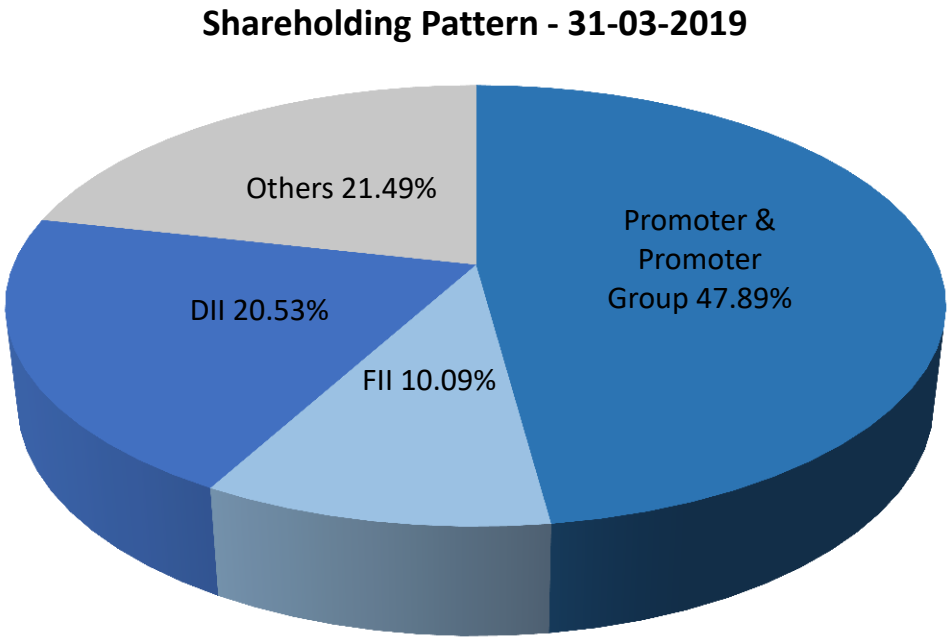
Free cash flow of Rs. 208 Cr.

- Net debt reduction by Rs.173 Cr., from Rs.660 Cr to Rs.487 Cr.
- Debt equity ratio has come down to 0.4 from 0.6 in the PY. Debt/EBITDA has come down to 1.0 from 2.0 in the PY
- Dividend from Shanthi Gears received for Rs.29 Cr., (Rs.5 per Share)
- TII has tendered the Shanthi Gears shares under the buy back offer of SGL and received the proceeds of Rs.45 Cr. in Apr-19
- New Businesses identified – TI Macho TMT Bars and Truck Body Building

Improvement Initiatives 2018-19

1. LOGISTICS COSTS OPTIMIZATION
2. SOURCING
3. HIGHER REALIZATION FOR SCRAP
4. REVENUE ENHANCEMENT
5. FINANCE RELATED COST OPTIMIZATION
6. FIXED COST OPTIMIZATION
7. QUALITY & PRODUCTIVITY IMPROVEMENT
8. WORKING CAPITAL IMPROVEMENT
9. CAPEX WITH FASTER RETURNS
10. PRUDENT INVESTMENTS
11. CHANGE IN PRODUCTION SYSTEM

TII Shareholding Pattern



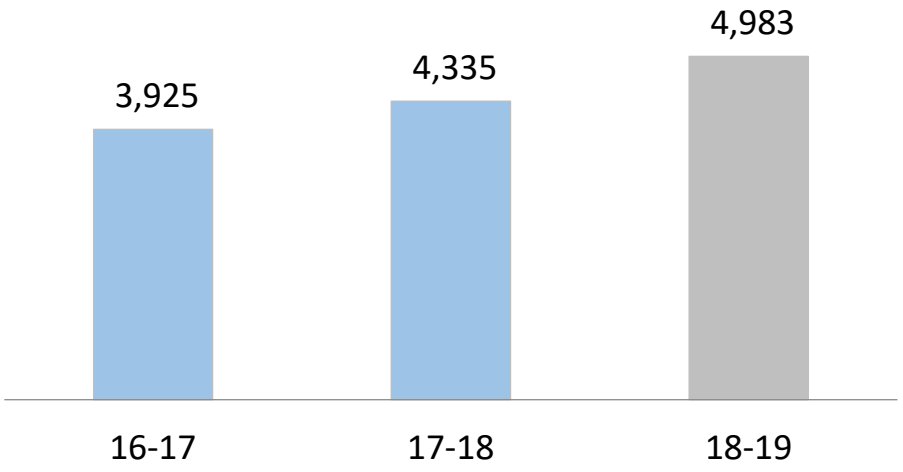
Key Financials 2018-19

Rs. Cr.

Particulars	Standalone		Consolidated	
	17-18	18-19	17-18	18-19
Net Sales	**4,335**	**4,983**	**4,760**	**5,464**
Growth %		*15%*		*15%*
EBITDA	**348**	**496**	**384**	**545**
% to Sales	*8%*	*10%*	*8%*	*10%*
PBIT Before Exceptional Item	**274**	**423**	**276**	**427**
% to Sales	*6%*	*8%*	*6%*	*8%*
Exceptional Items	-25	-9	-3	3
PBIT After Exceptional Item	**249**	**414**	**272**	**430**
% to Sales	*6%*	*8%*	*6%*	*8%*
PBT before exceptional items	**218**	**371**	**217**	**375**
PBT after exceptional items	**193**	**362**	**214**	**378**
% to Sales	*4%*	*7%*	*4%*	*7%*

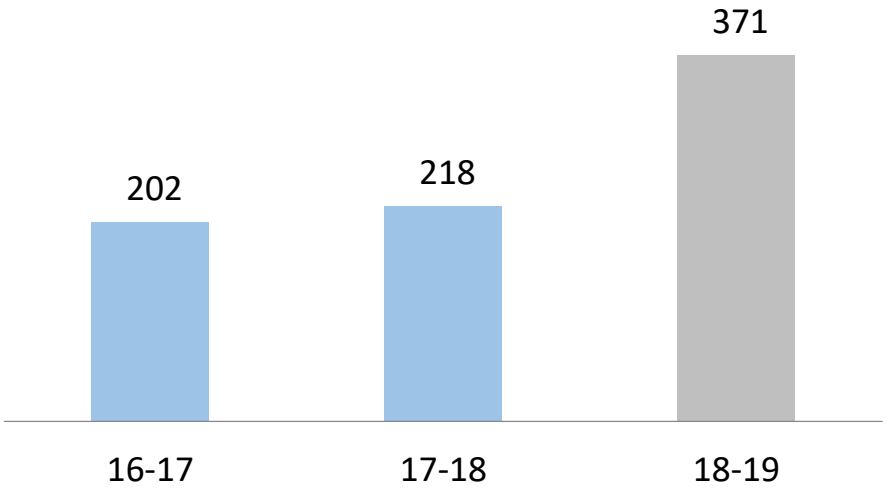
Performance Trends

Net Sales

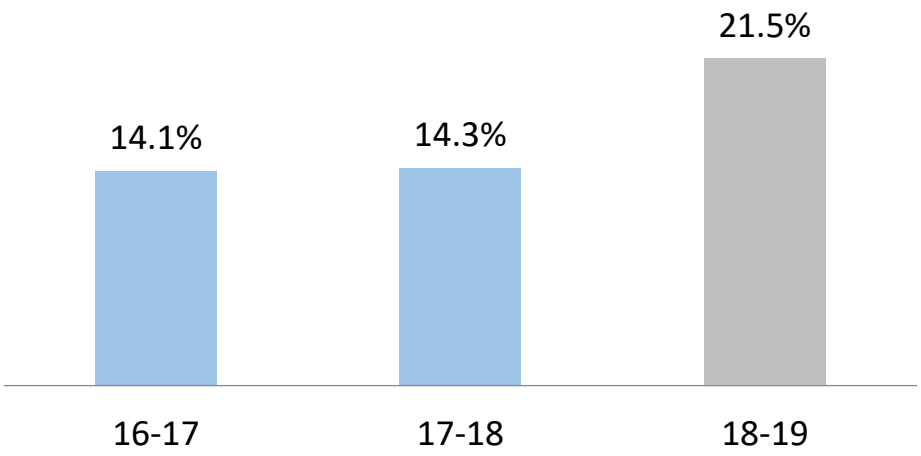


PBT (before exceptional)

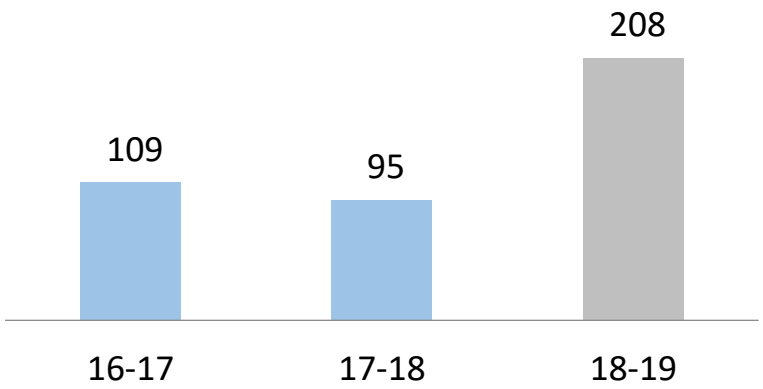
Rs. Cr.



ROCE

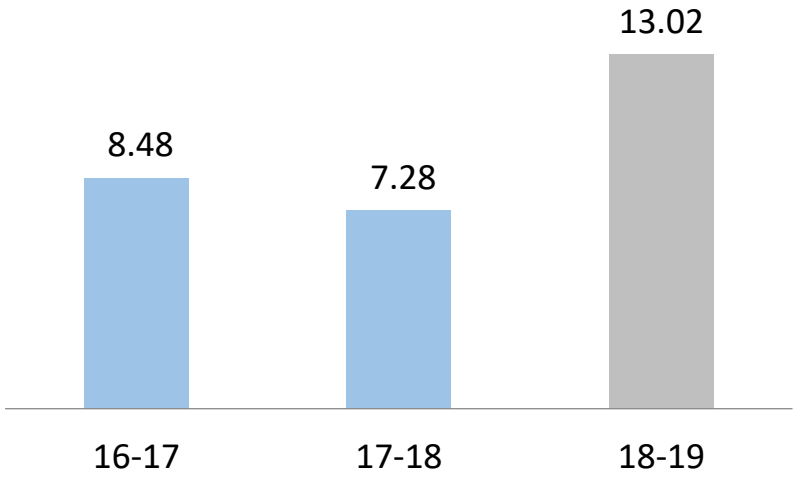


Free Cash Flow



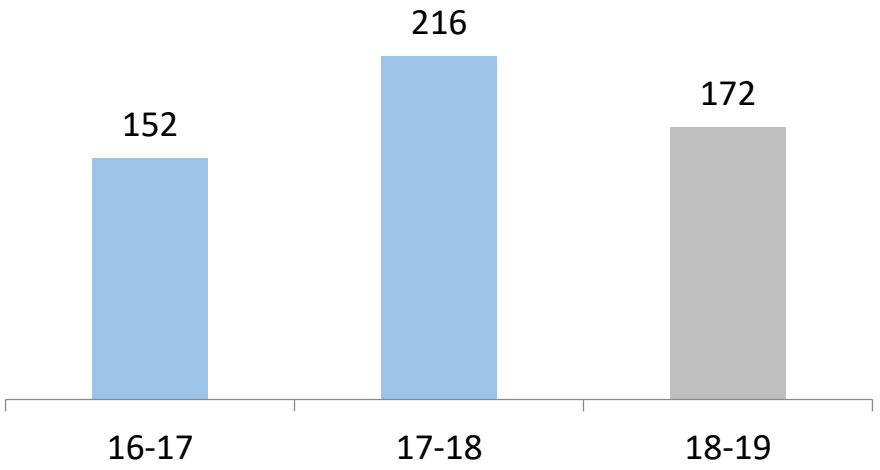
Performance Trends

Earnings Per Share - Basic (FV - Re.1)

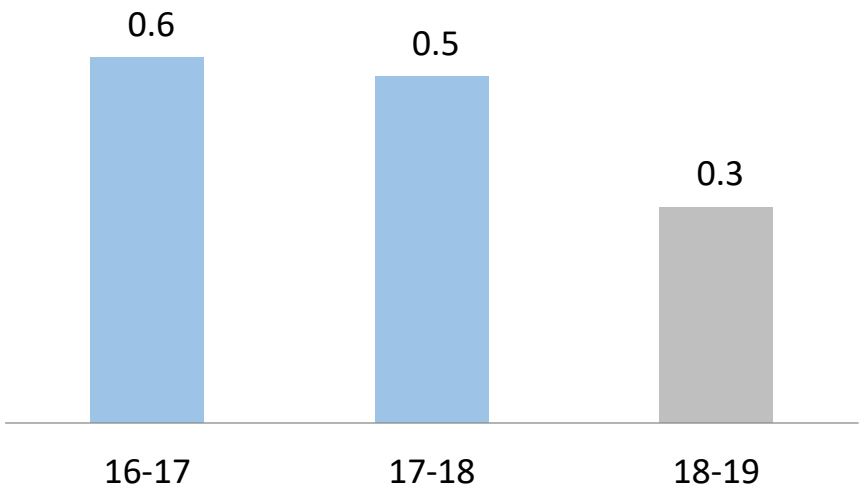


Capex

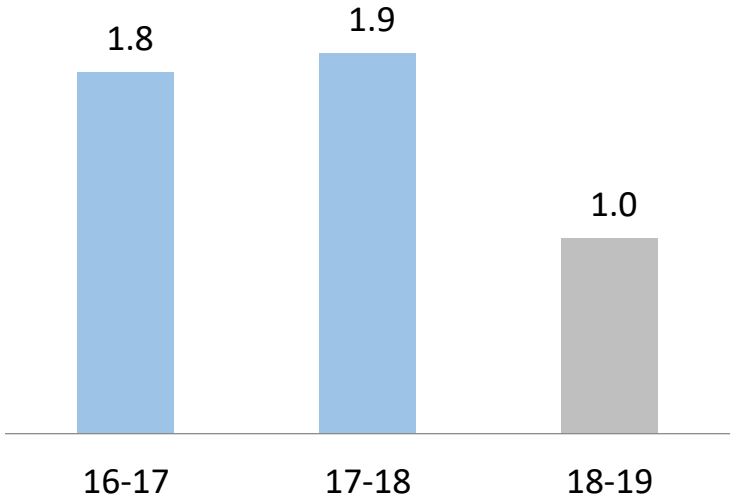
Rs. Cr.



Net Debt Equity

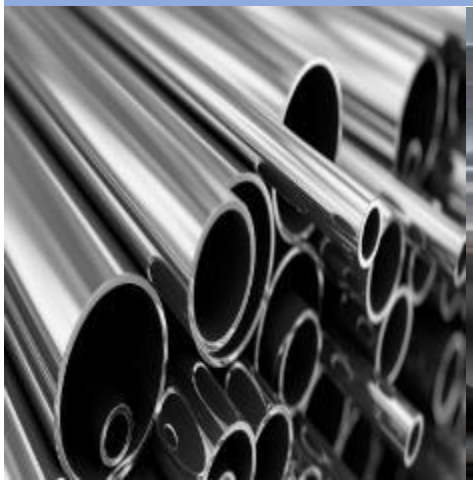


Net Debt/EBITDA



Businesses

Engineering



Cycles and Accessories

Metal Formed Products

Gears and Gear Products

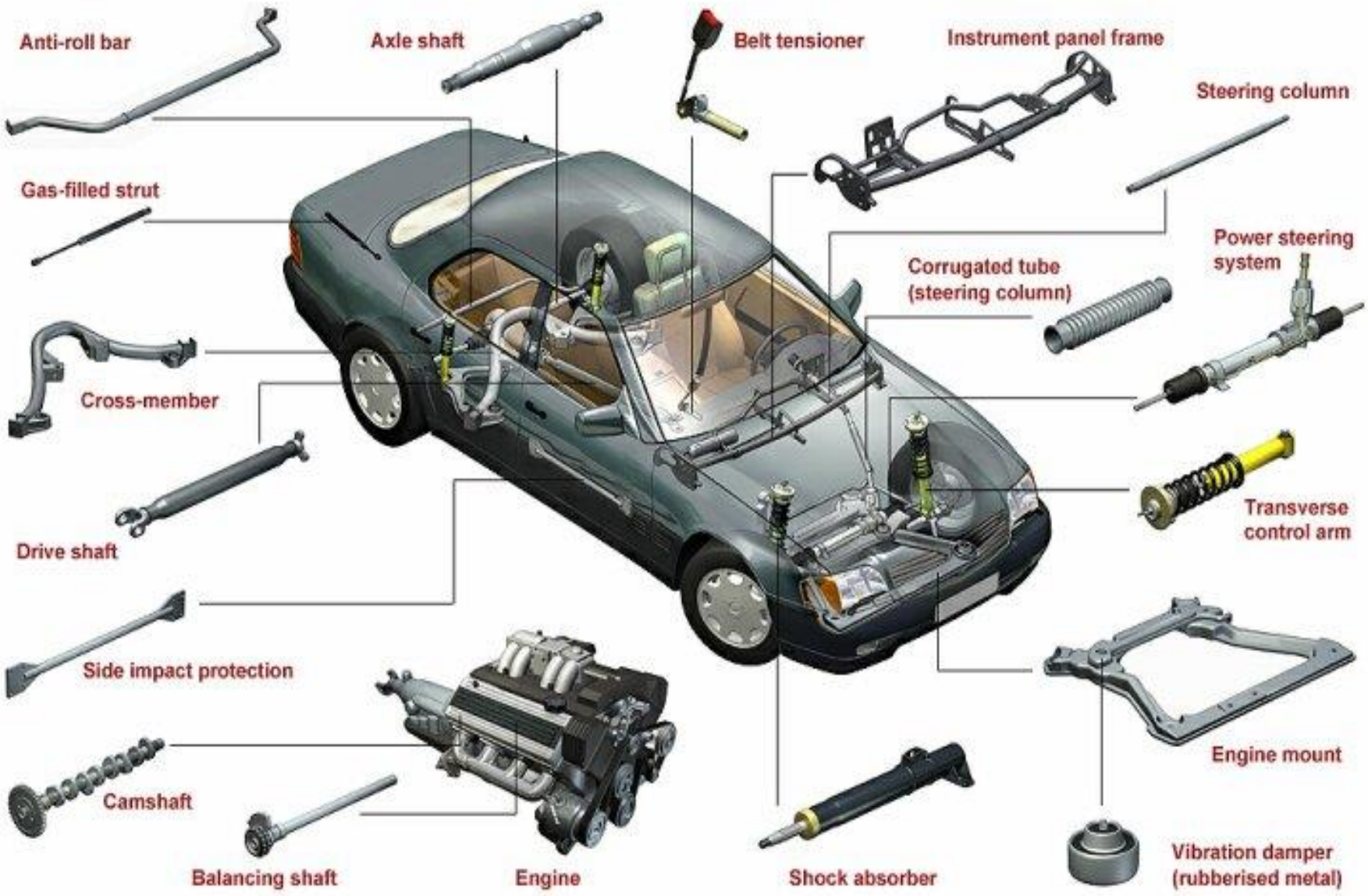
Engineering (Tubes and Strips)

Leader in CDW tubes for the Automotive industry

Two Wheeler Application

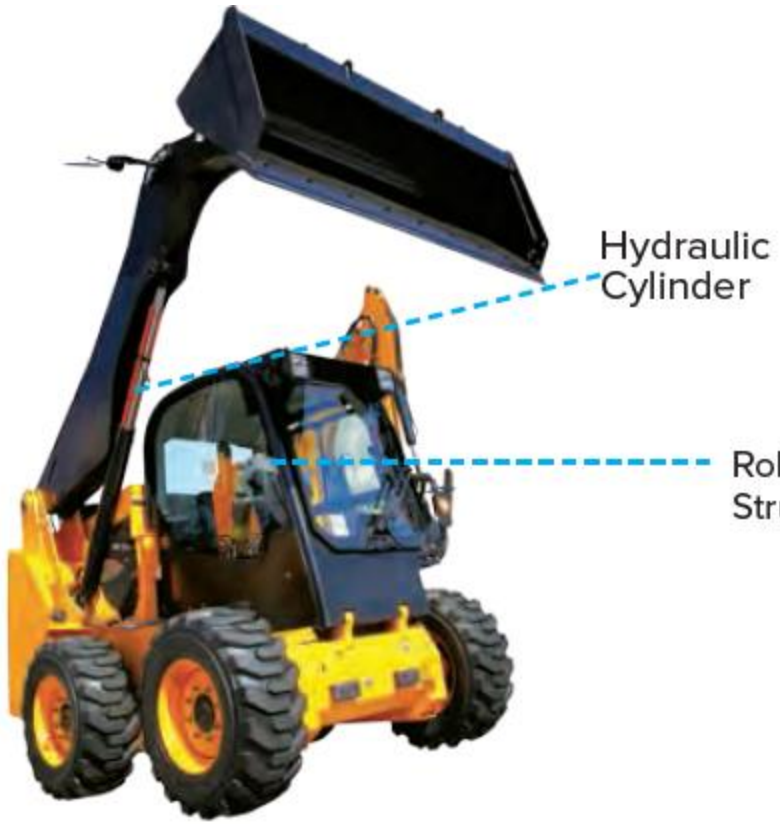
Two-Wheeler production in India has grown at 6% in 2018-19

Four Wheeler Application



Passenger Vehicle production in India remained flat in 2018-19

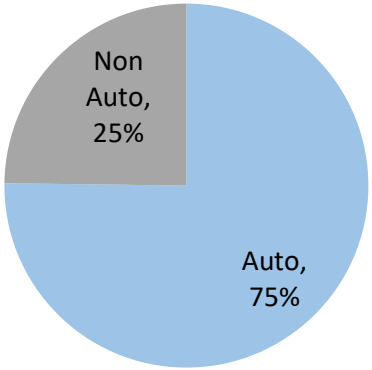
Off Road Vehicle Application



Business Drivers

- Precision Steel Tubes (CDW) largely used in Automobile applications of Two Wheelers/ Passenger Cars and Commercial Vehicles for applications like Front Forks, Side impact beams, steering columns etc.
- CDW tubes also used in Hydraulic Cylinders and Off-Road Vehicles
- Range and adherence to tolerance are the key factors
- Variety of products due to new models introduced by all auto makers
- Customer preference to Value added products
- Cost competitiveness through internal efficiencies

Business Mix 2018-19



Key Success Factors

CDW Tube	• Market leader in High Quality & Safety critical CDW Tubes for 2W and 4W applications
Multi Location	• Only manufacturer with plants at 5 different locations closer to customers
Gearing for Non-Auto	• Large-dia plant provides tubes for hydraulic cylinders, Off-Road applications, import substitution
CRSS	• Import substitution program is continuously on
Value Added Products	• Tubular components including Steering column, side impact beam etc.

Major OEM's Serviced

Awards and Recognitions

Strategic Global Supplier award from Showa

Best Supplier Quality Award from Gabriel India Ltd

Best Support in Volume Ramp Up RANE (Madras)

Awards and Recognitions

TII-TPI, Rajpura Unit has been awarded with the **2nd prize** under the category of **"Largest Reduction in Accident Frequency Rate in Light Engineering Industry for 1 Lac to 5 Lac Man hours"** in **"Punjab State Safety Awards"** ceremony which was held on **11th Mar'2019**.

The award was presented to the Rajpura team by the dignitaries from **Dept. of Labour, Punjab.**

Business Highlights 2018-19

- Highest ever Sales of Rs.2676 Cr, registering a growth of 26%
- Highest ever PBIT of Rs.254 Cr., registering a growth of 45%
- Large Diameter plant stabilized and turned profitable during the year
- Maintained market share in Tubular Front Forks (TFF) and CDW during the year
- Achieved improvement in all key financial parameters

Key Financials

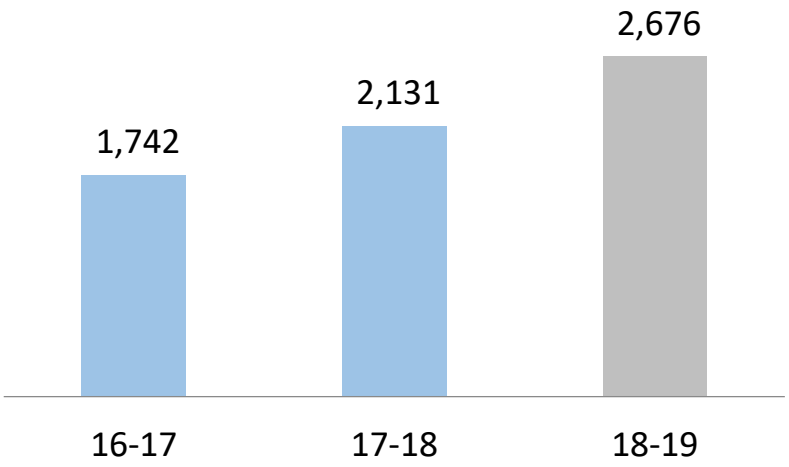
Rs. Cr

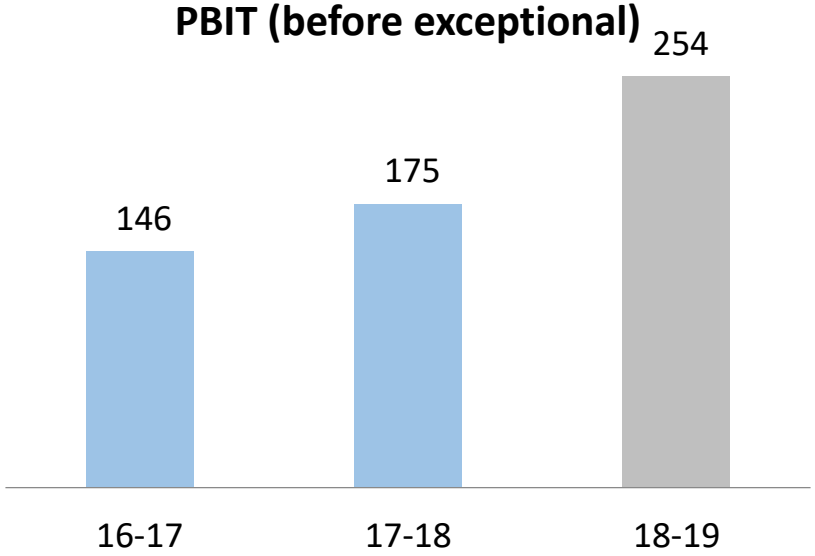
Particulars	17-18	18-19	Growth %
Net Sales	**2,131**	**2,676**	**26%**
EBITDA	**214**	**308**	**44%**
% to Net Sales	*10%*	*12%*	
PBIT	**175**	**254**	**45%**
% to Net Sales	*8%*	*9%*	

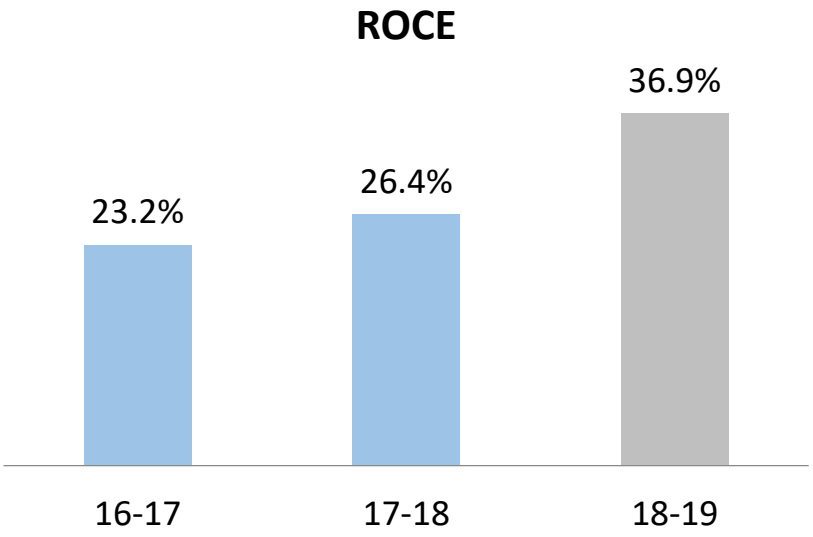
Particulars	31-03-2018	31-03-2019
Net Fixed Assets	526	530
Net Working Capital	138	157
Capital Employed	**664**	**687**
Capital Expenditure	**141**	**84**

Key Financial Trends

Rs. Cr.







Cycles and Accessories

Pioneers in Promoting Cycling… not just cycles

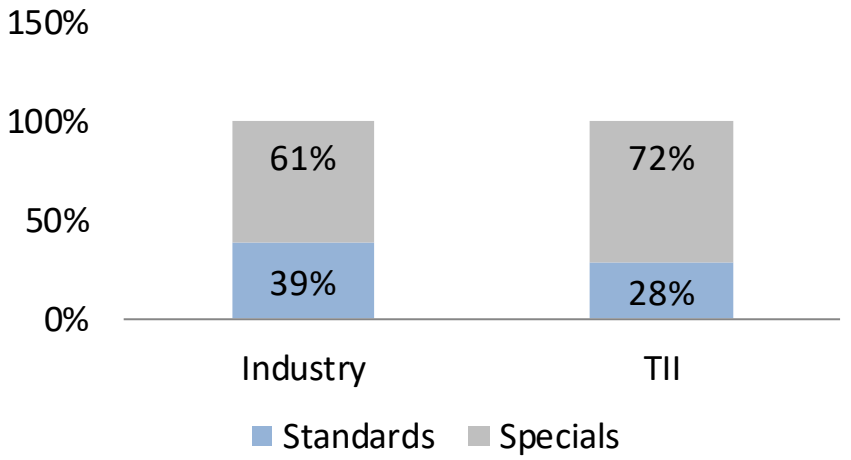
Industry

- **Standard**
  - In trade sales, the share of standard bicycles is coming down over the years
  - Government orders for standard cycles continue to flow with more welfare schemes

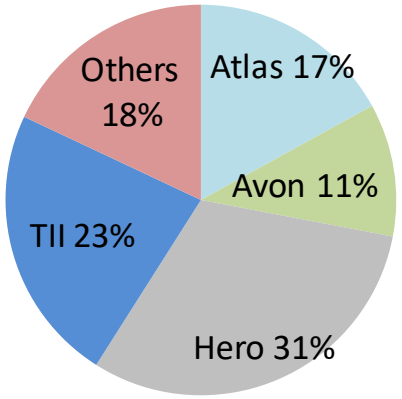
- **Specials**
  - In the specials market, growth is seen in Premium cycles, the overall market has seen a decline

- Trade market has grown overall only at 3%

Trade Sales

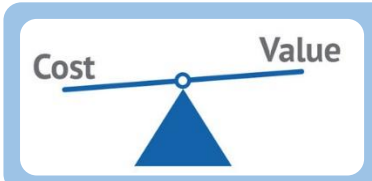


Trade - Market Share



Based on volumes of AICMA members (Source: AICMA Data)

Business Drivers



Cost competitiveness in Standard bicycles and mass specialty bicycles

Product differentiation, Branding and Service are key to success in premium bicycles

Rapid increase in internet penetration throwing up new channels and opportunities

Rising aspiration towards cycling in Urban India

Retail presence enhances customer connect and market share

Brand positioning key for pricing power

Our Brands

BSA LADYBIRD HERCULES ROADEO

montra MACH CITY TRACK & TRAIL CYCLES AND MORE

Key Success Factors

Brand equity

- A portfolio of strong brands – BSA, Ladybird, Hercules, Roadeo, Montra and Mach City – addresses all consumer segments

Premium Cycle Group (PCG)

- Roadeo and Montra are premium brands well received and seen exceptional growth
- Representing International brands like Cannondale, Bianchi, Schwinn, Ridley

Pioneer in Retail Formats

- Large dealer network across India with 10,000+ touch points
- Retail leadership through its exclusive format of Track and Trail
  - Track & Trail Urban new stores: 43
  - Total Track & Trail Stores: 239
  - Omni-channel presence through Track & Trail online portal and in-store

BSA
LADYBIRD
HERCULES
ROADEO
montra
MACH CITY

TRACK & TRAIL

Bianchi
cannondale
DAHON freedom unfolds
GT
mongoose
SCHWINN
RIDLEY

Key Success Factors

Promoting Cycling

- Digital campaigns for its major brands, BSA Ladybird, Hercules, Roadeo, Mach City and Montra
- Premium bicycles under licence from Disney and Marvel were launched
- Track and Trail Factory team participated in various cycling competitions

Multi Location Servicing

- TI Cycles has 2 manufacturing plants and additional Warehouses spread across the country
- State of art facility at Rajpura Plant with Capacity of around 3 Mn Cycles p.a.

Pioneer in New Product Development

- 88 new models and 23 product refreshes delivered

BSA HERCULES LADYBIRD ROADEO MACH CITY montra

Renewed Retail Experience – Track and Trail

Continuously expanding Track and Trail retail experience into more towns

Promoting Cycling

Track & Trail Factory Racing Team

Gran Fondos

Awards and Accolades

New products - Awards

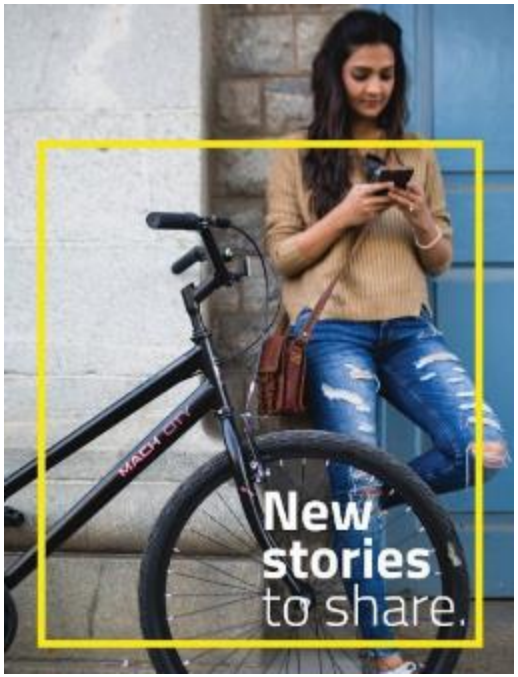
Hercules Assassin won the CII Design Excellence Award 2018 in Mobility Design : Two Wheelers Category given by CII competing among other major Brands in the Automotive/Transportation sectors.

Business Highlights

- Market share in overall Trade segment with 23% and with 28% in Specials segment
- Implemented Material Management System at Ambattur plan for better Storage & material handling, Streamlined Manufacturing
- New Rajpura plant is ramping up on volumes
- 43 New Track & Trail Stores opened in the year (Total 239 Stores)
- Fixed production plan is being implemented in Chennai / Rajpura plants for better throughput & effective Inventory management
- Building for the future

  Entry into E com channels through strategic tie up with Flipkart & Amazon

  Digitization Initiatives – Bizom, Tally implementation to penetrate secondary sales



Key Financials

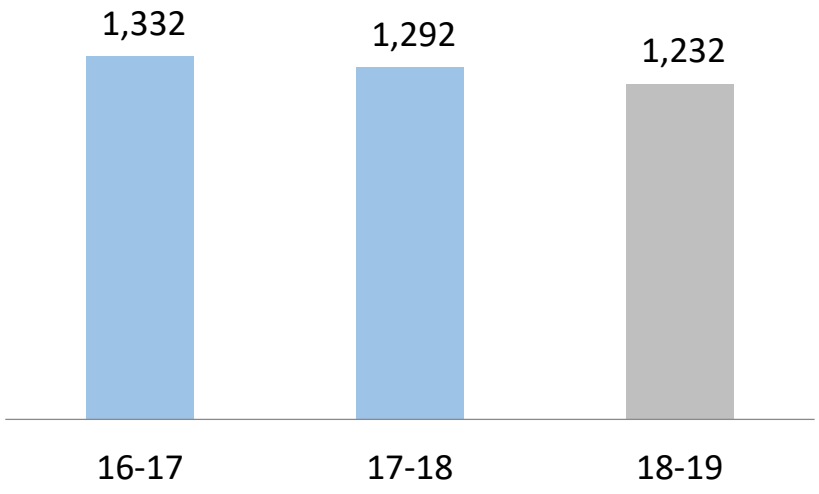
Rs. Cr

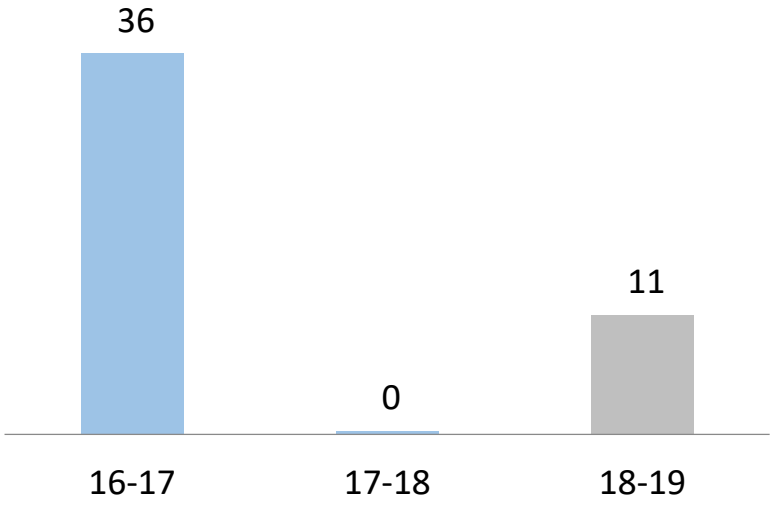
Particulars	17-18	18-19	Growth %
Net Sales	**1,292**	**1,232**	**-5%**
EBITDA	**12**	**25**	**111%**
% to Net Sales	*1%*	*2%*	
PBIT	**0**	**11**	
% to Net Sales	*0%*	*1%*	

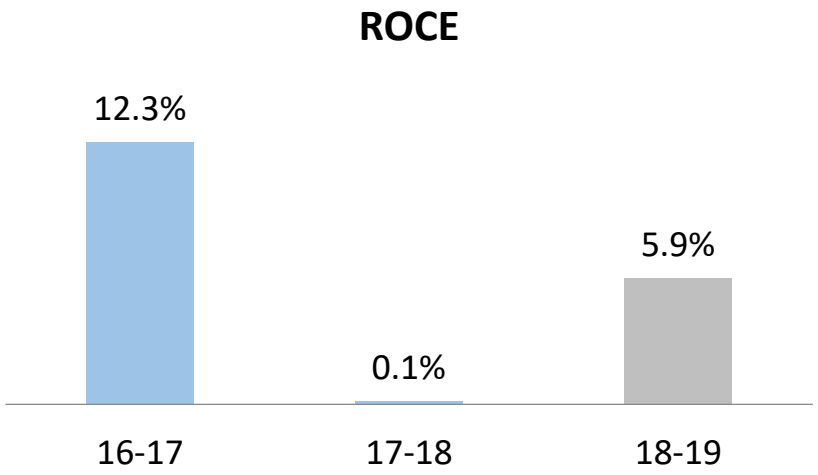
Particulars	31-03-2018	31-03-2019
Net Fixed Assets	143	134
Net Working Capital	90	56
Capital Employed	**233**	**190**
Capital Expenditure	**7**	**6**

Key Financial Trends

Rs. Cr.







Metal Formed Products (Chains, Doorframes and Fine Blanking)

Precision Value added Components

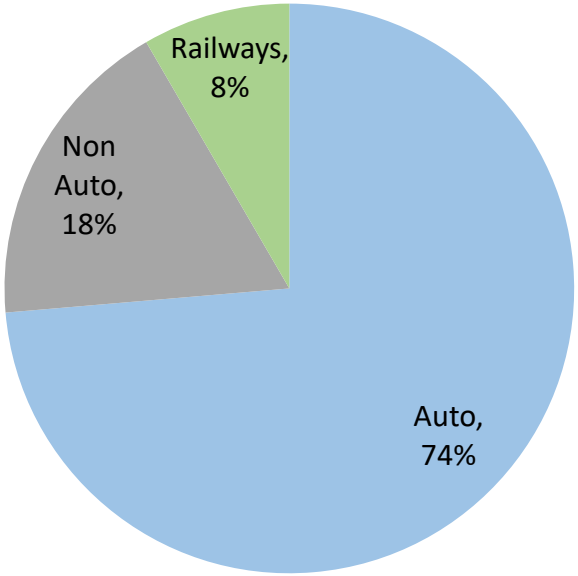
Product Profile

- **Metal formed products division cater to both automotive and non-automotive segments as below:**

- **Automotive:**
  - Two Wheeler drive chains, timing chains and Sprockets for Auto-OEMs and After Market
  - Fine Blanked parts and door frames for Passenger cars

- **Non-Automotive:**
  - Industrial Chains for the domestic market and exports
  - Railway sections for Passenger Coaches

Business Mix



Industry

Automotive Sector:

- Two-Wheeler production grown by 6%
  - Scooters : 0%
  - Motor Cycles : 9%
- Passenger Vehicles production growth also remained flat but Commercial Vehicles registered a growth of 24%

Non-Automotive Sector:

- Non-Automotive segment is driven by GDP growth and Industrial Production trend
- New Product development, Application Engineering and Import Substitution drive growth

Business Drivers

Auto OEM, Fine Blanked Products , Industrial Chains and Roll Formed Products

- Adequate Capacity
- Good push in the service
- Quality, Consistency and reliability
- Cost Competitiveness
- Factories located closer to customer locations
- New Product Development and Application Engineering and Import Substitution Capability

Auto Aftermarket

- Leveraging brand presence
- Reach and Availability

Exports

- Distributors for Standard Roller Chains
- Price Competitiveness
- Business Development with OEMs for specific programs
- Growth is flat due to global recession

Auto Chains – Industry and Customers

Industry Segments	Two Wheeler Manufacturers (OEMs)
	Spare Parts Market – Auto Chains and Sprockets for Motor Cycles

Key Customers:

Hero

BAJAJ
Distinctly Ahead

TVS
TVS MOTOR COMPANY

HONDA

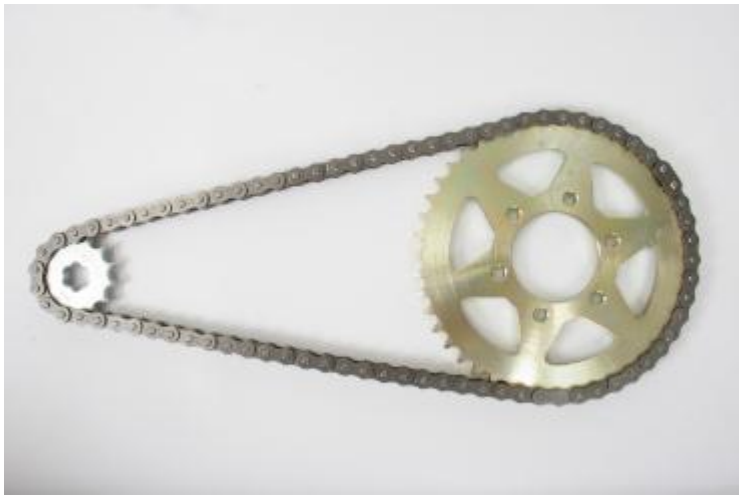
YAMAHA

SUZUKI

Auto Chain Products

Drive Chain

KIT

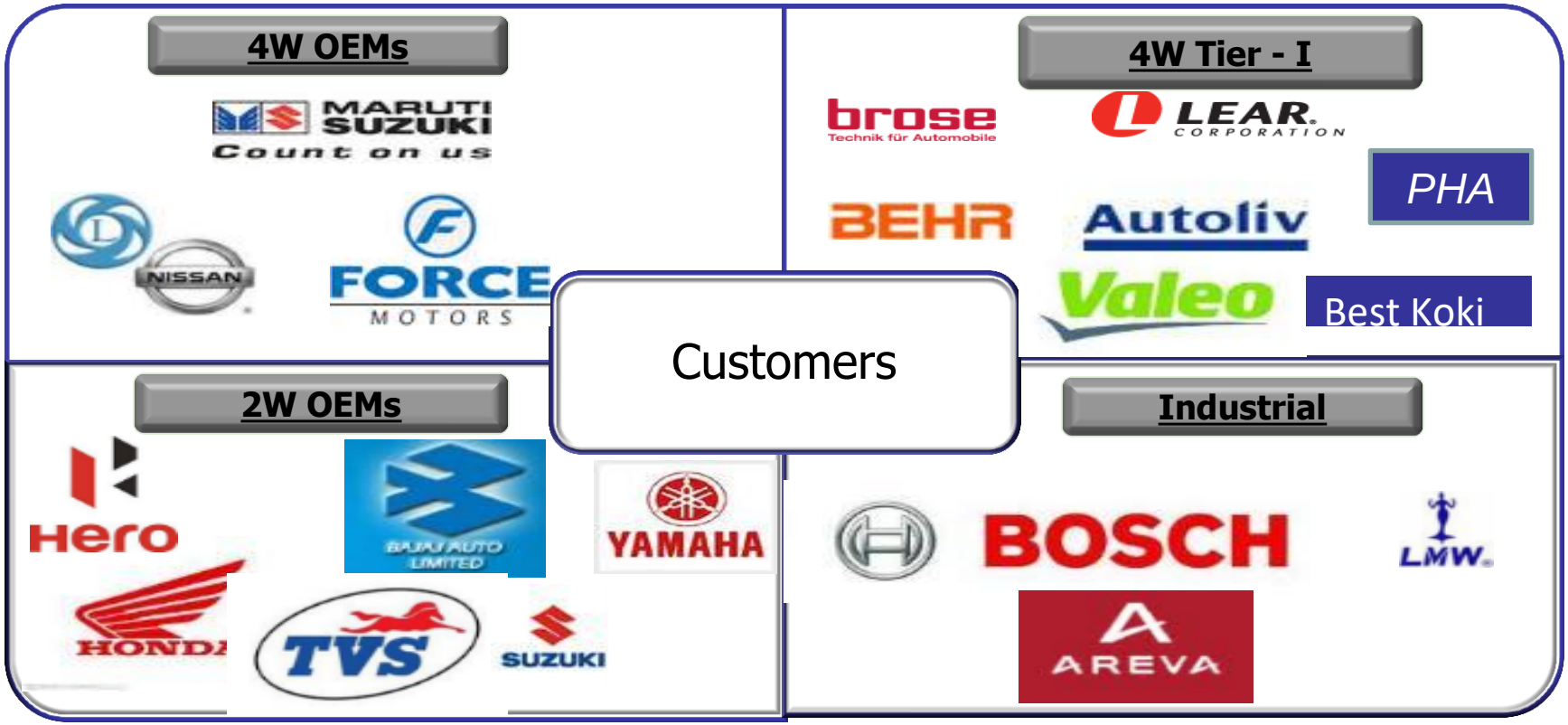


CAM Chain

After market brand

Fine Blanking – Industry and Customers

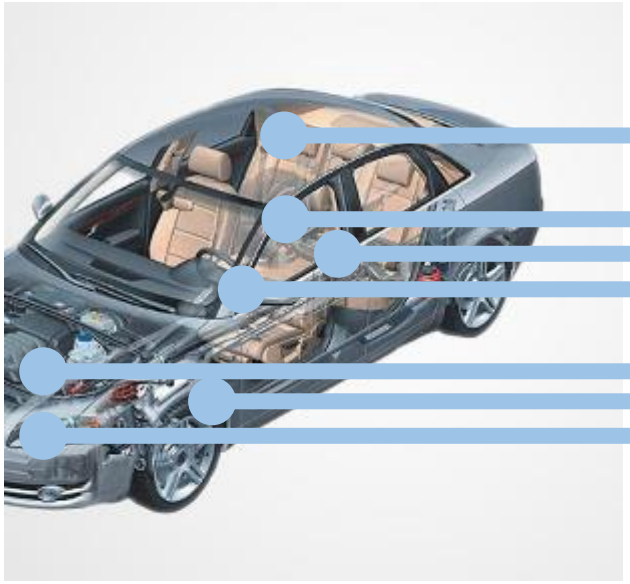
Industry Segments	
	Two Wheeler – Motor Cycles and Scooters OEMs
	Four Wheeler – Passenger and Commercial Vehicle OEMs and Tier-I Companies
	Industrial Applications



Fine Blanking Products

Motor Cycle

Scooter



- Engine Parts
- Transmission Parts
- Engine and Transmission Parts
- Seat Parts
- Braking System Parts
- Seat Belt and Door Parts
- Steering Parts
- Transmission Parts
- Engine Parts
- Hood Parts

Industrial Chains - Industry and Customers

Industry Segments
Construction Equipment Manufacturers
Material Handling (Fork Lifts)
Agricultural Equipment Manufacturers
Cement and Power
Conveyer Manufacturers
Textile and Packing
Primary Metals (Steel)

Key Customers

KNORR BREMSE

BHEL

iwis wir bewegen die welt

IWIS Germany

bea TECHNOLOGIES

BEA Italy

MCF MITSUBISHI CATERPILLAR FORKLIFT AMERICA INC.

Mitsubish- Caterpillar

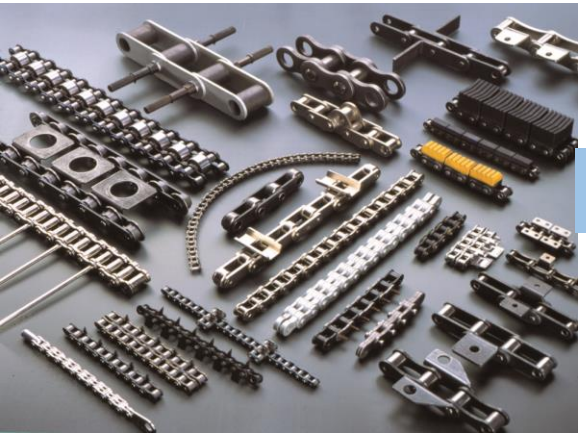
Atlas Copco

Godrej

sedis

Sedis France

Industrial Chains - Products



Power Transmission and Conveying Chains

Agricultural Chains

Engineering Class Chains

Roll Formed – Industry and Customers

Industry Segments	Four Wheelers- Passenger Car and Commercial Vehicle OEMs and Tier-I Companies
	Two Wheelers- OEMs and Tier-I Companies
	Indian Railways – Coach and Wagon Factories

HYUNDAI, TOYOTA, ISUZU, COMSTAR, MARUTI SUZUKI, NISSAN, YAMAHA Revs Your Heart, Lucas-TVS Limited, TATA MOTORS, RENAULT, ROYAL ENFIELD, Cummins, PIAGGIO, Mahindra, GM, ASHOK LEYLAND NISSAN, BOSCH

Roll Formed - Products

Four Wheelers

Car Door Frames

Divisional Channels

Side Impact Beams

Cowl Cross Beam

Two Wheelers

2W - Mudguard

Motor Casings

Railways

Key Success Factors

Segment Leader

- Market leader in Drive and Cam chains in Auto OEM segment
- Leadership position in Domestic Industrial Chains
- Preferred supplier for Roll formed Door Frames
- Significant player in Fine Blanking Components

Multi Location

- Strategically located plants close by to leading OEMs for JIT supplies
- Total of 9 Manufacturing Plants (3 Chain Plants and 6 Metal Forming Plants) and also warehouses to service Auto After Market and IC requirements

Brand Equity

- Strong brand equity - “Diamond and Rombo” brands

Metal formed - Key Success Factors

Quality	PPM maintained lesser than customer target
Technology	• World Class High Speed Presses and Tools for Fine blanking, Chains and Motor casings
Customers	• Catering to major 2W OEMs and Tier 1 Auto customers • Industrial Chain OEMs in Domestic and Exports • Large dealership network in Auto and Industrial Chains

Metal formed – Awards and Recognition

Award from TV100 for innovation in Manufacturing Technology Category

Award IM Gears for Best Supplier in the category of Quality Improvement

2 teams from participated in the **State Level Competition** conducted by **ABK AOTS DOSOKAI** under the Topic of Maintenance personnel in **Chennai**. Two teams won **Platinum Awards**.

Metal formed – Awards and Recognition

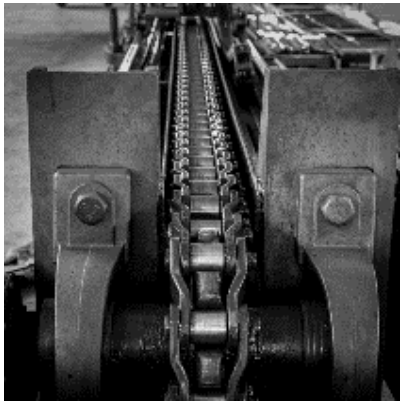
4 Teams won award in the Competition for the Theme of Igniting Minds For Innovation Through Quality Concepts by NCQC-QCFI.

Renault Nissan appreciation award for completing packaging development course

Hyundai appreciation award

NCQC Award

Business Highlights



- Market Leadership in Chains and Doorframes
- Sales of Rs.1286 Cr, registering a growth of 17%
- PBIT of Rs.123 Cr., registering a growth of 20%
- Awarded as “4 STAR Rating supplier” from Hyundai in Quality, Delivery, Development, Management aspects
- Increased share of business with Hyundai from 86% to 95%
- Achieved “Global Qualified Supplier” from M/s Alstom Transport India Limited
- Bagged business from Alstom to supply Montreal and Mumbai Metro coach parts
- Received approval to supply coach kit to Modern Coach Factory(MCF)

Key Financials

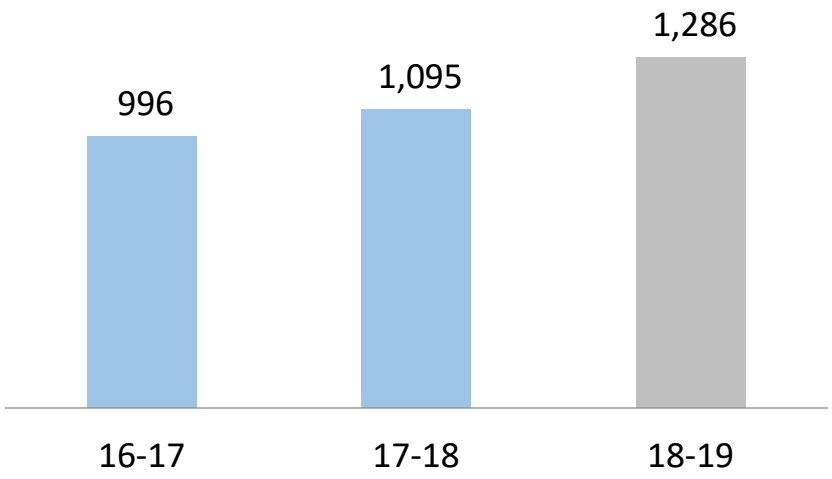
Rs. Cr

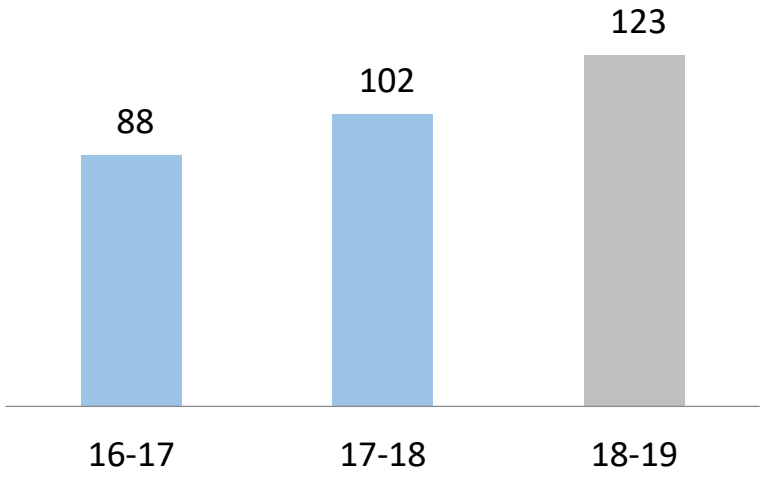
Particulars	17-18	18-19	Growth %
Net Sales	**1,095**	**1,286**	**17%**
EBITDA	**136**	**163**	**20%**
% to Net Sales	*12%*	*13%*	
PBIT	**102**	**123**	**20%**
% to Net Sales	*9%*	*10%*	

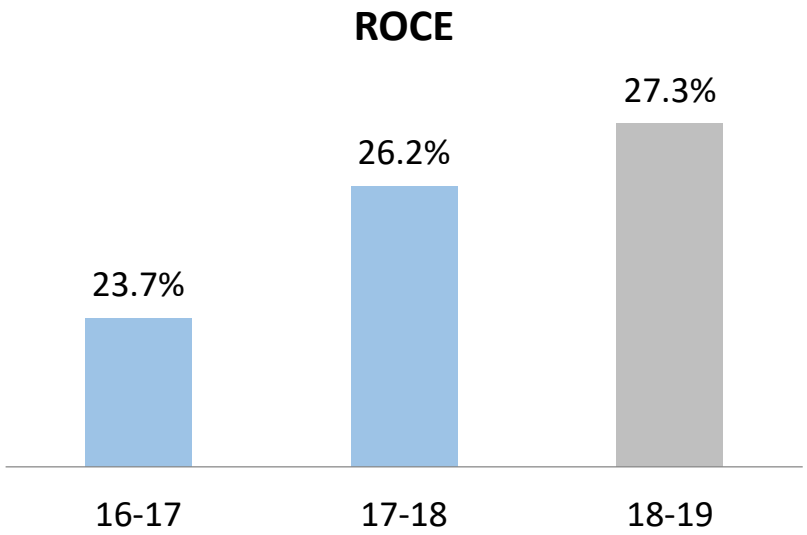
Particulars	31-03-2018	31-03-2019
Net Fixed Assets	282	336
Net Working Capital	109	114
Capital Employed	**392**	**450**
Capital Expenditure	**56**	**78**

Key Financial Trends

Rs. Cr.







Gears & Gear Products

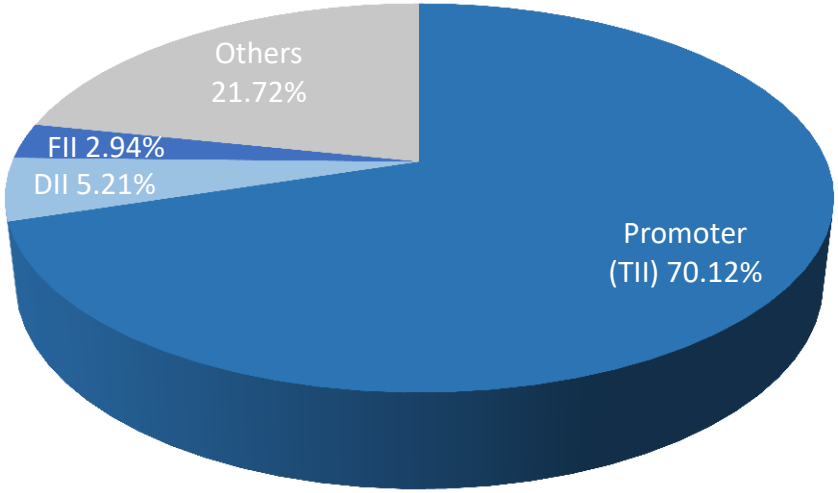
Shanthi Gears

Shanthi Gears (SGL) - Strong Brand in Industrial Gears

Business Overview

- Began operations in 1969 at Coimbatore
- Acquired by TII in 2012
- High EBITDA Margin Business
- Leader in custom-made gears & loose gears
- ~70% of revenues come from customized products
- Fully integrated operations with in-house
  - R&D team
  - Design and engineering capabilities
  - Foundry, Fabrication and forging unit
  - Comprehensive Heat treatment facilities
  - Tool room for manufacturing hobs, cutters

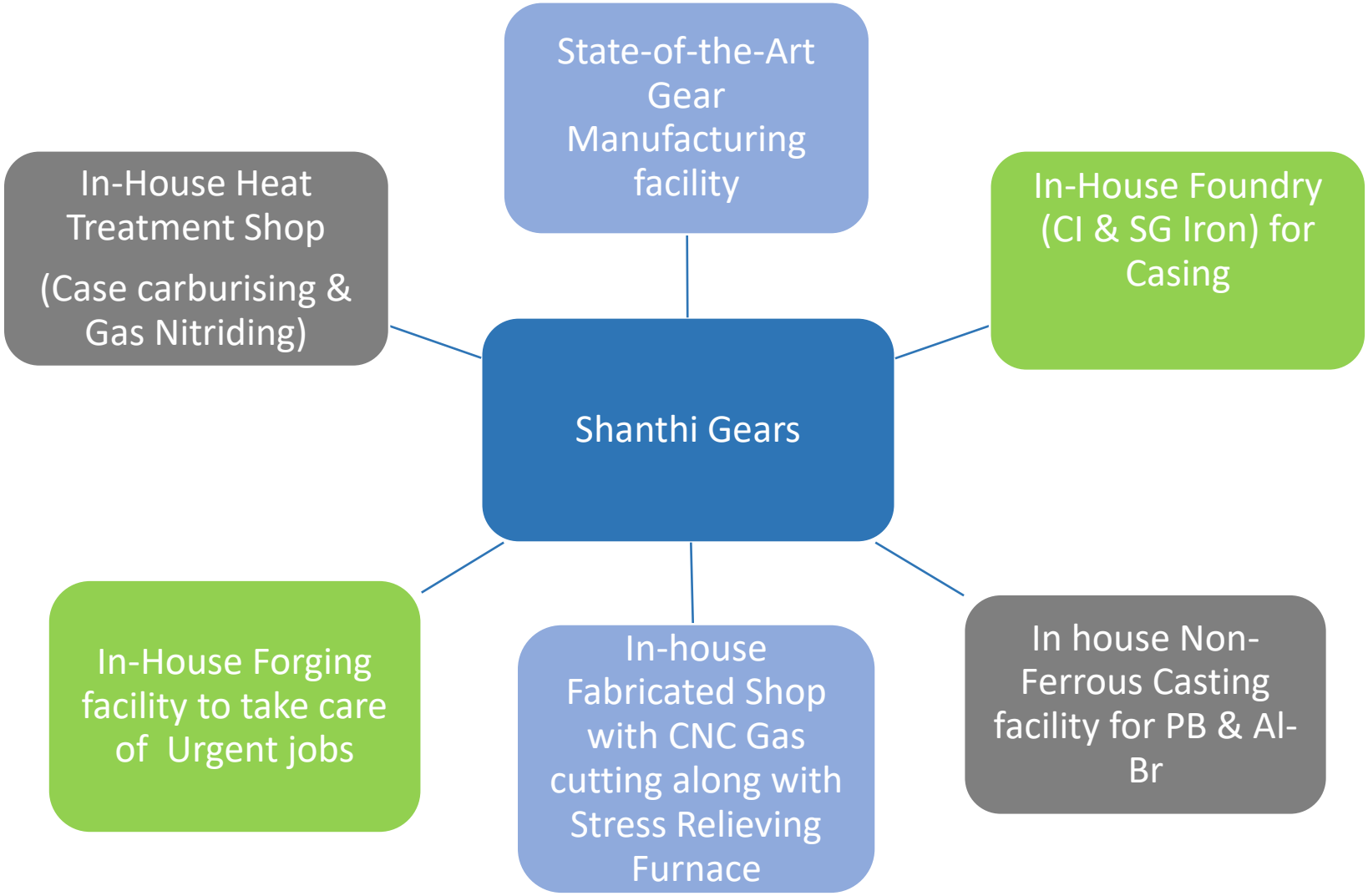
SGL Shareholding Pattern - 31-03-2019



Key Products

- **Gears and Pinions**
- **Gear boxes**
- **Geared motors**
- **Gear assemblies**
- **Worm Spares**
- **Service & Repair**

Integrated Gear Box Manufacturing Facility



Gear and Gear Boxes

Spur/ Helical Gear

Pinion Shaft

Internal Gear

Worm and Wheel

Straight Bevel

Spiral Bevel

Worm Gearboxes- Adaptable

Worm Gearboxes- Standard

Worm Gearboxes- Special

Helical Gearboxes

Bevel Helical Gearboxes

Key Customers

Business Highlights

- 14% growth in Revenue from ₹243 Crs as against ₹214 Crs
- Good performance in Service (28% growth over LY) & Helical (32 % growth over LY)
- Milestone achievements – IISCO Stand, Jindal Polyfilm, Andhra Cement, Brahmaputra Crackers , ACC , Nuclear Power Corporation
- Development of Key customers product – ABB, Medha Machined Casting, Twin Disc, CG Power
- Certifications – AS surveillance audit, IRIS and Ingersoll Rand audit
- Investments - Commissioned 2 new HNK VTC's & electric induction melting furnace.
- Reduction of Customer complaints by 24%

Key Financials

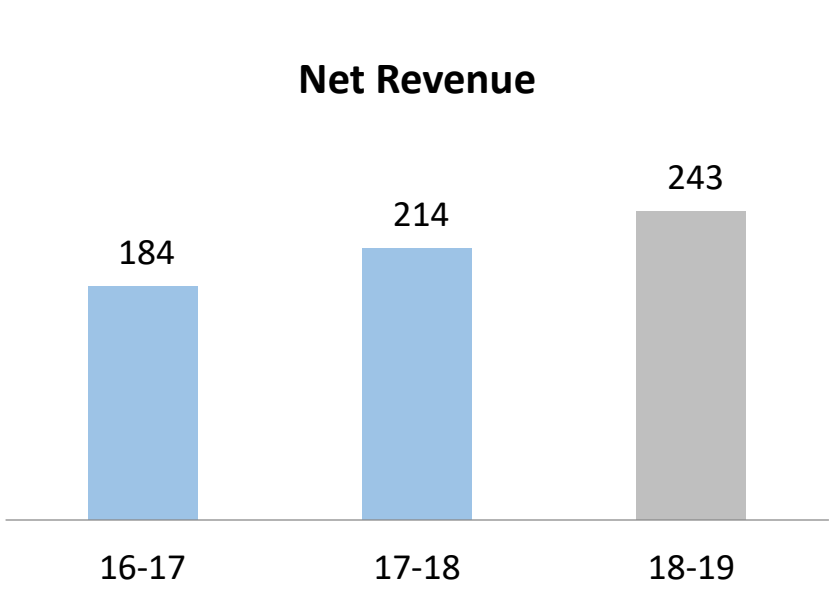
Rs. Cr

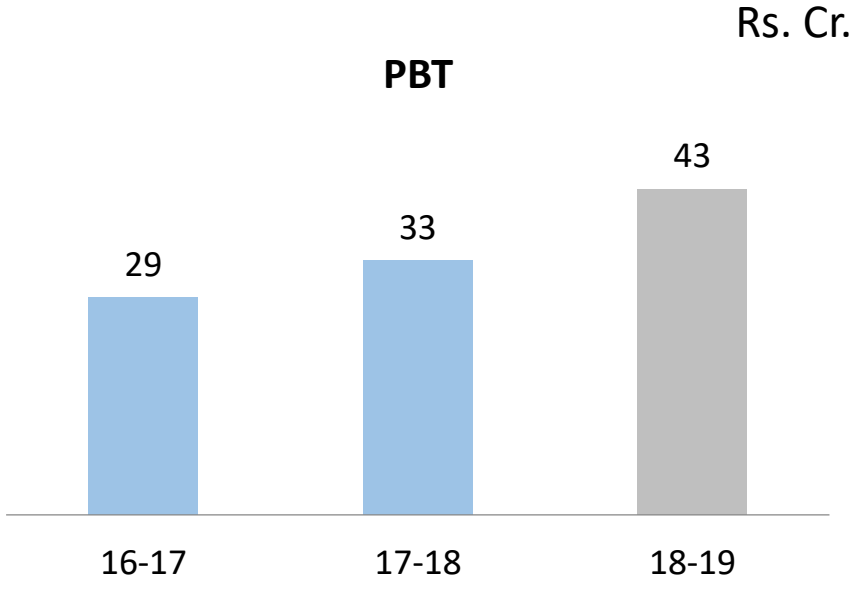
Particulars	17-18	18-19	Growth %
Net Revenue	**214**	**243**	**13%**
EBITDA	**37**	**41**	**12%**
% to Net Revenue	*17%*	*17%*	
PBT	**33**	**42**	**28%**
% to Net Revenue	*15%*	*17%*	
PAT	**29**	**33**	**17%**
% to Net Revenue	*13%*	*14%*	

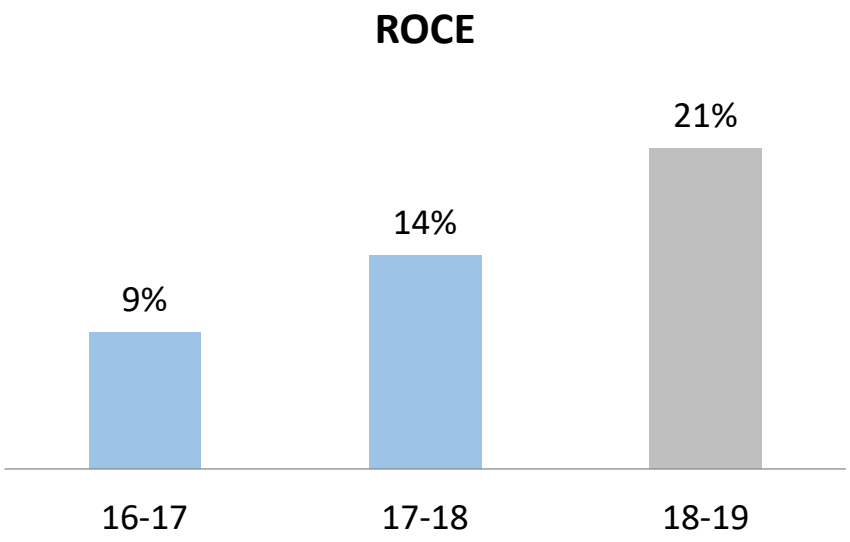
Particulars	31-03-2018	31-03-2019
Net Fixed Assets	57	59
Net Working Capital	93	112
Investments	161	127
Capital Employed	**312**	**297**
Capital Expenditure	**7**	**12**

Key Financial Trends

Rs. Cr.







Corporate Office:

Tube Investments of India Ltd.
"Dare House", 234 N S C Bose Road,
Chennai - 600 001, India.

☎ +91 44 4217 7770

🖷 +91 44 4211 0404

✉ info@tii.murugappa.com

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