Tube Investments of India Limited

Investor Presentation
November 2019

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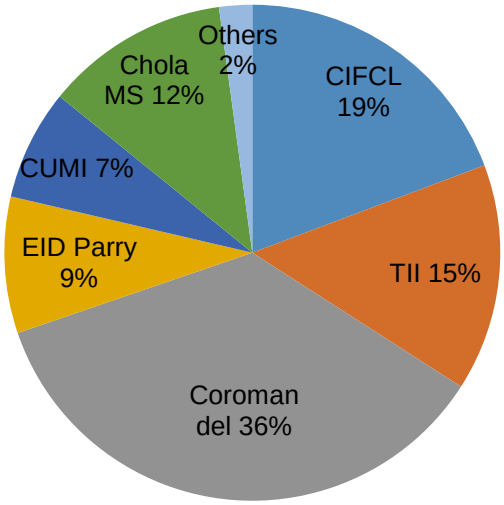
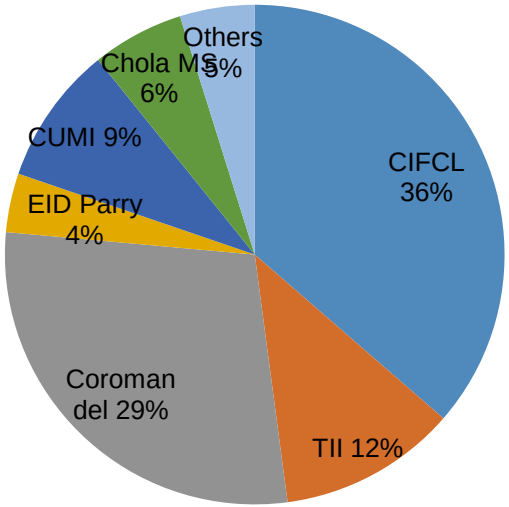
Murugappa Group and Philosophy

Net Sales FY 2018-19



EBITDA FY 2018-19



Company Name	Market Capitalisation	Description
Chola Enter a better life	INR 2,40,652 mn (USD$ 3,405 mn)	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 72,135 mn (USD$ 1021 mn)	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 91,952 mn (USD$ 1,301 mn)	Cholamandalam Financial Holdings Limited holds investments in financial services business
Coromandel	INR 121,528 mn (USD$ 1,719 mn)	Coromandel International Limited is the leading phosphatic fertilizer company in India
PARRYS	INR 29,160 mn (USD$ 413 mn)	EID Parry (India) Limited offers wide range of agro products such as sugar, microalgal health supplements and bio products
CUMI	INR 56,879 mn (USD$ 805 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 30th Sep 2019. Source: NSE Sensex and Conversion Rate of 1USD = Rs.70.69 as on 30th Sep 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

Rs. Cr.

Manufacturing Businesses

- Engineering Segment (Tubes, Value Added Cold Rolled Strips, & Tubular Components)
- Metal Formed Products (Chains for Automobile sector & Industrial applications, Doorframes & Channels for Passenger Cars)
- Cycles and Accessories (Bicycles & Fitness Products)
- Gears and Gears Products (Investment in Shanthi Gears Limited - Industrial Gears)
- 18 Manufacturing Plants and Suppliers to all major automotive OEMs or Tier 2/3 Suppliers

Key Financials - TII Standalone		
Particulars	**H1 18-19**	**H1 19-20**
Revenue from Operations	2,721	2,365
PBIT (Before Exceptional Item)	193	235
PBT (Before Exceptional Item)	164	218
PAT	111	179

Key Financials - TII Consolidated		
Particulars	**H1 18-19**	**H1 19-20**
Revenue from Operations	2,969	2,632
PBIT (Before Exceptional Item)	219	254
PBT (Before Exceptional Item)	187	237
PAT	129	172

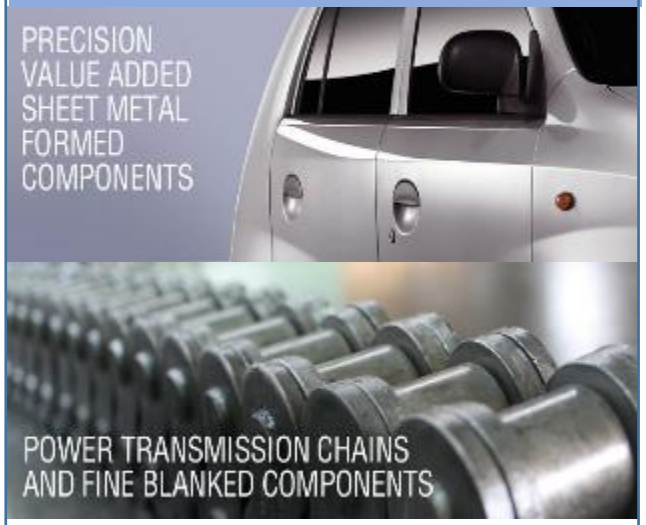
TII (Standalone) Businesses

Engineering

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

Largest Supplier of Precision Steel Tubes (CDW)

Metal Formed Products



Chains for Automobile sector and Industrial applications, Doorframes, Channels for Passenger Cars, Fine blanked components and Railway coaches

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

Cycles and Accessories

Bicycles, fitness products and accessories

Our Brands command a leadership position in India

Business Highlights H1 2019-20

Revenue de-grown by 13%

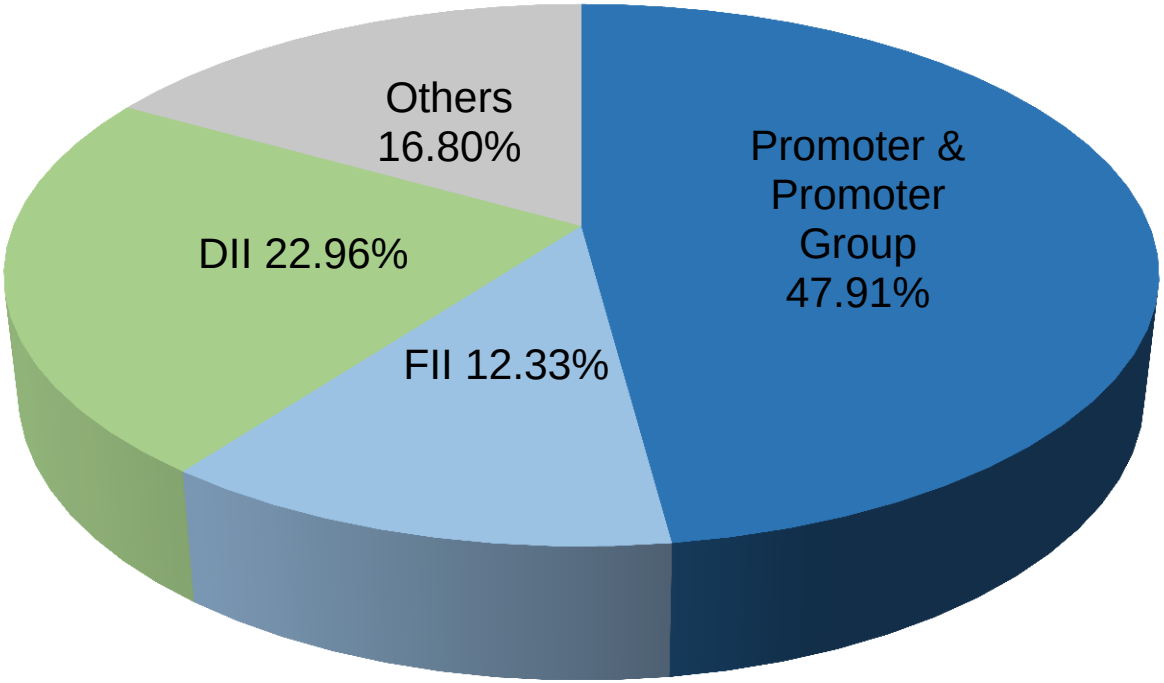
PBT before exceptional items at Rs. 218 Cr., grown by 33%. PBT margin improved to 9.7% from 6.4%

ROCE stands at 22% as against 19% in PY H1

Cumulative free cash flow of Rs. 154 Cr. being 86% f PAT

- Net debt reduction by Rs. 224 Cr., from Rs. 513 Cr. in Mar-19 to Rs. 289 Cr. in Sep-19
- Debt equity ratio improved to 0.3 from 0.4 in Mar-19.
- Debt/EBITDA improved to 0.8 in Sep-19 from 1.0 in Mar-19
- TII received consideration of Rs. 45 Cr. on tendering Shanthi Gears shares under buy-back offer
- TII made net gain of Rs. 57 Cr. on sale of treasury shares
- The Company has availed the benefit of lower tax rate @ 22%

TII Shareholding Pattern – Sep'19



Key Financials H1 2019-20

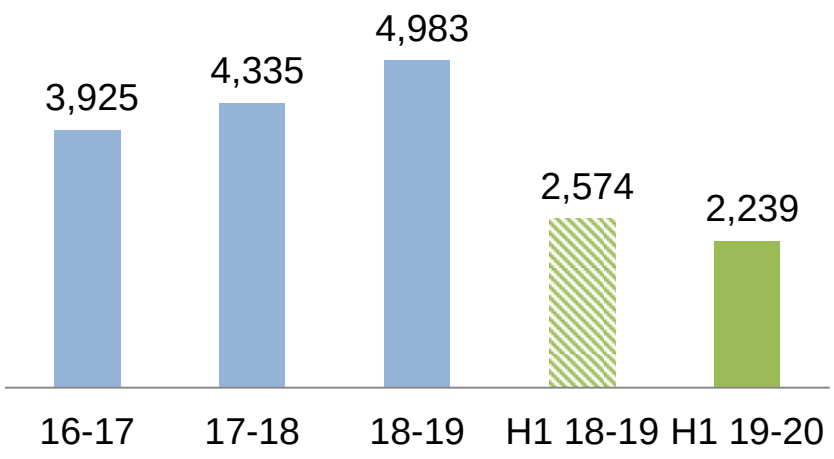
Rs. Cr.

Particulars	Standalone			Consolidated		
	FY 18-19	H1 18-19	H1 19-20	FY 18-19	H1 18-19	H1 19-20
Net Sales	**4,983**	**2,574**	**2,239**	**5,463**	**2,822**	**2,506**
Growth %			*-13.0%*			*-11.2%*
PBT before exceptional items	**371**	**164**	**218**	**375**	**187**	**237**
% to Sales	*7.4%*	6.4%	9.7%	6.9%	6.6%	9.4%
Exceptional Items	(9)	3	19	3	3	-
PBT after exceptional items	**362**	**167**	**237**	**378**	**190**	**237**
Tax	119	55	58	127	61	65
PAT	**244**	**111**	**179**	**251**	**129**	**172**

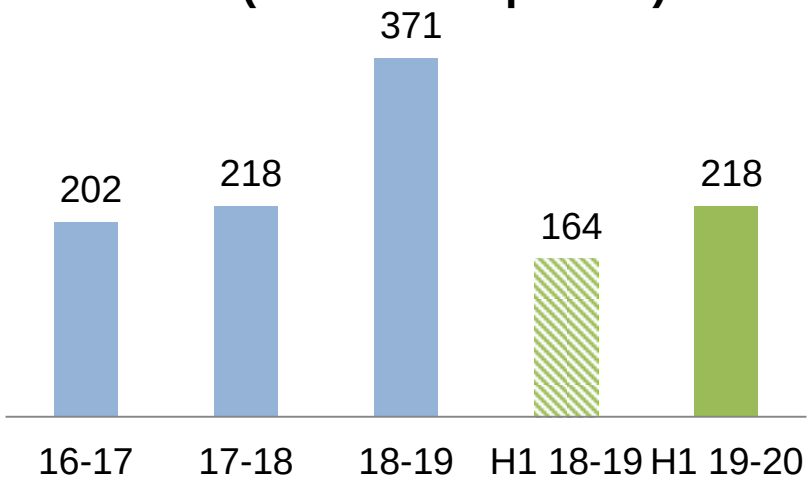
Performance Trends

Rs. Cr.

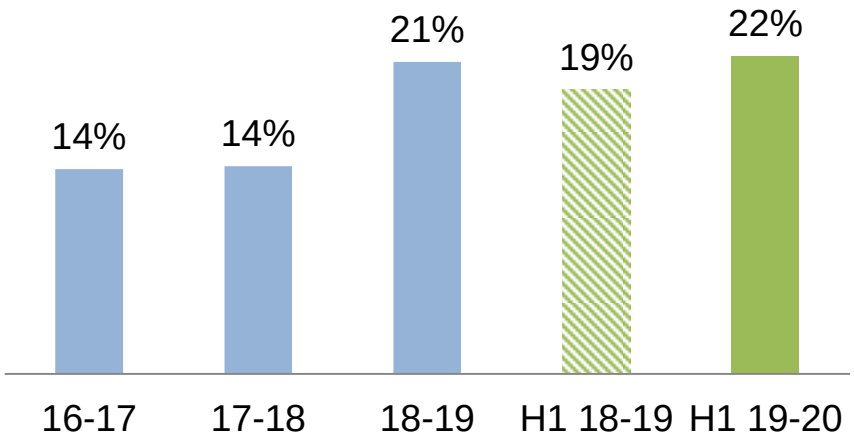
Net Sales



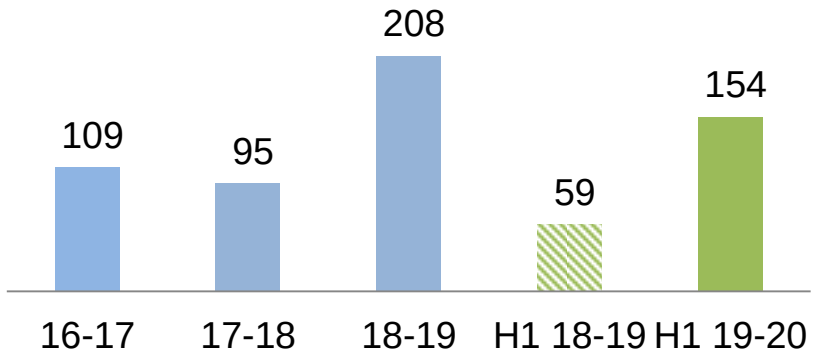
PBT (before exceptional)



ROCE



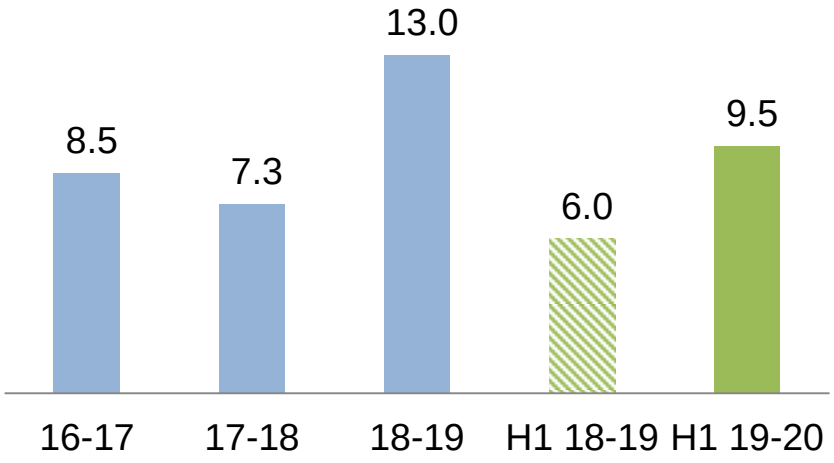
Free Cash Flow



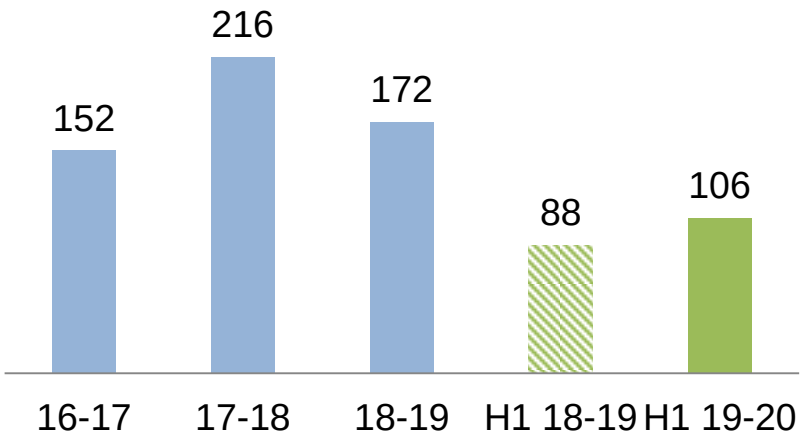
Performance Trends

Rs. Cr.

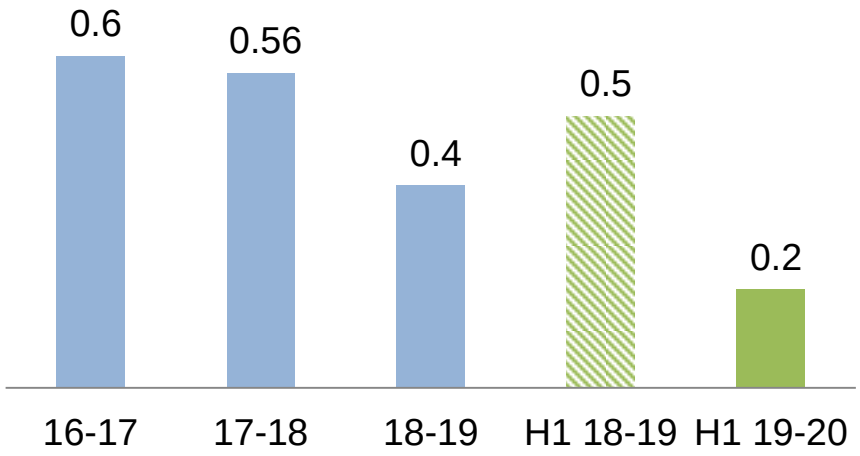
Basic EPS (FV Re. 1) (not annualised)



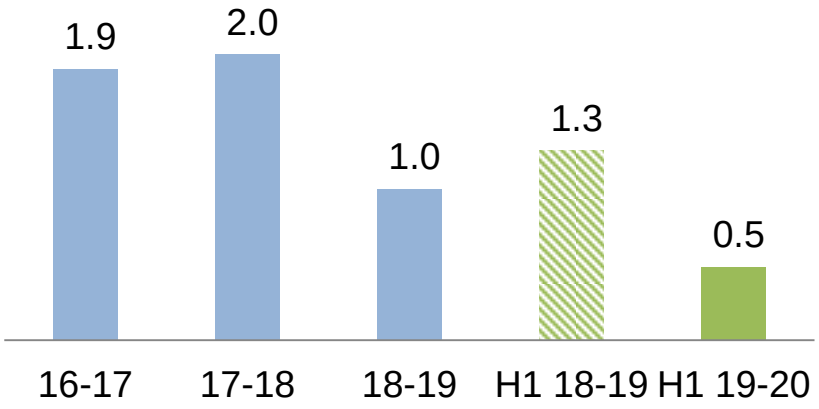
Capex



Net Debt Equity

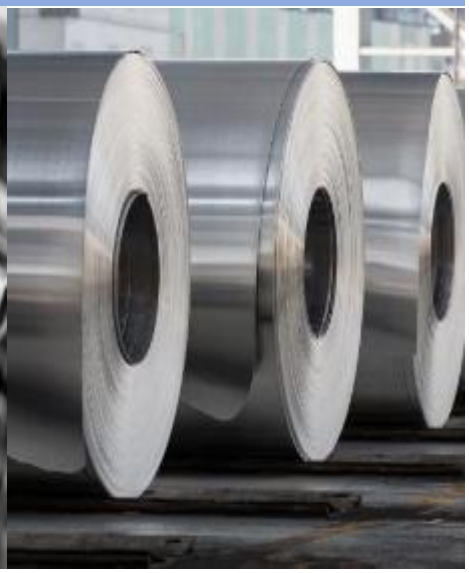


Net Debt/EBITDA



Businesses

Engineering



Metal Formed Products

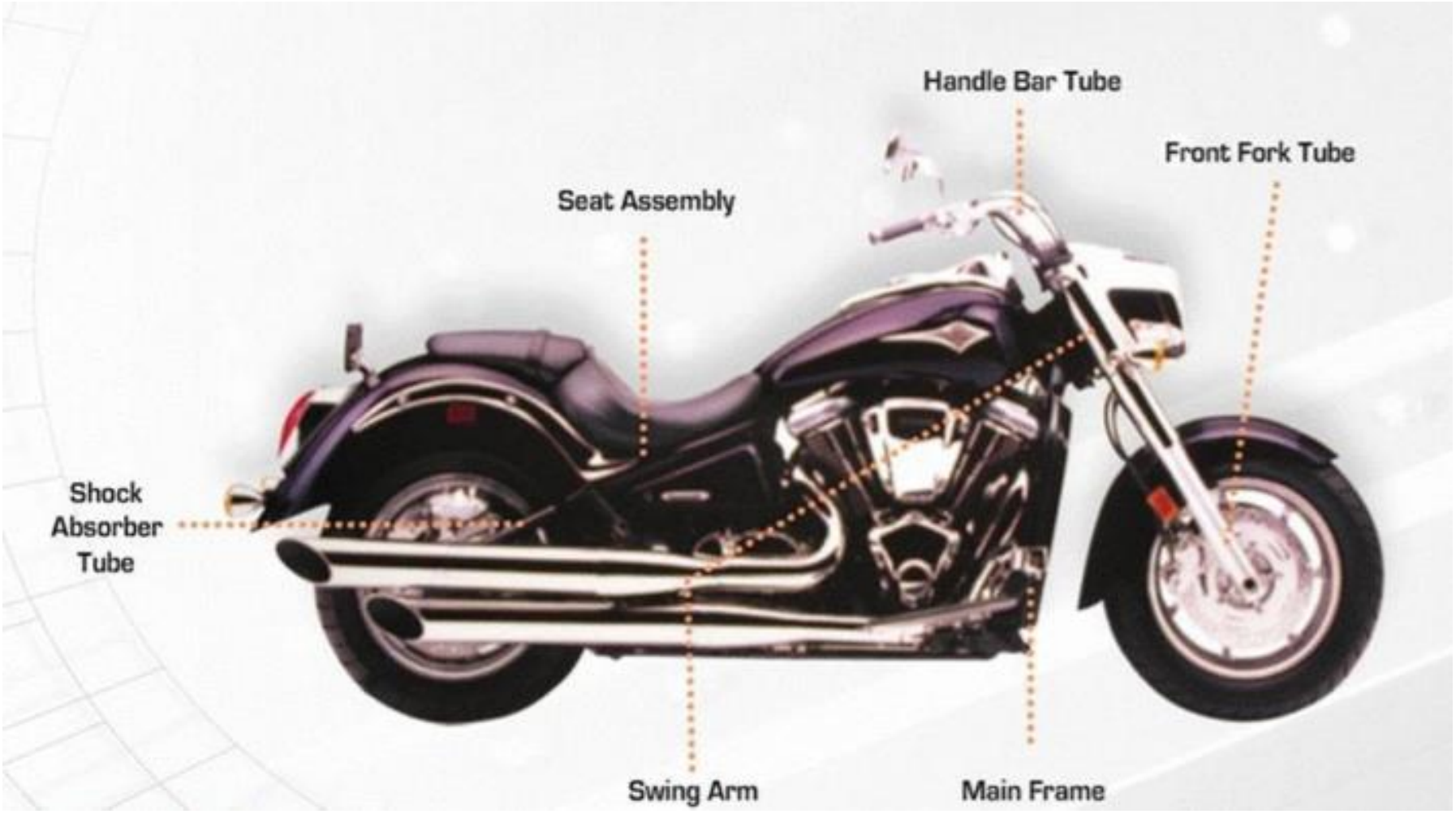
Cycles and Accessories

Gears and Gear Products

Engineering (Tubes and Strips)

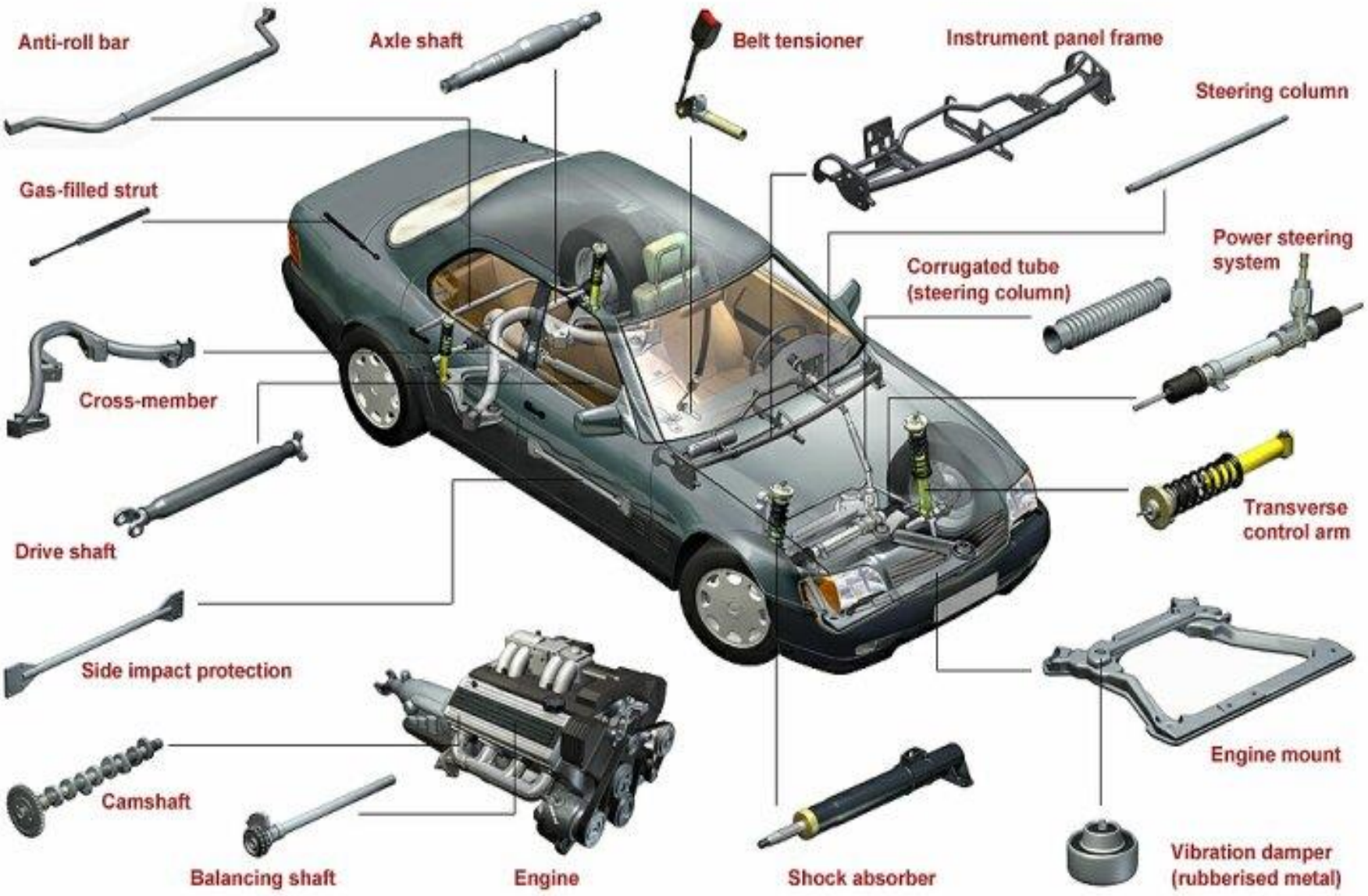
Leader in CDW tubes in the Automotive industry

Two Wheeler Application



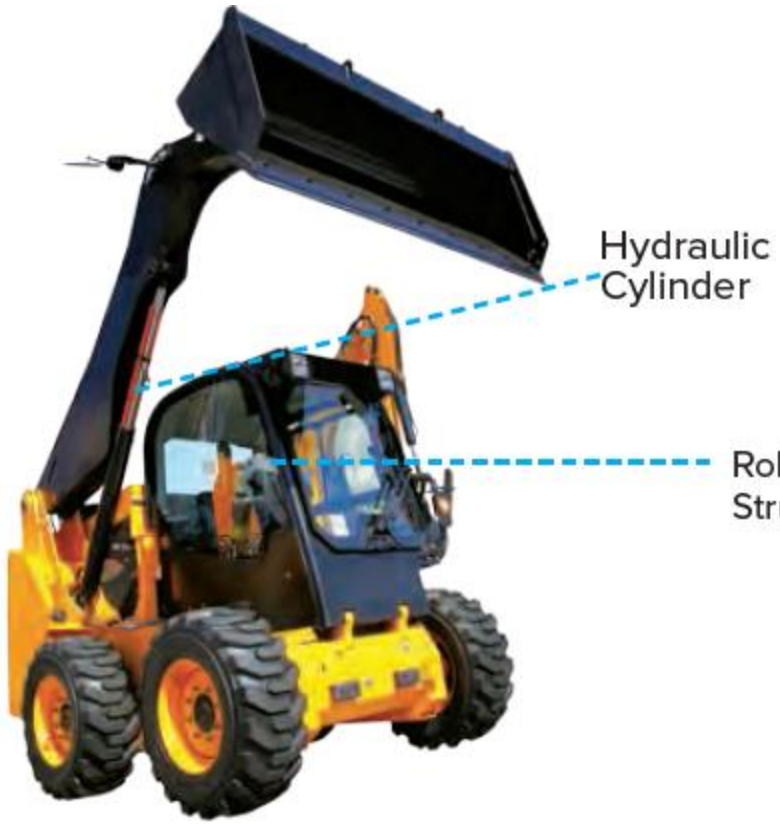
Two-Wheeler production in India de-grown by 13% in H1 19-20

Four Wheeler Application



Passenger Vehicle production in India de-grown by 16% in H1 19-20

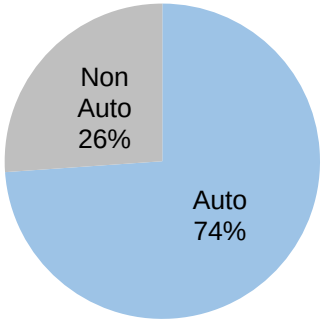
Off Road Vehicle Application



Business Drivers

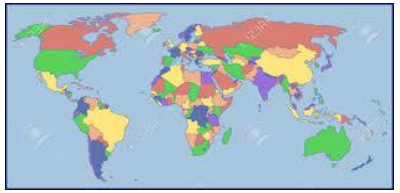
- Precision Steel Tubes (CDW) largely used in Automobile applications of Two Wheelers/ Passenger Cars and Commercial Vehicles for applications like Front Forks, Side impact beams, steering columns etc.
- CDW tubes also used in Hydraulic Cylinders and Off-Road Vehicles
- Range and adherence to tolerance 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 H1 19-20

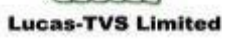


Key Success Factors

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
Exports	• Continued focus on improving exports



Major Customers Serviced



LUK India

Awards and Recognitions

Teams from TPI participated in the **SGA competition held by ABK AOTS** in Aug'19 and won awards for quality improvement w.r.t. **reducing surface defect rejection in tubular front forks**

Teams from TPI participated in the Zonal SMED Competition conducted by **Automotive Component Manufacturers Association of India (ACMA)** in Aug'19 and won award for **reduced changeover time in tube mills**

Awards and Recognitions

Teams from TPI participated in **QCFI Convention** in Sep'19 and won several awards

Business Highlights

- Drop in Tubes and Strips volume due to slowdown of auto industry
- In spite of the drop in revenue due to difficult market conditions, profitability is maintained at the same level due to cost efficiencies and prudent revenue management
- Current focus is on operational efficiency improvement

Key Financials

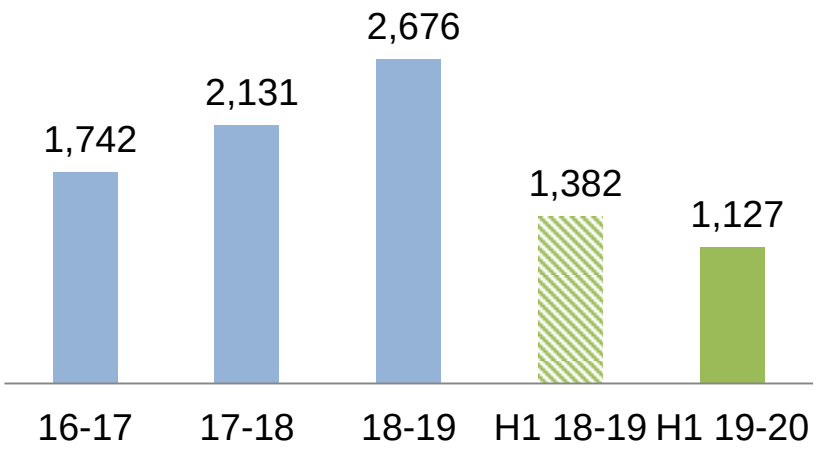
Rs. Cr

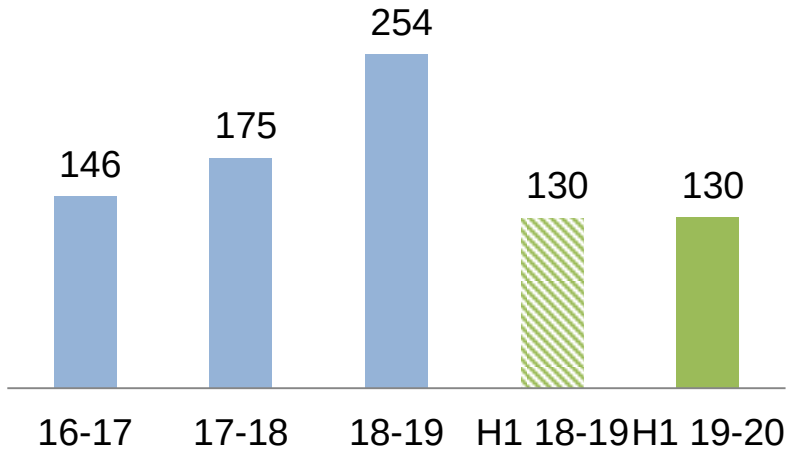
Particulars	18-19	H1 18-19	H1 19-20	Growth %
Net Sales	**2,676**	**1,382**	**1,127**	**-18.4%**
PBIT	**254**	**130**	**130**	**0.3%**
% to Net Sales	*9.5%*	*9.4%*	*11.5%*	

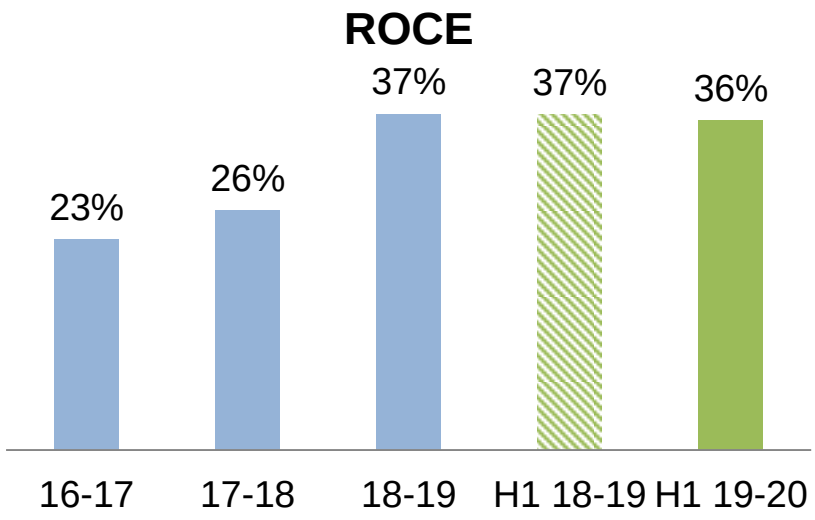
Particulars	31-03-2019	30-09-2018	30-09-2019
Net Fixed Assets	530	533	570
Net Working Capital	157	168	146
Capital Employed	**687**	**702**	**717**
Capital Expenditure	**84**	**44**	**63**

Key Financial Trends

Rs. Cr.







Metal Formed Products (Chains, Fine Blanking, Doorframes and Railways)

Precision Value added Components

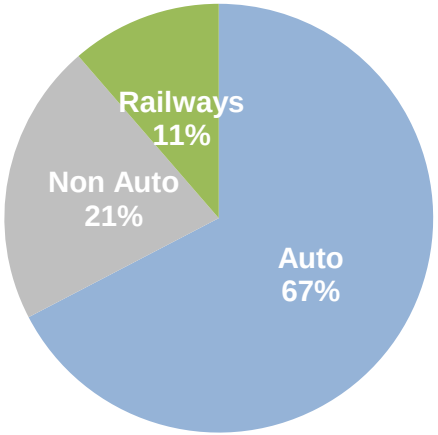
Product Profile

- **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 H1 19-20:

- Two-Wheeler production de-grown by 13%
  - Scooters : -16%
  - Motor Cycles : -10%
- Passenger Vehicles production also de-grown by 16%
- Commercial Vehicles production registered a de-growth of 27%

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

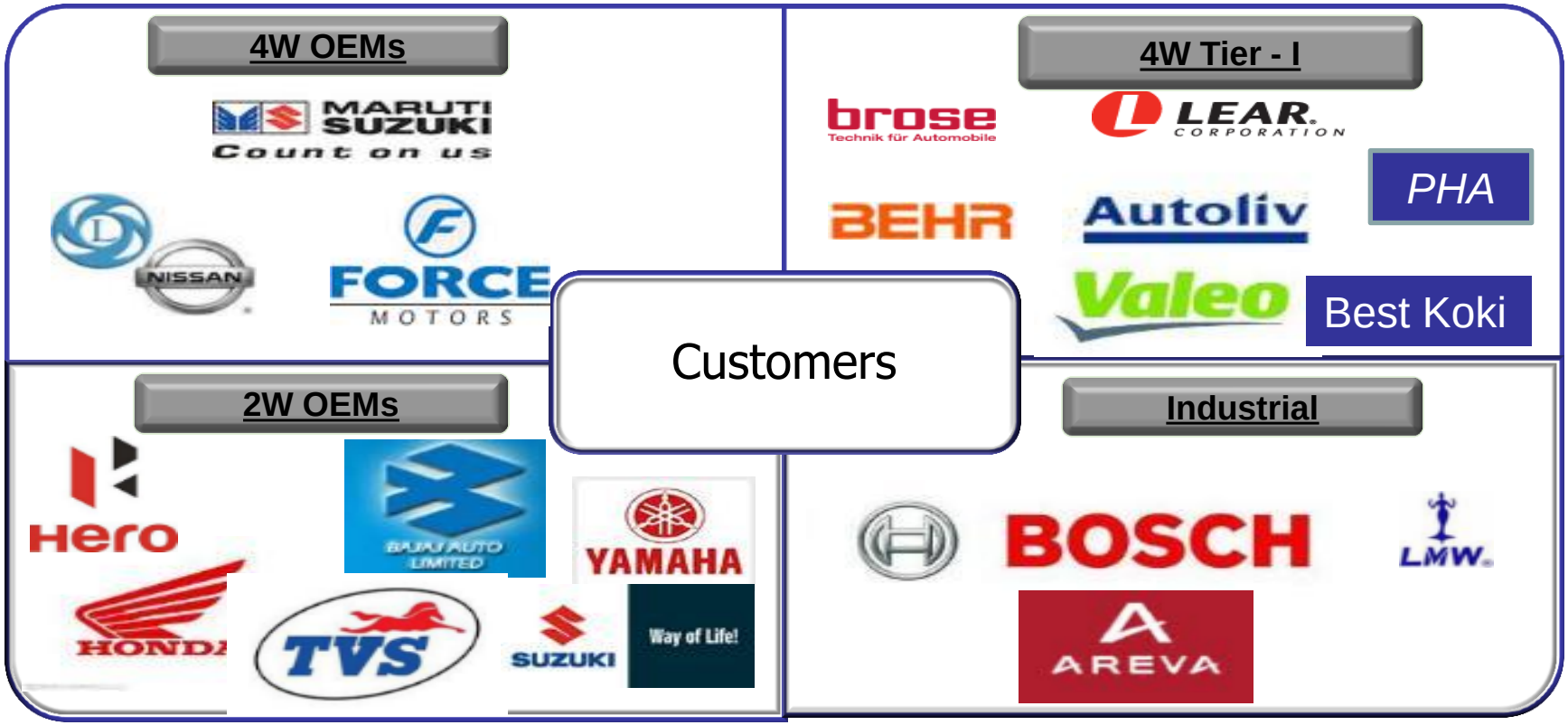
KIT

CAM Chain

After market brand

Fine Blanking – Industry and Customers

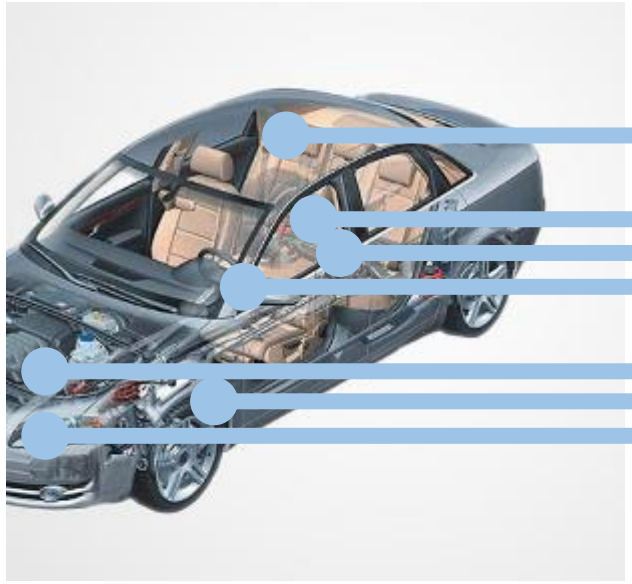
Industry Segments	
	Two Wheeler – Motor Cycles and Scooters OEMs
	Four Wheeler – Passenger and Commercial Vehicle OEMs and Tier-I Companies
	Industrial Applications



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

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 Factories

HYUNDAI
TOYOTA
ISUZU
COMSTAR
MARUTI SUZUKI
NISSAN
YAMAHA
Revs Your Heart
Lucas-TVS Limited
TATA MOTORS
RENAULT
ROYAL ENFIELD
Cummins
KIA
ALSTOM
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

Industrial Chains - Industry and Customers

Industry Segments
Construction Equipment Manufacturers
Material Handling (Fork Lifts)
Agricultural Equipment Manufacturers
Cement and Power
Conveyer Manufacturers
Food Processing
Multi-level Car Parking

Key Customers

KNORR BREMSE

BHEL

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bea TECHNOLOGIES

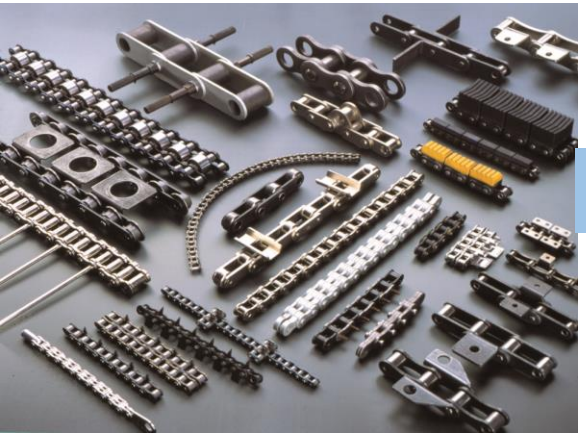
MCF
MITSUBISHI CATERPILLAR FORKLIFT AMERICA INC.

Atlas Copco

Godrej

sedis

Industrial Chains - Products



Power Transmission and Conveying Chains

Agricultural Chains

Engineering Class Chains

Key Success Factors

Segment Leader

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

Multi Location

- Strategically located plants close to leading OEMs for JIT supplies
- Total of 11 Manufacturing Plants (5 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 – Industrial Chains

Market Connect Initiatives

IC Dealers' Meet – Drive 2019

Kisan Mela – Ludhiana

Industrial Summit 2019 – Haridwar

Metal formed – Awards and Recognition

Team from Industrial Chains recognised by ABK-AOTS/ QCFI-CCQCC

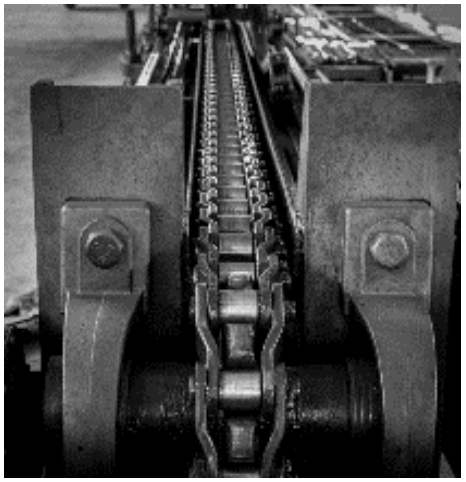
Metal formed – Awards and Recognition

Received award from MSIL for improvement in quality performance

Award received from Alstom for new product development

Business Highlights

- Focus on operational efficiency and quality improvements in auto chains
- Doorframe supplies to new projects commenced
- Obtained new orders for Railways
- Taken new initiatives under TQM
- Sale of Rotogro rotavators commenced by Agri division and focus on market ramp up
- Production of Silent Chains



Key Financials

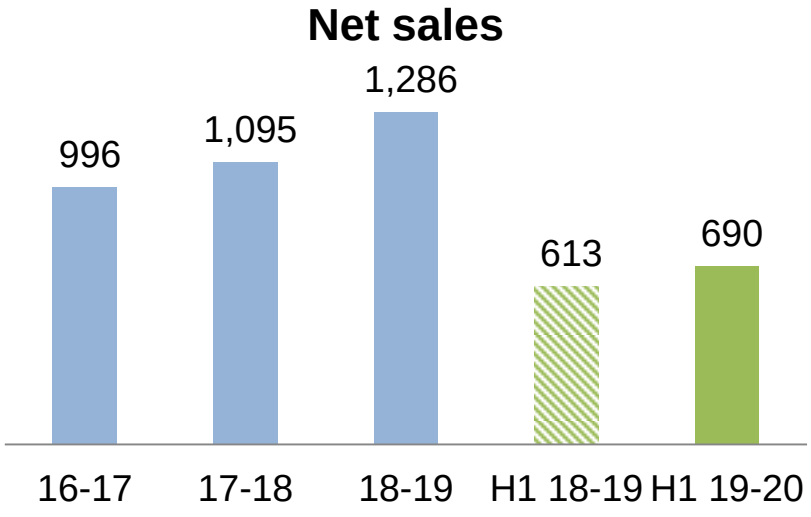
Rs. Cr

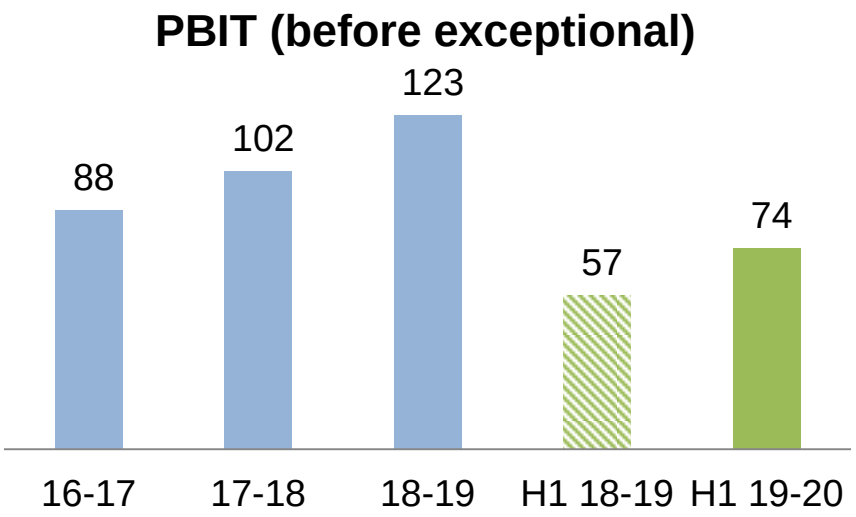
Particulars	18-19	H1 18-19	H1 19-20	Growth %
Net Sales	**1,286**	**613**	**690**	**12.5%**
PBIT	**123**	**57**	**74**	**30.3%**
% to Net Sales	*9.6%*	*9.3%*	*10.7%*	

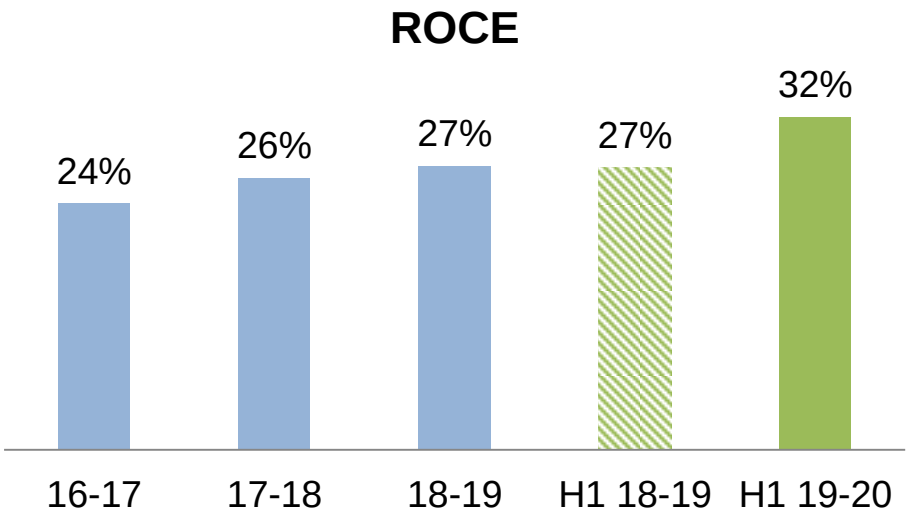
Particulars	31-03-2019	30-09-2018	30-09-2019
Net Fixed Assets	336	296	339
Net Working Capital	114	122	123
Capital Employed	**450**	**418**	**462**
Capital Expenditure	**78**	**37**	**31**

Key Financial Trends

Rs. Cr.







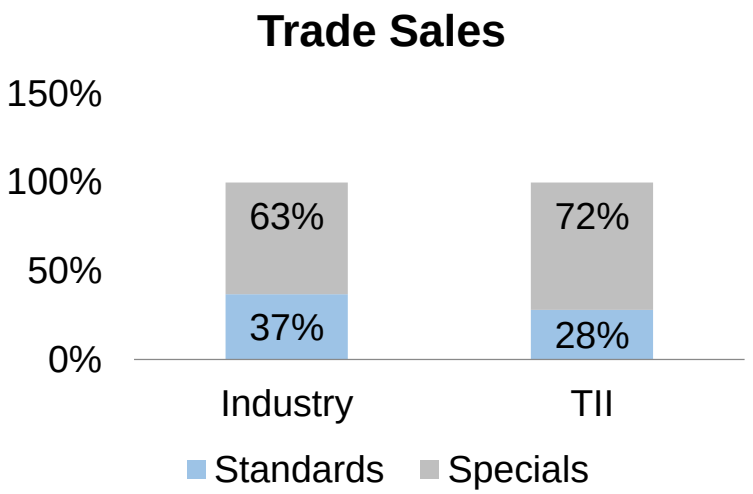
Cycles and Accessories

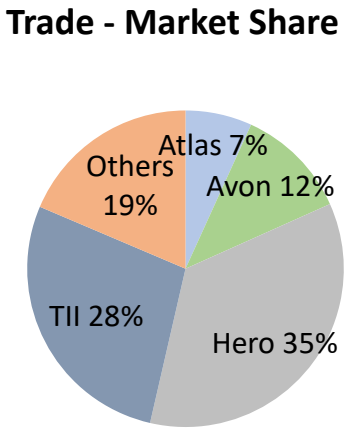
Pioneers in Promoting Cycling… not just cycles

Industry

- Overall Trade market has de-grown by 20% in H1 19-20

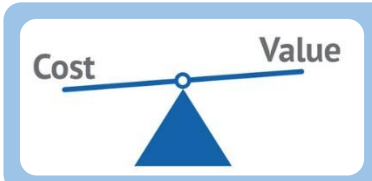
- **Standard**
  - In trade sales, the share of standard bicycles continues to come down. In H1 19-20, volume of standard cycles dropped by 20% in the industry.
  - TI volumes dropped slower than the industry and we have registered market share gain of 2%.
- **Specials**
  - The Specials market volume has also dropped by 20% in H1 19-20
  - TI volumes dropped by 18% in H1 and we have registered market share growth of 2%.





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

Business Drivers



Cost competitiveness in Standard bicycles and entry level mass bicycles

Product differentiation, Branding and Superior 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 positioned as high quality can charge premium

Our Brands

BSA LADYBIRD HERCULES ROADEO

montra MACH CITY TRACK & TRAIL CYCLES AND MORE

Key Success Factors

Pioneering New Product Development

- Innovation and differentiation in segments through integrated headlights, anti – slip chain etc.
- 53 new models launched

Promoting cycling as a lifestyle choice

- Adoption of cycling as a life-style choice
- Building a cycling community on-ground with Track & Trail stores
- Leading conversations about cycles and cycling in media

Wide-spread network

- Network of 8500 dealers across the country
- Expansion of this network and retail format to increase the reach of our brands

Key Success Factors

Premium Cycle Group (PCG)

- Market penetration of premium brands Roadeo and Montra in multi brand stores
- Representing International brands like Cannondale, Bianchi, Schwinn, Ridley
- Focus on product and technical training to grow secondary business of premium bicycles.

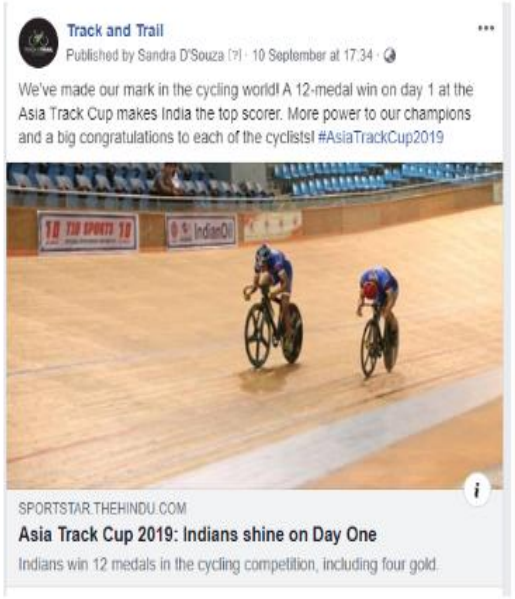
Pioneer in Retail Formats

- Retail leadership through its exclusive format of Track and Trail
  - *Track & Trail Urban new stores in CY: 7*
  - *Total Track & Trail Stores as on date: 225*
- Focus for 2019-20 is on learning and development for the retail chain
- Re-introduced “Hercules BSA Zone”, a shop in shop retail concept

Renewed Retail Experience – Track and Trail

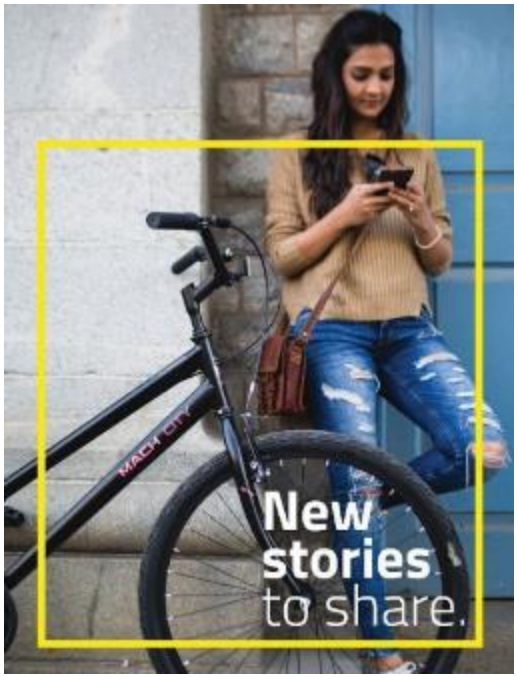
Continuously expanding Track and Trail retail experience into more towns

Promoting Cycling



Business Highlights

- Gained overall Market Share by 2% YTD Sep'19
- Implemented Fixed production plan (Toyota Planning System) at Ambattur plant which has helped in better throughput & effective Inventory management
- Warehouse consolidation initiative is being carried out
- Building for the future
  - Digitization Initiatives – Bizom, Tally implementation to penetrate secondary sales.
  - Implementation of WMS system



Key Financials

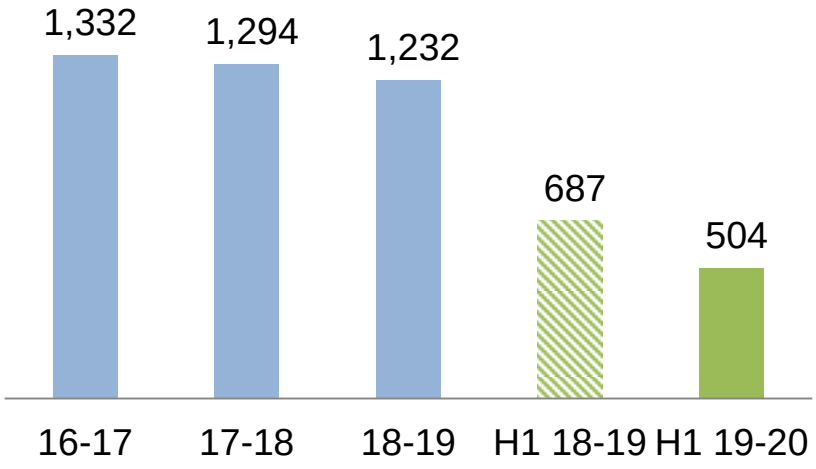
Rs. Cr

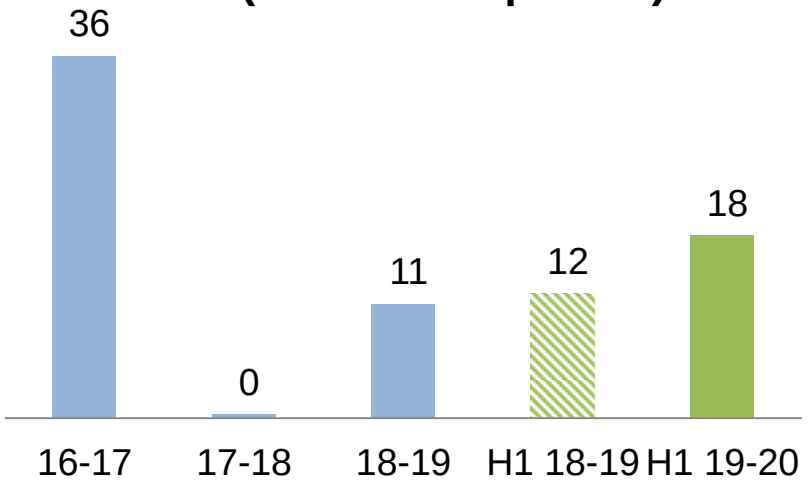
Particulars	18-19	H1 18-19	H1 19-20	Growth %
Net Sales	**1,232**	**687**	**504**	**-26.7%**
PBIT	**11**	**12**	**18**	**46.1%**
% to Net Sales	*0.9%*	*1.8%*	*3.6%*	

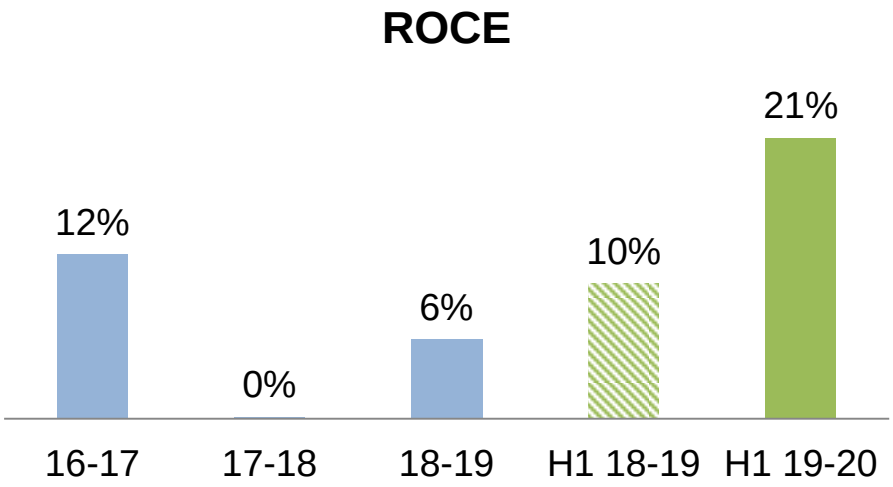
Particulars	31-03-2019	30-09-2018	30-09-2019
Net Fixed Assets	134	139	135
Net Working Capital	56	103	35
Capital Employed	**190**	**242**	**171**
Capital Expenditure	**6**	**4**	**1**

Key Financial Trends

Rs. Cr.







Gears & Gear Products

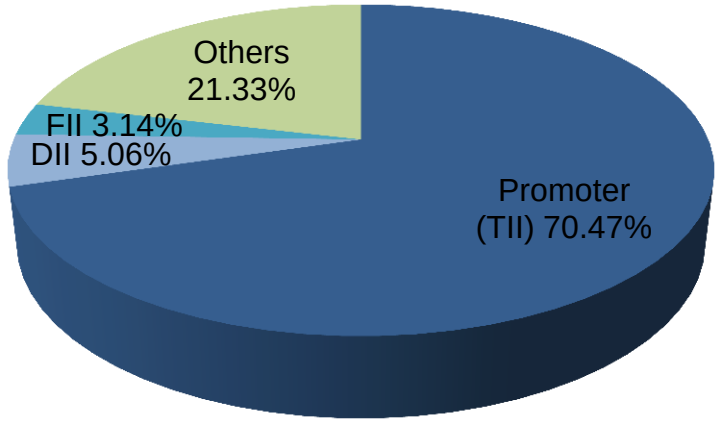
Shanthi Gears

Shanthi Gears (SGL) - Strong Brand in Industrial Gears

Business Overview

- Began operations in 1969 at Coimbatore
- Acquired by TII in 2012
- High 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

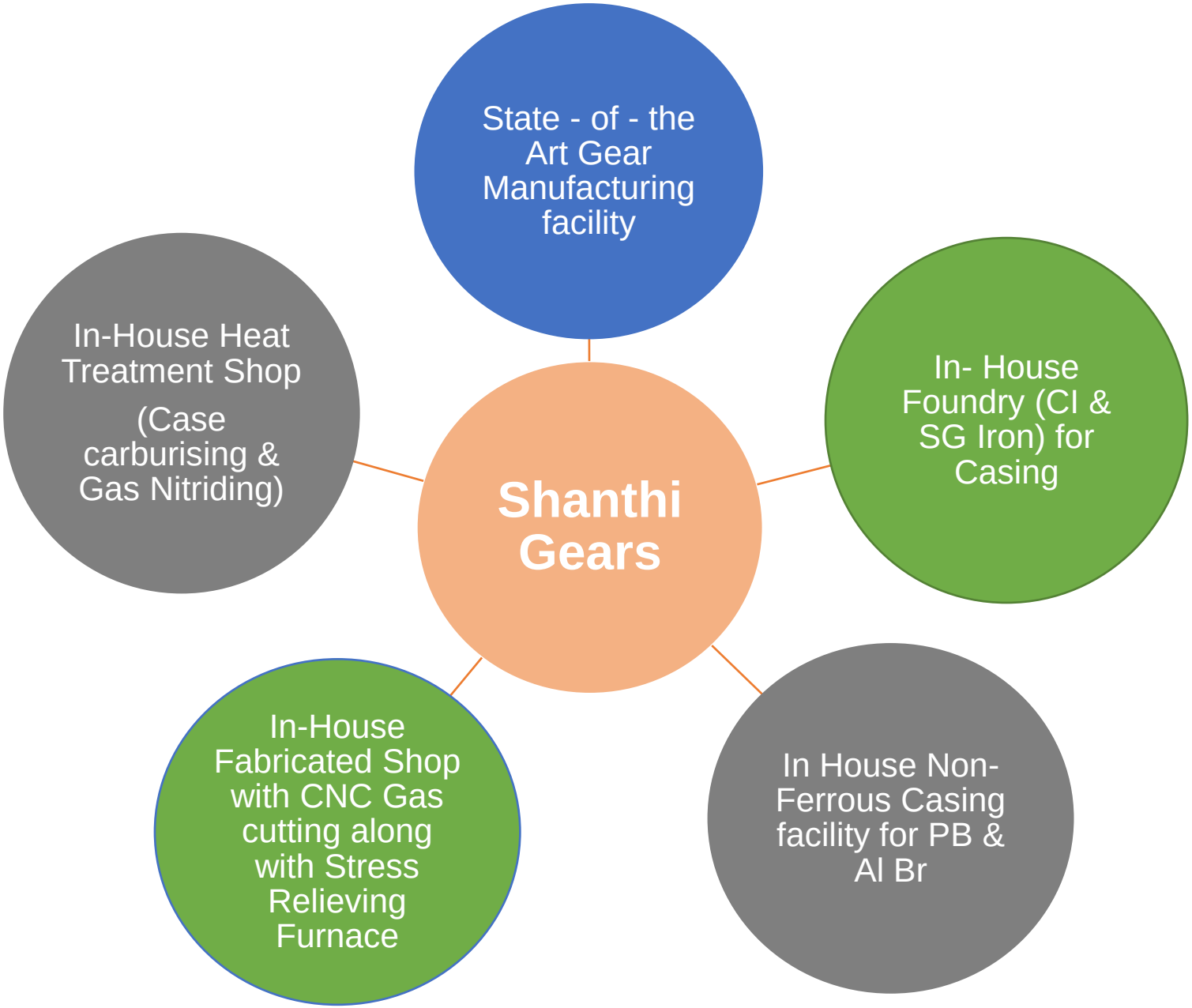
SGL Shareholding Pattern - Sep'19



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

- Q2 Sales of Rs. 70 Cr. being 21% growth over PY; H1 Sales of Rs. 141 Cr.
- Service Business order book grown significantly compared to PY
- In roads for High Speed Gears in Turbine application
- Ramp-up in Helical segment

Key Financials

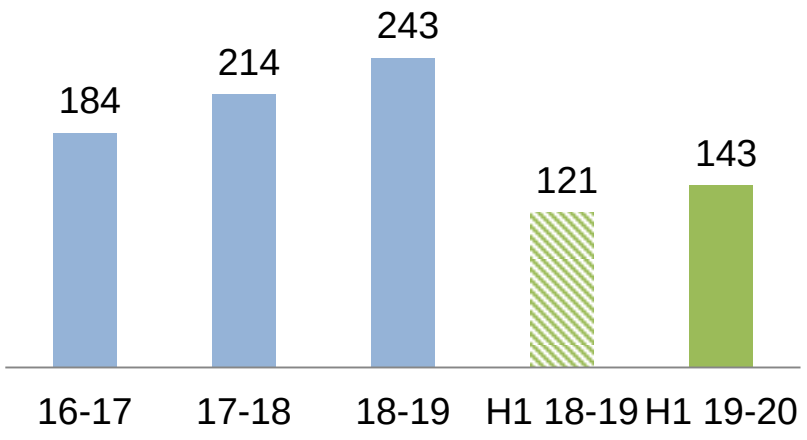
Rs. Cr

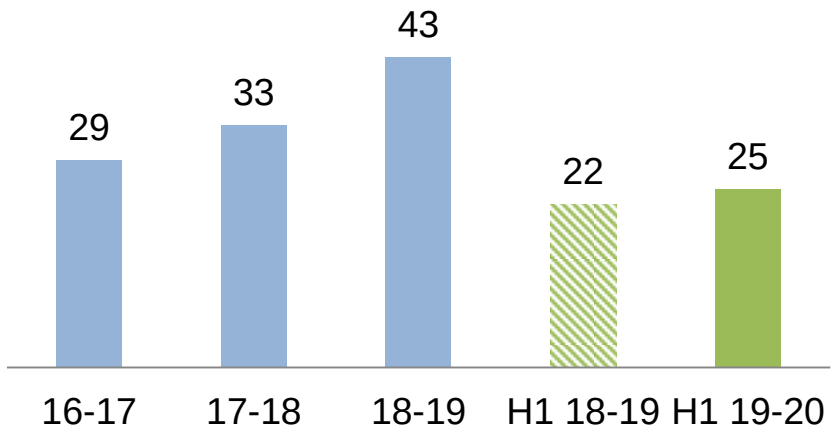
Particulars	18-19	H1 18-19	H1 19-20	Growth %
Net Revenue	**243**	**121**	**143**	**17.6%**
PBT	**42**	**22**	**25**	**9.1%**
% to Net Revenue	*17.5%*	*18.5%*	*17.2%*	
PAT	**33**	**18**	**18**	**1.8%**
% to Net Revenue	*13.7%*	*14.4%*	*12.5%*	

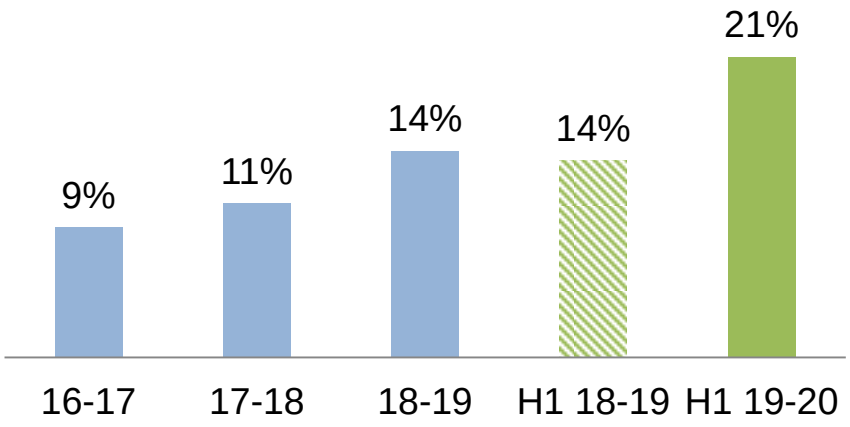
Particulars	31-03-2019	30-09-2018	30-09-2019
Net Fixed Assets	59	59	56
Net Working Capital	112	89	100
Investments	127	182	80
Capital Employed	**297**	**330**	**236**
Capital Expenditure	**12**	**8**	**2**

Key Financial Trends

Rs. Cr.







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