



# **Lloyd Electric and Engineering Limited (LEEL)**

Q1 FY2009 results discussions

# INTRODUCTION

- ☞ **India's No. 1 manufacturer** of Heat Exchanger coils for air conditioners
- ☞ Expanding presence in European Market by acquiring Luvata Czech
- ☞ Strong presence in contract manufacturing of A/C's for A/C manufacturers like Samsung, Haier, Blue Star, Onida, Symphony, etc.
- ☞ Strong base of Institutional clients like Railways
- ☞ Production units also in tax free zones
- ☞ Best positioned with more than 50% market share
- ☞ Coil manufacturing plant in Bhiwadi (Rajasthan), Kala Amb (Himachal Pradesh) and Dehradun (Uttaranchal) with manufacturing capacities of 1.4m coils and assembling capacity of 0.4m units of Air Conditioners
- ☞ Adequate capex, additional capacities to meet rising demand



# Highlights

- ☞ Steady growth performance
  - ☞ Q1 FY2009 Net Revenues up by around 6 % to Rs. 1871.2 million
  - ☞ Q1 FY2009 PAT at Rs. 146.4 million, marginally decreased by 11.4 %
  - ☞ Growth led by increased demand in coils
  - ☞ Acquisition of Luvata Czech s.r.o. in Prague, Czech Republic through its Special Purpose Vehicle (SPV) Lloyd Coils Europe s.r.o.



# Heat Exchanger Coils

- ☞ Largest manufacturer of heat exchanger coils in India
  - ☞ State-of-art, manufacturing facilities at Bhiwadi (Rajasthan), Kala Amb (Himachal Pradesh) and Dehradun (Uttaranchal)
- ☞ LEEL enjoys technology advantage to manufacture 400 different types of coils
- ☞ Performance not sensitive to price volatility of copper tubes and aluminium foils due to ability to pass on impact of raw material costs



# Strategic Tie-up for Metro Rail business

- Entered into Tie-up with Air International Transit Pty. Ltd.(AIT), Sydney Australia to manufacture and supply AC Package units to Metro Rail Corporation in India
- AIT supplies AC solutions to Bombardier, Alstom, Siemens & Rotem which in turn have 80-90% share of Metro Coach Manufacturing business worldwide
- Currently executing order for Delhi Metro
- First Mover advantage leading to bigger share of Metro business
- Currently Metro is adding up 800 new coaches to its fold leading to sizable business opportunity to the Company
- This may lead to growing export potential in air-conditioning of Metro Rail coaches in developed countries by supplying cost competitive product taking advantage of low labour cost in India



# Acquisition of Luvata Czech, Prague

- ☞ LEEL acquired Luvata Czech to expand presence in European market
- ☞ Luvata Czech is one of the top five leading manufacturers of coils serving the heating, ventilation, air conditioning and refrigeration (HVACR) industry in Europe with market share of 5% in free coil market i.e. non captive segment
- ☞ Total manufacturing facility of 6200 m2
- ☞ Providing strategic benefits to LEEL
  - ☞ Access to technology for the coils for cold chain
  - ☞ Access to new product like commercial Refrigeration Coil and Heating Coil
- ☞ Increasing business volumes by working closely with European clients and providing them with customised products as per their requirement
- ☞ Outsourcing some components produced in Luvata Czech to India to reduce cost and gain market presence
- ☞ Czech Republic's favorable tax climate would facilitate LEEL to achieve better returns on investment



## Management views

- ☞ Commenting on these results, Mr. B.R. Punj, Chairman and Managing Director, LEEL, said:

*“Our cost plus margins model has ensured that our margins are maintained during variable raw material cost cycles. We sustained growth across all business segments and were able to benefit from strong demand for outsourcing by OEM’s. This performance reflects only partial benefits of the recent presence in the European Market which we expect to optimize going forward. Work on creating the ‘Lloyd’ brand presence in the European market is progressing smoothly and we expect it to be established over the next two quarters.*

*Demand for coils is optimistic both domestically and internationally and we are determined to further strengthen our position and execute it in a timely manner given our large capacity preparedness. We have also taken a number of steps to roll-out our full range of products across Europe, which will provide us with further upside potential in the coming months. Our outlook for the future is extremely positive and is guided by the strong demand of our products and services offerings.”*



# Financial performance – A review

## Revenues:

- Gross Revenues for Q1 FY2009 increased by 5.2 % due to rising demand for coils in the industry
- Marginal revenue growth of 5.2 % is due to early onset of monsoon and shorter summer in the northern region which contributes approximately 50% to the demand of the retail A/C/ Industry
- Net Revenues for Q1 FY2009 increased marginally by around 6 % due to decrease in other income

<b>Particulars (Rs. million)</b>	<b>Q1 FY2009</b>	<b>Q1 FY2008</b>	<b>Shift (%)</b>
<b>Gross Revenues</b>	1875.43	1783.5	5.2 %
<b>Net Revenues</b>	1871.21	1767.4	5.9 %
<i>Other Income</i>	4.33	16.1	(73.8) %



# Financial performance – A review

## Total Expenditure:

- ☞ Increase in price of copper tubes and aluminum foils was passed on to consumer as orders booked on cost plus margin basis

<b>Particulars (Rs. Million)</b>	<b>Q1 FY2009</b>	<b>Q1 FY2008</b>	<b>Shift (%)</b>
<b>Total Expenditure</b>	<b>1676.2</b>	<b>1551.9</b>	<b>8 %</b>
<i>Increase /Decrease in Stock</i>	<i>12.2</i>	<i>23.0</i>	<i>(47) %</i>
<i>Consumption of Raw Materials</i>	<i>1570.5</i>	<i>1461.37</i>	<i>7.5 %</i>
<i>Employee Cost</i>	<i>12.4</i>	<i>11.5</i>	<i>7.8 %</i>
<i>Other Expenditure</i>	<i>50.8</i>	<i>56.03</i>	<i>(9.3) %</i>



# Financial performance – A review

## EBIDTA:

☞ EBIDTA increased corresponding to the total turnover

<b>Particulars (Rs. Million)</b>	<b>Q1 FY2009</b>	<b>Q1 FY2008</b>	<b>Shift (%)</b>
<b>EBIDTA</b>	<b>225.3</b>	<b>215.5</b>	<b>4.5 %</b>
<i>EBIDTA Margins (%)</i>	<i>12.04</i>	<i>12.19</i>	<i>(1.2) %</i>



# Financial performance – A review

## PBT & PAT:

- ☞ During the period, PBT decreased marginally due to rise in expenditure
- ☞ For Q1 FY2009, interest cost increased to Rs. 35.7 million from Rs. 24.5 million on the back of increased working capital requirement.
- ☞ PAT for Q1 FY2009 was lower by 11.4 % to Rs. 146.3 million compared to Rs 165.1million in Q1 FY2008 as a result EPS was at Rs. 4.72 for Q1 FY2009

<b>Particulars (Rs. Million)</b>	<b>Q1 FY2009</b>	<b>Q1 FY2008</b>	<b>Shift (%)</b>
PBT	163.5	184.07	(11.2) %
PAT	<b>146.3</b>	165.07	(11.4) %
<i>PAT Margins (%)</i>	7.82 %	9.34	(16.3) %
EPS (Diluted) not annualised	4.72	5.32	(11.3) %
EPS (Basic) not annualised	4.72	5.32	(11.3) %



# Performance Drivers & Outlook

**GROWTH  
TRAJECTORY**

**MISSION**

**GROWTH  
ENGINES**

- Developed formidable buyers list which includes almost all OE manufactures in AC Industry in India.
- Achieved the status of No.1 Manufacturer of Coils in India in non- captive segment
  
- To be World's No. 1 Coil Manufacturer
  
- Growing domestic demand for AC both in Retail & Institutional segment
- Increased Government spending on Railways
- Metro rail expansion within Delhi and 4 other States
- Growing Contract Manufacturing business
- Increased impetus to grow exports of the Company



# About Lloyd Electric and Engineering Limited

Lloyd Electric and Engineering Limited (LEEL), a part of the USD 300 million Lloyd group (the "Lloyd), a well established name in the Indian AC industry, provides customized AC solutions for institutional clients like railways, defence, telecom etc. LEEL has manufacturing facilities at Bhiwadi (Rajasthan), KalaAmb (Himachal Pradesh), and Dehradun (Uttaranchal). The company is operating in 2 main business segments, namely Coils and AC's. Coils contribute to 60-65 % of their total revenues. LEEL's core strength lies in the manufacturing of E&C coils, but in recent times it has moved up in the value chain and commenced contract manufacturing of AC's for original equipment manufacturer (OEMs) like Fedders Lloyd, Samsung, Electrolux, Voltas and Carrier etc. which not only protects LEEL's coil margins but also provides additional margins on assembly of AC's by captive consumption of its own coils.



# OUR CLIENTELE



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