

Formerly Known as Supreme Heatreaters Pvt. Ltd.

SEL/CA/NSE/19-20/16

Date: 20.11.19

To,
The Manager,
Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

TRADING SYMBOL: SUPREMEENG

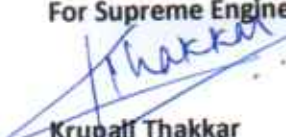
Sub: Investor Presentation with Financial Result update- H1 FY 2019-20

With reference to the above captioned subject, please find attached herewith Investor Presentation on Unaudited Financials for the half year ended 30th September, 2019.

Kindly take the same on your records.

Thanking You,

For Supreme Engineering Limited


Krupali Thakkar
Company Secretary and Compliance Officer*
ACS- 42594



Encl: Investor Presentation

SUPREME ENGINEERING LIMITED

H1 FY2019-20 RESULT UPDATE & PRESENTATION



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H1 FY2019-20

Result Highlights

14th November, 2019

EBIDTA Margins Improving : H1 FY20 (Rs.crores)

Particulars	1HFY20	1HFY19	YoY % Gr	2HFY19	QoQ % Gr	FY19	FY18	YoY % Gr
Revenue from Operations	84.31	82.44	2.3%	91.13	-7.5%	173.57	151.74	14.4%
Cost of Materials Consumed	45.74	76.37		78.51		154.87	123.94	
Purchase of Stock in trade	0.00	0.00		0.00		0.00	5.05	
Changes in inventory of FG	25.98	-5.29		0.84		-4.46	-4.17	
Employee Expenses	1.25	1.32		1.69		3.01	1.76	
Other Expenses	2.13	1.73		1.14		2.88	7.88	
EBIDTA	9.21	8.31	10.8%	8.95	2.9%	17.27	17.27	0.0%
Ebidta Margin %	10.9%	10.1%		9.8%		9.9%	11.4%	
Depreciation	0.901	0.92		0.96		1.88	1.51	
EBIT	8.31	7.39	12.5%	7.99	4.0%	15.39	15.76	-2.4%
Other Income	0.27	0.54		0.61		1.16	0.55	
Finance Costs	4.80	4.07		3.46		7.53	9.10	
PBT	3.78	3.86	-2.1%	5.14	-26.4%	9.02	7.21	25.0%
Prior Period items	0.00	-0.42		0.42		0.00	0.00	
Tax Expense	1.01	0.82		1.43		2.26	2.20	
Current Tax	0.78	0.73		1.12		1.85	1.50	
Differed Tax	0.23	0.09		0.31		0.40	0.70	
PAT	2.75	2.63	4.6%	4.12		6.77	5.01	34.9%
PAT Margin %	3.6%	3.8%		5.2%		4.6%	3.7%	
No of Shares (In.Crs)	2.50	2.50		2.50		2.50	1.80	
EPS Rs.	1.10	1.05		1.65		2.71	2.79	

Result Highlights:

- ✓ Revenues at Rs.84.31 crores were up 2.3% YoY higher. As per the management strategy of improving the product mix, the high margin Critical products revenues at Rs.18.54 crores vs Rs.13.2 crores the corresponding H1FY19. The Critical product division now contributes 22% of Revenues vs 16% in the previous corresponding period.
- ✓ EBIDTA at Rs.9.21 crores was up 10.8% with margins improving by 80bsp. This is mainly due to the increased contribution of Critical products which enjoy higher EBIDTA margins of 30%+
- ✓ Order Book on Hand continues to grow and is Rs.35.23 crores as on 30th Sept.2019
- ✓ New Clients added in H1 FY20 - Bharat Dynamics Ltd, Sundaram Fasteners Ltd, ISRO Tirunevilli, Armament Research Defence Establishment.

SPECIAL STEELS

Special Steels (excluding Critical steels products) are Nickel-Based Super Alloys having advantages for high temperature applications. Mainly import substitutes, these products are replacing stainless steels.

In H1FY20 these products contributed Rs.50 crores, 7% YoY lower. Currently they contribute 60% of Revenues vs 67% in H1FY19.

In FY20 the contribution is estimated to be around 55%, with Critical Steel products increasing in contribution.

CRITICAL STEELS

Critical application products which currently contributed 22% of H1FY20 revenues, is estimated to contribute approx. Rs.50 crores ie. 25% for the full year FY20. The segment is growing exponentially starting with Rs.5 crs in FY17.

Products have negligible competition and enjoy high margins ~ 30%+. This segment is the profit driver and remains as the focus area for exponential growth. Only two Special Alloy manufacturers are preferred suppliers in its segment for GOI.

WIRES

Wires contributed to Rs.15.16 crores, 18% of H1 FY20 revenues. The segment continues to be a steady growth segment .

Products go into textile machinery, hand tools, oil & gas, fastener and automotive application



- ▶ Indigenization of Special Steel Alloys & Import substitute
 - ▶ Approved for strategic missile programs such as LRSAM, Pinnaka, AGNI, HSDTV etc.
- ▶ The commitment towards 'Make in India' programme initiated by the Government of India
 - ▶ Tenders for Indian manufacturers & Price-benefit clause
 - ▶ Off-set policies
 - ▶ Higher thrust for local production
- ▶ Approvals received from these Public sector undertakings takes 5-6 years but provides sufficient moat and higher margins
- ▶ Strong internal R&D team and versatility in supply
- ▶ Competitive pricing due to private setup and low manufacturing costs

Critical Product Orders In Hand : Rs.35.23 crores

Four New Marquee Customers Added in H1FY20



NPCIL

न्यूक्लियर पावर कॉर्पोरेशन ऑफ इंडिया लिमिटेड
(भारत सरकार का उद्यम)



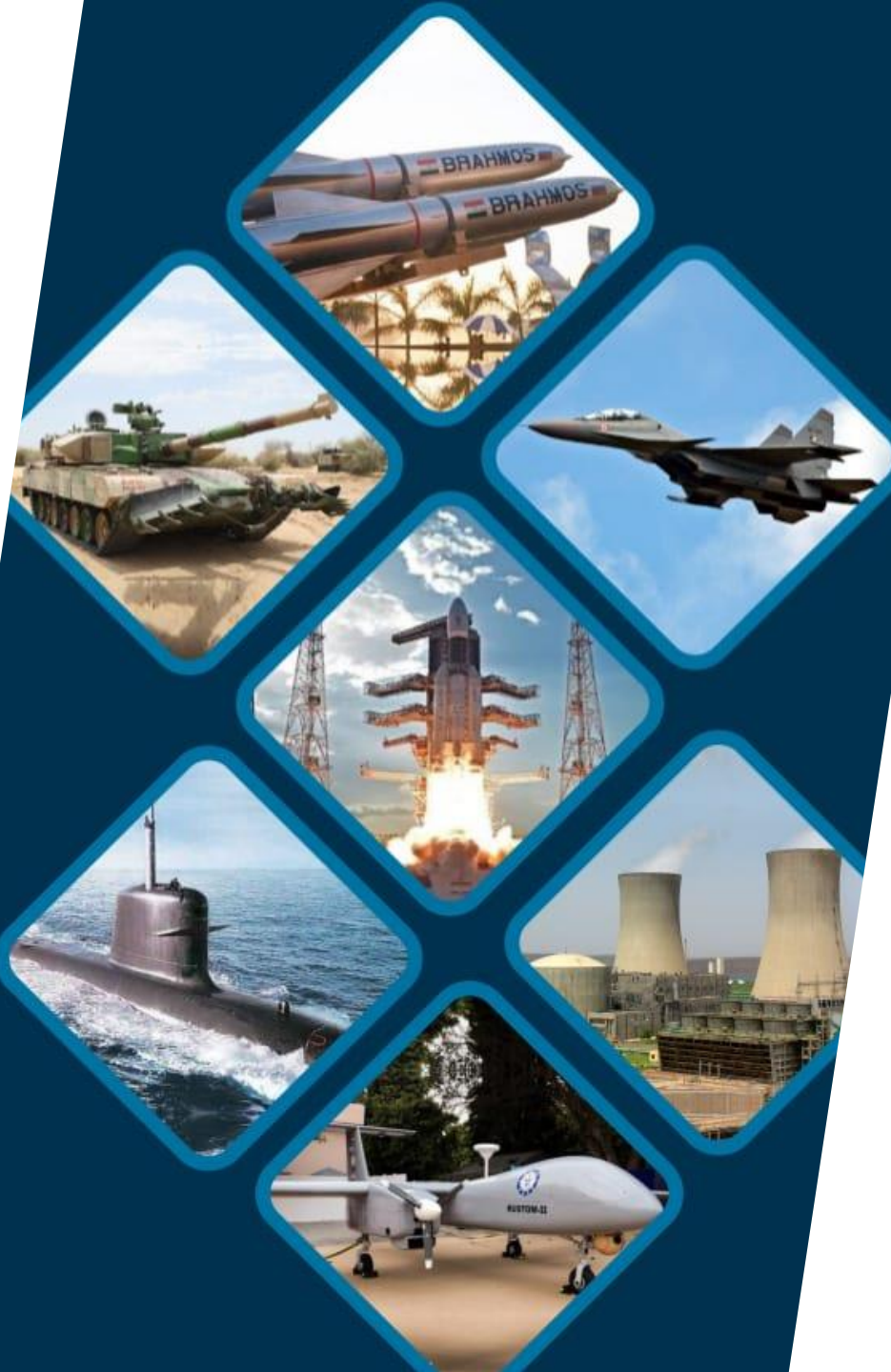
Emerging Opportunity



- ▶ Supreme has received AS 9100 D certification for the plant
- ▶ This certifies Supreme to start supplying material for civil aviation and aero-engines
- ▶ Currently under discussion with various OEM manufacturers for approvals
- ▶ Received pilot and prototype orders from some of the major OEMs
- ▶ This opportunity creates a further barrier to entry

Industry Highlights

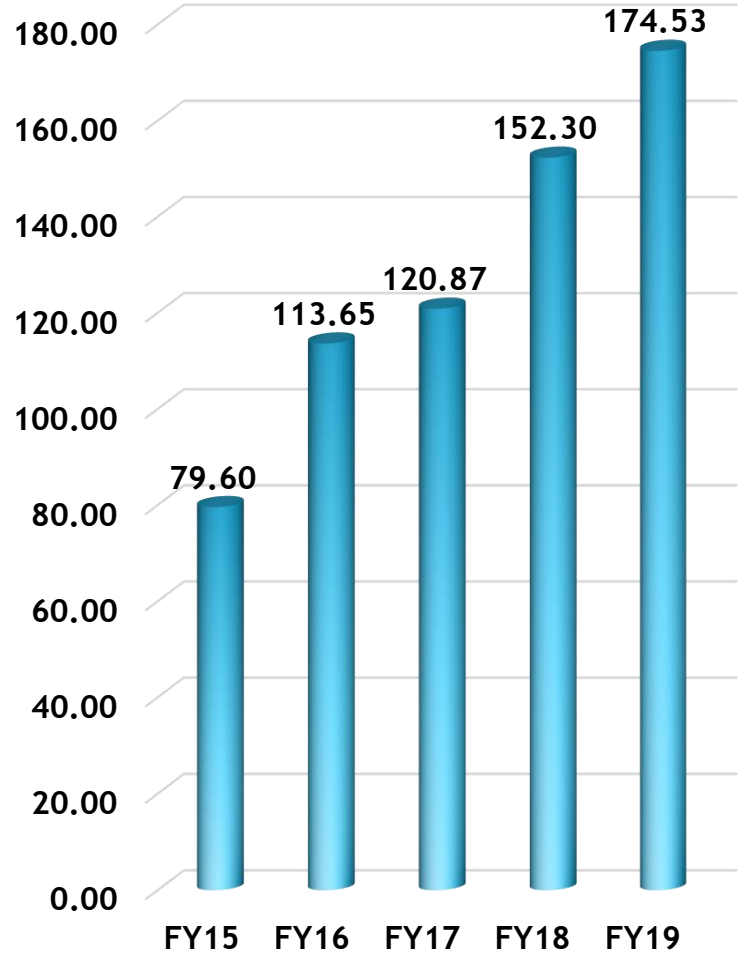
- *Space:* From 4 launches in 2017, 7 in 2018 and target for 12 per year by 2020.
- *Aerospace:* Indian Aerospace business (Civil and Military) is growing at a rate of 20-25% YOY
- *Defense:* India is the 2nd largest importer of arms and has the 4th largest defence spend. Currently 60% of this is imported.
- *Nuclear Power:* 7 new reactors in production and fleet plan of 17 underway



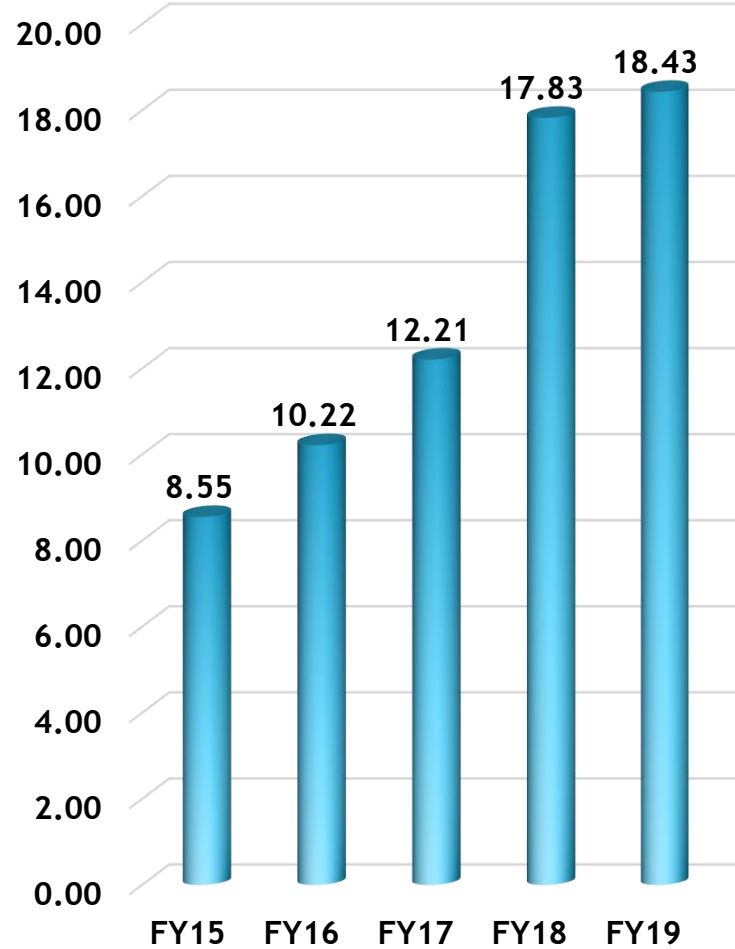
- Under Union Budget 2018-19, allocation to the defence sector was raised to US\$ 45.57 billion. In addition, Make in India policy is being pursued to achieve greater self-sufficiency in defence equipment
- India's nuclear power installed capacity was 6.78 GW in January 2019. Nearly 3,300 MW of nuclear capacity is expected to be commissioned during 2017-2022, representing a business opportunity of US\$312 million
- India set to surpass UK and become the third largest aviation market around 2024 as per IATA forecasts. The Indian government is planning to invest US\$1.83 billion for development of airport infrastructure along with aviation navigation services by 2026.
- The Centre has allocated around **Rs 107.83 billion** to the **Department of Space** in the Union Budget for 2018-19 against 2017-18's Rs.91.55 billion, as per the revised estimates. Recently, 30 Satellites plan is also sanctioned.
- As per **Automotive Mission Plan 2016-2026**, Indian auto component industries could attain an impressive **USD 200 billion** in revenue by 2026, with exports of USD 80 billion.
- **Oil & gas** contributes over 6% of the overall demand for specialty steel and super alloy products. As per 12th Five Year Plan, oil production would increase investment of approx. **USD 43.69 billion**

Growth Across All Parameters (Rs.crores)

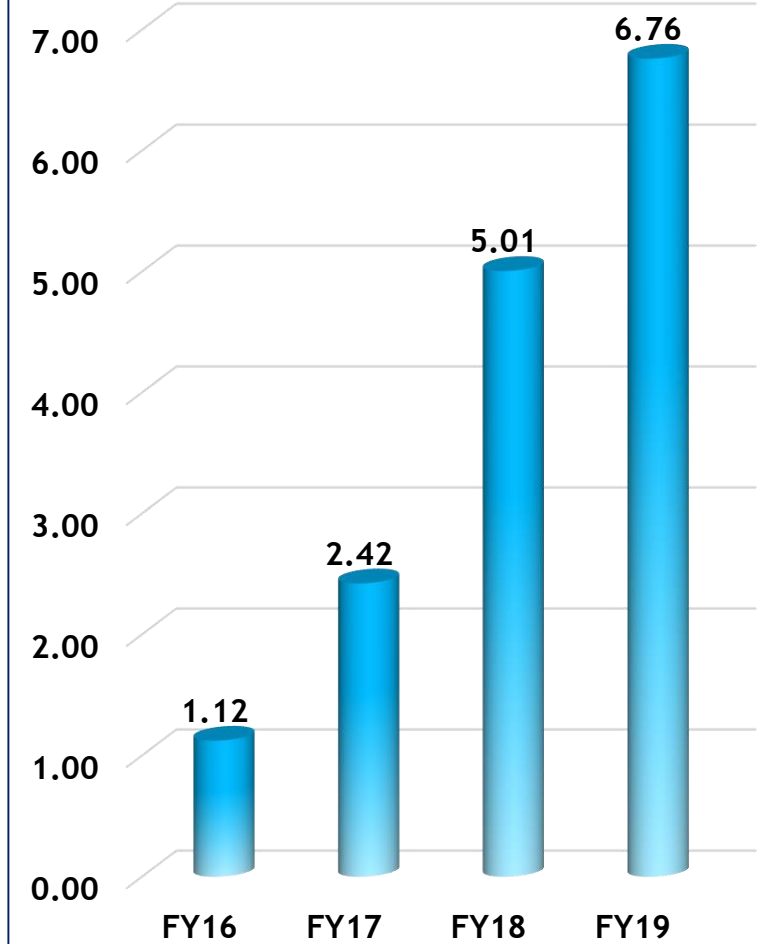
Total Revenue



EBITDA



PAT



Company Profile & Business

Promoted by Mr.Sanjay Chawdhri



A Qualified Engineer from Karnataka University, since inception Mr.Sanjay Chawdhri has been instrumental in developing the overall business strategy.

Starting from a small factory in Rabale - New Mumbai, three decades back, the product line has been expanded with in-house R&D. The Special Steels unit was set up at Khopoli in 2007 and Critical Steel products launched in 2017.

Listed in Sept.2018 on NSE Exchange with 65 lakh shares at Rs.27@,raising Rs.17.5 crs

Major capex already been done, infrastructure can support doubling of revenues.

Equipped with Advanced Strong R&D Capabilities, manufacturing high tech critical products including import substitutes for PSUs.

Major Revenue Segments

SPECIAL STEELS
Accounts for 55% of Revenue
Flat Growth

CRITICAL STEEL PRODUCTS
Accounts for 25% of Revenue
High Growth Segment

WIRES
Accounts for 20% of Revenues
Steady growth

Mr. Sanjay Chowdhri

- Promoter & MD, Aged 53, Qualified Engineer in the field of Electronics & Communication from Karnataka University
- Over 3 decades of experience, associated with the Company since inception, been instrumental in overall business strategy and development of business

Mr. Abhinav Chowdhri

- Executive Director, Aged 29, Major in Industrial Engineering with University of Pennsylvania
- Involved in Technical Development, Business Development & Production Activity. The company received various Govt owned customer approvals under his guidance

Mr. Pranav Chowdhri

- CEO, aged 22 years Bach. Technology (Mechanical Engineering) from SVKM's NMIMS
- Actively involved in ensuring efficiency in marketing, sales, business development, and day to day operations at Unit II

Mrs. Lalita Chowdhri

- Non-Executive Director & Chairperson, aged 50 Years, bachelor of Arts in Economics
- Ensuring efficient administration of the Company

Dr. Jayaraman Kanan

- Independent Director, aged 61, Aeronautical Engineering from IIT, Doctor of Philosophy, Retired distinguished Scientist & Director of DRDL (Defence Research and Development Laboratory)
- Over 3 decades of experience as a scientist in various Organization in the field of Defence

Dr. Prakash Deshmukh

- Independent Director, Aged 65, Bachelor in Technology (Hons.) in Metallurgic Engineering from IIT. Doctor of Philosophy. Ex Managing Director of Hindustan Aeronautics Ltd
- Over 3 decades of experience in various Organization in the field of Aerospace Metallurgy & Aviation

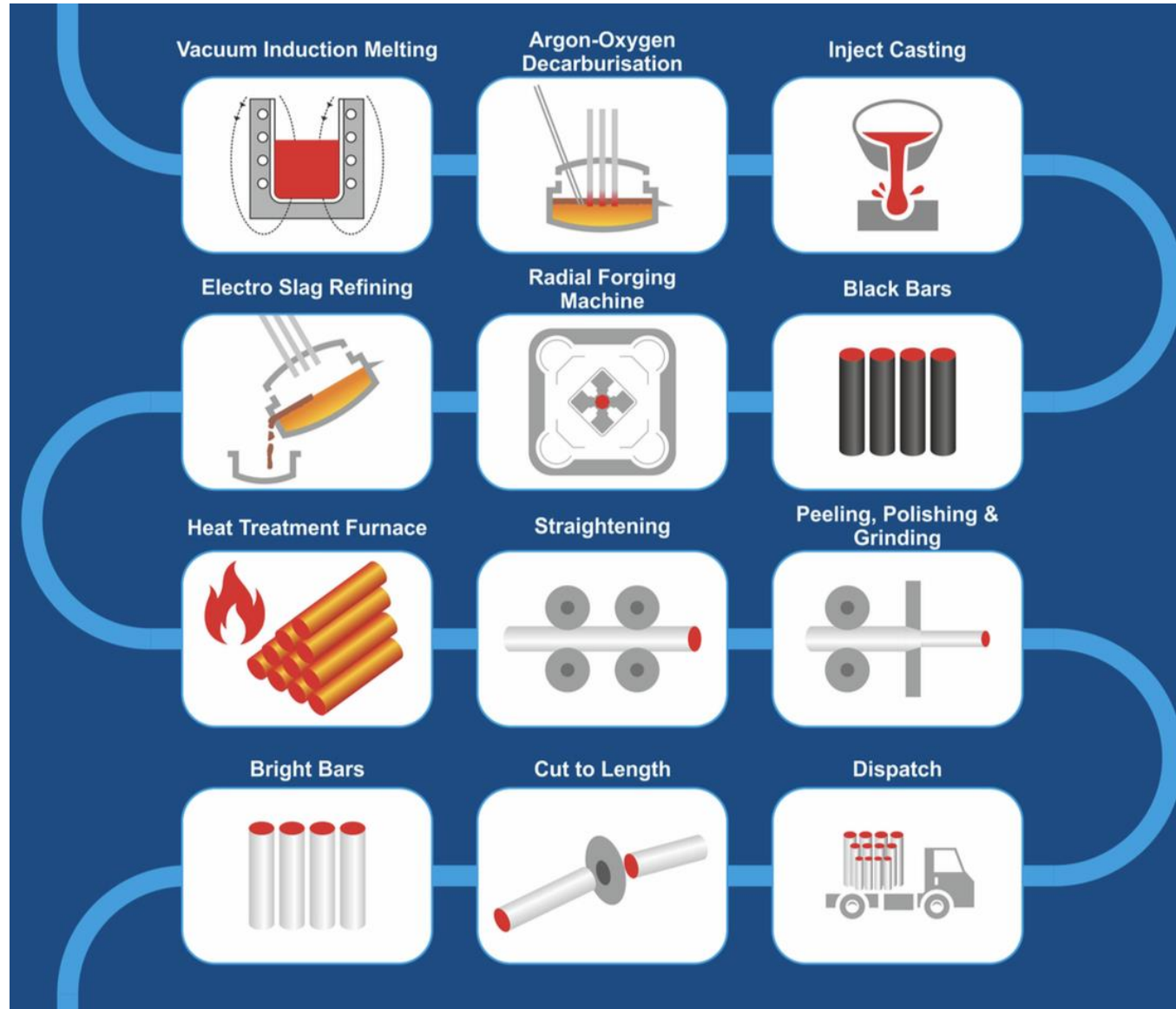
- 1987 Set-up of Wire division at Rabale, Navi Mumbai
- 1994 Received approvals from reputed bearing manufacturers for OEMs
- 2008 Set-up of Special Steel division at Khopoli, Maharashtra
- 2010 Launched Superalloys and other exotic steels as the first manufacturer in the private sector
- 2012 Received approval from Nuclear Power and Department of Atomic Energy
- 2016 Received approvals from various PSUs in Defence, Space and Aerospace
- 2017 Signed MOU with HAL to indigenize 25 Russian alloys for SUKOI 30 under “Make in India” and MIDHANI for R&D and outsourcing
- 2019 Revenue growth in critical alloys jumps by 40%

Products

- ▶ 1. ESR Alloy Steel
 - ▶ EN24 / 4340, 4140, L43, 15CDV6
- ▶ 2. Special Stainless Steels
 - ▶ 17-4PH, 15-5PH, 17-7PH, 13-8PH, SS304L, SS316L, SS321, SS410, SS420, SS431
- ▶ 3. Nickel-based Superalloys
 - ▶ Inconel 600, 625, 718, 800, 825, 925, Hastelloy C276, Nimonic 80A, Monel 400, K500, Invar 36 etc
- ▶ 4. Russian Grades
 - ▶ 36XHT, 12X18H10T, 10X11H23, 30X13
- ▶ 5. Super-duplex Stainless Steels
 - ▶ F51, F60, F53, F55
- ▶ 6. Tool Steels
 - ▶ M2, M35, D2, D3, H11, H12, H13, O1



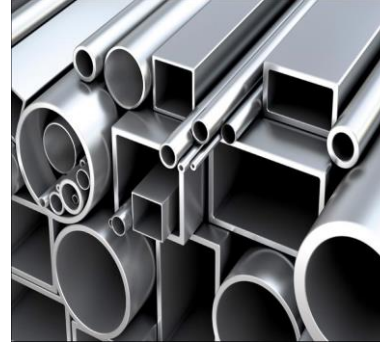
Special Steel Manufacturing Process



Special Steels Capacity Sufficient to Double Revenues

Capacity Utilisation (MT pa)

Process Stage	FY18		FY19	
	Installed	Actual	Installed	Actual
Primary Melting	3,600	1,875	3,600	1,875
Secondary Melting	1,200	1,000	1,200	1,000
Radial Forging	3,000	2,250	3,000	2,250
Heat Treatment	4,000	3,000	4,000	3,000

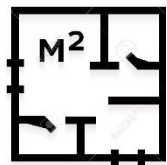


Special Steel Revenues (Rs Crores)

Product	FY18	FY19
Nickel Alloy	21.0	87.8
Special Steels	109.0	60.1
Miscellaneous	1.9	7.1
Total Revenues	131.9	154.1

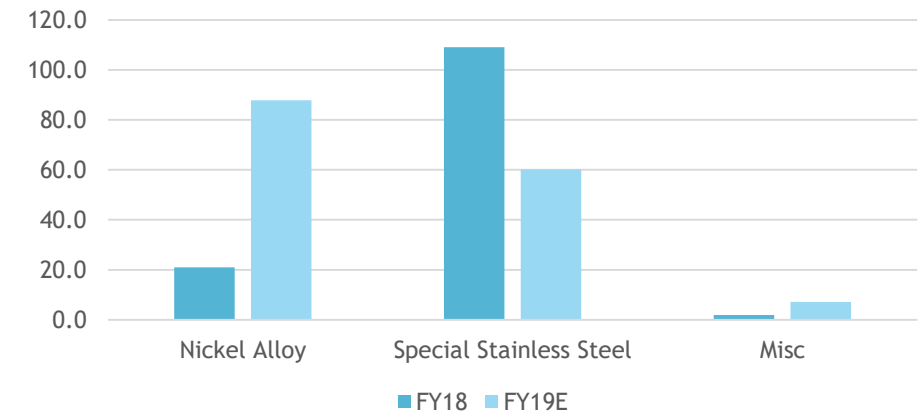


Capacity
Unit I- Special Steel Division- 11800 mtpa



Located at Khapoli & Spread across an area of 24,341 Sq. Mts.

Special Steels - Revenue (Crores)



Wire Division - Small & Steady Segment

Capacity Utilization (MT pa)

Process Stage	FY18		FY19	
	Installed	Actual	Installed	Actual
Annealing	4,800	4,500	4,800	4,725
Drawing	5,000	4,688	5,000	4,922
Peeling	3,000	2,813	3,000	2,292
Bars-De-coiling, Cutting, Grinding	3,000	2,813	3,000	2,292
Cold Rolling	1,000	938	1,000	984

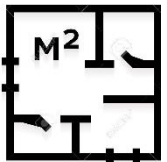


Wire Revenues (Rs Crores)

Product	FY18	FY19
Oil & Gas Sector	5.2	8.3
Textile Sector	3.9	1.4
Bearing Components	7.4	3.7
Alloy Products	2.1	5.5

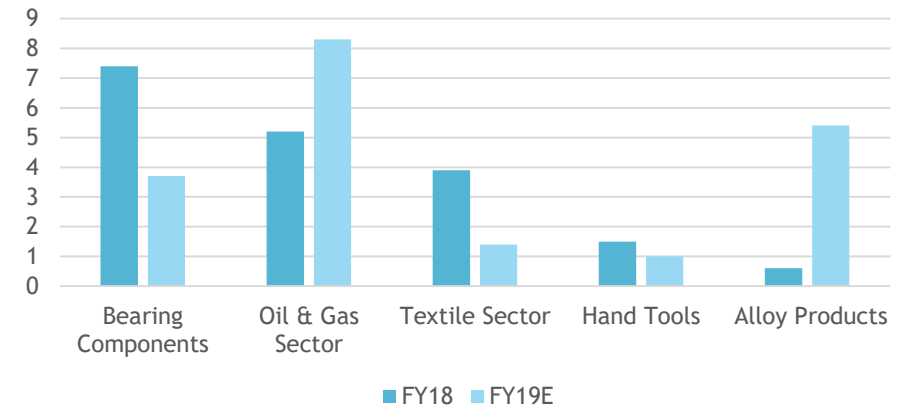


Capacity
Unit 2- Wire Division- 16,800 MT pa

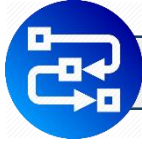


Located at Rabale & Spread across
an area of 2,363 Sq. Mts.

Wire Segments - Revenue (Rs.Crores)



Wire Segment & Testing Facility



Manufacturing Process

- Wire Drawing
- Spheroidized annealing
- Coil to coil peeling
- Pickling
- De-coiling and cutting
- Bar straightening/polishing
- Centerless grinding and profile manufacturing

Geometric and non-geometric profiles as per customer's specification.



Features

- Spectrometer- Accurately shows chemical composition. Uses optical emission technique
- Ultrasonic Testing (UT)-100% bars are UT Tested. Back-wall echo, DGS, FBH methods available. AMS, ASTM, JIS standards followed
- Ultimate Tensile Testing
- Hardness Tester
- Microscope- Micro, Grain size, Inclusion testing conducted
- Dye-Penetrant testing (DP)
- Magnetic Particle Inspection (MPI)
- Radioactivity Testing
- PMI

Financial Statements

Profit & Loss Statement (Rs.crores)

Particulars	FY17	FY18	FY19
Revenue from Operations	120.40	151.74	173.57
EXPENSES			
Cost of materials consumed	116.99	123.94	154.86
Purchase of stock in trade	6.85	5.05	0.00
Change in inventory of Finished Goods	-18.63	-4.17	-4.46
Employee benefit expenses	1.52	1.76	3.01
Other expenses	1.94	7.88	2.88
Total Expenses	108.66	134.47	156.29
EBITDA	11.73	17.28	17.28
Depreciation and amortization expenses	1.96	1.51	1.89
EBIT	9.77	15.77	15.39
Other income	0.48	0.55	1.15
Interest	7.68	9.11	7.52
EBT	2.57	7.21	9.02
Tax expense:			
(i) Current tax	0.36	2.16	2.20
(ii) Deferred tax	-0.21	0.05	0.05
PAT	2.43	5.01	6.77

Balance Sheet Statement (Rs.crores)

Particulars	FY19	FY18	FY17
a. Share capital	24.99	18.42	3.00
b. Reserves & surplus	25.96	10.06	11.71
Total Shareholders fund	50.95	28.48	14.71
Non-current liabilities			
a. Long-term borrowings	16.17	24.85	42.71
b. Deferred tax liabilities (net)	1.27	1.27	1.22
c. Other Long Term Liabilities	0.91	0.76	0.00
d. Long-term provisions	0.43	0.00	0.00
Total Non-Current Liabilities	18.78	26.88	43.93
Current liabilities			
a. Short-term borrowings	72.16	55.18	42.05
b. Trade payables	41.43	53.62	31.61
c. Other current liabilities	6.24	8.50	6.28
d. Short term provisions	2.02	1.49	0.78
Total Current Liabilities	121.85	118.79	80.72
T O T A L L I A B I L I T I E S	191.58	174.14	139.36
Gross Block	34.63	33.06	30.11
Depreciation	13.39	11.82	10.89
Capital Work in Progress	7.67	6.45	6.45
Net Block	28.91	27.69	25.67
Other Non-Current Assets	1.56	4.02	7.96
Inventories	91.56	81.70	58.78
Trade receivables	62.09	52.65	40.30
Cash and cash equivalents	5.45	4.98	3.24
Others Short term loans & advances	2.01	3.10	3.40
T O T A L A S S E T S	191.58	174.14	139.36

Cash Flow Rs.crores)

Particulars	FY19	FY18	FY17
A)Cash Flow from Operating Activities :			
Operating profit before working capital changes	17.27	17.35	11.73
Adjusted for (Increase)/ Decrease in:			
Inventories	-9.86	-22.92	-12.72
Trade receivables	-9.44	-12.35	-13.01
Short term loans and advances	0.46	1.25	-0.86
Other current & Non current assets	1.01	-1.02	-0.34
Trade payables	-12.19	22.01	30.03
Other current Liabilities	-2.26	2.22	-8.57
Short term provisions	0.53	0.71	0.20
Working Capital (Increase)/ Decrease	-31.74	-10.09	-5.27
Cash generated from operations	-14.47	7.25	6.46
Less: Income Tax (paid)/ refunded	-2.25	-2.20	-0.14
Net Cash flow from operating activities (A)	-16.72	5.05	6.32
Proceeds from Issue of Equity capital	6.57	6.75	0.00
Change in Reserves & Surplus	11.49	6.17	1.83
Long term Debt	-8.68	-17.86	3.61
Short Term Debt	16.98	13.13	-0.07
Interest Paid	-7.52	-9.11	-7.68
Other Income / Profit / Loss from sale of assets	1.15	0.55	0.48
Addition to Fixed Assets	-2.79	-2.95	-3.93
Net cash flow from financing activities	17.20	-3.31	-5.76
Net Increase/(Decrease) In Cash & Cash Equivalents (A+B+C)	0.47	1.74	0.56
Cash equivalents at the beginning of the year	4.98	3.24	2.67
Cash equivalents at the end of the year	5.45	4.98	3.22

Thank you

Supreme Engineering Limited

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