

**INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM STANDALONE
FINANCIAL RESULTS**

**TO THE BOARD OF DIRECTORS OF
PENNAR INDUSTRIES LIMITED**

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of **PENNAR INDUSTRIES LIMITED** ("the Company"), for the Quarter and nine months ended December 31, 2019 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
2. This Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India (ICAI). A review of interim financial information consists of making inquiries, primarily of the Company's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants
(Firm's Registration No. 117366W/W-100018)


Ganesh Balakrishnan
Partner
(Membership No.201193)

Hyderabad, February 11, 2020
UDIN: 20201193AAAAAN9635

**INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF
INTERIM CONSOLIDATED FINANCIAL RESULTS**

**TO THE BOARD OF DIRECTORS OF
PENNAR INDUSTRIES LIMITED**

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of **PENNAR INDUSTRIES LIMITED** ("the Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group"), for the Quarter and nine months ended December 31, 2019 ("the Statement") being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
2. This Statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India (ICAI). A review of interim financial information consists of making inquiries, primarily of Parent's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

4. The Statement includes the results of the following entities:
 - i. Pennar Global Inc., USA
 - ii. Enertech Pennar Defense and Engineering Systems Private Limited, India.
 - iii. Pennar GmbH, Germany (wef December 4, 2019).
5. Based on our review conducted and procedures performed as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

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6. We did not review the interim financial statements / financial information of two subsidiaries included in the consolidated unaudited financial results, whose interim financial statements / financial information reflect total revenues of ₹ 1,805 lakhs and ₹ 5,363 lakhs for the Quarter and nine months ended December 31, 2019, respectively, total net profit after tax of ₹ 48 lakhs and ₹ 82 lakhs and total comprehensive income of ₹ 57 lakhs and ₹ 92 lakhs for the Quarter and nine months ended December 31, 2019, respectively, as considered in the Statement. These interim financial statements / financial information have been reviewed by other auditors whose reports have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our conclusion on the Statement is not modified in respect of these matters.

7. The consolidated unaudited financial results includes the interim financial statements / financial information of one subsidiary which have not been reviewed by their auditor, whose interim financial statements / financial information reflect total revenue of ₹ 53 lakhs for the Quarter and nine months ended December 31, 2019, total net profit after tax of ₹ 3 lakhs and total comprehensive income of ₹ 2 lakhs for the Quarter and nine months ended December 31, 2019, respectively, as considered in the Statement. According to the information and explanations given to us by the Management, the interim financial statements / financial information is not material to the Group.

Our Conclusion on the Statement is not modified in respect of our reliance on the interim financial statements / financial information certified by the Management.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)


Ganesh Balakrishnan
Partner
(Membership No.201193)

Hyderabad, February 11, 2020
UDIN: 20201193AAAAAO3008

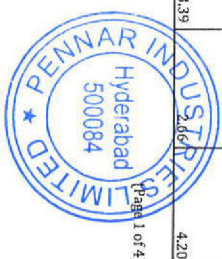
PENMAR INDUSTRIES LIMITED
(CIN: L27109AP1975PLCDD01919)

Regd. Office: Floor No. 3, DHFLVC Silicon Towers, Kondapur, Hyderabad 500084, Telangana, India.
Tel: +91 40 40061621; Fax: +91 40 40061618; E-mail: corporatecommunications@penmarindia.com; Website: www.penmarindia.com
Statement of Consolidated and Standalone Unaudited Financial Results for the Quarter and Nine months ended December 31, 2019

Sl. No	Particulars	Consolidated results						Standalone results					
		Quarter Ended		Nine months Ended		Year Ended		Quarter Ended		Nine months Ended		Year Ended	
		31-Dec-19	30-Sep-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Mar-19	31-Dec-19	30-Sep-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Mar-19
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Income												
	(a) Revenue from operations	53,738	57,995	56,763	1,65,516	1,54,804	2,13,311	53,207	57,932	54,703	1,64,612	1,53,552	2,11,612
	(b) Other income	355	862	760	1,570	2,163	2,674	420	804	760	1,571	2,163	2,603
2	Total Income	54,093	58,857	57,523	1,67,086	1,56,967	2,15,985	53,627	58,736	55,463	1,66,183	1,55,715	2,14,215
	Expenses												
	(a) Cost of materials consumed	27,176	35,264	32,676	94,769	97,432	1,27,283	27,013	35,354	31,043	94,564	96,113	1,24,545
	(b) Purchase of traded goods	2,742	1,862	1,590	5,795	3,166	5,135	2,742	1,862	1,590	5,795	3,166	5,135
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	2,356	(1,768)	442	(1,289)	(3,976)	(865)	2,356	(1,768)	442	(1,289)	(3,976)	(865)
	(d) Employee benefits expense	4,540	4,295	4,026	13,055	11,576	15,293	4,416	4,208	3,934	12,742	11,350	14,913
	(e) Finance costs	2,258	2,267	1,937	6,517	5,253	7,520	2,262	2,261	1,937	6,515	5,252	7,511
	(f) Depreciation and amortisation expense	1,137	1,042	755	3,129	2,072	2,789	1,135	1,041	729	3,124	1,995	2,787
	(g) Other expenses	12,265	13,889	13,921	38,912	35,142	49,148	12,149	13,782	13,697	38,643	34,754	50,838
	Total expenses	52,474	56,851	55,347	1,60,888	1,50,665	2,06,303	52,073	56,740	53,372	1,60,094	1,48,654	2,04,864
3	Profit before tax (1-2)	1,619	2,006	2,176	6,198	6,302	9,682	1,554	1,996	2,091	6,089	6,061	9,351
4	Tax expense (Refer note 10)												
	(a) Current tax	393	266	496	1,483	1,698	2,546	379	264	478	1,459	1,643	2,477
	(b) Deferred tax	(5)	(612)	151	(529)	370	470	(5)	(612)	151	(529)	370	470
	Total tax expense	388	(346)	647	954	2,068	3,016	374	(348)	629	930	2,013	2,947
5	Net Profit for the period (3-4)	1,231	2,352	1,529	5,244	4,234	6,666	1,180	2,344	1,462	5,159	4,048	6,404
	Attributable to:												
	Shareholders of the Company	1,209	2,350	1,524	5,210	4,229	6,644	1,180	2,344	1,462	5,159	4,048	6,404
	Non-controlling interest	22	2	5	34	5	22	-	-	-	-	-	-
6	Other comprehensive income												
	Items that will not be reclassified subsequently to profit or loss												
	(a) Remeasurement of the net defined benefit liability	-	-	-	-	-	(475)	-	-	-	-	-	(475)
	(b) Income tax relating to above items	-	-	-	-	-	165	-	-	-	-	-	165
	Items that will be reclassified subsequently to profit or loss												
	(a) Exchange differences in translation of foreign operations	8	-	-	9	-	10	-	-	-	-	-	-
	(b) Income tax relating to above items	-	-	-	-	-	-	-	-	-	-	-	-
	Total Other comprehensive income/(loss), net of tax	8	-	-	9	-	(300)	-	-	-	-	-	(310)
	Attributable to:												
	Shareholders of the Company	8	-	-	9	-	(300)	-	-	-	-	-	(310)
	Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
7	Total comprehensive income (5+6)	1,239	2,352	1,529	5,253	4,234	6,366	1,180	2,344	1,462	5,159	4,048	6,094
	Attributable to:												
	Shareholders of the Company	1,217	2,350	1,524	5,219	4,229	6,344	1,180	2,344	1,462	5,159	4,048	6,094
	Non-controlling interests	22	2	5	34	5	22	-	-	-	-	-	-
8	Paid up equity share capital [Face Value of ₹ 5 per share] (Refer Note 5)	7,550	7,618	7,618	7,550	7,618	7,618	7,550	7,618	7,618	7,550	7,618	7,618
9	Other equity						59,131						
10	Earnings Per Share [Face Value of ₹ 5 per share] (EPS for the quarter and Nine months periods are not annualised)	0.79	1.55	1.00	3.42	2.77	4.36	0.78	1.54	0.96	3.39	2.66	4.20



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NOTES:

1. The consolidated and standalone financial results of the Company have been prepared in accordance with the Indian Accounting Standards ("Ind AS") prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with relevant rules issued thereunder, other accounting principles generally accepted in India and guidelines issued by the Securities and Exchange Board of India ("SEBI") (also refer Note 8 below).
2. The above consolidated and standalone financial results were reviewed and recommended by the Audit Committee at their meeting held on February 06, 2020 and approved by the Board of Directors at their meeting held on February 11, 2020. The Statutory Auditors have carried out a limited review on the consolidated and standalone financial results for the quarter and Nine months ended December 31, 2019 and have issued an unmodified report on these results.
3. The National Company Law Tribunal vide its order dated May 8, 2019 approved the Scheme of Amalgamation ("the Scheme") amongst the Company, Pennar Engineered Building Systems Limited ("PEBS") and Pennar Enviro Limited ("PEL"), subsidiaries of the Company. The Company filed the Scheme on May 23, 2019 with the Registrar of Companies. The Standalone financial results of the Company for quarter and Nine months ended December 31, 2018 also includes the results of erstwhile entities, i.e. PEBS and PEL.
4. In terms of the aforementioned Scheme, 23 equity shares of the Company of face value of ₹ 5 each (aggregating 27,909,458 equity shares of ₹ 5 each) have been allotted to the equity shareholders of erstwhile PEBS for every 13 equity shares of face value of ₹ 10 each held by them in PEBS. Further, 1 equity share of the Company of face value of ₹ 5 each (aggregating 4,098,259 equity shares of ₹ 5 each) have been allotted to the equity shareholders of erstwhile PEL for every 1 equity share of face of ₹ 10 each held by them in PEL. The equity shares issued have been considered as a part of "Equity" and considered for the purpose of calculation of earnings per share.
5. The Board of Directors, at its meeting held on November 12, 2019, approved Buyback of the Company's fully paid-up equity shares of face value of ₹ 5 each from the eligible equity shareholders of the Company other than promoters, promoter group and persons who are in control of the company, at a price not exceeding ₹ 45 per equity share (Maximum Buyback price), for an aggregate amount not exceeding ₹ 4,000 lakhs (Maximum Buyback size), payable in cash from the open market route through the stock exchange mechanism under the Buyback Regulations and the Companies Act. The Buyback shall not exceed ₹ 4,000 lakhs (Maximum Buyback size) excluding the transaction charges. The Maximum Buyback Size represents 6.14% and 6.16% of aggregate of the Company's paid up equity capital and free reserves based on the audited Consolidated and Standalone financial statements, respectively, of the Company as at March 31, 2019, which is in compliance with the maximum permissible limit of 10% of the total paid up equity share capital and free reserves in accordance with Section 68(2) of Companies Act, 2013.

As of December 31, 2019, the scheme of Buyback was open, the Company bought back 13,55,000 equity shares as of that date, resulting in total cash consideration of ₹ 459 lakhs (including ₹ 82 lakhs towards transaction cost of Buyback). Out of 13,55,000 equity shares bought back, the Company extinguished 6,65,000 equity shares as at December 31, 2019 and the remaining were extinguished in the month of January 2020 as per the records of depositories. In line with the requirement of Companies Act, 2013, an amount of ₹ 391 lakhs have been utilized from securities premium account for the Buyback. Further, Capital redemption reserve of ₹ 68 lakhs, representing the nominal value of shares bought back, has been created in accordance with Section 69 of the Companies Act, 2013.



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6. The consolidated financial results include the results of the following group companies:

Name of the Company	Country of Incorporation	Nature of relationship	% Holding
Enertech Pennar Defense and Engineering Systems Private Limited (From April 10, 2018)	India	Subsidiary	51.00%
Pennar GmbH (from December 04, 2019)	Germany	Subsidiary	100.00%
Pennar Global Inc.	USA	Subsidiary	100.00%

7. During the quarter, the Company acquired 100% equity shares of Pennar GmbH, Germany. Hence, the results for the corresponding periods are not comparable.

8. The Company has adopted Ind AS 116 "Leases" with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 "Leases" and related interpretation and guidance. The Company has applied Ind AS 116 using Modified retrospective approach. Right-of-use assets at April 1, 2019 for leases previously classified as operating leases were recognised and measured at an amount equal to lease liability (adjusted for related prepayments/accruals). As a result, the comparative information has not been restated. The Company has discounted lease payments using the incremental borrowings rate as at April 1, 2019 for measuring lease liability.

On transition to Ind AS 116, the Group and Company recognised Right-of-use amounting to ₹3,710 lakhs and a lease liability of ₹3,620 lakhs in the consolidated and standalone financials. During the quarter and Nine months ended December 31, 2019, the Group and Company has recognised interest expense on leases amounting to ₹112 lakhs and ₹320 lakhs, respectively, and depreciation on right-of-use assets amounting to ₹165 lakhs and ₹445 lakhs, respectively in the consolidated and standalone financial results.

9. The details of funds raised through Initial Public Offer (IPO) by the erstwhile entity PEBBS during the financial year 2015-2016, and utilisation of said funds as at December 31, 2019 are as follows:

Particulars	Objects of the issue as per prospectus	Utilisation upto December 31, 2019	Unutilised amount upto December 31, 2019
A) Repayment/ prepayment, in full or part of certain working capital facilities availed by the Company	3,400	3,400	-
B) Financing the procurement of infrastructure (including software and hardware) for the expansion of design and engineering services	800	367	433
C) General corporate purposes	1,079	1,079	-
D) Share issue expenses	521	517	4
Total	5,800	5,363	437

As on December 31, 2019, unutilised funds have been temporarily invested in short term liquid scheme of mutual funds and in bank balances.

10. The Company elected to execute the option permitted under section 115 BAA of the Income tax Act, 1961 as introduced by the Taxation laws (Amendment) ordinance 2019. Accordingly the Company has recognised provision for income tax for the Nine months ended December 31, 2019 and re-measured its deferred tax liability (net) based on the rate prescribed on the said ordinance. The full impact of this change relating to deferred tax liability (net) as at March 31, 2019 has been recognised in the statement of profit and loss and Other comprehensive income, in the immediate preceding quarter.



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11. SEGMENT REPORTING :

SEGMENT REPORTING :							(₹ in Lakh)
Particulars	Quarter Ended		Nine months Ended		Year Ended		
	31-Dec-19 Unaudited	30-Sep-19 Unaudited	31-Dec-18 Unaudited	31-Dec-19 Unaudited	31-Dec-18 Unaudited	31-Mar-19 Audited	
Segment revenue							
Diversified engineering	32,791	36,416	39,204	1,05,001	1,11,300	1,55,554	
Custom designed building solutions & auxiliaries	22,291	22,924	19,955	65,433	50,811	75,695	
Total	55,082	59,340	59,159	1,70,434	1,62,111	2,31,249	
Less : Inter segment revenue	1,344	1,345	2,396	4,918	7,307	17,938	
Revenue from operations	53,738	57,995	56,763	1,65,516	1,54,804	2,13,311	
Segment results							
Diversified engineering	2,737	3,598	3,752	10,869	10,837	15,453	
Custom designed building solutions & auxiliaries	2,277	1,717	1,116	4,975	2,790	4,538	
Total	5,014	5,315	4,868	15,844	13,627	19,991	
Less : Depreciation and amortisation expense	1,137	1,042	755	3,129	2,072	2,789	
Finance costs	2,258	2,267	1,937	6,517	5,253	7,520	
Profit before tax	1,619	2,006	2,176	6,198	6,302	9,682	
As at							
Capital employed (Segment assets - Segment liabilities) (See notes below)	31-Dec-19	30-Sep-19	31-Dec-18	31-Mar-19			
	Unaudited	Unaudited	Unaudited	Unaudited	Audited		
Segment assets							
Diversified engineering	1,11,774	1,19,461	1,18,247	1,09,652			
Custom designed building solutions & auxiliaries	70,846	72,313	57,701	64,704			
Total Segment Assets	1,82,620	1,91,774	1,75,948	1,74,356			
Segment liabilities							
Diversified engineering	69,826	78,156	74,263	75,018			
Custom designed building solutions & auxiliaries	41,229	42,833	37,029	32,567			
Total Segment Liabilities	1,11,055	1,20,989	1,11,292	1,07,585			

Notes:

- Segment information is presented for the "consolidated financial results" as permitted under the Ind AS 108 - 'Operating Segments'.
- The Company is focused on two business segments: Diversified engineering and Custom designed building solutions & auxiliaries. Based on the "management approach" as defined in Ind AS 108 - 'Operating Segments', the Chief Operating Decision Maker evaluates the Company's performance and allocation resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along these business segments. The accounting principles used in the preparation of the financial results are consistently applied to record revenue and expenditure in individual segments.



Place : Hyderabad
Date : February 11, 2020

By order of the Board
for Pennar Industries Limited



Aditya Y. Rao
Vice Chairman & Managing Director