

Amtek Group
Q1 FY2014
Earnings Presentation

13 February 2014



Amtek Group



Amtek Auto Limited

NSE: AMTEKAUTO

BSE: 520077

Amtek India Limited

NSE: AMTEKINDIA

BSE: 532282

Ahmednagar Forgings Limited

NSE: AHMEDFORGE

BSE: 513335

JMT Auto Limited

NSE: JMTAUTOLD

BSE: 513691

Q1 FY2014: Strong Financial Performance in a Difficult Market

- Net Sales of Rs. 3,296 Crores, an increase of 99.5% y-o-y
- Diversified revenue streams with International accounting for 37% of Q1 FY2014 revenues
- EBITDA of Rs. 577 Crores, an increase of 74.7% y-o-y
- EBITDA margin increased by 385 bps q-o-q to 17.5%
- Net Income of Rs. 232 Crores, an increase of 54.8% y-o-y
- Net Income margin of 6.7%
- Announced the acquisition of the Kuepper Group in Germany

“Despite difficult market conditions in India, we are very pleased with the strong financial performance delivered in the quarter. Compared to the previous quarter, revenues increased by 11%, along with significant EBITDA margin expansion. As a Group, we continue to focus on operational excellence and we are seeing significant benefits from our cost control and productivity initiatives, yielding overall improved profitability.



The recent acquisitions of Neumayer Tekfor and JMT Auto are progressing in line with initial expectations and we are now starting to see synergy benefits in the financial performance. Our latest acquisition of Kuepper Group will provide a highly synergistic product range leveraging its machining, Iron and Aluminium casting capabilities. Kuepper’s manufacturing presence in Germany and Hungary further strengthens our market position in Europe. The transaction is expected to close in the coming weeks.

The combined effect of our acquisition strategy over the last twelve months has resulted in an enlarged global Amtek Group with a far greater diversified product range, high end technology and an enhanced customer base.”

John Flintham, Senior Managing Director, Amtek Auto



Q1 FY2014 Highlights

Consolidated Financial Highlights

(Rs. Crores)	Three months ended		y-o-y	Three months ended	q-o-q
	Dec-13	Dec-12	Growth (%)	Sep-13	Growth (%)
Net Sales	3,296.4	1,652.6	99.5%	2,979.1	10.7%
Other Income	170.3	136.1	25.2%	127.0	34.1%
Total Income	3,466.7	1,788.6	93.8%	3,106.0	11.6%
EBITDA	576.9	330.2	74.7%	406.7	41.9%
<i>EBITDA Margin (%)</i>	<i>17.5%</i>	<i>20.0%</i>		<i>13.7%</i>	
Net Profit	232.2	150.0	54.8%	12.8	<i>nm</i>
<i>Net Profit Margin (%)</i>	<i>6.7%</i>	<i>8.4%</i>		<i>0.4%</i>	

Commentary

- Q1 FY2014 y-o-y growth reflects the recent acquisitions. The financials of Tekfor and JMT Auto have been fully consolidated
- Net Sales increased by 99.5% y-o-y and 10.7% q-o-q. Continuing consolidation and localization in the market coupled with the expansion of our export business has resulted in strong sales
- EBITDA increased by 74.7% y-o-y and 41.9% q-o-q. EBITDA margin increased by 385 bps q-o-q to 17.5%
- Interest expense increased from Rs. 176.9 Crores in Q5 FY2013 to Rs. 218.1 Crores in Q1 FY2014
- Net Profit increased by 54.8% y-o-y
- Amtek Auto increased its holding in JMT Auto to 71.7% as of 31st December 2013

- Overall automotive production volumes grew 8.2% y-o-y, up from 5.1% y-o-y in Q3 CY2013. This has been led by strong growth in the 2 Wheeler and Tractor segments
- Rising fuel prices coupled with the high cost of ownership continue to weaken consumer sentiment and adversely affect the automobile industry. Relatively low business confidence and the deferment of purchases, typical of the last quarter of the calendar year, also affected volumes
- Disappointingly, Passenger Vehicle production declined (7.0)% y-o-y after growing at 5.9% in the last quarter. Many OEMs have observed temporary plant shutdowns for annual maintenance, thereby also aligning their production with market demand. New product launches, to stimulate consumer interest, have been the key focus area for car manufacturers
- As a result of subdued industrial activity and low levels of freight/cargo transportation, Commercial Vehicle volumes declined by (21.3)% y-o-y
- 2/3 Wheeler volumes grew 12.5% y-o-y, in sharp contrast to other segments. 2 Wheelers registered a growth of 14.0% y-o-y, compared to 6.8% growth last quarter
- Tractor production continued its outperformance increasing 21.7% y-o-y after a 25.4% growth in the last quarter. This segment continues to benefit from the good monsoons of last year, higher MSPs for crops and the government's commitment towards rural development and mechanization

Automotive Production (No. of Units)	Q4 CY2013	Q4 CY2012	Y-o-Y Change	Q3 CY2013	Q-o-Q Change
Passenger Vehicles	741,734	797,319	(7.0)%	781,476	(5.1)%
Commercial Vehicles	156,736	199,173	(21.3)%	168,613	(7.0)%
<i>MCV</i>	41,158	63,154	(34.8)%	52,425	(21.5)%
<i>LCV</i>	115,578	136,019	(15.0)%	116,188	(0.5)%
2 / 3 Wheeler	4,697,134	4,174,075	12.5%	4,286,782	9.6%
Total	5,595,604	5,170,567	8.2%	5,236,871	6.9%

European Markets:

- The German market, supported by an improving business sentiment, grew 1.6% y-o-y. Current market conditions compare favourably to the recent low of a (12.9)% decline in Q1 CY2013
- The UK market continued to outperform the rest of Europe with a 10.8% y-o-y sales growth, the sixth consecutive quarter of expansion
- Italian market volumes remained under pressure with (3.3)% y-o-y decline, compared to a (3.1)% decline in the last quarter

North American Markets:

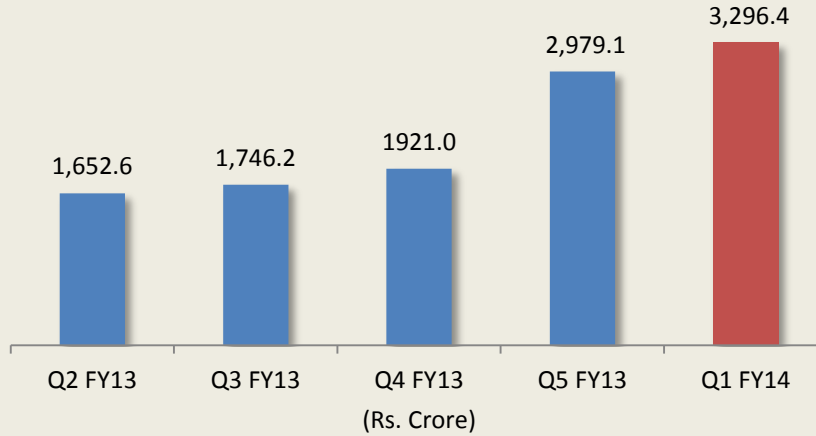
- Light Vehicle production continues to grow increasing by 5.5% y-o-y, after a 5.3% y-o-y growth last quarter
- Medium / Heavy Truck volumes increased by 6.3% y-o-y, as compared to 10.3% y-o-y last quarter. Volumes continue to grow year on year helped by an improving economic environment

Automotive Data (No. of Units)	Q4 CY2013	Q4 CY2012	Y-o-Y Change	Q3 CY2013	Q-o-Q Change
Passenger Vehicles - Sales					
Europe	1,506,972	1,459,641	3.2%	1,612,893	(6.6)%
Germany	735,412	723,706	1.6%	714,389	2.9%
UK	469,813	424,000	10.8%	631,301	(25.6)%
Italy	301,747	311,935	(3.3)%	267,203	12.9%
North America - Production	4,109,199	3,895,655	5.5%	3,951,562	4.0%
Light Vehicle	4,009,663	3,801,976	5.5%	3,845,465	4.3%
Medium / Heavy Truck	99,536	93,679	6.3%	106,097	(6.2)%

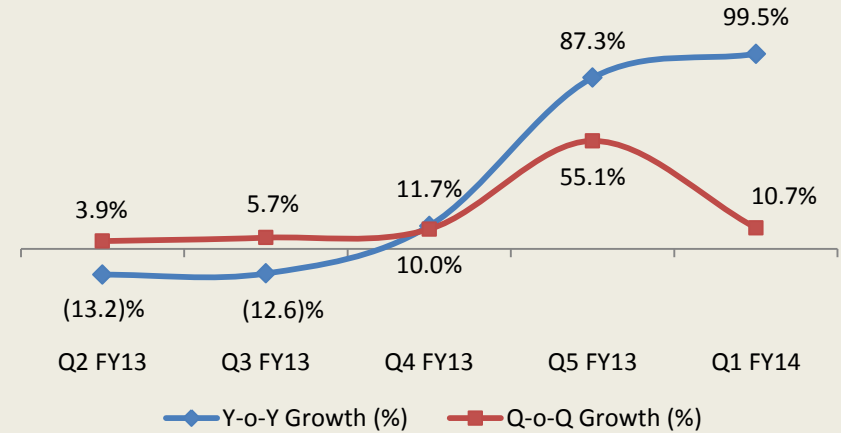
Source: ACEA and Wards Auto

Amtek Auto: Consolidated Highlights

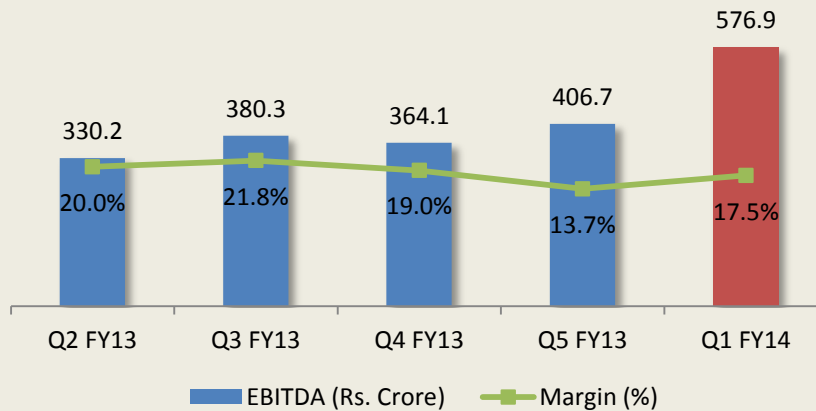
Net Sales



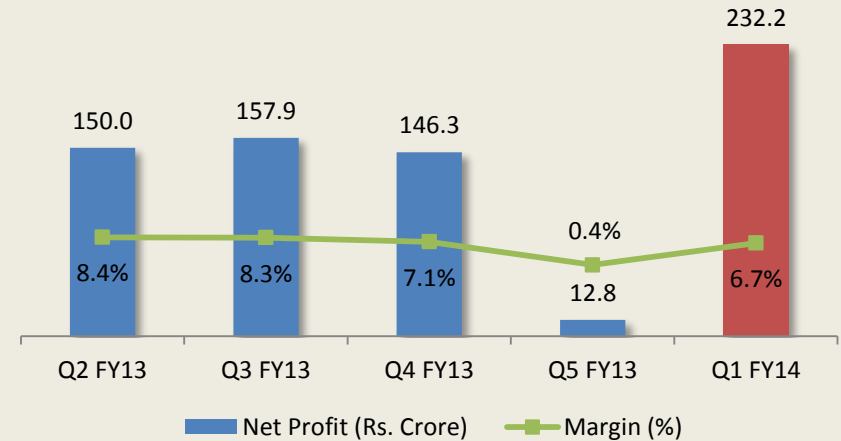
Net Sales Growth



EBITDA

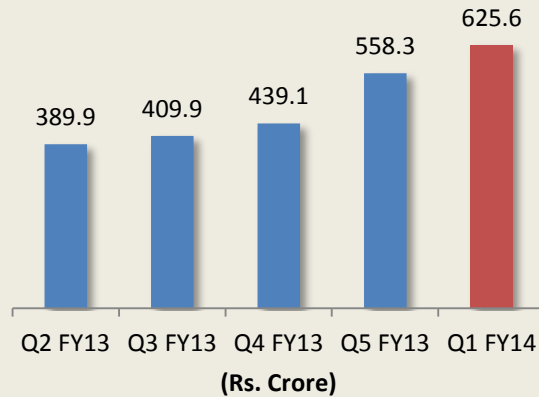


Net Profit

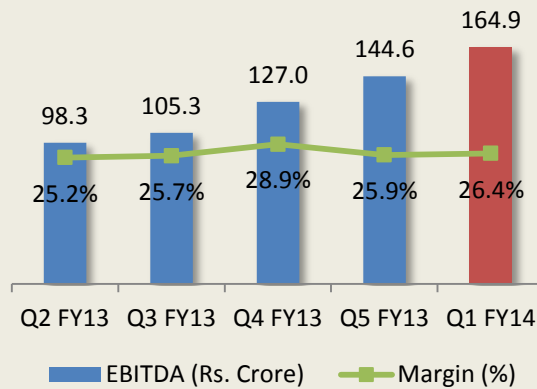


Note: Net Sales and EBITDA exclude 'Other Income'

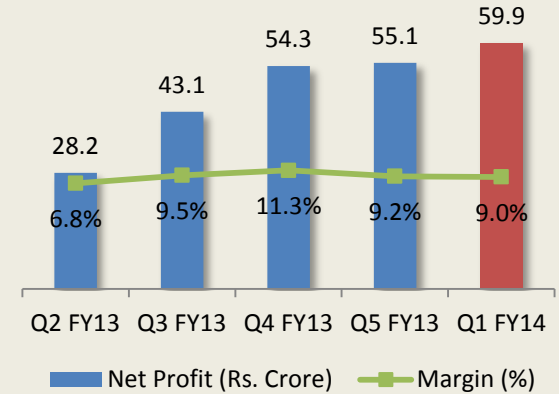
Net Sales



EBITDA



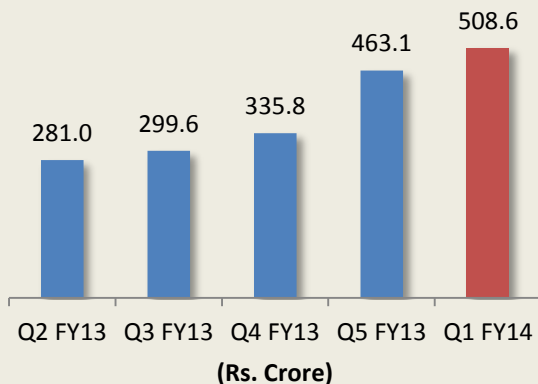
Net Profit



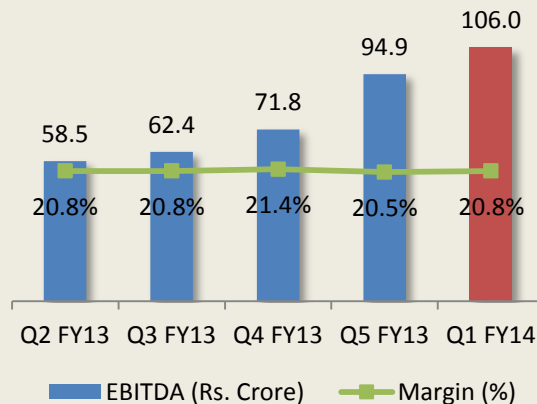
Commentary

- The strong order intake over the last twelve months has now translated into production. The continuing consolidation and localization in the market, along with the expansion of our export business, has resulted in a strong financial performance
- Net Sales increased by 60.5% y-o-y and 12.1% q-o-q
- EBITDA increased by 67.8% y-o-y and 14.0% q-o-q
- EBITDA margin was 26.4%, broadly in line with the previous quarter
- Interest expense increased from Rs. 51.4 Crores in Q5 FY2013 to Rs. 60.3 Crores in Q1 FY2014
- Net Profit increased by 112.3% y-o-y and 8.7% q-o-q

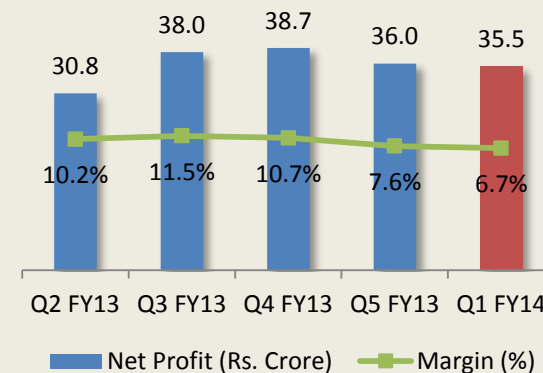
Net Sales



EBITDA

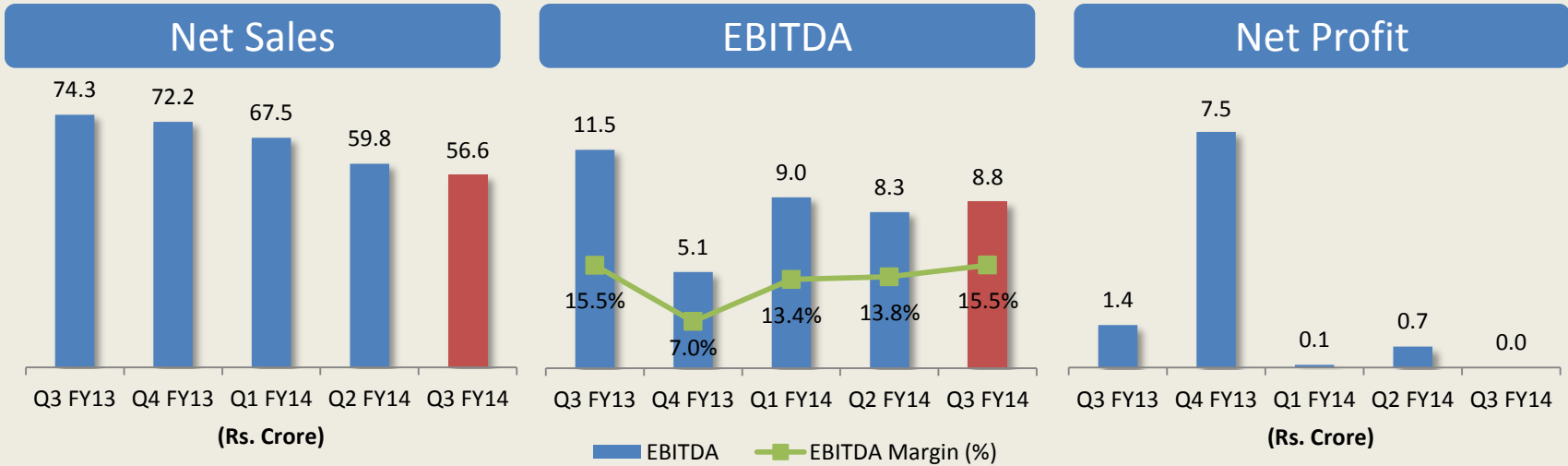


Net Profit



Commentary

- Capacity expansions during the last year have enabled the Company to absorb both new orders and capitalize on increasing export demand. These earlier investments have now resulted in a strong financial performance
- Net Sales increased by 81.0% y-o-y and 9.8% q-o-q
- EBITDA increased by 81.2% y-o-y and 11.7% q-o-q
- EBITDA margin remained flat at 20.8% y-o-y
- Interest expense increased from Rs. 22.9 Crores in Q5 FY2013 to Rs. 41.5 Crores in Q1 FY2014
- Net Profit increased by 15.1% y-o-y



Commentary

- The recent acquisition of JMT Auto is progressing broadly in line with initial expectations. The Company is focused on the HCV market which is currently experiencing downward demand pressures
- The recently appointed management team is focused on streamlining costs and improving market share with key customers
- Net Sales decreased by (23.9)% y-o-y and (5.5)% q-o-q
- EBITDA decreased by (23.9)% y-o-y and 6.5% q-o-q
- EBITDA margin increased by 175 bps q-o-q to 15.5%
- Interest expense decreased from Rs. 4.4 Crores in Q3 FY2013 to Rs. 4.2 Crores in Q3 FY2014

Notes:

1. Net Sales and EBITDA exclude 'Other Income'
2. FY ending March

- **India:** The 2 Wheeler and Tractor segments continued to perform well, supported by strong rural demand. Overall, sales growth is likely to remain difficult in the near term until business sentiment improves. A number of OEMs have announced new product launches, in an attempt to stimulate passenger car demand in the second half of CY2014. The Commercial Vehicle market continues to be impacted severely without a significant turnaround in economic activity. Tractor volumes stayed buoyant as a result of strong demand helped by better prices and crop production
- **Germany:** The German economy maintained its pace in the fourth quarter of CY2013, helped by stable consumer spending. The economy is expected to perform better this year as reflected in improving business sentiment and expectations of a recovery in industrial production. A strong December performance with registrations up 5.4% is expected to continue in CY2014
- **UK:** Showing strong signs of an economic recovery, new passenger car registrations in the UK rose by 10.8% in 2013 to their highest level since the 2008 financial crisis. This was helped by strong export demand and improving consumer sentiment. As the effect of pent-up demand starts to reduce, customers are expected to return to a more regular replacement cycle
- **Italy:** Consumer sentiment in Italy continues to be weighed down by austerity measures including higher taxes and cuts in public spending. Passenger Car sales recorded an annual decline of (7.1)% in CY2013. However, sales have increased year on year for December 2013 and January 2014



Auto Industry

- **North America:** Despite concerns about unemployment, the US economy has shown resilience, with Q4 CY2013 GDP rising 3.2%. The key driver of this growth was consumer spending which grew 3.3%, the fastest pace in three years. Auto markets are expected to continue their trajectory of 4-5% growth in CY2014
- **Brazil:** Passenger Car sales declined marginally in CY2013, in line with weak household spending and consumer confidence. However, sentiment is likely to improve as inflation pressures show signs of easing and the upcoming FIFA World Cup in 2014 and the 2016 Olympic Games are also likely to help stimulate demand. Passenger Car sales are expected to increase by 1-2% in CY2014

Amtek Group

- Our global acquisition strategy will deliver operating and financial benefits in the near term
- The enlarged Amtek Group is well positioned geographically to capitalize on improving market conditions in Europe and reduce dependency on India
- Management is on course to deliver global synergy benefits as acquisitions are fully integrated
- Recent capacity expansions, primarily in India, will enable the Group to maximize export opportunities and capitalize on the market as it recovers



Forward Looking Statements

This presentation comprises statements that contain 'forward looking statements' including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Amtek Group's (i.e. Amtek Group represents Amtek Auto, Amtek India, Ahmednagar Forgings, JMT Auto and their subsidiaries and associates) future business developments and economic performance. While these forward looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. Amtek Group undertakes no obligation to publicly revise any forward looking statements to reflect future/likely events or circumstances

Accounting Notes

1. Net Sales: Excludes Other Income
2. EBITDA: Earnings before interest, taxes and depreciation; Excluding Other Income
3. Net Profit: Profit after tax (including Other Income) before extraordinary items, minority interest and income from associates
4. Basic Earnings per Share (excludes extraordinary item) as of 31 December, 2013:
 - a. Amtek Auto: Share face value of Rs. 2.00; 21.86 Crores shares outstanding
 - b. Amtek India: Share face value of Rs. 2.00; 27.75 Crores shares outstanding
 - c. Ahmednagar Forgings: Share face value of Rs. 10.00; 3.68 Crores shares outstanding
 - d. JMT Auto: Share value of Rs. 10.00; 1.44 Crore shares outstanding

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