

Amtek Group

Q2 FY2014 Earnings Presentation

8 May 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

Q2 FY2014: Financial Outperformance in Challenging Market Conditions

- Net Sales of Rs. 3,688 Crores, an increase of 111% y-o-y
- EBITDA of Rs. 675 Crores, an increase of 77% y-o-y
- EBITDA margin of 18.3%, reflecting international business mix
- Net Income of Rs. 262 Crores, an increase of 66% y-o-y
- Net Income margin of 6.7%
- Net Debt to EBITDA is 4.6x¹
- Rs. 1,200 Crores new order book secured during the quarter
- Acquisition of the Kuepper Group in Germany completed on 14th March 2014

“At the end of the last quarter, we successfully completed the acquisition of the Kuepper Group and are now focused on a seamless integration process. The company’s leading market position in turbo chargers will significantly enhance our product offering to our global customer base. We are also delighted to report that the turnaround plan at Tekfor is progressing in line with expectations and we are now seeing operating margins at 10.5% which is up by 60% since the acquisition date. Our focused market presence in selected European countries, primarily Germany, Italy and the UK, is well matched to rising consumer sentiment and passenger car demand in those regions.”



However, the Indian markets continue to be weighed down by relatively low consumer confidence and industrial activity. With the general elections behind us in the coming weeks, this may help to address some of the economic malaise over the last year or so.

With that backdrop in mind, our financial performance has been pleasing, as we report double digit sequential quarter revenue growth. Outperforming the broader market has been a significant achievement and a testament to the management teams drive for excellence coupled with our strategic focus on acquisitions. Our order book, both internationally and in India, is encouraging, with some high profile, high value contract wins.”

John Flintham, Senior Managing Director, Amtek Auto

Note 1:. Adjusted for annualized Kuepper Group



- The Indian auto sector increased by 6.4% y-o-y in Q1 CY2014. As anticipated, 2 Wheeler and Tractors continued to perform well with a double digit growth rate. However, demand in the Passenger Vehicles and Commercial Vehicles segments remained under pressure
- The recent Government initiatives to reduce excise duty during the interim budget have yet to improve consumer sentiment and sales volumes. This is a clear indication that the economic slowdown and high interest rates continue to have a greater impact on the overall demand
- Consumer sentiment continued to remain weak in the Passenger Vehicle market. End consumers have generally adopted a conservative approach towards discretionary spending. Given the lower than expected sales volumes, inventory levels are being actively managed by OEMs through controlled production schedules. Despite this, OEMs are continuing with new product launches to stimulate the market. This is a reflection of the increasingly competitive nature of the consumer auto market
- Commercial Vehicle volumes declined by (19.7)% y-o-y on account of low industrial activity. Fleet owners remained highly cautious in adding new vehicles despite heavy discounts. This particular sector continues to be impacted given its dependency on the overall economic climate
- 2/3 Wheeler volumes grew by 10.8% y-o-y. 2 Wheelers registered a growth of 11.9% y-o-y. This growth has been led by medium term trends of increasing acceptability for scooters and new product launches
- The non auto segment continues to perform well. Tractor production increased by 18.1% y-o-y to 165,461 units. Other end markets such as Oil & Gas and Petrochemicals remain buoyant

Automotive Production (No. of Units)	Q1 CY2014	Q1 CY2013	Y-o-Y Change	Q4 CY2013	Q-o-Q Change
Passenger Vehicles	804,473	874,147	(8.0)%	741,734	8.5%
Commercial Vehicles	178,414	222,110	(19.7)%	156,736	13.8%
<i>MCV</i>	62,414	67,653	(7.7)%	41,158	51.6%
<i>LCV</i>	116,000	154,457	(24.9)%	115,578	0.4%
2 / 3 Wheeler	4,617,857	4,165,919	10.8%	4,697,134	(1.7)%
Total	5,600,744	5,262,176	6.4%	5,595,604	0.1%



European Markets:

- German passenger car sales grew 5.6% y-o-y compared to a 1.6% y-o-y growth during the last quarter. This was supported by an improving business sentiment and pent up demand
- The UK market continued to outperform the rest of Europe with a 13.7% y-o-y passenger car sales growth, the seventh consecutive quarter of expansion
- The Italian passenger car market delivered a strong quarter of growth with sales increasing 5.5% y-o-y after a (3.3)% y-o-y decline last quarter

North American Markets:

- Light Vehicle production continued on its growth trajectory with a 4.1% growth, after growing 5.5% y-o-y last quarter
- The Medium / Heavy Truck market recorded a quarter of robust growth with volumes up 19.5% y-o-y, as compared to 6.3% y-o-y last quarter. This was supported by an improving economic environment particularly in the residential housing sector

Automotive Data (No. of Units)	Q1 CY2014	Q1 CY2013	Y-o-Y Change	Q4 CY2013	Q-o-Q Change
Passenger Vehicles - Sales					
Europe	3,352,304	3,101,404	8.1%	2,968,292	12.9%
Germany	711,753	673,957	5.6%	735,412	(3.2%)
UK	688,122	605,198	13.7%	469,813	46.5%
Italy	375,467	355,818	5.5%	301,747	24.4%
North America - Production	4,266,497	4,086,017	4.4%	4,109,199	3.8%
Light Vehicle	4,160,974	3,997,707	4.1%	4,009,663	3.8%
Medium / Heavy Truck	105,523	88,310	19.5%	99,536	6.0%

Source: ACEA and Wards Auto

Amtek Group: Financial Snapshot

(Rs. Crore)	Amtek Auto (Consolidated)			Amtek Auto (Standalone)			Amtek India (Standalone)		
	3 Months Ended		q-o-q Growth (%)	3 Months Ended		q-o-q Growth (%)	3 Months Ended		q-o-q Growth (%)
	Mar-14	Dec-13		Mar-14	Dec-13		Mar-14	Dec-13	
Net Sales	3,688	3,296	11.9%	910	839	8.5%	705	626	12.7%
EBITDA	675	577	16.9%	228	208	9.5%	193	165	16.8%
EBITDA Margin (%)	18.3%	17.5%		25.0%	24.8%		27.3%	26.4%	
Net Profit	262	232	12.8%	85	78	8.8%	63	60	4.5%
Net Profit Margin (%)	6.7%	6.7%		8.5%	8.7%		8.4%	9.0%	

(Rs. Crore)	Ahmednagar Forgings			JMT Auto			International Business		
	3 Months Ended		q-o-q Growth (%)	3 Months Ended		q-o-q Growth (%)	3 Months Ended		q-o-q Growth (%)
	Mar-14	Dec-13		Mar-14	Dec-13		Mar-14	Dec-13	
Net Sales	563	509	10.8%	102	56	81.0%	1,391	1,239	12.3%
EBITDA	122	106	15.5%	13	8	47.6%	121	88	37.3%
EBITDA Margin (%)	21.7%	20.8%		12.3%	15.1%		8.7%	7.1%	
Net Profit	56	35	56.5%	6	0	nm	49	69	(27.9)%
Net Profit Margin (%)	9.3%	6.7%		5.8%	0.1%		3.5%	5.3%	

Q2 FY2014: Financial Outperformance in Challenging Market Conditions

Note: 1. Net Sales and EBITDA exclude 'Other Income'
2. Figures reported are as per management consolidation only and not by the auditors



Q2 FY2014 Highlights

Amtek Auto (Consolidated) Financial Highlights

(Rs. Crores)	Three months ended		y-o-y Growth (%)	Three months ended		q-o-q Growth (%)	Half Year ended		y-o-y Growth (%)
	Mar-14	Mar-13		Dec-13	Mar-14		Mar-13		
Net Sales	3,687.7	1,746.2	111.2%	3,296.4	11.9%	6,984.1	3,398.7	105.5%	
Other Income	193.0	157.1	22.9%	170.3	13.3%	363.2	293.1	23.9%	
Total Income	3,880.7	1,903.2	103.9%	3,466.7	11.9%	7,347.3	3,691.9	99.0%	
EBITDA	674.5	380.3	77.4%	576.9	16.9%	1,251.5	710.5	76.1%	
<i>EBITDA Margin (%)</i>	<i>18.3%</i>	<i>21.8%</i>		<i>17.5%</i>		<i>17.9%</i>	<i>20.9%</i>		
Net Profit	261.9	157.9	65.9%	232.2	12.8%	494.2	307.9	60.5%	
<i>Net Profit Margin (%)</i>	<i>6.7%</i>	<i>8.3%</i>		<i>6.7%</i>		<i>6.7%</i>	<i>8.3%</i>		

Commentary

- The income statement of the Kuepper Group has only been consolidated since March 14th 2014
- Net Sales increased by 111.2% y-o-y and 11.9% q-o-q. The Q2 FY2014 y-o-y growth reflects the acquisitions over the last 12 months. This quarters performance is a reflection of the Amtek Group's market positioning and the resulting success in building the order book over the last 18 months. During the last quarter, future revenue momentum has been maintained with the Rs. 1,200 Crores of new business secured
- The international business has continued to perform in line with management expectations
- EBITDA increased by 77.4% y-o-y and 16.9% q-o-q. EBITDA margin decreased to 18.3% as a result of the international business mix
- Interest expense increased from Rs. 218.1 Crores in Q1 FY2014 to Rs. 269.8 Crores in Q2 FY2014
- Net Profit increased by 65.9% y-o-y

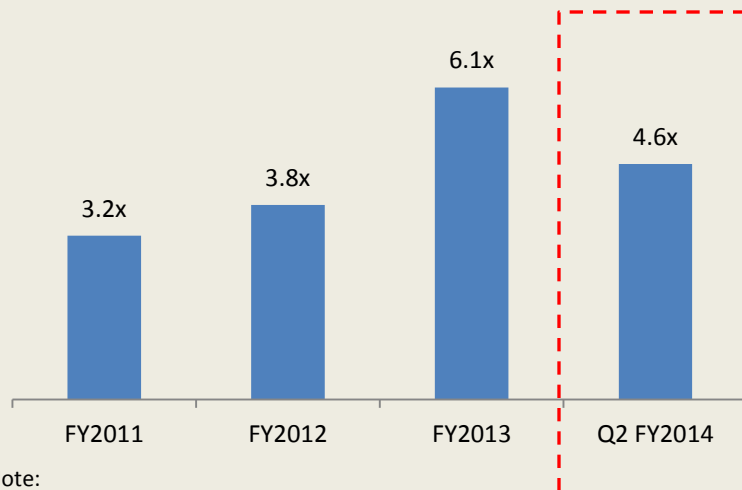


Financial Metrics: Amtek Auto

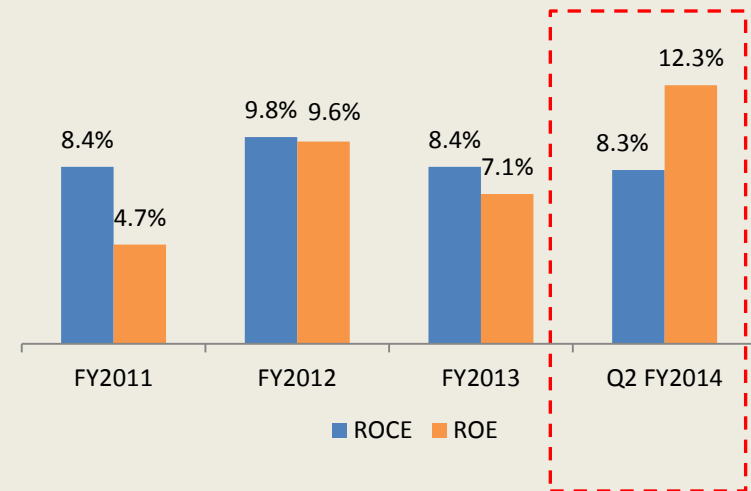
Consolidated Balance Sheet

(Rs. Crores)	Mar 2014	Sep 2013
Long Term Borrowings	12,208	11,035
Short Term Borrowings	3,372	3,098
Current Maturity	1,389	1,092
Total Debt	16,969	15,225
Cash & Cash Equivalents	(1,666)	(1,844)
Net Debt	15,303	13,381
Shareholder's Funds	8,785	8,065
Net Debt / Equity	1.74x	1.66x
Net Debt / EBITDA	4.6x²	6.1x¹

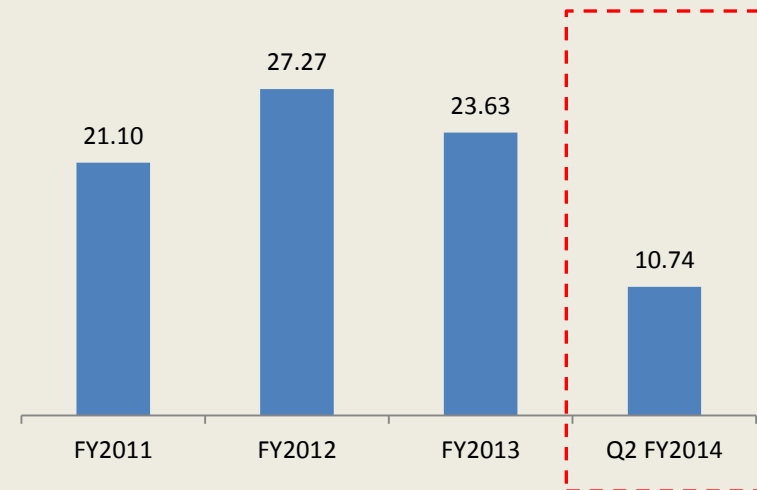
Net Debt / EBITDA



Return Metrics: ROCE and ROE



Return Metrics: EPS

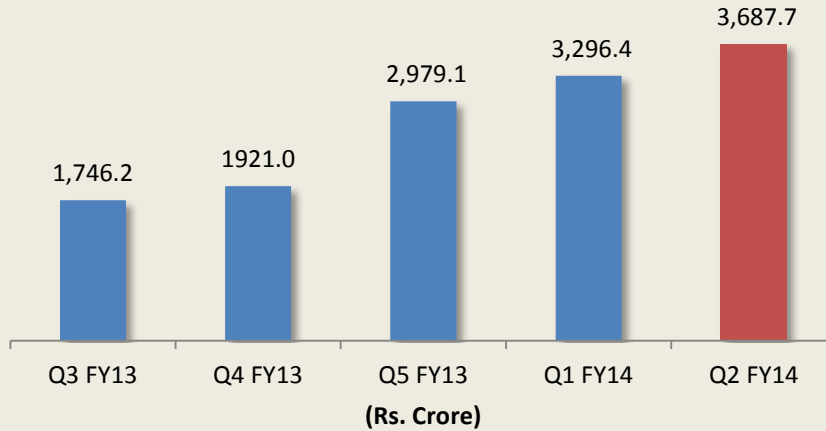


Note:

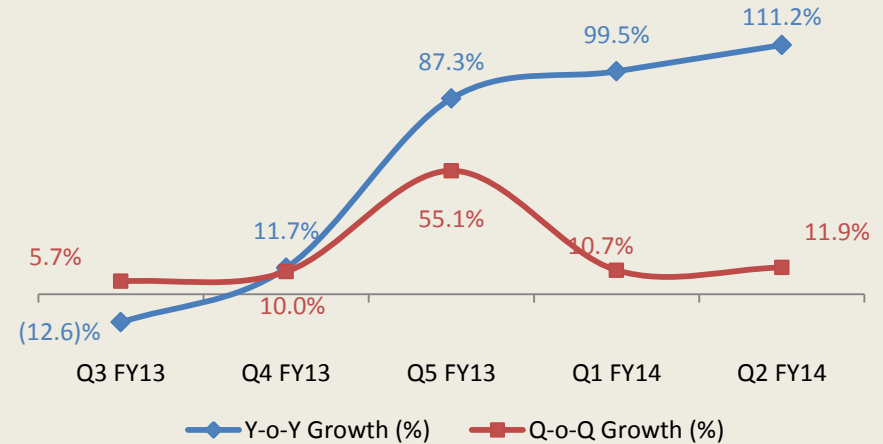
1. FY2013 Net Debt to EBITDA reflects proforma EBITDA adjusted for one time transaction costs related to the Tekfor acquisition
2. Adjusted for annualized Kuepper Group

Amtek Auto: Consolidated Highlights

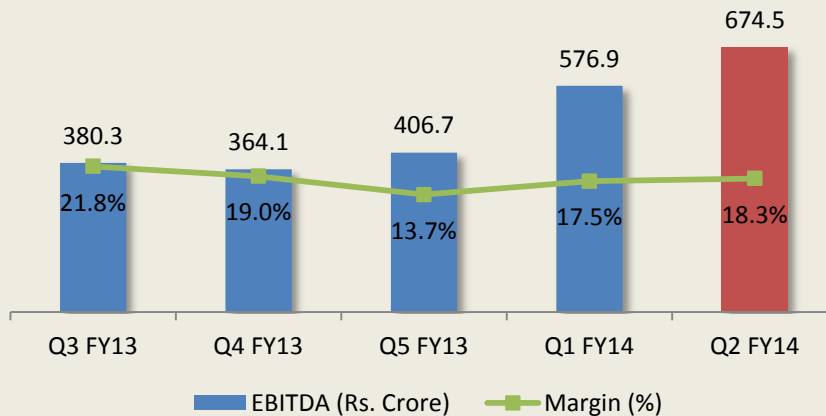
Net Sales



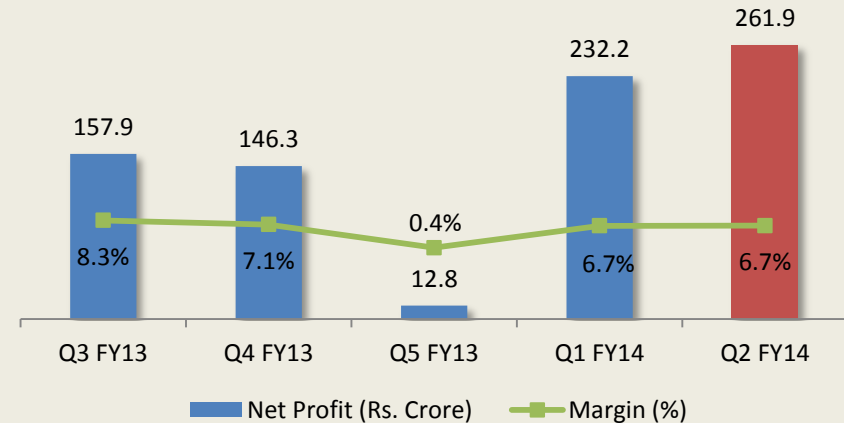
Net Sales Growth



EBITDA



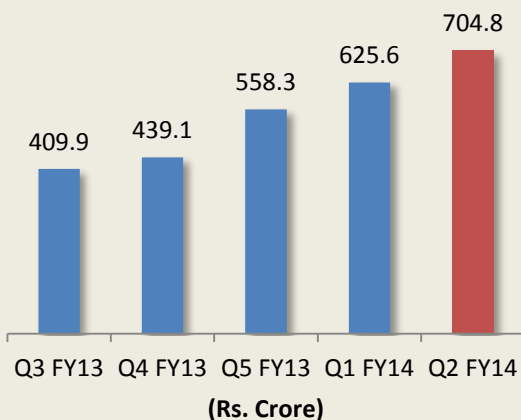
Net Profit



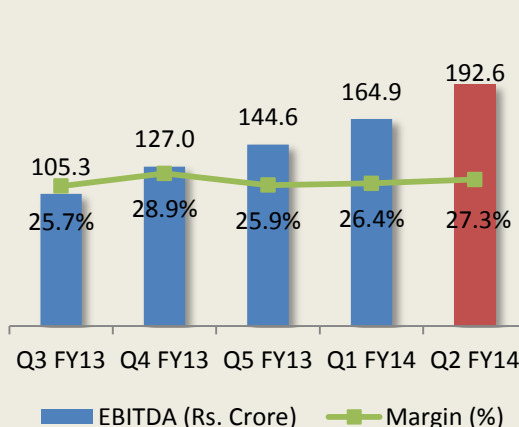
Note: Net Sales and EBITDA exclude 'Other Income'

Amtek India (Standalone)

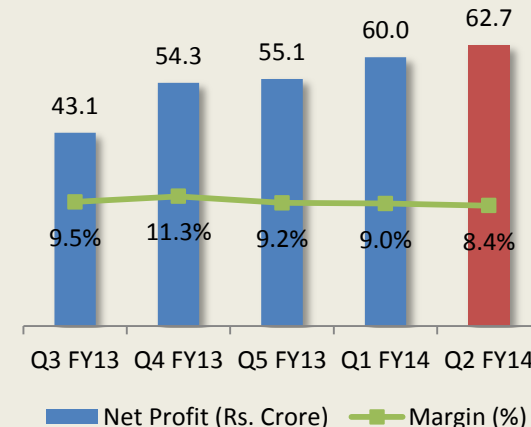
Net Sales



EBITDA



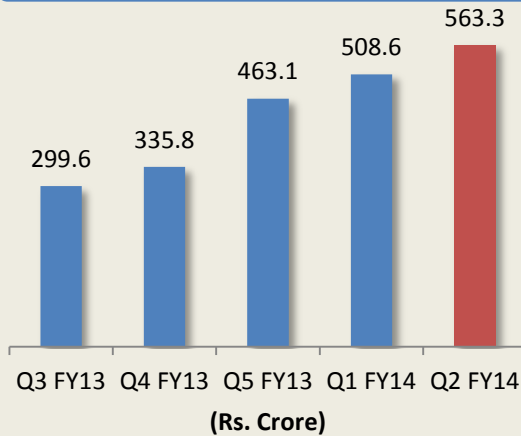
Net Profit



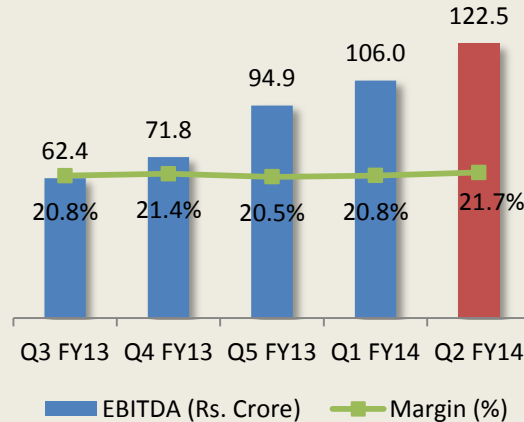
Commentary

- Continuing strong order intake which is increasing top line growth and generating high margin profitability. Amtek India is benefiting from the continuing consolidation and localization in the market
- Net Sales increased by 71.9% y-o-y and 12.7% q-o-q
- EBITDA increased by 82.9% y-o-y and 16.8% q-o-q
- EBITDA margin expanded by 164 bps y-o-y to 27.3%
- Interest expense increased from Rs. 60.3 Crores in Q1 FY2014 to Rs. 84.5 Crores in Q2 FY2014
- Net Profit increased by 45.3% y-o-y and 4.5% q-o-q

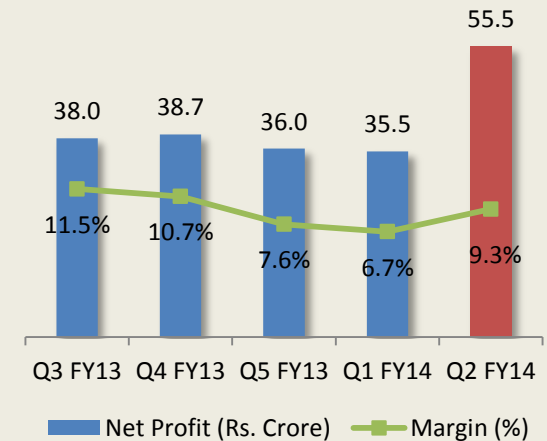
Net Sales



EBITDA



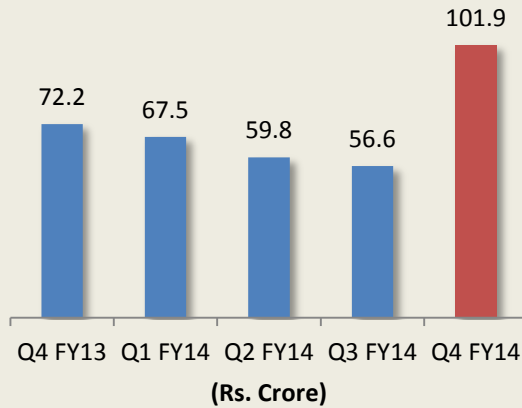
Net Profit



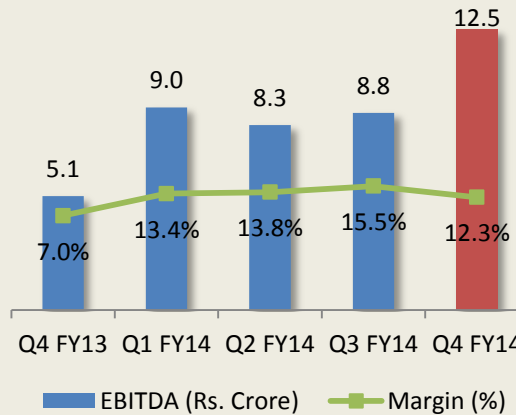
Commentary

- Recent focused capacity expansions in the higher tonnage range has enabled the Company to win new orders and capitalize on increasing export demand for both auto and non auto businesses
- Manufacturing improvements have started to yield cost benefits and support operating margins
- Net Sales increased by 88.0% y-o-y and 10.8% q-o-q
- EBITDA increased by 96.3% y-o-y and 15.5% q-o-q
- EBITDA margin expanded by 91.8 bps y-o-y to 21.7%
- Interest expense increased from Rs. 41.5 Crores in Q1 FY2014 to 45.9 Crores in Q2 FY2014
- Net Profit increased by 46.1% y-o-y

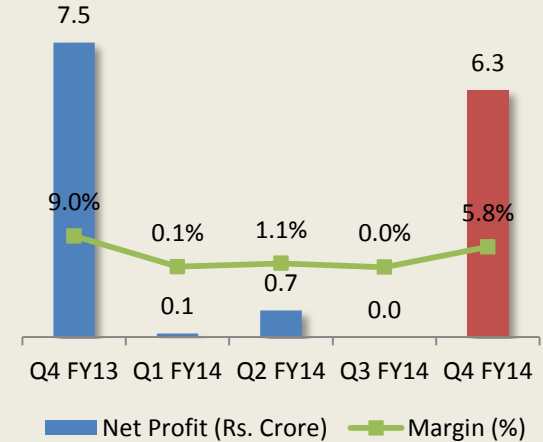
Net Sales



EBITDA



Net Profit



Commentary

- Good progress in securing new orders, including the non auto segment. Ongoing improvements in productivity with a focus on overhead reduction and centralized purchasing
- Net Sales increased by 41.1% y-o-y and 80.1% q-o-q
- EBITDA increased by 146.6% y-o-y and 42.6% q-o-q
- EBITDA margin increased by 527 bps y-o-y to 12.3%
- Interest expense increased from Rs. 4.2 Crores in Q3 FY2014 to Rs. 8.4 Crores in Q4 FY2014

Notes:

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

- **India:** The overall demand outlook is expected to remain weak, particularly for Commercial Vehicles as macroeconomic conditions remain subdued. Given the agricultural and broader industrial use of tractors, its demand is expected to continue to grow at 8-9% for the next 2-3 years. A proactive, newly elected government should lead to overall improved business and consumer sentiment, translating into higher volumes for the auto industry
- **Germany:** New car registrations declined in April 2014 as a result of the Easter holiday timings. Despite this, the demand outlook remains favorable supported by year to date growth of 2.9% y-o-y. The German economy is benefitting from steadily improving consumer spending and pent up auto demand from last year
- **UK:** UK Passenger Car sales are likely to continue to benefit from momentum in consumer sentiment. However, there may be some effect as customers return to a more regular replacement cycle. Any improvement in business confidence will have a significant impact on sales
- **Italy:** Although the Q1 CY2014 Passenger Vehicle sales demonstrated strong year on year growth, the market outlook remains cautious. Consumers in Italy are likely to avoid big ticket purchase items in context of higher taxes and cuts in public spending
- **U.S.:** Despite the ongoing concerns about employment levels, the macroeconomic conditions in the US remain largely favorable. Auto markets are expected to continue to grow in CY2014, although at a slower rate of 3.7%. Light trucks are expected to outperform the car segment as a number of new products are launched
- **Brazil:** Passenger Car sales in Brazil have remained subdued in line with weak household spending and consumer confidence. The weakness is expected to continue in CY2014, despite measures announced by the government to stimulate the auto industry. The upcoming FIFA World Cup in 2014 and the 2016 Olympic Games are likely to place the Brazilian automotive market back to a growth path in CY2015



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 March, 2014:
 - 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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