

Amtek Group

Q3 FY2014 Earnings Presentation

31 July 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

Q3 FY2014: Good Financial Performance in Improving Market Conditions

- Net Sales of Rs. 4,167 Crores, an increase of 117% y-o-y
- EBITDA of Rs. 740 Crores, an increase of 103% y-o-y
- EBITDA margin of 17.8%
- Net Income of Rs. 256 Crores, an increase of 75% y-o-y
- Net Income margin of 5.8%
- The first railway order received for 500 wagons from the Indian Ministry of Railways

“We are pleased to report another successful quarter for Amtek Auto with results very much in line with management’s expectations. During the quarter, we secured our first order for rail wagons from the Indian Ministry of Railways. This coupled with our expanding Oil & Gas business is a reward for our continued focus on the non-auto strategy.



The Amtek Tekfor business is now fully integrated into Amtek and we are now starting to see the full operating and financial benefits. We are also well advanced in implementing the synergy plan at Kuepper and expect to see its impact in the coming quarters. Amtek’s international business is strategically well positioned in European markets, to benefit from an expected recovery.

In India, we are seeing improved consumer confidence levels translating into a rise in demand for 2 Wheelers and Passenger Cars. We are optimistic that this renewed confidence post the recent elections, coupled with government reform programs will result in an overall improved economic environment. It is expected that this will translate into improved industrial activity which will be beneficial for a number of Amtek Auto businesses.

The last fifteen months have been an eventful period for us as we have transformed our manufacturing platform. In addition, our ongoing Business Excellence Program has started to yield early results, reinforcing our focus on cost controls and productivity initiatives. Overall, the benefits that we have realized from our strategic and synergistic acquisitions have positioned us well in key markets globally.”

John Flintham, Senior Managing Director, Amtek Auto

- The Indian automotive sector production increased by 12.1% y-o-y in Q2 CY2014 as compared to 6.4% y-o-y last quarter. Two Wheeler demand remained robust and the Passenger Vehicle segment started to firm up on the back of renewed consumer confidence and rising export demand. The Commercial Vehicle segment continued to contract although at a lower rate compared to the start of the year, particularly for MCVs
- Passenger Vehicle volume growth turned positive during the quarter (+1.8% y-o-y) following the recent elections and in light of the extended excise duty cut. Consumers preponed their purchasing decisions to take advantage of the excise duty benefit. OEMs are continuing with new product launches to further attract potential buyers and capture the incremental demand
- Commercial Vehicle volumes continued to be impacted by low industrial activity with an overall decline of (15.4)% y-o-y. However, the rate of the fall has tapered off in the last few months owing to the low base effect and also to a gradual increase in the fleet operators' utilisation levels and the resulting freight rate increases. As a result, the MCV segment has started to shown signs of a recovery while the LCV market continued to stay under pressure
- 2/3 Wheeler production grew by 15.2% for the quarter led by continued strong growth in scooter volumes and rural penetration
- Tractor sales declined in April due to unseasonal rainfall and subdued non-agricultural demand. However, sales recovered in June growing by 5.5% y-o-y. A rise in exports by 21.7% for the quarter led the momentum in overall Tractor production

Automotive Production (No. of Units)	Q2 CY2014	Q2 CY2013	Y-o-Y Change	Q1 CY2014	Q-o-Q Change
Passenger Vehicles	761,537	747,962	1.8%	804,473	(5.3%)
Commercial Vehicles	165,151	195,142	(15.4%)	178,414	(7.4%)
<i>MCV</i>	62,327	65,629	(5.0%)	62,414	(0.1%)
<i>LCV</i>	102,824	129,513	(20.6%)	116,000	(11.4%)
2 / 3 Wheeler	4,734,475	4,108,937	15.2%	4,617,857	2.5%
Total	5,661,163	5,052,041	12.1%	5,600,744	1.1%



European Markets

Germany:

- German passenger car production, more than 70% of which is exported, increased 6% in 1H CY2014. Exports increased 7%, boosted by demand from growing markets in China and U.S. and from a recovering western European market
- Passenger car sales declined (0.3)% y-o-y in 2Q CY2014, compared to a 5.6% y-o-y growth last quarter

UK:

- UK passenger car production grew 3.5% y-o-y in 1H CY2014 while exports, which constituted around 80% of production, increased by 4% y-o-y
- Passenger car sales rose 7.3% y-o-y in 2Q CY2014 as a result of improving consumer sentiment

Italy:

- Italian passenger car sales were up slightly at 0.4% y-o-y in 2Q CY2014, after a 5.5% y-o-y growth in the previous quarter

North American Markets

- Light Vehicle production grew 4.0% y-o-y in 1H CY2014
- Medium/Heavy Truck production expanded 15.2% in 1H CY2014, driven by a positive business sentiment
- The U.S. automotive market continues to attract investments driven by both domestic sales and export growth
- Medium/Heavy Truck production during 2Q CY2014 increased by 11.7% outpacing Light Vehicles production at 4.1%

Automotive Data (No. of Units)	Q2 CY2014	Q2 CY2013	Y-o-Y Change	Q1 CY2014	Q-o-Q Change
Passenger Vehicles - Sales					
Europe	3,493,919	3,351,310	4.3%	3,352,304	4.2%
Germany	826,515	828,673	(0.3%)	711,753	16.1%
UK	599,143	558,425	7.3%	688,122	(12.9%)
Italy	378,190	376,503	0.4%	375,467	0.7%
North America - Production	4,528,494	4,348,714	4.1%	4,266,497	6.1%
Light Vehicle	4,406,132	4,239,156	3.9%	4,160,974	5.9%
Medium / Heavy Truck	122,362	109,558	11.7%	105,523	16.0%

Source: ACEA, Wards Auto, SMMT

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 (%)
	Jun-14	Mar-14		Jun-14	Mar-14		Jun-14	Mar-14	
Net Sales	4,166.7	3,649.7	14.2%	978.8	910.4	7.5%	758.0	704.8	7.5%
EBITDA	739.7	634.5	16.6%	248.6	227.7	9.2%	207.4	192.6	7.7%
EBITDA Margin (%)	17.8%	17.4%		25.4%	25.0%		27.4%	27.3%	
Net Profit	256.0	256.4	(0.2)%	86.1	84.9	1.4%	63.4	62.7	1.2%
Net Profit Margin (%)	5.8%	6.6%		8.1%	8.5%		7.9%	8.4%	

(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 (%)
	Jun-14	Mar-14		Jun-14	Mar-14		Jun-14	Mar-14	
Net Sales	611.4	563.3	8.5%	121.6	101.9	19.3%	1,675.2	1,366.9	22.6%
EBITDA	134.5	122.5	9.8%	14.7	12.5	17.3%	135.6	95.3	42.3%
EBITDA Margin (%)	22.0%	21.7%		12.1%	12.3%		8.1%	7.0%	
Net Profit	57.7	55.5	4.0%	3.6	6.3	(42.9)%	47	44	6.8%
Net Profit Margin (%)	8.9%	9.3%		2.9%	5.8%		2.8%	3.2%	

Q3 FY2014: Good Financial Performance in Improving 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



Q3 FY2014 Highlights

Amtek Auto (Consolidated) Financial Highlights

(Rs. Crores)	Three months ended		y-o-y Growth (%)	Three months ended		q-o-q Growth (%)	Nine months ended		y-o-y Growth (%)
	Jun-14	Jun-13		Mar-14	Mar-13		Jun-14	Jun-13	
Net Sales	4,166.7	1,921.0	116.9%	3,649.7	14.2%	11,112.8	5,319.7	108.9%	
Other Income	221.4	138.7	59.6%	237.3	(6.7)%	629.0	431.8	45.7%	
Total Income	4,388.1	2,059.7	113.0%	3,887.0	12.9%	11,741.7	5,751.5	104.1%	
EBITDA	739.7	364.1	103.2%	634.5	16.6%	1,951.1	1,074.6	81.6%	
EBITDA Margin (%)	17.8%	19.0%		17.4%		17.6%	20.2%		
Net Profit	256.0	146.3	75.0%	256.4	(0.2)%	744.6	454.2	64.0%	
Net Profit Margin (%)	5.8%	7.1%		6.6%		6.3%	7.9%		

Commentary

Consolidated Business

- Q3 FY2014 y-o-y growth reflects the benefits of strategic acquisitions over the last 15 months
- Net Sales increased by 116.9% y-o-y and 14.2% q-o-q
- EBITDA increased by 103.2% y-o-y and 16.6% q-o-q. EBITDA margin increased 40 bps to 17.8%
- Net Profit increased by 75.0% y-o-y

International Business

- Proforma sales of EUR 793 mn and adjusted EBITDA of EUR 85 mn for the twelve months ended June 2014 compared with March 2014 proforma sales of EUR 791 mn and adjusted EBITDA of EUR 77 mn
- New orders worth over EUR 100 mn awarded during the last 12 months
- Margin improvement measures including labor cost savings, operational efficiencies and material/services cost savings continue to be implemented

Note:

EBITDA is excluding Other Income; Net Profit is before minority and income from associates

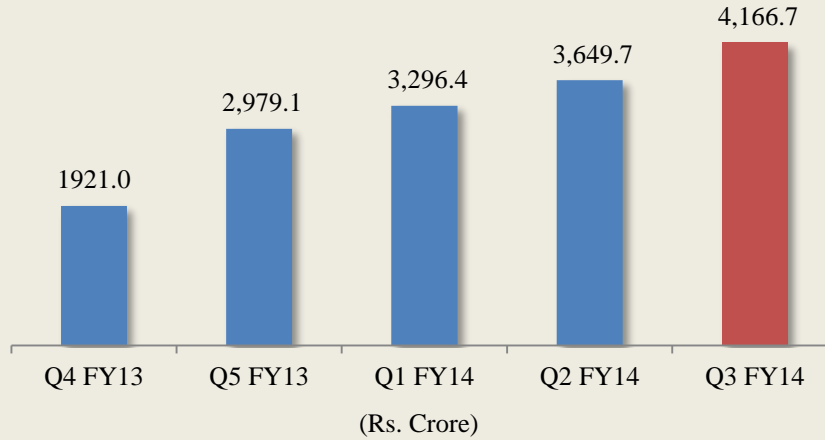
Adjustments include one off costs including restructuring cost, legal cost, consulting cost and exclude one off gains etc

Proforma refers to 12 month trailing period

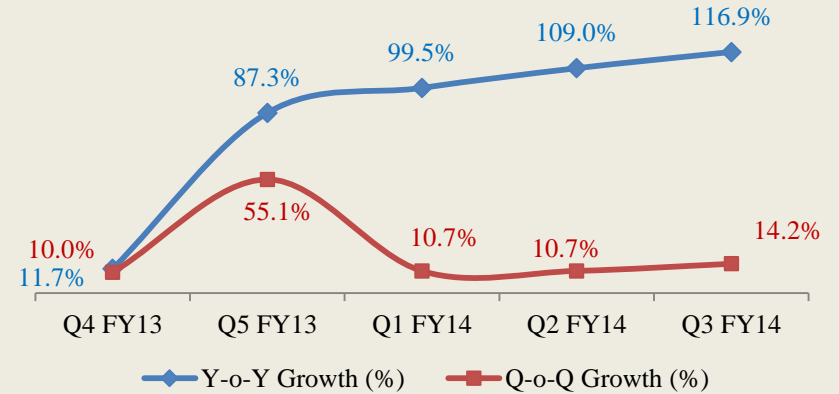


Amtek Auto: Consolidated Highlights

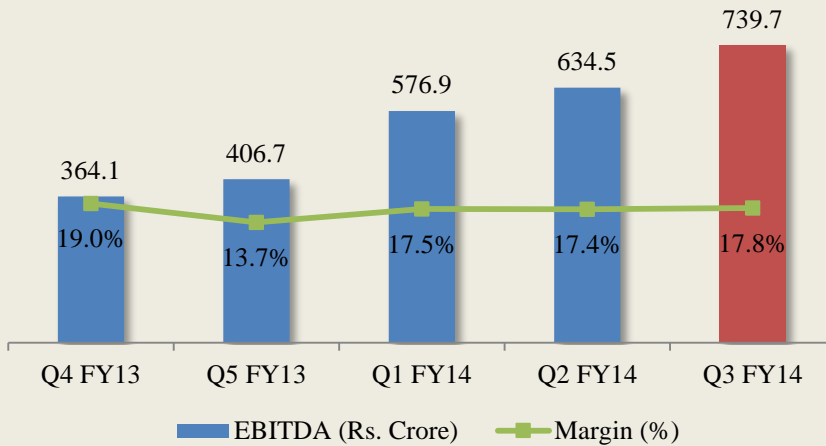
Net Sales



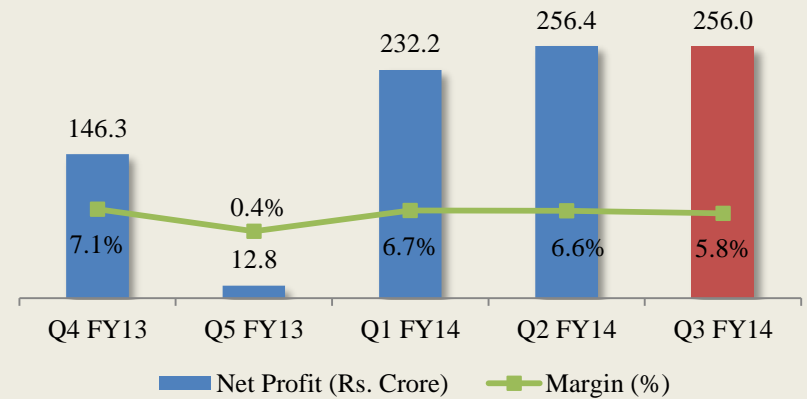
Net Sales Growth



EBITDA



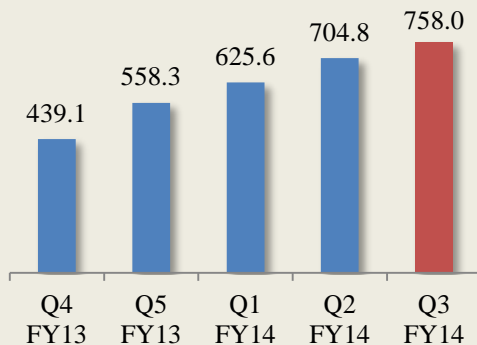
Net Profit



Note: Net Sales and EBITDA exclude 'Other Income'

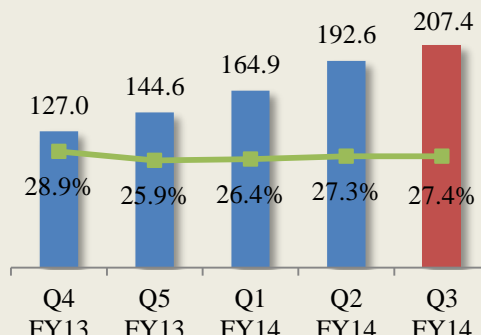
Amtek India (Standalone)

Net Sales



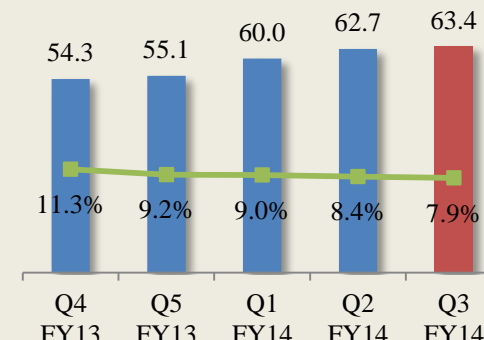
(Rs. Crore)

EBITDA



■ EBITDA (Rs. Crore) ■ Margin (%)

Net Profit

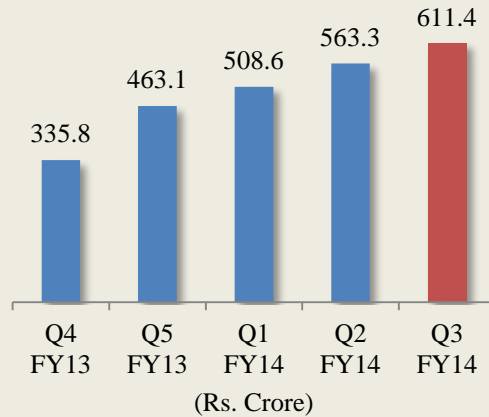


■ Net Profit (Rs. Crore) ■ Margin (%)

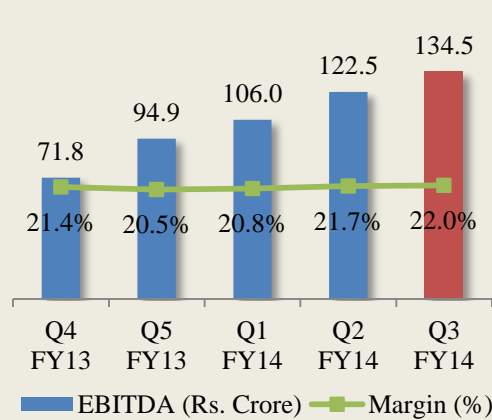
Commentary

- Net Sales increased by 72.6% y-o-y and 7.5% q-o-q
- EBITDA increased by 63.4% y-o-y and 7.7% q-o-q
- EBITDA margin contracted by 1.5 percentage points y-o-y to 27.4%
- Interest expense increased from Rs. 84.5 Crores in Q2 FY2014 to Rs. 95.3 Crores in Q3 FY2014
- Net Profit increased by 16.9% y-o-y and 1.2% q-o-q

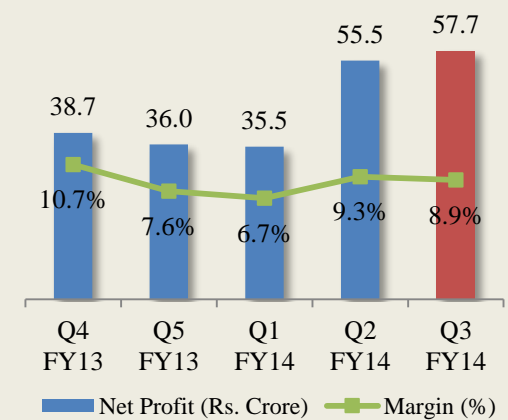
Net Sales



EBITDA



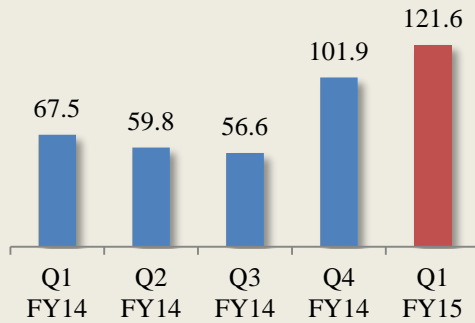
Net Profit



Commentary

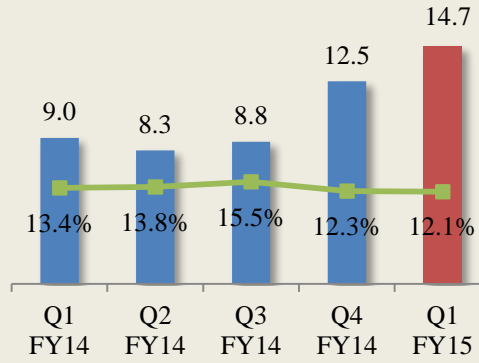
- Net Sales increased by 82.1% y-o-y and 8.5% q-o-q
- EBITDA increased by 87.4% y-o-y and 9.8% q-o-q
- EBITDA margin expanded by 60 bps y-o-y to 22%
- Interest expense increased from Rs. 45.9 Crores in Q2 FY2014 to Rs. 50.2 Crores in Q3 FY2014
- Net Profit increased by 49.1% y-o-y

Net Sales



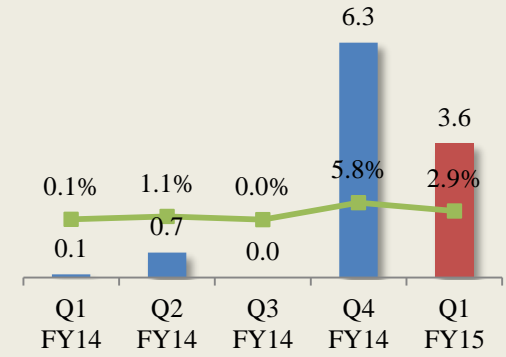
(Rs. Crore)

EBITDA



■ EBITDA (Rs. Crore) ■ Margin (%)

Net Profit



■ Net Profit (Rs. Crore) ■ Margin (%)

Commentary

- Net Sales increased by 80.1% y-o-y and 19.3% q-o-q
- EBITDA increased by 62.8% y-o-y and 17.3% q-o-q
- EBITDA margin decreased by 130 bps y-o-y to 12.1%
- Interest expense decreased from Rs. 8.4 Crores in Q4 FY2014 to Rs. 4.3 Crores in Q1 FY2015

Notes:

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

- **India:** The overall demand outlook for the Indian Automobile sector is expected to turn gradually more favorable. In particular, the Passenger Vehicle segment has started to realize the benefits of an improved consumer sentiment following the elections, further helped by an extension of the recent excise duty cut. The Commercial Vehicle market is showing early signs of a recovery and industrial activity has started to pick up. Tractors are likely to continue to attract steady demand from both agriculture and industrial sectors. 2 Wheeler demand is likely to stay buoyant supported by a middle class with rising disposable incomes. The newly elected government, with a mandate to introduce reforms, is focused on improving business and consumer sentiment, which should translate into further growth for the industry
- **Germany:** Germany's domestic passenger car sales are expected to grow by 2% in CY2014 while production is expected to increase by 6% on expectations of rising export demand from the European market. Overall, western European sales are forecasted to increase by 3% in CY2014
- **UK:** UK Passenger Car production is expected to continue to benefit from robust UK demand, an improving European automotive market and increasing exposure to high growth markets outside of Europe. Production is expected to grow 5-6% for the full year. The industry expects UK car production to exceed its record high of 1.92 million by 2017. The UK market has also been experiencing a change in buying patterns in favor of compact SUVs/4X4s with volatility in weather conditions
- **Italy:** For 1H CY2014, new vehicle registrations in Italy were up 3.3% mainly driven by demand from fleet operators. Despite the cautious outlook in the context of higher taxes and cuts in public spending, gradual improvements in consumer sentiment and pent up demand are likely to lead to a growth of around 3% for the Italian passenger car market in 2014
- **U.S.:** Macroeconomic conditions in the U.S remain favorable and the automotive industry emerged stronger through 1H CY2014. Overall, sales in the first half of the year indicate a continued recovery with light auto sales forecasted to grow at 3-4% for the year, which will take volumes to pre-financial crisis levels. Light trucks are expected to outperform the car segment as a number of new products are launched
- **Brazil:** Passenger Car sales in Brazil continue to be impacted by weak household spending and consumer confidence. Despite the recent extension of the excise tax incentive, the weak conditions are expected to persist through the rest of the year, with a (3.0)% decline forecasted for 2014. 2H CY2014 sales, however, are likely to be better than those reported in 1H CY2014



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 30 June, 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

John Flintham <i>Amtek Group</i>	+91 11 4234 4444
Amman Kumar <i>Amtek Group</i>	+91 11 4234 4444
Jitesh Bhatia <i>Churchgate Partners</i>	+91 22 3953 7444

Amtek Auto Limited

3, Local Shopping Centre, Pamposh Enclave,
Greater Kailash-I, New Delhi 110 048

www.amtek.com