



Investment opportunity in an Autocomponents business

October 2020



Information Teaser



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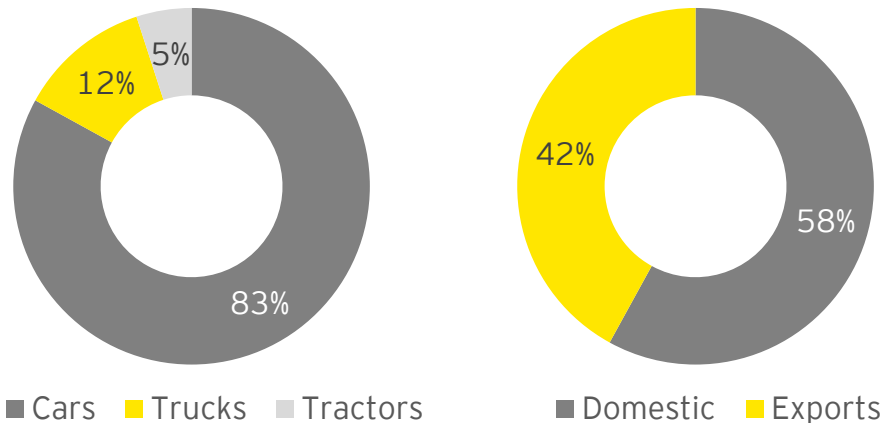
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AMW Autocomponent Ltd - Steel wheel rims manufacturer with strong presence in international and domestic markets

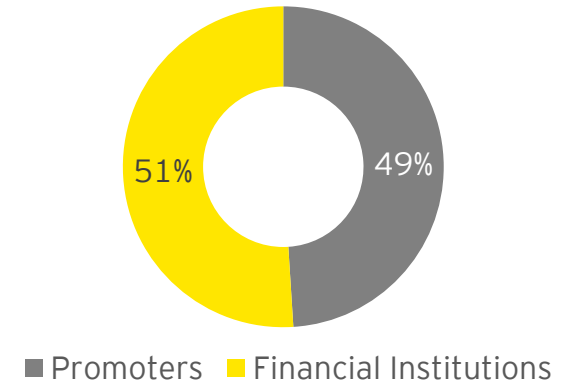
Brief Background

- ▶ Incorporated in 2009
- ▶ Engaged in manufacturing steel wheel rims for passenger cars, trucks and tractors with in-house designing, manufacturing and testing capabilities (a division transferred from Asia MotorWorks Ltd [AML] pursuant a demerger scheme approved in 2012)
- ▶ Caters to domestic and export markets (presence in EU / US regions)
- ▶ Has 1 owned plant based in Bhuj, Gujarat spread across ~61 acres land* (built up area 63,417 sqmt)
 - ▶ Installed capacity of 13.3 mn units p.a. (of this, 4.3mn units p.a. is yet to be commissioned)
- ▶ Company also has a press shop for sheet metal stamping and roll forming line for crash barriers

Volume split (average of FY 18 - FY 20)



Shareholding Pattern**



Key end OEMs



Source: Company data, management discussions

(*) Land to be transferred to the company pursuant to a demerger scheme of AML. Mutation / conveyance of land is pending

(**) Lenders invoked SDR in 2016. Accordingly, 51% equity was allotted to company's lenders. SDR implementation eventually failed.

Manufacturing Capabilities and Capacities

Largest single location steel wheel rim plant in India

| Products | UoM | Production Line | Capacity p.a. | Salient Features |
|-------------------------------|----------|------------------------|---------------|---|
| Steel Wheel Rims | | | | |
| Passenger Vehicle | Mn units | A | 1.7 | <ul style="list-style-type: none"> ▶ Automated preparation line with robotic transfer ▶ Automated metal forming technology for profiling line ▶ DC butt welder ▶ Wheel balancer and fatigue testing equipment ▶ CED coat paint line and top coat paint line ▶ Two 8-station transfer presses for disc manufacturing |
| | Mn units | B | 4.3 | |
| | Mn units | C* | 4.3 | |
| | | <i>PV total</i> | 10.3 | |
| Commercial vehicle & Tractors | Mn units | A | 0.5 | <ul style="list-style-type: none"> ▶ Semi automated wheel rim line includes preparation line and profiling line ▶ Wheel balancer and fatigue testing equipment ▶ Truck line with DC butt welder ▶ CED coat paint line and top coat paint line ▶ Manufacturing of tube type and tubeless wheels by flow forming machines |
| | Mn units | B | 1.0 | |
| | Mn units | C | 1.5 | |
| | | <i>CV total</i> | 3.0 | |
| | | Total | 13.3 | |
| Press Shop** | MT | | 30,000 | |
| Roll Forming** | MT | | 12,000 | |

(*) Not commissioned yet. Approx. cost of commissioning ~INR. 15 crs (USD 2 mn)

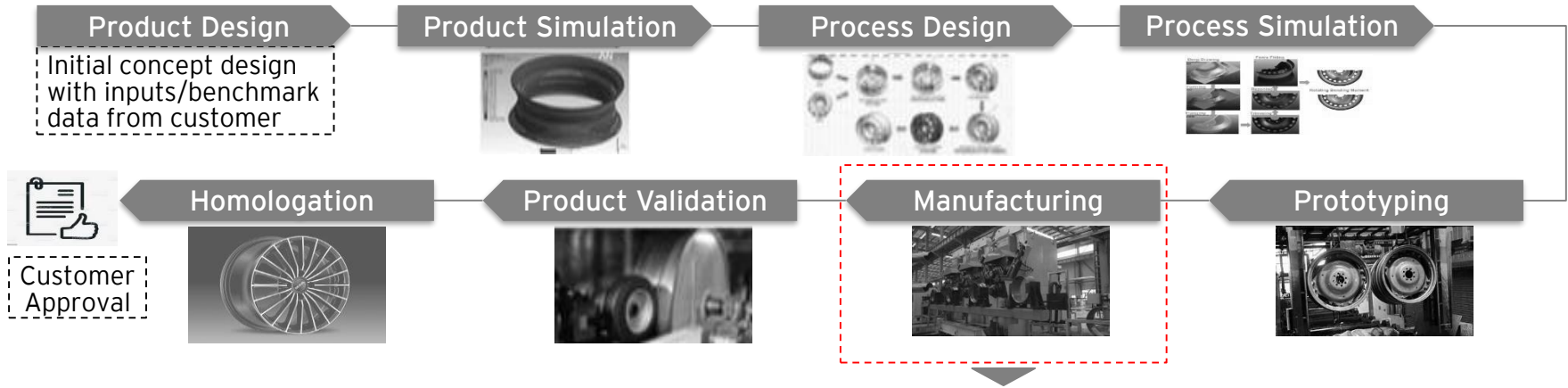
(**) Currently not operational

➤ ***Company is currently operating at low capacity of ~15% of the commissioned capacity, primarily on job work basis***

Source: Company data, management discussions

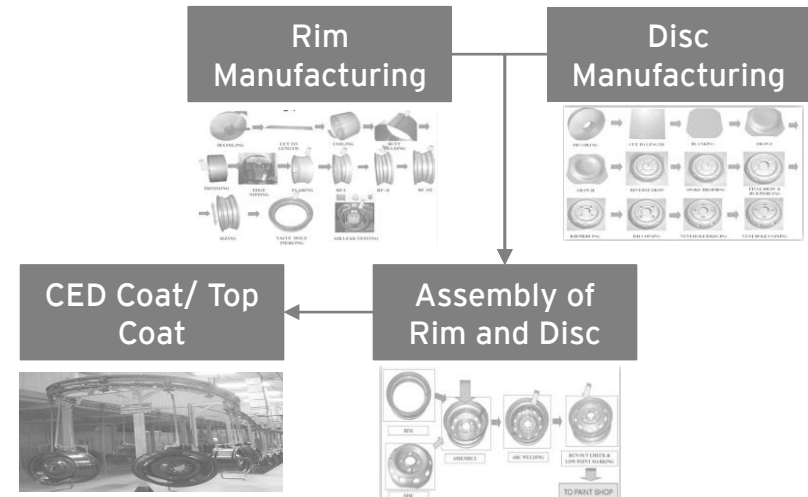
Manufacturing Process - Single line process flow for Rim & Disc manufacturing, assembly and testing

Engineering Capabilities



Manufacturing Process

- ▶ Capacities for rim and disc manufacturing and paint shop synchronised to provide the desired output of 9mn units p.a.
- ▶ Key inputs being steel, inert gases and paint
- ▶ Rejection rate in manufacturing processes is <1% (vs.~1.5% observed by competes)
- ▶ While the process remains same for 98% of product portfolio, for some specific designs, additional or separate procedures might be required
- ▶ Accreditations - ISO/TS 16949:2009; ISO 14001:2004



Source: Company data, management discussions

Product Portfolio - *Presence in multiple platforms across OEMs*

Car Wheels



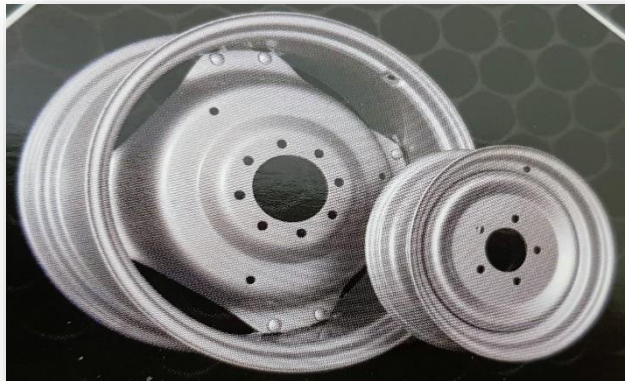
*Rim Size: 12" to 17"
Width: 3.5" to 7"*

*Rim Size: 17.5" to 24.5"
Width: 6.0" to 11.75"*

Truck Wheels



Tractor Wheels



Front wheels
*Rim Size: 14" to 20"
Width: 3.5" to 5.5"*

Rear wheels
*Rim Size: 17.5" to 38"
Width: 8" to 15"*

Stampings



Skin Panels and Inner Panels

Source: Company data, management discussions

Photos are for representational purposes only

Financial Overview - *Low order book / capacity utilisation over last 3 years; can be recouped with more orders*

Profit / Loss Statement

Amounts in INR Crore

| Particulars | FY 18 | FY 19 | FY 20 | YTD 21* | Category | Production in Mn units p.a. | | | |
|----------------------------------|-------|-------|-------|---------|--------------|-----------------------------|-------------|-------------|-------------|
| | | | | | | FY18 | FY19 | FY20 | YTD 21* |
| Revenue | 101 | 94 | 106 | 22 | | | | | |
| COGS | 50 | 44 | 61 | 13 | Cars | 1.36 | 0.89 | 1.15 | 0.31 |
| Other Opex (net of other income) | 44 | 38 | 43 | 12 | Tractors | 0.15 | 0.20 | 0.12 | 0.02 |
| EBITDA | 5 | 12 | 2 | -3 | Trucks | 0.09 | 0.06 | 0.05 | 0.02 |
| EBITDA Margin | 5% | 13% | 2% | -15% | Total | 1.60 | 1.15 | 1.32 | 0.35 |

- ▶ Revenues in FY20 above exclude sale of steel amounting to ~INR 43 Crore; primarily return of steel for order cancellations on account of recent pandemic
- ▶ RM costs have varied in the range of 47% to 58% during FY18-20, largely due to varying input steel content and prices in the products
- ▶ Significant increase in RM costs in FY20 vs. FY19 have weighed on the EBITDA margins
- ▶ Company also observed an impairment of PPE of ~Rs. 700 crs in FY20
- ▶ Currently entire revenue is through contract manufacturing
 - ▶ Contractor provides orders and arranges for steel on job work basis
 - ▶ Company revenues are in accordance with the contracted conversion charges for the products
 - ▶ End-customer relations (both for OEM and Aftermarkets) maintained at the contractor end
- ▶ Reduction in capacity utilisation during H1 FY21 (drop by ~50% vis-à-vis H1 FY20) has weighed on EBITDA margins during the period (primarily due to employee costs remaining same)
- ▶ Over the last 2-3 months, there is significant delay observed in supply chain for critical RM i.e. steel, which has impacted order fulfilment and profitability

Source: Company data, management discussions

*- As on Insolvency Commencement Date i.e September 1, 2020



Financial Overview - Significant asset impairment promulgated by the recent pandemic

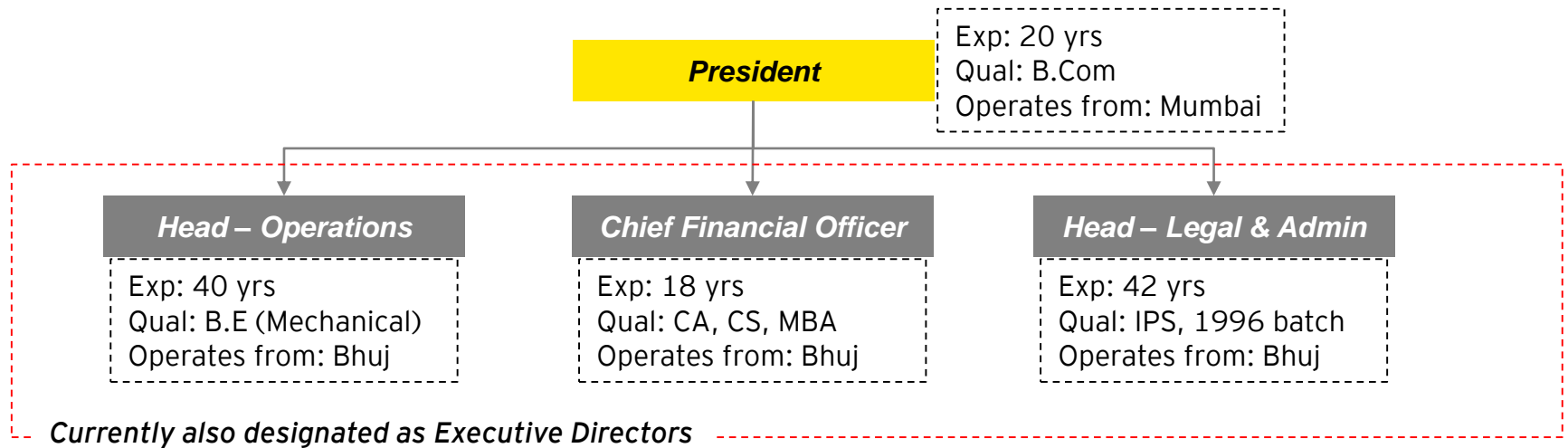
Balance Sheet

Amounts in INR Crore

| Particulars | 2018 | 2019 | 2020 | YTD 21 |
|---|--------------|--------------|------------|------------|
| Fixed Assets (PPE, CWIP, Intangibles) | 898 | 880 | 244 | 237 |
| Other non-current assets | 48 | 48 | 47 | 47 |
| Current assets | 89 | 97 | 36 | 29 |
| Total Assets | 1,035 | 1,025 | 328 | 313 |
| Current liabilities (excl. debt payables) | 77 | 91 | 84 | 82 |
| Equity | 128 | 107 | (585) | (597) |
| Total Debt | 829 | 826 | 828 | 828 |

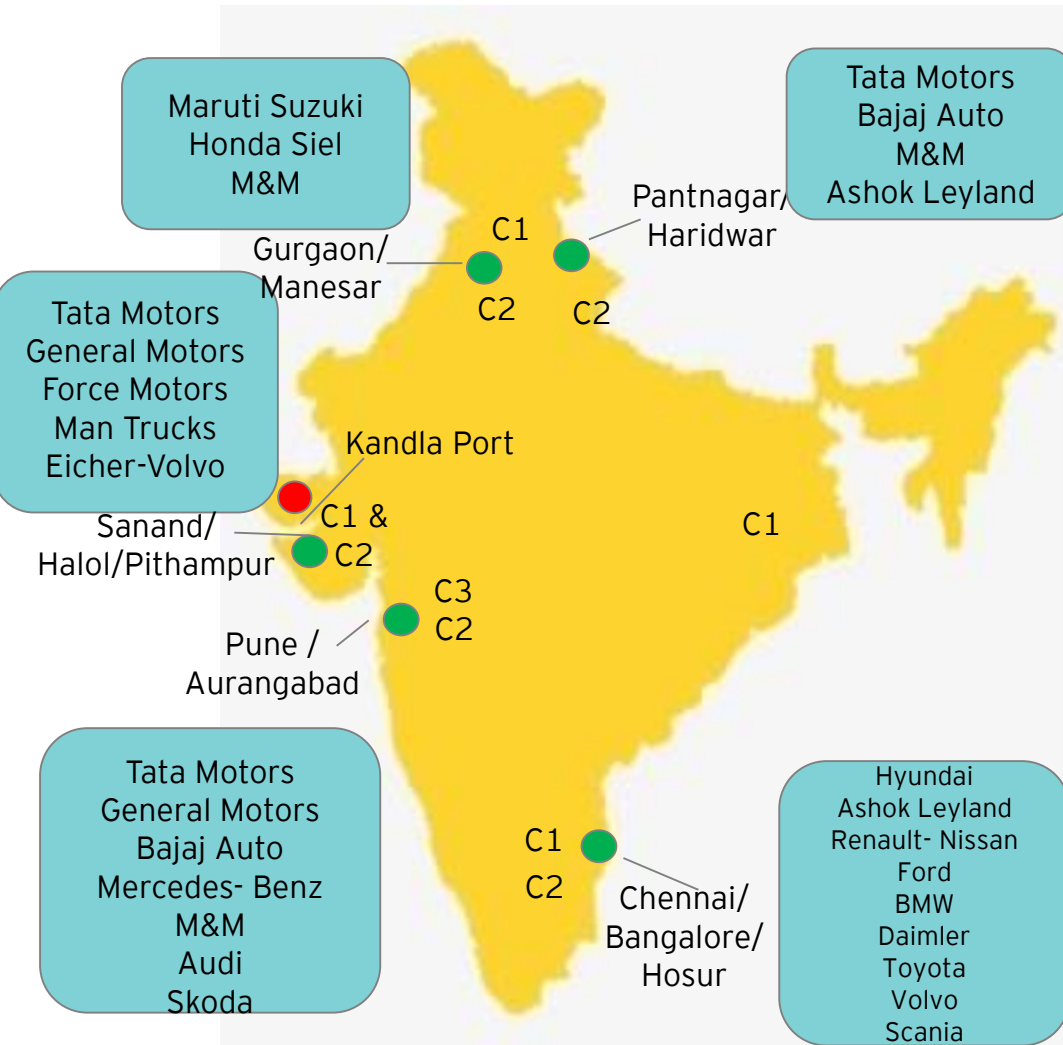
- ▶ Significant impairment observed in PPE during FY20 primarily on account of :
 - ▶ Discontinued operations or shelving of ramp up plans for some of its key customers
 - ▶ Orders from some of the large cars and trucks manufacturers did not take of as planned during FY20
 - ▶ Acute liquidity issues disabling the company to administer critical / major maintenance
- ▶ In FY20, current assets also observed a sharp decline through inventory liquidation (tools & dies) of ~INR 38 crore and recovery from debtors of ~INR 18 crore
- ▶ Current liabilities in FY20 include trade payables of ~INR 51 crore

Key Management - *Experienced and long-service personnel with deep understanding of the business and industry*



▶ Currently engages a workforce of 369 people (staff + contractual labour); primarily operating from the Bhuj facility

Competitive Landscape - Proximity to Kandla port and OEMs on the western belt provide a competitive leverage



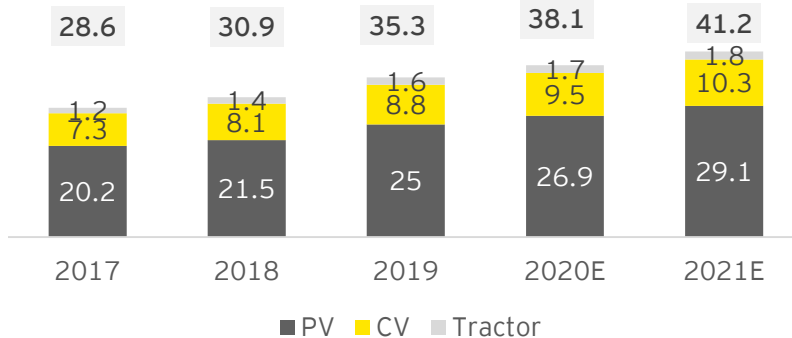
| Competes | Cars | CVs / Tractor | Total (Mn units p.a.) |
|----------------|-------|---------------|-----------------------|
| Company | 10.3* | 3.0 | 13.3 |
| Compete 1 (C1) | 14.7 | 5.1 | 19.8 |
| Compete 2 (C2) | NA | NA | 16.0 |
| Compete 3 (C3) | 4.0 | 1.3 | 5.3 |

Source: Company data, management discussions

*- Capacity of 4.3 mn units p.a. has not been commissioned yet

Market Opportunities - Significant single location capacity to cater to ~20 - 25% of domestic market demand

Estimates of wheel rims production in India* (Mn units p.a.)



- ▶ **With a capacity of 6mn units p.a. for cars wheels, company can cater upto ~20% of domestic demand**
- ▶ **With a capacity of 3mn units p.a. for CV and tractors, company can cater upto ~25% of domestic demand**

- ▶ **Make In India:** several international brands have moved their Asia manufacturing to India; making India one of the largest auto-component hub
- ▶ **Gujarat** serves as a major cluster for various OEMs spread across Ahmedabad, Sanand, Mehsana Hansalpur, Vithalpur; Dholera; Rajkot, Vadodara
 - ▶ Support infrastructure available for skilled labour through Maruti Suzuki Japan-India Institute for Manufacturing (JIM) and Hyundai Motor Training Centre and 20 Superior Technology Centres
- ▶ **Export boost:** India observed ~USD 14Bn in auto-component exports in FY19 to USA, Turkey, Germany, Brazil, Mexico etc.
 - ▶ **Company currently exports to Germany, UK, France, Sweden, and Slovakia in EU region and US**
- ▶ **Strong push for EV / Hybrid cars:** Steel wheel rims market to remain unhampered despite EVs taking over in PV / CV segments or launch of hybrid cars
- ▶ **Alloy wheels vs. Steel wheels:** All base variants for high end cars and majority variants in lower segment cars are expected to continue depending on steel wheels. Given their sturdiness, they have high dependence in the CV / tractor / trailer segments
- ▶ **Scrappage policy:** much awaited in India; expected to boost demand in CV segment

(*) Source: SIAM production data for vehicles and no of wheel rims required for each vehicle. Does not include estimates for export / Aftermarket sale

Transaction opportunity

Invest in/acquire Project Wheeler (“Corporate Debtor” or “Company”) as a Prospective Resolution Applicant, pursuant to the Insolvency and Bankruptcy Code, 2016 (“Code” or “IBC”)

Investment Rationale

Customer segments

- ▶ Currently contract manufacturing
- ▶ End OEMs in domestic markets: Maruti, TAFE, Sonalika Group, Ashok Leyland
- ▶ Aftermarkets presence in OEM trailers segment in EU / US markets;
 - ▶ Proximity to 2 key ports - Kandla Port and Mundra Port help in faster shipments, especially for export customers

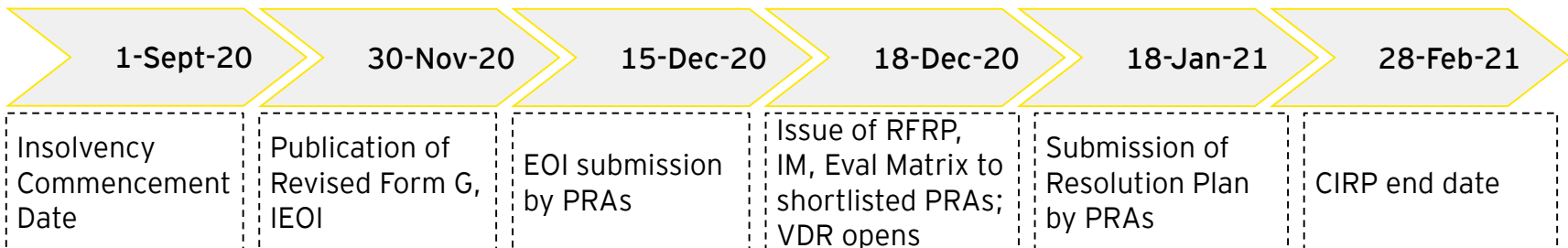
Significant capacities

- ▶ One of the largest single-location installed capacity @13.3 mn units (4.3 mn units yet to be commissioned); company’s largest compete has total capacity of 19.8 mn units spread across 4 plants

Product segments

- ▶ Manufactures steel wheels rims for cars, trucks and tractors
- ▶ Given the sturdiness, low pricing, easy manufacturing and refurbishment vis-à-vis alloy wheels, steel wheels continue to dominate the PV / CV segments
- ▶ Several demand factors expected to drive growth - scrappage policy, Make in India impetus, recent pandemic and anti-dumping policies for Chinese wheels

Corporate Insolvency Resolution Process (‘CIRP’)



Liability structure

(Claims from Financial creditors as on 30th September 2020)

Summary of claims received from financial creditors (by different type of facilities utilized): INR Crore

| Particulars | Claim received | Provisionally admitted* |
|--|----------------|-------------------------|
| A - Long Term Loans: | | |
| Term loan | 245 | 245 |
| Funded Interest Term Loans | 12 | 12 |
| Working Capital Term Loans | 38 | 38 |
| Fully Convertible Debentures | 107 | 107 |
| B - Working Capital Loans: | | |
| Fund based limits (CC / OD) | 88 | 88 |
| Non-funds based limits (LC / BG) | 2 | 2 |
| C - Accrued interest | 513 | 513 |
| D - Inter Corporate Deposits | | |
| E- Other Facilities | 9 | - |
| Total claim received / admitted (A+B+C+D) | 1,014 | 1,004 |

Note 1* - Claims admitted - The claims admitted may be updated as per additional information / reconciliations.

The company entered into a master restructuring agreement (CDR) in March 2014 with the lenders to restructure the loans of the Company. Since, the company failed to adhere to the clauses of the master restructuring agreement, the lenders restructured the loan vide a strategic debt restructuring (SDR) in 2016

Source: Claims filed by creditors with the RP



Liability structure

(Claims from operational creditors as on 30th September, 2020)

Amounts in INR Crore

| # | Particulars | Count | Claimed | Provisionally Admitted | Rejected |
|---|-------------------------------|------------|------------|------------------------|----------|
| 1 | Claims admitted | 32 | 13 | 13 | - |
| 2 | Claims admitted in part | 60 | 609 | 232 | - |
| 3 | Claims rejected | - | - | - | - |
| 4 | Claims by Employees* | 46 | 1 | - | - |
| 5 | Claims by Govt. Authorities** | - | - | - | - |
| 6 | Claims by Other Creditors | - | - | - | - |
| | Total | 138 | 623 | 245 | - |

- ▶ Provisionally admitted claim value is based on reconciliation between the books of accounts of The Corporate Debtor as at the Insolvency Commencement Date (i.e. September 1, 2020) and proof of claims provided by stakeholder(s). For certain creditors, in regard to the unreconciled balances, communication was sent to the stakeholder(s) as per Regulation 10 of the CIRP Regulations calling for additional documents to substantiate whole / part of the unreconciled claims. As on date, these claims are still under review and verification and accordingly have admitted only part of claim substantiated by the information available with us.
- ▶ In case of any additional information warranting modification in the claim value (s) admitted, a separate intimation on modification to the list of stakeholders shall be sent to the Adjudicating Authority in accordance with Regulation 13 (1) of the CIRP Regulations
- ▶ (*) There are workmen / employee claims which are currently being collated and verified. Upon submission of such employee claims, we shall duly intimate all stakeholders and the Adjudicating Authority in accordance with Regulation 13 (1) of the CIRP Regulations.
- ▶ (***) Claims by government authorities are yet to be reviewed vis-à-vis court orders or other relevant documents evidencing crystallisation of such liabilities against the company.

For further information in this regard, you may reach out to:

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Thank you