

Investment opportunity in an Automotive (MHCV) business

October 2020



Information Teaser



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AMW Motors Limited - MHCV OEM manufacturer with significant single location capacity

Brief Background

- ▶ Incorporated in Sept-2011, engaged in manufacturing M&HCV vehicles such as tipper load trucks (a division transferred from Asia MotorWorks Ltd [AML] pursuant a demerger scheme approved in 2012)
 - ▶ *Key customer base*: heavy-duty sectors such as mining, construction, power, infra projects, petroleum, and cargo transportation
- ▶ Vehicles sold under 'AMW' brand held by AML; rights to use the brand vest with the company until Sept-2020
- ▶ First mover in introducing AC cabins for trucks and other CVs in India; gained repute and market share
- ▶ Operated through pan India dealership network
- ▶ Developed export presence in Nepal, Bhutan, Bangladesh and Myanmar
- ▶ Plant based in Bhuj, Gujarat spread across ~156 acres* with an installed capacity of 50,000 vehicles p.a.**
 - ▶ Primarily into assembling; critical RM such as axles, cabin, engine, gears, tyres, suspension, etc. sourced from reputed domestic / international suppliers
 - ▶ Currently, plant operations are shut since Mar-18
 - ▶ Technology is BS-III compliant, needs overhaul to comply with BS-VI standards

KMP Profile

Head - Design & Operations

Exp: 35 yrs
Qual: M.E (Heat Power)
Operates from: Bhuj

Chief Financial Officer

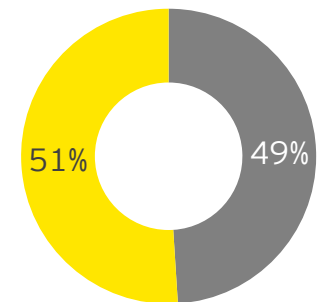
Exp: 28 yrs
Qual: MBA, M.Com
Operates from: Mumbai

Head - Legal & Admin

Exp: 42 yrs
Qual: IPS, 1996 batch
Operates from: Bhuj

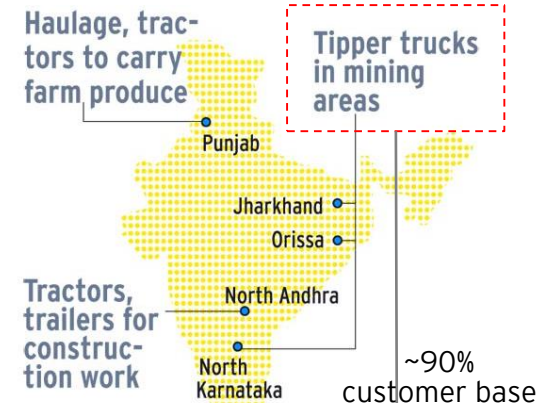
Currently also designated as Executive Directors

Shareholding Pattern#



■ Promoters
■ Financial Institutions

Pan India presence



De-allocation of major coal blocks by the Government of India severely affected the business of the company in 2012

Source: Company data, management discussions, public information

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

(**) Independent technical assessment report of installed capacity is not available

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

Product Portfolio - Offer value-add through comfortable cabins and improved aesthetics



*Flagship Product;
~90% of AMW fleet*

1. Tipper Load Trucks

- ▶ Load mechanism tips up for faster and complete off loading of material
- ▶ Premium A/C cabins for driver comfort
- ▶ Optimised wheelbase for easy manoeuvrability and smaller turning radius.

2. Heavy duty Trucks

- ▶ These trucks were used for transporting material for mining and earth moving operations
- ▶ Trucks were available in wide variety of load capacity for various used
- ▶ Premium A/C cabins with additional facilities for driver comfort



3. Special Trucks

- ▶ These include transient mixers (RCC), concrete pumps, batching plants etc
- ▶ These are special purpose trucks made for those specific purposes
- ▶ Company also made dumpers for defence and municipal use and



4. Long haul Trucks

- ▶ These trucks are used for long distance transport of materials like steel rolls or building materials
- ▶ Company segregated from competitors by offering premium looking vehicles at same price
- ▶ The trucks were adaptable for containers, bulk trailers, tankers

Manufacturing Capabilities and Capacities - (1/2)

Plant Details

Factory Location	▶ Bhuj, Gujarat
Area	▶ Spread across 156.66 acres land parcel* (Factory shed built-up area: 1,07,965 sqmt)
Salient Features	<ul style="list-style-type: none"> ▶ Installed capacity: 50,000 vehicles p.a. (as per company's in-house assessment) ▶ Process adopted: Single line process flow chart for HCV assembly and frame shop. ▶ Manufacturing facilities available as follows (currently BS-III compliant): <ul style="list-style-type: none"> - Manufacturing the complete frame / chassis with structural elements - Cowl/cabin manufacturing which includes welding and painting - Sub-assembling the units and systems of the engine, axle, cabin cowl prior to mounting them on the truck chassis - Overall assembly and acceptance test of the vehicle ▶ Other facilities in the plant: Cabin & cowl weld shop**, paint shop, fabrication facilities, vendor park and warehouse facilities.

Management estimates a cost of ~INR 100 Crore towards technological overhaul for BS VI compliance

Source: Company data, management discussions

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

(**) Cabin welding and tooling owned under a wholly-owned subsidiary

Manufacturing Capabilities and Capacities - (2/2)

Frame shop



Assembly



Paint shop



Warehouse



Source: Company data, management discussions

Industry Recognition - *Company won several awards for its market disrupting vehicles*

1

Editors Choice Award for
Iconic CV Product -
Commercial Vehicle
Magazine Awards 2014

4

Truck Application Builder
of the Year
Apollo CV Awards 2011

2

CV Tipper of the Year
Apollo CV Awards 2013

5

CV Innovation of the
Year 2010
CV Magazine and Zee
Business New

3

CV Maker of the Year
Apollo CV Awards 2012

6

CV of the Year 2008
NDTV Profit Car & Bike
Awards

Financial Overview - Operations shut for past 2 years, PPE impairment in line with industry avg in FY20 post pandemic

Profit / Loss Statement

Amounts in INR Crores

Particulars	2018	2019	2020
Revenue	36	3	6
COGS	54	3	6
Other Opex	43	70	23
EBITDA	-61	-70	-23
PAT	-386	-127	-845

- ▶ Production shut since March 2018. Revenues are towards sale of spares
- ▶ Other Opex in FY19 has provisions for bad debts and inventory ~INR 43 crore
- ▶ Impairment loss recognised in FY20 for ~INR 452 Crores and a provision for loans & advances ~INR 271 Crores, leading to significant -ve PAT
- ▶ Peak capacity utilisation achieved in FY12 where company sold ~9000 units. Subsequently de-allocation of major coal blocks by Government of India severely affected the company's business

Balance Sheet

Amounts in INR Crores

Particulars	2018	2019	2020	On ICD*
Fixed assets (PPE, CWIP, Intangibles)	1,320	1,264	722	722
Current assets	129	66	11	5
Investment**	9	9	9	9
Total assets	1,873	1,745	933	927
Current liabilities (excl. debt payable)	259	266	290	296
Equity	-697	-823	-1,669	-1,674
Long term debt	2,304	2,297	2,305	2,305

- ▶ Fixed assets have declined on account of impairment in FY20 by ~40%
- ▶ Current liabilities include creditor payables of ~INR 127 crore and other payables of ~INR 162 crore

Source: Company financials and management discussions

(*) Insolvency Commencement Date i.e. September 1, 2020

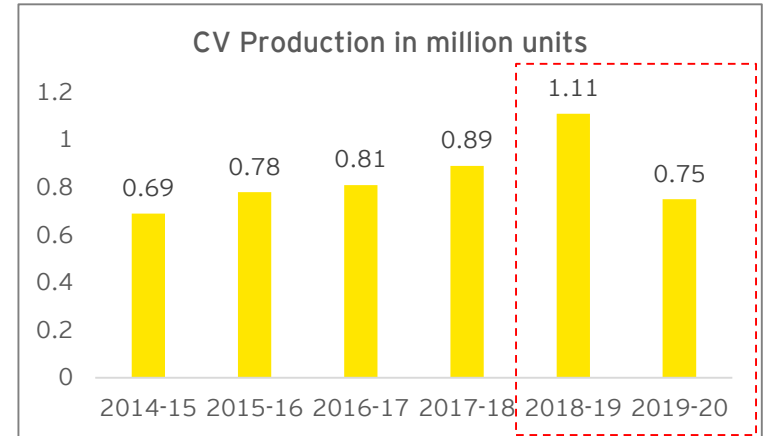
(**) Investment in subsidiaries. Corporate guarantee issued in favour of lenders of subsidiaries for ~INR 150 crore; currently not invoked



Market Opportunity - MHCV segment may regain traction to pre-covid levels in the near future

Current Status

- ▶ Share of MHCV production in CV segment declined from ~40% in FY19 to ~31% in FY20*, primarily on account of drop in production of goods carrier; visible impact of various factors such as revised axle-load norms, BS-VI compliance and NBFC liquidity issues in India
- ▶ Recovery to pre-covid levels expected over next 2-3 years
- ▶ *MHCV segment in India poised for consolidation of brand equity and capacities for global / domestic players*



Out of total CVs, the share of M&HCV is 30-40%

Opportunity

1 Impetus on infrastructure

With plans to widen road network and additional projects in other key sectors through the National Infrastructure Pipeline (NIP), government's plans will lead to increased demand for CVs

2 Government policies

Make in India impetus, Automotive Mission Plan, privatisation of coal sector and commercial mining licenses may lead to faster recovery in MHCV demand. Scrappage policy, though awaited, may further add demand

3 E-Commerce revolution and Covid impact

Exponential growth in online retailing and logistics services, has bolstered the CV market. With Covid-19, the segment is set to enter its next level of growth as supply chain management becomes vital

4 Import duties, BS VI norms

Government's plan to impose import duty in the segment to boost domestic production, introduction of BS VI norms will lead to structural change in demand

(*) Computed basis SIAM data

Transaction opportunity

Submission of a Resolution Plan for the Corporate Debtor (**AMW Motors Ltd**) as a Prospective Resolution Applicant, pursuant to the Insolvency and Bankruptcy Code, 2016

Investment Rationale

Strong product offering

- ▶ Manufacturer of MHCV (tipper load trucks, etc) with a strong product offering in its segment (16 - 49 tonnes trucks)
- ▶ Among the pioneers in air conditioned and music fitted cabins for trucks

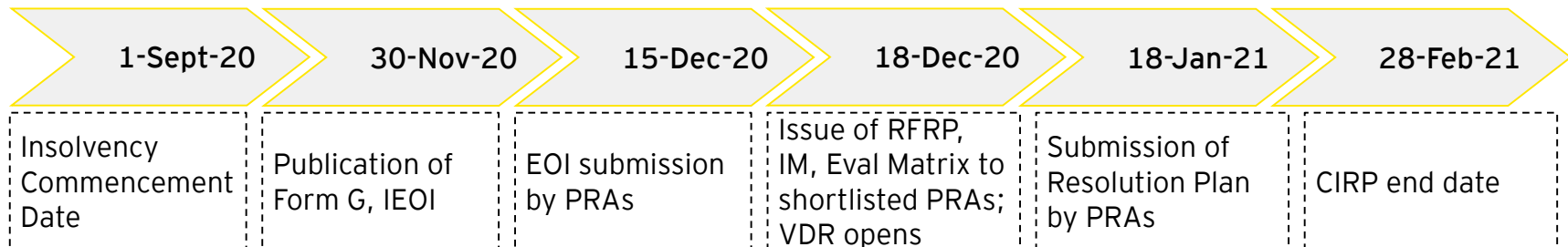
Significant capacities

- ▶ Sizeable single location installed capacities @50k vehicles p.a.

Outsourcing model

- ▶ Asset-light model for manufacturing - critical parts like axles, engines, gears etc are outsourced and fitted
- ▶ Partnered with several reputed domestic / international players in the past

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):

Amounts in INR Crore

Particulars	Claim received	Provisionally admitted*
A - Long Term Loans:		
Term loan	620	620
Funded Interest Term Loans	575	575
Working Capital Term Loans	135	135
Fully Convertible Debentures	-	-
B - Working Capital Loans:		
Fund based limits (CC / OD)	644	644
Non-funds based limits (LC / BG)	18	18
C - Accrued interest	1737	1737
D - Inter Corporate Deposits	28	12
E - Other claims	10	-
Total claim received / admitted (A+B+C+D)	3,767	3,741

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

Liability structure

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

Amounts in INR Crore

#	Particulars	Count	Claimed	Provisionally Admitted	Rejected
1	Claims admitted	55	2.23	2.23	-
2	Claims admitted in part	26	156.73	4.21	-
3	Claims rejected	-	-	-	-
4	Claims by Employees*	439	53.88	7.54	-
5	Claims by Govt. Authorities**	1	65.54	-	-
6	Claims by Other Creditors	6	4.39	1.88	-
	Total	527	283	16	-

- ▶ 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 over 550 workmen / employee claims. The claims 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