

Leaders and Trailers

How ANG Auto achieved market leadership out of trailers, its most valuable product.

ANG Auto Limited Annual Report 2006-07

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AUTO

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www.anggroup.biz

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Corporate Information

Shri Premjit Singh
Managing Director

Shri Gurvinder Singh Jolly
Director

Shri Manoj Gupta
Director

Shri Sanjay Garg
Director

Shri Om Prakash Sharma
Director

Shri Rajiv Malik
Company Secretary

Auditors

M/S Sandesh Jain & Co.
Chartered Accountants

Bankers

Bank of Baroda
International Business Branch
Parliament Street, New Delhi.

Development Credit Bank
Hansalya Building, Barakhamba Road,
New Delhi.

Yes Bank
48, Nyaya Marg, Chankaya Puri, New Delhi.

State Bank Of India
Jawahar Vyapar Bhawan,
Tolstoy Marg, New Delhi-11001

Registered Office

1C/13, New Rohtak road
Karol Bagh, New Delhi-110005
Phone : 011-28716329, telefax :011-28716329
Email: marketing@anggroup.biz
Website : www.anggroup.biz
: www.angauto.com

Corporate Office

90, Okhla Industrial Estate,
Phase-III
New Delhi-110020

Manufacturing Facilities:

Plant I:
B-48, Phase-II, Noida

Plant-II
19-A, Udyog Vihar, Greater Noida,
Distt Gautam Budh Nagar (U.P.)

Plant-III
Special Economic Zone,
I-11 & 12, SEZ, Noida,
Distt Gautam Budh Nagar (U.P.)

Plant-IV
Village Derowal,
Near Tax Barrier, P.O. Manjholi,
Tehsil-Nalagarh,
Distt: Soaln (H.P.)

Plant-V
14/6, Mathura Road
Faridabad, (Haryana)

Plant VI
150A, SEZ, Noida
Distt. Gautam Bud Nagar (U.P.)

Plant - VII
19, Udyog Vihar, Greater Noida,
Distt. Gautam Budh Nagar, (U.P.)

Registrar & Share Transfer Agents

Beetal Financial & Computer Services Pvt. Ltd.
Beetal House, 3rd Floor, 99, Madangir
Behind Local Shopping Centre, New Delhi-110062

The good news

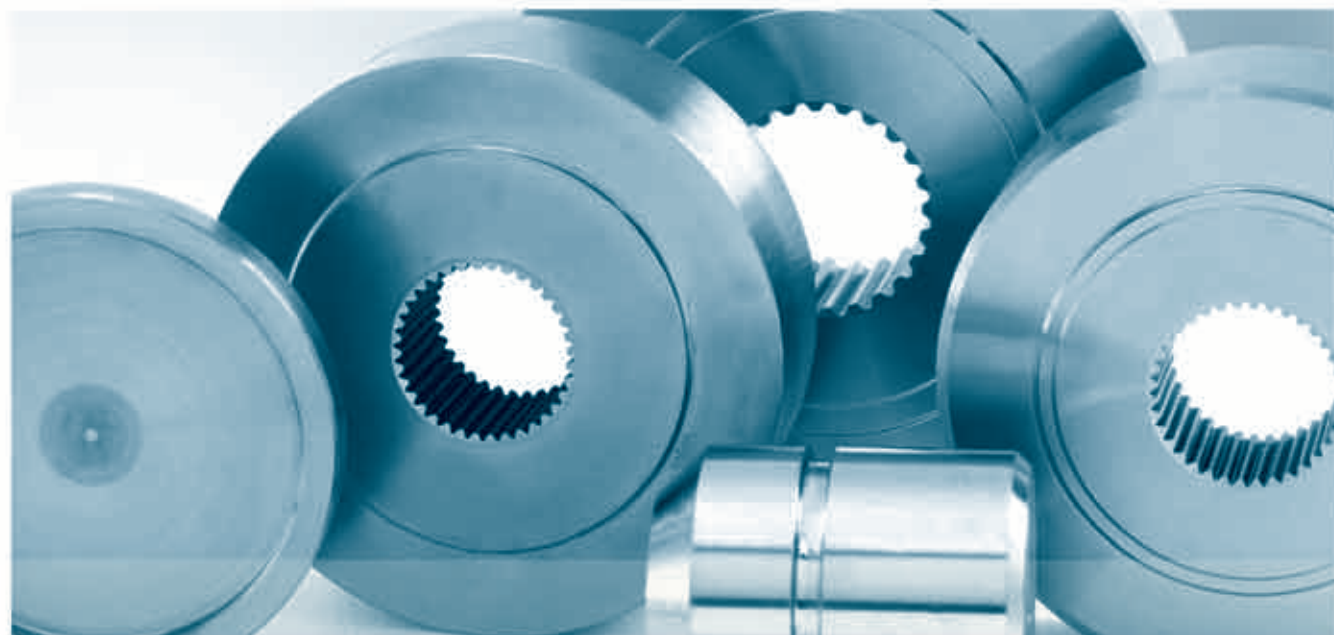
India's road freight industry is expected to record a CAGR of 9.9% in the Eleventh Plan, one of the fastest growth rates anywhere in the world.

The bad news

The cost of logistics is over 13% of India's GDP, compared with below 10% in Western Europe and North America.

ANG Auto expects to ride the growth of India's transportation sector on the one hand, and reduce logistics costs for its customers on the other.

By taking the business of its customers ahead, ANG Auto expects to emerge as the largest trailer manufacturer in India and one of the most competitive in the world.

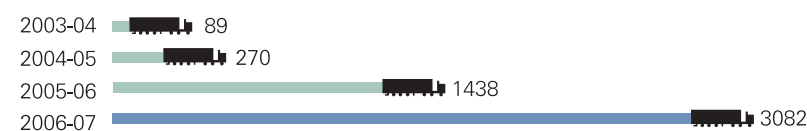


ANG Auto Limited is an auto ancillary company with a difference. It is one of the few in its industry the world over to be integrated from the manufacture of auto-components to trailers. It is also one among a handful of auto-component manufacturers in India to possess a portfolio as vast as 15 products. The result is high growth and high profitability. Starting with a topline growth of 101% and an EBIDTA margin of 27% in 2006-07.

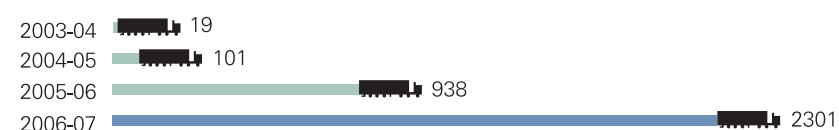
Total income (Rs/lacs)



EBIDTA (Rs/lacs)



PAT (Rs/lacs)



Parentage

- Commenced operations in 1991
- Promoted by a technocrat with 15 years of experience in the auto-component industry
- Promoters with a 45.86% stake (as on March 31, 2007)

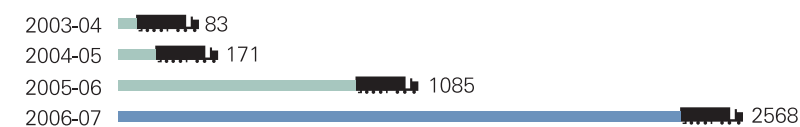
Presence

- Headquartered in New Delhi
- Manufacturing facilities in Noida, Noida SEZ, Faridabad, Greater Noida and Nalagarh
- Strong marketing presence across foreign destinations, especially the US, Europe and Latin America
- Shares listed on the Mumbai, Delhi and Ahmedabad stock exchanges

Products

- Manufacturer of specialised automotive components for heavy commercial vehicles, trailers and vehicles
- One of the largest manufacturers and exporters of air-brake components (anchor pins, rollers and axle spindles) in South East Asia

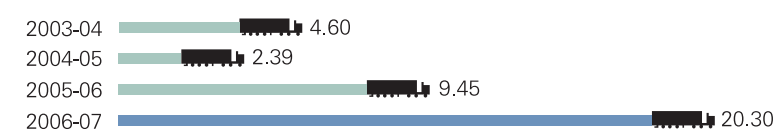
Cash profit (Rs/lacs)



Capital employed (Rs/lacs)



EPS (Rs)





Trailers and India

Over the last two years, the trailers segment has emerged as one of the fastest growing in India's large automotive sector, responding not just to the present demand but correcting the inequity of the past.

TRAILERS ARE APPENDAGES THAT ARE GENERALLY ATTACHED TO VEHICLES AT THE REAR END SO THAT THE TWO IN COMBINATION – trailer and vehicle – can transport additional material at a lower cost.

This vehicle-trailer combination has faithfully served as a relevant logistics solution in developed economies for the last four decades.

Even as this was happening abroad, its value was significantly overlooked in India.

Not any longer.

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Trailers and relevance

A mere 556 km of roads were created in India across 50 years – an average of 11.12 km a year. Some 14,846 km were now added in only nine years (1999-2007) – on an average 17 km of single-lane national highways and 5 km of four-lane roads being built every day!

THE INCREASING RELEVANCE OF TRAILERS IN INDIA IS NOT ONLY VISIBLE ON THE HIGHWAYS OF THE COUNTRY BUT IN THE FINANCIAL STATEMENTS OF CFOs.

For some good reasons: the cost of funds is rising, working capital management is critical and supply chain efficiency is the new mantra.

The trailer has emerged as the CFO's best friend because it has helped them circumvent around these problems.

- Likely to be registered as a single unit in India – an important international practice – resulting in enhanced fiscal benefits
- Can carry additional cargo in a legal way, providing an alternative practical solution following the overloading ban imposed by the government on heavy commercial vehicles

- Can transport additional material with a lower-than-proportionate increase in fuel costs; the load carrying capacity will double when compared with multi-axle vehicles

- Ideally suited to the wider and better road conditions in India today, facilitating a rapid cargo turnaround

The optimism for the trailer is derived from increasing investments in road infrastructure.

- Around Rs 12.70 trillion will be invested in India's infrastructure between FY08 and FY12, the country's roads emerging as the second largest beneficiary
- More than 15,000 km of India's road network is expected to comprise four-lane and six-lane highways to facilitate heavy vehicular movement
- India's highway network expansion is expected to report a CAGR of about 6% during 2006-15 compared with a mere 1.2% recorded during 1951-95



A multi-axle vehicle with a rated capacity of 16 tons necessitates an investment of Rs 13 lacs; a tractor-trailer with a marginally higher investment can transport 75% more cargo.

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Trailers and flexibility

THE INCREASING IMPORTANCE OF THE TRAILER IN INDIA IS NOT DERIVED FROM ITS SIMPLE ADDITION TO THE FLEET OWNER'S PORTFOLIO, but the fact that it is driving the business of its customers in a positive way.

A trailer is a logistic service provider's dream for good reasons.

- It facilitates the transportation of diverse cargo categories, which would otherwise have required significant capital investment across various vehicle types. Consider this: a tractor-trailer combine can transport any cargo category - bulk products (namely cement) or steel (in all forms) - cost-effectively among other commonly carried commodities
- Some cargo varieties are best suited to the tractor-

trailer combine, namely passenger vehicles, fast perishable agro-products (in refrigerated containers), oil and oil products, transmission towers and some heavy engineering equipment

- It strengthens a customer's choice across logistic solution providers, improving profitability

As a result, a trailer comes at a time when India's GDP is poised to grow at an estimated 9% across the Eleventh Plan; cement capacity is expanding by 54.4 million TPA over the next three years, steel capacity is estimated to expand by more than 5 million TPA each year across the next 14 years and the country's power transmission capacity – entailing transmission towers – is expected to attract an investment of Rs 246 billion until 2012.



Trailers and profitability

Trailers – the most profitable logistics solution

(Rs '000)	Rigid truck – 16T	Multi axle – 25T	Tractor trailer – 35T
Revenue	1,088.6	1,891.1	2,694.9
Cost of operations	1,074.8	1,704.1	2,313.7
Operating margins	1%	10%	14%
Operating cost /ton-km (Rs)	1.53	1.12	1.01
Freight rate /ton-km (Rs)	1.60	1.52	1.44

[Source: Merrill Lynch research]

THE TRAILER IN INDIA IS NO LONGER BEING SEEN WITH DISTRUST AS AN EXPENSIVE ITEM WITH ZERO RETURN; it is being viewed favourably as an investment with a profitable payback.

The result is that all major logistic service providers prefer trailers from CFS to destinations.

This is so for an important reason: transporters now seek to sweat their vehicular assets more efficiently to counter rising diesel costs and stagnant freight rates. The trailer helps transporters do just that through increased volumes with a less-than-proportionate increase in operating expenses.

Consider this: Diesel costs increased 220% from Rs 23.50 per litre to Rs 36 per litre in four years; the increase in diesel cost for trailer users was only 15-20%. Besides, a multi-axle truck can carry up to 16 tons of cargo; a 40x18 tractor-trailer combination can carry 28 tons.

Going ahead, the profitability from this logistics solution is expected to increase further following the organised sector's entry into the manufacture of trailers, significantly improving vehicular quality, product life-cycle and value in the hands of the customer.

Trailers and ANG Auto

The trailer represents the apex of ANG Auto's value pyramid.

It has extended the Company from the manufacture of automotive components at one end to a complete trailer valued at Rs 5.75 lac each on the other.

This has helped the Company evolve from a manufacturer to an assembler and from a volume-driven group into a concept product-centric organisation.

"We are providing organised segment value at unorganised segment prices."

– Premjit Singh Chadha, Managing Director



ANG Auto is one of the few companies in India to span the entire value chain from the manufacture of auto-components to vehicles.



Strategic driver

Trailers A case for integration at ANG Auto

AT ANG AUTO, INTEGRATION MEANS VALUE ADDITION, LEADING TO AN ENHANCED VIABILITY AND, IN TURN, A COMPETITIVE EDGE.

So, integration is not incidental to our business. It is integral to it.

At ANG Auto, the entire trailer – except for the tyre, rim and spring leaf – is manufactured in-house, enhancing asset utilisation, cost management, quality control and superior return on employed capital.

At ANG Auto, the expertise to manufacture the major part of the vehicle is derived from a rich experience in the manufacture of heavy commercial vehicle components as well as the Company's exposure to the international tractor-trailer segment.

This exposure translated into several advantages: an established insight into the braking and transmission functions, representing the heart of the trailer, and the graduation from the manufacture of small components to sub-assemblies and assemblies in

these auto-component categories.

At ANG Auto, this expertise has been prudently supported by trailer axle assembly in a state-of-the-art axle beam manufacturing facility, a brake assembly unit and a structural facility (commissioned recently).

The result: ANG Auto possesses the expertise to offer 18 trailer variants in multiple configurations (24 ft, 32 ft, 36 ft and 40 ft) customised around different payloads with different structures and attachments for diverse applications – within four months of the commencement of operations.

Going ahead, the Company has drawn out a blueprint to extend one step further to the manufacture of suspension systems, completing its comprehensive integration programme.