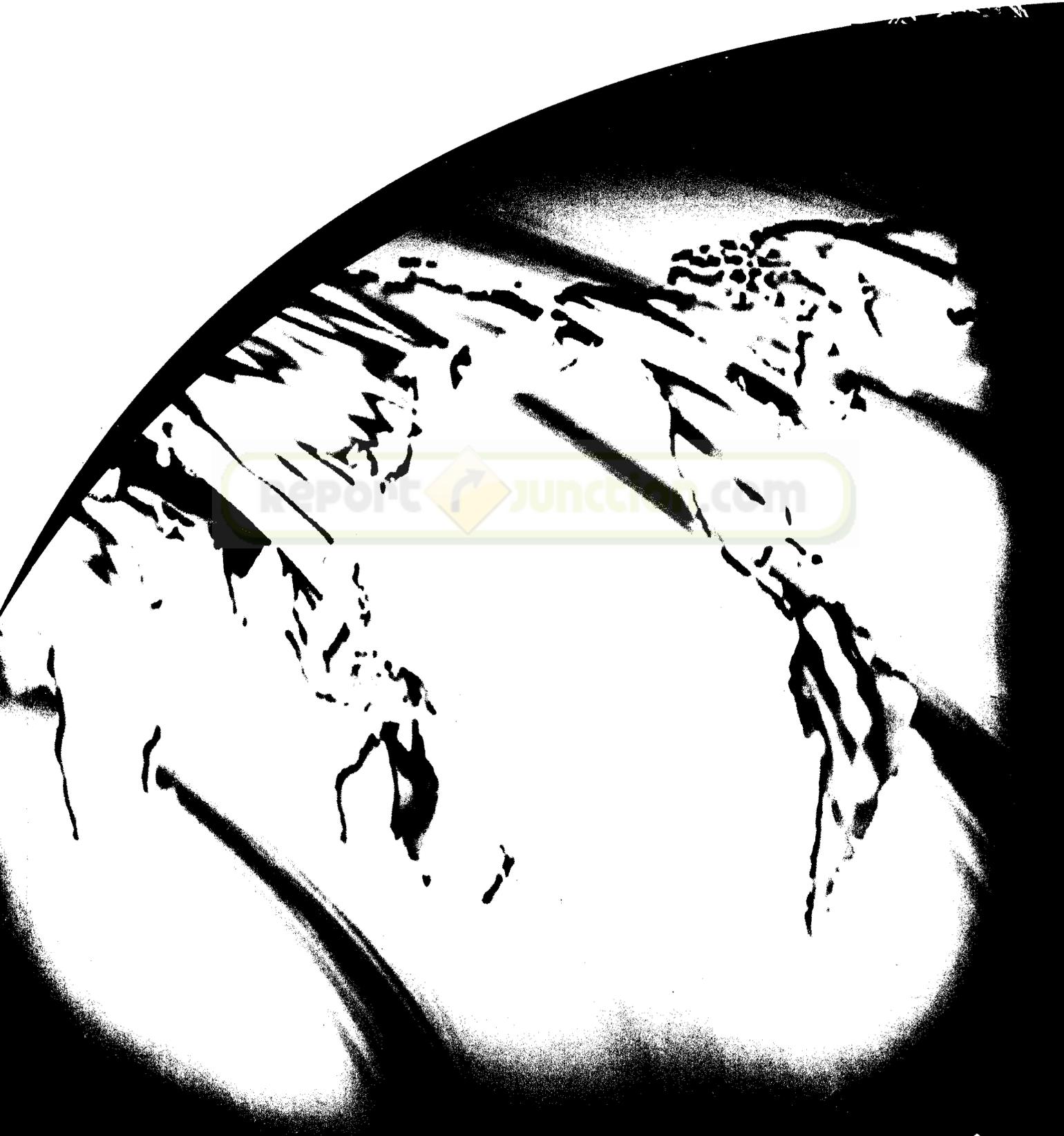


AMTEK AUTO LIMITED

18th ANNUAL REPORT 2003 - 2004



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The company endeavors to become a global quality source for wide ranging automotive applications through integrated business model complementing each other, with an orientation towards continuous adaption to the latest technology, innovation, re-evaluation and re-engineering of business dynamics - the objective being value creation through global benchmarking.



Industry Snapshot

The automobile industry has witnessed significant growth in recent years which has resulted in associated growth across various automobile supply segments. The Indian market has recorded an overall increase of more than 30% over the previous year (ACMA) and this trend is expected to continue in the near term too. Much of this growth has been derived from an improvement in the infrastructure within India, of which road construction has been central to government policy.

The automobile industry is expected to grow at the rate of 20% in the next 3 to 5 years in India. Further, there has been and will continue to be consumer upgrading from two-wheelers to cars which is likely to provide continued growth in the passenger car sales. A test case in this regard is China which has witnessed a peak in two-wheeler segment followed by large scale increase in passenger car demand in last three years. Growth of Indian passenger cars has been at a CAGR of 24% over the past three years.

Internationally the outlook is positive and India has been identified as auto ancillary hub for global sourcing resulting in large inflow of orders from global MNCs. India has a cost advantage coupled with quality that meets international standards and certification. An estimated USD 40 billion worth of exports' annual business inflow from the international market is expected into India by 2015 time period. There have been global acquisitions by Indian auto ancillaries to gain access to large European and US markets through their overseas subsidiaries and there has been a subsequent shift of high cost business to India to outsource from low cost Indian manufacturers or their parent Company resulting in cost savings of 25 to 35% on an average.

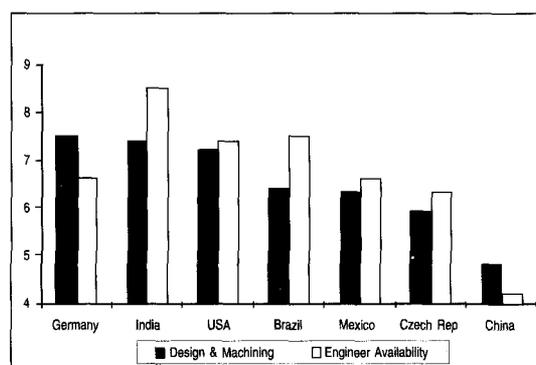
Key Strengths of the Indian Automotive Component Industry

A. Low-Cost Labour

Wage rates in India are US\$8 on average according to the ACMA, this provides Indian companies significant competitive advantage when compared to levels seen in the US and European markets. The most straightforward method of the global automotive makers to benefit from this is by outsourcing non-core operations away from their domestic bases to India.

B. Technical Capabilities

India has a large talent bank of skilled engineers that can be used, at very cost effective levels to perform some of the Research and Development work increasingly relied upon by manufacturers. An ACMA study notes that India stands out in terms of both design and machining capability as well as engineer availability, second only to Germany on a global basis and ahead of the USA in position number 3. When the cost of these engineers is factored, India stands alone in terms of competitive advantage over its potential outsourcing peers.



Source: ACMA

C. Requisite Quality

Companies like Amtek already work with the global OEMs and have received QS9000 certifications meaning that they are on a par with global production standards. This means that OEMs can outsource with confidence that the product will be produced to an appropriate standard while benefiting from the low cost base.

D. Scale of Operations

The automobile companies and auto ancillaries have built up capacities over a period of time which are matching to the International Standards in terms of scale of operations. Due to this India has already emerged as:-

- 2nd Largest Two-Wheeler Manufacturer in the World;
- 2nd Largest Tractor Manufacturer in the World;
- 5th Largest Commercial Vehicle Manufacturer in the World.
- 4th Largest Car Market in Asia - expected to cross the 1 million mark in 2004.

An Overview

We are on the threshold of cataclysmic changes on the business environment front. Post liberalisation has seen India adapting to a radically changed business climate which in turn has been a fallout of a new global business order. The automotive industry has in the last few years witnessed, the most exciting times which threw open immense opportunities for Indian players, both vehicle manufacturers as well as component makers. It also heralded a paradigm shift in the manner in which business was predominantly run in India.

Quality and efficiency are the crucial inputs for any business entity to survive. With the lifting of quantitative restrictions in early 2001, Indian players would now have to exist in a far more competitive environment. Intense global challenge can only be warded off if Indian companies are able to emerge lean and ultra efficient. Import of new and old vehicles and import of auto components in the post-QR phase are issues that are currently being dealt with by the government. Like a double-edged sword such imports could either threaten Indian business or provide opportunities to those Indian companies which have inculcated highly disciplined management techniques.

Several automotive component manufacturers have in the past emerged as profitable business entities despite stiff competition and adverse business climate. The future is being looked upon as a period of challenge and consolidation.

In the last two years or so, the automotive industry in India has experienced a phenomenal growth. It's fast emerging as the industry to watch. After a period of slow growth 1997-98, the automotive industry has been on an upswing in the last two fiscals. It clearly demonstrates the emergence of the automotive industry as one of the high growth sectors in the country.

The auto component manufacturers are finding it difficult to keep pace with the growing demand. The new vehicle launches in the domestic market and growth in the auto component exports have further necessitated advancement in terms of quality, technology and production capacity.

In this backdrop the automotive component manufacturers are investing in new capacities in their existing manufacturing facilities. Some are even diversifying into allied products and technologies.

Amongst the various components and systems manufactured by the Indian autocomponent Industry (engine, transmission, steering, suspension, braking parts, electrical & electronic equipment and the plastic and rubber components to name a few) the engine parts have shown a better growth. Industry experts have pegged their share at nearly 35% of the total autocomponent business.

This is an extremely encouraging situation for the Amtek Group, which is engaged in the manufacture of engine parts like Connecting Rods and assemblies, Crankshafts, Ring Gears and Engine Flywheel Assemblies besides various other components like Shifter forks, Forgings and Castings.



Our Outlook

Amtek has recently acquired companies in the USA and UK as part of its strategy to shift its focus to an international footing. Major revenue of Amtek and its subsidiaries is contributed by overseas operations. The acquisitions have been a part of the move to gain foothold in the largest markets of Europe and US and accessibility to the front-end customers. The acquisitions have given front-end control of the market share to the Company and accessibility to large customers such as General Motors, Ford, Land Rover, Jaguar, BMW, Cummins, Renault John Deere, Saab and Detroit Diesel.

Amtek has created global scale capacities in India in forging, casting, machining and assembly which will facilitate the overseas operations by providing low cost supplies.

The Company has developed a business model where it owns front-end businesses overseas that have relationships with all of the major automobile makers globally and it has been able to leverage its Indian low cost manufacturing facilities to provide cost competitive supplies to its overseas customers through its own subsidiaries.

The Company's overseas subsidiary, GWK Amtek Limited buys £65M per annum of forgings and castings from all over Europe. Major Part of this business will be shifted in its entirety to India and sourced from Amtek's domestic Indian units. So that the domestic Indian facilities can meet this expected demand for which Amtek needs to expand its existing facilities.

In addition to the GWK related business Amtek has received direct orders from Maruti Udyog Ltd, Honda Scooters, Hero Honda, Tata Motors, Tata International, New Holland, L&T John Deere in domestic market and John Deere-France, BSB Manufacturing-Canada, Case New Holland-Belgium, Trans Axle Manufacturing of

America-US, which are over and above the outsourcing business outlined above.

Amtek plans to expand several plants as well as constructing a new plant in Gurgaon, India to meet this demand. These plants will enable Amtek to grow its business domestically and internationally alongside planned domestic market growth and outsourcing growth from international MNCs

Manufacturing Facilities

The manufacturing facilities of Amtek located in Asia, Europe and the US are veritable centres of excellence, constituting the foundation for the Group's drive to globalisation. The manufacturing facilities are accredited with TS16949 AND QS9000 certifications for quality systems in conformity to global standards and are symbolic of the Group's dedication and commitment to maintaining the highest international standards.

The Group has a Design and Development facility that will fully support our customer requirements. This includes design activity using 3D modeling detailed FE analysis, NVH Refinement, Kinematic analysis and STL models.

Latest Design Softwares such as CATIA, C3P I-Deas and Pro Engineer are used. Data Exchange is through Metaphase, FTP, ENOAT / ODETTE as well as Internet and CD, DAT TAPE etc.

Design engineers work from seats within the customer's premises and from our own well equipped Design Centres.

Amtek has a well developed project management system, that ensures new product introduction on time and within budget cost.

Quality Philosophy

The Group's ability to emerge as a global player in the automotive industry is powered by its stringent quality standards at par with the toughest anywhere in the world. The manufacturing facilities are accredited with QS 9000 ATS 16949 certifications for quality systems in conformity with global standards.

The underlying philosophy can be summed up in a simple sentence: consistently deliver quality that is world-class in every respect, and the world will vie for your products.

High Value Added Assemblies Modular Manufacturing

With the aim of reducing in-house investment, manpower, and development time, auto manufacturers are increasingly outsourcing assemblies of components called modules. This is a new trend whereby the manufacturing process involves a mere assembling of the modules. This again throws open opportunities for Amtek to be a part of the modular supply chain.



Diversified Products & Customer Base

The company has a large customer base and a well diversified product range. This helps the company to ensure steadily growing operations and profits even during demand fluctuations in various auto sectors like two-wheelers, tractors, cars and commercial vehicles.

Its extensive product portfolio together with its world-class quality has enabled Amtek to build up a large customer base covering all sectors of the automotive industry two-wheelers, passenger cars, commercial vehicles, tractors and stationary engines. The group also has a strong presence in the after-market.

The rapid growth achieved by Amtek in recent years is attributable to a number of strategic acquisitions across Europe and USA, the enhancement of production levels through technological upgrades and product segment rationalisation measures. The acquisitions include Lloyds Brierley Hill, the largest flywheel and ring gear manufacturer in the UK; GWK Amtek Limited, the largest machining company in the UK, who also specialise in the manufacture of modules and assemblies comprising axles, system assemblies, corner moduels and fuel delivery systems and Midwest Manufacturing, the largest ring gear manufacturers in the US.

Amtek-Tier 1 Vendor

Amtek is positioned to be a Tier 1 vendor for global auto majors. With the growing trend towards global sourcing, the Tier 1 vendor relationship with MNCs will further enhance the export potential for Amtek. The vendor development team of Amtek has been creating its own down line Tier 2 and Tier 3 vendors. This will enable increasing turnover with minimum investment and higher profits.



Core Strengths

Amtek's market leadership, rapid growth, and its status as a preferred supplier for the global sourcing programmes of major automobile manufacturers are based on certain key drivers:

- Access to key markets through a global presence across Asia, Europe and the USA.
- World-class quality with QS 9000 and TS 16949 certification.
- Well-integrated manufacturing facilities backed by in-house design, product development and tool room facilities.
- Direct access to global markets together with a low-cost manufacturing base in Asia.
- Amtek's expertise in going beyond components to manufacturing of system and modules has enabled it to move higher up in the value chain with a continued expansion of high level module assembly expertise, for example axle assemblies, corner moduels and fuel delivery systems.

Supply Chain Management

To service the major auto hubs in India and overseas, Amtek plans to setup manufacturing and warehousing facilities in strategic locations. This is intended to enhance the value in Supply Chain Management.

Globalization

Globalization has enhanced and sharpened Amtek's scope. The company expects to earn 25% of the total revenue from exports in the next two years and plans to increase it to 40% in the next five years.

Our Financial Performance with respect to Operational Performance

During the year, the total sales and other income increased by more than 53.67% on annualized basis to Rs. 51008.09 lacs from Rs. 41490.31 lacs in the previous period.

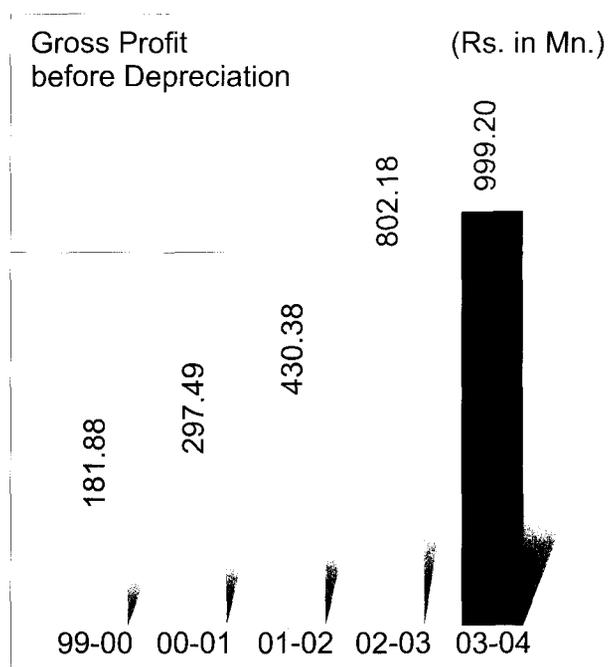
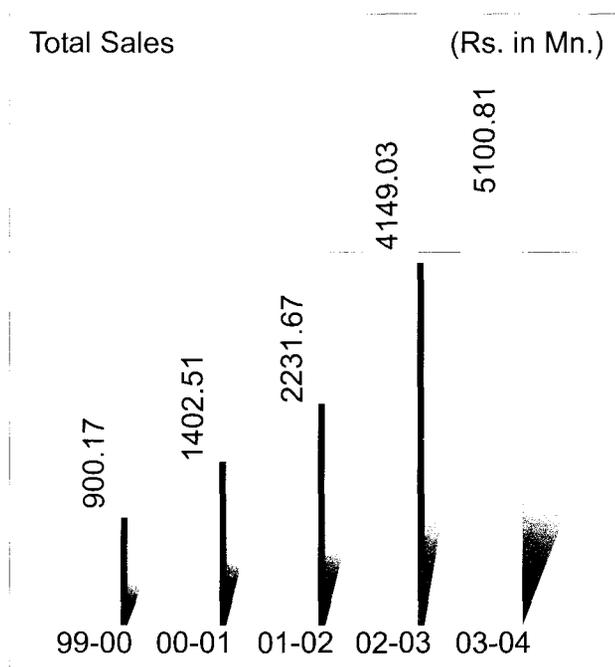
The Gross profit before depreciation and taxation has increased from Rs. 8021.79 lacs. during the previous period to Rs. 9991.98 lacs. during the current period registering an increase of 55.70% on annualized basis.

The Profit before tax increased from Rs. 4792.37 lacs during the previous period to Rs. 6495.59 lacs representing an increase of 69.43% on annualized basis.

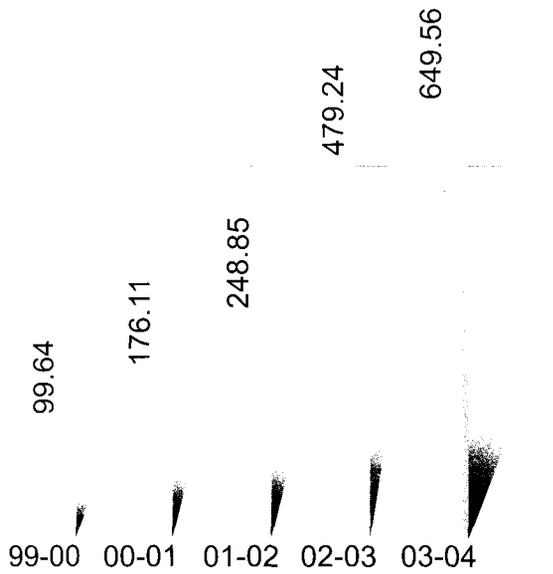
The Profit after tax has also increased from Rs. 4241.51 lacs during the previous period to Rs. 5207.05 lacs representing an increase of 53.45% on annualized basis.

The Company declared dividend at the rate of Rs.5/- per share or 50% in the current year.

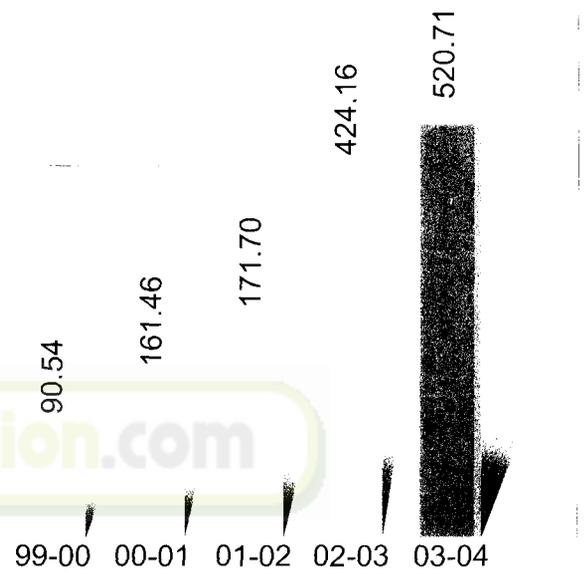
All the units of the Company operated satisfactorily during the year.



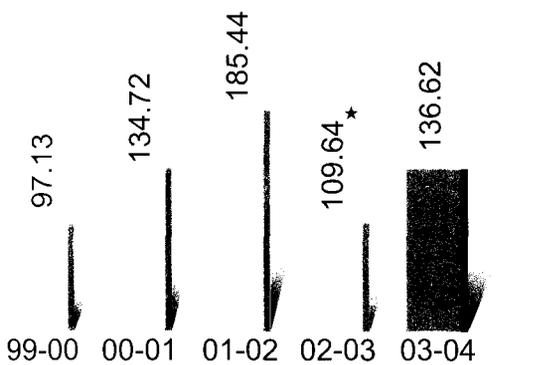
Profit Before Tax (Rs. in Mn.)



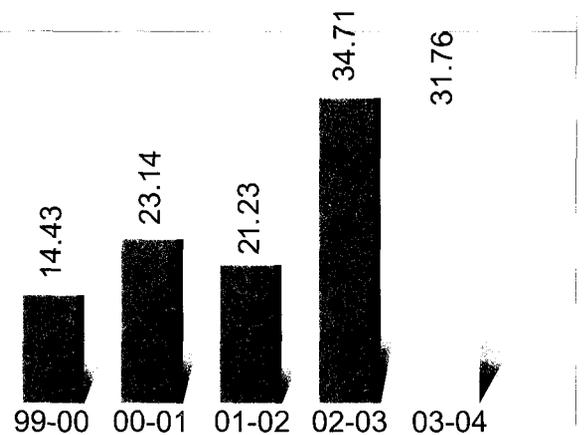
Net Profit After Tax (Rs. in Mn.)



Book Value (Rs.)



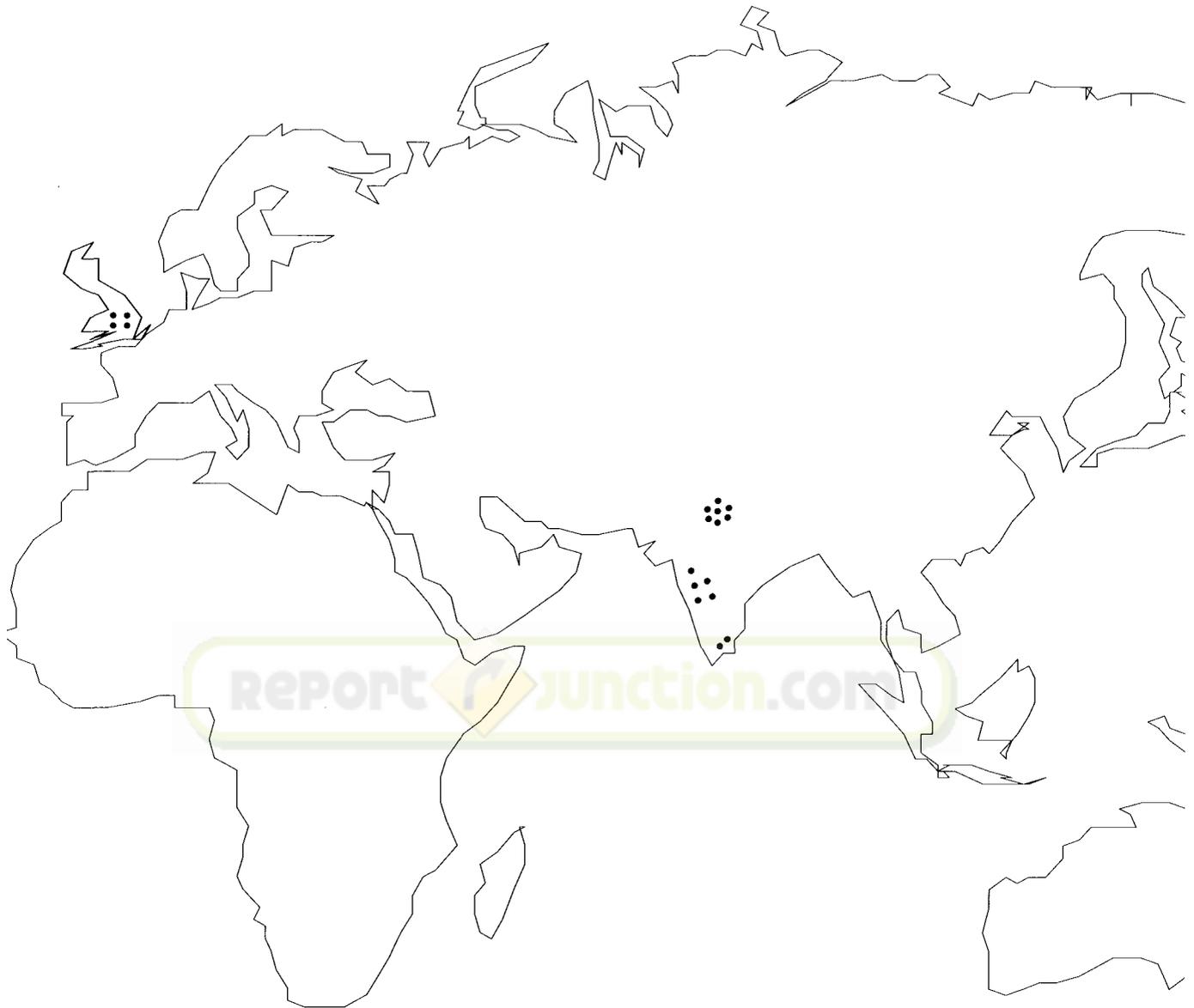
Earning Per Share (EPS) (Rs.)



* Post Bonus Equity.



AMTEK GLOBAL NETWORK



Asia

Ahmednagar
Bhiwadi
Bhopal
Bangalore
Coimbatore
Chakan
Gurgaon(4)
Kuruli
Manesar
Pune
Sohna
Tumkur

Europe

Coventry
Brierley Hill
Letchworth
Tipton

USA

Kellogg
Stanberry