

RESULTS

REVIEW

FAG Bearings India Ltd.

Rs. 600

Q1CY07 results update

Analyst

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Nifty: 4178; Sensex: 14229

Key Stock Data

Sector	Auto-ancillary
Bloomberg/Reuters	FAG@IN/FAGB.BO
Shares o/s (m)	17
Market cap (Rs m)	9,970
Market cap (US\$ m)	244
3-m daily average vol.	9,224

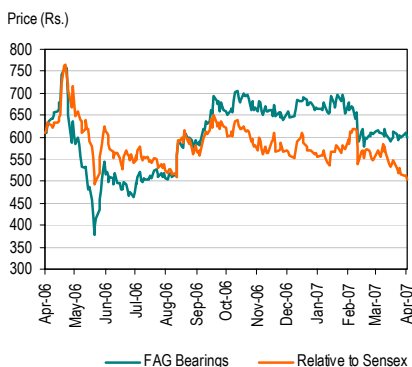
Price Performance

52-week high/low	Rs775/375		
	-1m	-3m	-12m
Absolute (%)	(2.3)	(9.9)	(1.8)
Rel to Sensex (%)	(10.7)	(9.5)	(21.0)

Shareholding Pattern (%)

Promoters	51.33
FII/NRIs/OCBs/GDR	13.20
MFs/Banks/FIs	16.80
Non Promoter Corporate	3.80
Public & Others	14.87

Stock vs Relative to Sensex



Source: Capitaline

Highlights

FAG Bearings continued their good performance with Q1CY07 results, which were in-line with street expectations.

Sales bounded up to Rs.1,591m, a growth of 30% YoY. Margins more or less remained intact. Tempered by falling margins, Operating profit rose to Rs.375m as against Rs.295m, a growth of 27% YoY. PAT for the quarter grew 22% YoY to Rs.220m.

- Impressive topline growth

Total revenues grew 30% YoY to Rs.1,594m as against Rs.1,225m recorded during the same period in the previous year. Continued growth in the auto sector, increased thrust on replacement markets and ongoing momentum in industrial segments largely contributed to this strong growth.

- Margins remain intact

The rising sales were met by flat margins. There was a slight fall of 50bps from 23.8% to 23.3%. This meant a modest rise in EBIDTA to Rs.375m from Rs.295m.

- Topline drives bottomline growth

Impressive sales growth paved way for a surge in the bottomline. PAT for the quarter stood at Rs.220m, posting an impressive growth of 22% YoY.

- Replacement demand to provide higher growth

The replacement cycle for bearings is generally 20-24 months and going forward, a good replacement demand is expected due to strong growth seen in the OEM sales during the last two years. So, while last two years has seen good demand from OEMs, we expect a higher demand from replacement market in near future.

Table 1: Financial snapshot

(Rs m)

Year-end: December	Q1CY07	Q1CY06	YoY (%)	CY06	CY05	YoY (%)
Net sales	1,591	1,221	30	5,507	4,126	33
Other income	4	4	(10)	22	26	(17)
Total income	1,594	1,225	30	5,529	4,152	33
Expenditure	1,220	930	31	4,239	3,297	29
EBIDTA	375	295	27	1,290	855	51
OPM (%)	23.3	23.8		23.0	20.1	
Interest	3	0	900	13	1	869
Depreciation	46	44	4	183	168	9
Tax	111	70	58	358	209	71
PAT	220	180	22	737	479	54
NPM (%)	13.8	14.8		13.4	11.6	
No. of share (m)	17	17		17	17	
EPS (Rs.)	13.2	10.9		44.3	28.8	
CMP (Rs.)	600	600		600	600	
PE (x)	45.3	55.3		13.5	20.8	

Source: Company reports; IDBI Capital Market Services

Outlook

FAG Bearings, a part of INA Schaeffler group is the third largest bearings company in India with a market share of ~15%. Its wide product range and presence across various user segments - automobiles, capital goods, railways etc. makes the business diversified and reduces the dependence on any particular segment.

Going ahead, with the automobile sector looking good and with demand for bearings picking up from other industrial segments also, we believe the revenue growth to be higher and stable. The current market price discounts the annualized Q1CY07 EPS of Rs.52.9 by 11.3x.

Equity Sales/Dealing

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