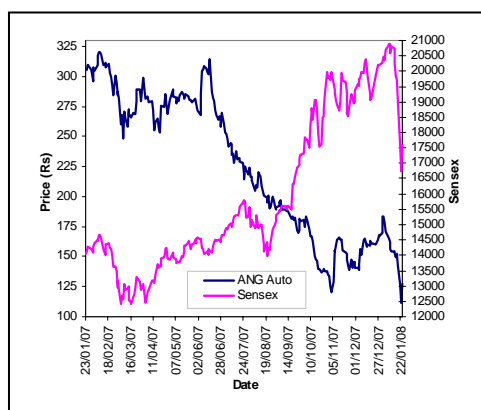


ANG Auto
Neutral
CMP: Rs127
Vaishali Jajoo
Tel: 022 – 4040 3800 Ext: 344
e-mail: vaishali.jajoo@angeltrade.com

Sector	Auto Ancillary
Market Cap (Rs cr)	151
Beta	0.66
52 WK High / Low	370/103
Avg Daily Volume	18381
Face Value (Rs)	10
BSE Sensex	17,594
Nifty	5,203
BSE Code	530721
NSE Code	ANGAUTO
Reuters Code	ANGA.BO
Bloomberg Code	ANGA IN

Shareholding Pattern (%)

Promoters	47.2
MF/Banks/Indian FIs	10.6
FII/ NRIs/ OCBs	26.3
Indian Public	15.9

Share Price Vs Sensex

3QFY2008 Result Update
Performance Highlights

- 3QFY2008 numbers below expectation:** ANG Auto posted lower-than-expected performance for 3QFY2008. The company recorded flat Net Sales of Rs29.1cr (Rs29.6cr) on the back of flat volumes growth in automatic slack adjusters. Also, the company's Auto Ancillary business was hit by the slowdown in the commercial vehicle segment in the US. Further, with 50% of the company's revenues coming from exports, appreciation in the Rupee impacted its realisations in 3QFY2008.
- Operating Margins decline by 330bp:** For 3QFY2008, ANG reported a 22.9% (26.2%) decline in OPM due largely to the 340bp increase in raw material costs. However, the company managed to prune other expenditure by 45bp. Operating Profits stood at Rs6.7cr (Rs7.8cr). Rupee appreciation also partially impacted Margins. NPM was impacted due to the higher Interest Costs and Depreciation during the quarter. ANG reported a 33.6% decline in Net Profit to Rs3.9cr.
- ANG Autotech Pvt Ltd:** ANG Autotech commenced commercial supplies in 1QFY2008. In the third quarter of operations, the company reported Rs7cr Net Sales and Net Profit of Rs0.2cr. Overall slowdown in CV demand has been impacting offtake from Ashok Leyland (ALL), which is exerting pressure on the company's production cycle. We are revising our Sales estimates downwards for the ANG's Autotech Division from Rs30cr on account of the lower-than-expected offtake from ALL. Further, started selling its products on its own following the lower offtake from ALL. In FY2008, management expects to sell 1,000 to 1,100 units of trailers.

Exhibit 1: Key Financials

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
Net Sales	114.5	148.9	178.7	205.5
% chg	100.9	30.0	20.0	15.0
Net Profit	22.7	18.5	19.7	21.6
% chg	142.1	(18.4)	6.6	9.4
OPM (%)	26.9	20.0	18.3	17.8
EPS (Rs)	19.1	12.5	13.3	14.5
P/E (x)	11.6	17.8	16.7	15.3
RoE (%)	42.6	27.6	24.1	22.0
RoCE (%)	25.6	16.0	15.7	15.9
EV/Sales (x)	1.7	1.8	1.5	1.3
EV/EBITDA (x)	6.4	9.2	8.4	7.5

Source: Company, Angel Research, Note: FY2008 and FY2009 estimates are post ANG Auto Tech merger with ANG Auto. Estimated numbers are on a fully diluted basis.

Key Developments

- **Geographic Sales mix:** The company managed to increase the domestic contribution to Total Sales to 50% during 3QFY2008 as against around 15% last year. ANG Auto earns around 50% of its Revenues from exports, with the US and UK accounting for 75% and 25% of export revenues, respectively.

Outlook and Valuation

At the CMP of Rs127, the stock is available at 16.7x FY2009E and 15.3x FY2010E Earnings. We have downgraded the stock from a Buy to Neutral due to the uncertainty in trailer offtake by ALL and threat of continued Rupee appreciation impacting the company's Realisations and Margins. **In view of the poor visibility of achieving its guidance on its existing line of business and new ventures, we are Neutral on the stock.**

Exhibit 2: 3QFY2008 Performance

Y/E March (Rs cr)	3QFY2008	3QFY2007	% chg	9MFY2008	9MFY2007	% chg
Net Sales	29.1	29.6	(1.8)	89.5	82.8	8.0
Other Income	-	-		-	-	
Total Income	29.1	29.6	(1.8)	89.5	82.8	8.0
EBITDA	6.7	7.8	(14.2)	20.8	22.4	(7.4)
OPM (%)	22.9	26.2		23.2	27.1	
Interest	5.1	6.9	(26.1)	8.1	8.0	1.3
Depreciation	4.4	6.4	(31.8)	5.4	7.1	(24.8)
Profit Before tax	4.4	6.4	(31.8)	14.5	19.2	(24.8)
Tax	0.5	0.6		1.5	2.4	
Profit After tax	3.9	5.9	(33.6)	13.0	16.8	(22.8)
EPS (Rs)	3.3	7.9	(58.7)	10.9	14.1	(22.8)

Source: Company, Angel Research



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