

BUZZING

STOCK

Amtek Auto Ltd.

CMP – Rs.363

Analyst

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Key Stock Data

Sensex	14404
Nifty	4184
Sector	Auto Ancillaries – Brakes
Bloomberg	AMTK@IN
Reuters	AMTK.BO
No. of shares (m)	125
Market Cap (Rs m)	44,472
Market Cap (US\$ m)	1008
52-week H/L	Rs.376/240

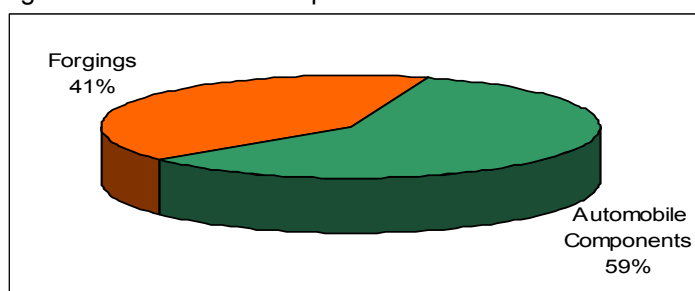
Shareholding Pattern (%)

Promoters	33.24
Mutual Funds	17.87
FII's	44.75
Corporate Bodies	1.92
Pubic & Others	2.23

Business Overview:

Amtek Auto Ltd., the flagship company of the Amtek Group is the second largest forging player with 160,000 Tonne capacity with focus on medium and small forgings. It is currently engaged in the manufacturing a wide range of components for automotive applications mainly for use in engine, transmission and suspension systems. The major categories of the components include connecting rod assemblies (largest in India), steering knuckles, suspension and steering arms, CV joints, crankshaft assemblies for two-wheelers, torque links, machined aluminum case components and a wide range of precision forgings.

Figure1: Revenue Break-up


Impressive Clientele:

Amtek along with its overseas subsidiaries is a Tier-1 supplier of components to major automobile OEMs. Its customer base primarily consists of passenger car and 2-wheeler manufacturers. In India it is a supplier to marquee players like Maruti, Tata Motors, Hyundai, Hero Honda and Bajaj Auto. On the global front it supplies to Ford, GM, Cummins, John Deere and BMW.

Acquisitions strengthen front-end of sourcing:

The business model adopted by Amtek is unique from the perspective of its peers. In the last three years the company has made seven acquisitions, targeting to increase outsourcing from India by leveraging the acquired company's relationships. These acquisitions have also given the company 10 manufacturing sites, of which 3 are in the US and 7 in Europe. With two-thirds of the automobile industry located in US and Europe, this gives AAL the necessary proximity to its customer base. AAL has the advantage of outsourcing all the orders generated by its overseas subsidiaries in the US and Europe to India this, we believe, shall give a boost to its exports as well as result in cost savings on consolidated basis.

Europe is being targeted as the next big market, with two acquisitions made in the recent past. These include the £19m paid for the acquisition of GWK, a company with revenues of \$35m. Zelter, a company with revenues of \$135m was acquired for 28m Euros. The company is targeting to source roughly 65-70% of Zelter's requirements from India over the next 2 years, for which it has built a new machining plant near Gurgaon.

Consolidating group companies:

The management is consolidating its operations by merging group companies. The two-privately held companies Benda Amtek and Amtek Siccardi (with combined revenues of Rs.3,500m) are recently merged into Amtek, by acquisition of promoter stakes. Amtek Auto currently holds 97% stake in Benda Amtek and 100% stake in Amtek Siccardi. Subsequently, the group plans to merge Amtek Auto to Amtek India, a step likely to happen in mid-2008. The Integration process is witnessing delays, but is the biggest driver of profit growth.

Q2FY07 – Result Highlights:

Amtek Auto's (AAL) Q2FY07 numbers have exceeded our expectations on profitability with net profit increasing by a strong 52% YoY to Rs.587m. Total Revenues at Rs.2,890m were up 31% YoY. Operating Profits during the quarter grew 40% YoY to Rs.991m. However, EBIDTA margins (OPM) declined 70bps.

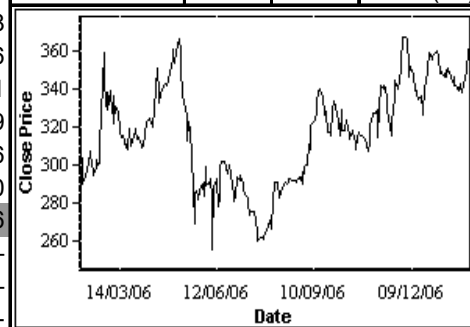
Outlook:

Amtek Auto is following the strategy of achieving global scale and presence through overseas acquisitions. AAL along with its group companies has made seven acquisitions in the past three years. These acquisitions along with its thrust on exports are likely to be the growth drivers for the company.

Going ahead, Amtek Auto is well positioned to exploit the benefits of global sourcing by automobile majors. The stock is trading at 20.5x its annualized H1FY07 EPS of Rs.17.7

Financial Snapshot

Amtek Auto Ltd.							Ratios (%)			
	Q3 FY07	Q3 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
Financial Year End: June										
Net Sales	2712	2173	25	8737	6522	34	Debt -Equity	1.2	1.2	5
Other Income	178	39	359	212	189	13	PBIDTM	33	27	24
Total Income	2890	2212	31	8950	6711	33	PBDTM	31	25	24
Total Expenditure	1899	1506	26	6066	4970	22	RoCE	11	13	(21)
PBIDT	991	706	40	2883	1740	66	RoNW	16	20	(20)
Interest	57	51	13	203	128	58				
PBDT	934	655	42	2681	1612	66				
Depreciation	133	127	4	497	411	21				
Tax	88	45	97	182	102	79				
Reported Profit After Tax	587	385	52	1636	929	76				
Extra -ordinary Items	0	0	0	0	0	0				
Adj. Profit After Extra-ordinary item	587	385	52	1636	929	76				
No. of shares (m)	125	105	-	120	101	-				
EPS (annualised.) (Rs.)	18.9	14.6	-	13.4	9.2	-				
P/E	19.2	24.8	-	27.2	39.5	-				



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