

Aug 12, 2010

Key Data	INR
CMP	185
Target Price	200
Bloomberg Code	AMTK IN
Reuters Code	AMTK.BO
BSE Code	520077
NSE Code	AMTEKAUTO
Face Value (INR)	2
Market Cap (INR Bn)	37.9
52 Week High (INR)	239
52 Week Low (INR)	133
Avg. Daily Volume (6m)	1098467

Shareholding	%
Promoters Group	31.4
Banks / Mutual Fund / FI	13.1
FII	35.4
Bodies Corporate	5.2
Individuals	3.0
Others	11.9
Total	100

Amtek Auto Ltd

4Q FY10 Results

Amtek Auto Ltd (AAL)'s revenue grew by 21.3% on YoY basis to INR 9,947.9 million. EBIDTA margins declined 450 bps on YoY basis to 25.5%. Net profits declined 20.2% on YoY basis to INR 594.4 million.

Key Highlights

- For Q4 FY10, AAL's revenue increased to 9,947.9 million from INR 9,699.3 million in Q3 FY10 - an increase of 2.6% q-o-q.
- The EBIDTA margins in Q4 FY10 stood at 25.5%. The operating margins remained stable on q-o-q basis. AAL reported EBIDTA of INR 2,541.4 million as compared to 2,481.1 million in Q3 FY10. Margins were maintained due to stable margins maintained by the subsidiaries.
- Net Profit recorded was INR 594.4 million as against INR 767 million in previous quarter
- Domestic auto volumes continue to remain robust on back of good underlying demand. New launches by the car makers and good economic growth has resulted in increase sales of cars and commercial vehicles.
- Car sales in Europe are expected to remain sluggish.
- AAL has entered into agreement to acquire 40.21% equity capital of Amtek India Ltd. Consequently, AAL has made open offer to acquire 20% equity capital of Amtek India Ltd at price of INR 68 per share.

Quarterly Financials

Particulars	Q4 FY10	Q4 FY09	Y-o-Y Change	Q3 FY10	Q-o-Q Change
Total Income	9,947.9	8,198.5	21.3	9,699.3	2.6
Total Expenditure	7,406.5	5,737.7	29.1	7,218.2	2.6
EBDITA	2,541.4	2,460.8	3.3	2,481.1	2.4
EBDITA Margin	25.5	30.0		25.6	
Depreciation	809.4	795.9	1.7	716.5	13.0
Interest	538.5	428.0	25.8	530.0	1.6
Extraordinary item	-112				
Profit Before Tax	1,081.5	1,236.9	-12.6	1,234.6	-12.4
PBT%	10.9	15.1		12.7	
Profit before minority interest	687.4	794.5	-13.5	852.3	-19.3
Minority Interest	93	49.7	87.1	85.3	9.0
Net Profit after Minority Interest	594.4	744.8	-20.2	767.0	-22.5
PAT%	6.0	9.1		7.9	

Source: Company

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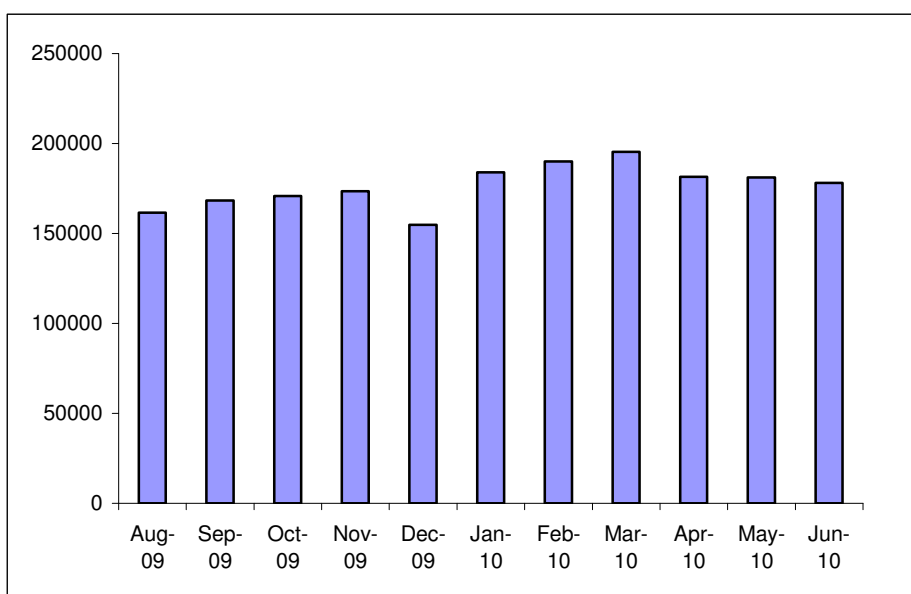
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Business Outlook

Automotive sales in domestic market are expected to remain robust on back of strong underlying demand due to factors like rising disposable incomes, low penetration levels etc. Sales in all segments (Cars, Two wheelers, Commercial vehicles) are expected to exhibit strong performance. European car sales, however, are expected to be sluggish. AAL would be able to maintain margins on back of strong domestic market sales and improved performance of the subsidiaries. We have factored Operating margin of 24.2% in FY11 and 24.3% in FY12.

Domestic Player car sales

(no of units)



Source: SIAM, ACMIIL Research

Valuation

The scenario in the domestic market is encouraging. However, sluggishness is expected in the European market. We have estimated EPS of 20.0 in FY12. We assign multiple of 10x to arrive at value of INR 200 per share. We give “**Accumulate**” recommendation on the stock. At CMP of 185, the stock trades at a PE of 12.5x its FY11 EPS and 9.2x its EPS of FY12.

Financials

Profit & Loss Statement

(INR Mn)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net Revenue	46,567.9	34,386.2	36,884.7	41,296.1	47,184.4
less: Expenditure	36,968.5	27,381.7	27,849.3	31,302.5	35,718.6
PBDIT	9,599.4	7,004.6	9,035.4	9,993.7	11,465.8
less: Depreciation	2,104.6	2,728.5	3,098.3	3,084.9	3,131.9
PBIT	7,494.9	4,276.1	5,937.1	6,908.8	8,334.0
less: Interest	1,156.6	1,523.0	1,928.2	1,890.0	1,640.0
PBT	6,338.2	2,753.0	4,008.9	5,018.8	6,694.0
less: Tax	1,690.7	849.5	1,243.2	1,530.7	2,052.8
Profit before minority interest	4,647.6	1,903.6	2,765.7	3,488.1	4,641.1
less: Minority Interest	373.4	176.0	303.9	354.0	412.5
Net Profit	4,274.2	1,727.6	2,461.8	3,134.0	4,228.7
Sales Growth (%)	25.2	-26.2	7.3	12.0	14.3
PBDIT Growth (%)	19.1	-27.0	29.0	10.6	14.7
Net Profit After Minority Interest Growth (%)	4.6	-59.6	42.5	27.3	34.9
PBDIT Margin (%)	20.6	20.4	24.5	24.2	24.3
NP Margin (%)	9.2	5.0	6.7	7.6	9.0

Source: Company, ACMIIL Research

Balance Sheet

(INR Mn)

Particulars	FY08	FY09	FY10P	FY11E	FY12E
Share Capital	282.0	282.0	418.3	422.8	422.8
Reserves & Surplus	29,240.7	31,705.7	43,982.4	51,685.3	55,806.2
Total Shareholders Fund	29,522.7	31,987.7	44,400.7	52,108.2	56,229.0
Secured Loans	6,443.1	14,137.8	9,538.5	9,300.3	8,760.2
Unsecured Loans	22,548.7	24,843.2	18,462.9	8,107.4	6,085.9
Total Loans	28,991.8	38,981.0	28,001.5	17,407.6	14,846.1
Minority Interest	2,194.6	2,225.6	2,529.5	2,883.6	3,296.1
Total Sources of Fund	61,399.1	73,693.1	74,931.8	72,399.4	74,371.2
Application of Fund					
Goodwill	1,446.2	3,944.2	3,206.5	2,298.0	1,118.4
Gross Block	51,027.7	62,335.3	64,135.3	65,635.3	66,635.3
less: Depreciation	10,676.7	13,255.2	16,353.5	19,438.4	22,570.2
Net Block	40,351.0	49,080.1	47,781.8	46,196.9	44,065.1
Investments	615.2	490.6	490.6	490.6	490.6
Total Current Assets	30,289.5	30,929.0	34,165.4	34,713.4	41,559.0
Total Current Liabilities	11,217.7	10,643.0	10,604.6	11,191.7	12,754.0
Net Current Assets	19,071.8	20,286.0	23,560.8	23,521.7	28,805.0
Total Application Of Fund	61,399.1	73,693.1	74,931.8	72,399.4	74,371.2

Source: Company, ACMIIL Research

Cash Flow Statement

(INR Mn)

Particulars	FY08	FY09	FY10P	FY11E	FY12E
Profit Before Tax	6,338.2	2,753.1	4,008.9	5,018.8	6,694.0
Depreciation	2,104.6	2,728.5	3,098.3	3,084.9	3,131.9
Interest Paid	1,156.6	1,523.0	1,928.2	1,890.0	1,640.0
Net Operating Profit Before working capital change	8,206.1	5,481.6	8,201.9	9,705.4	10,556.0
Net Cash Flow from Operating activities	5,463.0	2,718.5	9,551.7	9,457.8	11,547.3
Net Cash used in Investment Activities	-13,613.7	-14,008.9	-1,800.0	-1,500.0	-1,000.0
Net Cash from Financing activities	13,952.1	8,899.3	-3,110.1	-8,244.4	-4,309.3
Net Increase/decrease in cash & cash equivalent	5,801.4	-2,391.2	4,641.5	-286.6	6,238.0
Cash at Beginning	4,571.3	10,372.7	7,981.5	12,623.0	12,336.4
Cash at End of Period	10,372.7	7,981.5	12,623.0	12,336.4	18,574.3

Source: Company, ACMIIL Research

Valuation Ratios

Valuation Ratios	FY08	FY09	FY10	FY11E	FY12E
Profitability Ratios					
Operating Margins (%)	20.6	20.4	24.5	24.2	24.3
PAT After Minority Interest (%)	9.2	5.0	6.7	7.6	9.0
ROCE (%)	12.2	5.8	7.9	9.5	11.2
RONW (%)	14.1	5.3	5.5	6.0	7.5
Capital Structure Ratios					
Debt-Equity	1.0	1.2	0.6	0.3	0.3
Turnover Ratios					
Avg Fixed Assets	0.9	0.6	0.6	0.6	0.7
Inventory	6.5	4.6	5.2	5.8	6.5
Debtors	5.7	6.6	6.2	6.6	6.8
Creditors	6.6	5.6	5.3	5.7	5.9
Solvency Ratios					
Current Ratio	2.7	2.9	3.2	3.1	3.2
Interest Coverage Ratio	6.5	2.8	3.1	3.7	5.1
Valuation Ratios					
EPS	30.3	12.3	11.8	14.8	20.0
BV/Share	209.4	226.9	212.3	246.5	266.0
P/E (X)			15.7	12.5	9.2

Source: Company, ACMIIL Research

Notes

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