

21 Oct, 2010

## Auto ancillary September 2010 pre quarter estimates

Company	CMP	Target	Reco
Amara Raja Batteries	205	227	Accumulate
Motherson Sumi Systems	186	177	Hold
Amtek Auto	165	200	Buy
Apollo Tyres	78	89	Accumulate

Domestic automobile sales have exhibited strong growth in Q2 FY11. Passenger vehicles have grown 9.8% on q-o-q basis, commercial vehicles have grown 10.3% on q-o-q basis. Similarly, two wheelers have grown 5.5% on q-o-q basis. High domestic growth will lead to better capacity utilization for auto ancillary companies deriving majority of their revenues from the domestic market. Hence we expect, improvement in margins on q-o-q basis for these companies.

We expect domestic market sales to continue robust growth going forward which would provide operating leverage benefit. However, we expect overseas market sales to remain sluggish going forward.

In September 2010 quarter, we expect increase in revenues for auto ancillary companies under our coverage, on q-o-q basis. We expect operating profit margins to improve on q-o-q basis due to strong domestic market sales leading to better capacity utilization (except for Amtek Auto due to exposure to European car market and Apollo Tyres due to lockout at Perambara).

September 2010 quarter estimates for companies under our coverage						
Particulars (₹ Mn)	Sep-10E	Sep-09	Y-o-Y Chg %	Jun-10	Q-o-Q Chg %	Comments
<b>Amara Raja Batteries</b>						
Revenue	4,732.8	3,611.7	31.0	4,467.4	5.9	Strong automotive sales and increase in lead prices leading to 6% revenue growth on q-o-q basis. Telecom segment continues to put drag on the overall revenues. Expect pricing pressure in telecom to continue putting strain on margins.
Operating Profit	709.9	851.3	-16.6	620.5	14.4	
OPM Margin (%)	15.0	23.6		13.9		
Net Profit	384.0	479.0	-19.8	357.3	7.5	
Net Profit Margin (%)	8.1	13.3		8.0		
<b>Motherson Sumi Systems</b>						
Revenue	20,125.7	16,391.4	22.8	19,048.9	5.7	Revenue to grow on basis of strong sales in the domestic market. Expect operating margins to improve on account of 40 basis point increase in domestic market and 150 basis point increase in SMR margins on q-o-q basis
Operating Profit	2,262.0	1,259.8	79.6	1,899.3	19.1	
OPM Margin (%)	11.2	7.7		10.0		
Net Profit	799.5	149.6	434.4	595.5	34.3	
Net Profit Margin (%)	4.0	0.9		3.1		
<b>Amtek Auto</b>						
Revenue	10,196.6	8,202.8	24.3	9,947.9	2.5	Expect revenues to grow on account of strong sales in the domestic car market. Expect sluggishness in sales in the European car market to impact revenues going forward. EBIDTA Margins to decline 70 basis points on q-o-q basis on account of lower capacity utilisation in overseas subsidiaries
EBIDTA	2,528.8	1,868.0	35.4	2,541.4	-0.5	
EBIDTA Margin (%)	24.8	22.8		25.5		
Net Profit	736.6	405.3	81.7	594.4	23.9	
Net Profit Margin (%)	7.2	4.9		6.0		
<b>Apollo Tyres (Standalone)</b>						
Revenue	11,265.3	12,203.3	-7.7	11,212.7	0.5	Expect revenues to remain flattish on q-o-q basis primarily on account of strike in the perambara plant; this is compensated by ramp up at the Chennai plant. Expect operating profit to decline slightly on account of lower capacity utilisation due to lockout.
Operating Profit	1,137.8	2,000.6	-43.1	1,168.7	-2.6	
OPM Margin (%)	10.1	16.4		10.4		
Net Profit	440.5	1021.1	-56.9	406.1	8.5	
Net Profit Margin (%)	3.9	8.4		3.6		
Source: Company, ACMIIL Research						

Analyst

**Bharat Gianani**

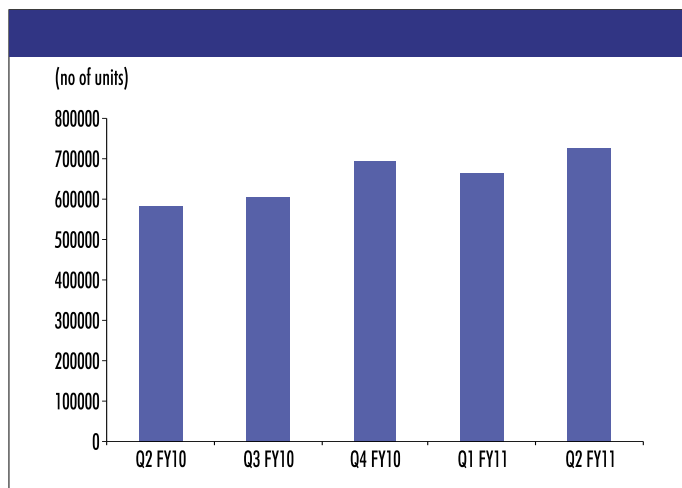
[research@acm.co.in](mailto:research@acm.co.in)

Tel: (022) 2858 3404

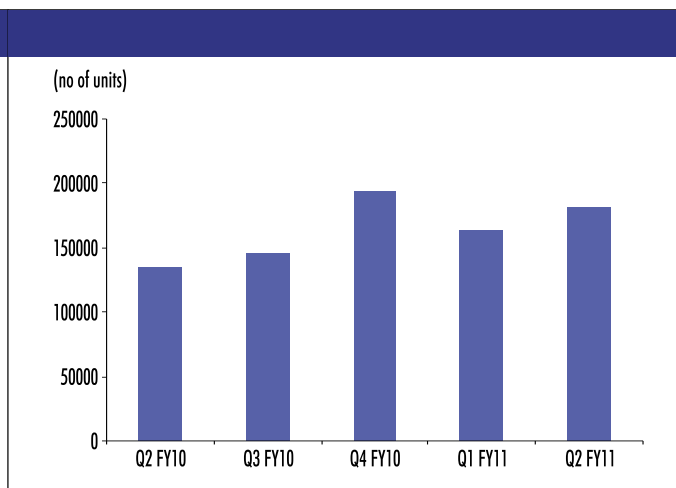
Particulars (₹ Mn)	Revenue			EBIDTA			PAT			EPS		
	FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Amara Raja Batteries	14,822.3	16,761.1	19,799.8	3,043.5	2,681.8	3,144.3	1,670.3	1,339.4	1,611.1	19.6	15.7	18.9
Motherson Sumi Systems	70,352.5	80,010.1	100,677.4	6,602.1	8,724.1	12,152.4	2,336.3	3,088.4	4,741.4	6.2	8.0	12.2
Artek Auto	36,884.7	41,327.6	47,067.1	9,035.4	10,001.3	11,437.3	2,461.8	3,139.3	4,220.0	11.8	14.8	20.0
Apollo Tyres	81,421.2	90,248.8	103,300.6	11,962.6	10,401.6	12,626.8	5,659.8	3,947.8	4,990.7	11.2	7.8	9.9

Source: Company, ACMIIL Research

## Domestic Passenger Vehicle Sales

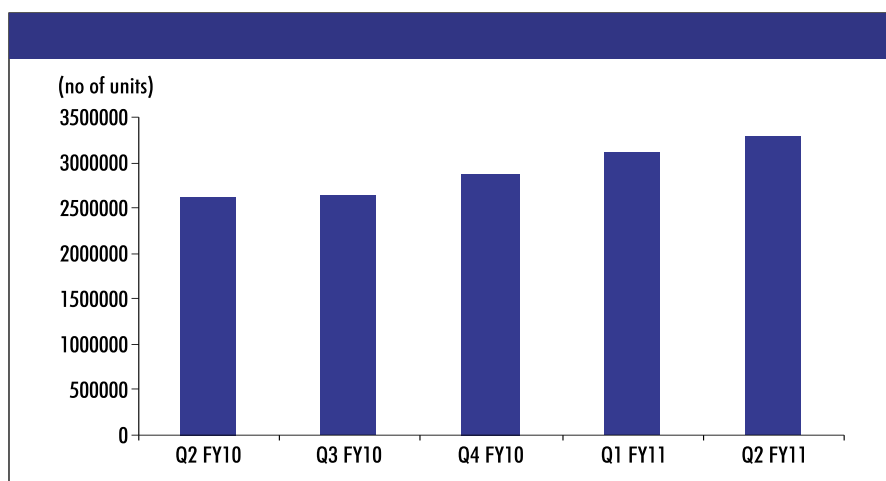


## Domestic Commercial Vehicle Sales



Source: Siam, ACMIIL Research

## Domestic Two Wheeler sales



Source: Siam, ACMIIL Research

## Notes:

### **Institutional Sales:**

Ravindra Nath, Tel: +91 22 2858 3400

Kirti Bagri, Tel: +91 22 2858 3731

Himanshu Varia, Tel: +91 22 2858 3732

Email: [instsales@acm.co.in](mailto:instsales@acm.co.in)

### **Institutional Dealing:**

Email: [instdealing@acm.co.in](mailto:instdealing@acm.co.in)



---

This document has been prepared by the Research Desk of Asit C Mehta Investment Intermediates Ltd. and is meant for use of the recipient only and is not for circulation. This document is not to be reported or copied or made available to others. It should not be considered as an offer to sell or a solicitation to buy any security. The information contained herein is from sources believed reliable. We do not represent that it is accurate or complete and it should not be relied upon as such. We may from time to time have positions in and buy and sell securities referred to herein.

SEBI Regn No: BSE INB 010607233 (Cash); INF 010607233 (F&O), NSE INB 230607239 (Cash); INF 230607239 (F&O)