



Austin Engineering Company
Dazzling Scrip

Face Value: Rs 10
CMP: Rs 99
Target: Rs 140
BSE Group/Code: B2/522005
52-Week High/Low: Rs 128/54
Market Cap: Rs 34.7 cr.

Company Description:

Incorporated in 1978, AECL went public in 1985. It manufactures all kinds of bearings - ball bearings, tapered roller bearings, cylindrical roller bearings, spherical roller bearings, needle roller bearings, etc. Austin came out with a rights issue in March 1992 to meet the cost of expansion and to augment long-term working capital requirements. AECL is continuously undertaking a comprehensive modernization and technology upgradation.

Highlights:

AECL offers more than 2500 different types of bearings and are used in several industrial segments. It has also developed and supplied Screw Down bearing (equivalent to Torrington 202 TTSX 942 EE2000) and Developed Slim bearings (Constant Section Bearings) up to 18 inch.

It manufactures all type and size up to 1000 mm or 40 inch outside diameter. The company has developed stainless steel (Grade 440C) bearings (for Atomic Energy Plant).

The company has the ISO-9001 Certificate from Rhineland/Berlin-Brandenburg Group of companies for design and manufacturing of Ball, Roller and Needle Bearings. AEL also holds ISO/TS 16949:2002 certifications for quality management system. The company's bearings are well accepted by OEM as import substitute.

The bearings offered by AECL find application in the industries like automobiles, Defence, state road transport corporations, steel plants, thermal plants, cement, sugar and paper industries, fan, pump industry and material handling equipment.

AECL 's products find application in the automobile and engineering industries. Its major clients are OEMs like Tata Motors, Premier, Bhilai Steel Plant, BHEL, Punjab Tractors, Baja Auto and Defence among others.

The ball bearings are extensively used in the automobile industry. Hence as a result of the rising demand from automobile industry the ball bearings prices are able to remain firm. With many auto majors increasing their vehicle productions, the bearings consumption will only increase.



Financial Performance: (Consolidated)

Rs in crore	FY07	FY06	FY08E	FY09E
Sales	65.5	54.6	80	100
Other Income	1.2	0.6	1.7	1.7
PBIDT	11.9	6.9	14.5	17.8
Interest	1.8	1.5	2	2.3
PBDT	10.1	5.4	12.5	15.5
Depreciation	1.1	0.9	1.3	1.6
PBT	9	4.5	11.2	13.9
Tax	3.2	1.8	3.5	4.4
PAT	5.8	2.7	7.7	9.5
Equity	3.5	3.3	3.5	3.5
Reserves	22.7	15.4	29.4	37.8
Book Value (Rs)	74.9	56.7	94	118
EPS (Rs)	16.6	8.2	22	27
OP Margin (%)	18.2	12.7	18.1	17.8
NP Margin (%)	9	4.9	9.6	9.5
P/E (x)	6		4.5	3.7

Note: Equity capital has gone up due to preferential allotment of shares at premium.

Valuations & Recommendations:

With user industries like automobiles, auto ancillaries, railways, steel and other industrial sector witnessing strong growth in demand, both from the domestic and export markets, the Rs 4, 000 crore bearings sector in India is expected to witness a robust growth.

The buoyant demand from the domestic user industries, firm prices of bearings and improving margins give clear earning visibility to AECL in the coming years. The share traded at Rs 100 at a P/E of 4.5 on FY08E and 3.7 on FY09E are recommended with a target price of Rs 140 in the medium term.



Sunidhi

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