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**Q3 FY07  
Result Update**

# Amtek India

**BUY**

**Rs 170**

**May 3, 2007**

## Doubling-up

Company Details		Result Snapshot	
Market Cap:	Rs 15,243m	<p>In Q3 FY07 (y/e June) Amtek India more than doubled its net sales, PBT and PAT as its capacity scale-up and Sigmacast integration yield results. Its net sales spurted 111.8% yoy to Rs 2.6bn and, more importantly, grew 12.4% qoq. PAT was up 116.8% yoy to Rs 376m -- at 16.7%, growing even better sequentially than the top line and ahead of our worries of decline.</p> <p>The EBITDA margin expectedly declined 278bp to 22.9% but was a shade better (36bp) sequentially.</p> <p>At the reigning market price of Rs 170, the stock trades at 10.1x the FY08E fully-diluted EPS of Rs 16.9. Maintain a <b>BUY</b>, with a price target of Rs 240.</p>	
52-Week High/Low:	Rs 184 / 88		
Bloomberg Code:	AMTI@IN		
Reuters Code:	AMTI.BO / NS		
Shares O/s:	90m		
Average Volume (3 months):	0.2m		
Price Performance			
(%)	1m	3m	12m
Absolute	22.9	6.3	19.2
Relative to Sensex	16.8	7.9	4.0

## Q3 FY07 Result Overview

(Rs m)

Y/e June	Q3 FY07	Q3 FY06	YoY Gr. (%)	Q2 FY07	9M FY07	9M FY06	YoY Gr. (%)
<b>Net Sales</b>	<b>2,613</b>	<b>1,234</b>	<b>111.8</b>	<b>2,325</b>	<b>6,958</b>	<b>3,470</b>	<b>100.5</b>
<b>Expenditure</b>							
Raw Material	1,552	784	97.9	1,407	4,205	2,164	94.3
Change in Stock	-	(10)		(14)	(38)	(6)	
<i>as % of Net Sales</i>	<i>59.4</i>	<i>62.7</i>		<i>59.9</i>	<i>59.9</i>	<i>62.2</i>	
Personnel Cost	253	72	252.3	211	603	203	197.4
<i>as % of Net Sales</i>	<i>9.7</i>	<i>5.8</i>		<i>9.1</i>	<i>8.7</i>	<i>5.8</i>	
Mfgr. Expenses	209	71	194.0	197	614	204	201.1
<i>as % of Net Sales</i>	<i>8.0</i>	<i>5.8</i>		<i>8.5</i>	<i>8.8</i>	<i>5.9</i>	
Total Expenditure	2,014	917	119.7	1,800	5,383	2,564	110.0
<b>EBITDA</b>	<b>599</b>	<b>317</b>	<b>88.8</b>	<b>524</b>	<b>1,575</b>	<b>906</b>	<b>73.8</b>
<i>EBITDA Margin (%)</i>	<i>22.9</i>	<i>25.7</i>		<i>22.6</i>	<i>22.6</i>	<i>26.1</i>	
Depreciation	99	71	38.5	80	256	208	23.2
<b>EBIT</b>	<b>500</b>	<b>246</b>	<b>103.4</b>	<b>444</b>	<b>1,319</b>	<b>698</b>	<b>88.9</b>
Net Interest	58	35	64.8	47	149	105	42.0
Non-Operating Income	70	27	163.7	41	123	74	66.5
<b>PBT</b>	<b>513</b>	<b>238</b>	<b>115.9</b>	<b>438</b>	<b>1,293</b>	<b>667</b>	<b>93.8</b>
Tax	137	64	113.2	116	336	181	86.2
<i>Tax Rate (%)</i>	<i>26.7</i>	<i>27.1</i>		<i>26.5</i>	<i>26.0</i>	<i>27.1</i>	
<b>PAT</b>	<b>376</b>	<b>173</b>	<b>116.8</b>	<b>322</b>	<b>957</b>	<b>487</b>	<b>96.6</b>

(Stock price as on April 30, 2007)



### Result Highlights

Amtek India's reported Q3 FY07 results surpassed our expectations. Its net sales spurred 111.8% yoy to Rs 2.6bn and, more importantly, grew 12.4% qoq. PAT was up 116.8% yoy to Rs 376m - and, at 16.7%, growing even better sequentially than the top line. The sales growth pace was aided by consolidating Sigmacast's financials. The top line was boosted 41% by Sigmacast's Rs 500m sales and the bottom line leaped 20% by Sigmacast's Rs 35m profit.

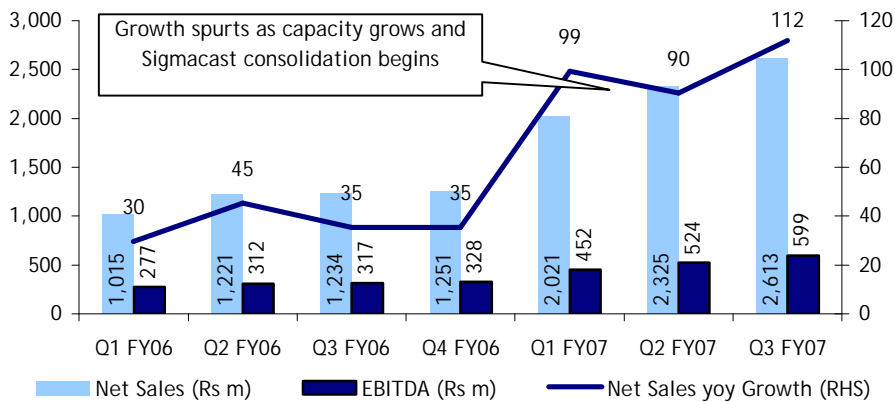
The EBITDA margin expectedly declined 278bp to 22.9% but was a shade better (36bp) sequentially. We expect the outlook on the margin to be better as exports ramp up faster.

Management has stated that the trial runs on its Sigmacast facilities currently being installed at Bhiwadi should be completed just after the fiscal year-end and should take capacity to 90,000 tpa. Eventual capacity is planned at 165,000 tpa. The company's growth hinges on exports to group companies like Zelter and GWK as well as fresh orders at home from the likes of Maruti Udyog, International Tractors and Tata Motors.

### Doubling up

Beginning Q1 FY06, AIL's net sales growth has compounded 17% sequentially (qoq) and would eventually settle at 12.5% by FY08 end. Such growth would be led by the tremendous capacity expansion expected. The company would end FY08 with a top-line CAGR of 73.6% for the period FY06 to FY08. Its capacity has now been expanded to 75,000 tpa, 45,000 of which has come on stream in January 2007. The effect of this is clearly visible as detailed in the chart.

#### Sales compounded qoq at 17% since Q1 FY06



Source Company Data, PL Research

The margin trend has followed suit, albeit at a lower compounded 13.7% qoq growth. We believe that the margin is set to improve henceforth, riding the more profitable exports.



## Estimates changed

With a robust top-line growth in Q3, we raise our top-line and bottom-line estimates for FY07 by about 11% each.

### Capacity ramp-up drives growth

	Revised Estimates		Earlier Estimates		% Revision	
	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E
Net Sales (Rs m)	9,382	14,232	8,489	14,232	10.5	0.0
Adj. PAT (Rs m)	1,305	2,069	1,180	2,103	10.6	(1.6)
EPS (Rs)	10.6	16.9	9.6	17.1	10.6	(1.6)

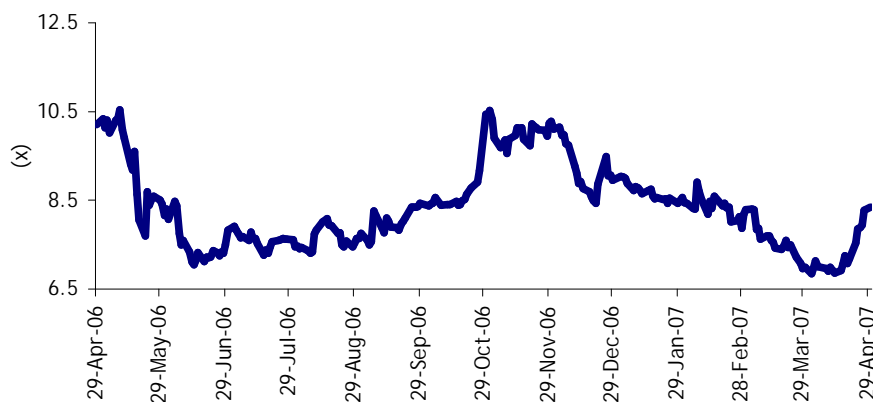
Source: PL Research

We maintain our FY08 estimates, showing a top-line growth of 52% to Rs 14,232m and a bottom-line growth of 59% to Rs 2,069m.

## Outlook

The stock has been trading close enough to the 8.5x band on the one-year rolling forward P/E chart. The price appreciated around Oct.-Nov. as the likelihood of an acquisition tossed it into a higher-multiple band. However, as it is secure in its capability of inherent organic growth, we expect an upswing in the valuation. The 9-month performance is a pointer to the growing order-execution capabilities.

### Expect valuation upswing



Source: PL Research

At the ruling market price of Rs 170, the stock trades at 10.1x the FY08E fully-diluted EPS of Rs 16.9. Maintain a **BUY**, with a price target of Rs 240.

**Key Figures**

Y/e June	FY06	FY07E	FY08E	FY09E
Revenues (Rs m)	4,721	9,382	14,232	16,360
EBITDA (Rs m)	1,235	2,165	3,491	4,057
<i>Margins (%)</i>	<i>26.2</i>	<i>23.1</i>	<i>24.5</i>	<i>24.8</i>
PAT (Rs m)	662	1,305	2,088	2,803
EPS (Rs)	5.4	10.6	17.0	22.8
PER (x)	31.5	16.0	10.0	7.4
EV / E (x)	11.4	8.3	5.7	5.1
EV / Sales (x)	3.0	1.9	1.4	1.3
RoCE (%)	12.3	12.9	15.1	16.7
RoE (%)	28.6	25.9	23.3	20.6

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