



Austin Engineering

STOCK INFO.	BLOOMBERG
BSE Sensex: 16,748	AUST.IN
	REUTERS CODE
S&P CNX: 5,037	AUST.BO

19 October 2011

Neutral

Previous Recommendation: Neutral

₹79

		YEAR	SALES	RPAT	ADJ.EPS	EPS	PE	P/BV	EV/	DIV. YLD	ROE	RoCE
		END	(₹Cr)	(₹Cr)	(₹)	Gr.(%)	(X)	(X)	EBITDA(X)	(%)	(%)	(%)
Shares Outstanding (cr)	0.3	FY10A	69	6	12.5	7	6.3	0.7	2.6	1.9	11.5	19.2
52-W H/L Range (₹)	105/61	FY11A	83	6	17.5	41	4.5	0.6	2.7	3.2	14.2	18.1
1/6/12 Rel. Perf (%)	5/17/8	FY12E	107	8	23.1	32	3.4	0.5	1.8	3.8	16.5	21.8
Market Cap. (₹ cr)	27.0											
Market Cap. (US\$ m)	6.0											

Results - Brief Overview

- Austin Engineering reported a 41% topline growth and 8% profit growth.
- For 2QFY12, revenues have grown by 41% on the back of a strong order book. Export growth has been strong for the last few quarters and exports have helped compensate for a sluggish domestic market.
- Operating margins have compressed to 11.6% due to 71% rise in raw material prices, which the company has not been able to pass on to customers. Expansion in overheads has also compressed margins.
- Loans have risen by ₹1.5 cr y/y and ₹1.7 cr over FY11-end numbers with most of the cashflows going into debtors. We do not view this positively as this raises questions on the quality of growth.
- Profit growth of 8% looks muted on account of a base effect.

₹ Cr. (Consolidated)	QE Jun-10	QE Mar-10	QE Jun-11	% y/y	% y/y
Revenue	20.8	27.4	29.4	41	7
Expenditure	17.7	23.3	26.0	47	12
EBITDA (excl. Other inc.)	3.1	4.2	3.4	12	-18
Other Income	0	0	0		
Interest	0.2	0.2	0.3	24	15
Depreciation	0.5	0.5	0.5	2	-5
Profit before tax	2.5	3.4	2.8	12	-19
Tax	0.7	1.1	0.8	22	-25
RPAT	1.8	2.3	1.9	8	-16
EBIDTA (%)	14.7	15.2	11.6		
Tax rate (%)	27.7	32.7	30.1		

Valuation and view

Higher working capital has seen capital employed rise with rise in sales. Debt has risen from ₹8.8 cr to ₹10.4 cr. This has, also, defeated our primary rationale for recommending the stock which was shift from Debt holders to Equity holders. We reiterate our Neutral Rating despite cheap valuations given the deterioration of the balance sheet and impact of DEPB removal on earnings.

Austin Engineering- Financial & Valuation

INCOME STATEMENT (Consolidated)		(RS CRORE)				
Y/E MARCH	2008A	2009A	2010A	2011A	2012E	
Net Sales	75	83	69	83	107	
growth (%)	15	11	-18	22	28	
Other Income	2	3	4	4	4	
Total Income	77	86	73	88	110	
Staff Costs	7	8	9	11	12	
Mfg. & other expenses	45	50	43	53	68	
Admn, S&D Exp.	6	6	4	7	9	
Other Expenses	5	8	5	6	7	
Total Expenditure	64	72	62	76	96	
EBITDA	13	13	11	11	14	
% of Net Sales	17	16	17	14	14	
Depreciation/Amortization	1	2	2	2	2	
Finance Charges	2	2	1	1	1	
PBT	10	10	9	9	11	
Tax	3	4	2	2	3	
PAT	7	5	6	6	8	
growth (%)	19	-22	17	-1	28	
PAT MARGIN	9	6	9	7	7	

RATIOS		(RS CRORE)				
Y/E MARCH	2008A	2009A	2010A	2011A	2012E	
Adjusted EPS	19.6	11.6	12.5	17.5	23.1	
Growth (%)	20	-41	7	41	32	
Cash EPS	11.3	19.6	23.4	16.2	17.7	
Book Value	86.7	99.1	116.0	130.7	150.3	
DPS	2.2	1.5	1.5	2.5	3.0	
Payout (Incl. Div. Tax)	13	15	14	17	15	
Valuation (x)						
P/E	-	-	6.3	4.5	3.4	
Cash P/E	-	-	4.5	3.4	2.7	
Price/Book Value	-	-	0.7	0.6	0.5	
EV/EBITDA	-	-	2.6	2.7	1.8	
EV/Sales	-	-	0.4	0.4	0.2	
Div. Yld(%)	-	-	1.9	3.2	3.8	
Return Ratios (%)						
RoE	24	12	12	14	16	
RoCE	27	24	19	18	22	
Leverage (x)						
Debt/Equity (x)	0.5	0.4	0.2	0.2	0.2	

BALANCE SHEET (Consolidated)		(RS CRORE)				
Y/E MARCH	2008A	2009A	2010A	2011A	2012E	
Equity Share Capital	4	4	3	3	3	
Preference Share Capital	0	0	0	0	0	
Reserves	27	31	37	42	49	
Shareholders' Funds	31	35	40	45	52	
Debt	16	14	9	9	8	
Net deferred tax	48	49	50	54	60	
Liabilities	48	49	50	54	60	
Net Block	13	16	15	14	15	
Capital WIP	0	0	0	0	0	
Net Tangible Assets	13	16	15	15	15	
Current Assets	55	55	53	65	76	
Inventories	29	30	26	37	37	
Sundry Debtors	17	16	14	18	25	
Cash and Bank Balances	3	3	8	5	9	
Loans and Advances	6	6	5	6	6	
Other Current Assets	0	0	0	0	0	
Current Liabilities & Provisions	21	22	18	26	31	
Net current assets	34	33	35	40	45	
Application of Funds	48	49	50	54	60	

CASH FLOW STATEMENT (Consolidated)		(RS CRORE)				
Y/E MARCH	2008A	2009A	2010A	2011E	2012E	
PBT before EO items	10	10	9	9	11	
Add : Depreciation	1	2	2	2	2	
Interest	2	2	1	1	1	
(Inc)/Dec in WC	(7)	(0)	5	(7)	(2)	
Others	(3)	(3)	(5)	(3)	(4)	
CF from Operating activities	3	10	11	1	9	
(Inc)/Dec in Fixed assets	(3)	(4)	(1)	(2)	(2)	
Others	0	(0)	(0)	0	(0)	
CF from Investing activities	(2)	(4)	(1)	(2)	(2)	
Inc/(Dec) in debt	4	(3)	(4)	(1)	(1)	
Dividend paid	(1)	(1)	(1)	(1)	(1)	
Less: Interest paid	(2)	(2)	(1)	(1)	(1)	
Others	(0)	(0)	0	0	0	
CF from financing activities	1	(6)	(6)	(2)	(3)	
Inc/(Dec) in cash	1	0	5	(2)	4	
Add: Beginning balance	1	3	3	8	5	
Closing Balance	3	3	8	5	9	



For more copies or other information, contact

Retail: Vijay Kumar Goel

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com

Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

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Austin Engineering

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