

Dynamic Technologies Ltd

Q2FY12 first cut – Revenue outperforms but PAT disappoints

Fundamental Grade 4/5 (Superior fundamentals)

Valuation Grade 3/5 (CMP is aligned)

Industry Auto component

Dynamic Technologies Ltd's (Dynamic's) Q2FY12 revenues were higher than CRISIL Research's expectations on the back of 17% q-o-q growth in the hydraulics segment (~21% of Q2FY12 gross revenues). While EBITDA margin improved q-o-q, it was lower than expected due to higher operating cost as in Q1FY12. PAT, lower than expected, was further impacted by higher-than-expected depreciation and interest cost. We are likely to revise our revenue forecast upwards but cut our EBITDA and PAT margin estimates post interaction with the management. We maintain the fundamental grade of **4/5**.

Q2FY12 result analysis

- Dynamic's Q2FY12 revenues increased by 6.7% q-o-q to Rs 3,805 mn due to strong growth in the hydraulics segment (17% q-o-q growth). On a y-o-y basis, revenues increased a whopping 207% mainly due to the acquisition of Germany's Eisenwerk Erla GmbH (Eisenwerk) in April 2011.
- EBITDA margin improved by 188 bps q-o-q to 10.1%. Of this improvement, ~160 bps came from a decline in raw material cost as percentage of revenue. Impacted by lower margins of Eisenwerk, EBITDA margin continues to be lower y-o-y (~550 bps decline in Q2FY12).
- PAT margin was impacted by a 8.2% q-o-q increase in depreciation and 26.7% y-o-y increase in interest cost due to the debt taken for the Eisenwerk acquisition. While PAT margin increased by 70 bps q-o-q, it declined by 240 bps y-o-y to 1.8%.
- Adjusted EPS of Rs 12.6 was up 75.3% q-o-q and 31.1% y-o-y.

Valuation: Current market price is aligned

We continue to value Dynamic based on discounted cash flow and maintain our fair of Rs 1,131 per share.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	4,126	4,447	5,016	14,158	15,880
EBITDA	506	676	821	1,471	1,909
Adj PAT	18	104	223	378	520
Adj EPS-Rs	3.3	19.2	41.2	69.8	96.1
EPS growth (%)	(92.3)	478.3	114.4	69.3	37.6
Dividend yield (%)	0.9	0.8	0.9	1.5	2.1
RoCE (%)	9.9	11.9	13.6	16.9	16.6
RoE (%)	2.2	9.4	17.7	25.6	29.1
PE (x)	152.1	55.8	31.9	16.5	12.0
P/BV (x)	2.6	4.9	5.3	3.9	3.2
EV/EBITDA (x)	10.5	12.0	12.5	8.9	6.8

NM: Not meaningful; CMP: Current market price

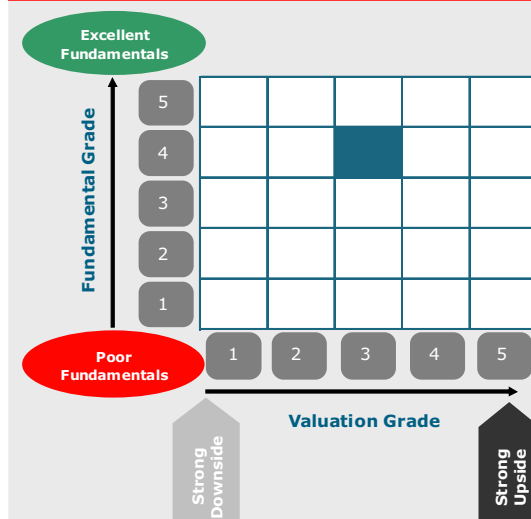
Source: Company, CRISIL Research estimate

November 15, 2011

Fair Value Rs 1,131

CMP Rs 1,149

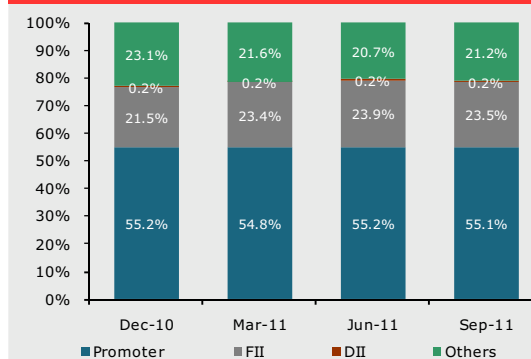
CFV MATRIX



KEY STOCK STATISTICS

NIFTY	5069
NSE	DYNAMATECH
Face value (Rs per share)	10
Shares outstanding (mn)	5.4
Market cap (Rs mn)/(US\$ mn)	6,223/124
Enterprise value (Rs mn)/(US\$ mn)	9,390/188
52-week range (Rs) (H/L)	1,593/944
Beta	1.10
Free float (%)	45.4%
Avg daily volumes (30-days)	3,645
Avg daily value (30-days) (Rs mn)	4.3

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
DYNAMIC	2%	-16%	-10%	-6%
NIFTY	-1%	0%	-9%	-17%

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