



AMTEK AUTO

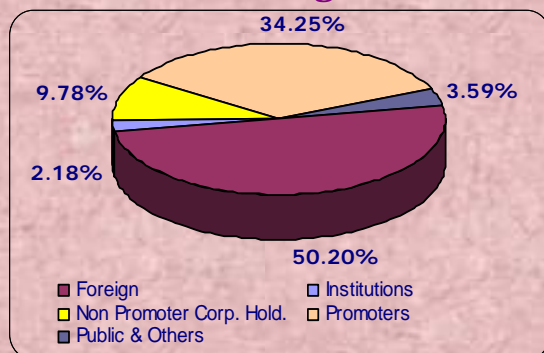
BUY

CMP (20/11/09)	194.25
52 WEEK H/L	239/42
MKT CAP (Cr)	2939
CURRENT P/E	21.66
CURRENT EPS (Rs)	8.97
EQUITY	30.26
BV(Rs)	172.98
Div.Yield (%)	0.24

Company Background

It is a subsidiary company of the Amtek group engaged in the manufacturing of wide range of automotive components for use in engines, transmission and suspension systems for use in two and three wheelers, cars, LCV's, HCV's and tractors. Its customers are the leading car manufactures in Europe and America like Ford, General Motors, BMW etc. Its products include 300 varieties of components and assemblies. The company engages itself in direct selling to its customers in India and outside. It has 1 UK subsidiary, 1 in Germany, 2 in the US, 3 in India and 2 Joint Ventures.

Share Holding Pattern



Rationale for investing in the stock:-

Favorite among FII Investors

This stocks is one of the favorites of the FII Investors. It should be noted that that Foreign Institutions hold about 50% of the paid up equity capital of the company.

Good daily turnover on the indices

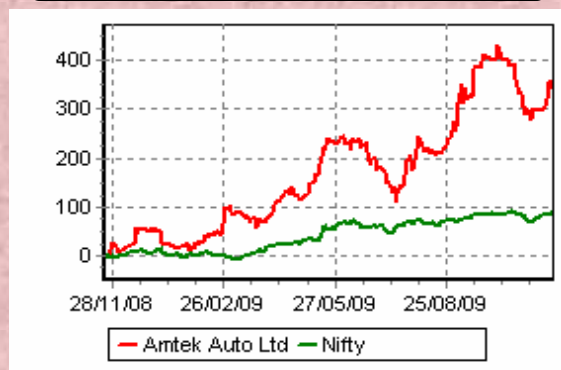
An average market capitalization of more than Rs 2500 Cr on a daily basis since the last one year with an average volume of 3-4 lakh shares.

Superior Returns

While the Return on the BSE Sensex over the last quarter was reported at 10.52%, the return on the stock was at 40.58%.

Reasonable valuation

A P/E of 16X times its FY 09-10E and 13X FY 10-11E earnings which looks reasonably valued at the current moment.



1st Quarter 09-10 results

Rs In Cr

Particulars	Q1 09-10	Q1 08-09	Y-o-Y change(%)
Operating Income	267	315	-15.24
Operating Profit	67	81	-17.28
Other Income	36	16	125.00
PBDIT	103	98	5.10
Interest	22	8	175.00
PBDT	81	90	-10.00
Dep/Amt	40	25	60.00
PBT	41	65	-36.92
Tax	10	16	-37.50
PAT	31	47	-34.04

- A hike in interest cost and depreciation, followed by slowing down of growth at the operating level led to below par performance.
- A dip on Operating profit margins by 60 bps led to a 17% decline in operating profit levels.
- A rise in Other Income was offset by a hike in non operating expenses. Moreover the whopping hike in interest and depreciation cost did not help matters either.
- The company had issued FCCB carrying coupon rate of 5.625% for total USD 165 million for repayment of foreign debt and other purposes.
- The promoter's shareholding stands at 34.25% as on 30th Sep 09.

Future developments:-

Change in economic scenario:

- ✓ An improvement in the economic scenario shall lead to an improve in sales volume growth of the company.

Focus more on Indian operations:

- ✓ The company shall benefit more from its Indian operations rather than its subsidiaries in Europe and US which are still reeling under after the effects of the recessionary trends and shall take time to recover.

Performance of passenger cars and two wheeler segment:

- ✓ Growth in sales volume is expected to come more from passenger cars and two wheelers segments which have shown remarkable improvement since Dec 08. The company shall focus more of its performance over these segments.

Commercial vehicle space-Still a concern:

- ✓ With respected to the commercial vehicles space, the performance shall be slightly muted. Till the time industrial recovery takes place in full swing, financing in the form of loans though have eased out a bit but are yet to find consumer confidence as yet. The commercial vehicles growth shall remain low compared to their counterparts in passenger car and two wheeler segments.

Overseas operations- Does not hold much promise:

- ✓ With respect to its overseas operations, it does not hold out much promise till the time the recessionary trends show signs of a significant improvement. A major of the auto manufactures are already facing bankruptcy proceedings in the US.

Rs In Cr

Particulars	FY 08-09	FY 09-10 E	FY 10-11 E
Sales Turnover	1052	1210	1480
EBIDTA	394	480	600
PAT	153	180	220
EPS	11	12.50	15

Source: capitaline, GSL Estimate.

Earnings estimate:- (The company closes its Financial Year in June every year)

Valuations and Target:-

Though the last financial year was not good for the company yet an improvement in the overall economic scenario shall lead to an increase in production volumes in the auto sector in the coming quarters. As the company has distinguished customers in the likes of Maruti, Tata Motors, Hero Honda etc in the auto sector, we expect it to start reaping the benefits in the times to come as these companies have already started reporting a significant growth in sales volumes. Based on current trends we have projected a top line growth of 15% and 22% for FY 09-10E and FY 10-11E respectively. P/E of 16X times its FY 09-10E and 13X FY 10-11E earnings which looks reasonably valued at the current moment. **We give a price target of Rs 280 over the next 10-12 months time period at present.**

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