

BUY

CMP* Rs196

Target Price Rs269

Stock Info

Sector Automobile

Market Cap (Rs cr) 215

52 Week High/Low 227/90

Avg. Daily Volume (3m, '000) 15

Avg. Daily Value (3m, cr) 0.3

Dividend Yield (%) 3.1

Sensex 20,224

Nifty 6,157

BSE Code 531795

NSE Code -

Stock Performance

(%)	AAL	BSE
1-week	5.9	2.7
1-month	11.2	6.4
1-year	95.9	25.2

Overall strong 4Q**Key highlights of the result**

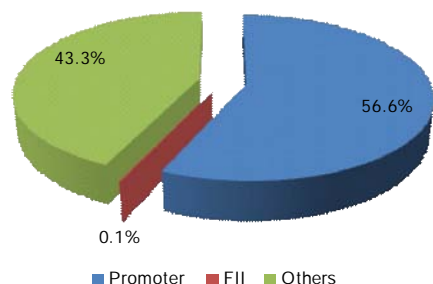
- **Net Sales up ~17% yoy:** Atul Auto's (AAL) Net Sales for 4QFY2013 grew ~17% yoy to ~Rs97cr (~Rs83cr in 4QFY2012) on the back of strong distribution network and aggressive marketing, leading to higher volume growth and an improvement in realizations. The company reported healthy sales volumes growth (up ~13% yoy) at 8,448 units and realization improvement of ~3% yoy to ~Rs1,14,927 per unit during the quarter.
- **OPMs up 330bp yoy:** The company reported EBITDA of Rs11.5cr in 4QFY2013, an increase of ~62% yoy. EBITDA margin increased a significant 330bp yoy on account of relatively lower raw material cost (down 213bp yoy) and other expenses (down 146bp yoy).
- **Net Profit above expectation:** Net Profit for 4QFY2013 grew ~82% yoy to ~Rs7.6cr (~Rs4.2cr in 4QFY2012), due to strong sales, better operational performance, reduced interest cost and lower tax rate (down 41bp yoy).

Outlook and Valuation

Despite the slowdown in three-wheeler space, AAL's 4QFY2013 results were above our estimates. The company has reported strong sales numbers for FY2013 (up ~19% yoy to 32,040 units). On the bottom-line front, from last 5-6 quarters the company is continuously reporting operating margin improvement due to lower material cost and effective cost management strategy. Going forward, we believe that the company would improve its volume growth aided by capacity expansion in Gujarat plant, setting of an assembly plant in Sri Lanka, increasing dealership network and focus on exports. Hence, we expect healthy sales CAGR of ~18% over FY2013-15E and ~11% CAGR in PAT over the same period. **At the CMP of Rs196, the stock is trading at a P/E of 7.6x and 6.9x its FY2014E and FY2015E EPS respectively. Hence, we maintain our Buy recommendation on Atul Auto with a Target Price of Rs269.**

Risks to the view

- Any delay in capacity expansion plans would negatively impact our estimates
- Downturns in the industry could affect business growth

**Stock Price Chart**

Note: *CMP as on May 20, 2013

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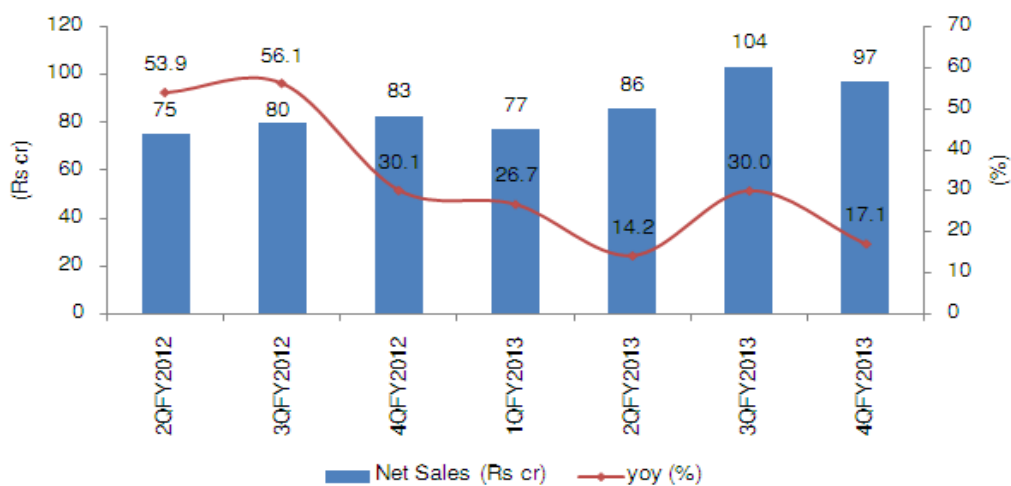
Year End	Net Revenues		EBITDA		Net income (reported)		RoE	RoCE	EPS	Valuations (x)	
	(Rs cr)	% growth	(Rs cr)	% margin	(Rs cr)	% growth	%	%	(Rs)	P/E	EV/EBITDA
FY2012	299	47.9	28	9.2	16	65.1	24.9	35.0	20.7	9.5	7.7
FY2013	364	21.8	40	11.0	26	66.3	24.3	33.5	23.1	8.5	4.5
FY2014E	434	19.3	45	10.4	29	11.4	21.8	29.9	25.8	7.6	3.8
FY2015E	507	16.9	50	9.8	32	10.6	19.7	26.9	28.5	6.9	3.2

Exhibit 1: Quarterly performance

	4QFY13	4QFY12	%yoy	3QFY13	%qoq	FY2013	FY2012	%yoy
Net Sales	97.1	82.9	17.1	103.6	(6.2)	363.8	298.8	21.8
Raw material cost	74.8	65.6	14.0	80.3	(6.8)	283.9	237.6	19.5
(percentage of sales)	77.0	79.2		77.5		78.0	79.5	
Employee Costs	5.3	4.3	23.6	5.5	(2.9)	21.0	16.6	26.6
(percentage of sales)	5.5	5.2		5.3		5.8	5.6	
Other Expenses	5.5	5.9	(7.0)	5.4	2.2	18.9	17.1	10.1
(percentage of sales)	5.6	7.1		5.2		5.2	5.7	
Total Expenditure	85.6	75.8	12.9	91.1	(6.1)	323.8	271.3	19.3
(percentage of sales)	88.2	91.5		88.0		89.0	90.8	
EBIDTA	11.5	7.1	62.4	12.4	(7.5)	40.1	27.6	45.5
Margin (%)	11.8	8.5		12.0		11.0	9.2	
Finance cost	0.1	0.1	0.0	0.1	(11.1)	0.4	0.8	(47.4)
Depreciation	1.1	1.1	4.6	1.1	1.8	4.4	4.3	4.2
Exceptional items	-	-		-		-	(0.1)	
EBIT	10.3	5.9	73.9	11.2	(8.4)	35.2	22.7	55.5
Margin (%)	10.6	7.1		10.8		9.7	7.6	
Other income	0.7	0.2	346.7	0.7	(9.5)	2.0	0.6	235.6
PBT	10.9	6.1	80.7	11.9	(8.5)	37.2	23.3	60.1
Tax	3.4	1.9	78.3	3.7	(7.9)	11.3	7.7	47.7
Effective tax rate (%)	30.8	31.2		30.7		30.4	32.9	
PAT (reported)	7.6	4.2	81.7	8.3	(8.7)	25.9	15.6	66.2
NPM %	7.8	5.0		8.0		7.1	5.2	
EPS (Rs)	6.8	3.7	81.7	7.4	(8.7)	23.1	13.9	66.2

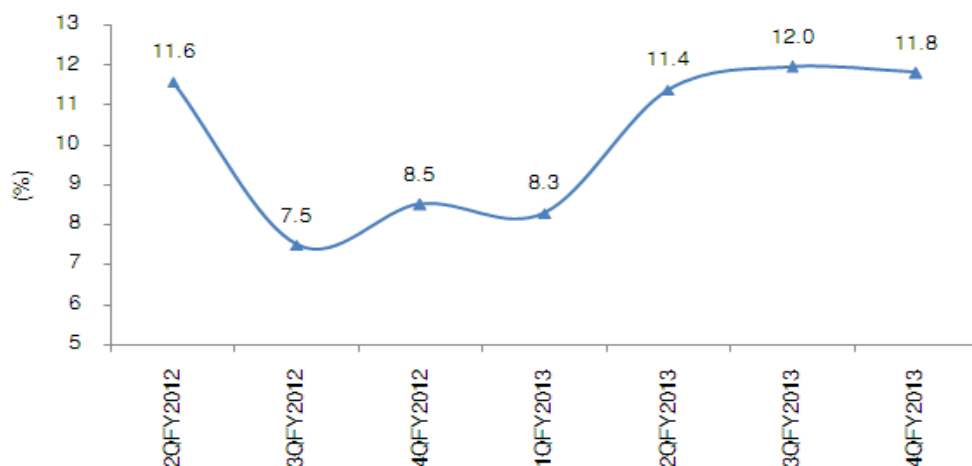
Source: Company, RSec Research

Exhibit 2: Revenue growth (yoy) trend



Source: Company, RSec Research

Exhibit 3: Operating margin trend



Source: Company, RSec Research

Profit & Loss Statement

Y/E March (Rs cr)	FY2012	FY2013	FY2014E	FY2015E
Net Sales	299	364	434	507
% chg	47.9	21.8	19.3	16.9
Total Expenditure	271	324	389	457
Cost of Materials	238	284	340	398
Personnel Expenses	16	21	25	30
Other Expenses	17	19	24	29
EBITDA	28	40	45	50
% chg	41.7	45.5	12.1	11.2
(% of Net Sales)	9.2	11.0	10.4	9.8
Depre. & Amortisation	4	4	5	6
EBIT	23	36	40	44
% chg	53.3	53.1	11.2	9.9
(% of Net Sales)	7.8	9.8	9.1	8.6
Interest & other Charges	1	0	0	0
Other Income	1	2	2	3
PBT (reported)	23	37	42	46
Tax	8	11	13	14
PAT (reported)	16	26	29	32
% chg	65.1	66.3	11.4	10.6
(% of Net Sales)	5.2	7.1	6.7	6.3
Fully Diluted EPS (Rs)	13.9	23.1	25.8	28.5
% chg	65.1	66.3	11.4	10.6

Balance Sheet

Y/E March (Rs cr)	FY2012	FY2013	FY2014E	FY2015E
SOURCES OF FUNDS				
Equity Share Capital	8	11	11	11
Reserves & Surplus	55	95	121	151
Shareholders Funds	63	106	133	162
Total Loans	4	0	0	0
Deferred Tax Liability	5	5	5	5
Total Liabilities	71	111	137	167
APPLICATION OF FUNDS				
Gross Block	44	50	58	64
Less: Acc. Depreciation	4	4	5	6
Net Block	40	46	52	58
Capital Work-in-Progress	2	2	2	2
Goodwill	0	0	0	0
Investments	8	8	8	8
Current Assets	54	91	115	146
Inventories	30	36	46	56
Cash	11	38	47	61
Sundry Debtors	6	8	12	15
Loans & Advances	7	9	11	13
Other current assets	0	0	0	0
Current liabilities	32	34	40	47
Net Current Assets	22	56	75	99
Total Assets	71	111	137	167

Cash Flow Statement

Y/E March (Rs cr)	FY2012	FY2013	FY2014E	FY2015E
Profit before tax	23	37	42	46
Depreciation	4	4	5	6
Change in Working Capital	(2)	(8)	(11)	(9)
Interest / Dividend (Net)	(0)	0	0	0
Direct taxes paid	(7)	(11)	(13)	(14)
Others	(0)	0	0	0
Cash Flow from Operations	19	23	24	30
(Inc.)/ Dec. in Fixed Assets	(6)	(10)	(12)	(12)
(Inc.)/ Dec. in Investments	(7)	(0)	(0)	(0)
Cash Flow from Investing	(12)	(10)	(12)	(12)
Issue of Equity	4	4	-	-
Inc./(Dec.) in loans	1	13	0	0
Dividend Paid (Incl. Tax)	(3)	(3)	(3)	(3)
Interest / Dividend (Net)	(0)	(0)	(0)	(0)
Cash Flow from Financing	2	14	(3)	(3)
Inc./(Dec.) in Cash	9	27	9	15
Opening Cash balances	3	11	38	47
Closing Cash balances	11	38	47	61

Key Ratios

Y/E March	FY2012	FY2013	FY2014E	FY2015E
Valuation Ratio (x)				
P/E	9.5	8.5	7.6	6.9
P/CEPS	11.1	7.2	6.4	5.7
P/BV	3.5	2.1	1.7	1.4
Dividend yield (%)	2.6	3.1	3.1	3.1
EV/Sales	0.7	0.5	0.4	0.3
EV/EBITDA	7.7	4.5	3.8	3.2
EV / Total Assets	2.1	1.2	1.0	0.7
Per Share Data (Rs)				
EPS (Basic)	20.7	23.1	25.8	28.5
EPS (fully diluted)	13.9	23.1	25.8	28.5
Cash EPS	17.7	27.1	30.5	34.2
DPS	5.0	6.0	6.0	6.0
Book Value	56.0	95.1	118.4	144.5
Return Ratios (%)				
RoCE	35.0	33.5	29.9	26.9
RoE	24.9	24.3	21.8	19.7
Turnover Ratios (x)				
Asset Turnover	6.8	7.3	7.5	7.9
Inventory (days)	46	46	49	51
Receivables (days)	7	8	10	11
Payables (days)	24	25	26	27
WCC (days)	13	18	24	27

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