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Atul Auto Ltd.

BSE Code: 531975 NSE Code: ATULAUTO Reuters Code: ATUL.NS Bloomberg Code: ATA:IN

Atul Auto Ltd. (AAL) is one of the key three-wheeler manufacturing companies in the country, having its manufacturing facility at Rajkot in the state of Gujarat. The company has production capacity of 48,000 units. The company launched various variants to its vehicle line, thus by increasing its market share to over 7% from 2% in FY09. Atul Auto has aggressive expansion plans and more variants are to be launched, which will boost the company top line, and being debt free strengthens the bottom-line as well.

Investor's Rationale

Posted decent growth in topline by 26.7% YoY driven by record volume – AAL, registered modest growth in topline by 26.7% at ₹1,087.2 mn for the second quarter ended September 30, 2013 as against ₹858.4mn during the same period of previous fiscal. The growth was primarily driven by strong volume growth as the blended realizations for the quarter recorded muted improvement. The total sales of Three Wheeler Vehicles of the Company increased by 26% to 9,576 units as compared to 7,578 units for quarter ended September 2012.

EBITDA margin contracted 47bps YoY on increased cost– The EBITDA of the company grew 21.3% YoY at ₹114.3 mn on the back of steady top line growth. On the flip side, the operational margins contracted primarily due to higher other expenses and staff costs, as a percentage of revenues. Thus, OPM contracted 47bps YoY at 10.5% against 11.0%. However, on sequential basis, the margin improved by 204 bps.

Bottom-line growth of 18.8% YoY on improved topline - AAL, registered a strong growth in bottom-line by 18.8% at ₹73.8 mn Profitability was driven mainly by the successful launch of new products, and enhancing its capacity utilization even after doubling up the capacity during last couple of quarters. Further, higher taxation and interest charges which grew by 32.8% and 22.2% at ₹31.6 mn and ₹2.2 mn, respectively, restricted the growth of the bottom line. Accordingly, NPM contracted by 45.5bps at 6.7% against 7.2%.

Focused to enhance its dealer network – AAL is focusing on enhancing its dealer network. Currently it has 176 dealers and is expected to reach 200 by the end of current fiscal. The Company will now focus on eastern states such as Orissa, Bihar and Jharkhand for dealer network expansion. The Company currently has footprints in 16 Indian states and expects to have a Pan-India presence over the next few quarters.

Market Data

Rating		BUY
CMP (₹)		290
Target Price		350
Stop Loss		260
Duration		Short-term
52-week High-Low (₹)		314/139.9
Rise from 52WL (%)		112.1
Correction from 52WH (%)		5.4
Beta		0.11
1 year Average Volume (mn)		0.02
Stock Return (%)	3M-	68.3
	6M-	51.7
	1Y-	75.9
Market Cap (₹bn)		3.33
Book Value (₹)		65.72

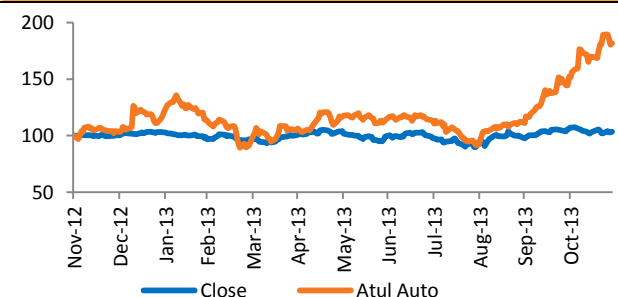
Shareholding Pattern

	Sep'13	Jun'13	Chg
Promoters (%)	56.62	56.62	0.00
FII (%)	0	0.04	(0.04)
DII (%)	0	0	0.00
Public & Others (%)	43.38	43.34	0.04

Quarterly Performance (Standalone)

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	1,087.2	858.4	855.3	26.7	27.1
Op. exp	975.7	765.3	784.6	27.5	24.4
EBITDA	114.3	94.2	72.4	21.3	57.9
OPM (%)	10.5	11.0	8.4	(47bps)	204bps
Net profit	73.8	62.1	43.2	18.8	70.8
NPM (%)	6.7	7.2	5.0	(45bps)	173bps
EPS (₹)	6.7	5.7	3.9	18.9	70.8

One Year Price Chart





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