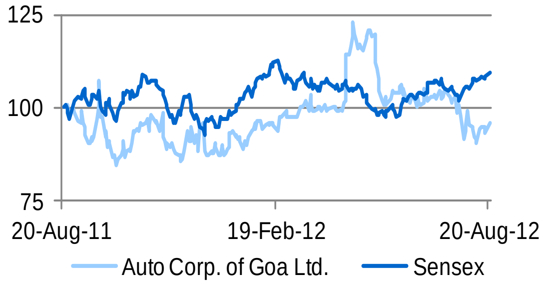
August 22, 2012

CMP	Rs. 285.5
BSE Code	505036
BSE ID	ACGL
High/Low 1Y (Rs.)	366.8 / 251.8
Average Volume (3M)	813
Market Cap (Rs. Cr.)	183

Shareholding %	Jun-12	Mar-12
Promoters	53.50	53.50
DIIs#	0.04	0.04
FIIs#	0.02	0.02
Public & Others	46.44	46.44

Stock Chart (Relative to Sensex)



Stock Performance (%)	1M	6M	1Yr
Auto Corp. of Goa Ltd.	-5.9	1.9	-4.1
Sensex	4.2	-2.9	9.4

Financials	FY10	FY11	FY12
Revenue	233.4	370.7	332.7
Y-o-Y	-28.0%	58.8%	-10.2%
EBITDA	-3.9	39.8	33.3
Y-o-Y	-116.7%	-1125.5%	-16.4%
Net Profit	-2.1	27.3	24.8
Y-o-Y	PL	LP	-9.0%
EPS (Dil.)	-3.33	42.48	38.66
EBITDA Margin	-	10.7%	10.0%
NP Margin	-	7.4%	7.5%
P/E(x)	-	6.7x	7.4x

Financial year ends at March 31. All figures in Rs. crore except for per share data

#FIIs- Foreign Institutional Investors

#DIIs- Domestic Institutional Investors

PL - Profit to Loss

LP - Loss to Profit

Automobile Corporation of Goa Ltd.

Company Overview

Incorporated in 1980, the Automobile Corporation of Goa Ltd. emerged as the first major engineering unit to be established in Goa. The company was jointly promoted by Tata Motors Ltd. (also known as TELCO) and EDC Ltd (formerly known as Economic Development Corporation of Goa, Daman & Diu Ltd.). At the time of inception, EDC had a 41% equity participation and Telco had a 10% stake. The company is primarily engaged in manufacturing of pressed parts, components and sub-assemblies for a range of automobiles. It also manufactures bus bodies and component parts. The company started its commercial production in 1982 and since then it has been a key supplier of pressings and assemblies to Tata Motors' Pune factory. The company has two lines of business: Bus Body Building and Sheet Metal, out of which the former accounts for the majority of the company's overall revenue.

Company Fundamentals

Domestic sales cushion global slowdown

During FY12, lower sales realization and higher excise duty pulled down the total revenue of the company by 9.3% Y-o-Y. The fall in overall sales realization was primarily accredited to the decline in sales of buses in the overseas markets, more specifically, the Gulf countries. The total number of buses produced for the entire export market during FY12 declined by 47.21%. However, good performance of the company's domestic business reduced the impact of the fall. The domestic bus segment witnessed a Y-o-Y growth of around 109%. A higher sales figure from the Pressing division pushed up the segment's revenue by 14.7% to Rs. 85 crore during the year.

EBITDA dropped but EBITDA Margin rose marginally

In spite of lower revenue, the company was able to register a rise of 20 bps in the operating margin in FY12. The company was able to achieve this by introducing various operational efficiency measures and by launching a cost reduction drive. As a result, the company's miscellaneous expenditure fell by 17%, even as employee cost increased during the year.

Key Strengths

- Large domestic market buffers exports
- Sustainable labour cost advantage
- Competitive auto component vendor base
- Strong engineering skills in design, etc.

Company Business

Automobile Corporation of Goa Ltd. was the first major engineering company to be established in Panaji, Goa and was co-promoted by Tata Motors Ltd. and EDC Ltd in 1980. As its name suggests, the company belongs to the Auto Parts & Equipment space and its primary objective is to manufacture, assemble and press all types of sheet metal components (encompassing both ferrous and non-ferrous metals) for a wide range of automobiles.
In 1987, the company entered into an alliance with Fuji Heavy Industries, Japan for various models of chassis-mounted bus bodies and set up a full-fledged Bus Body Building Division. Further, in 1995, the company entered into another agreement with FHI Ltd. to build monocoque buses.
The company functions through two business segments: Bus Body Building and Sheet Metal. The bus body division manufactures bus bodies for a wide range of commercial vehicles. There are two types of buses made – chassis-mounted buses and the monocoque buses. The sheet metal division is primarily engaged in the production and sale of pressed sheet metal parts, sub-assemblies and assemblies for a wide range of automobiles. The bus body manufacturing division is the main line of business for the company, owing to its predominant contribution towards the company's bottomline.
The company manufactures sheet metal components, assemblies and bus coaches at its three units situated at Honda & Bhuimpal, Goa. The sheet metal division at these units accounts for more than 17,620 tonnes of output. The fourth plant (i.e. a Press shop) situated at Jejuri, Pune, has been established to ensure that supplies get delivered to the clientele in time. This particular unit is predominantly engaged in manufacturing of pressed parts, components, assemblies and sub-assemblies for various automobiles.

Segment	Location	Establishment Year	Description
Bus Body Building	Honda – Sattari, Goa	1980	Originally for Sheet Metal stampings and assemblies. Facilities for manufacturing bus bodies were added in 2008 - including a state of the art Paint shop.
	Bhuimpal, Sattari – Goa	1988	Manufactures Bus Bodies.
Pressed Parts & Assemblies	Bhuimpal, Sattari-Goa	1997	Manufactures Sheet Metal stampings and assemblies.
	Jejuri (Pune), Maharashtra	1998	Manufactures Sheet Metal stampings and assemblies.

Source: Company Website

During FY12, lower sales realization and higher excise duty pulled down the total revenue of the company to Rs. 341.07 crore from Rs. 376 crore reported in FY11. The fall in overall sales realization was primarily accredited to the decline in sales of buses in the overseas markets, more specifically the Gulf countries. The total number of buses produced for the entire export market during FY12 stood at 2078 compared to 3936 reported in the previous fiscal, a Y-o-Y decline of around 47.21%. However, the performance of the company's domestic business reduced the impact of the fall. The domestic bus segment witnessed a Y-o-Y growth of around 109%. Overall, the company witnessed a fall of around 18% in total bus body production. The total revenue of the segment dropped by 15.91% to Rs. 256 crore, which contributes 77% to the total revenue.
The Pressing division witnessed an uptick in sales during the year. The management believes that the company's decision to relocate the Pressing division at Jejuri, near Pune worked in favour of the segment. A higher sales figure from the Pressing division pushed up the segment's revenue by 14.7% to Rs. 85 crore during FY12.

Industry Overview

Road transport constitutes a vital part of a country's infrastructure. With growing population and rapidly increasing industrialization, more and more people are availing public transport in India to commute. Buses are a significant component of the road transport in India and are considered to be the lifeline of our economy.

According to a Business India survey, the size of the Indian bus market during FY12 stood at around 35,000 units. The considerable size of the market has helped the industry gain international competitiveness in recent years. The report also highlighted the fact that the Indian bus market has been growing at a compounded annual growth rate (CAGR) of 9% since 2005 and is expected to grow at a similar momentum during the next decade as well.

This considerable growth in the domestic bus market has been possible due to consistent growth in the production of commercial vehicles. Based on the estimates by SIAM, the commercial vehicle industry has grown at a CAGR of 10.5% over the past five years, facilitating growth of the auto component segment, including bus body building industry. The industry, however, remains highly fragmented with a large number of small manufacturers. There also exists a large unorganized market. At the same time, along with an array of growth facilitators, there are a large number of threats. While the growth drivers include robust local demand, higher IT capabilities, sound entrepreneurship, easy availability of cheap and skilled human resources, acquaintance with global automotive standards and export capabilities; the bottlenecks include infrastructural challenges, lack of R&D competence, rising inflation, high interest rates and rising fuel prices among others.

Automobile Domestic Sales Trends

Financial Year	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12
Category	Number of vehicles sold (units)				
Commercial Vehicles	490,494	384,194	532,721	676,408	809,532
Total Vehicles	9,654,435	9,724,243	12,295,397	15,513,156	16,774,667

Source: SIAM (Society of Indian Autumobile Manufacturers)

Despite persisting macro-economic challenges faced by the automotive industry, many of the auto component manufacturers reported strong double digit revenue growth in FY12, backed by favourable exchange rate scenario in the latter half of FY12; increased sales to the domestic replacement market and rising share of revenues from the non-automotive segment.

Competitor Analysis

We have compared Automobile Corporation of Goa Limited with its closest peer in the auto parts and equipment industry to find that the company generates higher revenue and functions at a reasonable operating margin.

Company	Year End	CMP	M Cap	Revenue (FY12) (in Rs. Crore)	EBIT Margin (FY12)	EPS (FY12)	P/E
Auto.Corp.of Goa	Mar-12	286	185	341	8.6%	38.7	7.4x
Commercial Engineers & Body Builders Company	Mar-12	92	506	217	13.6%	7.43	12.4x
Omax Autos	Mar-12	48	102	334	2.5%	13.2	3.6x

Source: Company Financials, BSE, Capital Line Database, Revenue and M Cap in Rs. Crores, Money Control, CMP as on 22 Aug,2012

Summary Financials

Particulars (Rs. Crore)	FY10	FY11	FY12
Net Sales	**233.4**	**370.7**	**332.7**
Other Op. Revenue	0.0	0.0	0.0
Total Income	**233.4**	**370.7**	**332.7**
Growth (%)	*-28.0%*	*58.8%*	*-10.2%*
Cost of Goods Sold	-237.2	-243.4	-219.9
Gross Profit	**-3.9**	**127.3**	**112.9**
Employee Costs	0.0	-23.5	-26.5
Other Expenditure	0.0	-64.0	-53.1
EBITDA	**-3.9**	**39.8**	**33.3**
Growth (%)	*PL*	*LP*	*-16.4%*
Depreciation	-4.2	-4.6	-4.7
EBIT Profit	**-8.1**	**35.2**	**28.6**
Finance Cost	-0.3	-0.3	-0.1
Other Income	4.6	5.3	8.3
Exceptional Items	0.0	0.0	0.0
PBT	**-3.7**	**40.3**	**36.8**
Income Tax	1.6	-13.0	-11.9
Profit after Tax	**-2.1**	**27.3**	**24.8**
Extra Ordinary Items	0.0	0.0	0.0
Net Profit	**-2.1**	**27.3**	**24.8**
Growth (%)	*PL*	*LP*	*-9.0%*
Rep. Basic EPS	-3.33	42.48	38.66
Rep. Diluted EPS	-3.33	42.48	38.66
Equity Capital	6.4	6.4	6.4
Face value	10.0	10.0	10.0

Ratio Analysis	FY10	FY11	FY12
Margins			
EBITDA Margin (%)	-	10.7%	10.0%
Net Profit Margin (%)	-	7.4%	7.5%
Valuation			
P/E (x)	-	6.7	7.4
P/BV (x)	1.4	1.3	1.2
Profitability			
ROCE (%)	-5.9%	23.7%	17.7%
ROE (%)	-1.7%	18.8%	15.7%
Solvency Ratio			
Deb/ Equity Ratio (x)	0.1	0.0	0.0
Interest Cover (x)	-	127.6	211.4

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