

Munjal Auto Ind Ltd.

₹ 108

Will Grow AUTOMATICALLY!**Buy**

Oct 21, 2016

Company Background

Munjal Auto Industries Limited offers exhaust system or mufflers for two-wheelers. The Company is engaged in the manufacture of wheels, rims, fuel tanks and other components for auto industries. It operates through Automobile Parts segment. Its product range for 2-3 wheelers includes Steel Wheel Rim and Spoke Wheel Rim. Its product range for four-wheelers include fuel tank assembly, seat structure system, side step assembly and other products. Its other products include complete assemblies and sheet metal components. Its facilities include engineering and tool room, which includes central tool room and technical center, tool design center and tool manufacturing; fuel tank manufacturing line; exhaust manufacturing line; steel structure manufacturing line; steel wheel rim manufacturing line; motorcycle rim manufacturing line, and other capabilities, such as stamping facility, roll forming, computer numerical control (CNC) tube bending, welding facility and surface treatment.

Key Highlights

- ➔ In the field of Research and Development the Company has entered into a technical collaboration with a reputed European Company for design technology. Rapid progress is being made in developing new products as per customer requirements and the Company is earning a good name with its customer base. This is very positive for future growth.
- ➔ The company has a good client base and with top level customers like Hero, Tata Motors, Tata Johnson Controls, Piaggio, Suzlon and GM Motors, with more companies setting up a manufacturing location in India business is bound to increase plus the advantage is of a capacity it possesses.
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- ➔ The company has been working closely with its Japanese counterpart for over 2 and a half decades and has developed technical expertise & best manufacturing skills through the association which shows off in their products.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	8,919.2	9,727.8	9,716.2
Rev. growth (%)	13.44	9.07	(0.12)
EBITDA (INR mn)	599.9	678.5	727.6
Net profit (INR mn)	476.6	380.3	200.8
Shares outstanding (mn)	50.0	50.0	50.0
EPS (INR)	9.1	7.1	3.7
EPS growth (%)	20.50	(22.06)	(47.46)
P/E (x)	5.66	10.10	20.46
RONW (%)	28.06	19.34	9.44
ROCE (%)	22.39	20.48	11.12

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Info Codes

Reuters	: MUAU.BO
Bloomberg	: GCY:IN
NSE	: MUNJALAU
BSE	: 520059

Market Data

52 Wk Range (₹)	: 62 / 114
Shares in Issue (mn)	: 50.0
Mkt. Cap (₹ bn)	: 5.43
BSE 2 Wk Avg Vol	: 39000

Share Holding Pattern (%)

Promoters Holding	: 74.81
Corporate Holding	: 00.00
Domestic Institution	: 00.13
Foreign Institution	: 00.00
Public & Others	: 25.06

Investment Theme

Munjal Auto Industries Ltd. is a leading auto component manufacturing company in India producing Exhaust systems complete for 2-wheelers & 4-wheelers, Spoke Rims & Steel Wheel Rims for 2-Wheelers & 4-Wheelers, Fuel Tanks & Seat Frames for 4-wheelers and other automotive assembly. It has a technical collaboration with Samsung Industries of Korea for the manufacture of Fuel Tanks. The company holds the pride of being among the largest manufacturer of the exhaust systems manufacturing close to 22,000 systems per day. Besides it produces more than 10,000 spoke rims & steel wheel rims every day. The future outlook of the automotive sector seems good especially after a lot of FDI coming and the Make in India Campaign secondly Munjal is also actively working on strategic & operations front to take advantage of the turning trends.

Growth ! Vroom.... Vroom....

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	8,164.7	8,882.6	8.8	8,850.6	(0.4)
Other Income	42.0	39.7	(5.5)	33.1	(16.6)
Change in Stocks	9.5	25.7	170.5	(35.6)	(238.5)
Raw Material Con.	6,190.4	6,671.4	7.8	6,737.3	1.0
Employee Exp.	398.5	490.2	23.0	521.1	6.3
Indirect Taxes	712.5	805.5	13.1	832.5	3.4
Other Exp.	236.3	253.2	7.2	264.1	4.3
Operating Exp.	7,537.7	8,220.3	9.1	8,355.0	1.6
Operating Profit	678.5	727.7	7.3	493.1	(32.2)
Total Interest	60.1	86.3	43.6	79.4	(8.0)
Gross Profit	618.4	641.4	3.7	413.7	(35.5)
Net Dep.	124.5	148.5	19.3	166.6	12.2
Total Taxation	17.3	112.6	550.9	46.3	(58.9)
Net Profit/Loss	476.6	380.3	(20.2)	200.8	(47.2)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 13	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	2,221.5	2,726.1	2,931.3	2,943.6
Equity Share capital	100.0	100.0	100.0	100.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	1,433.1	1,763.4	1,969.4	2,085.9
Secured Loans	655.8	820.7	801.4	693.3
Unsecured Loans	32.6	42.0	60.5	64.4
USES OF FUNDS	2,221.5	2,726.1	2,931.3	2,943.6
Gross Block	1,908.1	2,075.1	2,696.5	2,817.5
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	636.9	759.8	941.7	1,062.0
Net Block	1,271.2	1,315.3	1,754.8	1,755.5
Capital Work in Progress	56.5	416.2	217.2	142.6
Investments	609.1	453.2	267.0	223.1
Current Assets	1,089.9	1,505.0	1,637.9	1,685.3
Less : Current Liabilities	947.8	1,200.7	1,175.2	1,097.1
Total Net Current Assets	142.1	304.3	462.7	588.2
Misc. Expenses not writtenoff	142.6	237.1	229.6	234.2
NOTE				
Book Value of Unquoted Investments	609.1	453.2	267.0	223.1
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	28.5	93.3	42.1	51.6
Dividend (%)	70.0	125.0	125.0	70.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 15	Dec 15	Mar 16	Jun 16
Net Sales	2,028.0	2,299.0	2,279.2	2,226.5
Cost Of Sales	1,958.5	2,203.4	2,160.3	2,093.3
Operating Profit	69.5	95.6	118.9	133.2
Other Income	36.3	29.4	29.1	26.2
Adjusted PBDIT	105.8	125.0	148.0	159.4
Financial Expenses	20.4	18.7	19.9	15.6
Depreciation	40.6	42.8	43.4	41.9
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	44.8	63.5	84.7	101.9
Tax Charges	5.8	10.9	21.0	21.1
Reported Profit	39.0	52.6	63.7	80.8
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	39.0	52.6	63.7	80.8

52 Week Index Relative Percentage Appreciation



Munjal Auto vs SENSEX

Risks Associated

- Being a global player, the main source of revenue is in several foreign currencies, primarily, U.S. Dollars, Euros and British Pound. Due to the difference in time between sales and receivables, the foreign exchange rate at which the sale is recorded in the books of accounts may not be the same as the foreign exchange rate at which the sale is realised.
- The Automotive industry and more so the two-wheeler industry is dependent on the rural economy, which in turn is dependent on the monsoons. The low recovery in rural economy, due to poor monsoon, nominal growth in crop prices and declined Rabi output in the past couple of years have put pressure on the Company’s customer industry. Things like this may continue causing lack of growth in business.
- Automotive Industry is a very competitive industry and there are constant pressures on cost and price. While the raw material fluctuations are not in control, there is an on going pressure from the customers on prices. Further India is a Price sensitive country where Munjal does most of the business.
- Any reduction in orders can create pressure on working capital and inventory especially when the manufacturing is among the largest in the world. The company has recently expanded its facility in Dharuhera and it may take some time to achieve a breakeven from the facility.

Munjal Auto

In a Nutshell

The Indian auto industry is one of the largest in the world and accounts for approximately 22 per cent of the country's manufacturing gross domestic product (GDP). An expanding middle class, a young population and an increasing interest of the companies in exploring the markets have created a lot of opportunities for the growth in the segment in the country. India is also a substantial auto exporter, with solid export growth expectations for the near future. Various initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the world by 2020. The scenario can be further uplifted and expedited under the Make in India program launched by the Government. Munjal has recently gone through a slight bad patch in business with 2-wheeler sales growth coming down to flat 3 percent. However with the two wheeler industry which is directly related to the monsoon conditions of India through the boom in rural economy is bound to grow due to cheap credit, good monsoons and the Governments approach towards rural economy. So growth is bound to coming in these in the forthcoming years. Apart from this as a part of diversification the company is also looking to expand into other sectors of the engineering industry through the organic and inorganic route. It is also actively working on both the strategic front and the operations front to take advantage of the turning trends. We feel the coming years would be flourishing years of the company and the growth potential in the company currently appears quite high at these levels. We therefore recommend a Buy on the company with a long term view of 2 to 3 years.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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