

Competent Auto Co. Ltd. ₹ 208**Customers Delight!****Buy**

Oct 28, 2016

Company Background

The Company, Competent Automobiles Co. Ltd. (Competent Auto) is a part of Delhi based Competent group, promoted by Sh. Raj Chopra. The company was incorporated on 11.04.1985 and is a listed public limited company in BSE. The company is a profit making company since inception and engaged in Automobile business. The basic business of Competent Auto is trading and servicing of Maruti Suzuki vehicles. The Company operates in two segments: Showroom and Services & Spares. The Showroom segment deals with purchase and sales of vehicles manufactured by Maruti Suzuki India Limited. The Service and Spares segment includes servicing of Maruti vehicles and sale of their spare parts. Presently the company has its presence as a dealer of Maruti Suzuki India Ltd. in Delhi, Haryana and Himachal Pradesh. In Delhi the company has 5 showrooms and 3 workshops, in Haryana 2 showrooms and a workshop and in Himachal Pradesh 2 showrooms and 2 workshops.

Key Highlights

- ➔ Competent's status is re-affirmed every year at the All India Maruti Dealers' Convention, the company bags maximum number of awards in all categories. Chief among these awards are those for best Sales, Service and Customer Satisfaction. Competent's services have, in the past, consistently won the primary award that really matters to any organisation providing services - The Approval of the Customer. As a testimonial to this, Competent has enjoyed the most repeat customers among Maruti dealers. The company has sold more than 2,50,000 vehicles and the numbers are growing year on year.
- ➔ Accurately gauging the temper of the Indian customer, Competent provides nothing less than the very best to customer no matter how much it costs in terms of time, effort & expense. This has enabled the company to fully comply with the stringent norms set by MSIL while other dealers were only gearing up. Competent has been example and trend setter for Maruti Customers.
- ➔ The Company is now diversifying into Hospitality and is setting up a maiden Hotel and Beach Resort Project in Goa. The Environmental Clearances has been obtained, The total cost of the Project is around Rs 100 Cr.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	8,095.6	9,256.4	10,442.6
Rev. growth (%)	2.67	14.34	12.81
EBITDA (INR mn)	200.3	218.5	273.3
Net profit (INR mn)	91.8	116.1	128.3
Shares outstanding (mn)	6.3	6.3	6.3
EPS (INR)	14.5	18.3	20.2
EPS growth (%)	17.96	26.57	10.61
P/E (x)	4.34	5.35	6.89
RONW (%)	12.02	13.51	13.18
ROCE (%)	17.72	17.90	17.09

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: CPA.BO
Bloomberg	: CPA:IN
NSE	: COMPEAU
BSE	: 531041

Market Data

52 Wk Range (₹)	: 120 / 219
Shares in Issue (mn)	: 6.3
Mkt. Cap (₹ bn)	: 1.33
BSE 2 Wk Avg Vol	: 2013

Share Holding Pattern (%)

Promoters Holding	: 74.81
Corporate Holding	: 00.00
Domestic Institution	: 00.13
Foreign Institution	: 00.00
Public & Others	: 25.07

Investment Theme

Competent has been amongst the first dealerships handed over by Maruti Suzuki when it arrived in India. Starting from one Dealership in Delhi, Competent has grown aggressively in the Automobile Trading space and has grown manifold just because it believed and worked on just one concept "The Satisfaction of the customer. Among the best and most rewarded dealer of Maruti in India Competent has been profitable every year right from its inception. It has sold over 2.5 lakh vehicles & serviced many more. The best part of its business policy is that most of its business is from repeat customers and therefore it enjoys a lot of brand value and recommendation, which is an important aspect in Cars Purchase. We feel with the GDP and the purchasing power of the average Indian growing coupled with fact that Maruti knows market pulse of Indians, we feel Good Days for Competent are to come

Maruti's Devotee

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	8,081.8	9,243.4	14.4	10,433.6	12.9
Other Income	13.8	13.0	(5.8)	9.0	(30.8)
Change in Stocks	96.5	(13.5)	(114.0)	169.9	(1,358.5)
Raw Material Con.	7,388.7	8,295.0	12.3	9,473.8	14.2
Employee Exp.	201.5	237.4	17.8	286.9	20.9
Indirect Taxes	0.0	0.0	-	0.0	-
Other Exp.	383.4	437.2	14.0	550.0	25.8
Operating Exp.	7,973.6	8,969.6	12.5	10,310.7	15.0
Operating Profit	218.5	273.3	25.1	301.8	10.4
Total Interest	46.1	49.2	6.7	66.2	34.6
Gross Profit	172.4	224.1	30.0	235.6	5.1
Net Dep.	36.2	63.0	74.0	47.8	(24.1)
Total Taxation	44.4	45.0	1.4	59.5	32.2
Net Profit/Loss	91.8	116.1	26.5	128.3	10.5

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 13	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	953.8	1,103.9	1,245.4	1,727.4
Equity Share capital	62.8	62.8	62.8	62.8
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	659.6	742.2	850.3	970.6
Secured Loans	221.1	284.7	330.7	672.3
Unsecured Loans	10.3	14.2	1.6	21.7
USES OF FUNDS	953.8	1,103.9	1,245.4	1,727.4
Gross Block	733.7	749.8	787.2	828.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	289.9	318.8	371.8	401.3
Net Block	443.8	431.0	415.4	427.4
Capital Work in Progress	61.0	91.6	115.8	124.2
Investments	0.0	75.0	117.5	340.0
Current Assets	844.7	940.3	1,227.2	1,366.2
Less : Current Liabilities	450.1	511.0	729.0	667.3
Total Net Current Assets	394.6	429.3	498.2	698.9
Misc. Expenses not writtenoff	54.4	77.0	98.5	136.9
NOTE				
Book Value of Unquoted Investments	0.0	75.0	117.5	340.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	213.8	213.8	213.8	27.3
Dividend (%)	10.0	10.0	10.0	10.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 15	Dec 15	Mar 16	Jun 16
Net Sales	2,197.5	3,203.0	2,664.7	2,761.8
Cost Of Sales	2,138.6	3,118.1	2,578.6	2,691.8
Operating Profit	58.9	84.9	86.1	70.0
Other Income	2.5	0.8	2.6	2.1
Adjusted PBDIT	61.4	85.7	88.7	72.1
Financial Expenses	16.4	20.3	14.0	20.1
Depreciation	8.3	7.3	16.9	11.8
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	36.7	58.1	57.8	40.2
Tax Charges	11.2	20.0	16.5	14.0
Reported Profit	25.5	38.1	41.3	26.2
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	25.5	38.1	41.3	26.2

52 Week Index Relative Percentage Appreciation



Competent Auto vs SENSEX

Risks Associated

- ➔ There is an unfavourable environment around diesel vehicles and higher taxation due to the infrastructure cess ranging from 1-4%. The projection for growth of auto industry has been restricted to 6-8%, revised downwards.
- ➔ Affordability is the most important demand driver in India, the domestic car market has until now been segmented on the basis of vehicle price. Price based competition also takes place in a continuum than in segments since nearly all the models are launched in multiple versions at different price points. As a result higher end variant compete with lower-end variant of a car in a segment above it.
- ➔ Intensity of competition has increased in almost all the segments of the Indian automobile dealers market whether it's a competition for sales of cars from dealers of same brand or of competing brands or competition in after-sales service business from other dealers of same brand or from organised (branded) franchised service network or from unorganised local garages.
- ➔ Moreover, in the automobile dealer industry, vehicles cannot be kept in the store for long unlike consumer durables, as automobiles lose value with time. The model gets old and the customer would not be willing to pay for it. The damage due to handling, if they are in the showroom or warehouse for too long, is another factor. So models cannot be bulk purchased for better discounts.
- ➔ Other factors like affordability, innovation, infrastructure facilities and price of fuel, stringent emission norms and safety regulations and interest rates affect the demand for automobiles to a larger extent. These factors and challenges always keep the automakers and dealers on their toes.



Competent Auto

In a Nutshell

Incorporated in 1985 Competent is among the very first dealers appointed by Maruti. Currently the company works in Sales, Service and Spares segment. The Company has its presence as a dealer of Maruti Suzuki India Limited in Delhi, Haryana and Himachal Pradesh. The Company has a total of over 10 showrooms and approximately eight workshops in Delhi, Haryana and Himachal Pradesh. It offers all models of Maruti and is among the most rewarded dealers of Maruti. The combination of Maruti and Competent Auto is the best because, Maruti all these years has been exactly giving the best value cars to Indians and therefore is among the most sold brand in the country, Competent on the other hand gives best Sales and Service so a Customer is Satisfied and Delighted with both. This is the reason most business for Competent is from Repeat Customers and Recommendations. The company has been a profit making enterprise since inception and has been growing in terms of top line every year too. In March 2016 the Company reported a turnover of Rs. 10.44 bn against a turnover of Rs. 9.25 bn in the Previous Financial Year, registering a growth of 12.81%. The profit before tax also increased to Rs. 18 Cr as compared to a profit before tax of Rs. 16. Cr the previous year, registering a growth of 16.61%. During the year 2015-16, it sold 22,554 Maruti Vehicles (including 1,115 Vehicles under Direct Billing) as compared with 20,066 Maruti Vehicles (including 847 Vehicles under Direct Billing), sold during the previous year. With the rise in Disposable Incomes for an average Indian and high aspirations, Competent has a long way to grow. We therefore recommend the company for a medium to long term.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

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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