

Samkrig Pistons & Rings

₹220

Keeping ahead by Technology...!!! Buy

Jul 20, 2018

Company Background

Samkrig manufactures & markets a wide array of engineered Pistons, Piston Pins, Piston Rings & Circlips for the automotive market. Samkrig commenced its operation in 1988. Company and the mother plant is located close to Hyderabad and other two manufacturing units, Piston rings and another piston plant close to Vishakapatnam-India's biggest sea port city. All the three units strategically located close to Air port and Sea port. It concentrates on high value-added and import-substitute products. Samkrig has successfully developed sophisticated piston ring assemblies to meet the requirements of highly fuel-efficient two-wheelers in piston ring materials like IKA and ductile iron, in accordance with DIN & JIS specifications. It is the major supplier to Bajaj Auto, LML, Kinetic Honda, TVS Motors, Kinetic Engineering & Maharashtra Scooters. OEM customer contribute 85-95% to its sales while the rest is accounted for the replacement market. To supply piston & piston rings, it has entered into an agreement with M/s Honda Motorcycles and Scooter India. It has been using the Japanese experts for upgradation of technology of Piston Rings and Pistons for four stroke vehicles. Company is set to extend its product range for diesel engines of tractors and LVCs. It is supplying Pistons, Piston Rings for Piaggio-Italy for their Two and Three Wheelers and developing for Four stroke motor cycles and Tecumseh-Europa for Four stroke small engines.

Key Highlights

- ➔ For the year 2017 Net sales were improved by 2.6% to ₹ 2,515.9 mn, operating profit rose by 15.8% to ₹ 413 mn and net profit also spiked by 23.9% to ₹ 194.6 mn on yearly basis.
- ➔ Company has 3 products such as Pistons, Piston Rings and Pistion Pins. Pistions & Piston pins both the products, production capacity is using near to 85.17 % and Pistion rings producing nearly 78.10% of total Installed capacity.
- ➔ For 2017 Company's gross turnover ₹ 2,805.2 mn out of which nearly 18.30 % is export revenue. It planning to achieve 25 % of export revenue in next 2-3 years.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	2,557.7	2,743.3	2,817.2
Rev. growth (%)	11.70	7.26	2.69
EBITDA (INR mn)	339.9	356.6	413.0
Net profit (INR mn)	123.2	157.0	194.6
Shares outstanding (mn)	9.8	9.8	9.8
EPS (INR)	12.5	16.0	19.8
EPS growth (%)	19.20	27.51	23.89
P/E (x)	12.13	10.08	9.69
RONW (%)	15.68	18.06	19.42
ROCE (%)	18.49	20.01	21.62

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Info Codes

Reuters	: SAMP.BO
Bloomberg	: SKRG IN
NSE	: N/A
BSE	: 520075

Market Data

52 Wk Range (₹)	: 211/379
Shares in Issue (mn)	: 9.8
Market. Cap (bn)	: 2.16
BSE 2 Wk Avg Vol	: 3343

Share Holding Pattern (%)

Promoters Holding	: 66.88
Public & Others	: 33.09
Corporate Holding	: 00.00
Foreign Institution	: 00.00
Institutions	: 00.03

Investment Theme

The auto-components industry accounts for almost 7 % of India's GDP. India is expected to become the 4th largest automobiles producer globally by 2020 after China, US & Japan. Indian automotive aftermarket is expected to grow at a CAGR of 10.5 % and reach ₹ 75,705 cr by the year 2019-20, according to the ACMA of India. A cost-effective manufacturing base keeps costs lower in India by 10-25 % relative to operations in Europe & Latin America. India is the 3rd largest steel producer globally hence a cost advantage. Indian Government has allowed 100 % FDI under auto component sector. Company has very good opportunities because of valued customers both in Domestic OEM's and Replacement Market & Exports and also in time supplies, superior quality products and its technical expertise both from Japanese & German Consultants.

India will become 4th largest producer globally by 2020...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	2,324.7	2,452.0	5.5	2,515.9	2.6
Other Income	3.4	3.8	11.8	12.0	215.8
Change in Stocks	(40.5)	38.5	(195.1)	(26.0)	(167.5)
Raw Material Con.	1,176.8	1,244.9	5.8	1,280.8	2.9
Employee Exp.	480.6	566.5	17.9	502.0	(11.4)
Indirect Taxes	229.6	287.5	25.2	289.3	0.6
Other Exp.	60.8	38.8	(36.2)	16.8	(56.7)
Operating Exp.	1,947.8	2,137.7	9.7	2,088.9	(2.3)
Operating Profit	339.8	356.6	4.9	413.0	15.8
Total Interest	46.2	15.5	(66.5)	17.3	11.6
Gross Profit	293.6	341.1	16.2	395.7	16.0
Net Dep.	115.7	117.1	1.2	128.6	9.8
Total Taxation	54.7	67.0	22.5	72.5	8.2
Net Profit/Loss	123.2	157.0	27.4	194.6	23.9

4 Years Balance Sheet

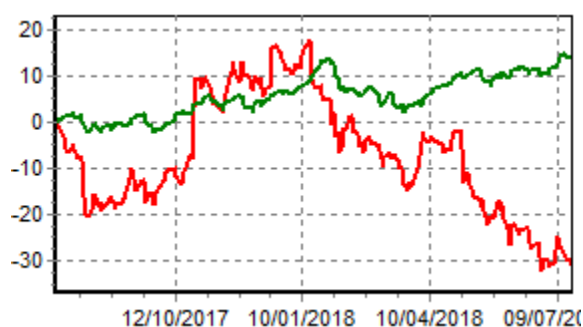
(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	1,274.7	1,180.9	1,244.2	1,417.2
Equity Share capital	98.2	98.2	98.2	98.2
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	656.3	749.3	823.8	1,014.8
Secured Loans	216.3	173.8	174.6	171.6
Unsecured Loans	303.9	159.6	147.6	132.6
USES OF FUNDS	1,274.7	1,180.9	1,244.2	1,417.2
Gross Block	1,860.8	1,983.6	2,151.1	2,442.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	856.0	971.6	1,088.7	1,217.3
Net Block	1,004.8	1,012.0	1,062.4	1,225.0
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Current Assets	556.6	487.6	611.0	610.4
Less : Current Liabilities	290.1	320.5	431.0	418.0
Total Net Current Assets	266.5	167.1	180.0	192.4
Misc. Expenses not writtenoff	3.4	1.8	1.8	(0.2)
NOTE				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	2.2	2.2	2.2	2.2
Dividend (%)	25.0	30.0	40.0	45.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 17	Sep 17	Dec 17	Mar 18
Net Sales	616.4	681.6	700.0	671.5
Cost Of Sales	525.3	565.7	584.4	581.0
Operating Profit	91.1	115.9	115.6	90.5
Other Income	1.8	3.4	6.4	11.2
Adjusted PBDIT	92.9	119.3	122.0	101.7
Financial Expenses	4.3	2.3	2.5	3.8
Depreciation	30.0	32.0	40.0	28.5
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	58.6	85.0	79.5	69.4
Tax Charges	18.5	22.5	21.0	29.3
Reported Profit	40.1	62.5	58.5	40.1
Extra Ordinary Items	(1.0)	(1.0)	(0.6)	(1.2)
Other Non Cash Adjust	0.3	0.3	0.0	0.5
Adjusted Net Profit	40.9	63.3	59.1	40.9

52 Week Index Relative Percentage Appreciation

Samkrp Pistons vs SENSEX
Risks Associated

- ➔ Company is facing stiff competition in the segments of OEMs and aftermarket as well as price pressure from the OEMs which playing major role on the profitability.
- ➔ Auto parts industry is continuous high volume manufacturing industry. Copmany's profitability will depend on change of raw material prices.

Scope of Growth

- ➔ Indian Piston and Piston rings manufacturers can exploit is by increasing export-oriented growth in the coming years as the production capacity of manufacturers will outpace the domestic consumption. This will have a positive impact on the growth of Piston and Piston rings market.
- ➔ Favorable government policies such as Auto Policy 2002, Automotive Mission Plan 2016-2026, National Automotive Testing and R&D Infrastructure Projects (NATRiPs) will help the Indian Piston and Piston Rings manufacturers achieve considerable growth.
- ➔ Electric cars in India are expected to get new green number plates and may also get free parking for three years along with toll waivers. This initiative by government will boost Auto Equipment sector.
- ➔ Government of India has shortlisted 11 cities in the country for introduction of electric vehiscles in their public transport systems under the FAME scheme.
- ➔ Aluminum is widely accepted material for the manufacturing of piston systems at a global level. Though the aluminum piston systems are lighter in weight; steel piston systems are the choice of material when dealing with high levels of stress.

Samkrp Pistons

In a Nutshell

Samkrp manufactures Pistons, Piston Pins, Piston Rings & Circlips for the automotive market. It has 3 plants In Telangana and Andhra Pradesh. Supplies its products to Bajaj Auto, LML, Kinetic Honda, TVS Motors, Kinetic Engineering and Maharashtra Scooters. OEM customer contributes nearly 90 % to its sales while the rest is accounted for the replacement market. Samkrp has strong distribution network at their aftermarket sales because of imports from free trade zones the competition is very stiff and price sensitive. Company has many future plans to improve the quality and find advancements in technology; Development of Surface coatings for pistons & rings, Planning to develop cooling gallery pistons for diesel engines, PVD Coating for Rings for Scooters, motorcycles and car pistons and Ceramic coating of pistons. Company has good opportunities because, it has good customers both in Domestic OEM's and Replacement Market & Exports and also in time supplies, superior quality products and its technical expertise both from Japanese & German Consultants. Company's gross turnover of ₹ 2,805.2 mn during year 2016-17 as against ₹ 2,739.5 mn in the previous year 2015-16, with a growth at 2.4%. Company R&D expenditure is ₹ 12.58 mn which is 0.50% of Net sales during the year. Company has announced dividend at ₹ 4.50 per equity share. Company is focusing exports to developed Countries like Europe, U.K, France, Germany, Spain Brazil and Russia. Export turnover is ₹ 513.2 mn during the year as against ₹ 464.3 mn of the previous year 2015-16. It has plans to reach 25% of export turnover during the next 2 years.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months	Reduce : Expected to depreciate up to 10% over 12-months
Accumulate : Expected to appreciate 10% to 20% over 12-months	Sell : Expected to depreciate 10% or more over 12-months
Trade Buy : Expected to appreciate more than 10% over 45-days	Trade Sell : Expected to depreciate more than 10% over 45-days

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