



Rico Auto Industries Ltd

Key Stock Indicators

NSE Ticker:	RICOAUTO	CMP (as on 08 Mar 2011—Rs/share):	17.9	Shares outstanding (mn):	128.9
Bloomberg Ticker:	RAI: IN	52-week range up to 08 Mar 2011 (Rs) (H/L):	32.30/16.90	Free Float (%):	49.9
Face value / Share:	1.0	Market Cap as on 08 Mar 2011 (Rs mn):	2,300	Average daily volumes (12 months):	381,615
Div. Yield (%):	2.9	Enterprise Value as on 08 Mar 2011 (Rs mn):	6,574	Beta (2 year):	1.2

Incorporated in 1984, Rico Auto Industries Ltd (RAIL) is engaged in manufacturing and supplying of wide range of machined aluminum and ferrous components and assemblies to automotive original equipment manufacturers (OEMs) across the globe. It exports its products to US and European markets. Exports contributed ~12% of total revenues in FY10.

KEY HIGHLIGHTS

Integrated supplier of automotive components and assemblies

RAIL supplies a range of high precision fully machined aluminum and ferrous components and assemblies to automotive original equipment manufacturers worldwide. Its integrated services include design, development, tooling, casting, machining and assembly across ferrous and aluminum products. It has also diversified into the production of gears and oil pumps for Maruti and gear shift drums for two-wheelers and installed pressure die casting machines to manufacture diesel generating sets, engine frames and housings.

Diverse client base

The company's product portfolio consists of a range of components for two wheelers, passenger cars, light commercial vehicles (LCV), heavy commercial vehicles (HCV) and system suppliers. It has a diverse client base and operates in both domestic and international markets. Major clientele of the company in automotive industry includes Suzuki, Hero Honda, TATA, Ford, Volvo, General Motors, Komatsu etc and in terms of system suppliers include Honeywell, Magna and QP Pumps Matsusaka Engineering..

Strategic tie-ups to augment technical know-how and product base

RAIL has entered into strategic relationships and set up joint ventures with leading global automotive suppliers namely F.C.C. Co. Ltd, Japan for clutch systems, Continental Automotive for hydraulic brake systems, Magna Powertrain for oil and water pump system and Jinfei for alloy wheels. Strategic alliances will help company to augment its technical know-how, alternate its product lines and broaden its customer base.

KEY RISKS

- Volatility in raw material prices such as aluminium alloy, pig iron
- Increasing competition in original equipment manufacturing segment
- Cyclical nature of auto industry

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
RICOAUTO	-35	-1	-16	-31
NIFTY	4	4	-6	8

Note:

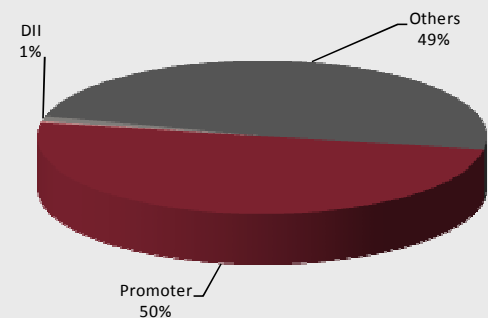
- 1) YTD returns are since April 1, 2010 to Mar 08, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Mar 08, 2011.

Key Financial Indicators

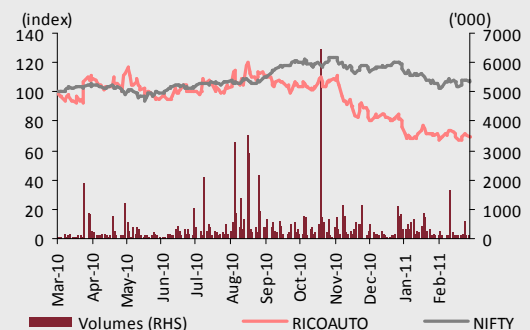
	Mar-08	Mar-09	Mar-10
Revenue (Rs mn)	8,463.5	9,144.5	10,034.3
EBITDA margins (%)	13.2	9.2	8.8
PAT (Rs mn)	233.4	-18.1	-49.1
PAT margins (%)	2.8	-0.2	-0.5
Gearing (x)	1.3	1.3	1.4
EPS (Rs/share)	1.9	-0.1	-0.4
PE (x)	14.8	n.m	n.m
P/BV (x)	1.1	0.4	0.8
RoCE (%)	10.1	5.1	4.4
RoE (%)	7.9	n.m	n.m
EV/EBITDA (x)	5.9	5.9	7.5

n.m.: Not meaningful

Shareholding (As on January 31, 2011)



Indexed price chart



Rico Auto Industries Ltd

BACKGROUND

RAIL is engaged in manufacturing and supplying a wide range of high precision fully machined aluminium and ferrous components and assemblies to automotive OEMs across the globe. It is engaged in designing, developing, tooling, casting, machining, and assembling aluminium and ferrous products. The company currently operates from two locations Dharureha and Gurgaon (both in Haryana) manufacturing automotive components such as oil pump assembly, fuel system parts, lube oil filters heads, exhaust manifolds, turbine housings, center housings, back plates, crank cases and covers, cylinder head covers, intake manifold covers, front cover, valve cover, side cover etc. It has also diversified into the production of gears and oil pumps for Maruti and gear shift drums for two-wheelers and installed pressure die casting machines to manufacture diesel generating sets, engine frames and housings. It exports its products to US and European markets. Exports contributed ~12% of total revenues in FY10.

COMPETITIVE POSITION

Peer Comparison

	Rico Auto Industries Ltd Mar-10	Amtek India Ltd Jun-10	Lumax Auto Technologies Ltd Mar-10	Stampings & Assemblies Ltd Mar-10
Revenue (Rs mn)	10,034.3	10,364.4	4,172.6	4,151.7
EBITDA margins (%)	8.8	28.0	8.7	6.4
PAT (Rs mn)	-49.1	787.3	231.5	51.5
PAT margins (%)	-0.5	7.6	5.5	1.2
Gearing (x)	1.4	1.2	0.1	4.0
EPS (Rs/share)	-0.4	6.2	19.9	5.0
PE (x)	n.m	12.2	7.1	15.2
P/BV (x)	0.8	0.6	2.1	1.9
RoCE (%)	4.4	6.6	33.4	7.1
RoE (%)	n.m	5.0	32.5	13.1
EV/EBITDA (x)	7.5	8.5	4.4	4.8

n.m: Not meaningful

FINANCIAL PROFILE

Top-line grew in FY10; company continues to be in loss

RAIL's top line grew by 9.7% to Rs 10 bn in FY10 from Rs 9.1 bn in FY09, mainly on account of ~10% y-o-y growth in domestic sales (on consolidated basis).

However, during FY10 due to labour strike at Gurgaon plant the company suffered a production loss of ~Rs. 420 mn both for domestic and overseas customers and also incurred an extra cost of Rs.117 mn on air freight and other expenses to keep the company's customer line running. All the above factors, resulted in marginally offsetting the company's operating profits and margins. Consequently, operating margins dropped from 9.2% in FY09 to 8.8% in FY10.

RAIL's net loss increased from Rs 18.1 mn in FY09 to Rs 49.1 mn in FY10. Loss of production, poor performance from various subsidiaries, higher depreciation costs and lower non-operating income contributed to the overall increase in loss in FY10.

INDUSTRY PROFILE

Auto Component

The auto components industry production, in India, is estimated at around Rs 1212 billion in 2009-10. The industry has been reducing its dependence on the domestic automobile industry over the long term; it also continues to maintain its ability of being cost-competitive and technically proficient in niche segments. These factors along with foray of Indian auto component players in the international markets through acquisitions have enhanced the industry's popularity among international original equipment manufacturers (OEMs) in terms of their outsourcing needs. Currently, domestic OEMs account for around 67% of the total auto component production off take, whereas the replacement and export segments account for around 21% and 12%, respectively. The industry is largely fragmented with over 558 players operating in the organised segment and many unorganised players catering to the replacement demand. However, with auto OEMs adopting vendor rationalisation, proportion of the organised segment is likely to increase over the long term. In the long term, exports are expected to grow at a faster pace as global OEMs are expected to implement cost rationalisation strategies by increasing their sourcing from low cost regions. The bargaining power of players is moderate with OEM's and has been historically high in the replacement market. The technological edge of a particular auto component segment determines the bargaining power of its players. Further, players with higher exposure to replacement segment are able to have better margins given higher bargaining power in the segment. However, increasing competition from imports is impacting the ability to pass on input cost increases in replacement market as well.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	8,463.5	9,144.5	10,034.3
EBITDA margins	Per cent	13.2	9.2	8.8
PAT	Rs million	233.4	-18.1	-49.1
PAT margins	Per cent	2.8	-0.2	-0.5
Revenue growth	Per cent	-4.2	8.0	9.7
EBITDA growth	Per cent	-4.6	-24.8	4.3
PAT growth	Per cent	-38.3	n.m	n.m
Gearing	Times	1.3	1.3	1.4
RoCE	Per cent	10.1	5.1	4.4
RoE	Per cent	7.9	n.m	n.m

Rico Auto Industries Ltd

ANNUAL RESULTS

Income Statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	8,392.4	9,042.5	9,944.9
Operating Income	8,463.5	9,144.5	10,034.3
EBITDA	1,121.4	843.3	879.5
EBITDA Margin	13.2	9.2	8.8
Depreciation	499.4	541.3	568.3
Interest	257.7	360.9	316.1
Other Income	27.6	46.3	18.6
PBT	389.3	8.4	16.9
PAT	233.4	-18.1	-49.1
PAT Margin	2.8	-0.2	-0.5
No. of shares (Mn No.)	125.6	125.6	128.9
Earnings per share (EPS)	12.3	8.0	14.3

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax profit	391.9	-12.6	13.7
Total tax paid	-129.4	-43.3	-68.3
Depreciation	499.4	541.3	568.3
Change in working capital	-597.6	53.1	66.2
Cash flow from operating activities	164.3	538.5	579.9
Capital Expenditure	-1,055.1	-1,180.6	-1,202.7
Investments and others	0.0	0.0	0.0
Cash flow from investing activities	-1,055.1	-1,180.6	-1,202.7
Equity raised/(repaid)	0.0	0.0	57.3
Debt raised/(repaid)	1,389.8	142.8	504.8
Dividend (incl. tax)	-189.9	-91.4	-78.4
Others (incl extraordinary)	88.0	91.3	150.1
Cash flow from financing activities	1,287.9	142.7	633.8
Change in cash position	397.1	-499.4	11.0
Opening cash	232.6	629.7	130.3
Closing cash	629.7	130.3	141.3

n.m : Not meaningful;

Balance sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	125.6	125.6	161.4
Reserves and surplus	2,884.9	2,845.7	2,886.6
Tangible net worth	3,010.5	2,971.3	3,048.0
Deferred tax liability:[asset]	376.1	359.3	357.0
Long-term debt	1,634.6	1,882.2	2,527.9
Short-term-debt	2,133.3	2,028.5	1,887.6
Total debt	3,767.9	3,910.7	4,415.5
Current liabilities	1,110.2	1,596.4	2,276.3
Total provisions	213.8	119.6	78.6
Total liabilities	8,478.5	8,957.3	10,175.4
Gross block	6,951.5	7,917.8	8,939.2
Net fixed assets	4,962.4	5,601.7	6,236.1
Investments	0.0	0.0	0.0
Current assets	3,516.1	3,355.6	3,939.3
Receivables	1,168.2	997.0	1,411.9
Inventories	1,198.5	1,297.6	1,398.5
Cash	629.7	130.3	141.3
Total assets	8,478.5	8,957.3	10,175.4

Ratio

	Mar-08	Mar-09	Mar-10
Revenue growth (%)	-4.2	8.0	9.7
EBITDA growth(%)	-4.6	-24.8	4.3
PAT growth(%)	-38.3	n.m	n.m
EBITDA margins(%)	13.2	9.2	8.8
Tax rate (%)	33.2	733.3	404.1
PAT margins (%)	2.8	-0.2	-0.5
Dividend payout (%)	69.5	n.m	n.m
Dividend per share (Rs)	1.3	0.6	0.5
BV (Rs)	24.0	23.7	23.6
Return on Equity (%)	7.9	n.m	n.m
Return on capital employed (%)	10.1	5.1	4.4
Gearing (x)	1.3	1.3	1.4
Interest coverage (x)	4.4	2.3	2.8
Debt/EBITDA (x)	3.4	4.6	5.0
Asset turnover (x)	1.3	1.2	1.2
Current ratio (x)	1.0	0.9	0.9
Gross current assets (days)	152	133	142

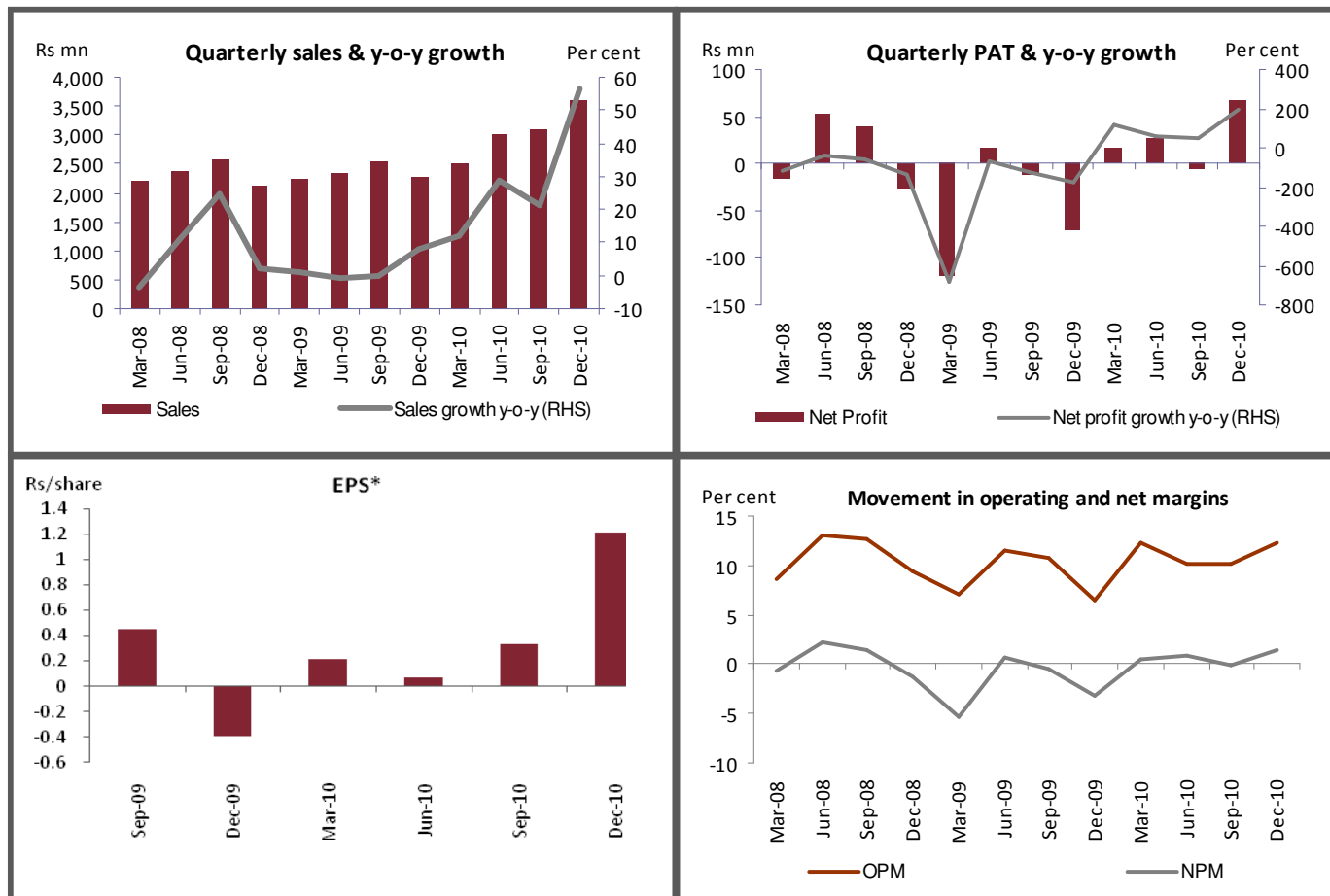
QUARTERLY RESULTS

Profit and loss account

(Rs million)	Dec-10	% of Rev	Dec-09	% of Rev	Sep-10	% of Rev	Dec-10	% of Rev	Dec-09	% of Rev
No of Months	3		3		3		9		9	
Revenue	3,594.7	100.0	2,295.0	100.0	3,099.7	100.0	9,718.8	100.0	7,201.7	100.0
EBITDA	428.1	11.9	145.0	6.3	312.6	10.1	1,045.5	10.8	687.9	9.6
Interest	148.1	4.1	99.4	4.3	144.1	4.6	404.3	4.2	311.9	4.3
Depreciation	165.0	4.6	140.0	6.1	157.9	5.1	476.7	4.9	415.7	5.8
PBT	115.0	3.2	(94.4)	(4.1)	10.6	0.3	164.5	1.7	(39.7)	(0.6)
PAT	66.7	1.9	(71.0)	(3.1)	(6.4)	(0.2)	86.9	0.9	(66.5)	(0.9)

Rico Auto Industries Ltd

FOCUS CHARTS & TABLES



*Since company did not report consolidated EPS, standalone EPS figures were shown in the EPS chart above.

Shareholding Pattern (Per cent)

	Jun 2010	Sep 2010	Dec 2010	Jan 2011
Promoter	47.6	47.6	47.6	50.1
FII	5.5	2.0	1.5	0.3
DII	5.4	3.6	1.2	1.1
Others	41.5	46.8	49.7	48.5

Board of Directors

Director Name	Designation
Chandra Mohan (Mr.)	Non-Executive Chairman
Arvind Kapur (Mr.)	Vice Chairman & Managing Director, Promoter-Director
Arun Kapur (Mr.)	Jt. Managing Director, Promoter-Director
Vinod Kumar Bhalla (Prof.(Dr.))	Non-Executive Director
Amarjit Chopra (Mr.)	Non-Executive Director
Rakesh Kapur (Mr.)	Promoter-Director
Kanwal Monga (Mr.)	Non-Executive Director
Satish Sekhri (Mr.)	Non-Executive Director
Ashok Seth (Dr.)	Non-Executive Director
Anup Singh (Mr.)	Non-Executive Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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