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Atlas Copco (India)

Rs 894

Uncompressed growth ahead

Sensex: 17,168

Nifty: 5,133

FINANCIAL SUMMARY

NET	OPM SALES	OP (%)	OI.	PBIDT	INTEREST	PBDT	DEP.	PBT	EO	PBT	TAX AFTER EO	PAT	EPS (RS)*
201012 (P)	1508.48	14.5	218.73	4	222.73	15	207.73	35.29	172.44	0	172.44	60.35	49.7
0912 (12)	1278.37	13.7	175.55	3.23	178.78	15.91	162.87	31.51	131.36	0	131.36	46.61	37.6
0812 (12)	1282.31	13.8	177.33	2.3	179.63	16.73	162.9	28.08	134.82	0	134.82	51.13	37.1
0712 (12)	978.32	15	147.17	0.92	148.09	7.56	140.53	22.58	117.95	10.01	127.96	46.96	33.1
0612 (12)	741.72	17.9	132.68	2.48	135.16	3.46	131.7	20.43	111.27	2.93	114.2	42.16	31.1

* Annualised on current equity of Rs 22.56 crore. Face Value: Rs 10. (P): Projections. Figures in Rs crore. Source: Capitaline Corporate Databases

Established since 50 years in India, Atlas Copco India is a leader in its three core business areas- Air and Gas Compressors, Construction and Mining Equipment, Industrial Tools and Assembly systems, to related Aftermarket and Rental.

With state-of-art manufacturing facilities today at Pune, Nasik and Hyderabad, the company has a national presence with over 1700 highly skilled employees in 22 offices across India. In addition, the company has two captive engineering competency centers dedicated for compressors and construction and mining equipment.

Atlas Copco (India) (ACIL) is a part of Swedish multinational Atlas Copco AB.

In the year 2000, Chicago Pneumatic (India) Ltd., another Atlas Copco Group Company, was merged with ACIL. Atlas Copco AB currently holds 83.77% of the share capital in ACIL.

Sharp growth: December 2009 quarter sales jump 13% and PAT soars 108%

For the quarter ended December 2009, sales grew 13% to Rs 380.46 crore. OPM jumped 400 basis points to 15.6% which took OP up by 52% to Rs 59.45 crore.

Other income stood at Rs 2.54 crore against Rs 34 lakh and interest cost was down 39% to Rs 2.77 crore.

As depreciation stagnated (Rs 8.91 crore against Rs 8.93 crore), PBT jumped 95% to Rs 50.31 crore.

After providing for total tax (up 74% to Rs 17.93 crore) PAT jumped 108% to Rs 32.38 crore.

CY 2009 performance improves on bumper December 2009 quarter results

For the CY 2009 sales stood at Rs 1278.37 crore against Rs 1278.37 crore. OPM stood at 13.7% against 13.8% as a result of which OP was down 1% to Rs 175.55 crore.

Other income grew 40% to Rs 3.23 crore and interest cost fell 5% to Rs 15.91 crore. As depreciation grew 12% to Rs 31.51 crore, PBT fell 3% to Rs 131.36 crore.

Provision for tax fell 9% to Rs 46.61 crore after which, PAT was up 1% to Rs 84.75 crore.

Both the business divisions have good scope going forward

The company operates in two business divisions viz: Industrial Segment and Construction and Mining Segment

Industrial Segment

This segment develops, manufactures and markets a wide range of air and gas compressors,



STOCK DATA

BSE Code	:	526991
NSE Code	:	Not listed
Bloomberg	:	ATCP IN
Reuters	:	ATLA.BO
52-week High/Low	:	Rs 950 / Rs 363
Sector	:	Compressors / Drilling Equipment

SHAREHOLDING PATTERN*

Category	% of equity
Total Foreign	: 0.39
Total Institutions	: 3.13
Non Promoter	
Corporate Holding	: 0.94
Total Promoters	: 83.77
Total Public & Others	: 11.79
Totals	: 100

* as on 31st Dec 2009

Source: Capitaline Corporate Database



of both rotary and reciprocating technology, of various powers and capacities to serve the diverse needs of consumers of compressed air and gas and a wide range of pneumatic and electric tools such as grinders, drills, impact wrenches, screw drivers, nut runners etc. The key market segments for compressors are general industry covering engineering, automobiles, textile, cement, pharmaceutical, power and PET blowing etc. and the construction industry covering mining, roads, tunneling etc. Use of CNG as automobile fuel has been increasing due to the environmental concerns and this has opened up a new market for reciprocating compressors.

The company's Pneumatic and electric tools are primarily used in automation of production processes and maintaining stricter process controls and the key market segment for these tools are industrial manufacturing and automotive after markets.

This segment has started new activity of renting of compressors to provide a faster solution to industry for availability of compressed air and reduction of downtime for customers. This has generated a good initial response from oil & gas and basic metal industry.

The segment is likely to grow due to the demand from almost all industry segments on the back of strong recovery in the economy.

Construction and Mining Segment

This segment develops, manufactures and markets rock drilling tools, drilling rigs, construction tools, breakers, blast hole drilling rigs, water well drilling rigs, loading equipment, road construction equipment etc.

A large variety of the tools are manufactured at the Nasik plant of the company and some specialized drilling and loading equipment are sourced from other Group companies abroad.

Key market segments served by this segment include rock excavation, light construction & demolition, exploration drilling, surface drilling, tunneling, underground mining, road construction etc.

Road Construction Equipment forms part of this segment and last year a state of the art manufacturing facility for road construction equipment was created at Nasik at a cost of Rs 19.23 crore. This facility would be used for manufacture of soil compactors, asphalt rollers, pavers and light & concrete equipment of Dynapac brand.

Construction and Mining segment is likely to see growth primarily due to demand for large drills for coal mining, pneumatic crawlers and new activity for manufacture and sale of road construction equipment.

Acquisitions will offer a very good local manufacturing base

In the recent past the company invested Rs 7.50 crore in acquiring 25% equity stake in Focus Rocbit Pvt. Ltd. (Focus) and Prisma Roctools Pvt. Ltd. (Prisma), both based at Hyderabad. Subsequently Atlas Copco merged both these companies after making them 100% subsidiaries.

Prisma is engaged in manufacture and sale of DTH Hammers and Bits and other complementary products and services for Rotary and down-the-hole (DTH) drilling segment and Focus is engaged in manufacture and sale of Rotary Bits and complementary products and services for the surface mining segment.

The company's Pneumatic and electric tools are primarily used in automation of production processes and maintaining stricter process controls and the key market segment for these tools are industrial manufacturing and automotive after markets

Construction and Mining segment is likely to see growth primarily due to demand for large drills for coal mining, pneumatic crawlers and new activity for manufacture and sale of road construction equipment

Both the acquired companies are involved in manufacture and sale of Rockbits and Rocktools, the similar business as that Atlas Copco (India). Currently these products are either imported or locally procured by Atlas Copco and these investments would be a very good local manufacturing base for the company for these products.

Outlook

As investment in infrastructure and industrial capex gathers steam from the current year, the company has excellent future ahead.

The company is a strong and an established player in its products and services and is expected to have a wider product portfolio with introduction of road construction equipment of Dynapac brand.

The company has made substantial investments to increase production capacity and manpower. So, today it has an organization that can handle a bigger business volume than ever.

Valuation

For CY 2010 the company is expected to report sales of Rs 1508.48 core and net profit of Rs 112.08 crore, giving an EPS of Rs 49.7, which is discounted by the current price of Rs 894, only 18.0 times.

As investment in infrastructure and industries gather steam, the company has excellent future ahead

ATLAS COPCO (INDIA): RESULTS

	0912(3)	0812(3)	Var(%)	0912(12)	0812(12)	Var(%)
Sales	380.46	335.88	13	1278.37	1282.31	0
OPM (%)	15.6	11.6		13.7	13.8	
OP	59.45	38.99	52	175.55	177.33	-1
Other inc.	2.54	0.34	647	3.23	2.30	40
PBIDT	61.99	39.33	58	178.78	179.63	0
Interest	2.77	4.56	-39	15.91	16.73	-5
PBBDT	59.22	34.77	70	162.87	162.90	0
Dep.	8.91	8.93	0	31.51	28.08	12
PBT	50.31	25.84	95	131.36	134.82	-3
Total Tax	17.93	10.30	74	46.61	51.13	-9
PAT	32.38	15.54	108	84.75	83.69	1
EPS (Rs) *	57.4	27.6		37.6	37.1	

* Annualised on current equity of Rs 22.56 crore. Face Value: Rs 10. (P): Projections. Figures in Rs crore. Source: Capitaline Corporate Databases

ATLAS COPCO (INDIA): SEGMENT RESULTS

Segments	0912(12)	0812(12)	Var(%)	% to Total
Sales				
Industrial Segment	775.85	798.22	-3	62
Construction and Mining segment	471.37	457.75	3	38
TOTAL	1247.22	1255.97	-1	100
PBIT				
Industrial Segment	101.95	99.83	2	69
Construction and Mining segment	45.88	64.08	-28	31
TOTAL	147.83	163.91	-10	100
Less interest	15.91	16.73		
Add unallocable expenditure	33.28	40.95		
Add unallocable income	34.39	28.64		
PBT	133.03	134.87		

Figures in Rs crore. Source: Capitaline Corporate Databases

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