Sector: Auto Components & Equip. | **RESULT REVIEW Q3FY23** | **Declared On: 19 Jan 2023**

Automobile Corporation of Goa Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs858	5.2	Buy	Rs1150	34%

**as on 19th Jan, 2023*

About the Company:

Automobile Corporation of Goa Ltd. (ACGL), the first major engineering unit set up in Goa in 1980 was jointly promoted by Tata Motors Ltd (formerly known as Tata Engineering & Locomotive Co. Ltd.) and EDC Ltd (formerly known as Economic Development Corporation of Goa, Daman & Diu Ltd). ACGL has a long and established track record of over three decades in manufacturing bus body and pressing components. The company has strong association and synergies linked with the TATA Group as well as significant operational, financial and management linkages with Tata Motors Limited (TML). ACGL is an associate company of TML, which is one of the leading automotive manufacturers in India and having presence across various geographies like Europe, US, China, Russia and Brazil. The company manufactures sheet metal components, assemblies and bus coaches at its factories situated at villages Honda & Bhuimpal, Goa. ACGL is a major supplier of pressings and assemblies to TML (Pune factory). Mr. Shrinivas Dempo is the Chairman of the company supported by a professional management team.

Results: Quick Glance:

- The net sales for the quarter under review grew by 15.4% to Rs877mn as compared to Rs761mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 4.7% as against 6.2% in Q3FY22
- The net profit came in at Rs41mn as against Rs34mn in the comparative quarter last year
- The EPS for the quarter under review stood at Rs6.73 as compared to Rs5.59 in the corresponding period last year
- On the segmental front, the Pressing segment de-grew by 31.4% on a y-o-y basis whereas the Bus bodies reported a growth of 30.0% on a y-o-y basis
- The Board of Directors has declared an interim dividend of Rs2.50 per equity share

Financials:

Performance (Q3FY23)									
Q3FY23 Result (Rs mn)	Dec-22	Dec-21	y-o-y	Sept-22	q-o-q	9MFY23	9MFY22	y-o-y	FY23E
Total Revenue	877	761	15.4%	1395	(37.1%)	3689	1669	-	4970
EBITDA	41	47	(11.7%)	75	(44.8%)	218	(38)	-	323
Other Income	24	12	-	20	25.1%	59	56	4.9%	76
Interest	0	0	(9.1%)	0	20.9%	1	1	(19.6%)	1
Depreciation	12	13	(6.2%)	12	0.6%	35	38	(7.3%)	51
Exceptional Items	0	0	-	(21)	-	(30)	0	-	(30)
Tax	13	12	10.9%	26	(51.3%)	70	(4)	-	90
Net Profit	**41**	**34**	**20.4%**	**77**	**(47.0%)**	**201**	**(15)**	**-**	**286**

Outlook and Recommendations:

One should not analyse the company on quarterly basis, infact review the same on a yearly basis; as the completion of orders (bus body building) is a slightly lengthy procedure right from procuring the raw materials to delivery of the final product to the concerned client. This is clearly indicated by the revenue growth of 15.4% and 121% in Q3FY23 and 9MFY23 respectively. The bus bodies segment (highest revenue contributor) too has reported good uptick both in Q3FY23 and 9MFY23. Owing to the down turn in the operations during Covid-19, the company had skipped paying dividends to the shareholders (last dividend was paid in July 2020), however as the operations and cash flow are coming back in line, the company has started sharing profits with the shareholders with an interim dividend of Rs2.5 per equity share of face value of Rs10 per equity share.

Outlook and Recommendations:

Tata Motors Ltd (TML) is looking at increasing its range of commercial vehicles in order to cater to the needs of city transportation/transit; the same augurs well for players like ACGL who are comfortable with the working ethics and culture of TML. As and when the demand for EV or hydrogen driven engines increases, the demand for bus body building will also see an uptick, and ACGL continues to bid for these orders. The CV industry is observing improved demand for MHCV trucks and even the passenger carriers. The new norms (related to bus body building) as and when implemented will create major headwinds for the unorganised market and players which continue to create issues for the organised entities and market share. The policy on emission norms, road & infrastructure, thrust on the EV segment, the bus-body code, urbanization & city developments plans, electrification as well as gasification (CNG & LNG) of city bus transit, PPP model of urban & sub-urban bus operations and the scrappage policy are some of the triggers that could spur the growth of ACGL. The company has minimum capex requirement that relates to plant upgradation while being a cash rich and more or less a debt free entity. All these triggers mentioned above indicate good times ahead for ACGL which has a comfortable order book visibility, strong customer base, comfortable debt position, robust cash generation and the vision to cater to profitable volume growth; we continue to be positive on the stock and maintain target price of Rs1150.

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