Automobile Corporation of Goa Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs1677	10.2	Buy	Rs2240	34%

**as on 31st Jan, 2024*

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 grew by 59.4% to Rs1399mn as compared to Rs877mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 8.03% as compared to 4.72% in the comparative quarter last year
- The company reported profit of Rs98mn as compared to Rs41mn in the same quarter last year
- The EPS for the quarter stood at Rs16.07 as compared to Rs6.73 in the corresponding period of last year
- On the segmental front, the pressing segment grew by 50.7% on a y-o-y basis whereas the bus bodies reported a growth of 60.7% on a y-o-y basis
- The board has declared an interim dividend of Rs5 per equity share of FV of Rs10 each

Financials:

Performance (Q3FY24)									
Q3FY24 Result (Rs mn)	Dec-23	Dec-22	y-o-y	Sept-23	q-o-q	9MFY24	9MFY23	y-o-y	FY24E
Total Revenue	1399	877	59.4%	1241	12.7%	4150	3689	12.5%	5460
EBITDA	112	41	-	84	34.3%	319	218	46.2%	420
Other Income	30	24	23.8%	29	3.7%	83	59	40.3%	109
Interest	0.2	0.2	(18.2%)	0.3	(25.3%)	0.7	0.6	8.3%	1
Depreciation	11	12	(3.9%)	12	(2.7%)	35	35	(0.7%)	48
Exceptional items	0	0	-	0	-	0	30	-	0
Tax	33	13	-	25	32.5%	92	70	31.1%	122
Net Profit	**98**	**41**	-	**76**	**29.1%**	**275**	**201**	**36.5%**	**359**

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under review with more than 50% increase in the reported net profit. An impressive growth on the topline both for Q3FY24 and 9MFY24 has led to an overall expansion in the Ebitda margins. Both the segments, i.e. bus body building as well as the pressing unit have reported a good growth for the quarter under review. As mentioned in our earlier quarterly notes as well, the right way to gauge the performance of ACGL is always on a yearly basis considering the industry cyclicality. In one of the latest industry updates in leading newspapers, it was reported that GOI is working to replace around 800,000 diesel buses with electric ones over the next 7 years. Such a conversion would definitely benefit players such as ACGL as the company is already in the process of upgrading its manufacturing facilities for new models of EV buses.

Outlook and Recommendations (contd.):

ACGL is already working to scale up the existing capacities from the existing 9000 buses to 12000 buses per year; inclusive of 900 EV buses with the recently announced capex plans. The increase in volumes can help absorb most of the fixed costs, and there can be an uptick seen in the margins profile as well as the bottomline. The long term association and backing by TML will continue to favour ACGL to drive the overall business in times to come as well (of course at arm's length). Some of the long term triggers with regards to enhancement of export share in the overall revenue pie (inch up by another ~10-12% from the current ~23%), penetration into EVs, hybrid buses, cash sufficiency, more or less debt free entity, good order book visibility, comfortable balance sheet and anticipation of better return ratios continue to drive the overall optimism in the working mechanism of ACGL. Backed by these positive rationales, we continue to remain positive on the overall working of ACGL. The stock has recently breached our target price of Rs1750 and we are considering the optimism in the cyclical business to which ACGL caters to and we upgrade the same to Rs2240 with a long term horizon.

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