

Company Details

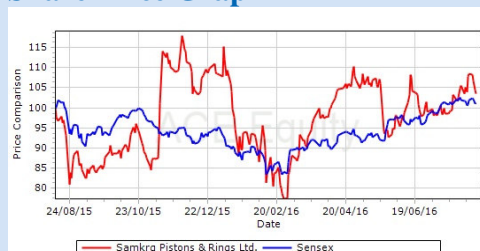
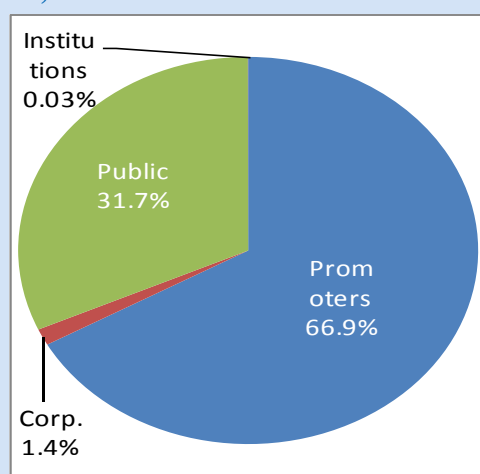
CMP:	Rs.169.10
Face value:	Rs.10.00
Market cap:	Rs.165.72 Crs.
TTM EPS	Rs.16.74
52 week high:	Rs.201.00
52 week low:	Rs.125.00
BSE Code:	520075
Sector	Auto Ancillary

Financial Highlights (YoY)

Rs. In crores			
	FY16	FY15	% Var
Net Sales	245.20	232.47	5.48
Total Expense	209.71	198.62	5.58
PBDIT	35.49	33.85	4.84
Op.Profit	35.88	34.19	4.94
PBT	22.62	18.01	25.60
PAT	15.91	12.53	26.98
EPS (Rs.)	16.20	12.76	26.98
Equity	9.82	9.82	0.00

Quarterly Performance (YoY)

Rs. In crores			
	Q1FY17	Q1FY16	% Var
Net Sales	64.18	58.09	10.48
Total Expense	53.48	48.38	10.54
PBDIT	10.70	9.71	10.20
Op.Profit	10.77	9.73	10.69
PBT	7.25	6.30	15.08
PAT	4.98	4.45	11.91
EPS (Rs.)	5.07	4.53	11.91

Share Price Graph**Shareholding pattern as on June 30, 2016****Company Background**

Samkrig Pistons & Rings Ltd., a Hyderabad-based company incorporated in 1985, is engaged in manufacture of pistons and piston rings for two, three & four wheelers and combustion engines. It has three plants located in Telangana and Andhra-Pradesh, close to Air Port (International) and sea port. The exports of the Company accounted for about 18% of its total sales during FY16. Its products manufactured with Japanese and German technology are sold under the brand 'Sam Pistons & Rings'.

Financial Performance

The net sales and PAT of Company during FY16 at Rs.245.20 crores and Rs.15.9 crores were up by 5.5% and 27%, respectively, compared to those during FY15. **The EPS had increased from Rs.12.76 for FY15 to Rs.16.20 for FY16. The Company has declared dividend of 40% for FY16 against 30% FY15.**

The Company has during Q1FY17 reported its net sales and PAT at Rs.64.18 crores and Rs.4.98 crores, respectively, which are up by 10.5% and 11.9% over those during Q1FY16. The EPS has gone up from Rs.4.53 for Q1FY16 to Rs.5.07 for Q1FY17.

Investment Rationale

- The outlook of the auto component manufacturing sector looks promising on the back of growth in passenger vehicles and motorcycle segments. Growth in the auto component industry will be higher than the underlying automotive industry growth, given the increasing localisation by OEMs, higher component content per vehicle and rising exports from India. Government's special focus on exports of auto components too will provide the sector ample support in near-term. In addition, the implementation of GST would also be beneficial for auto industry.
- The net sales and PAT of the Company have grown at CAGR of 12.2% and 21.9%, respectively, during the last four years (FY12-16).** It is expected that this trend will continue on the back of increasing demand from replacement market & Original Equipment Manufacturers (OEM) and & export markets.
- The 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 our technical expertise both from Japanese & German Consultants. Company's success in exports to developed countries like UK, France, Germany and EU showing the quality of products manufactured by the Company.
- The export turnover of Rs.46.43 crores during FY16 has marginally declined from Rs.49.33 crores during FY15. The Company is, however, continuously focusing to increase its exports to developed Countries like Europe, U.K, France, Germany, Brazil and Russia. **It has plans to reach exports turnover of 25% during the next 2 years.**
- Its major clientele include Honda, Bajaj, TVS, Piaggio, Kirloskar, Mahindra, Tata Motors, Force etc. in domestic market and overseas clients include Derbi, Motoco, Techmot, MS ect.
- It has reduced its total debt from Rs.62.78 crores at the end of FY12 to Rs.17.44 crores at the end of FY16. Its debt:equity works out to 0.19:1.
- The Company has continuously paid dividend since 1998 and share of the Company provides tax free dividend yield of 2.3% for FY16.
- The promoters hold 66.9% equity capital of the Company, followed by institutions and non-promoter corporates that hold 0.03% and 1.4%, respectively, and the balance 31.67% shares are held by the public.

Concerns

Slowdown in global economy, exchange rate fluctuation and competition from other players are some of the main concerns.

Valuation

The share of the Company is trading at a lower TTM P/E of 10.5x against that of industry at 19.1x. We expect the Company to report EPS of over Rs.20 for FY17. Based on this, the share is trading at an attractive forward PE of only 8x. Keeping in view the positive outlook for auto and auto-component industry, **improved financial performance of the Company**, strong clientele & distribution network, lower debt, good and consistent dividend payment, **and lower TTM PE**, we recommend a buy on share of this Company with an expected price appreciation of over 30% over the next 12 months.