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Clutch Auto Limited—BUY—135—INR

Sector — Auto Ancillary
Regd.Off. — 2E / 14, First Floor, Jhandewalan Extn, New Delhi - 110055
Listed — NSE, BSE.

Company overview—

Clutch Auto (CAL) was incorporated in May 1971 in New Delhi, promoted by Vijay Krishna Mehta, a technocrat entrepreneur. The company manufactures clutches, components and spares for the automotive sector. The Company is working regular on modernization and expansion programs and to improve the productivity and quality of its products. Its clientele includes TELCO, Ashok Leyland, Maruti Udyog, DCM Toyota, Escorts Tractors, BEML and state transport undertakings. The company is concentrating on increasing its capacity for the existing range of vehicles. Products are upgraded with imported equipment like induction hardening, press tempering and semi-automatic revelling machines. During the year 2002-03 the Company got patent for EZ N LITE for heavy commercial vehicles in US and this will give an edge over competitors and is expected to result in substantial business increase in the years to come.

Products & Services—

Company is India's largest clutch manufacturer & Exporter today. Company has TS 16949 accredited by TUV, ISO 9002, QS 9000 and QS 9000: 1998 certifications. Company has 3 decades of undisputed Leadership history. Company supplies OE to Maruti, Mahindra, Tata-Mercedes, Ashok Leyland-IVECO, PTL, Escorts, New Holland, Eicher, TAFE-Messey Ferguson, Sonalika-International Tractors, JCBL, Bajaj Auto, Greaves & BEML. Company is India's largest exporter of clutches, exports to 40 countries, 85% to Americas. Company also has Largest after market distribution network in India. It is Major supplier to Indian Defence Establishments. It also provides State-of-the-art testing facility for Clutches. Company has set up R & D center recognized by Govt. of India.

Company manufactures different categories of Clutch Discs (Asbestos Free Unlined) i.e. Silent Clutch Discs, Single & Multi Stage Discs, Self Alignment Discs, 3,4,6 Pedal Discs, Bonded & Rigid Discs, kits & components, Hubs, Pressure Plates, Rollers. In Cover Assemblies it makes Diaphragm & Coil Spring Clutches, Lever, Dual / Double Clutches, Metallic / Cerametallic Wet & Dry Clutches, Angle Spring Clutches, Levers Springs Yokes. In Kits & Components it makes Lever, spring, Yokes.

Financials—

01-jan-2007 to 31-mar-2007 (Fourth Quarter)

Financial Results	(Rs.lakhs)
Net Sales	9095.59
Other Income	3.65

Gross Income	9099.24
Increase/Decrease in Stock	-462.27
Consumption of Raw Materials	6178.05
Staff Cost	425.92
Total Expenditure Excluding Other Expenditure	6141.70
Other Expenditure	1554.90
Total Expenditure	7696.60
Interest	310.52
Profit Before Depreciation & Taxes	1092.12
Depreciation	144.06
Profit Before Tax	948.06
Provision for Taxation	240.35
Net Profit	707.71
Paid-up Equity Share Capital	1551.54
Basic EPS (in Rs.)	4.56
Diluted EPS (in Rs.)	4.56

Recent Developments—

The company is in advance level talks for domestic distribution of its tractor clutches with Indian auto major Mahindra & Mahindra. An upcoming plant in North India would cater to the local customers including Tata Motors and Mahindra. Company also got USD 5.5 mn order from Uzel of Turkey. On the tractor clutch front, the company has received another Original Equipment order from the Serbia based IMT Fabrika.

Valuation—

Company reported strong growth in net sales in FY2007. Net sales surged by 56.8% to Rs 235.5 crore against Rs 150.2 crore in FY06. Tata Motors contributes 35-40% to the revenues and Ashok Leyland contributes 10%. Company has planned capital expenditure of 35 cr. Rs. for the next year, and that will be funded by debt. The company is targeting export revenues of Rs100 crore by FY08. At CMP of Rs 135, the stock is trading at 5.4 X multiple of its FY08E EPS. We recommend investors to “BUY” “Clutch auto” with medium to long-term investment horizon.

We invite Readers to send Feedback, stock and subscription queries at E-mail investment_guru1@yahoo.com

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