



Farsight

MORNING FARSIGHT

Tuesday, June 05, 2018

PPAP AUTO

CMP:RS 550

TRGT:RS 590

TIME HORIZON: 3 - 6 MTHS

PPAP Auto is looking a good buy after share having corrected in this weakness, post its 04FY18 results, while seen having bottomed out, as this auto component player, making sealing systems and interior/exterior injection moulding products at 5 plants in Noida and Greater Noida (UP), Chennai (Tamil Nadu), Pathredi (Rajasthan), Viramgam (Gujarat), commenced commercial operations in Chennai and Gujarat in H2FY18. With technical collaboration with Tokai Group for plastic automotive sealing systems and Toolings and Ichimiya Group for injection molded products, company operated at 80% capacity utilisation. Deriving 48% of FY18 revenue from Maruti and 30% from Honda Motors, 8% each from Nissan and Toyota Kirloskar and 3% from Tata Motors, company has added new clients like Hyundai, SML Isuzu, Suzuki Motorcycle and MG India during the fiscal gone by. FY18 consolidated was up 15%YoY to Rs. 398 crore, while EBITDA jumped 25% YoY to Rs. 69 cr, leading to an EBITDA margin of 22%, up 200 bps. FY18 PAT and EPS were Rs. 39 cr (up 41% YoY) and Rs. 26 respectively. Return ratios also strengthened in FY18, with RoCE jumping to 20.54% from FY17's 15.25%, while debt equity further lowered to 0.11:1, from 0.22:1 as of 31-3-17. With market cap close to Rs. 800 crore, share price is being discounted by historic PE of 20x and FY19E PE of 16x. EV/EBITDA multiples of 9x and 8x for FY18 and FY19E respectively are attractive, given company's virtual debt free balance-sheet and all major capex being now over. Share ruling at Rs. 550 can move to Rs. 590 in the next 3-6 months. Buy as an investor only for given time horizon, without looking to daily volatility, as Auto Ancillary is seen a growth sector, while LT view can also be taken on the stock.

DISCLAIMER: This is solely for information of clients of Farsight Securities Ltd. and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Farsight Securities Ltd. its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Farsight Securities Ltd. or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Farsight Securities Ltd. in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Farsight Securities Ltd. has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Farsight Securities Ltd. makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.