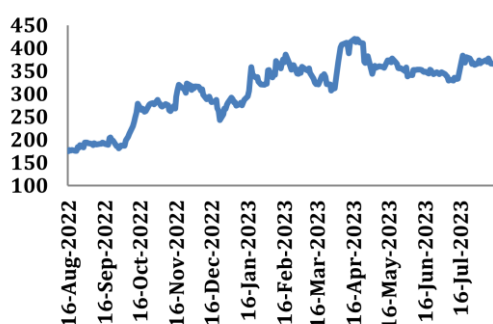


August 16, 2023
ATUL AUTO LTD.

Industry	Automobile Two & Three Wheelers
No. of Shares (Crore)	2.61
Face value (Rs.)	5.00
Mkt. Cap (Rs. Crore)	953.73
Price (14/08/2023)	366.10
Book Value (Rs)	146.53
P/BV	2.50
BSE Code	531795
NSE Code	ATULAUTO
Bloomberg	ATA IN
Reuters	ATUL.BO
Avg. Weekly Volume (NSE)	1,56,004
52 W H/L (Rs)	433.95 / 167.90
Shareholding Pattern	%
Promoters	46.46
Institutions	1.19
Non- Institutions	52.35
Total	100.00
(As on June 30, 2023)	
Recommendation	
BUY	

ATUL AUTO

Company Background

Atul Auto Ltd (AAL) is the one of the fastest growing 3 Wheeler Company in India, with a presence across 21 states with 200 primary and 130 secondary networks. It's dealership, sales, service, and spare parts network comprises over 600 touch points across the globe.

Investment Rationale

- With a 5% market share, AAL had produced 25,549 units in FY23, growing 59% YoY and thus making a smart recovery in operating performance in FY23 after two years of losses.
- Atul Greentech, its subsidiary introduced EV-3-Ws Atul Mobili and Atul Energie in Auto Expo 2023. This segment is focused on EVs and has effective products and variants for passenger and cargo vehicles. The company's EV segment is emerging and performed well last year, contributing 12% to its overall sales composition. Atul Energie is the industry's first electric cargo three-wheeler to have a dual battery pack providing a superior range of 195 km.
- AAL is in the process of launching more models and variants in Alternate Fuel Three Wheelers (CNG/LPG) with a capacity of 0.50 tonne on the back of a strong support of R&D.
- AAL's R&D team is constantly focused on their efforts in developing cutting-edge technologies that are relevant for the near and long-term requirements of the Company's business plans. These developments are centered on customers, emerging mobility needs, providing advanced safety systems and sustainability.
- AAL has undertaken collaboration with Honda Power to explore battery swapping solutions for electric-3-Ws and Valeo for electric powertrain.
- Post Covid, the auto industry as a whole has made a remarkable turnaround and the 3-Wheeler industry is not an exception. The monsoons being normal till now and with inflation expected to cool off, the industry is expected to maintain a steady growth in FY24.
- 3 Wheelers used in transportation of cargoes is expected to witness a substantial growth in volumes due to the emergence of E-Commerce players and its role in playing the role of last-mile connectivity.
- The acquisition of Khushbu Auto Finance Ltd, an NBFC in FY22 has enabled AAL to fill the gap for retail financing facilities to the customers of Atul vehicles. It acts as a spirit to expand or strengthen the reach of the Company where the dealers were in need of the retails financiers to boost the business.
- AAL had in FY23 issued 58.08 Lakh convertible warrants @Rs 49.5 per warrant to the promoter group with an aim to reduce the debts. The debts reduced from Rs 187 Cr in FY22 to Rs 170 Cr at the end of March 2023.
- The issue with regards to BSVI OBD (On-Board-Diagnostics)-Phase 2 implementation with respect to its diesel vehicles is expected to be resolved soon which in turn could transform AAL into the growth path again.

Recommendation

Atul Auto has embarked upon an ambitious growth path by foraying in to the Electric Vehicle space. Armed with the latest technology and a strong R&D is expected to make it a formidable player in the times to come. Post Covid, the auto industry in general has made a remarkable turnaround in fortunes. We would recommend a BUY with a target price of Rs 424 in the next 9-12 months, thus implying a rise of 15% from the current levels.

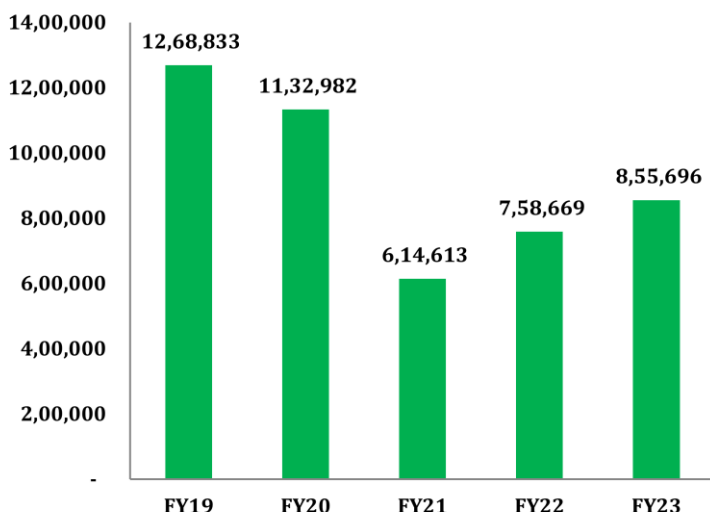
Particulars (In Rs. Crs)	Q1FY24	Q1FY23	Var%	FY23	FY22	Var%
Net Sales	59.65	106.69	-44.09	513.12	315.42	62.68
PBIDT (Excluding OI)	-4.25	1.62	-	36.26	-16.29	-
Net Profit	-9.03	-3.66	-	4.00	-24.94	-
PBIDTM% (Excluding OI)	-7.12	1.52	-	7.07	-5.16	-
PATM%	-15.78	-3.42	-	0.61	-8.08	-
Equity	13.03	10.97	18.78	11.94	10.97	8.84
EPS (Rs.)	-3.47	-1.67	-	1.82	-11.37	116.01

*Source: Company, Ace Equity, AUM Research

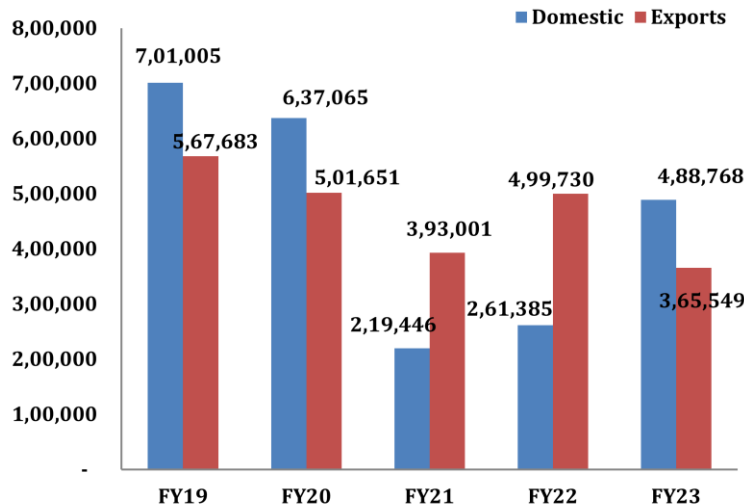
Industry Overview

Indian 3-Wheeler market

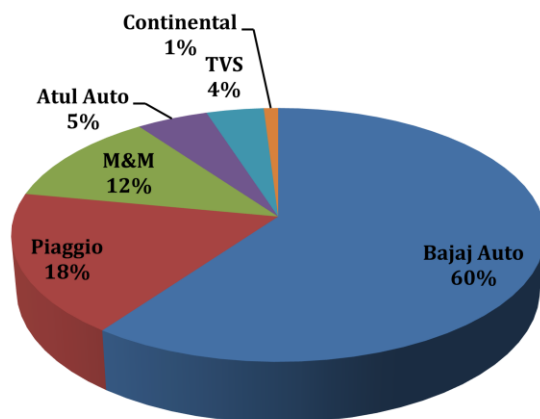
3-Wheeler Production In India



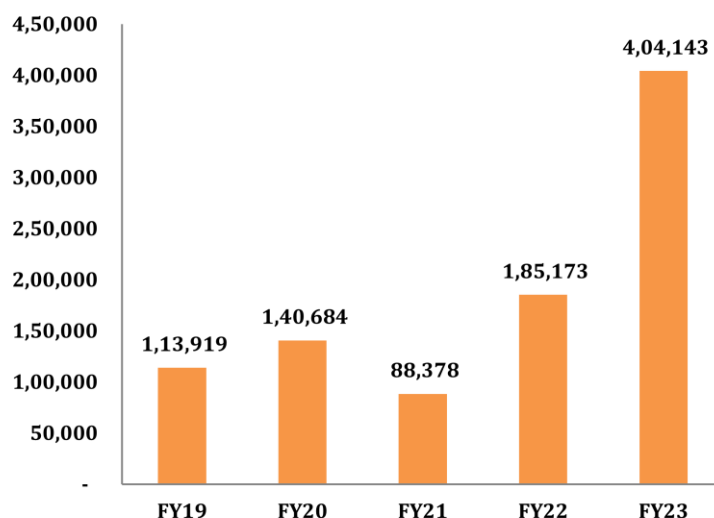
Domestic Sales & Exports



Market Share



Electric 3-Wheeler Sales



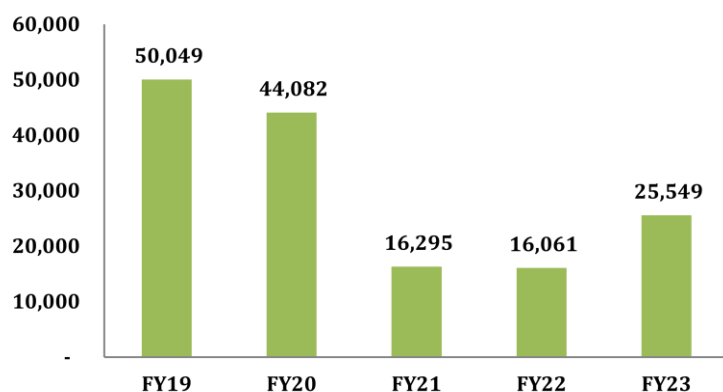
*Source: SIAM, Rushlane, AUM Research

- 3-Wheelers are comparatively inexpensive compared to cars and bikes, thus making them more accessible to the mass population.
- They are more fuel efficient than other modes of transport, making them cost-effective for people needing to travel regularly.
- Growth of E-Commerce players has led to the demand for 3-Wheelers for carrying of goods and commodities from warehouses to the final consumers.
- Advent of Electric Vehicles has propelled the growth of 3-Wheelers further.

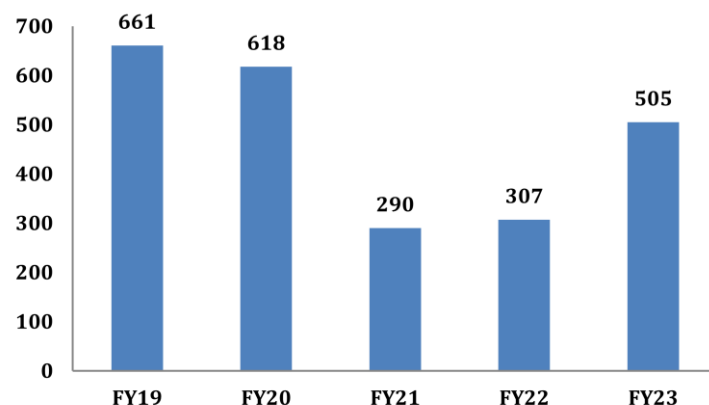
Company Overview

- **Plant Capacity-** 60,000 vehicles p.a in a single shift basis.
- **Location & Reach-** Rajkot, Haridwar. 21 states with 200 primary and 130 secondary networks. AAL's dealership, sales, service, and spare parts network comprises over 600 touch points across the globe.

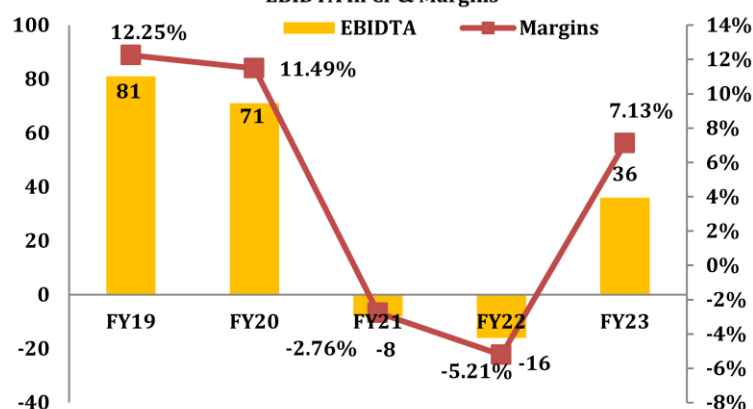
No. Of Vehicles Sold



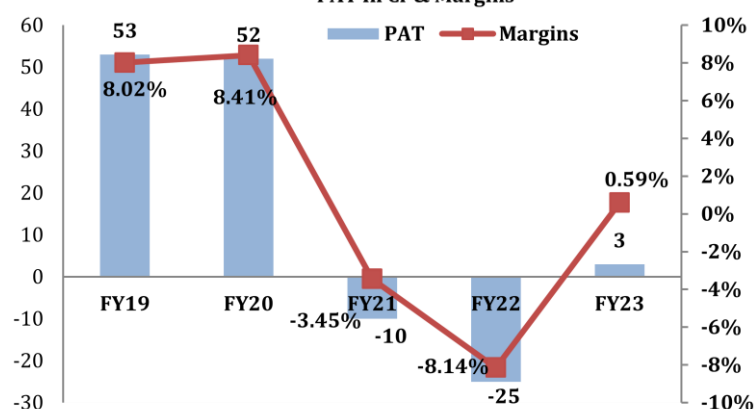
Revenue In INR Cr



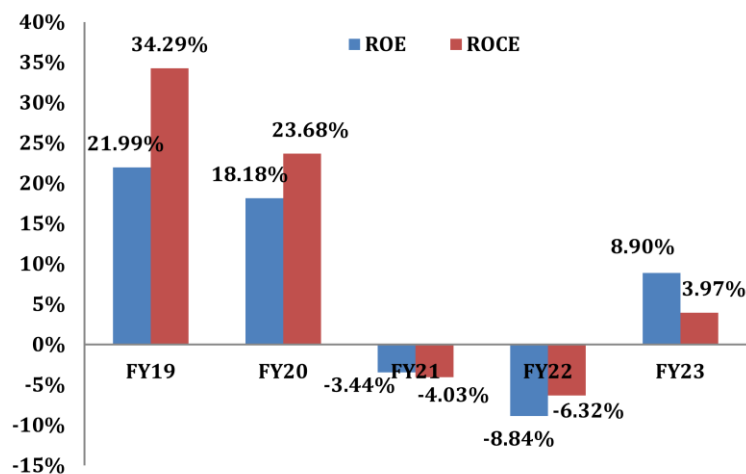
EBIDTA In Cr & Margins



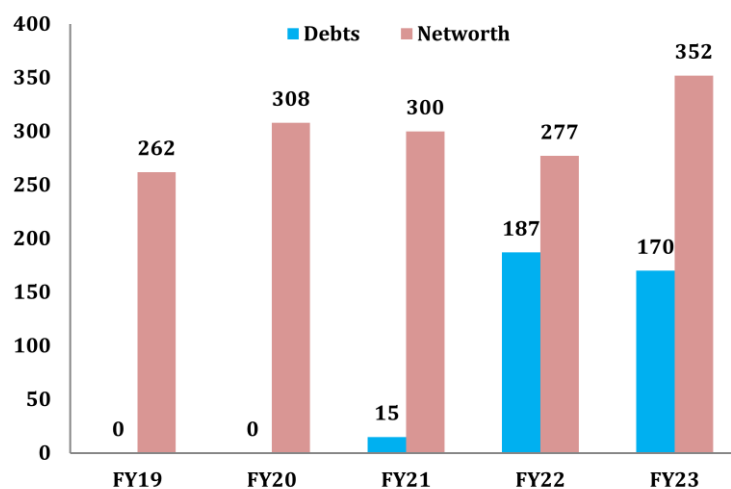
PAT In Cr & Margins



Return Ratios



Debts & Networth In Cr



*Source: Company, Ace Equity, AUM Research

Product Profile



Introduction of E-Vehicles in Auto Expo 2023



*Source: Company, AUM Research

Rationale For Investment

Turnaround story and fairly leveraged

- **Profit after 2 years of losses:-** After incurring losses of Rs 10 Cr and Rs 25 Cr for FY21 and FY 22 respectively, AAL earned a profit of Rs 3 Cr in FY23 signaling a turnaround in performance.
- **Fairly leveraged:-** Even during its tough times, AAL did not overleverage its balance sheet and managed to keep its Debt to Equity ratio below 1. It reduced its debts from Rs 187 Cr in FY22 to Rs 170 Cr at the end of March 2023 and the Debt to Equity ratio stood at 0.48x owing to equity infusion and better cash flow generation.

Foraying into the E-Vehicle space a positive development

- **Subsidiary for dedicated focus on E-Vehicles:-** Atul Greentech Pvt. Ltd (AGPL) is a 100% subsidiary of AAL which specializes in manufacturing infrastructure and designing solutions for manufacturing last-mile electric mobility for domestic and export markets.
- **Collaboration with world class companies:-** The E-Vehicles manufactured by AGPL are integrated with a motor drive from “Valeo” which is a world leader in 48V drive system and chargers from leading manufacturing company “Delta Q” in addition to being powered by lithium-ion batteries that offer safety, helping the drivers go the distance with minimum impact on the environment owing to its zero-emission technology.
- **Exclusive products for specific purpose:-** AGPL launched two vehicles “Mobili” dedicated to the passenger segment and “Energie” dedicated for transportation of cargo. Both the products have been built with industry leading technology and Battery Management System. “Energie” and “Mobili” claim to have a range of 195 Kms and 110 Kms respectively on a single charge.
- **Aiming to be an industry leader:-** With the addition of E-Vehicles to its product portfolio, AAL has embarked upon a journey to be a technology leader and provide intelligent, data driven last connectivity. AAL’s advanced processes and infrastructure form the backbone which is expected to empower it to create world class products.
- **Dedicated R&D team:-** AAL has an in-house developed an advanced temperature controlled solution to enable the cooling of its AIS 156 battery pack, to ensure the e-vehicles operate seamlessly even in extreme weather conditions. The battery pack is integrated with the vehicle telemetry system that provides the drivers and fleet operators with timely insights through real-time monitoring and remote visualization. The Government is actively pursuing the plan for electrification of the vehicle fleet and has announced the benefits under FAME II (Faster Adoption and Manufacturing of Hybrid & Electric Vehicles) policy. Armed with its R&D strength, AAL is satisfactorily progressing to launch more electric three wheelers with Lithium-ion battery.
- **Financing made easy:-** Majority of sales of three wheelers are dependent on finance by NBFCs & financial institutes like bank etc., the availability of which sometimes becomes an issue. Majority of the banks especially the PSU ones have become very selective in loan disbursements after they were put under the PCA (Prompt Corrective Action) by RBI about 4-5 years back. AAL had acquired an NBFC, Khushbu Auto Finance Ltd to fill the gap for retail financing facilities to the customers of Atul vehicles. This in turn has enabled AAL to strengthen its reach where the dealers were in need of the retail financiers to boost the business. This is a forward integration which will further give their results in long run and turn out to be beneficial while launch of electric vehicles of AGPL.

Presence in alternate fuel segment (CNG/LPG)

- **Established presence:-** Atul RIK is a popular auto rickshaw available in three fuel variants- CNG, LPG and Petrol having a sizeable presence in the domestic market as well as a lucrative export opportunity.
- **Diversified product range:-** As part of its commitment to make constant embellishments in its Alternate Fuel 3W space, AAL has been focused on improving its Alternate Fuel 3W in 0.35 tonne as well as 0.50 tonne segment. With a new range of Alternate Fuel 3W (Petrol/ CNG/ LPG), AAL expects to have a deeper penetration in existing markets and entering into new countries to expand the international business.

Active support from the Government of India

- **PLI Scheme:-** In order to help the automotive industry overcome the cost disabilities, economies of scale, and facilitate growth in areas of Advanced Automotive Technologies (AAT), government had launched the PLI scheme for the industry, for the next 5 years starting FY22-23 with an outlay of Rs 26,000 Cr. This is expected to facilitate the automotive industry to move up the value chain into higher value-added products along with providing incentive of up to 18%, to encourage industry to make fresh investments in indigenous supply chain of AAT products.

August 16, 2023

Financials

Consolidated Quarterly Results (Value in Rs. Crs)						
Particulars	Q1FY24	Q1FY23	Var%	FY23	FY22	Var%
Net Sales & Other Operating Income	59.65	106.69	-44.09	513.12	315.42	62.68
Total Expenditure	63.90	105.07	-39.18	476.86	331.71	43.76
PBIDT (Excl OI)	-4.25	1.62	-	36.26	-16.29	-
Other Income	0.39	0.40	-2.50	1.50	1.30	15.38
Operating Profit	-3.86	2.02	-	37.76	-14.99	351.90
Interest	3.88	3.13	23.96	16.48	8.29	98.79
PBDT	-7.74	-1.11	-	21.28	-23.28	191.41
Depreciation	4.50	3.07	46.58	15.50	9.62	61.12
PBT	-12.24	-4.18	-	5.78	-32.90	117.57
Tax	-2.83	-0.53	-	2.65	-7.42	135.71
Net Profit	-9.41	-3.65	-	3.13	-25.48	112.28
Minority Interest	0.38	-0.01	-	0.87	-	-
Consolidated Net Profit	-9.03	-3.66	-	4.00	-24.94	-
Equity	13.03	10.97	18.78	11.94	10.97	8.84
EPS (Rs.)	-3.47	-1.67	-	1.82	-11.37	116.01

Consolidated Income Statement (Value in Rs. Crs)			
Particulars	FY22	FY21	FY20
Net sales	315.32	295.90	625.34
Total Expenditure	331.76	303.56	554.17
Operating Profit (Excl OI)	-16.44	-7.66	71.17
Other Income	1.45	1.66	2.68
Operating Profit	-14.99	-6.00	73.85
Interest	8.29	0.88	1.03
PBDT	-23.28	-6.88	72.82
Depreciation	9.62	6.56	6.40
Profit Before Tax	-32.90	-13.44	66.42
Provision for Tax	-7.42	-3.00	14.64
Net Profit	-25.48	-10.44	51.78
Share of Associate	0.54	2.26	1.36
Consolidated Net Profit	-24.94	-8.18	53.14
EPS (Rs.)	-11.37	-3.73	24.22

*Source: Company, Ace Equity, AUM Research

Consolidated Balance Sheet (Value in Rs. Crs)			
Particulars	FY22	FY21	FY20
EQUITY AND LIABILITIES			
Share Capital	10.97	10.97	10.97
Total Reserves	265.62	288.85	296.85
Shareholder's Funds	276.59	299.82	307.82
Secured Loans	120.09	15.00	-
Unsecured Loans	-	-	-
Deferred Tax Assets / Liabilities	-13.53	0.38	3.16
Other Long Term Liabilities	3.00	0.41	0.32
Long Term Provisions	1.38	0.27	0.73
Total Non-Current Liabilities	110.94	16.06	4.21
Trade Payables	42.87	46.57	38.93
Other Current Liabilities	28.44	20.93	25.39
Short Term Borrowings	67.45		
Short Term Provisions	5.35	4.15	4.13
Total Current Liabilities	144.11	71.65	68.45
Total Liabilities	531.64	387.53	380.48
ASSETS			
Gross Block	278.03	157.38	153.98
Less: Accumulated Depreciation	78.55	67.60	61.19
Net Block	199.48	89.78	92.79
Capital Work in Progress	60.40	149.80	117.00
Assets In Transit	-	0.28	-
Non Current Investments	-	20.19	18.24
Long Term Loans & Advances	100.19	27.07	17.39
Total Non-Current Assets	360.07	287.12	245.42
Currents Investments	-	10.50	-
Inventories	52.43	51.12	48.03
Sundry Debtors	19.95	23.19	78.08
Cash and Bank	6.82	9.08	2.44
Other Current Assets	8.39	0.96	3.46
Short Term Loans and Advances	83.98	5.56	3.05
Total Current Assets	171.57	100.41	135.06
Net Current Assets (Including Current Investments)	27.46	28.76	66.61
Total Current Assets Excluding Current Investments	171.57	89.91	135.06
Total Assets	531.64	387.53	380.48

*Source: Company, Ace Equity, AUM Research

Aum Capital RESEARCH DESK

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