

Ucal Fuel Systems Ltd.

Industry	Auto Ancillary
No. of Shares (Crore)	2.21
Face value (Rs)	10
Mkt. Cap (Rs. Crore)	546.32
Price (15/12/2017)	247.05
Book Value (Rs)	25.46
P/BV	9.70
BSE Code	500464
NSE Code	UCALFUEL
Bloomberg	UCAL IN
Reuters	UCAF.BO
Avg. Monthly Volume	44246.36
52 W H/L (Rs)	262.70 / 154.40

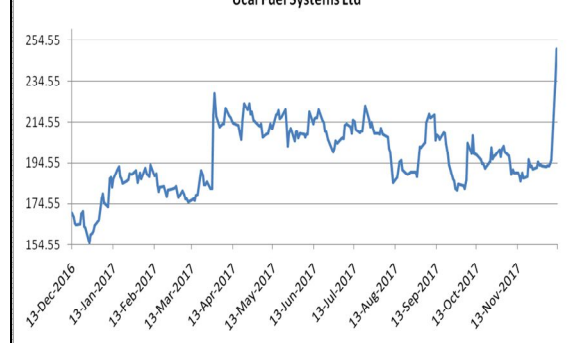
Shareholding Pattern	%
Indian Promoters	68.67
Foreign Promoters	1.60
DIIs	0.21
FPIs	0.00
Body Corporate	2.52
Non-Institutions	27.00
Total	100

(As on September 30, 2017)

Recommendation

BUY

Ucal Fuel Systems Ltd



Company Background

Ucal Fuel Systems Ltd. (UCAL) was incorporated in 1985, is a Chennai-based auto ancillaries company. UCAL is an engineering company that offers comprehensive Fuel Management Systems for Automotive sector. The company is jointly promoted by Carburettors Limited, a pioneer in manufacture of carburettors and mechanical fuel pumps in India and Mikuni Corporation of Japan, an internationally renowned company for Fuel Management System and products. UCAL became public limited in 1989. UCAL started to manufacture world class carburettors, mechanical fuel pumps and air suction valves using advanced technology. It designs product for petrol and diesel engine application and has impeccable manufacturing process and systems that ensures product quality. UCAL has manufacturing facilities in 5 locations - 3 in Tamil Nadu, 1 in Pondicherry and 1 in Haryana.

Investment Rationale

- The company has one of the most advanced R & D centers in the industry. The R&D center, named, Krishnamurthy Centre for Automotive Technology (KCAT) located in Ambattur, Chennai is recognized by the Department of Scientific and Industrial Research, Government of India. The company has fully absorbed the technology and is continuously working towards new development and thus in FY16-17 Company has made expenditure of Rs. 9 crore which is 1.62% of total turnover in R&D.
- The company has two wholly owned subsidiaries. Ucal Polymer Industries Limited (UPIL) which efficiently cater to the plastic and rubber component requirements of UCAL. Amtec Precision Products Inc, USA (Amtec) manufactures precision machined parts and plastic moulded products and has three facilities located in Illinois, USA.
- For the period of FY12-16, its topline and bottomline grew at a CAGR of ~5% and ~53% respectively. In Q2FY18 UCAL's standalone net sales declined by ~8% to Rs. 158.50 crore but its PBIDT grew by ~52% to Rs. 34 crore. Its PAT for the quarter increased by robust 99% to Rs. 16 crore from Rs. 8 crore as compared to the same quarter previous year. The increased profitability is due to the increased turnover in UCAL and a corresponding increase in turnover of UPIL and an overall reduction in costs.
- The company has been consistently paying Dividend since many years and for FY16-17, they have paid 50% dividend i.e. Rs. 5 per equity share to its equity shareholders and amount aggregates to Rs. 1,106 lakhs.
- Continuous efforts are being made to introduce the company's products to various international customers and thus it has set up a representative office in Europe. With the company becoming Euro VI compliant in relation to pumps it is expected that exports of the same will increase in FY17-18. The exports stood at Rs. 10.18 crore in FY16-17. The spares sales has seen a growth of 53% to Rs 63.28 crore, due to an increased offtake of spares by OEMs and a greater thrust given by the company for increasing the spares sales.
- UCAL's client list includes some of the top OEMs such as Maruti Udyog, Hyundai, Cummins, Bosch, General Motors, TVS Motor Company, Bajaj Auto, Suzuki, Yamaha, Hero Honda Motors, etc.
- **Recommendation** - UCAL has large scope for exports and there exists a large domestic market for spares which will benefit the company. Further Government's continued emphasis on domestic manufacturing through its "Make in India" program and encouraging the manufacture of electric vehicles to bring electric mobility to the country would have a positive influence on the auto and auto component industry. At the CMP of Rs. 247.05, the stock trades at ~11 times FY19 EPS of Rs. 23. **Hence, we recommend a BUY on the stock with a Target Price of Rs. 345 with an upside potential of ~40% from the current level with an investment horizon of 9-12 months.**

Particulars (Rs. Crs)	Q2FY18^	Q2FY17^	Var%	H1 FY18^	H1 FY17^	Var%	FY16*	FY17*
Net Sales	158.50	171.75	-7.71	300.19	287.62	4.37	723.65	784.77
PBIDT (Excl OI)	34.18	22.53	51.71	50.39	42.18	19.46	73.15	96.01
Profit After Tax	15.98	8.03	99.00	19.77	16.18	22.19	15.57	33.03
PBIDTM (Excl OI) %	21.56	13.12	64.39	16.79	14.67	14.46	10.11	12.23
PATM %	10.08	4.68	115.64	6.59	5.63	17.07	2.15	4.21
EPS (Rs.)	7.23	3.63	99.17	8.94	7.32	22.13	7.04	14.94

^Numbers are Standalone, * Numbers are Consolidated

Financials

Standalone Quarterly Results (Value in Rs. Crs)						
	Q2FY18	Q2FY17	Var%	H1 FY18	H1 FY17	Var%
Net Sales	158.50	171.75	-7.71	300.19	287.62	4.37
Total Expenditure	124.32	149.22	-16.69	249.80	245.44	1.78
PBIDT (Excl OI)	34.18	22.53	51.71	50.39	42.18	19.46
Other Income	1.14	0.11	936.36	1.62	1.79	-9.50
Operating Profit	35.33	22.64	56.05	52.01	43.97	18.29
Interest	5.52	6.02	-8.31	11.00	11.29	-2.57
PBDT	29.81	16.62	79.36	41.01	32.68	25.49
Depreciation	4.42	5.55	-20.36	8.99	10.94	-17.82
Tax	9.41	3.04	209.54	12.25	5.57	119.93
Profit After Tax	15.98	8.03	99.00	19.77	16.18	22.19
EPS (Rs.)	7.23	3.63	99.17	8.94	7.32	22.13

Consolidated Income Statement (Value in Rs. Crs)					
	FY13	FY14	FY15	FY16	FY17
Net Sales	653.56	643.84	737.73	723.65	784.77
Total Expenditure	586.11	581.25	649.77	650.51	688.77
PBIDT (Excl OI)	67.45	62.58	87.97	73.15	96.01
Other Income	8.40	11.04	10.31	10.90	11.14
Operating Profit	75.85	73.63	98.28	84.05	107.15
Interest	37.83	35.63	31.45	27.23	26.79
PBDT	38.02	37.99	66.83	56.82	80.36
Depreciation	27.60	28.03	33.51	33.50	32.29
Tax	4.43	3.12	8.76	7.76	15.04
Profit After Tax	5.98	6.85	24.55	15.57	33.03
EPS (Rs.)	2.71	3.10	11.10	7.04	14.94

Consolidated Balance Sheet (Value in Rs. Crs)					
Description	FY13	FY14	FY15	FY16	FY17
EQUITY AND LIABILITIES					
Share Capital	22.11	22.11	22.11	22.11	22.11
Share Warrants & Outstandings	-	-	-	-	-
Total Reserves	36.94	33.53	43.97	9.29	34.19
Shareholder's Funds	59.05	55.64	66.08	31.40	56.31
Minority Interest	-	-	-	-	-
Long-Term Borrowings					
Secured Loans	206.60	169.51	110.15	71.84	92.05
Unsecured Loans	0.00	0.00	0.00	7.46	6.51
Deferred Tax Assets / Liabilities	-11.17	-13.76	-18.91	6.42	4.99
Other Long Term Liabilities	3.76	6.29	3.06	4.00	4.26
Long Term Trade Payables	3.38	6.61	8.39	8.01	6.02
Long Term Provisions	1.24	0.88	0.92	1.57	2.77
Total Non-Current Liabilities	203.81	169.53	103.61	99.29	116.61
Current Liabilities					
Trade Payables	108.34	99.32	103.15	100.79	108.12
Other Current Liabilities	62.87	86.33	110.47	127.32	67.13
Short Term Borrowings	134.70	129.97	126.43	120.44	128.79
Short Term Provisions	4.66	4.36	11.51	16.57	10.73
Total Current Liabilities	310.58	319.97	351.56	365.13	314.77
Total Liabilities	573.44	545.14	521.25	495.82	487.69
ASSETS					
Non-Current Assets					
Gross Block	640.72	644.16	659.01	673.27	683.87
Less: Accumulated Depreciation	326.02	352.09	388.20	418.40	445.21
Less: Impairment of Assets	-	-	-	-	-
Net Block	314.69	292.07	270.80	254.88	238.65
Capital Work in Progress	9.47	9.75	3.81	1.92	6.51
Non Current Investments	0.05	0.05	0.05	0.05	0.05
Long Term Loans & Advances	8.98	9.34	10.39	11.19	10.81
Other Non Current Assets	0.49	0.00	0.67	0.00	0.00
Total Non-Current Assets	333.68	311.22	285.74	268.04	256.03
Current Assets Loans & Advances					
Currents Investments					
Inventories	72.58	70.44	76.41	78.14	75.20
Sundry Debtors	115.52	116.90	111.48	102.18	115.33
Cash and Bank	6.42	2.87	2.86	2.60	5.30
Other Current Assets	4.17	1.56	0.00	0.00	0.00
Short Term Loans and Advances	39.40	42.10	44.70	44.86	35.82
Total Current Assets	238.08	233.86	235.44	227.78	231.66
Net Current Assets (Including Current Investments)	-72.50	-86.11	-116.12	-137.35	-83.11
Total Current Assets Excluding Current Investments	238.08	233.86	235.44	227.78	231.66
Total Assets	573.44	545.14	521.25	495.82	487.69

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