

Summary: A world-class component manufacturing company based in India with global associates.

BANCO PRODUCTS (INDIA) LIMITED

Recommendation: Buy

CMP: Rs. 151.80/- TARGET: Rs. 192/-

SENSEX: 39275 NIFTY: 11787

KEY STOCK STATISTICS:

Market Capitalization (crs): 1070/-

Book Value: Rs. 124.96/-

Face Value: Rs. 2/-

52 week High/Low: 248.05/141.70

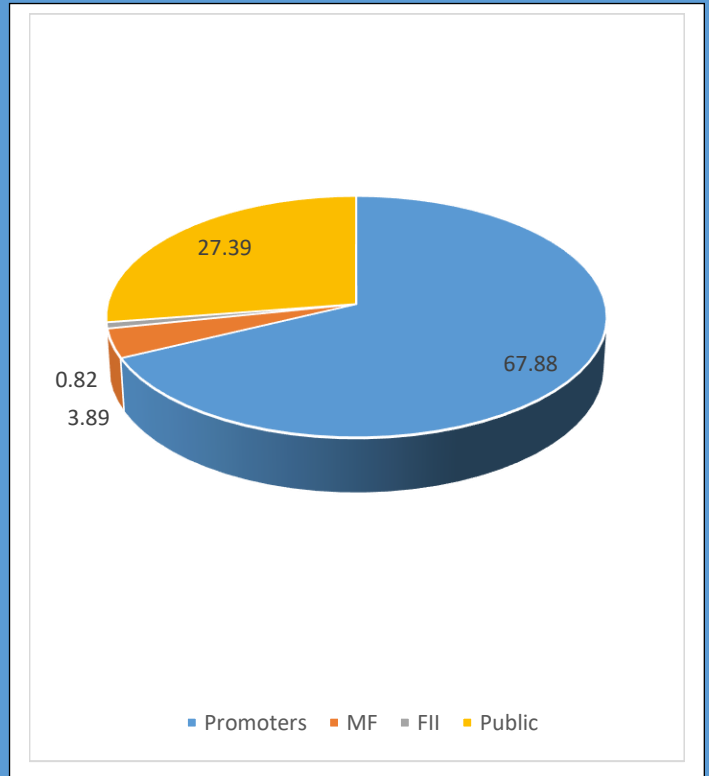
P/E Ratio: 11.73

Industry P/E:33.17

Company Background:

- ✓ Born of entrepreneurial spirit in 1961, Banco Products (India) Ltd has today carved a niche for itself as a leader in the business of engine cooling and sealing systems both for automotive and industrial applications.
- ✓ The company was listed on the Indian stock exchange in 1967.
- ✓ Ministry of commerce and trade, government of India, recognizes the company as star export house.
- ✓ The company has regularly invested in establishing world-class research and development capabilities.
- ✓ Banco combine the power of innovation and commitment to quality to create high performance solutions for our customers.
- ✓ Banco Products is built on a strong foundation of design and engineering excellence.
- ✓ With over five decades of successful experience, Banco is a recognized brand amongst automotive and industrial equipment OEM manufacturers.
- ✓ We design , develop and manufacture Engine Cooling Modules such as Radiators, Charged Air Coolers, fuel Coolers, Oil Coolers and Condensers.

SHAREHOLDING PATTERN



Source: Company, KFO Research

RETURNS (%):

	3 MONTHS	6 MONTHS	12 MONTHS
SENSEX	-2.50	4.55	6.67
BANCO	-18.01	-20.76	-28.89

Source: Company, KFO Research

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INDUSTRY STRUCTURE AND DEVELOPMENTS

- ✓ Automotive industry is rapidly changing, in terms of its size and range.
- ✓ Technology in automotive industry is rapidly changing; the efficiency of internal combustion engines continues to be an area of high focus for the automotive designer's world over.
- ✓ While trends in some of the sectors like commercial vehicles, agricultural tractors have been cyclic, we believe that markets will continue to show healthy growth.
- ✓ At Banco, we have been proactively responding to these changes working together with our OEM customers and developing newer engine cooling solutions that meet the performance objectives of downsizing, light weighting, heat transfer optimization with added ease in installation.
- ✓ The Indian industry is preparing itself to leapfrog to the global level of emission by 2020.
- ✓ With growing government, spend on infrastructure, demand of your company's products in industrial sectors such as earthmoving and construction machinery, power generation equipment, railways etc. is also set to grow.
- ✓ Demand of your company's products will correspondingly grow in the short and medium term.

KEY TRENDS

- Downsizing and weight reduction of engines.
- Increasing use of complex turbocharged engines.
- Increasing thermal efficiency
- Control and reduction emissions
- Growing Indian economy provides several growth opportunities.
- Growth in automotive industry is characterized by introduction of numerous new platforms.
- There is ever increasing demand for higher efficiency and tighter emission control.

FUTURE OUTLOOK:

- ✓ Banco enjoy good business with several global automotive and industrial MNCs for their business in India. We plan to leverage our capabilities to grow international business with our MNCs clients and have initiated some projects in this direction.
- ✓ Banco's strong brand image, comprehensive product proram and extensive distribution network provides excellent foundation on which we plan to expand our aftermarket business both in India and in global markets.
- ✓ Banco will continue to invest towards strengthening its market and operations capabilities in order to realize profitable growth in future.
- ✓ The company continues its efforts to broad base its customer- product portfolio and focuses on development of superior products to strengthen its market position.
- ✓ Banco will continue to invest in best in class technology and has lined up accelerated investment plan to retain its technology leadership positon.

RISK & CONCERNS:

- ✓ Complexities resulting from large product range.
- ✓ Higher dependence on automotive market.
- ✓ Low OEM presence in some of the sectors e.g. Passenger Car segment.
- ✓ Any downward trend in Industrial activity or automotive sector directly affects the performance.

VALUATIONS:

On the basis of Discount Cash Flow Valuation Method, we are recommending 'Buy' for the stock. Since the stock offers good opportunity, we initiate a '**BUY**' signal on the stock with 12-month price target of **Rs 192/-** share an upside of 15% from current levels.

MARKET DRIVERS

- ✓ Over five decade of successful entrepreneurial experience
- ✓ Strong brand acceptance
- ✓ Established and enlarging OEM customer relationships
- ✓ Well balanced customer portfolio with presence in OEM, Aftermarket and Exports
- ✓ Extensive product range
- ✓ Competent research, design and test capabilities
- ✓ Rapid prototyping and shorter time to market
- ✓ Integrated manufacturing approach
- ✓ Prudent financial management
- ✓ Experienced employees

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