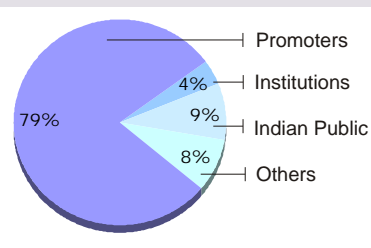


**Investment Idea
Auto Ancillary**
Fairfield Atlas Limited
CMP : Rs. 98.1
Stock Codes

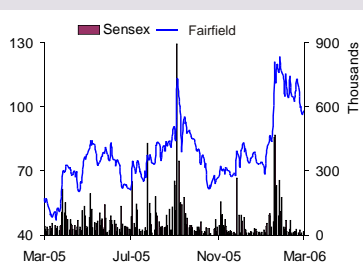
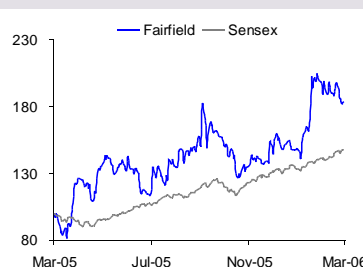
Bloomberg	: ATG.IN
Reuters	: ATGR.BO
BSE Code	: 520145
NSE Code	: -
BSE Group	: B1

Share Holdings (%)
As on 31st December, 2005.

Stock Data

Sensex	: 10803.7
Nifty	: 3202.65
52 W High Rs.	: 143.9
52 W Low Rs.	: 60.0
Mkt Cap Rs. Mn	: 2677.0
Face Value	: Rs 10.0

Absolute Returns

%	1M	3M	6M
Fairfield	-15.94	32.03	12.69
Sensex	6.85	16.62	31.85

Price/Volume

Price Comparison

Recent Developments

Fairfield becomes part of Saurer's Transmission Systems segment which also includes Graziano Transmission, a world leader in the manufacture of gears, axles, transmissions, and complete drive line solutions for the on / off highway markets.

The combination of Fairfield and Graziano Transmission creates a globally leading solution provider for speciality transmissions and gears. Fairfield adds attractive specialities to Saurer's product portfolio, grants access to new applications, provides Graziano a manufacturing footprint in the NAFTA region, and offers better access to U.S. customers. In return, Graziano provides a platform for Fairfield to further penetrate the European market. In addition to the synergies that are created in Europe and North America, the combined business will be in a stronger position to further exploit market opportunities and production bases in China and India.

Management Meet

We had recently met with the management of Fairfield Atlas Ltd. Following are the highlights of the meet.

1. The company is having a target of Rs 180-200 crores sales for FY07
2. Company is expected to wipe off its past losses by FY07
3. Company is planning to set up greenfield project in Uttranchal, which will double its capacity
4. Saurer wants to make Fairfield Atlas an Asia outsourcing hub
5. Company has repaid around Rs 30 crores of its loan to parent
6. Graziano, which has a base in India, is in non-competing businesses

Our View

With a stronger parent, planned expansions and positive turn around during the current year, Fairfield Atlas is geared for a powerful future. We expect the company to report a EPS of Rs. 5.35 for FY07. At current level, PE comes to 17.87 times, we recommend a HOLD.

Financials

Particulars	Quarterly Results			Yearly Results		
	Sep05	Dec05	TTM (Q306)	Mar 05	Mar 06E	Mar 07E
Sales	286.43	317.95	1,216.46	1,034.19	1,221.86	1,710.61
Q-o-Q growth	(4.37)	11.00				
Total Expenses	258.08	260.45	1,034.00	869.14	1,033.99	1,447.58
Operating Profit	28.35	57.50	182.46	165.06	187.88	263.03
Operating Profit Margins	9.90	18.08	15.00	15.96	15.38	15.38
Depreciation	19.27	18.77	76.20	88.48	75.85	91.02
One-time Depreciation			9.00		-	
% of Operating Profit	67.95	32.64	41.76	53.61	40.37	34.61
Interest	(2.63)	12.95	39.49	51.38	37.97	30.38
Tax	0.23	0.22	0.48	0.03	0.70	0.70
PAT (Before ExtraOrd Items)	11.49	25.56	57.29	25.17	73.35	140.93
Forex Loss/(Income)	-	-	-	-	-	-
Pre-Operative Expenses W/off			(3.00)	-	-	
Other Income	0.50	1.70	9.64	10.30	7.39	7.39
PAT	12.00	27.27	63.94	35.47	80.75	148.33
Equity	273.21	273.21	273.21	273.21	273.21	273.21
EPS	0.44	1.00	2.34	1.30	2.96	5.43
P/E					32.82	17.87

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