



CRITERION

with TIM BOREHAM Automotive Technology Group (ATG) 21c (Wednesday's close)

CRITERION was happy enough to adopt a wait-and-see attitude to this automotive parts innovator when it listed last month after a \$6 million raising. We preferred to see harder evidence of ATG's game plan, which is about selling its you-beaut Springtex superchargers to the world's petrol-heads.

It seems the Perth-based

minnow has exceeded its own expectations. In a deal to be unveiled today, ATG has teamed with India's Zoom Enterprises to build a factory to churn out 1 million Springtex units a year.

Strictly speaking, the parties have agreed to a three-month feasibility study. But according to ATG operations chief Tony Hamilton, it's more a matter of when and where the plant is built, rather than if it happens.

If it indeed proceeds, the venture will become the world's second-biggest supercharger maker behind the US-based Eaton Group, which last year sold 1.4 million units and generated \$US1 billion (or \$US714 per unit).

Superchargers, which improve performance by forcing more air into the combustion chamber, are in growing demand as they also improve fuel efficiency, especially for smaller cars.

To date, ATG has spent \$15 million — \$9 million from its three directors — to develop the units. ATG's Perth facility has the capacity to produce 10,000 units a year. "But the secret of success is to manufacture in significant volumes," he says.

While ATG always intended to manufacture offshore, Hamilton says the venture is "beyond our original expectations in terms of the time it would take, but not the final outcome."

The terms of the venture are yet to be nussed out, notably the issue of who coughs up the dough. By way of a clue, ATG has a \$20 million market cap, while Zoom's spread of businesses are worth \$US4 billion. "We have the technology and they have the financing, development and marketing skills," Hamilton says.

ATG shares yesterday were in trading halt ahead of today's announcement. We had the stock an avoid at 24c on May 30, but upgrade that to a speculative buy. If the Springtex gizmos are as good as Eaton's, ATG and its sugar daddy friend is looking at a \$700 million a year venture.