January 16, 2013

# Autoline Industries (AUTOIN)

₹ 132

## A known story long waiting to unfold...

We met the management of Autoline Industries (AIL) to understand in greater detail the company's business and strategy. AIL's primary line of business has been sheet metal stamping. However, the company has focused on R&D in recent years. This has differentiated AIL from a pure stamping maker to an end-to-end solutions provider across the automotive value chain. AIL is the preferred supplier for Tata Motors (contributes ~70%) and supplies stamping to product ranges from SCVs to HCVs and PVs. Along with stampings, AIL also helps in the designing stage of vehicles and supplies foot control modules, jacks and brake assemblies. The company has slightly higher working capital debt as it makes dies for OEMs, which the latter purchases from AIL later. In terms of business, the acquisition of DEP US has helped the company to gain strong patented software for CAD like Meshwork. This has been favourably received by OEMs. AIL has successfully tried to improve revenue streams from other OEMs and has been able to penetrate players like GM, Ford and VW, contributing ~20-25% of revenues now. The company enjoys decent operating margins, with a low net debt to equity ratio. With ~32% topline CAGR and ~21% earnings CAGR over the last five years, AIL's growth has been pretty impressive.

- **Strong innovation in design and development**

AIL has been transforming itself into a strong value chain player for OEMs. The company has helped Tata Motors in various projects and is in the process of commercial production of the high deck load body and foot control modules for Chevrolet Beat. AIL has commenced supplies to Tata Motors' Uttarakhand and Dharwad facility.

- **Valuations attractive...land bank augur well for debt reduction**

The company has been in the limelight in the past due to strong individual investor holding. However, from a valuation perspective, it is trading at a lucrative valuation of ~5x, 4x PE, EV/EBITDA, respectively, on an FY12 basis. The company has a land bank of ~100 acres, which is spare and had been acquired earlier for future expansion. However, as Tata Motors expanded to other states like Uttarakhand and Tamil Nadu the utilisable capacity at Chakan has been met with Chakan-II. Thus, AIL has scope to monetise the same in the coming periods, which could fetch ~₹ 150 crore on its 51% stake. This makes the company a net cash company in future.

**Exhibit 1: Financial Performance (Consolidated)**

| (₹ Crore) | FY08 | FY09 | FY10 | FY11 | FY12 |
|---|---|---|---|---|---|
| Total Operating Income | 341.3 | 350.5 | 451.1 | 656.7 | 748.4 |
| EBITDA | 47.9 | 26.3 | 53.6 | 71.2 | 76.2 |
| EBITDA Margin (%) | 14.0 | 7.5 | 11.9 | 10.8 | 10.2 |
| Depreciation | 3.2 | 12.1 | 16.8 | 18.7 | 21.1 |
| Interest | 2.2 | 8.0 | 11.1 | 19.9 | 30.6 |
| Other Income | 1.2 | 2.8 | 0.9 | 2.9 | 2.1 |
| Reported PAT | 15.2 | 4.7 | 20.5 | 27.3 | 39.7 |
| EPS (₹) | 14.7 | 3.8 | 16.8 | 22.4 | 32.5 |

*Source: Company, ICICIdirect.com Research*

**Rating matrix**

| | | |
|---|---|---|
| Rating | : | Unrated |
| Target | : | NA |
| Target Period | : | NA |
| Potential Upside | : | NA |

**Key Financials (Consolidated)**

| ₹ Crore | FY09 | FY10 | FY11 | FY12 |
|---|---|---|---|---|
| Net Sales | 232 | 263.9 | 352.9 | 423.1 |
| EBITDA | 31.6 | 39.1 | 64.8 | 75.2 |
| Net Profit | 13.3 | 14.3 | 33.5 | 45.5 |
| EPS (₹) | 15.1 | 16.3 | 19.0 | 25.8 |

**Valuation summary (Consolidated)**

| | FY09 | FY10 | FY11 | FY12 |
|---|---|---|---|---|
| P/E (x) | 8.3 | 7.7 | 6.6 | 4.9 |
| EV / EBITDA (x) | 10.6 | 8.6 | 5.3 | 4.9 |
| EV / Net Sales (x) | 1.5 | 1.3 | 1.0 | 0.9 |
| P/BV (x) | 1.9 | 1.7 | 2.4 | 1.7 |
| RoNW | 23.2 | 21.5 | 36.3 | 34.0 |
| RoCE | 15.7 | 15.8 | 24.7 | 22.0 |

**Stock data**

| | |
|---|---|
| Market Capitalization | ₹ 164.5 Crore |
| Total Debt (FY12) | ₹ 245.5 Crore |
| Cash and Investments (FY12) | ₹ 160.2 Crore |
| EV | ₹ 249.7 Crore |
| 52 week H/L | 202 / 127 |
| Equity capital | ₹ 12.2 Crore |
| Face value | ₹ 10 |
| MF Holding (%) | 29.5 |
| FII Holding (%) | 4.2 |

**Return matrix**

| Return % | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Autoline Industries Ltd | (10.8) | (26.7) | (17.7) | 4.2 |
| Motherson Sumi Systems Ltd | (3.1) | 25.9 | 74.3 | 87.9 |
| Bharat Forge Ltd | (4.4) | (13.2) | (14.8) | (10.0) |

**Price movement**

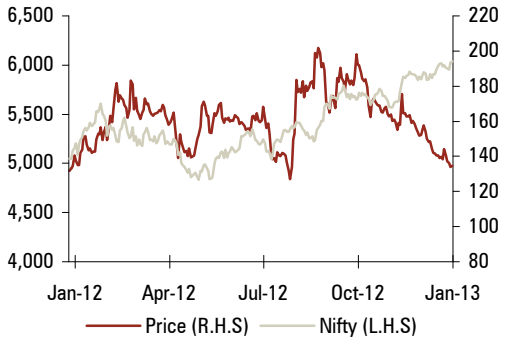


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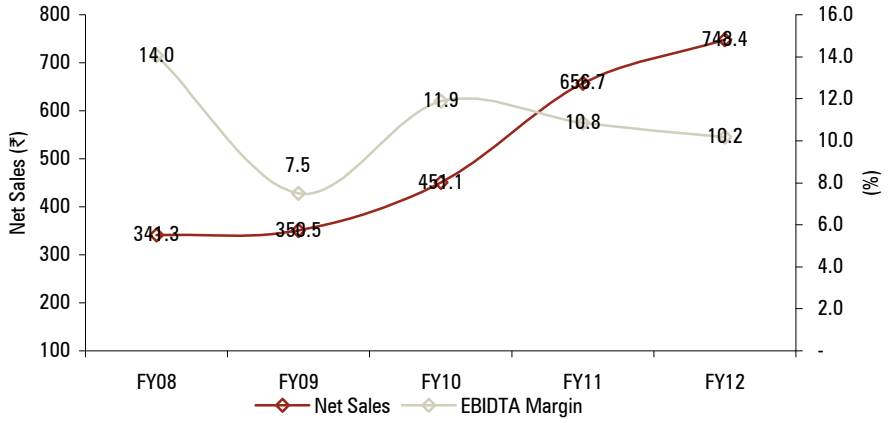
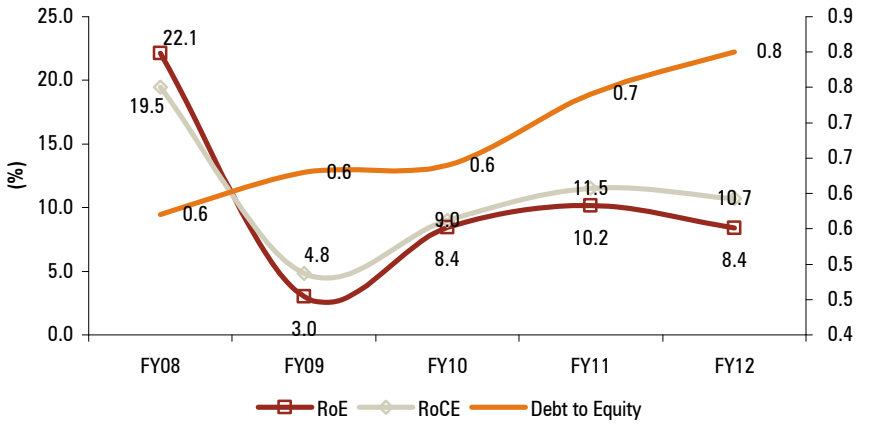
**Exhibit 2: Improving topline performance and steadying margin profile**



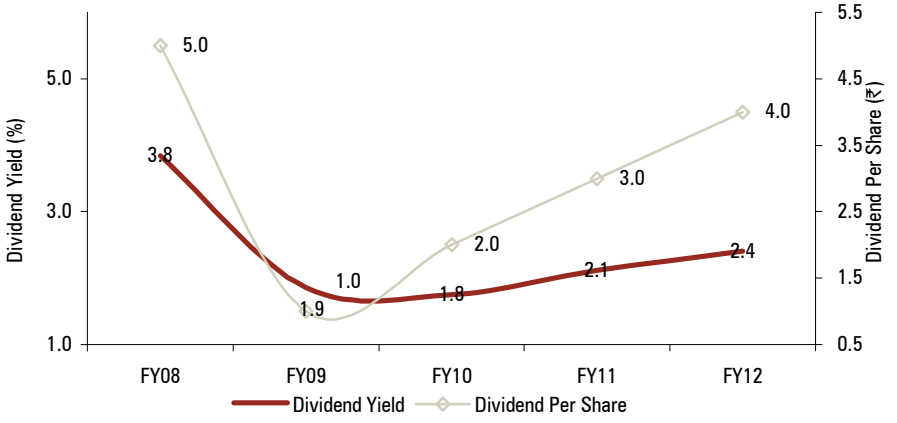

*Source: Company, ICICIdirect.com Research*

**Exhibit 3: Return ratios stabilizing….Working Capital needs increases Debt to equity**




*Source: Company, ICICIdirect.com Research*

**Exhibit 4: Increasing dividend per share for investors**




*Source: Company, ICICIdirect.com Research*

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