

In top gear

Autoline's growth is in overdrive

The Pune-based auto component maker, Autoline Industries is growing, and at a scorching pace. After practically stagnating at around Rs50 crore turnover, the company has clocked 100 per cent growth rates over the past couple of years and is set to maintain the momentum for the next three years from its March 2006 turnover figure of Rs111 crore. Profits are growing faster. For example, its bottomline soared more than two and a half times to Rs7 crores. One may argue this is a pre-issue gimmick. But even when *Business India* had met the management for the first time in May last, it was confident of maintaining the tempo, public issue or otherwise. And it has, as the profits of first half of the current year have surpassed that of the previous year!

Just what has Autoline done to post accelerated growth rates? Starting off as a mere press shop rolling out sheet metal components for the automobile industry in the mid-90s, the company has graduated to churn out a wide range of products. Along the road, it set up a strong tool room to roll out dyes and moulds, required in the press shop. And that's precisely what has helped the company in generating higher margins. Also, the fact that the automobile industry is on a roll with newer models and an increasing number of auto players has no doubt helped Autoline to move into the fast lane.

Today, Autoline rolls out load bodies for commercial vehicles, tippers, trailers, door rims and other sheet metal components. Its clients include Tata Motors, Bajaj Auto, Mahindra & Mahindra, and Fiat to name a few. Proximity to some of the major clients, particularly Tata Motors, gives the company an edge in terms of inventory management on behalf of clients. The company recently tied-up with Stokota NV of Belgium, a road transportation

solution player, which manufactures tippers, trailers, storage tanks, LPG and chemical tankers, garbage collectors, et al. The Belgian company rolls out 55 different types of carriers. Following some product approvals, Stokota's Indian operations' CEO Anand Singh, had told *Business India* early this year that "we want to see a large number of our parent's portfolio rolled out from the Autoline facilities."

Towards this end, Autoline has embarked on an expansion mode

AUTOLINE INDUSTRIES

Issue opens	: November 2006
Route	: Book build
Promoters	: Shivaji Akhade and M. Radhakrishnan
Objects of the issue:	Expansion of sub-assemblies and auto components capacities
Book runners	: BoB Capital
Listing	: BSE and NSE

including sprucing up its existing facilities. The company is setting up a new manufacturing unit at Chakan in Pune, barely a stone's throw away from its existing unit. This new unit, which has already begun partially humming, will contract manufacture automobile bodies for heavy vehicles and door assemblies for passenger vehicles. A tool room adjoining the new facility is also on the cards, which will meet captive requirements besides taking on job work for others. This, industry sources aver, is a high margin business. Both these projects accounts for approximately Rs56 crore (Rs51 crore for the new Chakan unit) of the total fund requirement of Rs104 crore.

Moving up

Autoline also has established a joint venture in UAE to trade in automobile spares such as brake shoes. The strategy here is to position itself in the mid range as original spares are prohibitively expensive while duplicate or cheaper spares lack durability. While the low quality spares come from Iran and China, original spares come Germany and Japan. Now, from a mere trading activity, this 49:51 JV will metamorphose into

manufacturing of spares in the desertland.

The other objects of Autoline's maiden issue is to spruce up its existing unit at Chakan and expand its design engineering unit, a subsidiary under the banner Autoline Dimensions Software. This unit has immense potential especially with the drastic reduction in time from design to roll out of new cars. Autoline has entered into an MoU with a design engineering company, Detroit Engineered Products. With high-end design engineering capabilities, the company would be able to reposition itself as one of the "technologically competent components solution providers in the world."

Part of the issue proceeds other than being used for long term working capital would also be set aside for acquisition. Clearly, Autoline has shifted gear and is in the fast lane. Last year, a private equity firm, Duke Special Opportunities Fund, together with Duke Equity Partners and Duke Advisors Private Ltd, picked up a 30-per cent stake in the company in two tranches at an average price of Rs60 per share.

While the bulk of the expansion and modernisation would be in place by the first quarter of 2007, Autoline would boost a robust balance sheet in the year 2007-08. For April 06-March 06, on a capital base of 6.9 crore, the company posted a profit of Rs7 crore giving an earning per share of Rs10. In the current year, analysts expect the company to notch up a topline of around Rs225-240 crore range with a bottomline of Rs18-21 crore. The following year the company could clock a turnover of upwards of Rs450 crore with a bottomline of around Rs40 crore.

With Autoline's public issue scheduled in November this year in price band of around Rs160-180 crore, the equity could go up to Rs11 crore or thereabout. On a conservative net profit figure of Rs18 crore, the EPS works out to Rs16.4 going up to Rs 36.4 the following year. This is one issue to watch out for not just for listing gains but also long term capital appreciation.