

August 31, 2010
BUY
PRICE ₹ 189
TARGET ₹ 242

Auto Ancillary

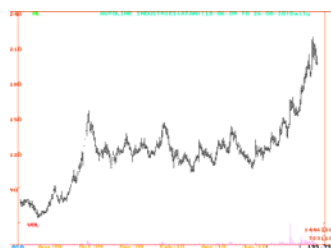
SHARE HOLDING (%)

Promoters	26.74
FII	14.19
FI / MF	0.01
Body Corporates	15.62
Public & Others	43.44

STOCK DATA

Reuters Code	AUIN.BO	
Bloomberg Code	AUTOL IN	
BSE Code	532797	
NSE Symbol	AUTOIND	
Market Capitalization*	₹ 2,306.7 mn	US\$ 49.2 mn
Shares Outstanding*	12.20 mn	
52 Weeks (H/L)	₹ 218 / 78	
Avg. Daily Volume (6m)	105,133 Shares	
Price Performance (%)		
	1M	3M
	24	71
	6M	72
200 Days EMA:	₹ 134	

*On fully diluted equity shares



EQUITY ANALYST

 Alok Deora | +91 22 4093 4014
alok.deora@sushilfinance.com

RESEARCH ASSOCIATE

 Shilpi Jain | +91 22 4093 4004
shilpi.jain@sushilfinance.com

Autoline Industries Ltd. (AIL) is engaged in manufacturing of more than 800 products in the Sheet Metal Components and Tubular structure space. AIL has evolved from being a stamping player to a mid-sized engineering company manufacturing components, assemblies and sub-assemblies for OEM's in Auto space. AIL is also involved into Value added services that include conceptualizing, styling, design engineering and creating prototypes of Auto Components.

Revival in Auto Sector to boost demand for AIL's products

AIL derives 80.0% of the domestic revenues and 70.0% of total revenues from Tata Motors. During Q1FY11, Tata Motors domestic sales of Passenger Vehicle (PV) have witnessed y-o-y growth of 57.6% mainly on back of successful launch of Indigo Manza. Within the Commercial Vehicle space, the company has witnessed y-o-y growth of 34.9% during Q1FY11. Currently AIL supplies to all the vehicles of Tata Motors except for Tata Nano. AIL also provides Body Frames, Silencers, Exhaust systems for Tata Motors vehicles.

Derisking itself by diversifying its Client base

AIL is diversifying its client base by including more customers in its client base and not being dependent on Tata Motors. AIL is in talks with Volkswagen, Mercedes, General Motors, M&M and by supplying them it would be able to diversify and add a huge client base. Companies like Volkswagen and Mercedes have set up huge manufacturing facilities in India. If the Company is able to meet the standards and quality, it would be able to achieve significant growth going forward.

Largely unaffected by movements in Raw Material prices

AIL's major raw material is Steel and Tata Motor being the major customer, fixes steel prices with steel suppliers on behalf of its vendors. The prices are then reviewed every quarter and are adjusted according to market prices. The prices of finished products which Tata Motors would procure from AIL is then fixed accordingly. In case if steel prices have increased during the period, the prices for finished products from AIL would then be adjusted accordingly. This protects AIL from fluctuation in steel prices and thus protects its margin performance. Thus the margin performance is largely based on how efficiently it is able to manufacture and manage its fixed costs.

Value addition through engineering capabilities to improve profitability

Along with supply of components, AIL has also started providing Designing and Engineering services. These solutions focus on reducing costs and improving the performance of the vehicles. Based on its satisfactory performance, Tata Motors has now allotted 14 more Engineering projects to AIL.

OUTLOOK & VALUATION

AIL is mid-sized Engineering company manufacturing components, assemblies and sub-assemblies for OEMs in Auto space. It manufactures more than 800 products in Sheet Metal Components and Tubular structure space. It is currently running at full capacity except at its Uttaranchal plant which is currently underutilized. AIL can cater to the increasing demand till FY 2012 with current capacity and increasing utilization levels at Uttaranchal plant. In FY10, its revenues increased 28.7% YoY and APAT grew by 339.8% YoY with EPS of ₹ 16.9. Going forward, with increase in sales price by Tata Motors and overall improvement in demand for Autos, we expect its Revenues and APAT to grow by 34.8% & 41.1%, respectively in FY11E; and by 23.4% & 45.3%, respectively in FY12E. At the CMP of ₹ 189, the stock is available at an attractive valuation of 5.5x its FY12E earnings of ₹ 34.6. We initiate coverage on the stock with a BUY rating for a target price of ₹ 242 (7.0x FY12E Earnings).

KEY FINANCIALS (Consolidated)

Y/E Mar.	Revenue (₹ mn)	APAT (₹ mn)	AEPS (₹)	AEPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/Sales (x)
FY09	3,504.6	46.8	3.1	(87.0)	60.1	4.2	3.1	0.8
FY10	4,511.2	206.0	16.9	437.1	11.2	8.2	9.6	0.5
FY11E	6,080.0	290.6	23.8	41.1	7.9	10.8	12.1	0.4
FY12E	7,505.0	422.3	34.6	45.3	5.5	13.3	15.3	0.3

Please refer to important disclosures at the end of the report

For private Circulation Only.

COMPANY OVERVIEW

Autoline Industries Limited is a major supplier of sheet metal components, sub-assemblies and assemblies. It has an ultramodern manufacturing facility and has the experience of producing large volumes in specified time and to the required quality specifications. The products are customized to the requirements of the client, as per their drawings or samples provided. There is a quality check at every level and before final dispatch.

The manufacturing plants are set across different locations with enough of capacity to cater to the growing demand of auto components.

- Chakan I
- Chakan II
- Bhosari Unit (Pune)
- Kudalwadi Unit (Pune)
- Western Pressing Ltd. (Pimpri Unit)
- Nirmiti Autocomponents Pvt. Ltd.
- Sidkul, Pantnagar (Uttarakhand)
- Union Autoline Spare Parts, LLC
- Butler Indiana

To further enhance the design capabilities, AIL has taken a major stake in design engineering firm. With this acquisition, company has the unique capability of Offshore Designing & Manufacturing model (ODM). Company is continuously renewing technology and upgrading quality standards, keeping in mind international benchmarks.

Due to excellent quality in work, cost competitiveness, timely deliveries and state of the art tool room with latest CAD/CAM facilities, in short span of time it has become prime vendor to reputed auto manufacturers.

- At present, company is manufacturing "A" class sheet metal dies and supplying about 130 components to Tata Motor's Indica, Indigo & Marina. It is also supplying 400 components to its Auto Division for LCVs, MCVs and HCVs, besides components for SUVs like Safari, Sumo and their variants.
- Various other components numbering more than 150 are being supplied to Bajaj Auto Limited & Kinetic Engineering Limited for 2 wheelers & 3 wheelers.
- Critical and prestigious components are regularly supplied to Walker Exhaust (India) Private Ltd, a wholly owned subsidiary of a Fortune 500 company.
- Company supplies tractor components to Mahindra & Mahindra Limited and Fiat for their Palio Project.
- Exports of Brake shoes meant as spares for Mercedes Trailers to Germany, Singapore, UAE and Saudi Arabia.
- A joint venture by the name of Union Autoline Spare Parts LLC, UAE has been set up to promote exports of Auto Components for the Gulf and African Markets.
- AIL supplies mostly as single source supplier to TATA Motors, which contributes more than 80% of company's standalone revenues.
- Company has aggressively grown through organic and inorganic routes with an aim to become a design to manufacture company.

PRODUCT RANGE

Company has wide range of products to offer as per the specifications of the clients. It specializes in providing different sheet metal components and sub-assemblies which are used in various manners in production of vehicles. Few of the major products include:-

- Assembly Panel for Front and Rear Door
- Panel Tunnel
- Front Bump Mounting Rear
- Reinforcement Waist Inner and Outer Front Door
- Reinforcement Hand Brake
- Tail Lamp Cover
- Suspension Tower
- Exhaust System
- Switch Gears
- Assembly Foot Control Modules

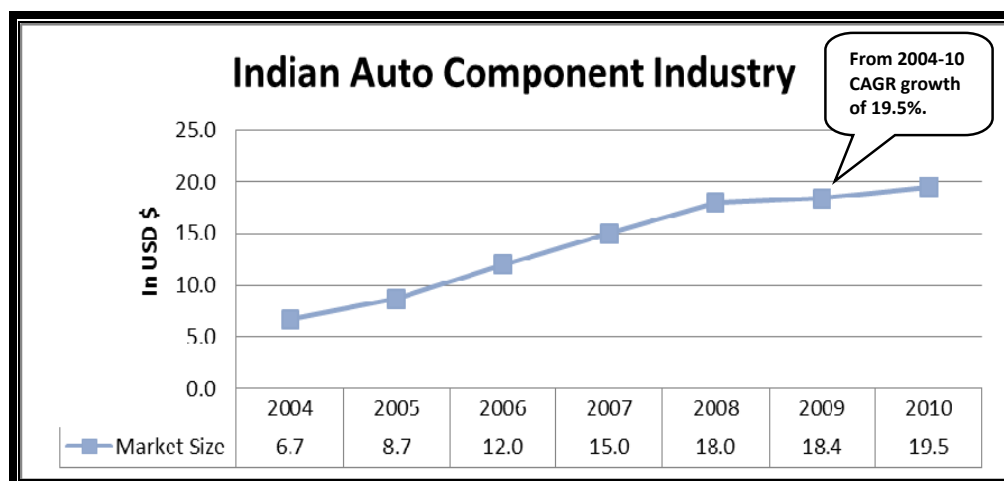
MAJOR SUBSIDIARY COMPANIES

Name of Subsidiary	Products	Holding	Status
Western Pressing Limited	Tubular Products	100.0%	Merged with AIL
Autoline Dimensions Software Limited	Engineering Software Services.	100.0%	Provides end-to-end solutions to its customers on 'Outsourced Design to Manufacturing Model'.
Zagato	Vehicle Styling and Customization	49.0%	Would take 2-3 years to break even
DEP Autoline INC. USA	Designing Software	51.0%	Reducing Stake to 40.0% effective April 01, 2011
Autoline Industries USA INC.	Jacks and Pedals	51.0%	Recently achieved breakeven point
Nirmiti Auto Components	Pedal Systems and Hinges	100.0%	No Immediate plans to merge it with AIL

INDUSTRY OVERVIEW

The Indian Auto Component industry have evolved from being a low-key supplier providing components to the domestic market to being a supplier of key auto components centers in Asia and today seen as a significant player in the global automotive supply chain. India is now a supplier of a range of high-value and critical automobile components to leading global auto makers such as General Motors, Toyota, Ford, and Volkswagen amongst others based in various geographies.

Automobile Industry was delicensed in July 1991 with the announcement of the New Industrial Policy. The Passenger Vehicle (PV) industry was however, delicensed in 1993. No industrial license is required for setting up of any unit for manufacture of automobiles except in some special cases. At present 100% Foreign Direct Investment (FDI) is permissible under automatic route in this sector including PV segment. With the gradual liberalization of the automobile sector since 1991, the number of manufacturing facilities in India has grown progressively. The surge in manufacturing of automobiles has led to a sharp rise in Indian Auto Component demand over the years. In the last 6 years, Auto Component Industry has grown at CAGR of 19.5% to US\$19.5 bn in FY 2010.

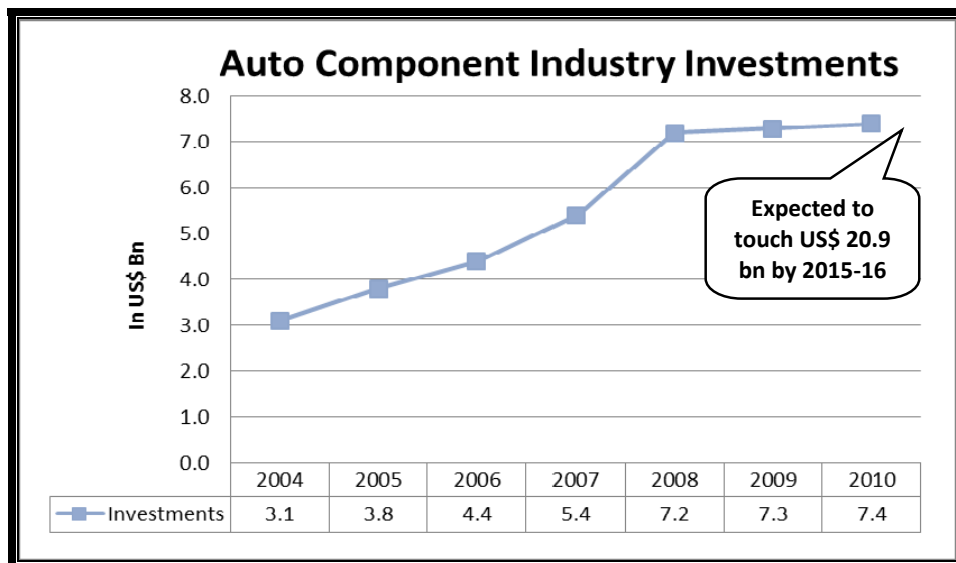


Source : MOHI Automotive Mission Plan (AMP)

Investments in Auto Ancillary Sector expected to Spike

The rocketing demand for automobiles in India has made Auto Majors put pressure on auto component manufacturers to increase capacity. According to ACMA, demand has far outstripped supply primarily because of several new models launched in the domestic market and slow but steady recovery in demand from overseas. Moreover, since penetration levels continue to be low in India, capacity is likely to go up by 20.0% to 25.0% in FY 2011. Auto Component players are being forced to incur huge capex in 2010-11 for setting up new capacities and upgrading the existing ones. According to reports, Auto industry output is getting affected by 5.0% to 7.0% due to supply shortage in components. There is huge scarcity supply even from Chinese players as they are expecting higher prices taking into account the ever increasing demand.

Global auto firms are setting up facility in India which has made India the small-car hub for domestic and overseas markets. Hyundai's i10 model is manufactured in India and supplied to the world. Recently Global Auto Majors like Volkswagen, Nissan Motor Co. and GM have set up facilities in India and are increasing their commitment to Indian component suppliers. According to industry reports, Hero Motors Ltd and German ZF Group will together invest around ₹ 800 mn in the next two years to assemble axle and chassis systems.

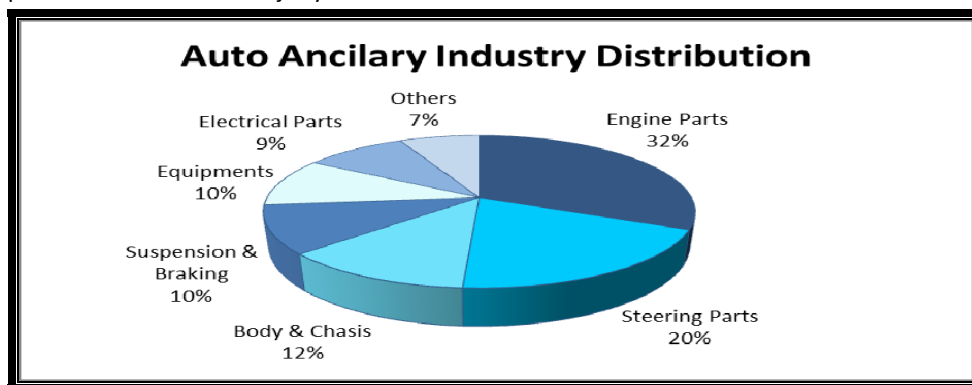


Source : ACMA

Investments according to ACMA are expected to touch US\$20.9 bn by 2015-16 from current levels of US\$7.4 bn. Prediction are based on Strong balance sheets and financial positions which have made it possible for Indian firms to invest in component sector. Industry EBITDA declined during the recession in 2008-09 but with the revival in economy which has led to strong up move in Auto Sector, the financial position for Auto Components have improved significantly and are in strong position to invest in increasing capacities.

Distribution of Auto Ancillary Industry

Auto Ancillary industry is sub divided into various segments which players present in each segment of the industry. Body and Chasis currently make up for 12.0% of the total products where AIL is majorly involved.



Source : MOHI Automotive Mission Plan (AMP)

Maruti has threatened to reduce component suppliers on parts shortage

As per recent reports, Maruti Suzuki India Ltd has threatened to cut component makers unable to increase capacities as an industry wide components shortage has significantly affected auto production in vehicle market. Maruti has asked suppliers to strengthen their balance sheets and increase capacity or they would drop them from their list of vendors.

Auto Majors are being forced to make customer wait for delivery of vehicles due to lack of critical components parts. Due to extremely high debt levels, components players have struggled to expand. All auto players get significantly affected even with delay or shortage in few critical components.

Competitive edge is forcing Global Auto Majors to source components from India

Indian Auto Components makers are constantly working on improving component quality, producing components at lower cost as compared to global component industry. India has now become a globally trusted brand in the global auto component industry. Also the auto component manufacturers have evolved and moved up in the value chain. They now provide value added engineering services along with supply of components. This improves their margin and bargaining power. As we expect the competitive edge to continue in future, we expect extremely strong outlook for the auto component industry in India.

According to reports, components made in India and China is 10.0-15.0% cheaper than those manufactured in Europe and the US. According to the Investment Commission of India, Global automobile manufacturers see India as a manufacturing hub for auto components primarily due to:

- Low labour force and raw material which makes India cost competitive.
- India has an established manufacturing base.
- Major international auto-component including Delphi, Visteon, Bosch and Meritor have set up operations in India.
- Automobile manufacturers and auto components manufacturers have set up International Purchasing Offices (IPOs) in India.
- Fine-quality components are now being manufactured in India.

INVESTMENT ARGUMENT

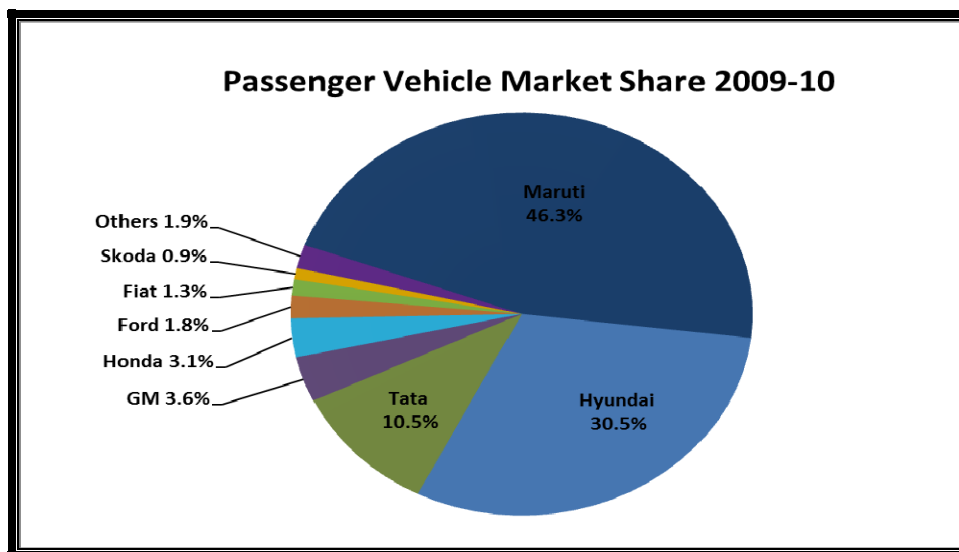
Revival in Auto Sector to boost demand for AIL's products

Growth of AIL at the current moment is dependent on growth of Auto sector. The sector has seen a sharp revival post the slump witnessed during 2008-2009. It has been able to get back on track due to Government Incentives (Excise Cuts), Easy availability of Finance and improvement in overall liquidity in the system.

AIL derives 80.0% of the Domestic Revenues and 70.0% of total revenues from Tata Motors. Tata Motors has seen a turnaround across segments in Q1 FY11 with y-o-y growth of 34.9% and 57.6% in CV and PV segments respectively. It has experienced total y-o-y growth of 47.5% in Q1 FY11 on standalone basis. There are two segments which AIL caters to when it supplies to Tata Motors.

- Passenger Vehicle
- Commercial Vehicle

Passenger Vehicle Segment:

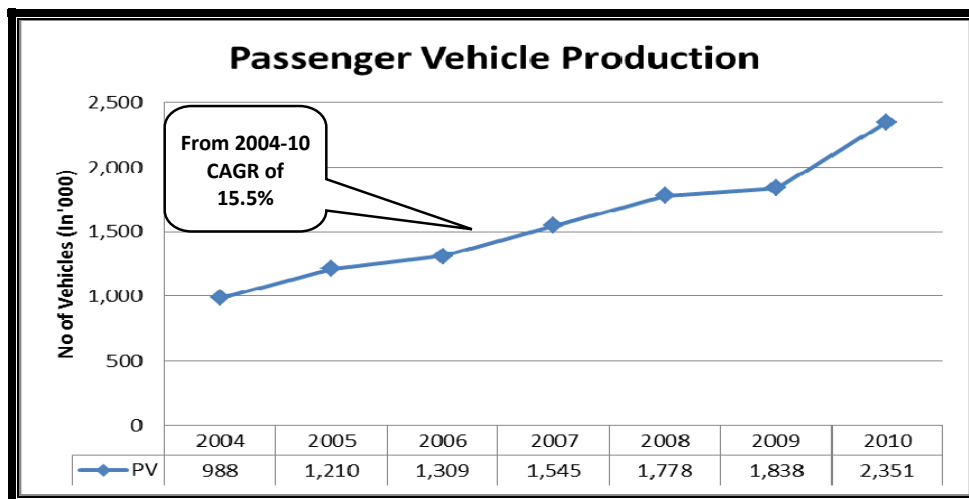


Source : SIAM

AIL's 50.0% of the revenues generated from Tata Motors are from supplying components to the PV division. Currently AIL supplies to all the PV vehicles of Tata Motors except for Tata Nano. AIL also provides Body Frames, Silencers, Exhaust systems for Tata Motors vehicles. AIL is in a strong position to supply components to JLR which is currently running at high capacity utilization.

According to the JLR management, with the current manpower, JLR is operating at close to full capacity. If AIL meets the required quality standards then it would be able to achieve big orders from JLR which could play significant contribution in driving its future growth.

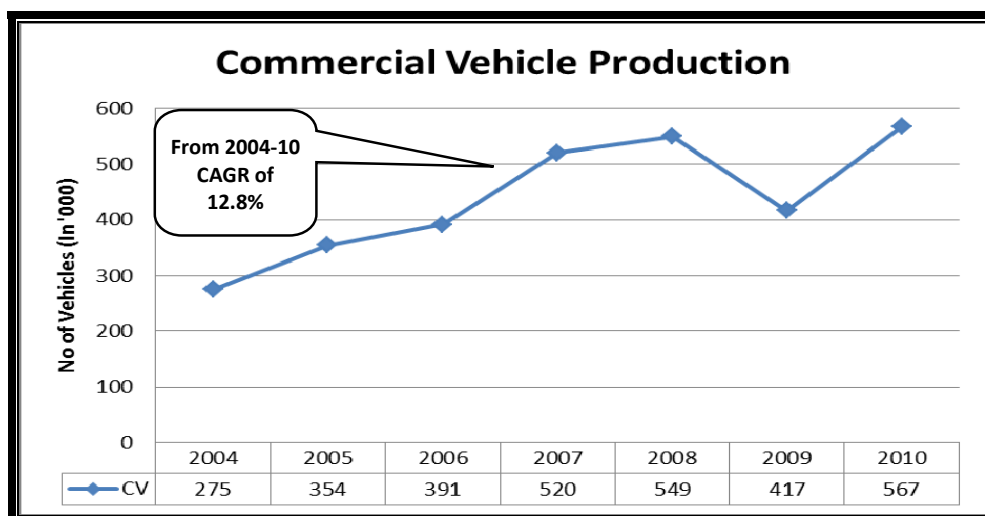
During last six years India's PV has grown at CAGR of 15.5%. According to Auto Component Manufacturing Association of India (ACMA), PV sales including exports are expected to touch 4.1 mn units by 2016 from current levels of 2.3 mn. Tata Motor enjoys market share of approximately 10.5% in the PV market.



Source : ACMA

Commercial Vehicle Segment:

Commercial Vehicle segment got the worst affected during the downturn experienced in 2008-2009. CV segment is now showing signs of revival. It grew at a CAGR of 12.8% during last six years. According to ACMA, CV sales including exports are expected to touch 0.78 mn units by 2016 from current levels of 0.57 mn. Commercial Vehicles account of approximately 50.0% of the total revenues AIL generates from Tata Motors.



Source : ACMA

Derisking itself by diversifying its Client base

After the global economic downturn, India has become an attractive destination as a global outsourcing hub and manufacturing base for OEMs. AIL generates 70.0% of its consolidated turnover from Tata Motors. This makes AIL significantly dependent on Tata Motors. With a view to diversify its customer base, AIL is in constant talks with Auto Majors like Volkswagen, Mercedes, General Motors, M&M. Companies like Volkswagen and Mercedes have set up huge manufacturing facilities in India. If the Company is able to meet the standards and quality specifications, it would be able to achieve significant growth going forward.

AIL is targeting to reduce the contribution from Tata Motors to 50.0% in 2-3 years. It would be able to comfortably do so if it is able to penetrate the market by bagging orders from Global Auto majors who have set up facility in India.

Largely Unaffected by movements in Raw Material prices

AIL major raw material is Steel and Tata Motor being the major customer, fixes steel prices with steel suppliers on behalf of its Vendors. The prices are then reviewed every quarter and are adjusted according to market prices. The prices of finished products which Tata Motors would procure from AIL is then fixed accordingly.

The prices for finished products are fixed for the vendors only after taking into account the price at which Raw Material Prices have been fixed at. This protects AIL from fluctuation in steel prices and thus protects its gross margin performance.

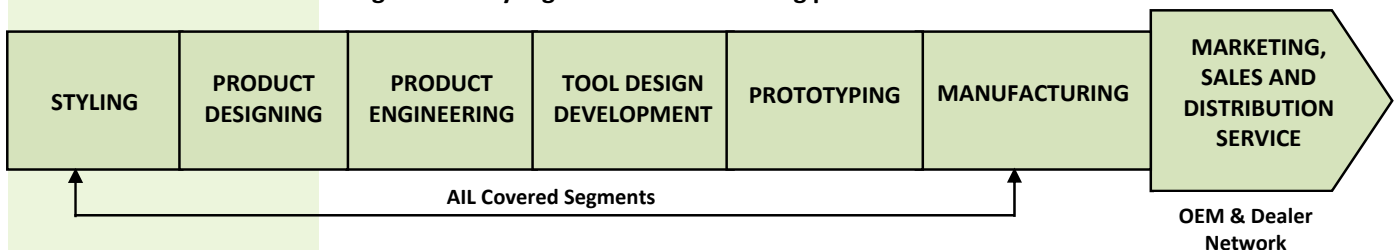
From February 2010 onwards, Tata Motors raised the selling price for most of the products it procures from its Auto Ancillary vendors by 3.0%. This increase would let players like Autoline cover on the overhead costs like increase in fuel prices, transportation and labour costs and thus be protected against margin crunch.

Value addition through engineering capabilities to improve profitability

AIL has evolved from a pure supplier of Components to providing Designing and Engineering services to the Company. These solutions focus on reducing costs and improving the performance of the vehicles. Based on its satisfactory performance, Tata Motors has now allotted 14 more Engineering projects to AIL.

Autoline has made significant presence over the years in Automotive Engineering Services which involves the complete process from Designing to Manufacturing. It has also grown in this segment through acquisitions and is now well established within this space. With the rising costs of fuel, it has become prime focus at industry level to reduce costs. The need for engineering services would increase overtime and players like AIL would have an edge over its peers in ancillary space.

AIL is present across the Value Chain and has Core Competence right from Styling to the Manufacturing process



Other Business Drivers

Subsidiaries breaking even: AIL's all the subsidiaries except for Zatago of Italy have achieved the breakeven point. AIL now expects to increase its presence in USA and Europe through its subsidiaries and would focus more on Engineering Services. AIL's US subsidiary which recently achieved the breakeven point incurred a loss in FY 2009 due to the economic slowdown. It has now moved back to profits and we expect to contribute on margin front as products offered in US markets enjoy higher margins. AIL is also open to further acquisitions where it finds value.

Land Assets

AIL is having a 51.0% stake in a 100 acre land in heart of Chakan, Pune. Originally AIL acquired the Land for a Joint Venture around two years back. However during this period, huge facilities were set up by Auto majors like Volkswagen, GM, Mercedes Benz, Daimler, and M&M Hyundai in that area. Due to this the value of the Land appreciated significantly and the company converted it into residential land. Currently the total industrial value of the Land is close to ₹ 1,000 mn however the residential value is estimated close to ₹ 2,500 mn of which 51.0% belongs to AIL. AIL has now decided to develop the residential land and it is in talks with developers for the development. It expects to generate annual returns of ₹ 750 to ₹ 1,000 mn for the next 4-5 years from this prime land.

COMPARATIVE ANALYSIS

Company Name (FY 10)	Revenues (₹. In mn)	EBIDTA (%)	EPS (₹.)	PE (x)	ROE (%)	ROCE (%)
AIL	4,511.2	12.0	16.9	11.2	9.6	8.2
Automotive Stampings & Assemblies Ltd	4,525.3	6.2	5.1	27.1	10.7	13.3
Automotive Corporation of Goa Ltd	2,463.2	0.3	(3.4)	NA	(1.7)	(2.6)
JBM Auto Ltd	2,472.5	10.4	12.6	5.6	8.5	11.6

Source: Capital Line

RISKS AND CONCERNS

Highly dependent on single OEM: AIL is dependent on Tata Motors and it generates 80.0% of total revenues and 70.0% of consolidated revenues from Tata Motors. Such a high dependence can prove to be risky if there is a shutdown or slowdown for a certain period which could significantly affect players like AIL. However AIL is not intentionally diversifying its customer base by talking to other Auto majors for supplying components.

Increase in Interest rates – Up move in interest rates affect the demand for Autos which in turn affect the demand for Auto Ancillary products. Expected hardening of interest rates and increase in inflation could negatively impact the auto industry. This could lead to delay in orders by customers which could badly affect Auto Ancillary companies like AIL.

Fluctuation in Exchange rate – AIL recently started exporting consignments to USA and is expecting further orders from them. Fluctuation in exchange rates could negatively impact the performance of your Company. Company has not entered into derivative contracts yet and might enter once its exports pick up.

High levels of inflation - The industry is investing to increase capacities to cater to the demand. However considering the thin margin the industry commands, they need to be aware of their return on investment in view of inflation in commodity prices, power, fuel and manpower cost.

PROFIT & LOSS STATEMENT (Consolidated)

₹.mn

Y/E March	FY09	FY10	FY11E	FY12E
Net Sales	3,504.6	4,511.2	6,080.0	7,505.0
Raw Mat. Consumed	2,807.8	3,342.1	4,518.6	5,577.7
Staff Cost	260.2	443.5	611.0	754.3
Admin and Selling Exp	173.7	203.3	275.0	320.6
Misc. Expenditure	0.3	-	-	-
Total Expenditure	3,242.0	3,988.9	5,404.6	6,652.5
PBIDT	290.6	543.1	705.8	890.0
Interest	80.3	108.2	135.9	135.9
Depreciation	121.4	168.3	187.4	198.4
PBT incl OI	88.9	266.6	382.4	555.7
Tax	22.7	49.6	76.5	111.7
PAT	66.2	217.0	305.9	444.5
Minority Interest	19.4	11.0	15.3	22.2
APAT	46.8	206.0	290.6	422.3

BALANCE SHEET STATEMENT (Consolidated)

₹.mn

As on 31 st March	FY09	FY10	FY11E	FY12E
Share Capital	149.0	122.0	122.0	122.0
Reserves & Surplus	1,984.3	2,146.2	2,408.5	2,791.6
Net Worth	2,133.4	2,268.2	2,530.6	2,913.6
Minority Interest	380.4	387.3	387.3	387.3
Secured Loans	1,039.5	1,530.5	1,530.5	1,530.5
Unsecured Loans	432.5	281.6	281.6	281.6
Total Loan funds	1,472.0	1,812.2	1,812.2	1,812.2
Deferred Tax Liability	59.4	76.1	76.1	76.1
Capital Employed	4,045.2	4,543.8	4,806.1	5,187.3
Net Block	2,483.8	2,768.5	2,781.0	2,782.6
Goodwill	361.4	361.4	361.4	361.4
Investments	225.2	243.9	243.9	243.9
Inventories	308.2	336.2	445.7	550.1
Sundry Debtors	487.7	802.2	882.8	1,089.8
Cash & Bank Bal	28.7	74.0	431.6	790.0
Other Curr Assets	960.2	936.4	936.4	936.4
Current Assets	1,784.9	2,148.8	2,696.6	3,366.3
Curr Liab & Prov	858.6	1,006.1	1,304.0	1,594.2
Net Current Assets	926.3	1,142.8	1,392.5	1,772.2
Miscellaneous Exp	48.5	27.3	27.3	27.3
Total Assets	4,045.2	4,543.8	4,806.1	5,187.3

FINANCIAL RATIO STATEMENT (Consolidated)

Y/E March	FY09	FY10	FY11E	FY12E
Growth (%)				
Net Sales	2.7	28.7	34.8	23.4
APAT	(84.5)	339.8	41.1	45.3
EBITDA	(40.8)	86.9	29.9	26.1
Profitability (%)				
EBITDA Margin	8.2	12.0	11.6	11.8
Adj. PAT Margin	1.3	4.5	4.8	5.6
ROCE	4.2	8.2	10.8	13.3
ROE	3.1	9.6	12.1	15.3
Per Share Data (Rs.)				
Adj. EPS	3.1	16.9	23.8	34.6
Adj. CEPS	11.3	30.7	39.2	50.9
BVPS	143.1	185.8	207.3	238.6
Valuations (X)				
PER	60.1	11.2	7.9	5.5
P/BV	1.3	1.0	0.9	0.8
EV / EBITDA	16.1	8.3	6.4	5.1
EV / Net sales	1.3	1.0	0.7	0.6
Mcap / Net sales	0.8	0.5	0.4	0.3
Turnover Days				
Debtors days	46	52	53	53
Creditors days	94	102	100	100
Gearing Ratio				
Total Debt to Equity	0.7	0.8	0.7	0.6

Source: Company, Sushil Finance Research Estimates

CASH FLOW STATEMENT (Consolidated)

₹.mn

Y/E March	FY09	FY10	FY11E	FY12E
PBIT	88.9	266.6	382.4	555.7
Depreciation	114.5	121.1	187.4	198.4
Provision for Tax	(22.7)	(49.6)	(76.5)	(111.1)
Chg in Working cap	(503.0)	(171.2)	107.8	(21.2)
Chg in others	(4.3)	48.9	15.3	22.2
Cash flow from operations	(326.6)	215.8	616.5	644.0
Chg in Gross PPE	(368.8)	(405.8)	(200.0)	(200.0)
Chg in Investments	(85.0)	(18.6)	0.0	0.0
Chg in others	(23.1)	0.0	0.0	0.0
Cash flow from investing	(476.9)	(424.5)	(200.0)	(200.0)
Chg in debt	210.9	340.1	0.0	0.0
Chg in Share Capital	23.9	(27.0)	0.0	0.0
Chg in Min Int	159.1	(4.1)	(15.3)	(22.2)
Dividend Paid	(14.3)	(28.6)	(43.6)	(63.3)
Chg in others	387.6	(26.6)	0.0	0.0
Cash flow from financing	767.1	253.9	(58.9)	(85.6)
Chg in cash	(36.5)	45.3	357.6	358.4
Cash at start	65.2	28.7	74.0	431.6
Cash at end	28.7	74.0	431.6	790.0

OUTLOOK & VALUATION

AIL is mid-sized Engineering company manufacturing components, assemblies and sub-assemblies for OEM's in Auto space. It manufactures more than 800 products in Sheet Metal Components and Tubular structure space. It is currently running at full capacity except at its Uttaranchal plant which is current underutilized. AIL can cater to the increasing demand till FY 2012 with current capacity and increasing utilization levels at Uttaranchal plant. In FY10, its Revenues increased 28.7% YoY and APAT grew by 339.8% YoY with EPS of ₹ 16.9. Going forward, with increase in sales price by Tata Motors and overall improvement in demand for Autos, we expect its Revenues and APAT to grow by 34.8% & 41.1% respectively in FY11E; and by 23.4% & 45.3%, respectively in FY12E. At the CMP of ₹ 189, the stock is available at an attractive valuation of 5.5x its FY12E earnings of ₹ 34.6. We initiate coverage on the stock with a BUY rating for a target price of ₹ 242 (7.0x FY12E Earnings).

Please Note that our technical calls are totally independent of our fundamental calls.

Additional information with respect to any securities referred to herein will be available upon request.

Sushil Financial Services Private Limited and its connected companies, and their respective directors, Officers and employees (to be collectively known as SFSP), may, from time to time, have a long or short position in the securities mentioned and may sell or buy such securities. SFSP may act upon or make use of information contained herein prior to the publication thereof.

This sheet is for private circulation only and the said document does not constitute an offer to buy or sell any securities mentioned herein. While utmost care has been taken in preparing the above, We claim no responsibility for its accuracy. We shall not be liable for any direct or indirect losses arising from the use thereof and the investors are requested to use the information contained herein at their own risk.