

AUTOLINE INDUSTRIES LIMITED

Rating : Accumulate

Target Price : ₹157

Upside : 15%

Time Frame: 12 month

CMP : ₹137(as on 2/06/11)

Key Share Data

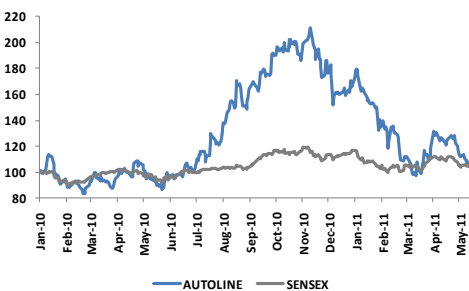
NSE Symbol	AUTOIND
BSE Code/Group	532797/B
Bloomberg Code	AUTOLIN
Reuters Code	AUIN.BO
Equity Capital (₹ Cr)	12.2
Face value	₹10
Market Cap. (₹ Cr)	147.62
52W H/L (SENSEX)	280/103
Avg. Daily Volume	32680
Sector	Auto Anc.
Sensex	18494
Nifty	5550

Share Holding Pattern

Promoter	28.16%
FII	2.88%
DII	3.15%
Public & Others	65.18%

Stock Returns in (%)

	1Mth	3Mth	6Mth
AIL	-9.41	-1.32	-40.29
NIFTY	-2.74	1.26	-6.19



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Autoline Industries Ltd (AIL) incorporated in 1996, as Autoline Stampings Private Ltd. AIL has grown into a mid sized engineering and auto ancillary Company, manufacturing sheet metal components, sub-assemblies and assemblies for large OEMs in the Automobile Industry. Today AIL is engaged in manufacturing over 800 products with its 11 strategic located manufacturing units. Due to excellent quality in work, cost competitiveness, timely deliveries and State of the Art Tool Room with latest CAD/CAE/CAM facilities, the company has, in a short span, become prime vendor to all the reputed Auto Manufacturers in and around Pune.

FY11 Key Result Highlight:

- ⇒ Company's net sales increased by 48% to ₹701 Crs from ₹474 Crs. on consolidated basis, similarly on standalone basis company's top line has shown a growth of 56% to ₹471 Crs.
- ⇒ On Consolidated Basis company's EBIDTA and PAT has increased by 33% and 32% to ₹71.46 Crs & ₹ 28.61 Crs respectively.
- ⇒ As compared to FY10 in FY11 company's EBITDA and PAT margins declined by 110 bps and 48 bps respectively. Main reduction in EBITDA margin is due to increase in the Raw Material cost, Employee Cost and Selling & Admin Cost.

VALUATION:

AIL has declared healthy top line in FY11 but has slightly disappointed on margin front. At the CMP of ₹137 the company is trading at multiples of 4.33X and 3.09X of its FY2012E and FY2013E EPS of ₹31.49 and ₹44.12 respectively. We are positive on the stock looking at the growth of the Auto industry and company's revenue visibility. **We Re-rate the stock with "Accumulate" for the TGT price of ₹157.**

Consolidated	NEW		OLD		CHANGE in %	
	FY11A	FY12E	FY11E	FY12E	FY11E	FY12E
Revenue	701.27	844.18	647.39	768.41	8	10
EBITDA	71.46	89.28	73.53	91.73	-3	-3
PAT	28.61	39.41	31.86	40.88	-10	-4
EPS	22.64	31.49	25.20	32.59	-10	-3

4QFY11 Key Result Highlight

- ⇒ In 4QFY11 company's consolidated top line grew by 38% YoY and 26% QoQ to ₹212.58 Crs . On the other hand EBIDTA and PAT has declined by 13% (YoY) and 71% (YoY) to ₹18.27 Crs and ₹2.65 Crs. Whereas on QoQ basis company's EBIDTA increased by 9% but bottom line has reported decline of 58%.
- ⇒ Though Company has reported healthy top line it was not reflected on the company operating profit because of increase in the Raw Material Cost, Employee Cost and Increment in the Selling expenditure. Raw material Cost increased due to inflationary reason as the steel prices has increased drastically in this financial year. Employee expenditure were high in this quarter because Company has issued Employees stock Options to the employees. Further the expenses pertaining to the welfare of the employees benefit are paid in the last quarter. All the Legal and Bank administrative charges are paid in the last quarter resulting in the increase of Administrative cost as compared to last quarters.
- ⇒ In this quarter company's EBIDTA margin was lowest at 9.3% reporting a reduction of 120 bps on QoQ and 520 bps YoY. Further PAT margins plunged to 1.3% i.e reduced by 510bps YoY and 270bps QoQ.
- ⇒ Company's bottom line has plunged 71% YoY and 58% QoQ to ₹2.65Crs on the back of higher tax payments and increase in the interest expenditure. In this quarter company's tax interest payment is ₹7.10Crs which is 42% high as compared to last quarter. The main reason for increase in the tax expenditure as company has made a provision of Rs. 1.50 Crs for deferred tax liability further Income tax provision with actual figure has been arrived at the end of the financial year.

Quarterly Financial (Consolidated)

	4QFY11	4QFY10	YoY	3QFY11	QoQ	FY11	FY10	YoY
Gross Sales	212.58	154.07	38%	168.31	26%	701.27	474.75	48%
Less Exise duty	15.27	8.98	70%	9.07	68%	40.57	23.68	
Other Operating Income	-	-		-				
Net Sales	197.31	145.09	36%	159.24	24%	660.70	451.07	46%
Raw Material	119.84	78.61	52%	99.87	20%	412.50	270.00	53%
Employee Cost	23.82	16.34	46%	15.33	55%	65.44	32.05	104%
Other Expenditure	37.21	30.21	23%	27.47	35%	113.90	94.36	21%
Stock in Trade	(1.83)	(1.14)	61%	(0.16)	1044%	(2.60)	1.06	-345%
Expenditure	179.04	124.02	44%	142.51	26%	589.24	397.47	48%
<i>% of Sales</i>	91%	85%		89%		89%	88%	
EBITDA	18.27	21.07	-13%	16.73	9%	71.46	53.60	33%
<i>EBITDA Margins</i>	9.3%	14.5%		10.5%		10.8%	11.9%	
Depreciation	5.24	5.67	-8%	4.29	22%	18.47	16.83	10%
EBIT	13.03	15.40	-15%	12.44	5%	52.99	36.77	44%
Interest	7.10	1.31	442%	5.00	42%	20.04	11.01	82%
Other Income	0.71	(0.02)	-3650%	0.03	2267%	3.46	0.91	280%
Exceptional items						-	-	
Profit before Tax	6.64	14.07	-53%	7.47	-11%	36.41	26.67	37%
Tax	3.99	4.79	-17%	1.12	256%	7.80	4.97	57%
PAT	2.65	9.28	-71%	6.35	-58%	28.61	21.70	32%
<i>PAT Margins</i>	1.3%	6.4%		4.0%		4.33%	4.81%	

Profit & Loss

YEAR	2010	2011	2012E	2013E
Net Sales	451.07	660.70	795.34	927.33
Growth (%)	28.71	46.47	20.38	16.60
Expenditure	397.47	589.24	706.06	819.31
% to Sales	88.12	89.18	88.77	88.35
EBITDA	53.60	71.46	89.28	108.02
EBITDA Margins (%)	11.88	10.82	11.23	11.65
Depreciation	14.60	18.47	20.18	23.15
EBIT	39.00	52.99	69.10	84.87
Other Income	0.91	3.46	3.46	3.46
Interest	11.01	20.04	22.41	18.55
PBT	28.90	36.41	50.16	69.78
Tax	4.97	7.80	10.74	14.95
PAT	21.70	28.61	39.41	54.83
Growth (%)	227.30	31.84	37.75	39.12
PAT Margins (%)	4.81	4.33	4.96	5.91

Cash Flow

YEAR	2010	2011E	2012E	2013E
From Operations				
Profit Before Tax	26.67	36.41	50.16	69.78
Depr. & Amort.	16.83	18.47	20.18	23.15
Interest paid	11.01	20.04	22.41	18.55
Operating profit	38.23	74.92	92.74	111.48
Inc/(Dec) in Working Capital	(17.13)	(12.31)	(17.80)	(21.26)
Tax Paid	(4.97)	(7.80)	(10.74)	(14.95)
Net cash generated	16.13	54.81	64.19	75.28
Cash Flow from Investing Activity				
Purchase of Fixed Asset	(40.58)	(53.82)	(50.97)	(53.11)
Net Cash used in investing activity	(42.45)	(53.82)	(50.97)	(53.11)
Changes in capital structure				
Inc. in Shares capital	10.70	-	-	-
Interest Paid	(11.01)	(20.04)	(22.41)	(18.55)
Inc/(Dec) in Loans	34.02	30.37	12.46	7.88
Dividend Paid	(2.86)	(2.86)	(2.86)	(2.86)
Net Cash From Financing	30.85	7.48	(12.80)	(13.53)
Total Inflows	4.53	8.46	0.42	8.64
Opening cash Balance	2.87	7.40	15.86	16.28
Closing cash Balance	7.40	15.86	16.28	24.92

Balance Sheet

₹ in Crs.

YEAR	2010	2011E	2012E	2013E
Share Capital	12.21	12.21	12.21	12.21
Reserves Total	214.62	240.37	276.93	328.90
Shareholders Fund	226.83	252.58	289.14	341.11
Total Debt	181.22	211.59	224.06	231.94
Total Liabilities	454.39	510.52	559.53	619.39
APP. OF FUNDS				
Good Will	36.14	36.14	36.14	36.14
Gross Block	320.82	374.64	425.62	478.72
Acc. Depreciation	43.97	62.44	82.62	105.76
Net Block	276.85	312.20	343.00	372.96
Investments	24.39	24.39	24.39	24.39
Total Current Assets	214.88	267.95	312.12	364.16
Inventories	33.62	45.21	55.90	64.32
Sundry Debtors	80.22	88.02	110.32	126.09
Cash and Bank	7.40	15.86	16.28	24.92
Loans and Advances	93.64	118.86	129.63	148.84
Total Current Liab.	100.60	132.89	158.85	181.00
Net Current Assets	114.28	135.05	153.27	183.17
Misc. Expenses	2.73	2.73	2.73	2.73
Total Assets	454.39	510.52	559.53	619.39

Ratios

YEAR	2010	2011E	2012E	2013
Profitability(%)				
Operating Margin	11.88	10.82	11.23	11.65
Net Margin	4.81	4.33	4.96	5.91
(ROCE)	8.58	10.38	12.35	13.70
Valuation Ratio				
P/BV	0.73	0.66	0.58	0.49
P/CEPS	4.59	3.54	2.80	2.14
EV/EBITDA	6.35	5.07	4.19	3.46
Debt/Equity	0.80	0.84	0.77	0.68
Current Ratio	2.14	2.02	1.96	2.01
Du Pont				
Tax Burden	0.75	0.79	0.79	0.79
Interest Burden	0.72	0.64	0.69	0.79
Operating Margin	0.09	0.09	0.09	0.10
Asset Turnover	0.99	1.29	1.42	1.50
Financial Leverage	2.00	2.02	1.94	1.82
ROE	9.57	11.33	13.63	16.07
Valuation				
Earning per share	16.88	22.64	31.49	44.12
CEPS	29.73	38.56	48.80	63.86
BV	185.77	206.87	236.80	279.37
GROWTH RATIOS (%)				
Net Sales	28.71	46.47	20.38	16.60
EBITDA	104.04	33.32	24.93	20.99
PAT	227.30	31.84	37.75	39.12

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RATING SCALE:

BUY - the stock is available at cheap valuation and has an upside of more than 20% and should be bought at the prevailing price.

ACCUMULATE - the stock is fundamentally sound, however may/may not be available at cheap valuation. The upside is between 10%-20% and the stock can be bought on dips.

HOLD - the stock is nearing its fair value and should be approached with caution. The upside value for this stock is under 5%-10%

REDUCE - the stock is relatively expensive and/or has achieved its fundamental value and the upside is limited to under 5%. Profits must be taken on every rise, if any position made.

EXIT - the stock has no more room for upside, and valuations are stretched. The company is overvalued and hence one must “sell” the stock and exit from the counter as there is a possibility of a correction of more than 10%.