



ISJ Premium Research

Autoline Industries Ltd.	₹ 220
Recommendation	Buy
Target Price	₹ 350

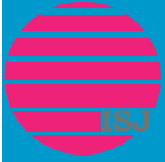
Market Data As On 27 th Sept, 2010	
Total Equity Shares	1.22 Cr.
Equity Share Capital	₹ 12.20 Cr.
Market Capitalisation	₹ 267 Cr.
52 Wk H/L	₹ 227.80/ ₹ 103.15
Face Value	₹ 10
BSE Code	532797

Industry Overview

The automobile sector is cyclical and dependent on the growth of the economy and improvement in infrastructure. Factors like increased public spending, favorable interest rates and general improvement in per capita income point towards higher demand for automobiles in the future. Also, government's initiatives in the infrastructure sector such as the Golden Quadrilateral project and NHDP (National Highway Development Programme) are likely to give boost to four-wheeler sales especially CVs. Just to put things in perspective, we expect CV segment to grow by 7% to 8%, 2-wheeler demand to increase by around 12% to 15% and passenger car sales growth at 10% to 12% over the medium to long term. This is a positive for auto ancillary manufacturers.

A lower labour cost gives Indian auto ancillary companies an absolute cost advantage. ACMA (Automotive Component Manufacturers Association of India) numbers suggest that wage cost accounts for 3% to 15% of revenues for Indian manufacturers as compared to 20% to 40% for US players.

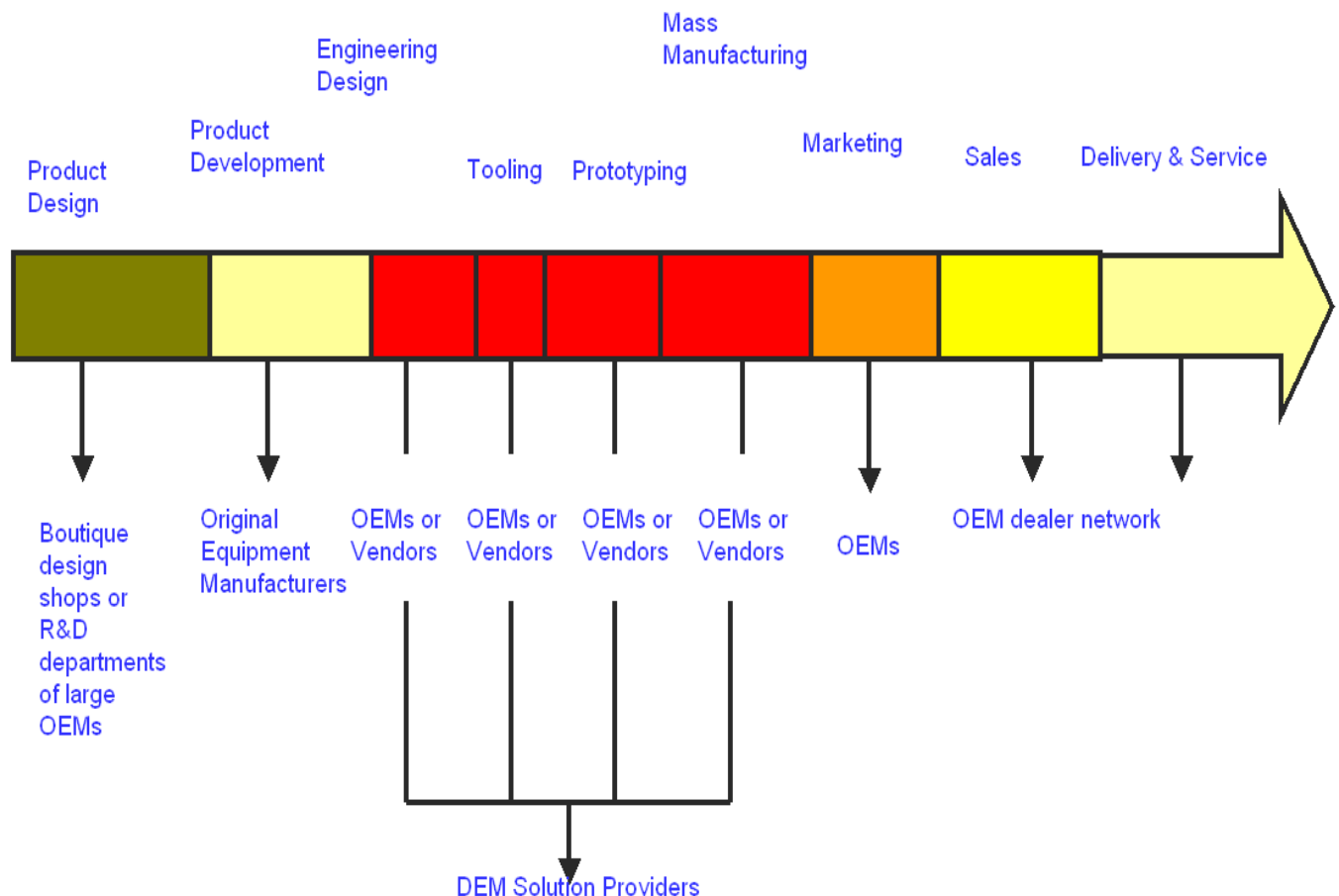
India is now amongst one of the most preferred destinations and has come to occupy the image of an exporting hub for most of the major global OEM players. *Major MNC from the world are setting up base in India, thereby increasing scope of OEM auto component manufacturers. India will emerge big automobile manufacturing hub to serve Asian demand.*

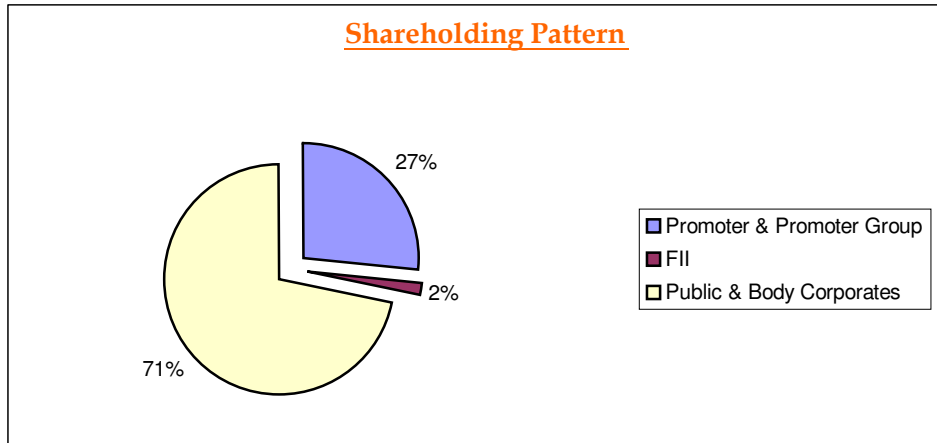


Company Overview

Autoline Industries Ltd (AIL) was initially set up in January 1995. AIL has grown into a medium sized engineering and auto ancillary Company, manufacturing sheet metal components, sub-assemblies and assemblies for large OEMs in the Automobile Industry. AIL is a major supplier of sheet metal components, sub assemblies and assemblies to leading Automobile OEMs (Tata motors, Bajaj Auto, M&M, Walker Exhaust, Stokota Engg, etc.) in the Commercial Vehicle, 2-wheeler, Passenger cars & Tractor segments.

Major OEM's are expected to increase their production base substantially in coming years. AIL has successfully moved up the value chain from manufacturer of simple sheet components to providing Design Engineering, Prototyping, Tool Making & Mass Mfg. of critical components translating into improved margins due to better product mix. Acquisition of Dimension Engineering Software Pvt. Ltd. and MOU signed with Detroit Engineered Products Inc. enables AIL to offer designing solutions for automotive components to Indian & global OEMs and it also has manufacturing capabilities to manufacture the design and deliver to its clients, it is an ART to PART company.

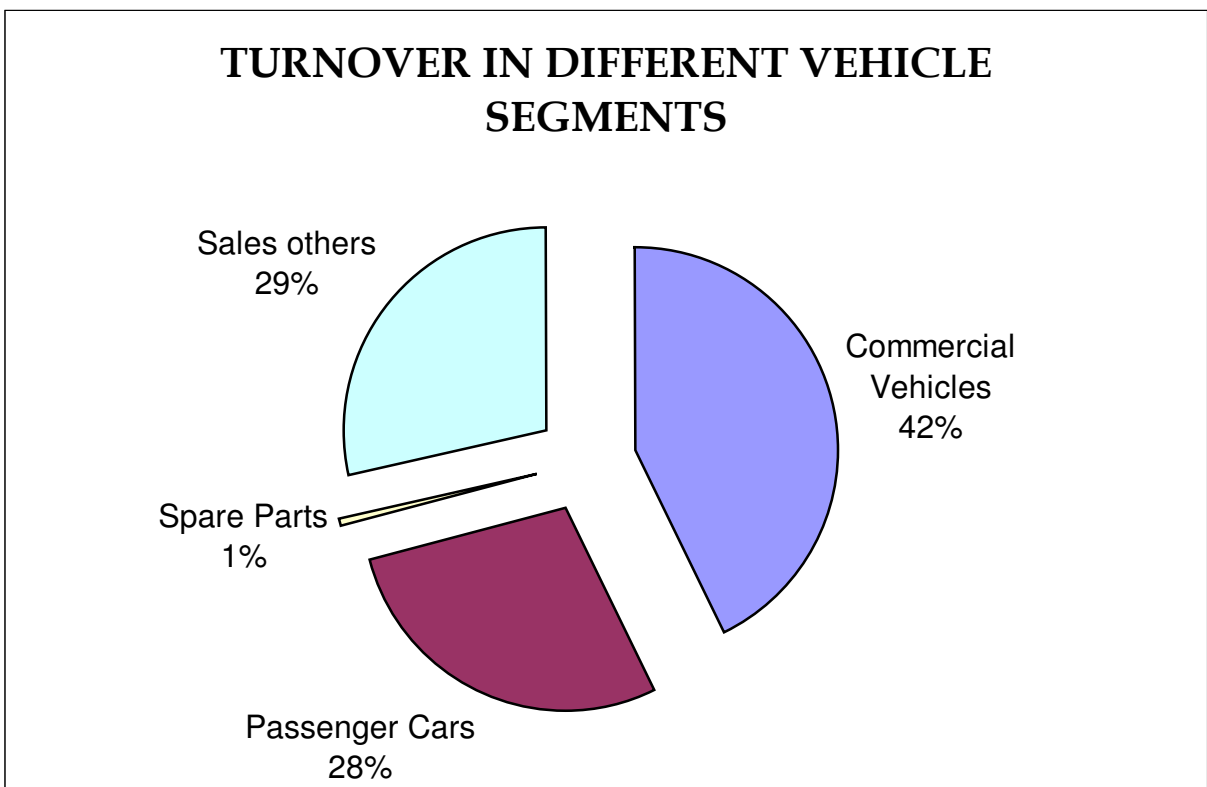


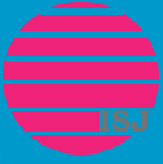


Product Profile

- Complex Stamped & Welded Assemblies
- Load bodies & Truck carriers
- Exhaust Systems
- Sheet Metal Components
- Formed Tubular Components

Composition of total turnover of company in different segment:





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Key Highlights:

- Company enjoys Major Vendor Status at Tata Motors Ltd. Post merger of Jaguar & Land Rover operations with Tata Motors, Autoline is in talks with Jaguar & Land Rover for future Business
- Company is in process of getting Product Approval from Maruti and Hyundai
- Company has 100 acres of Land in Chakan, Pune and intends to develop it as Township project
- Company has edge over competitors due to in house design center which helps it move up the value chain

SWOT ANALYSIS

Strength:

- The company has leadership position in sheet metal assembly components.
- Design solution to OEM's for basic products
- Bigger & Diverse size of operations
- Positive cash flows to leverage the OEM opportunities

Weakness:

- The company is largely dependent on Tata Motors Ltd.
- Tata Motors Ltd is highly leveraged company. In future any delay in payments may create financial instability
- Company is betting on realization from land development. Any delay from the development side may cause delay in expansion
- Any increase in raw material price uncovered in replacement market product can reduce profitability to that extent
- Uncovered foreign exchange risk for the transaction done with or on behalf of global subsidiaries

Opportunities:

- Many Global OEMs are setting up capacities/ increasing their existing capacities in India
- India offers more than 20% cost reduction, hence, it is economical for global OEMs to outsource from India
- Realization from land development will help the company to finance their future capex plans

Threats:

- Cost reduction plans of OEMs
- Loss of rejection of batches supplied to OEMs



Actual Yearly Financials

(₹ In Cr.)	2006-07	2007-08	2008-09	2009-10
Revenue	186.94	341.28	350.46	451.12
Expenses	-160.78	-293.36	-325.22	-398.89
EBDITA	26.16	47.92	25.24	52.23
Depriciation	-3.19	-5.33	-11.11	-16.83
EBIT	22.97	42.59	14.13	35.40
Interest	-2.22	-5.02	-8.03	-10.82
PBT	20.75	37.57	6.10	24.58
Other Income	-	1.15	2.78	2.08
PBT	20.75	38.72	8.88	26.66
Tax	-5.56	-7.10	-2.28	-4.96
Net Profit	15.19	31.62	6.60	21.70
Equity	10.37	10.96	12.20	12.20
EPS (₹)	14.66	27.59	3.84	16.89
OPM (%)	14	14.04	7.20	11.58
NPM (%)	8.12	9.26	1.88	4.81

Actual Quarterly Financials

(₹ In Cr.)	June '09	Sep '09	Dec '09	Mar '10	June '10
Revenue	92.57	105.65	107.79	145.09	145.81
Expenses	-85.02	-95.46	-94.37	-124.02	-127.54
EBDITA	7.55	10.19	13.42	21.07	18.27
Depreciation	-3.62	-3.77	-3.76	-5.67	-4.55
EBIT	3.93	6.42	9.66	15.40	13.72
Interest	-1.95	-2.67	-4.88	-1.31	-3.78
PBT	1.98	3.75	4.78	14.09	9.94
Other Income	0.98	0.45	0.67	-0.02	0.88
PBT	2.96	4.20	5.45	14.07	10.82
Tax	-0.12	-0.03	-0.03	-4.79	-0.12
Net Profit	2.84	4.17	5.42	9.28	10.70
Equity	12.20	12.20	12.20	12.20	12.20
EPS (₹)	2.27	3.19	4.20	7.23	8.38
OPM (%)	8.15	9.64	12.45	14.52	12.53
NPM (%)	3.06	3.94	5.03	6.40	7.34



Financials Of Subsidiary Companies:

(₹ In Cr.)

Particulars	Extent of Holding	Turnover	PBT	PAT
Indian Subsidiaries				
Autoline Design Software LTD.	100%	4.88	0.11	0.08
Western Pressing Ltd.	100%	1.81	0.09	0.08
Autoline Industrial Parks Ltd	51.12%	2.03	1.70	1.12
Nirmiti Auto-components Pvt. Ltd.	100%	76.19	0.68	0.50
Nuvent Technologies Pvt. Ltd.	51%	2.77	0.08	0.07
Foreign Subsidiaries				
Autoline Industries Inc, USA	100%	97.91	5.82	5.59
DEPAutoline Inc, USA	51%	12.32	1.16	1.05
KODERAT Investments Ltd.	100%	-	-0.31	-0.31

Earnings Forecast

(₹ In Cr.)	2010-11	2011-12	2012-13
Revenue	600.00	800.00	1000.00
Total Expenses	-522.00	-700.00	-870.00
Operating Profit	78.00	100.00	130.00
Interest	-13.00	-15.00	-20.00
PBDT	65.00	85.00	110.00
Depreciation	-20.00	-25.00	-30.00
PBT	45.00	60.00	80.00
Tax	-12.00	-18.00	-25.00
Net Profit	33.00	42.00	55.00
Equity	12.20	12.20	12.20
EPS (₹)	27.05	34.43	45.08



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Valuations:

Company has clear earnings visibility for next 3 years as Passenger and Commercial Vehicles sales are expected to remain robust going forward. Also, there are many Multinational Automobile companies like VOLVO, MERCEDEZ and others setting up Assembly Lines in Pune and this broadens the scope of business opportunity for company.

Company is well poised for encashing growth opportunities. It holds majority stake in Autoline Industrial Parks Ltd, which owns prime land in Chakan, Pune. Company shall get ₹ 35 Cr. per year for next five years as post tax capital gains. In addition to regular yearly cash flow of ₹ 40 Cr., the company will have ₹ 75 Cr. free cash flows for business growth.

We have not considered revenue from development of Land in our Earnings forecast. Revenue generation from Land Development may substantially improve earnings for the company.

We have assigned a P/E multiple of 10 times to its 2011-12 projected EPS of ₹ 35 and expect the stock to quote at ₹ 350 in next 12 to 18 months.



Technical Outlook:

Daily Chart



Weekly Chart





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- Stock is in a very Positive trend
- It has made a rounding bottom on Weekly Charts and if it breaks ₹270 on upside then it can move up to ₹450
- It has very strong support at ₹190 from its 50 Day Moving Average (DMA)
- It is overbought on daily and weekly charts at present and may correct to ₹190 in short term.

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