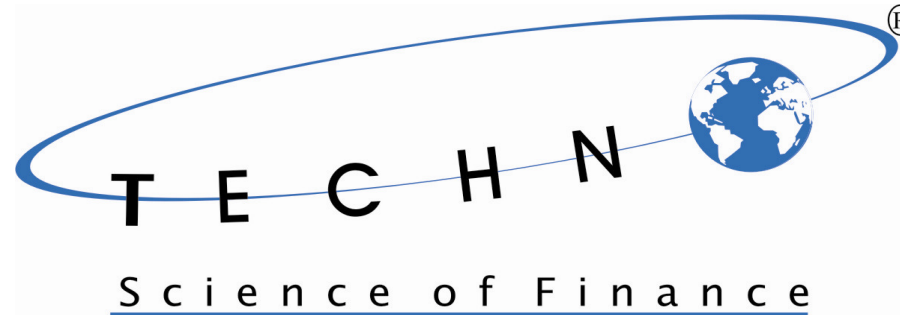


3RD FEBRUARY 2010



AUTOLINE INDUSTRIES LTD.

“ACCUMULATE”

DESIGNED FOR GROWTH...

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OVERVIEW

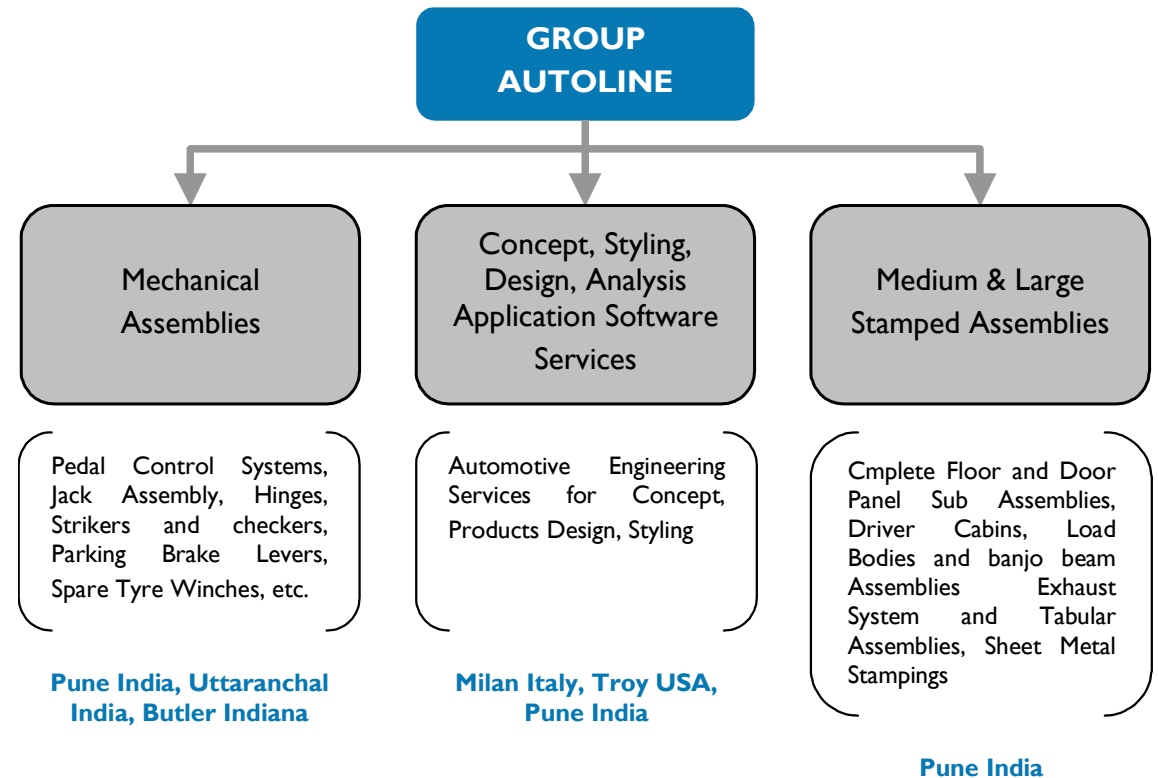
DATE	3 rd February 2010
CMP	INR 116.75
BSE SENSEX	16,163
NSE NIFTY	4,830
EQUITY CAP	INR 12.2 crs.
FACE VALUE	INR 10
MARKET CAPITALIZATION	INR 142.43 crs.
BSE CODE	532797
NSE CODE	AUTOIND
BLOOMBERG CODE	AUTOL IN
P/E (FY11E)	5.4x
52 WEEK HIGH/LOW	INR 157.3/ 45
AVERAGE VOLUME (Yearly avg.)	38,646

SHARE HOLDING PATTERN AS ON 31.12.10	
PROMOTERS	26.62%
INSTITUTIONAL	1.64%
PUBLIC & OTHERS	71.74%

COMPANY BACKGROUND



- Autoline Industries Ltd. is a key auto ancillary player manufacturing over 400 products in the sheet metal and tubular structures space; supported by strong engineering initiatives to create value addition for its clients.
- Autoline has augmented its position across the value chain right from designing to product development and mass manufacturing.
- It has 10 manufacturing units with an employee strength of 2500.
- It has global presence through its strategic acquisition of Detroit Engineered Products (DEP) USA, Dura Automotive (now Autoline Industries LLC USA), & recently Zatago, Italy.

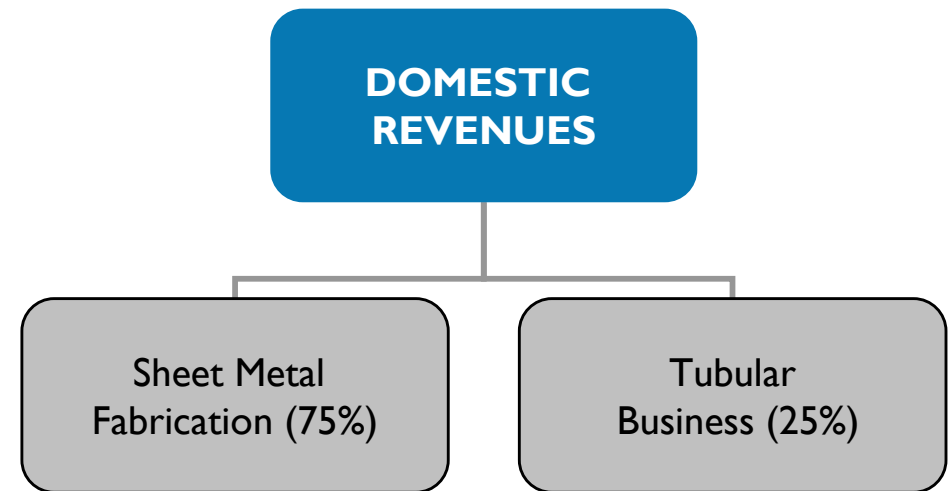


- **Assemblies business segment to witness growth on the back of a spree of new model launches –** A slew of new model launches in the 4 wheeler & LCV space have been announced by most of the OEMs in FY11 in India. This will lead to a increase in demand for intermediate components mainly sheet metal frames, door frames etc. Many global players are also setting up base in India and are moving towards indigenization of components to reduce cost. The new product launches will initially entail lower volumes and hence lead to outsourcing of fabrication work. Autoline would benefit from this as 70-75% of its domestic revenues is derived from sheet metal fabrication.
- **Focus on engineering capabilities to increase value addition in product offerings and improve profitability –** Autoline's business success lies in its capability to provide its clients with engineering & re-engineering solutions to enable them to reduce cost and improve vehicle performance efficiency of the models. Autoline has over the last few years through in-house development and through its international acquisitions positioned itself in the entire product development cycle right from advanced engineering to volume manufacturing. With increasing content of engineering and designing in business, we expect operating margins to expand from 7.5% to ~11% by FY11E.
- **At present, its major client Tata Motors, is witnessing a revival in demand –**The current year domestic sales of CVs(passenger & goods) have witnessed a 34.9% growth for the period of Apr-Jan 2009 vs. similar corresponding period last year. Tata Motors which is currently Autoline's single largest client in India (80-85% of revenues) has witnessed the highest growth at 32% for the same period. We expect capacity utilization to improve from its current levels of about 40% to 55%+ in the next two years. Autoline provides silencers, exhaust systems, load body & frames for Tata Motors LCV's and HCV's.

- **One client dependency to reduce going forward** - Autoline is now consciously diversifying its client base to de-risk itself from vagaries in demand from a single client. Autoline is expanding capacities near India's emerging auto hubs in Pune & Uttaranchal. Volkswagen & Bentler have just completed the Quality Audit for vendor selection. Autoline is soon expected to receive orders from them.
- **USA business operations to breakeven this year** – During FY09 Autoline's USA based manufacturing subsidiary Autoline Industries Ltd. incurred losses on account of the economic slowdown. We expect this unit to breakeven this year as cash for clunker in the first half of FY10 in the US lead to improved utilization of its major clients GM & Ford and payment guarantees to vendors by the US government assured revenue flow. Global product offerings are more sophisticated and enjoy higher margins. Hence we expect profitability to improve.

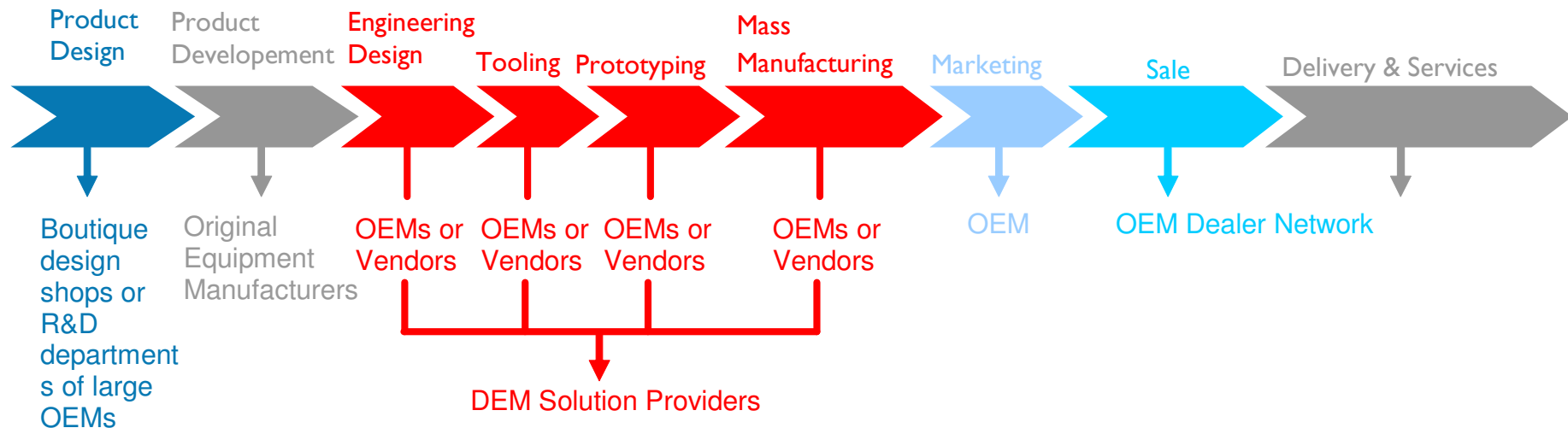
ASSEMBLIES BUSINESS SEGMENT TO WITNESS GROWTH ON THE BACK OF A SPREE OF NEW MODEL LAUNCHES

- Autoline's domestic business consists of over 400 products of sheet metal and tubular products like – pedals, jacks, exhaust systems, etc.
- Growth in the assemblies business to ride on the back of new model launches announced for 2010-2011 & a volume pick up from FY11.
 - Many foreign car manufacturers setting up capacity / increases existing capacity in India
 - Higher content of indigenisation of auto components leading the growth.
 - New and frequent model launches to have lower volumes hence OEM's to continue to outsource sheet metal fabrication business , which proves to be economical.
- Autoline to benefit from this trend in the auto industry as it has capacity near all auto hubs locations at Pune & Uttarakhand.



FOCUS ON ENGINEERING CAPABILITIES TO INCREASE VALUE ADDITION IN PRODUCT OFFERINGS AND IMPROVE PROFITABILITY

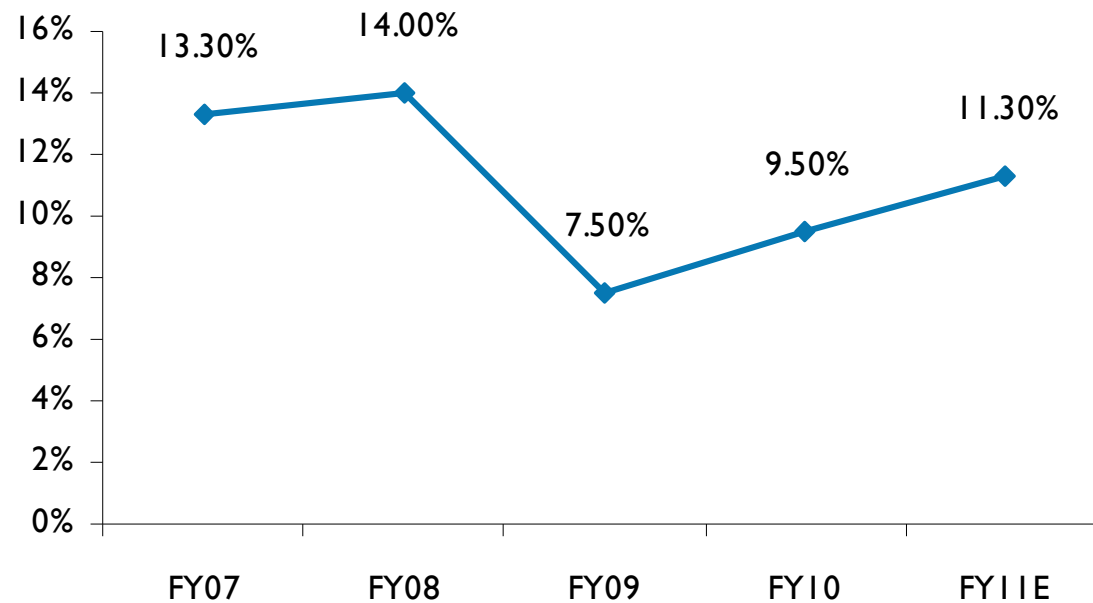
- Autoline has presence across the value chain from product designing , development to manufacturing.



- Autoline has over the years through organic and inorganic route augmented its presence in the Automotive Engineering Services from concept to product designing & styling.
- Industry trends suggest that design and engineering capabilities are gaining traction as energy efficiency and cost reduction gains focus in the industry.
- By 2020, India is expected to garner 1/4 of the USD 40 bn global Engineering Services Outsourcing industry catering to the industrial, automotive and aerospace industries.

CONT. - FOCUS ON ENGINEERING CAPABILITIES TO INCREASE VALUE ADDITION IN PRODUCT OFFERINGS AND IMPROVE PROFITABILITY

- Advantages of Autoline's "Design to Manufacture" business concept are:
 - Enable it to act as a single source supplier and hence garner bulk orders from OEMs
 - Drive better realization on account of an integrated model.
- We expect margins to improve as the engineering capabilities add value to Autoline's product offerings.



- Domestic CV sales have been subdued for the last two years growing at a marginal 5% in FY08 and de-growing by 22% in FY09.
- The current year domestic sales of CVs(passenger & goods) have witnessed a 12.4% growth for the period of Apr-Nov 2009 vs. similar corresponding period last year.
- Tata Motors, Autoline's single largest client in India (80-85% of revenues), has witnessed the highest volumes growth at 32% for the same period.
- We expect capacity utilization to improve from its current levels of about 40% to 55%+ in the next two years. Autoline provides silencers, exhaust systems, load body & frames for Tata Motors LCV's and HCV's.
- New business orders in hand for Tata Motors Ltd for FY10 & FY11:
 - 1 ton vehicle – Approx INR 0.65 crs. Per month from November
 - Penguin Vehicle (0.5 T Passenger Carrier) – Approx. INR 2.5 crs. Per month from September 2010.
 - Micro Bus _ Magic – Approx. INR 0.8 crs. Per month from Jan 2010.
 - Indicruz MPV – Order in hand worth INR 15,000 per vehicle expected to commence in FY11.

USA BUSINESS OPERATIONS TO BREAKEVEN THIS YEAR

- Autoline has presence in USA, the largest automotive market through 2 of its subsidiaries : - DEP Automotive LLC, USA and Autoline Industries, INC. USA .
 - **Autoline Industries, INC. USA** formerly known as DURA USA is a global leader in automotive jacks. It manufactures a whole range of Scissor & Bottle Jack Systems along with Jack Tool Kits and Storage Kits as a full service provider.
 - In FY09 Autoline acquired a sophisticated pedal business along with machinery & equipment of one of the leading pedal manufacturers in North America and moved that business to merge it with the jack business at Indiana.
 - During FY09 this unit incurred losses on account of the economic slowdown.
 - We expect this unit to breakeven this year as cash for clunker in the first half of FY10 in the US lead to improved utilization of its major clients GM & Ford and payment guarantees to vendors by the US government assured revenue flow.
 - Global product offerings are more sophisticated and enjoy higher margins. Hence we expect profit to return going in FY11.

(In INR Crs.)

YEAR	TOTAL INCOME	PBT	PBTM	PAT	PATM
FY08	21.6	3.8	17.6%	2.8	13.0%
FY09	48.1	-1.9	-4.0%	-2.1	-4.4%

- **Detroit Engineered Products Ltd. (DEP)** is a 51% subsidiary of Autoline involved in concept, styling and designing is located at Michigan in USA.
- DEP introduced a path breaking software “ MESHWORKS MORPHER” that enables the user to rapidly change an existing FE/CFD mesh (technical term for a engineer drawing of a model) into a new target shape without having to redraw it in CAD (computerized aided design) hence reducing the product development time and cost.
- The popularity of this new software enabled DEP to maintain profitability in FY09. We expect DEP to contribute INR 3-3.5 crs. to the bottomline over the next two years.

(In INR Crs.)

YEAR	TOTAL INCOME	PBT	PBTM	PAT	PATM
FY08	14.3	2.7	18.9%	2.6	18.2%
FY09	18.4	3	16.3%	2.7	14.7%

- Worldwide market for design services pegged at USD 11 billion (INR 44,000 Crs.) and presently India's share is a mere 1 percent.
- Industry trends suggest that design and engineering capabilities are gaining traction as energy efficiency and cost reduction gains focus in the automotive industry.
- By 2020, India is expected to garner 1/4 of the USD 40 bn global Engineering Services Outsourcing industry catering to the industrial, automotive and aerospace industries as per a joint study by Nasscom and Booz & Co .
- Almost all major Auto and auto component companies in India are using 3D software engineering design tools to create designs .

The following are a few reasons as to India's potential to emerge as a design hub -

- India offers more than 20% cost reduction to any client and hence economical for global OEMs to outsource from India. A typical CAD project in the USA will cost about USD 60 per man hour as against about USD 25 in India.
- India is known world over for its expertise in I.T., and has a long history in manufacturing with strong domestic market. Outsourcing of engineering design services is a Big Opportunity for India.
- Declining sales per vehicle model, short product life cycle – preventing economies of scale
- Focusing on common platforms and interchangeable modules – leading to faster & lower cost.
- Design with a common underbody platform adapting body, trim and ride (shape & model design) to particular market conditions.
- Passing the responsibility of developing, manufacturing and assembling important sections of the Car on to their Vendors.

BUSINESS MODEL : PRODUCT PROFILE & PLANT LOCATIONS



SEGMENT	PRODUCT OFFERINGS
Commercial Vehicle Manufacturers (OEMs)	Engine Bracketary Parts, Door assemblies, Engine Hood, Frame Parts, Aesthetic Parts, Front Grill Side Panel Assembly, Cross Member, Load Body, Tippers, Floor Assemblies, Firewall, Bumpers , Driver Cabin (Rear Wall, Side wall etc.), Mudguard Assembly, Si
Passenger car manufacturers – (OEMs)	Pillar Top, Suspension Tower, Cross Member, Tail Gate Assembly, Hand Brake Mounting Assembly, Engine Cross Member, Alternator Bracket Assembly, Push Rod Chamber Cover, Front Floor Assembly, Heat Shield, Hinge Assemblies, Pedal systems (Clutch ,Brake & Acc
Two wheeler manufacturers (OEMs)	Frame parts, Diaphragm Assembly, Aesthetic Parts, Swing Arm, Petrol Tank, Chain Cover, Scooter Wheel Rim, Silencer Guard, Steering Tube Assembly, Front Fork Assembly, Bonnet Reinforcement Assembly, Center Stand Assembly, Side Stand Assembly, Foot Stand As
Three Wheeler Manufacturers (OEMs)	Frame Parts, Rear Cover Assembly, Upper Plate
General for all categories	Front Panel Assembly, FIP Bracket Assembly, Tailgate Assembly, Tailgate Panel Assembly, Rear Wheel Assembly

- **Small Mechanical Assemblies** - Jacks and Toolkits, Pedal Systems, Door Hinges, and other mechanical assemblies.
- **Body Structures** - Fabricated Assemblies for Automobile & Engineering Industries Door Assemblies, Driver's Cabins, Gen-set Canopies, Large Assemblies for LCVs and Passenger Cars.
- **Chassis Systems** - Fabricated Assemblies for underbody and Chassis components, axels, pick-up boxes.
- **Special Purpose & Formed Tubular Products** - Exhaust Systems, Silencers, tubular fabricated assemblies, specially fabricated mechanisms.

MANUFACTURING LOCATIONS

- Autoline operates through 10 manufacturing facilities and 4 design centers in Pune, Uttrakhand, Chennai, USA & Italy.
- The company plans to invest INR 250 crs. in the next two years to ramp up its capacity. This will be funded through debt and intenal accruals.
- The plant in Uttrakhand will be entitled to tax exemptions.

SUBSIDIARIES

(In INR Crs.)

LOCATION	NAME	PRODUCTS/SERVICES	HOLDING %	TOTAL INCOME (FY09)	PAT (FY09)	REMARKS
DOMESTIC	Western Pressing Ltd.	Sheet Metal	100%	0.2	0.03	Being Merged with holding company Autoline
	Autoline Design Software Ltd.	Engineering Solutions Co.	100%	4.7	0.1	
	Nirmiti Autocomponents Pvt. Ltd.	Pedal Systems	100%	61	0.05	
	Autoline Industrial Parks Ltd.	Land Development	51.12%	1.8	1	Land acquisition underway
	Nuvent Technologies Pvt. Ltd.	Designing Softwares	51%	3.4	0.2	An offshore development site for DEP. Is a subsidiary of DEP.
GLOBAL	DEP Autoline LLC.USA	Designing Softwares	51%	18.4	2.7	Meshworks Morpher to Drive growth
	Autoline Industries INC USA	Jacks & Pedals	100%	48	-2	To breakeven in current fiscal
	Koderat Investments Ltd. Cyprus	Investment Company	100%	-	0.07	An SPV for the acquisition os 49% stake in SZ Design Srl & Zagato Srl ("ZAGATO") Milan, Italy

ORDER BOOK POSITION

- **New business orders in hand for Tata Motors Ltd for FY10 & FY11:**
 - 1 ton vehicle – Approx INR 0.65 crs. Per month from November
 - Penguin Vehicle (0.5 T Passenger Carrier) – Approx. INR 2.5 crs. Per month from September 2010.
 - Micro Bus _ Magic – Approx. INR 0.8 crs. Per month from Jan 2010
 - Indicruz MPV – Order in hand worth INR 15,000 per vehicle expected to commence from Nov 2009.
- Cummins USA – Order worth approx. INR 2 crs.
- Volkswagen & Bentler – Quality Audit completed.
- **American Axle MF –**
 - 0.75 T Vehicle – Orders in hand worth approx. INR 0.25 crs. per month.
 - 1 T Vehicle - Orders in hand worth approx. INR 0.25 crs. per month.
- Fiat India – Hinges for ‘Linea’ & ‘Punto’ orders in hand worth approx. INR 0.3 crs. per month from Dec 2009.
- Autoline USA won a contract from 2 major US automakers worth USD 40 mn distributed over 4 years. The contract is for 2 new models expected to be launched in late 2010. The contract is for 500,000 brakes & pedal systems per year.

KEY RISKS

- Domestic operations at present are primarily dependent on single OEM. The company is consciously putting efforts to win orders from other foreign OEMs setting up base in India.
- Risk of delay or cancellation of order.
- Foreign exchange exposure in global subsidiaries.

VALUATIONS

Autoline has over the year augmented its position across the entire value chain in auto ancillary sector. Its designing capabilities and technical collaborations will help it garner better realizations as it will add value to the OEM it caters to. At the CMP of INR 116.75, the stock trades at 9.4x & 5.4x its FY10 & FY11 estimated EPS of INR 12.1 & INR 21.6 respectively. **We see healthy growth in its domestic clients and expect the US operations to return to profitability. On that positive outlook we recommend investors to “ACCUMULATE” this stock with a price target of INR 170/- over the next one and a half years.**

QUARTERLY SNAPSHOT

(In INR Crs.)

PARTICULARS	DEC-09	DEC-08	YOY	SEP-09	QOQ	9MFY10	9MFY09	VARIANCE
Net Sales	107.79	72.96	47.7%	105.65	2.0%	306.02	270.68	13.1%
Other Income	0.67	0.72	-6.9%	0.45	48.9%	2.10	2.28	-7.9%
Total Income	108.46	73.68	47.2%	106.10	2.2%	308.12	272.96	12.9%
Total expenditure	94.37	68.05	38.7%	95.46	-1.1%	274.85	254.69	7.9%
PBIDT	13.42	4.91	173.3%	10.19	31.7%	31.17	15.99	94.9%
Interest	4.88	1.64	197.6%	2.67	82.8%	9.51	4.89	94.5%
PBDT	9.21	3.99	130.8%	7.97	15.6%	23.76	13.38	77.6%
Depreciation	3.76	1.98	89.9%	3.77	-0.3%	11.16	5.78	93.1%
PBT	5.45	2.01	171.1%	4.20	29.8%	12.60	7.60	65.8%
Tax	0.03	0.28	-89.3%	0.03	0.0%	0.17	0.43	-60.5%
Reported Profit After Tax	5.42	1.73	213.3%	4.17	30.0%	12.43	7.17	73.4%
Minority Interest After NP	0.30	0.29	3.4%	0.27	11.1%	0.65	1.77	
Net Profit after Minority Interest	5.12	1.44	255.6%	3.90	31.3%	11.78	5.40	
EPS (Unit Curr.)	4.20	1.18		3.20		9.66	4.43	
PBIDTM(%)	12.5%	6.7%		9.6%		10.2%	5.9%	
PBDTM(%)	8.5%	5.5%		7.5%		7.8%	4.9%	
PATM(%)	5.0%	2.4%		3.9%		4.1%	2.6%	

CONSOLIDATED FINANCIALS



(In INR Crs.)

INCOME STATEMENT	FY08	FY09	FY10E	FY11E
Net Sales	341.3	350.5	436.6	527.2
Total Expenditure	293.3	324.3	395.0	467.4
PBIDT	47.9	26.1	41.6	59.8
Other Income	1.2	3.1	4.0	6.0
Interest	5.0	8.0	10.0	12.0
PBDT	44.1	21.2	35.6	53.8
Depreciation	5.3	12.1	12.7	15.0
PBT	38.8	9.1	22.9	38.8
Tax	7.1	2.3	5.7	9.7
PAT Excl. EI	31.7	6.8	17.2	29.1
Minority Interest	1.5	1.9	2.0	2.8
Extraordinary Adj.	0.0	0.0	0.0	0.0
PAT	30.2	4.9	15.2	26.3
EPS (excl. EI)	27.6	4.0	12.4	21.6

CONSOLIDATED FINANCIALS

(In INR Crs.)

BALANCE SHEET	FY08	FY09	FY10E	FY11E
Share Capital	11.0	12.2	12.2	12.2
Reserves & Surplus	154.5	198.4	213.6	239.9
Net Worth	165.4	210.6	225.8	252.1
Total Debt	132.3	153.8	182.2	247.2
Sources of fund	297.7	364.5	408.0	499.3
Net Assets	233.7	242.5	332.4	439.7
CWIP	23.1	42.0	0.0	0.0
Investments	14.0	22.5	20.0	12.0
Cash & Bank	5.0	0.2	6.0	3.6
Working Capital	44.4	89.9	55.6	47.6
Uses of Funds	316.3	397.7	408.0	499.3

Note: FY08 is June ending while all rest are March ending

CONSOLIDATED FINANCIALS



CASH FLOW STATEMENT	FY08	FY09	FY10E	FY11E
PBT	32.7	4.7	22.9	38.8
Depreciation	5.0	11.5	12.7	15.0
Change in working capital	14.1	-23.7	-14.8	1.6
Taxes Paid (Direct)	0.0	0.0	-5.7	-9.7
Cash Flow From Operating Activities:	74.2	19.9	27.4	63.9
Capex	-171.1	-39.2	-102.0	-120.0
Free Cash flow	245.3	59.1	129.4	183.9
Investments (Net)	-13.8	-8.5	2.5	8.0
Cash Flow from Investing Activities	-185.0	-47.7	-99.5	-112.0
Dividend	-7.1	-1.4	-1.7	-1.5
Share Capital	39.6	31.1	0.0	0.0
Debt	88.6	21.1	35.0	65.0
Interest Paid	0.0	0.0	-10.0	-12.0
Cash Flow From Financing Activities	121.0	50.8	23.3	51.5
Others	-20.8	-27.7	54.6	-5.8
Net change in cash	-10.6	-4.8	5.8	-2.4
Opening cash	15.6	5.0	0.2	6.0
Closing cash	5.0	0.2	6.0	3.6

CONSOLIDATED FINANCIALS

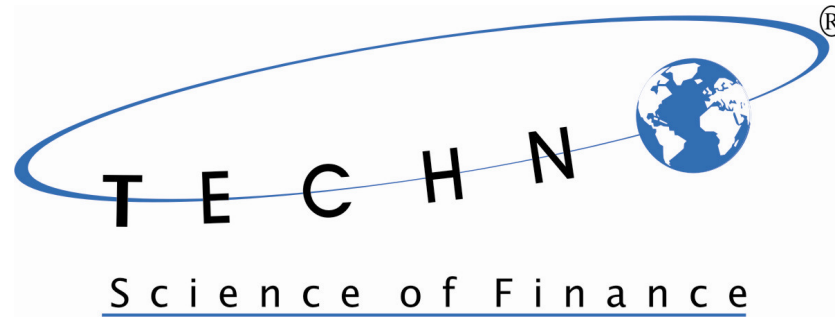
RATIO ANALYSIS	FY08	FY09	FY10E	FY11E
PROFITABILITY RATIOS				
PBIDT(%)	14.0%	7.5%	9.5%	11.3%
PBDT(%)	12.9%	6.1%	8.2%	10.2%
PBT(%)	11.4%	2.6%	5.2%	7.4%
PAT(%)	8.9%	1.4%	3.5%	5.0%
Tax Rate(%)	18.3%	24.9%	25.0%	25.0%
RoCE(%)	19.0%	4.7%	8.1%	11.2%
RONW(%)	22.5%	2.6%	7.0%	11.0%
VALUATION RATIOS				
EPS	27.6	4.0	12.4	21.6
P/E	4.2	29.3	9.4	5.4
CEPS	32.5	14.0	22.8	33.8
BV	149.6	168.7	185.1	206.7
DPS	6.5	1.2	1.1	6.0
Debt/NW	0.8	0.7	0.8	1.0
GROWTH RATIOS				
Net Sales	80.1%	0.4%	23.6%	20.7%
PBIDT	93.9%	-45.5%	59.1%	43.7%
Adj.PAT	94.8%	-83.9%	212.4%	73.3%
Net Sales to Net FA (x)	1.5	1.4	1.3	1.2
LIQUIDITY RATIOS				
Current Ratio	1.8	2.0	2.0	1.7

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