

Trying to get over "one customer" dependency



Autoline Industries, the Pune-based auto component company had gone public on 8th January 2007 and it had offered shares at Rs.225 per share. Today, those who had been allotted shares in the IPO would be a woebegone lot as the stock is currently quoted at Rs.162, after having touched a high of Rs.463 in Feb.

The company has posted a second quarter performance for the period ended 30th September 2007, which is more or less in the same lines as that posted in

Q1. Net sales grew by 8.34% on a q-on-q basis, EBIDTA was up 19.32%, PBT was up 27.84% and net profit rose 27.79%.

The success of this company is directly linked with that of Tata Motors, which contributed more than 85% to the revenues of the company. Its other customers include Bajaj Auto, and Mahindra and Mahindra.

Currently, most of these companies have been posting slower growth rates and this is probably reflecting on the bottomlines of Autoline. Being so dependent on one customer is always a very risky proposition and this is now being more than proved.

To get over this single customer dependency, the company has tried out various things It acquired a 51% stake in US-based Detroit Engineered Products (DEP) Inc. for an undisclosed sum. The company also acquired a 51 per cent strategic stake in Belgium-based Stokota NV for Rs 66.8 crore, however this deal was called off due to lapse of time frame and the initial sum paid by the company to Stokota was returned.

The company had raised Rs.104 crore through the IPO of which it has utilized Rs.102.35 crore. Almost all the costs, except for project investment and working capital needs have surpassed the earmarked figures.

The company is located in Chakan and a number of companies are coming into the region like General Motors, Volkswagen. So the company is hopeful that it may be able to get more orders from these companies soon.

At the current rate of Rs.162, the stock infact looks like a good buy, what with the company working so consciously towards reducing its dependency on one customer. Fancy is low at the moment, so those hoping to ride the wave might be disappointed.

	Q2 FY08	Q1 FY08
NET SALES	71.42	65.92
EBIDTA	7.47	6.21
INTEREST	0.68	0.66
DEPRECIATION	1.05	1.05
PBT	5.74	4.49
PAT	4.46	3.49
EQUITY CAPITAL	10.37	10.37
EPS (FV:Rs.10/)	4.30	3.36
OPM (%)	10.46	9.42
NPM (%)	6.24	5.29

(Rs. in crore)