Autoline Industries Ltd.

Q4 FY11 Update

May 17, 2011 | BUY | PRICE ₹ 130 | TARGET ₹ 208

Auto Ancillary

EARLIER RECO

Buy	
Price	₹ 170
Target	₹ 208
Date	Feb 14, 2011

SHARE HOLDING (%)

Promoters	28.16
FII	8.65
FI/MF	3.14
Govt. Holdings	0.00
Body Corporates	10.83
Public & Others	49.22

STOCK DATA

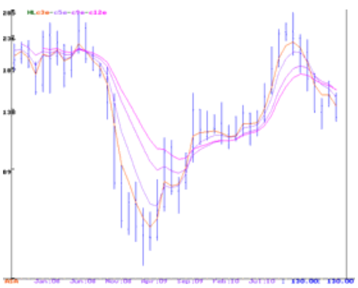
Reuters Code	**AUIN.BO**
Bloomberg Code	**AUTOL IN**
BSE Code	**532797**
NSE Symbol	**AUTOIND**
Market Capitalization*	**₹ 1,586.6 mn** **US$ 35.2 mn**
Shares Outstanding*	**12.20 mn**
52 Weeks (H/L)	**₹ 280/106**
Avg. Daily Volume (6m)	**34,297 Shares**

Price Performance (%)

1M	3M	6M
(17)	(23)	(48)

200 Days EMA: ₹ 168

***On fully diluted equity shares**



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Q4 FY11 Performance

Autoline Industries Limited (AIL) has come out with numbers for Q4 FY11 which are above our topline estimates but very much inline with our bottomline estimates. **Key highlights of the financial performance during Q4 and FY11 and future outlook are as under:**

Standalone Analysis

- Standalone Net sales for Q4 FY11 grew 24.2% y-o-y to ₹ 1,237.2 mn. Standalone EBITDA for Q4 FY11 declined 12.9% y-o-y to ₹ 122.0 mn. EBITDA margins declined by 421 bps to 9.9% during Q4 FY11. The decline in margins was due to increase in Raw materials and Administration & Selling expenses as percentage of sales.

- Interest costs increased by 131.8% in Q4 FY11 to ₹ 63.5 mn. The increase in interest costs was due to restructuring of high cost Debt. Depreciation costs for Q4 FY11 increased by 17.2% y-o-y to ₹ 31.4 mn. EPS for the quarter stood at ₹ 0.6 as against ₹ 5.7 achieved during Q4 FY10.

- During FY11, Revenue grew 55.3% y-o-y to Rs.4,342.9 mn. EBITDA grew by 49.0% y-o-y to Rs.520.9 mn whereas EBITDA margin declined by 52 bps y-o-y to 12.0%. Net Profit during FY11 grew by 39.5% y-o-y to Rs.188.4 mn. Margins at PAT level declined 49 bps to 4.3%.

Consolidated Analysis

- Consolidated Net sales grew by 36.0% y-o-y to ₹ 1,973.1 mn. The topline was broadly in line with our estimates. Consolidated EBITDA for Q4 FY11 declined 13.3% y-o-y to ₹ 182.7 mn. EBITDA margins declined to 9.3% as against 14.5% achieved during Q4 FY10.

- AIL's Consolidated EPS stood at ₹ 2.2 during Q4 FY11 as against ₹ 7.2 achieved during the same period last year.

- During FY11, Consolidated Revenue grew 46.5% y-o-y to Rs.6,607.0 mn. EBITDA grew by 36.8% y-o-y to Rs.714.6 mn whereas EBITDA margin declined by 76 bps y-o-y to 10.8%. Net Profit during FY11 grew by 34.1% y-o-y to Rs.276.3 mn. Margins at PAT level declined 39 bps to 4.2%.

OUTLOOK & VALUATION

AIL has reported Q4 FY11 results which are above our topline estimates but inline with bottomline estimates. Performance at Net level was affected due to higher operating expenses and higher interest expense incurred due to loan restructuring. We have revised our topline estimates slightly upwards but have marginally lowered our bottomline estimates to factor in margin pressure which we expect to continue in FY12. We have also introduced FY13 estimates. We now expect its Revenues and APAT to grow by 20.4% & 37.2% respectively in FY12E; and by 12.0% & 28.4%, respectively in FY13E.

We initiated coverage on AIL with a BUY rating at ₹ 189 for target of ₹ 242. At levels of ₹ 265, we recommended investors to exit complete holdings in the stock. During our Q3 FY11 update, we recommended investors to re-enter the stock at ₹ 170. At CMP of ₹ 130, the stock discounts the FY12E & FY13E EPS of ₹ 31.1 & ₹ 39.9 by 4.2x & 3.3x respectively. We maintain our BUY rating on the stock at current levels for target price of ₹ 208 (5.1x FY13E EPS).

KEY FINANCIALS (Consolidated)

Y/E Mar.	Revenue (₹ mn)	APAT (₹ mn)	AEPS (₹)	AEPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/Sales (x)
FY10	4,511.2	206.0	16.9	437.1	7.7	8.2	9.6	0.4
FY11E	**6,607.0**	**276.3**	**22.6**	**34.1**	**5.7**	**11.8**	**11.4**	**0.2**
FY12E	**7,952.4**	**379.0**	**31.1**	**37.2**	**4.2**	**13.1**	**13.8**	**0.2**
FY13E	**8,906.7**	**486.8**	**39.9**	**28.4**	**3.3**	**14.7**	**15.3**	**0.2**

QUARTERLY STATEMENT (Consolidated) ₹ mn

Y/E March	Q4FY10	Q3FY11	Q4FY11
Net sales	**1,450.9**	**1,592.4**	**1,973.1**
Growth %	-	47.7	36.0
Total Expense	1,240.2	1,425.1	1,790.4
EBITDA	**210.7**	**167.3**	**182.7**
Growth %	-	24.7	(13.3)
Margin %	14.5	10.5	9.3
Interest	13.1	50.0	71.0
Depreciation	56.7	42.9	52.4
Other Income	(0.2)	0.3	7.1
PBT	**140.7**	**74.7**	**66.4**
Margin %	9.7	4.7	3.4
Tax	47.9	11.2	39.9
Rate %	34.0	15.0	60.1
PAT	**92.8**	**63.5**	**26.5**
Minority Interest	4.6	0.5	(0.7)
APAT	**88.2**	**63.0**	**27.2**
Margin %	6.1	4.0	1.4

PROFIT & LOSS STATEMENT (Consolidated) ₹ mn

Y/E March	FY10	FY11	FY12E	FY13E
Net Sales	**4,511.2**	**6,607.0**	**7,952.4**	**8,906.7**
Other Op Income	20.8	34.6	39.8	44.5
Raw Mat. Consumed	3,342.1	4,916.6	5,914.2	6,504.0
Staff Cost	443.5	654.4	818.0	981.6
Admin and Selling Exp	203.3	319.9	399.6	447.6
Misc. Expenditure	-	1.5	-	-
Total Expenditure	**3,988.9**	**5,892.4**	**7,131.8**	**7,933.2**
PBIDT	**543.1**	**749.2**	**860.4**	**1,018.0**
Interest	108.2	200.4	181.2	181.2
Depreciation	168.3	184.7	189.4	199.9
PBT incl OI	266.6	364.1	489.7	636.9
Tax	49.6	78.0	97.9	133.7
PAT	**217.0**	**286.1**	**391.8**	**503.1**
Minority Interest	11.0	9.8	12.7	16.4
APAT	**206.0**	**276.3**	**379.0**	**486.8**

BALANCE SHEET STATEMENT (Consolidated) ₹ mn

As on 31st March	FY10	FY11E	FY12E	FY13E
Share Capital	122.0	122.0	122.0	122.0
Reserves & Surplus	2,146.2	2,390.8	2,725.7	3,155.9
Net Worth	**2,268.2**	**2,512.9**	**2,847.8**	**3,277.9**
Minority Interest	387.3	387.3	387.3	387.3
Secured Loans	1,530.5	1,530.5	1,530.5	1,530.5
Unsecured Loans	281.6	281.6	281.6	281.6
Total Loan funds	**1,812.2**	**1,812.2**	**1,812.2**	**1,812.2**
Deferred Tax Liability	76.1	76.1	76.1	76.1
Capital Employed	**4,543.8**	**4,788.5**	**5,123.4**	**5,553.5**
Net Block	2,768.5	2,783.8	2,794.3	2,794.4
Goodwill	361.4	361.4	361.4	361.4
Investments	243.9	243.9	243.9	243.9
Inventories	336.2	484.9	583.3	641.5
Sundry Debtors	802.2	959.4	1,154.7	1,293.3
Cash & Bank Bal	74.0	404.5	708.4	1,103.3
Other Curr Assets	936.4	936.4	936.4	936.4
Current Assets	**2,148.8**	**2,785.2**	**3,382.8**	**3,974.5**
Curr Liab & Prov	**1,006.1**	**1,413.1**	**1,686.4**	**1,848.0**
Net Current Assets	**1,142.8**	**1,372.1**	**1,696.5**	**2,126.5**
Miscellaneous Exp	27.3	27.3	27.3	27.3
Total Assets	**4,543.8**	**4,788.5**	**5,123.4**	**5,553.5**

Source : Company, Sushil Finance Research Estimates

FINANCIAL RATIO STATEMENT (Consolidated)

Y/E March	FY10	FY11E	FY12E	FY13E
Growth (%)				
Net Sales	28.7	46.5	20.4	12.0
APAT	339.8	34.1	37.2	28.4
EBITDA	86.9	37.9	14.8	18.3
Profitability (%)				
EBITDA Margin	12.0	11.3	10.8	11.4
Adj. PAT Margin	4.5	4.2	4.7	5.4
ROCE	8.2	11.8	13.1	14.7
ROE	9.6	11.4	13.8	15.3
Per Share Data (Rs.)				
Adj. EPS	16.9	22.6	31.1	39.9
Adj. CEPS	30.7	37.8	46.6	56.3
BVPS	185.8	205.9	233.3	268.6
Valuations (X)				
PER	7.7	5.7	4.2	3.3
P/BV	0.7	0.6	0.6	0.5
EV / EBITDA	6.8	4.5	3.6	2.6
EV / Net sales	0.8	0.5	0.4	0.3
Mcap / Net sales	0.4	0.2	0.2	0.2
Turnover Days				
Debtors days	52	53	53	53
Creditors days	102	100	100	100
Gearing Ratio				
Total Debt to Equity	0.8	0.7	0.6	0.6

RECOMMENDATION

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