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January 08, 2007

Public Issue Offering

Autoline Industries Ltd (AIL)

Price Band: INR 200-225 Per Equity Share

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Issue Details:

Price Band: Rs 200 - 225 per equity share	Face value: Rs. 10 each
Bid/Issue opens on: Monday, January 08, 2007	Bid/Issue closes on: Friday, January 12, 2007
Issue size: 3.75mn – 3.3mn equity shares	Issue size: Rs. 750mn
Pre-issue share capital: Rs.70.33mn	Post-issue share capital: Rs107.83 –103.67mn
Promoter: Mr. Akhande, Mungase, Radhakrishnan and Chauhan.	Bid lot: 25 equity shares
BRLM: BOB Capital Markets Ltd	To list on: BSE, NSE

Objects of the Issue:

The objects of the fresh issue are primarily to raise capital for the following business and operational requirements:

- ✓ Modernization and Up gradation of the existing facility at Chakan Unit -I
- ✓ Setting up of new manufacturing facility at Chakan Unit -II
For increasing the manufacturing capacities for sub-assemblies and auto components
For contract manufacturing of door assemblies for passenger vehicles and automobile bodies for heavy vehicles.
- ✓ Setting up State of Art Commercial Tool Room facility at Unit II Chakan.
- ✓ Expand the UAE Joint Venture Operations including setting up of manufacturing facility and making it a strategic location for trade with Gulf and African Operation.
- ✓ To relocate and consolidate the existing facilities at Kudalwadi and Jadhavwadi to a new location at MIDC, Bhosari.
- ✓ Strategic Acquisition to enhance its existing facilities or to acquire new capabilities in the auto industry.
- ✓ Set up a corporate and marketing office at MIDC, Bhosari.
- ✓ Meet Long term working capital requirements
- ✓ To meet Issue expenses

Particulars	Amount (Rs. in millions)
Up gradation of existing facility at Chakan (Unit - I)	87.0
Setting up of new facility at Chakan (Unit -II)	509.50
Relocation / Consolidation of existing facility at a new location	73.50
Corporate and Marketing office at MIDC, Bhosari.	10.00
UAE Joint Venture operation - Setting up of manufacturing facility	40.00
Acquisitions	50.00
Modern commercial tool room	50.00
Design engineering Software System	20.00
Contingencies	40.00
Meet long term working capital requirements	110.00
To meet issue expenses	50.00
Total	1,040.00

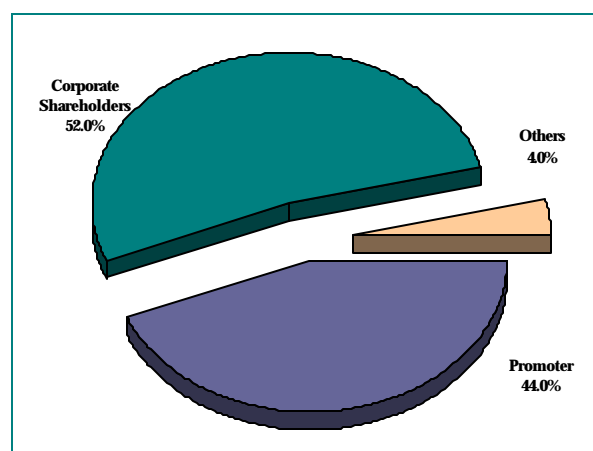
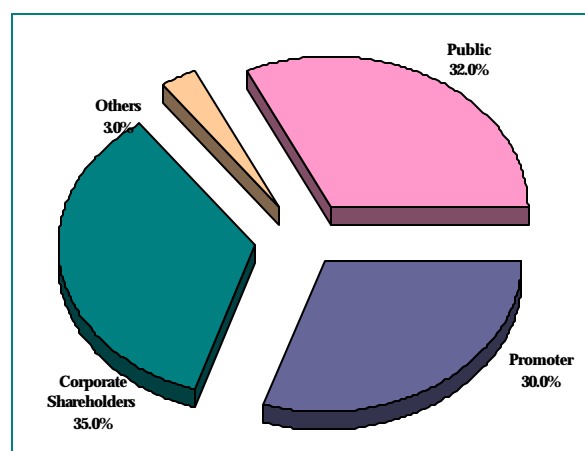
Out of the above expenditure little over 260mn is already spent.

**Means of Finance**

Particulars	Amount (Rs. in millions)
Private Placement	79.60
Public Issue - IPO	750.40
Internal Accruals	40.00
Secured Loans / Bank Borrowings	160.00
Unsecured Loans	10.00
Total	1,040.00

Private Placement of Equity

Particulars	Date of Allotment	No of Shares	Amount (Rs. in millions)
Duke Equity Partners Inc.	4.08.06	88,323	11.48
Girvan Indian Ventures II, LLC	31.3.06	305,000	30.50
Girvan Indian Ventures, LLC	2.12.05	316,000	22.12
Duke Special opportunities Fund LLC	2.12.05	316,000	15.50
Total			79.60

Shareholding Pattern:**Pre-Issue:****Post-Issue: (On basis of Upper Price band)**



Company Overview:

Autoline Industries Ltd is an auto component manufacturer located in Pune , an ISO /TS 16949:2002 certified company, is leading auto design engineering and manufacturer of various automobile sheet metal components, major assemblies, load bodies, tippers, skin , panels silencers and exhaust systems. During 2005-06 the company commenced supply of load bodies to Tata Motors as a single source suppliers for Light commercial vehicle Tata Ace. The company has increased its turnover from Rs 1.1million in 1995-96 to Rs 1,110 million during 2005-06.

The company has its manufacturing facilities in Pune of 4,00,000sq. ft spread across 5 locations. Pune is India's automotive and software hub with major global and domestic company's residing.

The company has entered into a strategic alliance with Stokota India Pvt Ltd the Indian Joint of Stokota Belgium for supply of Tippers, tipper trailers, Tankers, Cement Bulklers, Garbage Extractors, etc.

The company has set up a joint venture in UAE to manufacture brake shoes, wheels rims, etc which will be operational by June 2007. The company plans to export Auto component to Gulf and African Markets by this joint venture.

Company has formed a strategic alliance with Detroit Engineered Products inc, USA which provides cutting edge technology to leading automobile, manufacturing companies like General motors, Ford, Daimler Chrysler, Toyota, Honda, Hyundai, etc, to provide value added CAD/ CAM design services to international clients.

Business Overview:

Automobile manufacturing is a combination of different process such as concept, design, design engineering, prototyping, marketing, sales and after sales service, Except for design, which is carried out by very few creative designers in the world, all other processes are carried out by the OEMs within their own facility except for outsourcing some components. However this scenario is changing fast with more and more of the functions in the value chain being outsourced and the OEMs are concentrating mainly on assembly, marketing and selling.

Auto line has repositioned itself from simple auto component manufacturer to design engineering, prototyping, tooling and mass manufacturing of critical components for leading automobile manufactures.

Investment Arguments:

- ✓ Integrated design engineering, prototyping, tooling and mass manufacturing capabilities.
- ✓ Well renowned customer base – Like Tata motors, Bajaj Auto, Mahindra & Mahindra, Kinetic engineering, Fiat India, Stokota Engee (I) Pvt Ltd, Walker Exhaust (India) Pvt Ltd a wholly owned subsidiary Tenneco Group , USA.
- ✓ Single source supplier
 1. For more than 100 components for the Tata Indica, Indigo & Marino Cars.
 2. Load bodies for Tata Mini 1- Ton truck "Ace" (Fastest Growing – model of Tata Motors)
- ✓ Caters to the need of niche international players like in case of Stokota by customizing the designs of their products to suit different markets of the world and supply the same.
- ✓ Offer design engineering and tooling capabilities to cut cost and reduce time for foreign OEMs who are looking for more research and development related activities.
- ✓ Competent Management Team

Concern

- ✓ Dependency on limited customer base mainly Tata Motors (80%)
- ✓ Volatility in steel prices - 70% of the manufacturing cost
- ✓ Company is promoted by first generation entrepreneurs and its capability to manage the high growth

**Valuation:**

The company is offering its shares at a PE multiple of 19.1x – 20.8x annualized nine months FY2007 earnings on expanded equity capital. We believe valuation is reasonable considering expected growth in the business. We recommend **SUBSCRIBE** to the issue.

Financial Overview:

Particulars	Eight Months Period Ended	For the year ended		
Rs. In Millions	30-Nov-06	31-Mar-06	31-Mar-05	31-Mar-04
Sales of Products Manufactured	1,182.81	1,113.26	684.82	510.81
Other Income	0.88	0.96	1.10	1.09
Increase / Decrease in Stock	57.77	32.46	19.50	31.09
Total	1,241.46	1,146.68	705.42	542.99
Raw Material	753.27	642.44	461.04	372.59
Manufacturing Expenses	313.41	314.00	148.44	106.84
Staff Cost	33.22	16.32	23.30	15.87
Administrative & Selling Exp.	24.90	57.93	21.56	16.05
Interest & Finance Charges	15.01	17.57	16.22	15.50
Depreciation	17.12	21.06	14.74	9.90
Misc. Expenses Written Off	-	0.31	0.32	0.31
Total Expenditure	1,156.93	1,069.63	685.62	537.06
Profit Before Tax	84.53	77.05	19.80	5.93
Less: Tax Expenses	9.74	6.92	1.60	0.50
Profit After Tax	74.79	70.13	18.20	5.43
EPS	10.63	10.09	3.03	1.35
Equity Capital	70.34	69.45	60.14	40.09
Net Worth	298.82	212.55	87.30	70.99

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