



## Investment Idea

### Nava Bharat Ventures Ltd (NBVL)

NBVL is a diversified company engaged in Ferro Alloys (FA), sugar, power and has now ventured into infrastructure business. Company has reported superb performance for Q2 FY 2007.

Net Sales grew by 33.6% to Rs.171.3 crore (Rs.128.2 crore) mainly led by 60.1% growth in Power business to Rs.54.47 crore (30.7% of Net Sales) with 32 MW power plant commissioned in March 2006. On back of improved realizations, FA business (54.9% of Net Sales) grew by 34.3% to Rs.97.40 crore. Sugar business however declined by 18.7% to Rs.25.42 crore. OPM% improved significantly to 20.9% (12.9%) on back of improved PBIT% of power business to 45.2% (41.7%). FA business too registered PBIT% of 3.6% (Loss before Interest & tax of 6.2%). Consequently, PBT spurted by 121.4% to Rs.27.6 crore (Rs.12.4 crore). A lower tax rate of 5.2% (16.1%) led to 150.1% jump in PAT to Rs.26.1 crore (Rs.10.4 crore).

Company is on a growth path with expansion projects, currently underway in power, sugar and infrastructure businesses to offset uncertainties of Ferro alloy (FA) business.

- NBVL is increasing its power generating capacity from existing 112 MW to 208 MW by June 2008.
- Company proposes to set up an integrated sugar plant with capacity of 2500 tcd, distillery of 40 klpd capacity and cogeneration facility of 25 MW. Consequently, NBFL's total cane crushing capacity will increase to 6,500 tcd..
- NBVL is foraying into infrastructure thru large projects like big power plants, MRTS, development of SEZs, etc thru SPVs Special Purpose Vehicles.

Going forward, NBFL is set to emerge as a power and infrastructure company, with ferro alloy segment aiding inherent value addition and integrated sugar operations supplementing profitability.

At CMP of 138.4, share is trading at 8.8 times FY 2007 expected EPS of Rs. 15.8 and 7.2 times FY 2008 expected EPS of Rs. 19.3. We recommend to "HOLD" the share at current market price.

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