

RETAIL

RESEARCH 

Blue Bird (India) Ltd.

Sector: Printing & Stationery

Initial Public Offering Prospectus Extracts

Company overview

Blue Bird (India) Ltd. is a leading manufacturer of paper-based notebook products (student/exercise books), with a strong presence in western and southern India. The company also manufactures other stationery products like files, perforated pads, registers and filler papers as part of their business. They also print text books and engage in other bespoke commercial printing of items such as calendars and diaries, leaflets and product pamphlets and instruction materials and publish books and other materials, as well as publishing in-house produced content.

Profile

Issue Details

Type of Issue	: Book Building
Issue Size	: 8.7m Equity Shares
Price	: Rs.90 – Rs.105
Issue Opens	: November 16, 2006
Issue Closes	: November 22, 2006
Minimum Bid Lot	: 60 Equity shares and in multiples of 60 thereafter
Listing	: BSE and NSE
Book Running Lead Managers	: • DSP Merrill Lynch Ltd.
Registrar to the Issue	: Intime Spectrum Registry Ltd.

■ Leading player in the notebook and stationery industry

Blue Bird (India) Ltd. is a leading player in the Indian notebook and stationery market, with over 30 years in the business. Today, *Blue Bird* is one of a small group of notebooks and stationery brands that have a regional or national presence in India. The company's leading player status and experience allow them to leverage their existing in-house skills, relationships with their customers and market visibility to further enhance their existing strength in the notebook and stationery industry and to expand their product offerings and geographic presence, both within India and in the sub-Saharan African market.

■ Large-scale, versatile manufacturing infrastructure

The company competes with both small, manufacturers with limited geographic reach and technical operations in the unorganized segment of the notebook and stationery industry and with other larger manufacturers in the organized segment of the notebook and stationery industry.

Their manufacturing facilities at Pune, which are spread over an area of 2.5 hectares, including a built-up area of approximately 10,300 sq. mtrs. converted 38,468 MT of processed paper into notebooks during fiscal 2006. Their average production of notebooks per day is approximately 131 MT of notebooks. Moreover, the company believes that they are one of the few players in the notebook and stationery industry in India that is also able to produce a broad variety of stationery products and to carry out a wide range of printing and publishing jobs, including books and textbooks and diaries and various other printed materials.

They believe that the large-scale and versatile manufacturing infrastructure gives them a significant advantage over unorganized printers in the student/exercise book and stationery industry and allows them to compete more effectively with organized manufacturers in the sector and to expand into commercial printing and publishing while competing effectively with established players in that industry.

■ High quality products

The company has invested in high-quality, technologically advanced printing manufacturing equipment to help ensure the efficient production of high-quality printed notebooks and other products. The scale of their operations and their experience in the business, has enabled them to provide higher quality products in response to demands from customers for more 'premium' student/ exercise book products.

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Production & Database

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The company believes that their high-quality products sets them apart from the unorganized sector of the stationery industry. They also believes that their investment in technology also allows them to provide a higher quality to their commercial printing customers and in their publications, allowing them to attract new customers and differentiate themselves from smaller competitors.

■ Cost-efficiencies through scale, experience and technology

The stationery, publishing and printing industries are dependent on raw materials. In particular, the cost of the paper from which they produce their products is their single largest operating expense. They are able to achieve cost-efficiencies through their scale of operations and long experience in the industry and through their investment in technology.

In particular, the size of their operations and long-standing relationships with suppliers allows them to achieve cost-savings through bulk purchases and better rates. Their investment in modern machinery has also allowed them to achieve significant cost efficiencies through a reduction in wastage.

Objects to the issue

- Setting up and expansion of manufacturing facilities in India:
 - Setting up of new manufacturing facilities for manufacturing of notebooks in Southern India.
 - Expansion of their existing facility at Pune to increase the capacity of manufacturing of notebooks and printing/publication.
- Replenishing the internal accruals of the company used for purchase of factory land located at pune.
- Purchase of existing Registered / Corporate office premises presently on leave and licence.
- Capital expenditure for setting up of new regional sales offices.
- Repayment of existing long term debts.
- Augmentation of long term working capital.
- General corporate purposes.

■ Proposed Use of Net Proceeds from the Issue

(Rs. m)

Particulars	2007	2008	2009	Total
Setting up and expansion of manufacturing facilities in India	198.6	516.3		714.8
Replenishing the internal accruals of the company used for purchase of factory land located at Pune	3.7			3.7
Purchase of existing office premises presently on leave an licence.	40.0			40.0
Capital expenditure for setting up of new regional sales offices as per the plans	25.0	50.0	25.0	100.0
Repayment of existing long term debts	192.4			192.4
Augmentation of long term working capital		100.0	200.0	300.0
Total	459.6	66.3	225.0	1,350.9

Source: Company data, IDBI Capital Market Services

Financial history

Profit & loss account

(Rs m)

Year-end: March	FY04	FY05	FY06
Income			
Sales Turnover	1,628.4	3,307.9	4,009.2
Excise Duty	-	-	-
Net Sales	1,628.4	3,307.9	4,009.2
Other Income	2.3	9.1	7.8
Stock Adjustments	104.9	148.2	52.1
Total Income	1,735.6	3,465.2	4,069.1
Total Expenditure	1,600.8	3,116.3	3,539.7
Operating Profit	134.8	348.9	529.4
Interest	39.7	62.8	103.6
Depreciation	3.2	10.8	33.3
Tax	30.5	71.0	135.8
Deferred Tax	-	27.7	4.3
Reported Net Profit	61.4	176.6	251.1
Extraordinary Items	-	-	-
Adjusted Net Profit	61.4	176.6	251.1

Source: Company data, IDBI Capital Market Services

Balance sheet

(Rs m)

Year-end: March	FY04	FY05	FY06
Share Capital	150.0	250.0	250.0
Reserves Total	88.5	111.1	362.2
Total Shareholders Funds	238.5	361.1	612.2
Secured Loans	414.3	838.0	853.0
Unsecured Loans	-	-	194.3
Total Debt	414.3	838.0	1,047.3
Total Liabilities	652.8	1,199.1	1,659.5
Net Block	72.1	319.7	366.5
Capital Work in Progress	-	-	32.5
Total Current Assets	882.1	1,767.8	2,314.7
Total Current Liabilities	296.2	860.7	1,022.2
Net Current Assets	585.9	907.1	1,292.5
Net Deferred Tax	(5.2)	(27.7)	(32.0)
Total Assets	652.8	1,199.1	1,659.5

Source: Company data, IDBI Capital Market Services

Accounting Ratios

Year-end: March	FY04	FY05	FY06
Key Ratios			
Earnings Per Share-Unit Curr	40.9	7.1	10.0
Book Value-Unit Curr	159.0	14.4	24.5
Debt-Equity Ratio	1.7	2.1	1.9
Long Term Debt-Equity Ratio	0.1	0.4	0.6
Current Ratio	1.3	1.2	1.3
Turnover Ratios			
Fixed Assets	29.4	15.9	10.6
Inventory	5.4	5.2	4.3
Debtors	4.8	5.7	4.3
Interest Cover Ratio	3.3	5.4	4.8
PBIDTM (%)	8.3	10.6	13.2
PBITM (%)	8.1	10.2	12.4
PBDTM (%)	5.8	8.7	10.6
CPM (%)	4.0	5.7	7.1
APATM (%)	3.8	5.3	6.3
ROCE (%)	26.5	36.5	34.7
RONW (%)	32.8	58.9	51.6

Source: Company data, IDBI Capital Market Services

IDBI Capital Market Services Ltd. (A wholly owned subsidiary of IDBI Ltd.)

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