

22 September 2009

## BGR Energy

### Key takeaways from the roadshow

- BGR Energy roadshow.** On 16-17 Sep '09 we organized a BGR Energy roadshow. During the roadshow management addressed various issues regarding BGR's competitive strength, growth sustainability and the dynamics of the power equipment sector.
- Competitive advantage in bidding.** BGR has enjoyed a 4-5% margin over competitors in bidding due to its in-house design capabilities. It has also negotiated for higher advances and lower retention money (20% and 10% of contract value, respectively), easing working capital and cash-flow concerns.
- Capacity addition.** Except for L&T-Hazira, which would soon commence production, other ventures (JSW, Thermax, Bharat Forge) are still in initial stages. BGR is planning to invest Rs4bn (Rs1.2bn in equity) for a boiler and Rs30-40bn for a turbine-generator manufacturing plant. The boiler license agreement is pending GoI approval and the boiler-manufacturing plant would take 18-24 months to roll out after approval.
- Management guidance.** Management maintained a 50% yoy growth guidance for FY10/FY11 and an 11.5-12% operating margin. The current Rs125bn order backlog comprises EPC and BoP projects in a 60:40 ratio. The company might look at a 10% equity dilution in FY12/13 for expansion plans.

Rating: Hold

Target Price: Rs526

Share Price: Rs447

Vinod Chari

+9122 6626 6770

vinodchari@rathi.com

Madhurendra M

+9122 6626 6729

madhurendramanderwal@rathi.com

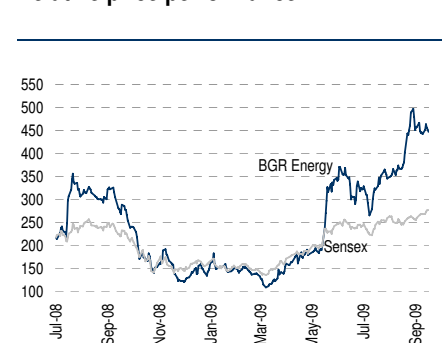
Key data	BGRL IN/BGRE.BO
52-week high/low	Rs525/ Rs107
Sensex/Nifty	16741 /4976
3-m average volume	US\$2.9m
Market cap	Rs32.4bn / US\$668m
Shares outstanding	72m
Free float	18.7%
Promoters	81.3%
Foreign Institutions	5.5%
Domestic Institutions	5.9%
Public	7.3%

### Key financials

Year end 31 Mar	FY08	FY09	FY10e	FY11e	FY12e
Sales (Rsm)	15,048	19,221	29,013	46,653	55,886
Net profit (Rsm)	844	1,151	1,913	2,912	3,398
EPS (Rs)	11.7	16.0	26.6	40.4	47.2
Growth (%)	93.9	36.3	66.2	52.2	16.7
PE (x)	11.7	16.0	26.6	40.4	47.2
PBV (x)	93.9	36.3	66.2	52.2	16.7
RoE (%)	38.1	28.0	16.8	11.1	9.5
RoCE (%)	6.8	5.7	4.5	3.4	2.7
Dividend yield (%)	17.9	20.5	26.9	31.2	28.8
Net gearing (%)	15.0	15.8	19.6	20.5	18.2

Source: Company, Anand Rathi Research

### Relative price performance



Source: Anand Rathi Research

Anand Rathi Financial Services Limited does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Disclosures and analyst certifications are located in Appendix 1

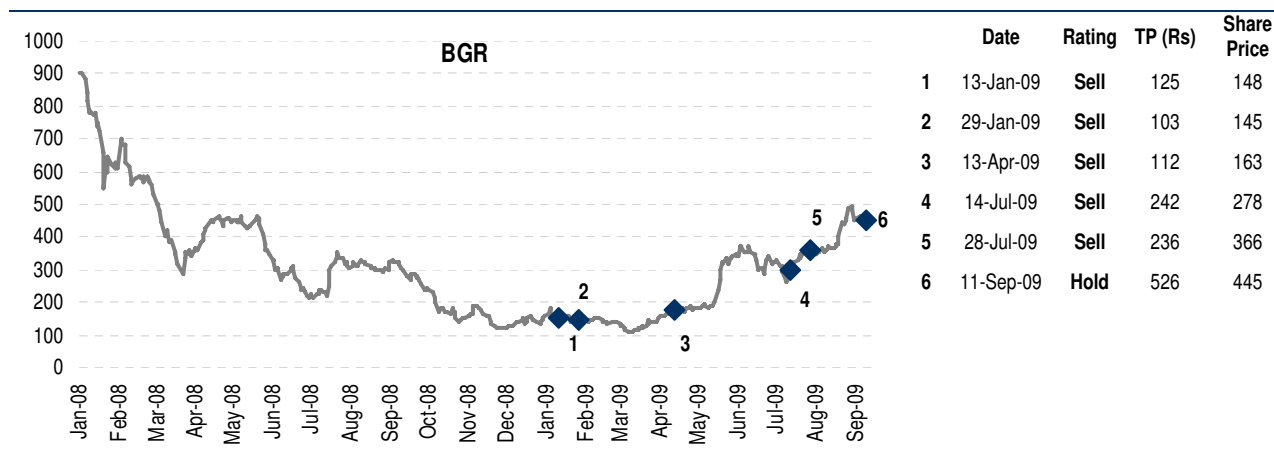
## Appendix 1

### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

### Important Disclosures on subject companies

Rating and Target Price History (as of 18 September 2009)



The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below.

#### Ratings Guide

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>20%	5-20%	<5%
Mid/Small Caps (<US\$1bn)	>30%	10-30%	<10%

#### Anand Rathi Research Ratings Distribution (as of 1 Sept 09)

	Buy	Hold	Sell
Anand Rathi Research stock coverage (89)	45%	12%	43%
% who are investment banking clients	7%	0%	0%

### Other Disclosures

This report has been issued by Anand Rathi Financial Services Limited (ARFSL), which is regulated by SEBI.

The information herein was obtained from various sources; we do not guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities ("related investments"). ARFSL and its affiliates may trade for their own accounts as market maker / jobber and/or arbitrageur in any securities of this issuer(s) or in related investments, and may be on the opposite side of public orders. ARFSL, its affiliates, directors, officers, and employees may have a long or short position in any securities of this issuer(s) or in related investments. ARFSL or its affiliates may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. This research report is prepared for private circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Past performance is not necessarily a guide to future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report.

Anand Rathi Financial Services Limited and Anand Rathi Share & Stock Brokers Limited are members of The Stock Exchange, Mumbai, and the National Stock Exchange of India.

© 2009 Anand Rathi Financial Services Limited. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Anand Rathi Financial Services Limited.

Additional information on recommended securities/instruments is available on request.