

Industry : Transformers

CMP : Rs.645

Price Target : Rs 839

Buy

 Analyst:
 Ashwani Sharma
 +91 22 022-30286389
 ashwanisharma@nsbl.co.in

Current

Recommendation	Buy
CMP (INR)	645
Target Price (INR)	839

Key Data

Bloomberg	INDT@IN
Reuters Code	INTT.BO
BSE Code	532717
NSE Code	INDOTECH
Face Value	10.00
Market Cap. (INR Bn)	6.85
52 Week High (INR)	807.70
52 Week Low (INR)	247.10
Equity Rs.mn	106.20
Average Monthly Volume (No.)	78786

Shareholding (30.06.07) (%)

Promoters	54.35
FI	15.80
FII	12.85
Public	17.00
Grand Total	100.00

Returns (%)

	1M	3M	6M	1YR
Absolute (%)	-11.1	7.6	42.1	130.7
Rel. to Sensex (%)	1.4	-2.3	23.6	104.7

Result Analysis :

Indo Tech Transformers Ltd (ITTL) reported impressive numbers for Q3 FY08. Net profit grew 68% y-o-y at Rs 122.2mn (Rs 72.8mn). Net sales increased to Rs 520.9mn from Rs 450.4mn, registering growth of 16% y-o-y. Company continued to maintain its trend of highest margins in the industry and posted EBIDTA margins of 34% which is higher by 760 basis points on yoy basis. This is largely on account of softening of copper prices and rupee appreciation during the quarter. In the wake of current quarter performance, we have revised our EBIDTA estimates for FY08 to 30.9%. Company sold 669 MVAs compared to 672 MVAs.

Key Highlights of the quarter :

- ITTL has successfully completed its capacity expansion plan from 3450MVA to 7450MVA. The new capacity of 4000MVA will be inaugurated in Feb 2008. The full fledge financial output from enhanced capacity would be seen from Q1FY09 onwards.
- ITTL has strong order book of Rs 1800mn as on Dec 2007. We expect order inflow to continue on the back of ongoing reforms in T&D sector.
- The Dry Type Transformers capacity is fully operational. The order book for Dry Type Transformers stands at Rs 9.6mn. We believe that growing demand for Dry type transformers from realty sector will necessitate expansion in the current capacity.
- As per the guidance given by the management, Revenues & profits are expected to grow at a CAGR of 37% and 30% over the next two year.

Valuations

With continuous improvement in EBIDTA & net margins and strong order book, we have revised upwards our EBIDTA and Profit estimates for FY09E and FY10E. At CMP of Rs 645, the stock trades at a PE of 11.5x and 9.2x its FY09E and FY10E revised earnings. We reiterate BUY on the company with a revised target price of Rs 839 on FY10E earnings basis, which is an upside of 30% from the current levels.

Key Financials

(Rs.mn)

YE Mar	Net Sales	% Chg	EBITD0A %	Net Profits	% Chg	EPS Rs	ROE %	P/E
FY07	1553.7	67.6	390.2	25.1	262.1	24.7	43.4	24.3
FY08E	2159.3	39.0	667.3	30.9	438.7	41.3	54.3	14.5
FY09E	3190.3	47.7	903.9	28.3	594.1	55.9	53.6	11.5
FY10E	4092.6	28.3	1128.6	27.6	742.9	69.9	49.6	9.2

Quarterly Performance

(Rs.mn)

Particulars	Q3FY08	Q3FY07	% chg yoy	9mthFY08	9mthFY07	% chg yoy
Net Sales	520.9	450.4	15.65	1,427.7	989.3	44.31
Other Income	9.6	6.9	39.13	27.0	24.7	9.31
Total Income	530.5	457.3	16.01	1,454.7	1,014.0	43.46
Raw Material	294.5	289.2	1.83	880.4	669.4	31.52
Employee Costs	12.6	11.0	14.55	32.5	25.8	25.97
Other Expenses	36.9	31.6	16.77	92.3	70.3	31.29
Total Expenditure	344.0	331.8	3.68	1,005.2	765.5	31.31
EBIDTA	186.5	125.5	48.61	449.5	248.5	80.89
Depreciation	3.7	2.8	32.14	10.7	7.7	38.96
EBIT	182.8	122.7	48.98	438.8	240.8	82.23
Interest	1.2	2.3	-47.83	3.6	2.3	56.52
PBT	181.6	120.4	50.83	435.2	238.5	82.47
Taxes	59.4	47.6	24.79	126.4	87.5	44.46
PAT	122.2	72.8	67.86	308.8	151.0	104.50
EPS	11.51	6.85		29.08	14.22	
RM Consumption%	56.5	64.2		61.7	67.7	
Employee Costs%	2.4	2.4		2.3	2.6	
Tax%	32.7	39.5		29.0	36.7	
EBIDTA Margins%	34.0	26.3		29.6	22.6	
Net Margin%	23.0	15.9		21.2	14.9	

Disclaimer: The information contained in this report is obtained from reliable sources and is directed at market professionals and institutional investors. In no circumstances should it be considered as an offer to sell/buy or, a solicitation of any offer to, buy or sell the securities or commodities mentioned in this report. Networth, and/or its affiliates, may or may not have position in securities mentioned in this report. No representation is made that the transactions undertaken based on the information contained in this report will be profitable, or that they will not result in losses. Networth Advisory Services Pvt Ltd, Stock Broking Ltd and/or its representatives will not be liable for the recipients' investment decision based on this report.

Networth Stock Broking Ltd., 63-B, Mittal Court, 224, Nariman Point, Mumbai – 400001.