

BUZZING

STOCK

# IMP Powers Ltd.

CMP – Rs. 120

**Analyst**

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**Key Stock Data**

Sensex	14516
Nifty	4215
Sector	Electric Equipments
Bloomberg	IMP@IN
Reuters	INDU.BO
No. of shares (m)	59
Market Cap (Rs m)	701
Market Cap (US\$ m)	16
52-week H/L	Rs.118/55

**Shareholding Pattern (%)**

Promoters	42.68
Mutual Funds	14.27
FII's	0.46
Corporate Bodies	18.20
Pubic & Others	24.39

**Overview:** The Company was established in 1961. Currently it manufacturers entire range of Electrical Measuring Instruments, Testing Equipments, distribution & Power Transformers and has gained wide experience in this field. Company derives 95% of its turnover from transformers and rest from Meters and Accessories.

**Turnaround and consistency in growth:** The company underwent corporate debt restructuring in FY05 and since than has maintained its growth, from quarter to quarter, on the back of consistent better performance of the transformer industry. Currently the company has the capability to manufacture transformers ranging from 10KVA to 100KVA up to 230KV class. It has current capacity of 3,600MVA and is currently operating 55% of its capacity. It plans to increase its capacity utilization up to 80% by FY08. The company has a total order book of Rs.1,100m at the end of December 2006 and major of the orders are in the transformer segment.

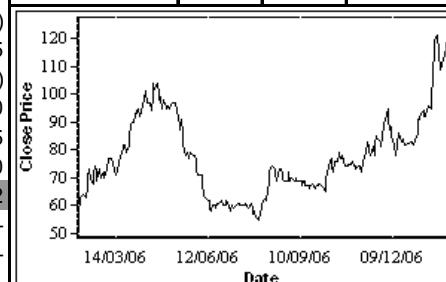
As a matter of corporate policy the company follows 40% of its turnover exposure for SEBs, 30% for private parties and rest 30% for exports. It, more or less has successfully followed this policy while putting up its orders. The company has supplied its transformers to SEBs like MSEB, AP Transco and Rajasthan State Electricity Board. It also consistently supplies its transformers to companies like Kalpataru Power Transmission, Nagarjuna Construction, IVRCL and Jyoti Structures. Also the company exports its transformers to countries like UK, Australia, and Nigeria. According to the company the margins in export sales are slightly better than the domestic sales.

**Financials:** In Q2FY07 the company has reported 67% rise in sales to Rs.2,58.2m and the PBT has risen by 143% to Rs.22.1m. At the same time during the H1FY07 the net sales increased by 58% to Rs.450.2m and the PBT increased by 142.5% to Rs.35.4m. The company has not provided tax in H1FY07. According to the company due to past losses it provides tax under MAT at the end of financial year. This provision of MAT will last till the Q2 of FY08. On the operational front the Q2 operating margin has declined slightly by 20 basis points owing to rise in prices of the raw materials. However the company is hopeful of maintaining an EBITDA margin of 17% in FY07.

**Valuations:** Looking at the current order book and the consistency in performance we expect the company would achieve a turnover of Rs.1,000m in FY07. The net profit would remain in the range of Rs.78m. Based up on this the stock price of the company is trading at 9x to its FY07E EPS of Rs.13.2.

## Financial Snapshot

IMP Powers Ltd.							Rs.m				Ratios (%)		
	Q2 FY07	Q2 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)			
<b>Financial Year End: June</b>													
Net Sales	258	155	67	674	448	50	Debt -Equity	4.7	12.6	(62)			
Other Income	1	2	(30)	7	2	200	PBIDTM	17	4	307			
Total Income	260	157	66	681	450	51	PBDDTM	7	-14	(147)			
Total Expenditure	215	129	67	561	437	28	RoCE	12	0	#DIV/0!			
PBIDT	44	28	57	120	14	772	RoNW	18	0	#DIV/0!			
Interest	19	16	17	72	79	(8)							
PBDT	26	12	109	48	(65)	175							
Depreciation	4	3	13	13	16	(17)							
Tax	0	0	0	0	0	0							
Reported Profit After Tax	22	9	140	37	(57)	165							
Extra -ordinary Items	0	0	0	0	(27)	0							
Adj. Profit After Extra-ordinary item	22	9	140	37	(31)	222							
No. of shares (m)	59	5	-	59	5	-							
EPS (annualised.) (Rs.)	14.7	8.0	-	6.3	0.0	-							
P/E	8.1	15.1	-	19.0	-	-							



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