

## Bartronics (BARLTD)

### RESULT PREVIEW ✓

#### WHAT'S CHANGED...

PRICE TARGET.....	Unchanged
EPS (FY08E).....	Unchanged
EPS (FY09E).....	Unchanged
RATING.....	Unchanged

<b>Current price</b> Rs 262	<b>Target price</b> Rs 340
<b>Potential upside</b> 27%	<b>Time Frame</b> 9 months

### OUTPERFORMER

#### Analyst Name

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## Smart Growth

Bartronics is expected to continue the growth momentum of previous quarters in Q3FY08. Operating margins in the solutions and smart cards business are expected to remain at 23% while a slight dip in net margins is expected due to increased tax rates in the Singapore business. We continue to be positive on the business due to increased contribution from smart card business.

#### Smart Card – remains robust

The company is expected to sell 14 mn smart cards in Q3FY08 with a capacity utilization of 70.0% which is expected to reach 85.0% by end of FY08. The realization of the company continues to be stable at Rs 30 per smart card and with the demand expected to be robust we expect this business to be the major growth driver for the company. We expect this segment to contribute Rs 42 crore in Q3FY08.

#### Singapore business – pleasant surprise

The company started its Singapore subsidiary in June 2007 to serve the South-East Asian markets. This subsidiary contributed 57.49% to the company's topline in Q2FY08. We expect the Singapore business to gain mass and contribute in the same ratio in Q3FY08. Going forward we expect the company to expand its presence in the neighboring markets like Malaysia.

#### Future growth triggers

The company has recently raised US\$50 mn via FCCB to acquire assets of a company in the US. This asset acquisition will help the company have manufacturing facilities in the US and help expand its geographical reach and serve the American markets.

#### Valuations

Bartronics has a unique business model covering the entire gamut of RFID, AIDC solutions and smart card business. We believe the company is at an inflexion point with smart card usage in mobile, banking and other varied business expected to increase exponentially and aggressive geographical expansion plans for solutions business. Hence we reiterate our OUTPERFORMER rating on the company with a target price of Rs 340, 15x FY09 consolidated EPS of Rs 22.66.

#### Key Financials

Year to March 31 (Rs Cr)	Q3 - FY08E	Q3-FY07	Y-o-Y Change	FY08E	FY09E
Sales	67.94	17.57	74%	203.21	337.52
Operating Expenditure	49.25	12.96	74%	144.92	238.33
EBITDA	18.69	4.61	75%	58.29	99.19
PAT	17.47	3.45	80%	38.90	67.29

Source: ICICIdirect Research

## RATING RATIONALE

ICICIdirect endeavors to provide objective opinions and recommendations. ICICIdirect assigns ratings to its stocks according to their notional target price vs current market price and then categorises them as Outperformer, Performer, Hold, and Underperformer. The performance horizon is 2 years unless specified and the notional target price is defined as the analysts' valuation for a stock.

**Outperformer:** 20% or more;

**Performer:** Between 10% and 20%;

**Hold:**  $\pm$ 10% return;

**Underperformer:** -10% or more.

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