

BUY

Price	Rs166
Target Price	Rs192
Investment Period	12 months

Stock Info

Sector	IT
Market Cap (Rs cr)	482
Beta	0.81
52 WK High / Low	194 / 55
Avg Daily Volume	178720
Face Value (Rs)	10
BSE Sensex	15,670
Nifty	4,636
BSE Code	532694
NSE Code	BARTRONICS
Reuters Code	BARI.BO
Bloomberg Code	BAIL@IN

Shareholding Pattern (%)

Promoters	29.4
MF/Banks/Indian FIs	5.7
FII/NRIs/OCBs	11.0
Indian Public/Others	53.9

Abs.	3m	1yr	3yr
Sensex (%)	37.4	9.2	45.9
Bartronics (%)	89.9	(6.9)	201.6

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Performance Highlights

• **Top-line growth decent; however, growth rate is slowing:** Bartronics India (BIL) reported a decent 36.3% yoy growth in its 1QFY2010 Top-line to Rs162.9cr (Rs119.5cr). This was led chiefly by the company's Automatic Identification and Data Capture (AIDC) Solutions Business, which saw revenues soar by around 55% yoy to touch Rs122.9cr (Rs79.5cr). Thus, the company continues to witness good traction in this business. However, BIL's Smart Cards Business recorded a fairly disappointing performance, recording no growth in its Top-line for the quarter (Rs40cr, the same level as in 1QFY2009). This is a fairly disheartening performance. Capacity utilisation stood at 70%. The business sold around 12mn cards over the quarter at an average realisation of Rs32 per card.

BIL's order backlog stands at around Rs650cr or 1.1x its FY2009 Revenues, which provides good visibility. Of its order book, its International business accounts for nearly 50% to Rs300cr. Going forward, there are numerous opportunities for the company to grow including the Unique Identification Project, e-governance and Government and Banking Sector demand in the Smart Cards Business, which could provide upside risks to our estimates.

• **EBITDA Margins increase on lower Staff Costs, Other Expenditure:** During 1QFY2010, BIL reported an impressive 391bp yoy expansion in EBITDA Margins to 31.7% (27.8%). This was primarily on account of significantly lower Employee Costs, which fell by 241bp yoy, as a % of Sales. Other Expenditure also fell by 258bp yoy, as a % of Sales, thus further boosting Margins.

• **Higher Interest, Depreciation, Taxes impact Bottom-line growth:** BIL's Bottom-line for 1QFY2010 grew by a mere 1.5% yoy in spite of the impressive performance witnessed at the operating level. This was on account of considerably higher Depreciation charges (up by a substantial 246.8% yoy), Interest costs (spiked 185.4% yoy) and Taxes paid (up 120.7% yoy). BIL incurred Rs3.6cr of Deferred taxes during the quarter. Thus, this quarter, BIL has reported a fairly disheartening performance, which has come in considerably below expectations. Owing to this poor performance, the company seems quite unlikely to meet its FY2010 guidance of Rs1,000cr Top-line and Rs150cr Bottom-line.

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
Net Sales	270.8	583.3	757.8	988.6
% chg	326.5	115.4	29.9	30.4
Net Profit	47.4	75.1	104.3	128.2
% chg	252.6	58.3	38.8	23.0
Adj Net Profit*	40.8	75.1	87.1	111.1
Adj EPS (Rs)*	14.1	25.9	30.1	38.3
EBITDA Margin (%)	24.0	27.2	30.0	29.0
P/E (x)	11.8	6.4	5.5	4.3
P/BV (x)	1.8	1.4	1.1	0.8
RoE (%)	23.8	24.1	26.0	24.8
RoCE (%)	17.3	20.9	20.0	18.7
EV/Sales (x)	2.9	1.4	1.2	1.0
EV/EBITDA (x)	12.0	5.1	3.9	3.3

Source: Company, Angel Research; * After deducting FCCB interest

Exhibit 1: Segment-wise Break-up

Business Segment (Rs cr)	1QFY2009	1QFY2010	% chg
AIDC Solutions & Technologies	79.5	122.9	54.6
Smart Card revenues	40.0	40.0	0.0
Total Revenues	119.5	162.9	36.3

Source: Company, Angel Research

Exhibit 2: Cost Break-up

Cost Items (Rs cr)	1QFY2009	1QFY2010	% chg
(Increase)/Decrease in Stock-in-Trade	2.0	4.5	129.4
% of sales	1.6	2.8	1.1
Consumption of Raw Material	62.3	84.8	36.2
% of sales	52.1	52.1	(0.0)
Staff Costs	6.7	5.2	(22.4)
% of sales	5.6	3.2	(2.4)
Other Expenditure	15.4	16.7	8.9
% of sales	12.9	10.3	(2.6)
Operating Expenses	86.3	111.2	28.9
% of sales	72.2	68.3	(3.9)

Source: Company, Angel Research

Outlook and Valuation

Going ahead, we expect BIL to record a CAGR of 30.2% in Top-line and 21.6% in Bottom-line over FY2009-11E. At the CMP, the stock is trading at 4.3x FY2011E adjusted EPS. Owing to the poor performance witnessed this quarter, we have downgraded our Top-line estimates for BIL by 13% each for FY2010E and FY2011E, while our EPS estimates have been cut by 19% and 18%, respectively. **Thus, even as we maintain a Buy on the stock, we revise our Target Price to Rs192 (Rs235), assigning a P/E of 5x FY2011E EPS and believe the company will need to report significantly improved performances over the next few quarters to warrant a stock re-rating.**

Exhibit 3: 1QFY2010 Performance (Consolidated)

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
Operating Revenues	162.9	119.5	36.3	583.3	269.7	116.2
Operating Expenses	111.2	86.3	28.9	424.9	204.6	107.7
Operating Profit (EBITDA)	51.7	33.2	55.4	158.4	65.2	143.0
Other Income	0.1	0.3	(73.4)	4.4	1.1	
Depreciation	10.2	3.0	246.8	26.2	3.2	708.9
Interest Costs	8.7	3.0	185.4	21.4	3.7	478.5
Profit before Tax	32.9	27.6	19.1	115.2	59.4	94.0
Tax	9.0	4.1	120.7	40.1	10.7	276.4
Extraordinary Items	0.0	0.0		0.0	(0.4)	
Net Income	23.9	23.5	1.5	75.1	48.4	55.3
Diluted EPS (Rs)	6.3	6.2	1.3	19.9	13.0	53.5
EBITDA Margin (%)	31.7	27.8		27.2	24.2	
Net profit Margin (%)	14.7	19.7		12.9	17.9	
Effective Tax Rate (%)	27.3	14.8		34.8	17.9	

Source: Company, Angel Research



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Ratings (Returns) : Buy (Upside > 15%)
Reduce (Downside upto 15%)

Accumulate (Upside upto 15%)
Sell (Downside > 15%)

Neutral (5 to -5%)