

BUZZING

STOCK

Bilpower Ltd.

CMP – Rs.170

Analyst

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Key Stock Data

Sensex	13652
Nifty	3933
Sector	Steel - Medium
Bloomberg	BILP@NA
Reuters	BRMI.BO
No. of shares (m)	8
Market Cap (Rs m)	1,287
Market Cap (US\$ m)	29
52-week H/L	Rs.183/62

Shareholding Pattern (%)

Promoters	40.50
Mutual Funds	0.00
FII's	0.60
Corporate Bodies	18.63
Pubic & Others	40.27

Overview: The Company was incorporated as Brahm Ispat limited in 1989 and since inception the company has been a quality assembler of transformer accessories for the transformer manufacturers. It changed its name to Bilpower Limited (BL) from October 2003. With its excellent manufacturing infrastructure, marketing network and after sales service the company has become a preferred vendor for major transformer manufacturers in the country. Today BL is a leading trader of CRGO and CRNGO steel and is also a leading manufacturer of Transformer cores in the country.

Supplier of the Core: Piggybacking on the growth of the Transformer Industry

CRGO lamination, through which transformer core is made, constitutes around 28% of the total cost of the transformer. Currently, there is no manufacturing capacity for the CRGO steel in the country and therefore the transformer manufacturers in the country largely depend on companies like Bilpower who provide laminated CRGO cores with the imported CRGO sheets. The company has two manufacturing facility for stamping at Silvasa and Vadodra with total capacity of 9,000MT. Major competitors of the company are National Laminators, Vardhman Stamping and KRYFS Power Components, which are all in the private sector. The company has developed a respectable market share of around 10% in the CRGO Lamination and the current fast growth of the transformer industry will keep the growth momentum of the lamination service of the company. The company envisages achieving 12% to 13% market share in FY08 after the commissioning of the 300MT capacities at Bhagwanpur in Uttaranchal and the recent merger of the lamination and stamping company Sun Transtamp (Manufacturing facility at Daman). Also with this the company envisages of matching the capacity of the industry leader KRYFS Power component with the total capacity of 12,000MT by FY08. Currently the company is a preferred lamination-outsourcing vendor for major transformer manufacturers like Crompton Greaves, Areva T&D, ABB, Siemens and Voltamp; and the wind power equipment player Suzlon Energy.

Recently some State Electricity Boards (SEBs) have imposed the condition on transformer manufacturers to have their own core cutting facility to participate in the tender. However, we expect this will not impact the lamination and stamping Industry, because of the practical manufacturing inconvenience of this for the transformer manufacturers. SEBs currently account for around 70% of the total transformer demand in the country.

Integrating Vertically: Right Strategy at Right time

After being a preferred supplier of major transformer manufacturers in the country the company has now taken over Tarapore Transformer Pvt Ltd, a power transformer repairing and manufacturing company in Maharashtra, to diversify into transformer manufacturing. The company has paid a total consideration of Rs.110m for the acquisition of 100% of equity, for the refurbishment of manufacturing facility and towards the payment to the creditors. The company plans to manufacture and repair power transformers of 400 KV to 5MV class in this manufacturing facility with total capacity of 1500MVA in FY08. We expect revenue of Rs 250m from this plant in FY08.

Financials: Volume overshadow pressure on margin

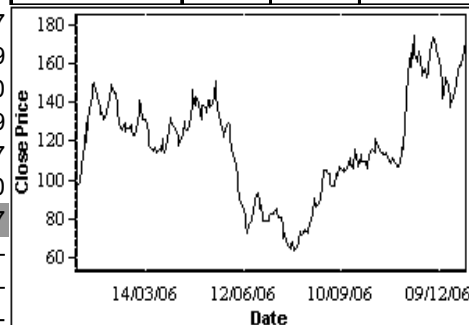
The benefits of recent acquisitions by the company will be reflected in the FY08 financials of the company. Thus the growth momentum of the existing business of the company will drive the FY07 turnover. The company has reported 94% rise in turnover to Rs.1,011.7m during H1FY07. The margin remained under pressure as the profit before tax increased slower by 61% to 88.5m. The company has not provided any tax during the half-year period. We expect the company would achieve a total turnover of Rs 2,500m in FY07 and the operating margin will remain at 8.5%. The net profit after tax would remain at Rs 160m.

Valuation: Looks attractive

After the conversion of the pending warrants the total equity of the company will go up to Rs.90m from current equity of Rs 63.18m (no long term debt). The company has an authorized capital of Rs.150m. Again after the merger of Sun Transtamp the equity will be further diluted, but in FY08. However our valuation is based on the total diluted equity of Rs 90m and our projected financials of FY07. Based on this the current stock price Rs. 170 is trading at 9.5x to its FY07E EPS of Rs 17.8.

Financial Snapshot

Bilpower Ltd.				Rs.m			Ratios (%)			
Financial Year End: March	Q2 FY07	Q2 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
Net Sales	566	279	103	1259	590	113	Debt -Equity	0.8	0.6	31
Other Income	0	0	300	1	1	-23	PBIDTM	6	5	4
Total Income	566	279	103	1260	592	113	PBDTM	10	8	21
Total Expenditure	518	248	109	1129	538	110	RoCE	32	26	23
PBIDT	48	32	52	131	54	145	RoNW	42	30	41
Interest	3	1	107	12	5	117				
PBDT	45	30	50	120	48	149				
Depreciation	1	0	75	2	2	20				
Tax	0	0	0	11	4	169				
Reported Profit After Tax	45	30	49	107	42	157				
Extra -ordinary Items	0	0	0	0	0	0				
Adj. Profit After Extra-ordinary item	45	30	49	107	42	157				
No. of shares (m)	8	5	-	6	5	-				
EPS (annualised.) (Rs.)	29.7	23.9	-	17.8	8.3	-				
P/E	5.7	7.1	-	9.6	20.5	-				



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