



# Result Update

## BGR Energy Systems Limited – Subdued results, next quarter to gain traction on spill over of revenues

BGR Energy Systems Limited, a leading 'balance of plant' service provider in India, has reported a modest growth of 17.6% rise in its PAT at Rs 20.3 crore. Revenues on the other hand grew by just 1.4% at Rs 311.1 crore as some of the work executed in the current quarter are expected to be recognized in the subsequent quarter.

### Operating margins surprise positively on lower input cost

On the operational level, margins expanded by 340 bps which has come as a positive surprise. The surge in margins is attributed to lower input costs which decelerated sharply by 770 bps on lower steel prices. However on the other hand, personnel cost & other expenditure went up by 170 bps & 270 bps respectively.

### PAT growth at modest 17.6% on higher interest income

BGR's debt / working capital requirements have seen a sharp surge over the last nine months after the company lined up for credit for its BOP as well as EPC projects. In line with this, the interest component increased sharply by 115% to Rs 16.3 crore, thereby putting pressure on the bottom line of the company.

### Order Book stands at robust Rs 10,880 crore

BGR's order book stands at around Rs 109 billion which is 5.7x its FY09 revenues. Thus the company is adequately booked for nearly two & a half years. The order book comprises of three BOP projects & two large EPC projects (the power projects constitutes nearly 95% of the total order book). Recently in July the company has bagged Chandrapur BOP contract for Rs 1,632 crore for executing 2x500 MW thermal power station from MAHAGENCO.

### License Agreement signed with Foster Wheeler for manufacturing of boilers

During the quarter under review, the company has signed a license agreement with USA based Foster Wheeler for design, manufacturing & selling of sub critical & super critical boilers in India. This is a significant step forward for BGR Energy as it puts the company into a select list of groups with both manufacturing as well as EPC capabilities.

### Well positioned to benefit from investments in power sector

The Government of India has targeted to add 78,000 MW during the XIth plan period. The same is already reflected in the sharp rise in new orders for power projects, particularly increasing order wins for BOP as well as EPC contracts. BGR's whose core competence is handling BOP projects & which has recently entered into the EPC projects will be a major beneficiary of rising power capacity addition in the country.

### Attractively valued at 12.7x FY10e earnings

BGR is currently trading at 0.2x its Market Cap / Order book & 12.7x its FY10e earnings, both at a significant discount to its peers. We recommend a **BUY** on the stock with a price target of Rs 420, an upside of 28% from the current levels for a short to medium term horizon.

27<sup>th</sup> July 2009

CMP: 352

Nifty: 4,569

Rating: **BUY**

Details:

Sector: **Power**

Equity Cap (Rs Cr): **72.0**

Face Value: **10**

52 Week High: **392**

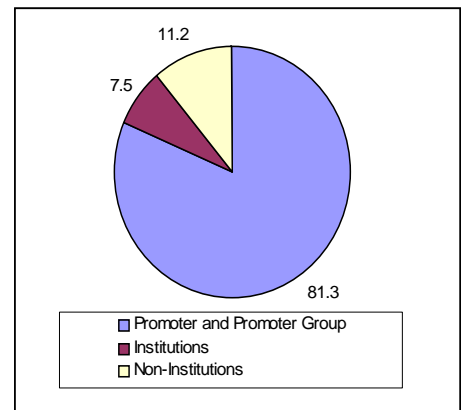
52 Week Low: **107**

Market Cap (Rs Cr): **2,534**

Price Chart of BGR Energy



Share Holding Pattern:



**VENTURA**

Kyon ki bhaiya, sabse bada rupaiya.

# Result Update

## Financials of BGR Energy

Figures in Rs. Crore	Yearly Financials (Consolidate)			Quarterly Financials (Standalone)			Sequential Quarterly Financial (Standalone)		
	FY09	FY08	% change	Q110	Q109	% change	Q110	Q409	% Change
Net Revenues	1,922.1	1,520.5	26.4	311.1	306.8	1.4	311.1	718.3	-56.7
Total Expenses	1,714.0	1,365.2	25.6	268.8	275.7	-2.5	268.8	634.7	-57.6
EBIDTA	208.1	155.3	33.9	42.2	31.2	35.5	42.2	83.6	-49.5
OPM (%)	10.8	10.2	60 bps	13.6	10.2	340 bps	13.6	11.6	200 bps
Other Income	31.5	5.2	507.2	6.8	4.1	67.1	6.8	4.7	44.7
PBDIT	239.6	160.5	49.3	49.0	35.3	38.8	49.0	88.3	-44.5
Depreciation	7.0	5.5	26.3	2.1	1.4	52.4	2.1	2.3	-8.7
Interest	57.9	25.4	127.9	16.3	7.6	115.3	16.3	15.3	6.5
PBT	174.7	129.6	34.8	30.7	26.3	16.6	30.7	70.7	-56.6
Tax	59.6	41.1	44.9	10.4	9.1	14.8	10.4	23.7	-56.1
PAT	115.1	88.5	30.1	20.3	17.2	17.6	20.3	47.0	-56.8
NPM (%)	6.0	5.8	20 bps	6.5	5.6	90 bps	6.5	6.5	0.0
Paid up equity share capital	72.0	72.0	0.0	72.0	72.0	0.0	72.0	72.0	0.0
EPS	16.0	12.3	30.1	2.8	2.4	17.6	2.8	6.5	-56.9

### Ventura Securities Limited

Corporate Office: Corporate Office: C-112/116, Bldg No. 1, Kailash Industrial Complex, Park Site, Vikhroli (W), Mumbai – 400079

This report is neither an offer nor a solicitation to purchase or sell securities. The information and views expressed herein are believed to be reliable, but no responsibility (or liability) is accepted for errors of fact or opinion. Writers and contributors may be trading in or have positions in the securities mentioned in their articles. Neither Ventura Securities Limited nor any of the contributors accepts any liability arising out of the above information/articles. Reproduction in whole or in part without written permission is prohibited. This report is for private circulation.