

# Nava Bharat Ventures

₹ 244

*Efficiency in Power!***Buy**

Aug 26, 2016

## Company Background

Nava Bharat Ventures Limited (NBVL), along with its subsidiaries, operates in different product-geography segments in the business verticals of power generation, ferro alloys, mining and agri-business. Its asset base is spread over India, South East Asia and Africa. The company is presently establishing, through its subsidiary Maamba Collieries Ltd in Zambia, a thermal power plant at Maamba in Southern Africa. The Company has a successful track record spanning four decades. During this period, it has acquired expertise in design, engineering, project management, as well as the operation and maintenance of power, ferro alloy and sugar and downstream plants, with a high degree of efficiency.

## Key Highlights

- ➔ NBVL is geographically diversifying its power assets and moving towards integrated power projects with captive coal mines. The power assets are spread over the States of Telangana, Andhra Pradesh and Odisha in India and Southern Province of Zambia. Apart from coal fired power plants, NBV operates cogeneration power plants utilising bio mass as fuel with a PLF of 90%.
- ➔ NBVL is carrying out, through its step down subsidiary Maamba Collieries Limited (MCL), coal mining at Maamba in Zambia. Exploration activities in other locations are under way for coal and other minerals as well. MCL is the largest coal mining company in Zambia with estimated reserves of 140 mn tn comprising high grade and thermal grade coal, spread over 1070 ha. MCL is presently establishing a 300MW coal fired power plant in Phase-I.
- ➔ NBVL has a long track record of success in manufacturing and marketing of ferro alloys. It caters to Indian as well as export markets. Currently it operates two plants the Telangana Plant has an output capacity of 125000 TPA and the Odisha Plant has an output of 75000 TPA.
- ➔ In the Agri-business segment the major focus is on Sugar and Ethanol production. The Company's Sugar Plant is one of the most energy efficient sugar plants, operating with an electrical energy consumption of 23 kWh per tonne of cane crushed and 31% steam consumption on cane. Its plants have the capacity of producing 4000 TCD of Cane and 30 KLPD of Ethanol.

## Key Financials

Year Ended 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	11,773.7	12,347.8	10,826.8
Rev. growth (%)	(2.37)	4.88	(12.32)
EBITDA (INR mn)	3,588.2	3,030.3	2,172.3
Net profit (INR mn)	1,931.0	1,424.7	1,112.2
Shares outstanding (mn)	89.4	89.4	89.4
EPS (INR)	20.8	15.0	11.9
EPS growth (%)	(19.56)	(28.02)	(20.76)
P/E (x)	7.68	11.93	13.81
RONW (%)	8.12	5.72	4.32
ROCE (%)	9.47	6.76	5.14

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## Info Codes

Reuters	: NABV.BO
Bloomberg	: NBVL:IN
NSE	: NBVENTURES
BSE	: 513023

## Market Data

52 Wk Range (₹)	: 128 / 270
Shares in Issue (mn)	: 89.4
Mkt. Cap (₹ bn)	: 21.48
BSE 2 Wk Avg Vol	: 142000

## Share Holding Pattern (%)

Promoters Holding	: 44.31
Corporate Holding	: 3.86
Domestic Institution	: 0.18
Foreign Institution	: 26.74
Public & Others	: 24.92

## Investment Theme

NBVL is a diversified enterprise with a good amount of growth potential in most business. It is basically a power generation company with 4 Generation and 1 Co generation plant in India totalling to nearly 500 MW of generation. The company also has a 17 yr experience of running coal fired plants. Its subsidiary has the largest mining concession in Zambia and is also planning to start a mine mouth 300 MW coal generation plant in Zambia. The company has good exposure and business in Ferro Alloys which it also exports to countries like US, the European countries and Japan. The sugar and ethanol plants are also among the most efficient in India. We feel the company is poised to grow and appreciate quickly considering the small floating stock and a small capital base and a good dividend track record. So we initiate a Buy on the Company.

**17 years of Expertise in Power.**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	11,005.5	11,529.4	4.8	9,892.7	(14.2)
Other Income	541.1	510.0	(5.7)	648.2	27.1
Change in Stocks	(162.2)	305.7	(288.5)	(344.0)	(212.5)
Raw Material Con.	5,927.6	7,541.0	27.2	5,849.6	(22.4)
Employee Exp.	747.2	728.2	(2.5)	778.0	6.8
Indirect Taxes	227.1	308.4	35.8	285.9	(7.3)
Other Exp.	1,452.2	1,595.2	9.8	1,453.8	(8.9)
Operating Exp.	8,354.1	10,172.8	21.8	8,367.3	(17.7)
Operating Profit	3,030.3	2,172.3	(28.3)	1,829.6	(15.8)
Total Interest	182.4	282.4	54.8	328.4	16.3
Gross Profit	2,847.9	1,889.9	(33.6)	1,501.2	(20.6)
Net Dep.	615.8	362.8	(41.1)	340.5	(6.1)
Total Taxation	301.1	102.4	(66.0)	48.5	(52.6)
Net Profit/Loss	1,931.0	1,424.7	(26.2)	1,112.2	(21.9)

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15	Mar 16
<b>SOURCES OF FUNDS</b>	<b>24,666.8</b>	<b>26,336.9</b>	<b>27,207.7</b>	<b>30,713.4</b>
Equity Share capital	178.7	178.7	178.7	178.7
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	22,872.2	24,310.0	25,167.8	25,975.6
Secured Loans	1,191.0	1,420.1	1,378.1	3,865.4
Unsecured Loans	424.9	428.1	483.1	693.7
<b>USES OF FUNDS</b>	<b>24,666.8</b>	<b>26,336.9</b>	<b>27,207.7</b>	<b>30,713.4</b>
Gross Block	10,249.3	12,911.4	13,066.2	13,524.8
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	3,789.6	4,399.8	4,804.4	5,137.4
Net Block	6,459.7	8,511.6	8,261.8	8,387.4
Capital Work in Progress	2,605.6	63.3	67.6	47.5
Investments	4,743.2	9,540.9	10,578.1	10,839.8
Current Assets	10,651.9	7,768.7	7,820.9	7,619.2
Less : Current Liabilities	1,601.8	1,545.1	1,781.6	1,605.4
Total Net Current Assets	9,050.1	6,223.6	6,039.3	6,013.8
Misc. Expenses not writtenoff	1,808.2	1,997.5	2,260.9	5,424.9
<b>NOTE</b>				
Book Value of Unquoted Investments	4,733.6	9,531.3	10,568.5	10,830.2
Market Value of Quoted Investments	25.2	32.1	39.2	38.2
Contingent Liabilities	7,922.4	5,609.2	6,856.8	8,795.5
Dividend (%)	150.0	250.0	250.0	150.0

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 15	Dec 15	Mar 16	Jun 16
Net Sales	2,420.6	2,444.6	3,022.0	2,073.1
Cost Of Sales	2,256.7	2,140.4	2,466.9	1,696.0
Operating Profit	163.9	304.2	555.1	377.1
Other Income	173.8	142.0	213.0	311.6
Adjusted PBDIT	337.7	446.2	768.1	688.7
Financial Expenses	62.1	86.2	120.7	129.7
Depreciation	72.2	86.9	109.7	77.9
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	203.4	273.1	537.7	481.1
Tax Charges	9.8	60.5	(38.3)	214.5
Reported Profit	193.6	212.6	576.0	266.6
Extra Ordinary Items	0.0	0.0	(3.3)	0.0
Other Non Cash Adjust	0.0	0.0	0.2	0.0
Adjusted Net Profit	193.6	212.6	579.5	266.6

## 52 Week Index Relative Percentage Appreciation



NBVL vs SENSEX

## Risks Associated

The investment inflow notwithstanding the power sector is chronically subject to an under remunerative tariff structure. Although the tariff is statutorily fixed, political expediency has made power available at concessional rates to certain sectors, especially the agricultural and domestic sectors. Thus there is a consequential revenue shortfall recognised by the utilities as they are not reimbursed by local/State governments. Only partial support is provided through cross subsidisation of tariff, by imposing higher charges on commercial and industrial consumers. Tariff reforms initiated by the government require the utilities to improve their efficiencies first and simultaneously reduce leakages as a pre-condition to relaxing the financial burden on their balance sheets. Though newer reforms are creeping in, the weak financial position of SEBs, which is not likely to show any major improvement over the next few years, would restrict their ability to buy merchant power and in turn keep the prices low. Fuel shortage is yet another threat faced by the Indian power sector.

The company has spent a major part in investing in the mining subsidiary though financial closures are quick and good till date any untoward capex or inability to close further financial arrangements will be a problem.

Ferro alloys remain susceptible to substitution and in the last few decades the industry has seen the emergence of alloy scrap and oxides replacing ferro alloys. Meanwhile, the steel industry is progressively working towards containing the requirement of raw materials including ferro alloys. On the other hand, newer grades of steel are being developed with lower alloying metal content where the steel exhibits an equal or even a better performance.

The acreages under sugarcane cultivation have risen in the past few years however, the recoveries have dropped. Factors supporting an improvement in better yields and recoveries need to be implemented. The land holding of cane farmers also need to be increased.

**In a Nutshell**

NBVL is a diversified company in the fields of Power Generation, Ferro Alloys, Mining and Agri Business. The Company's major business segment is power generation. It produces thermal power using coal and bio-mass in India. NBVL has 17 years of in-house expertise in Operation and Maintenance of coal fired power plants which reflects in high availability of plants. The company is presently establishing, through its subsidiary Maamba Collieries Limited in Zambia, a mine-mouth, thermal power plant at Maamba in Southern Africa. Its subsidiary has the largest coal mining concession in Zambia. It is also a leading manufacturer exporter of manganese and chromium ferro alloys from India. The company supplies its products to steel manufacturers in India and various other countries. The major export markets are the US, the European countries and Japan. NBVL has long experience in agri-business, specifically in production of sugar and value added downstream products including bio-fuels. The sugar complex in India has set bench marks for quality of sugar and has earned accolades for most energy efficient operations. The Company has won numerous accolades from prestigious professional bodies and government as a testimony to its performance in energy management, water management, environment protection, safety, work place excellence, exports, productivity, industrial relations, labour welfare, rural development, etc. We feel the company has good growth potential and can generate excellent returns for investors in the coming years.

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**Rating Interpretation**

<b>Buy</b> : Expected to appreciate 20% or more over 12-months	<b>Reduce</b> : Expected to depreciate up to 10% over 12-months
<b>Accumulate</b> : Expected to appreciate 10% to 20% over 12-months	<b>Sell</b> : Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b> : Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b> : Expected to depreciate more than 10% over 45-days

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