

**BF Investment**

₹ 179

***It's All About Investing !!!******Buy***

June 23, 2017

**Company Background**

BF Investment Ltd is a Non Deposit taking Core Investment Company holding 90% of its assets in investments in shares of or debts in Group Companies. It's a investment company and is also engaged in the business of real estate. It was incorporated on May 26, 2009 as a public limited company. As per the scheme of arrangement, many group companies were amalgamated with BF Utilities Ltd with retrospective effect from the appointed date, being April 01, 2009. The Investment Business Undertaking of BF Utilities Ltd was move to and vested in BF Investment Ltd on going concern basis, with retrospective effect from the appointed date, being April 1, 2009. The scheme became active from February 26, 2010 upon which, the business of the Investment Business Undertaking together with all related assets and liabilities.

**Key Highlights**

- ➔ BF Investment Ltd is basically an investment company has major share holding with Kalyani Steels Limited, Bharat Forge Limited, Automotive Axles Limited, Hikal Limited, BF Utilities Limited. Company also has investment holdings in unlisted companies, like KSL holdings, Meritor, Khed Economic Infrastructure.
- ➔ The listed portfolio consists of Iron & Steel / Inter Products, Other Industrial Products, Auto Parts & Equipment, Pharmaceuticals, Electric Utilities.
- ➔ Urbanisation can ensure there is adequate demand for steel as the country gears up to triple production by 2031, It can be boost up the share price of BF Investment since it has holding in Kalyani Steel.
- ➔ Company investments are held approx 40 % in large cap and approx 60 % in mid cap as per this allocation, there is good growth prospect for share price.
- ➔ If we look into PE and P/BV ratios of industry 45.99 and 3.88 respectively, BF Investment Ltd, PE ratio is 21.10 and P/BV ratio 0.65 according to this ratios we can say share price is underpriced.
- ➔ Net Asset Value of All Quoted Investments by BF Investment Ltd. is nearly 3 times more than its Market Cap.
- ➔ BF Investment clocked volume of 2,63,960 shares on BSE on 19th Jun 2017.

**Key Financials**

| Ended 31 <sup>st</sup>  | Mar 14  | Mar 15  | Mar 16 |
|-------------------------|---------|---------|--------|
| Revenue (INR mn)        | 239.0   | 207.3   | 249.9  |
| Rev. growth (%)         | (37.99) | (13.26) | 20.55  |
| EBITDA (INR mn)         | 220.2   | 196.9   | 230.4  |
| Net profit (INR mn)     | 199.5   | 187.5   | 215.3  |
| Shares outstanding (mn) | 37.66   | 37.66   | 37.66  |
| EPS (INR)               | 5.3     | 4.98    | 5.72   |
| EPS growth (%)          | (24.29) | (6.04)  | 14.86  |
| P/E (x)                 | 12.56   | 33.90   | 21.10  |
| RONW (%)                | 3.05    | 2.78    | 3.1    |
| ROCE (%)                | 3.29    | 2.83    | 3.22   |

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**Info Codes**

|           |            |
|-----------|------------|
| Reuters   | : BFIN.BO  |
| Bloomberg | : BFIN IN  |
| NSE       | : BFINVEST |
| BSE       | : 533303   |

**Market Data**

|                      |            |
|----------------------|------------|
| 52 Wk Range (₹)      | : 103 /191 |
| Shares in Issue (mn) | : 37.67    |
| Market. Cap (₹ bn)   | : 6.75     |
| BSE 2 Wk Avg Vol     | : 68000    |

**Share Holding Pattern (%)**

|                      |         |
|----------------------|---------|
| Promoters Holding    | : 72.71 |
| Corporate Holding    | : 07.60 |
| Domestic Institution | : 01.40 |
| Foreign Institution  | : 00.97 |
| Public & Others      | : 17.32 |

**Investment Theme**

The current Trends have shown value in Investment Companies with Many Investment Companies seeing a steady growth in their prices with respect to the discounted valuations they have been holding since a long time. This is evident from a large number of scrips which can be quoted as an example. The theme is either driven by some big bulls or as a general trend in the market, however there is no doubt that the same has been in existence since the past 1 year. Many Analyst have already predicted that 2017 will be year of Holding companies. The major sources of income for the company consists of dividend income and profit on sale of investments. As compare company ratios with industry ratios we find the BF Investment Ltd share price is undervalued, it's good sign for buy. Company's major holding is in mid cap stock, when sensex performs low, the stock can perform better.

**Investor's company !!!**

## Financial Statements

## Income Statement

(₹ mn)

| Year end            | Mar 14 | Mar 15 | % Chg    | Mar 16 | % Chg    |
|---------------------|--------|--------|----------|--------|----------|
| Operating Income    | 229.1  | 207.3  | (9.52)   | 249.9  | 20.55    |
| Other Income        | 9.9    | -      | (100.00) | -      | -        |
| Operating Expenses  | 14.1   | 7.7    | (45.39)  | 8.5    | 10.39    |
| Misc. Expenses      | 4.7    | 2.5    | (46.81)  | 7.1    | 184.00   |
| Employee Exp.       | -      | 0.1    | -        | 3.9    | 3,800.00 |
| Total Expenditure   | 18.8   | 10.3   | (45.21)  | 19.5   | 89.32    |
| Gross Profit        | 220.2  | 197.0  | (10.54)  | 230.4  | 16.95    |
| Interest            | 1.0    | 0.5    | (50.00)  | 0.6    | 20.00    |
| Depreciation        | 4.9    | 5.9    | 20.41    | 6.9    | 16.95    |
| PBT                 | 214.3  | 190.6  | (11.06)  | 222.9  | 16.95    |
| Taxes               | 14.8   | 3      | (79.73)  | 7.7    | 156.67   |
| Reported Net Profit | 199.5  | 187.6  | (5.96)   | 215.2  | 14.71    |
| Extra Ord. Items    | 9.2    | -      | (100.00) | -      | -        |
| Adjusted Net Profit | 190.3  | 187.6  | (1.42)   | 215.2  | 14.71    |

## 4 Years Balance Sheet

(₹ mn)

| Balance Sh as on 31 <sup>st</sup>  | Mar 13         | Mar 14         | Mar 15         | Mar 16         |
|------------------------------------|----------------|----------------|----------------|----------------|
| <b>SOURCES OF FUNDS :</b>          | <b>6,445.1</b> | <b>6,644.5</b> | <b>6,832.1</b> | <b>7,047.4</b> |
| Equity Share Capital               | 188.3          | 188.3          | 188.3          | 188.3          |
| Equity Application Money           | -              | -              | -              | -              |
| Equity Share Warrants              | -              | -              | -              | -              |
| Reserves & Surplus                 | 6,256.8        | 6,456.2        | 6,643.8        | 6,859.1        |
| Secured Loans                      | -              | -              | -              | -              |
| Unsecured Loans                    | -              | -              | -              | -              |
| <b>USES of FUNDS</b>               | <b>6,445.1</b> | <b>6,644.5</b> | <b>6,832.1</b> | <b>7,047.4</b> |
| Gross Block                        | 14.7           | 22.3           | 33.2           | 37.5           |
| Less: Impairment of Assets         | -              | -              | -              | -              |
| Less: Accumulated Depreciation     | 6.5            | 5.1            | 10.9           | 14.2           |
| Net Block                          | 8.2            | 17.2           | 22.3           | 23.3           |
| Capital Work in Progress           | 13.6           | -              | -              | -              |
| Investments                        | 4,873.9        | 6,221.6        | 6,312.7        | 6,549.3        |
| Current Assets                     | 1,570.4        | 415.9          | 502.5          | 480.8          |
| Current Liabilities                | 21.0           | 10.2           | 5.4            | 6.0            |
| Net Current Assets                 | 1,549.4        | 405.7          | 497.1          | 474.8          |
| Misc. Exp. not written off         | -              | -              | -              | -              |
| <b>NOTE</b>                        |                |                |                |                |
| Book Value of Unquoted Investments | 2,681.9        | 2,054.6        | 2,145.7        | 2,382.3        |
| Market Value of Quoted Investments | 4,130.9        | 7,539.4        | 18,043.3       | 13,904.4       |
| Contingent Liabilities             | 1,338.9        | 1,785.6        | 2,845.0        | 1,270.0        |
| Dividend (%)                       | -              | -              | -              | -              |

**Quarterly Income Sheets**

(₹ mn)

| Quarter Ended          | Jun 16 | Sep 16 | Dec 16 | Mar 17 |
|------------------------|--------|--------|--------|--------|
| Operating Income       | 8.2    | 7.5    | 4.0    | 4.3    |
| Other Income           | 5.9    | 105.5  | 1.5    | 80.9   |
| Total Income           | 14.1   | 113.0  | 5.5    | 85.2   |
| Interest               | 0.2    | -      | -      | -      |
| Employee Expenses      | 0.8    | 0.7    | 1.9    | 0.8    |
| Other Expenses         | 5.5    | 1.9    | 11.0   | 11.3   |
| Operating Expenses     | 6.5    | 2.6    | 12.9   | 12.1   |
| Operating Profit       | 7.6    | 110.4  | (7.4)  | 73.1   |
| Provisions & Writeoffs | -      | -      | -      | -      |
| Depreciation           | 1.4    | 1.4    | 1.4    | 1.4    |
| Profit Before Tax      | 6.2    | 109.0  | (8.8)  | 71.7   |
| Taxes                  | 0.7    | 2.1    | 0.4    | (3.5)  |
| Extra-ordinary Items   | -      | -      | 1.2    | -      |
| Adjusted Profit        | 5.5    | 106.9  | (10.4) | 75.2   |

**52 Week Index Relative Percentage Appreciation**

**BF Investment vs SENSEX**
**Risks Associated**

- ➔ BF Investment Ltd's main income source is dividends and contributing 80% of its total income, the dividends that may be receivable on investments held by it / may be held in future. Any adverse impact on the industries of which securities are held by BF Investment Ltd, also have a bearing on the performance of BF Investment Ltd.
- ➔ Overall performance of the company is directly related to the performance of its investment portfolio, on the macroeconomic factors and the growth in sensex. The company doesn't have a business of its own and depends upon the investment companies for its earning.
- ➔ Depreciating rupee is a cause for concern to asset managers and may make India an unattractive destination for global inflows over the medium term. FIIs inflows are, in any case, fluid and can be easily reallocated elsewhere by global fund managers. The case for reallocation to other destinations stands enhanced with the legal uncertainties which have previously arisen from the changes in tax laws in Budget.
- ➔ BF Investment Ltd's share price depends on the performance of its portfolio and there for cannot be translated into a 1 to 1 proportion as if the company anytime starts selling off its investments the price of the balance shares with the company also fall therefore a traditional 40% discount has to be taken in account.
- ➔ BF Investment Ltd is a part of Kalyani group if any turmoil in the group or any company in the group may directly reflect on the share prices of the company.

## BF Investment

### In a Nutshell

The current Investment of BF Investment Ltd. consists of the following : (Prices as on 20th June 2017)

| Company Name  | No. of Shares | Face Val. | Price / Share (Rs.) | Net Asset Value (Rs. Cr) |
|---|---------------|-----------|---------------------|--------------------------|
| Automotive Axles Ltd  | 5367806       | 10        | 740                 | 397.22                   |
| BF Utilities Ltd  | 1187903       | 5         | 426.25              | 50.63                    |
| Kalyani Steels Ltd  | 17052421      | 5         | 462.1               | 787.99                   |
| Bharat Forge Ltd  | 7807338       | 2         | 1181.95             | 922.79                   |
| Hikal Ltd   | 436450        | 10        | 209.4               | 9.14                     |
| Kalyani Forge Ltd   | 569600        | 10        | 305.55              | 17.40                    |
| <b>Net Asset Value of All Quoted Investments by BF Investment as on 20th June 2017 is</b> |               |           |                     | <b>2185.17</b>           |

The above table clearly shows that the Net Asset Value of all the quoted Investments by BF Investment Ltd. is nearly 3 times more than its Market Cap. Taking into consideration the current trend of Investment Companies, we feel it is a good script to Buy at current prices. Though we consider the 40% discount valuation as per the thumb rule, Still there is a scope of at least 3x price rise in the script. So in line with the season of Investment Companies which we started we present another Candidate for Investment Kalyani Investment Co. Ltd. We feel just as our other recommendations in the near past appreciated this company would also help the investors.

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### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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