

Bihar Tubes Ltd

29 March 2010

BUY

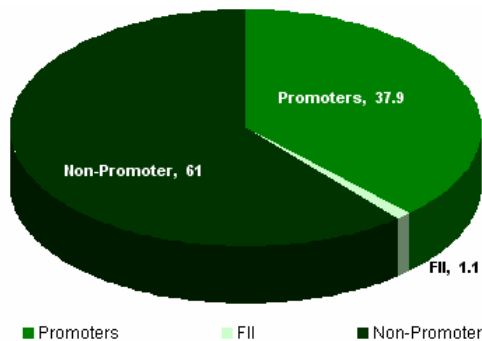
Industry	Steel Pipe & Tube
CMP (INR)	109
Target (INR)	144
(Upside / Downside)	32%
52 week High/Low (INR)	111.5 / 32
Market Cap (INR MN)	685
3M Avg. Daily Volumes	255,747
BTL P/E (FY11E)	5.2x

We met the management of Bihar Tubes Ltd (BTL) for an outlook on the Business and Strategy of the company. Following are the key takeaways from the management meet.

Company Description

Incorporated in 1986, BTL is a leading manufacturer and exporter of Steel Pipes & Tubes. It produces widest range of steel tubes including black tubes, galvanised tubes, pre-galvanised tubes and hollow sections and caters to industry segments like irrigation, urban infrastructure, automotive (bus bodies), airports, metro networks, etc. Ashok Leyland, Tata Marcopolo, Delhi airport, Gujarat Gas, Mundra SEZ, IRCON and Automobile Corporation of India are some of the major clientele.

Shareholding Pattern (%)

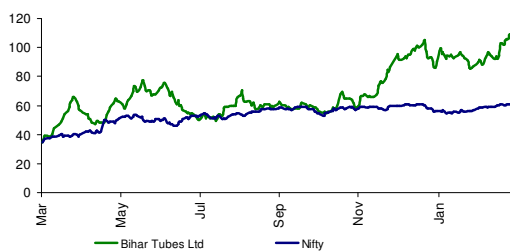


Investment highlights

Strong Industry Growth

Demand for steel tubes in last three years has seen a tremendous growth following government's thrust on urban infrastructure. With emphasis on aesthetics and complex structural designs in segments like airports, commercial complexes, usage of steel tubes and hollow sections has gone up. The entire tubes industry is situated in the north. The entire southern region is supplied by northern players who have to incur huge freight costs. BTL plans to expand in the southern region to tap this demand and cut the supply / freight costs.

Stock Performance (Last one year)



Strong Expansion to drive growth

BTL has three plants in the country with an aggregate capacity of 200,000 TPA: two near Delhi and one near Bangalore. The company has inaugurated its fourth facility in Hosur, Tamilnadu in January 2010 to cater to the southern market. The facility is the largest in South India and is being built at a capital cost of INR 1bn and a capacity of 200,000 TPA. With the Hosur facility, Bihar Tubes is the largest producer of steel tubes in the country having total capacity of 400,000 TPA up to a size of 12 inches. The new facility has been built with latest machinery of Kusakabe, Japan.

Performance (%)

	1 Month	3 Months	1 Year
BTL	23.1	14.0	216.4
Nifty	7.5	2.0	77.7

* Source: Capitaline, Unicon Research

Analyst

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The company also plans to expand in the western markets and is currently scouting for land either Maharashtra or Gujarat depending on the political scenario. The company is proposing to setup an additional 100,000 TPA facility here to cater to demand from the western region with an investment of INR 1bn. This plant would be commissioned by FY12.

Valuation and Outlook

The company expects to do ~INR 12 bn in revenues by FY12 on a conservative basis. At an EBIDTA level of ~10-12% this translates into an EBIDTA of ~INR 1.3 bn. Considering a PAT margin of 4% it roughly translates into a FY12e EPS of INR 24. At the CMP of INR 109, the stock trades at a PE of just 4.6x its FY12e EPS which looks reasonable. Considering, the strong growth opportunities and sole presence in the southern region, the prospects of the company look strong. We advise investors to buy the stock with a one year target price of INR 144.



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Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	>= 20%	10% to 20%	-10% to 10%	-10% to -20%	<= -20%

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