



GUINNESS

Redefining Services

Bartronics India Limited.

BUY RECO ON 30/01/09 @ 67-73

CMP (Rs)	73.25 (11.02.09)
TARGET (Rs)	125-130
52 WEEK H/L	253/55
MKT CAP (Rs Cr)	212.28
CURRENT P/E	3.20
CURRENT EPS (Rs)	22.57
EQUITY (Rs Cr)	28.98
BV (Rs)	94.71

Brief about company

Leading Automatic Identification and Data Collection (AIDC) solution provider company, Bartronics India Ltd incorporated in 1990 by Mr. R K Mehta. Initially it was known as Super Bartronics Private Limited and has been converted into a Public Limited from 27th July 1995. Finally it has been renamed as Bartronics India Limited wef 1st January 1996. The ownership changed hands in 2000 when the Reddy family agreed to buy out the company. Simultaneously, IDBI Venture Fund infused fresh capital into the company in the form of debt and equity. It is also the oldest and the leading Identification technology specialist in India.

The company has implemented a number of projects across manufacturing companies. The projects involve inventory and logistics management, time and attendance, and asset tracking systems. AIDC is seen as an enhancing technology, automating the data collection for the main systems. Currently, BIL offers a diverse range of AIDC technologies: barcode, biometrics, radio frequency identification (RFID), radio frequency data communications (RFDC), and electronic article surveillance (EAS).

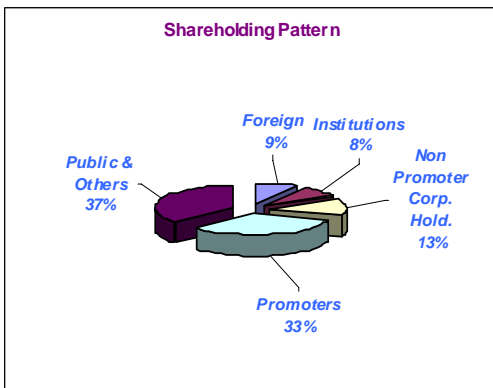
Its products include a wide range of AIDC and RFID cards, handheld terminals, printers and scanners, having applications in the logistics, security, education, HR, healthcare, hospitality, finance and other industries. The company's expertise in the products, technologies, implementation skills and understanding of the market places it in a dominant position in the domestic market.

During the year 2007-08, the company commenced the Smart Cards Manufacturing facility in Hyderabad. The company incorporated a wholly owned subsidiary company named Bartronics Asia Pte Ltd on June 14, 2007 in the Republic of Singapore to capture Asian market and provide better after sales services.

It has the highest client base of over 1,600 customers including Unilever, TISCO, TELCO, HLL, ITC, Whirlpool, Dr. Reddys, Mahindra and Mahindra, Tetrapak, Gati, Pantaloons, FabIndia, etc.

Growth Potential

- ❖ Bartronics India has granted permission to management to sign long term contracts with Government agencies in India and Singapore for a potential business of Rs 5000 crore.
- ❖ In Singapore, the Company is working on 2 contracts for RFID tagging for warehouse and RFID tagging of construction material. The value is close to US\$ 800000.
- ❖ The order book at the end of the quarter stood at Rs 700 crore of which smart card is Rs 140 crore and balance is solutions business. The execution is over 16 months. Of the solutions order book: 75% is from private and 25% from government.
- ❖ The Company has won 4 contracts in the unemployment scheme in Rajasthan, West Bengal, Bihar and Orissa. It has bid in other states as well. The Company has to bid for these contracts teaming up with banks.
- ❖ Currently the company is working on 32 live projects.



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- ❖ The Company is changing its focus from private to government projects & the main focus would be India, Singapore and other countries in Asia.
- ❖ Bartronics has made significant entry into Retail Sector through POS hardware solutions. The retail trade in India \$7 billion and is growing at a rapid pace.

Global presence

- ❖ The Company successfully started operations in South Asia and the USA this year. In the South Asian market, Bartronics Asia Pvt. Ltd., a wholly owned subsidiary of BIL has been invited by the Singapore government to participate in the IT-2015 plan to strengthen the IT security infrastructure of the Government of Singapore. A number of large projects over the next six years are being planned for Bartronics Asia. Apart from Singapore, the Company has successfully established marketing network in Malaysia, Indonesia, Philippines, Vietnam and Australia.
- ❖ In the US market, BIL adopted an acquisition strategy successfully acquiring Proximities Inc., and SRG America Inc. during the year. As a combined entity merged into Bartronics America Inc., a wholly owned subsidiary of BIL, the US operations have started generating revenue from the first day itself.
- ❖ Early wins in the Leisure and Entertainment vertical, followed by projects in the Government and transportation sector apart from some wins in the Healthcare vertical has placed Bartronics America firmly amongst select US customers.

Opportunities

- ❖ Smart cards entry has ensured that the Company is now present across all the technologies under the AIDC umbrella. BIL is poised to ride the smart cards boom over the next 3-5 years.
- ❖ The Company's presence in other geographical markets specifically the US and the South Asian markets have ensured that newer opportunities propel the Company to a true global enterprise.
- ❖ BIL has added a number of new customers to its existing list of clients. These include Diageo, ISPAT, East Coast Railways, Vedanta Group, Reliance Group and a number of State Governments. This has added to the strength of the Company by ensuring that there is a larger base of customers for Company to provide its newer solutions. The increased base of customers also helps the customer in ensuring larger Annual maintenance revenue in the future.
- ❖ Opening up of the two wholly owned subsidiaries in Singapore and USA, Bartronics is now present in most of the growing markets. This gives tremendous advantage to the Company by not only increasing its revenues but also to implement innovative applications in various types of markets. Presence in the US has also helped the Company in ensuring a better access to technologies thereby ensuring the Company to maintain its leadership position.

Threats

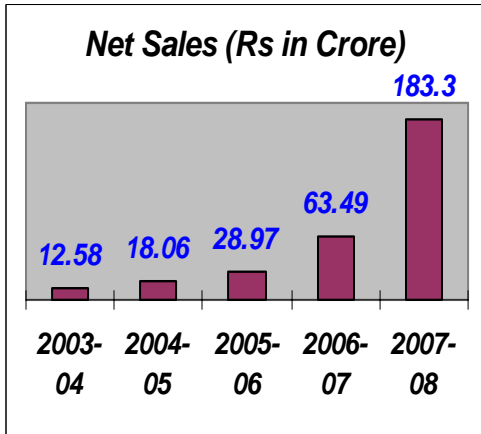
- ❖ Technology Obsolescence is a threat in any hi-tech industry and the company has to continuously invest in research to keep abreast with the latest trends in the industry. Growth in customers' industries like retail, automobiles and manufacturing in general has an impact on the fortunes of the company.
- ❖ Dependent on external suppliers for most of its key materials and hardware components, any delay in supplies would affect the business.
- ❖ Entry of global players in this industry may affect the Company's profitability as they have the brand and the money to implement the new technology very fast.

Performance Highlights

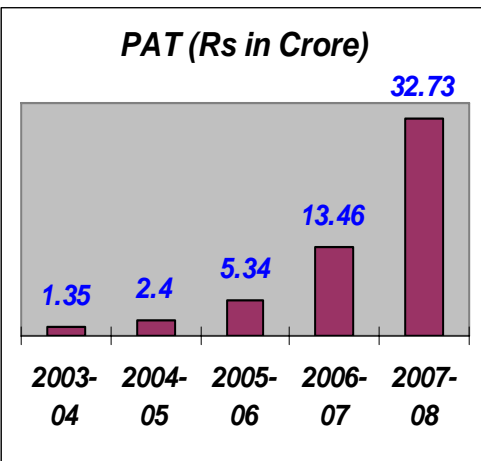
Robust growth in its Automatic Identification and Data Capture (AIDC) Solutions Business, continued global expansion and higher Revenues from the Smart Cards Business helped the company to post a 68.8% rise in Net sales (year on year) for the quarter ended December 2008. Net Sales for the quarter stood at Rs 92.31 crore as against Rs 54.68 crore during the previous quarter ended December 2007. However, Quarter on quarter sales dipped by 8.6% due to global slowdown. Consolidated figure for the quarter shows a 95.5% growth in revenue to 137.15 crore. Of the revenues, Smart card revenue was Rs 45 crore, US subsidiary revenues was Rs 45 crore and Solutions business – India revenues was Rs 47 crore. The Singapore subsidiary had no billing for the quarter. Expenditure as a percentage of sales decreased from the previous quarter due to stock adjustment of Rs 21.72 cr. Operating profit for the quarter increased by 240.62% from the same quarter last year. Huge increase in both depreciation and interest expenses seen in this quarter from the same quarter last year. Bottom line growth for the quarter was outstanding, net profit of the company rose 174.33% to Rs 18.49 as against Rs 6.74 crore during the previous quarter ended December 2007.



Investment Highlights

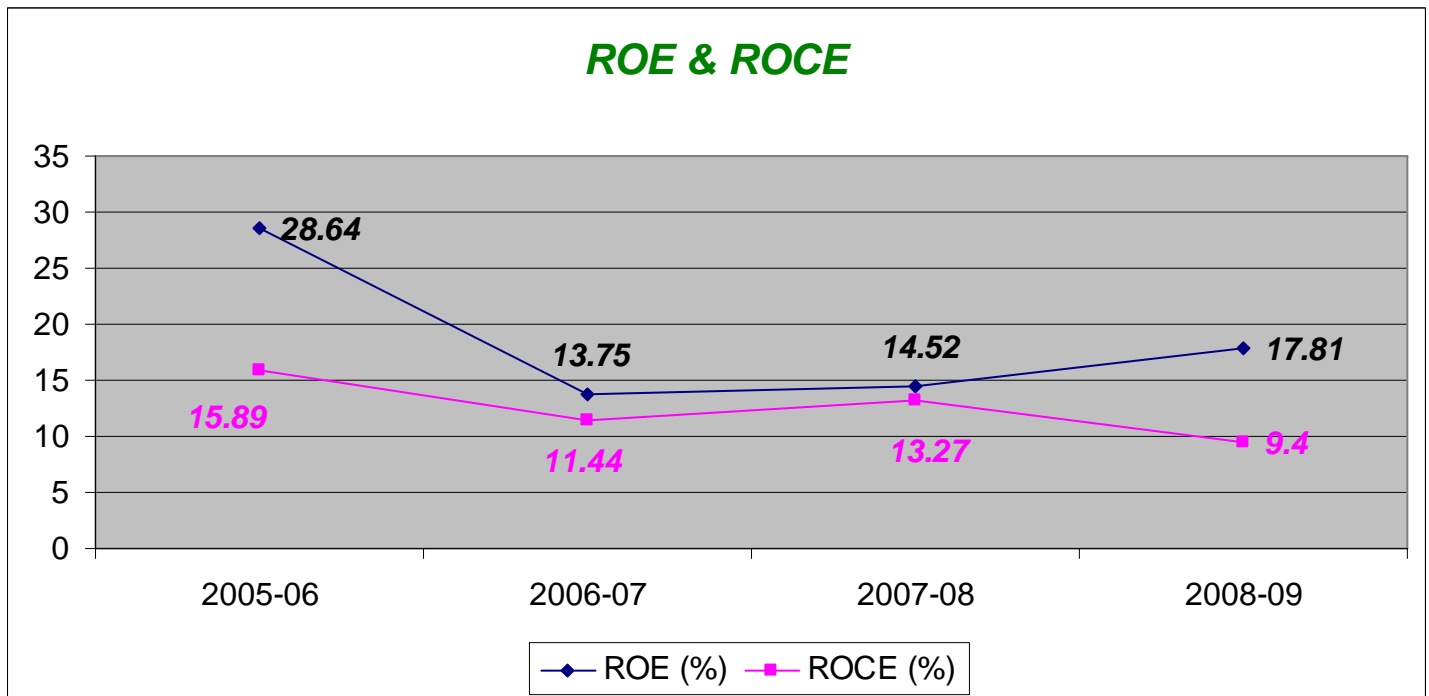


AIDC industry is rapidly moving towards the use of RFID in a number of high value and high volume market segment. The RFID market is expected to jump from \$1.4 billion annually to \$6.1 billion in 2010. RFID and biometrics solutions are growing at a CAGR of 50% and are expected to have an exponential growth with retail and manufacturing growth in India. The company having the highest market share and first mover advantage is expected to be the biggest beneficiary. RFID solutions have shown a remarkable growth with more and more companies adopting the technology. Being the only organized player in the market to provide end-to-end solutions based on AIDC technologies, the Company has penetrated into most of the industrial belts in India during the year. Strong emphasis on technical know-how has placed the Company in a premium position for providing services to emerging customer segments like infrastructure including roads, railways and airports.



Excellent growth was seen in the top line for the year 2008. Net sales for the year was increased by 188.7% to 183.30 crore from the previous year. CAGR in net sales was 117% during the last four years. Average growth rate for the last four years was also more than 100%. We expect that Net sales of the company will grow at a CAGR of 90% over FY08-10E to Rs 660 Crore. We have discounted the growth due to global slowdown. However, for FY09 the management expects to overshoot marginally the guidance of Rs 500 crore with net profit of Rs 85 crore. For FY10, the Company is targeting revenues of Rs 1000 crore and PAT of Rs 160-170 crore, which is quite high from the current valuation. This in turn envisages a growth rate of over 100% every year. The targeted profitability is 20%.

Bottom line growth of the company is also marvelous. PAT is increasing every year with a rapid space. PAT grew at CAGR of 139% in the last four years. Net profit margin (NPM) for the year 2007-08 decreased to 17.88% from the previous year of 21.16%. Average NPM of the last four years was around 18%. We expect that the company will maintain the same margin of 18% in future. EPS of the company is also increasing year on year.





OUTLOOK AND VALUATION

At the current market price of Rs. 73.25 the stock is available at 3.40x and 1.80x its FY09E and FY10E estimated earnings per share of Rs.21.64 and Rs.41.06 respectively, which is quite attractive. We remain confident on the growth story of this company as it has made significant entry into Retail Sector through POS hardware solutions and its business diversification. The retail trade in India \$7 billion and is growing at a rapid pace. Bartronics is well placed to capture the new opportunities provided by the requirements of the industry and specific applications within an industry with respect to the AIDC/RFID/Retail/Smart Cards related initiatives. In the next 2-3 years it will be a multi-bagger stock. We recommend a buy on the stock with a target price of Rs.125-130 for a 9-12 months holding period taking trailing P/E of 3.10.

KEY FINANCIALS

YEAR	Sales	APAT	AEPS	EPS	PER	RONW
	(Rs Cr)	(Rs Cr)	(Rs)	(% Ch.)	(x)	(%)
FY07	63.50	13.47	7.55	248.08	14.50	14.47
FY08	183.30	32.77	12.33	63.31	12.52	18.19
FY09E	348.00	62.70	21.64	75.50	3.40	20.44
FY10E	660.00	119.00	41.06	89.70	1.80	27.95

QUARTERLY PERFORMANCE

Period-Ended	Dec-08	Sep-08	Jun-08	Mar-08	Dec-08
Net Sales	92.31	100.99	67.93	73.27	54.68
Sales Growth (%)	-8.59	48.67	-7.29	34.00	89.60
Total Expenditure	62.54	76.83	44.08	48.21	45.94
EBITDA	29.77	24.16	23.85	25.06	8.74
EBITDA Growth (%)	23.22	1.30	-4.83	186.73	52.80
Depreciation	8.47	0.61	2.91	0.9	0.86
Operating Income	21.3	23.55	20.94	24.16	7.88
Other Income	11.69	0	0	0.93	0
EBIT	32.99	23.55	20.94	25.09	7.88
Interest Exp	5.67	3.06	3.02	2.21	0.67
EBT	27.32	20.49	17.92	22.88	7.21
Taxes	8.83	6.17	2.64	6.46	0.47
Net Income	18.49	14.32	15.28	16.42	6.74
Earnings Growth (%)	29.12	-6.22	-7.00	143.62	62.02
EPS	6.38	4.94	5.54	6.19	3.46
EPS Growth (%)	29.12	-10.75	-10.51	78.72	48.29
EBITDA Margin (%)	32.25	23.92	35.11	34.20	15.98
Net Margin (%)	20.03	14.18	22.48	22.41	12.33



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YEARLY PERFORMANCE

Year End	2008-09	2007-08	2006-07	2005-06
Net Sales	183.30	63.49	28.97	18.06
Sales Growth (%)	188.71	119.16	60.41	43.56
Operating Cost	129.01	43.75	20.22	12.34
Gross Profit	54.29	19.74	8.75	5.72
Selling & Distribution Exp.	5.34	2.41	1.07	0.87
EBITDA	48.95	17.33	7.68	4.85
EBITDA Growth (%)	182.46	125.65	58.35	49.23
Depreciation	3.18	1.68	1.00	0.84
Operating Income	45.77	15.65	6.68	4.01
Other Expenditure	1.92	0.16	0.23	0.24
Int./Dividend Income	1.14	0.95	0.50	0.12
Interest Expenses	3.96	1.67	0.84	1.13
Earnings Before Taxes	41.03	14.77	6.11	2.76
Taxes	8.26	1.27	0.75	0.36
Net Income	32.77	13.50	5.36	2.40
Earnings Growth (%)	137.41	151.87	123.33	77.78
EPS	12.33	7.55	3.67	2.74
EPS Growth (%)	63.31	105.72	33.94	77.92
Gross Margin (%)	29.62	31.09	30.20	31.67
EBITDA Margin (%)	26.70	27.30	26.51	26.85
Net Margin (%)	17.88	21.26	18.50	13.29
ROE (%)	17.81	14.52	13.75	28.64
ROCE (%)	9.40	13.27	11.44	15.89



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