

CMP: INR 29.9

## Stock data

BSE code	535279
BSE ID	BMAL
Face value (INR)	10
No of shares (m)	18.5
Market cap (INRm)	553.7
3m avg. daily vol (No)	13,105
Free float (INRm)	146.2
Dividend yield FY12 (%)	0

S&P BSE SME IPO	256.4
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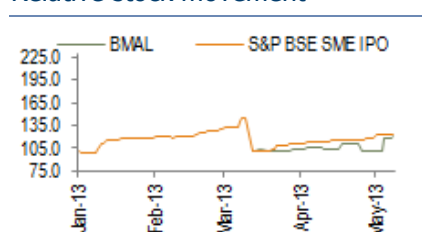
## Stock performance (%)

52-week H/L	INR29.9/24.9		
	1M	3M	9M*
Absolute (%)	12.8	**	**
Relative (%)	4.3	n.a.	n.a.

## Shareholding pattern (%)

Promoters	FIIs	DIIs	Others
73.59%	0.00%	0.00%	26.41%

## Relative stock movement



Note: \* S&P BSE SME IPO index was launched on 16/8/12; \*\*EFPL was listed on 25/3/13; n.a. stands for not applicable  
Source: BSE

May 2013

## Company Overview

Bothra Metals and Alloys Ltd. (BMAL) was incorporated in 2001 in Himachal Pradesh. Its first manufacturing facility was started in 2007 with the objective of manufacturing aluminium extrusions, aluminium profiles and aluminium billets. BMAL started another aluminium manufacturing unit in Gujrat for producing aluminium ingots and aluminium shots in 2010. Currently company operates three plants in Himachal Pradesh, Gujrat and Maharashtra. BMAL has been accredited with ISO 9001:28000 certification.

## Industry Overview

The Indian economy is growing at a slow pace in recent years with mining, manufacturing and construction sector dragging its growth down. Global aluminium industry is facing problem due to deteriorating demand outlook and suppressed market sentiment in Europe caused by European debt crisis. According to reputed global research agencies, world demand of aluminium is expected to grow at 6% in 2012-2013. Continuous urbanization and investment in infrastructure and construction are expected to increase the demand significantly in the medium to long term.

## Financial Overview

- Net sales in FY13 have grown by 57.0% YoY to INR1762.0m & by 41.5% CAGR over FY09-13. EBITDA margins have ranged from 5% to 7% over the last four years. In FY13, it decreased by 109bps to 5.0% on account of higher input cost.
- Recurring PAT grew by 20.2% from INR37m in FY12 to INR44.5m in FY13.
- It generated negative FCF of INR6.4m in FY13. Gross cash flow of INR85.0m was reduced by the high working capital led by high trade receivables. It incurred capex of INR72.3m in FY13.
- In Balance Sheet, gross debt increased by 5% to INR352.1m whereas debtors increased by 29% to INR451m
- In IPO, the company raised INR64.8m by offering 2.59m shares at INR25 per share (INR15/share premium) for working capital requirement and general corporate purposes.

Table 1: Key financials

(Y/e March)	FY11	FY12	FY13
Sales (INRm)	1,000.8	1,122.2	1,762.0
YoY Growth (%)	65.1	12.1	57.0
EBITDA (INRm)	69.0	68.1	87.7
EBITDA Margin (%)	6.9	6.1	5.0
PAT - Recurring (INRm)	37.1	37.0	44.5
EPS (INR)	3.2	2.3	2.8
YoY Growth (%)	-18.2	-27.6	19.8
RoE (%)	26.9	19.4	17.1
P / E (x)	9.3	12.9	10.7

Source: Company, Varhad Research

## Industry Overview

The performance of Indian economy was marked by high inflation (8-10%), slower growth (6-8%), high fiscal deficit and current account deficit in the recent years. A deteriorating demand outlook, suppressed market demand due to European debt crisis and worries about slow growth in China have affected aluminium price in global market. The demand for aluminium is expected to grow at 8-10% in the near future. The main drivers for this industry are power sector, transportation sector, construction sector, consumer durable sector and packaging sector. Aluminium downstream product mix are extrusions (16-17%), rolled products (35-36%), wire rods (35-36%) and castings (11-12%). Extrusion make up one-fifth of downstream applications of aluminium. Extruded aluminium channels are mainly used in structural, architectural, moulding, transport, consumer durables and for industrial purposes. Extruded aluminium angles are used in building, construction and engineering equipment sector. Extruded aluminium frames are used in multiple industries including structural, architectural, and automotive and electronics industry. Extruded aluminium tubes and pipes are used considerably in automobile industry.

**Chart 1: Aluminum extrusion: Value Chain**



Source: Varhad Research

Major players in this industry are National Aluminium Company Ltd. (NALCO), Bharat Aluminium Company Ltd. (BALCO), Hindustan Aluminium Company Ltd. (HINDALCO) and Vedanta Aluminium Ltd. (VAL). Aluminium extrusion industry is dominated by non-integrated players.

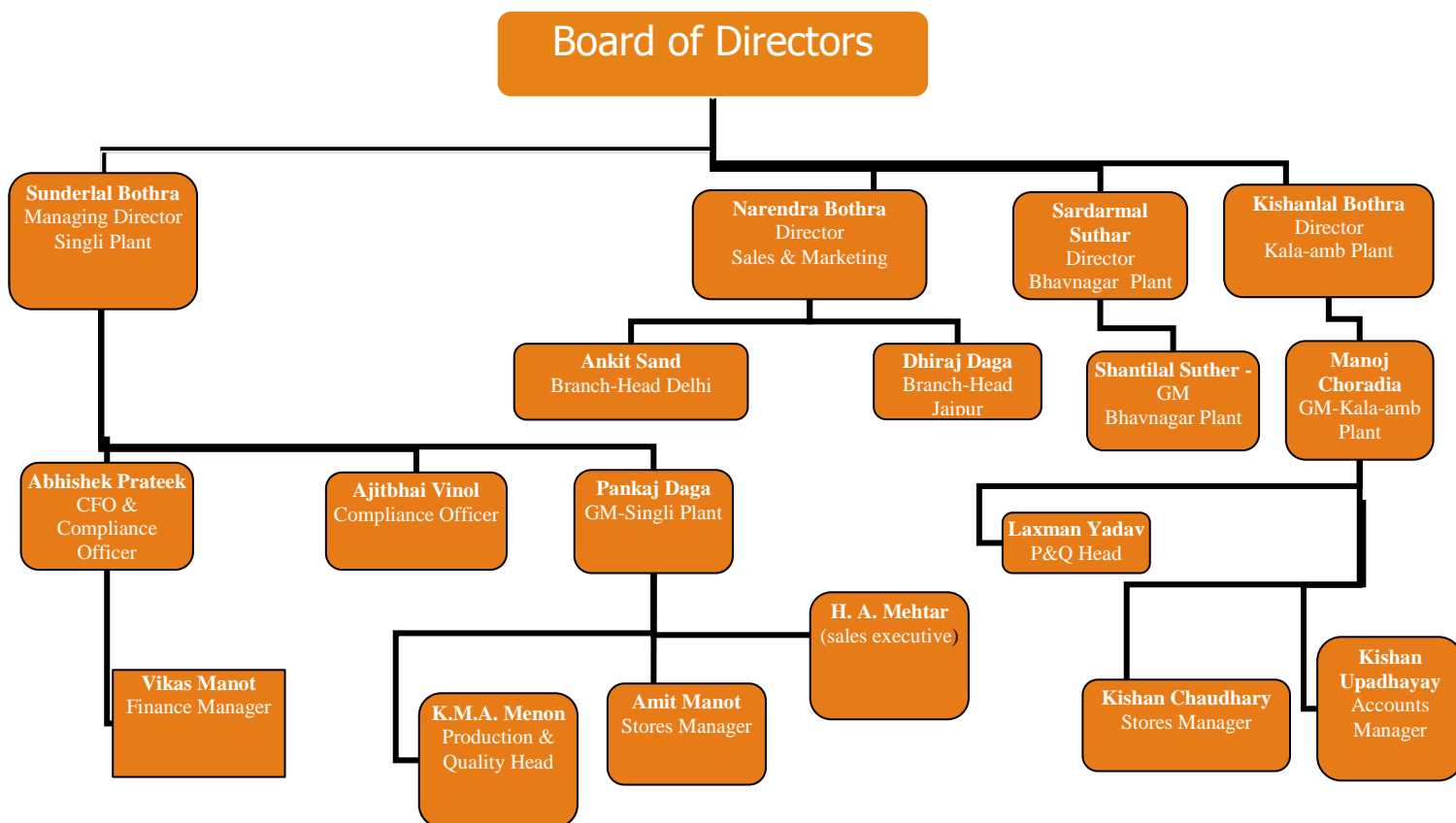
## About the company

Bothra Metals & Alloys limited was incorporated in 2001. Its first aluminium manufacturing facility was established in 2007 with the objective of manufacturing aluminium extrusions, aluminium profiles and aluminium billets. Under the guidance of experienced promoters, the company has been able to grow and tap new emerging opportunities by starting the aluminium billets manufacturing facility. Currently company operates out of three plants – Kala-amb (Himachal Pradesh), Bhavnagar (Gujrat) and Singli (Maharashtra). The raw materials for the company are aluminium ingots and scrap which is sourced from within India and abroad. Aluminium extrusion manufactured by the company is used in several areas, including heat sinks, heat exchangers, aluminium doors and window frames. The company has developed extensive marketing and distribution network for selling its product in the entire country. The company produces wide range of aluminium ingots, aluminium extrusion, and aluminium billets of various gauges and sizes used in commercial, industrial and domestic applications. Kala-amb plant manufactures mainly aluminium profiles and billets. The commercial operation was started at this plant in 2007. Bhavnagar plant manufactures mainly aluminium ingots and shots. The commercial operation was started at this plant in 2010. Singli plant mainly manufactures aluminium extrusions, aluminium billets and a range of other products. The commercial operation was started at this plant in 2003. BMAL has installed capacity of 4000 MTPA of Aluminium extrusion, 600 MTPA of Aluminium Ingots. It is also planning to start producing non-ferrous metal alloys based products in the near future.

## Organisation structure

The Company follows hierarchical organization structure. There is one managing director and three directors in the company. Managing director heads Singli plant and one director heads Bhavnagar plant, Kala-amb plant, sales & marketing area. General manager of each plant reports to director of the plant.

**Chart 2: Organization structure**



## Board of Director

**Table 2: Composition of Board**

Name	Director type	Business relationship with company
Mr. Nirmal Daga	Chairman, Independent Director	Independent
Mr. Sundarlal Bothra	Managing Director	Promoter
Mr. Narendra Kumar Bothra	Executive Director	Promoter
Mr. Kishanlal Bothra	Executive Director	Promoter
Mr. Sardarmal Suthar	Executive Director	Promoter
Mr. Sanjay Deokar	Non-Executive Director	Non-Independent
Mr. Ashok Surana	Independent Director	Independent
Mr. Kavindra Kumar Chhajer	Independent Director	Independent

Source: Company

## Key Strength and growth drivers

Strong, experienced and credible management are key strengths of the company. Reliable customer service and quality products also add to its strength. The growth drivers include (1) experience in producing wide range of aluminium products (2) operations spread across three regions and , (3) extensive marketing and distribution infrastructure for sale and distribution of its products.

## Risk and concerns

- The company has contingent liability of INR190.1m towards buyer's credit. If large part of contingent liability materializes then it will adversely affect the financial condition of the company.
- BMAL procures raw materials (aluminium scraps & aluminium ingots) from within India and abroad. The price of raw materials fluctuates rapidly due to demand supply gap. This rapid fluctuation could adversely affect the result of the company.
- As the performance of the company is dependent on Indian economy growth, A slowdown in Indian economy could adversely affect the the business.
- The promoters and promoter group entities (SSL International and Bothra Extrusion) are involved in similar kind of business.
- The company does not have long term contract with any suppliers and dealers. It does not have any marketing tie-up for its products with any company.
- The company does not have any tie-up or contract with any company for smooth functioning of equipment and Machinerics

## IPO Details

BMAL raised INR64.8m through IPO by issuing 2.592m number of shares at the INR25 per share. INR60.0m from the proceeds is meant to be used for working capital requirement whereas INR3.1m is to be used for general corporate purposes. The company estimates that it will need INR378.4m for FY13 and 350.2m for FY14 for long term working capital. The amount raised through IPO will fund a part of this working capital requirement.

**Table 3: Proposed usage of proceeds of IPO**

Particulars	INRm
Working capital requirement	60.0
General Corporate Purposes	3.1
Issue expenses	1.7
Total	64.8

Source: Company

## Financial Performance

- Net sales in FY13 have grown by 57.0% YoY to INR1762.0m. The growth was both volume and value driven. The revenue has grown by 41.5% CAGR over FY09-13.
- EBITDA margins for it have been in the range of 5-7% over the last four years. In FY13, it decreased by 109bps to 5.0%. The decrease was mainly driven by increase in the other expenditure and staff cost. In absolute terms, EBITDA grew by 28.8% to INR87.7m.

- Higher interest cost and depreciation lowered the PAT growth. As a result, FY13 PAT grew by 20.2% to INR44.5m.
- It generated operating cash flow of INR65.9m in FY13. Gross cash flow of INR85.0m was reduced by the high working capital led by high trade receivables. Capex of INR72.3m led to negative FCF of INR6.4m in FY13
- In Balance sheet, debt has increased to INR352.1m in FY13 from INR336.4m in FY12.

## Competition analysis

BMAL operates in a niche market which does not have much direct listed competition. It mainly competes with the other small aluminum products manufacturing companies.

**Table 4: Peer comparison**

Company	CMP (INR)	Mcap (INRm)	Rev (INRm)	EBITDA Margin (%)	PE (x)
Bothra Metals & Alloys Ltd.*	29.9	550.0	1,762.0	5.0	2.8
Alumeco India Extrusion Ltd.**	8.0	125.8	795.5	-1.1	-2.5
Bhoruka Aluminium Ltd.	0.9	40.0	1,453.4	-27.1	-11.1
Sacheta Metals Ltd.	15.0	280.0	628.7	5.6	0.5

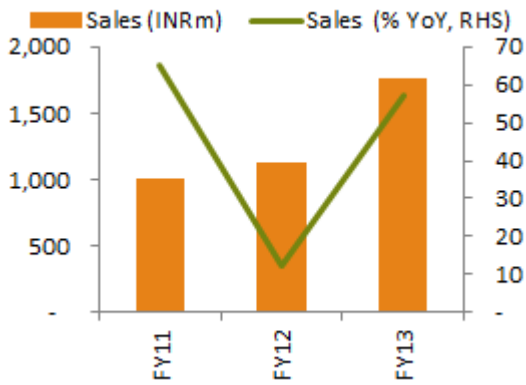
Note: (\*) Pertains to FY13, (\*\*) Pertains to June 2012, Rest is FY12, Source: BSE

## Valuation

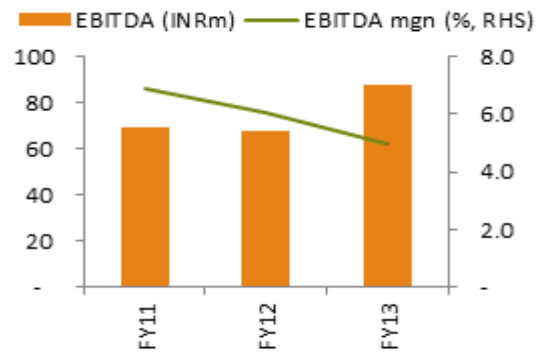
On valuation front, the company is trading at 10.7x FY13 PE (post IPO basis). On EV/EBITDA basis, the stock is trading at 6.6x FY12 whereas on P/B basis, the stock is trading at 1.5x on FY13 bps.

## Financial snapshot

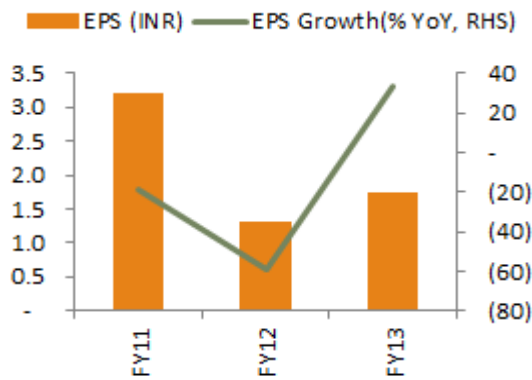
**Chart 2: Sales trend**



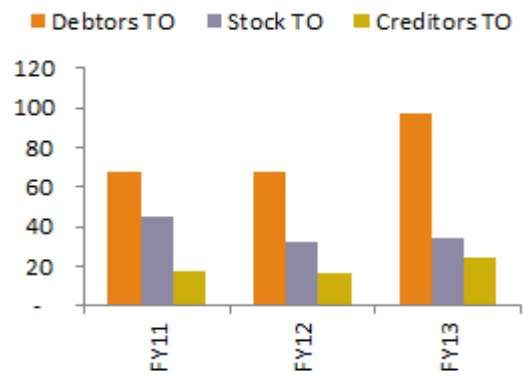
**Chart 3: Margin trend**



**Chart 4: EPS trend**



**Chart 5: Working capital profile**



Source: Company, Varhad Research

## Financial Summary

### Profit and loss (INR m)

Year ending 31 March	FY11	FY12	FY13
<b>Revenue</b>	<b>1,000.8</b>	<b>1,122.2</b>	<b>1,762.0</b>
Cost Materials	870.9	970.8	1,587.3
Staff Cost	5.6	7.1	8.5
Other Expenditure	55.3	76.2	78.5
Total Cost	931.8	1,054.1	1,674.3
<b>EBITDA</b>	<b>69.0</b>	<b>68.1</b>	<b>87.7</b>
<i>EBITDA margin (%)</i>	<i>6.9</i>	<i>6.1</i>	<i>5.0</i>
Depreciation	6.4	5.6	6.1
<b>EBIT</b>	<b>62.6</b>	<b>62.5</b>	<b>81.6</b>
Interest Expenses	16.4	30.1	32.3
Non-operating Income	0.1	7.0	2.0
<b>PBT</b>	<b>46.4</b>	<b>39.4</b>	<b>51.4</b>
Provision for Tax	9.3	2.4	6.9
<b>PAT</b>	<b>37.1</b>	<b>37.0</b>	<b>44.5</b>
<i>Growth %</i>	<i>-13.6</i>	<i>-0.3</i>	<i>20.2</i>
<i>PAT margin (%)</i>	<i>3.7</i>	<i>3.3</i>	<i>2.5</i>
Minority Interest	0.0	0.0	0.0
Extra Ordinary	-0.7	1.9	0.0
<b>PAT (Reported)</b>	<b>36.4</b>	<b>38.9</b>	<b>44.4</b>

### Cash Flow Metrics

	FY11	FY12	FY13
Cash Flow from Operations	62.8	69.7	85.0
Changes in Working Capital	-47.5	-35.2	-19.0
<b>Operating Cash Flow</b>	<b>15.4</b>	<b>34.5</b>	<b>65.9</b>
Capex	-18.5	-59.1	-72.3
<b>FCF</b>	<b>-3.2</b>	<b>-24.6</b>	<b>-6.4</b>
Investing Cash Flow	-17.5	-56.5	-70.7
Financing Cash Flow	15.1	34.6	41.9
<b>Net Change in Cash</b>	<b>12.9</b>	<b>12.6</b>	<b>37.1</b>

### Ratio - Du Pont Analysis

	FY11	FY12	FY13
Net Profit Margins (%)	3.7	3.3	2.5
Total Assets Turnover	3.5	2.5	2.9
Leverage Multiplier	2.1	2.3	2.3
ROAE (%)	26.9	19.4	17.1

### Valuation

	FY11	FY12	FY13
EV/Sales	0.4	0.7	0.3
EV/EBITDA	5.6	11.4	6.6
P/E (x)	9.3	12.9	10.7
P/B(x)	2.0	2.3	1.5
Dividend yield (%)	0.0	0.0	0.0
FCF yield (%)	-7,526.3	-1,933.2	-4,644.7

Source: BSE, Company, Varhad research

### Balance sheet (INR m)

Year ending 31 March	FY11	FY12	FY13
Net Block	49.7	67.5	133.7
Investments	0.0	0.0	0.4
Cash and Banks Balance	22.1	34.8	71.8
Inventory	77.0	133.8	126.5
Sundry Debtors	248.6	348.9	451.1
Loans and Advances	14.7	67.2	53.7
Other Current Assets	7.3	13.3	16.8
Other	0.0	0.4	0.0
<b>Total Assets</b>	<b>419.4</b>	<b>665.8</b>	<b>854.2</b>
Gross Debt	169.0	336.5	352.1
Trade Payables	48.7	98.9	150.2
Provisions & other curr lia	28.5	21.5	36.3
Others	0.3	0.0	3.8
Equity Capital	79.6	159.2	185.2
Reserves & Surplus	93.3	49.6	126.6
Share Application money	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0
<b>Shareholders' funds</b>	<b>172.9</b>	<b>208.8</b>	<b>311.8</b>
<b>Total Liabilities</b>	<b>419.4</b>	<b>665.8</b>	<b>854.2</b>

### Ratios, growth and per share analysis

Y-o-Y % change	FY11	FY12	FY13
Revenue	65.1	12.1	57.0
EBITDA	16.3	-1.3	28.8
Recurring EPS	-18.2	-27.6	19.8
<b>Ratios (%)</b>			
ROE	26.9	19.4	17.1
ROCE	18.8	15.1	12.7
EBITDA Margin	6.9	6.1	5.0
EBITDA/Net Interest (x)	4.2	2.9	2.9
Net Debt/Equity (x)	84.9	144.5	89.8
Net Debt/ EBITDA (x)	2.1	4.4	3.2
Inventory days	31.8	34.3	27.0
Debtors days	67.8	97.2	82.9
Payables day	16.6	24.0	25.8
Total Asset TO ratio	3.5	2.5	2.9
Fixed Asset TO Ratio	22.9	19.2	17.5
<b>Per share data (INR)</b>			
EPS reported (diluted)	3.2	2.3	2.8
Recurring EPS (diluted)	3.2	2.3	2.8
DPS	0.0	0.0	0.0
Book Value(basic)	14.9	13.1	19.5
Wtd avg ord shares (m)	11.6	15.9	16.0
Wtd avg dil shares (m)	11.6	15.9	16.0

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