



# EQUITY STRATEGISTS™

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## INVESTMENT PICK

LOW RISK / HIGH RETURN

HOLDING PERIOD – THREE MONTHS PLUS

### NAVBHARAT VENTURES

Present Price – Rs.300.10

Projected Price – Rs.375-380

***Nava Bharat Ventures*** is a power focused company with interests in ferro alloys and sugar. The Company has total installed power generation capacity of 237 MW in AP and Orissa. Nava Bharat is one of the leading ferro alloy producers in India with about 125,000 MT of Manganese and about 75,000 MT of Chrome Alloy capacities. Nava Bharat also undertakes production of sugar and allied products in its 3,500 TCD integrated plant. The Power business has been fuelling the Company's growth and sustained profitability.

The company operates in three divisions: Ferro Alloys, Power, and Sugar. The Ferro Alloy division produces and sells silico manganese and chromium alloys for the production of steel and steel products. The Power division generates power through the construction, operation, and maintenance of coal based thermal power plants in Andhra Pradesh and Orissa. The Sugar division produces and sells sugar and its by-products, such as rectified spirit and ENA in the sugar plants at Samalkot in the sugar cane belt of coastal Andhra Pradesh.

Nava Bharat Ventures Ltd is increasing the power generation capacity from present 121MW to 237MW by FY09. It is also setting up a 1040MW power plant in Orissa by FY11.

The EBIT margin in the merchant power business is in excess of 50%. Unlike PPA linked power

companies, returns on merchant power sales are not regulated (hence incentives too are not available) – but returns are substantially better. The entire capital cost of a merchant power plant can be recovered in four years despite pricing power at a discount to grid rate. This is one of the biggest advantages that NavBharat has.

Power sector has received adequate priority since the planning era. In order to make up the deficit created by demand outstripping the supply, the sector is witnessing huge capacity expansion with large investment outlay. The huge demand supply gap and significant capacity addition, major part of which will be commissioned by 2012, has created ample investment opportunities in the sector for the private players also apart from the public companies. Therefore, the sector is expected to outperform the markets in medium to long term.

It has an Equity Capital of Rs.15.23 cr and a strong Book Value of Rs.105.40. Last paid dividend was 400% which translates to Rs.8 per share. Diluted EPS for the quarter works out to Rs,15.18.

**BUYING IS ADVISED FOR MEDIUM TO LONG TERM.**

**Note:** In case of any problem in receiving NEWSLETTER, kindly contact Mr Devesh Chauhan at 9350171231

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