



# Between the Lines

Daily Corporate News Analysis

Sep 24<sup>th</sup> 2009

## Patel Engineering Ltd.

Market Performer ; Hold

Company Info	
CMP (Rs.)	495
Target Price (Rs.)	515
Sector	Infrastructure
52 week H/L (Rs.)	514 / 103.15
BSE Code	531120
NSE Code	PATEL ENG
Face Value (Rs.)	1
Market Cap (Rs. In Cr.)	2,955

Price Performance			
%	1m	3m	1yr
Absolute	-2.0%	35.1%	44.6%
Relative to Sensex	12.6%	15.8%	17.4%

Shareholding Pattern (%)	
Promoters	53.2%
FII	7.1%
Institutions	11.1%
Public & Others	28.6%

### INVESTMENT RATIONALE

Patel Engineering Ltd (PEL), an ISO-9001- company, has carved a reputation as one of India's top construction and civil engineering companies and over 200 projects around the world. It has specialization in construction of Power House, Dams, Tunnels, Marine Works, Steel and Concrete structures, Bridges, Flyovers and Highways. Company has a robust order book of Rs7350 crore of which of which hydro constitutes 45%, irrigation constitutes ~40% while the remaining 15% is transportation, urban infrastructure etc. PEL's L1 status order book stands at Rs.3,000 crore of which majority bids are in hydro.

### Key Developments

Company is in the process of setting up a 1200 MW thermal power plant and a hydro power plant, with a capacity of 120 MW. Company is planning to float new subsidiary raise money through IPO or will go for strategic investments.

The increase allocation for Brihan Mumbai Storm Water Drainage Project to Rs500 crore up from Rs 100crore last year and Accelerated Irrigation Development Programme means more job contracts for the construction industry, This augurs well for players such as Patel Engg, IVRCL Infrastructure, Nagarguna Construction, Patel Engineering.

Company's order book stand at Rs7,350 crore and L1 position at ~Rs3000 crore

### Valuations

We believe Patel Engineering Limited will be one of the major beneficiary Government spending on irrigation and power sector especially in Delhi on account of Common wealth games which is to begin in 2010, where a lot of water related works need to be done and with the technology and expertise PEL possesses it would be able to materialize this opportunity. Company's top line as well as EBIDTA will continue to grow at a similar pace given the order backlog and margins the company enjoys however profitability will be impacted on account of debt the company will need to raise and spend for its power and road segment projects. At the CMP of Rs.495.5 the stock is currently trading at 18.3x its FY10E EPS of Rs27 and 8.9x its FY10E EV/EBIDTA. We recommend a "Hold" on the stock with a SOTP target price of Rs.515 giving an upside potential of 3.9% from current levels.

### Disclaimer :

This publication has been prepared solely for information purpose and does not constitute a solicitation to any person to buy or sell a security. While the information contained therein has been obtained from sources believed to be reliable, investors are advised to satisfy themselves before making any investments. Kisan Ratilal Choksey Shares & Sec Pvt Ltd., does not bear any responsibility for the authentication of the information contained in the reports and consequently, is not liable for any decisions taken based on the same. Further, KRC Research Reports only provide information updates and analysis. All opinion for buying and selling are available to investors when they are registered clients of KRC Investment Advisory Services. As a matter of practice, KRC refrains from publishing



Sep 24<sup>th</sup> 2009

any individual names with its reports. As per SEBI requirements it is stated that, Kisan Ratilal Choksey Shares & Sec Pvt Ltd., and/or individuals thereof may have positions in securities referred herein and may make purchases or sale thereof while this report is in circulation.

---



Kisan Ratilal Choksey Shares and Securities Pvt. Ltd.  
1102, Stock Exchange Tower, Dalal Street, Mumbai 400 001.  
Head-Off Phone : 91-22-66535000 Fax : 66338060  
Branch-Off Phone : 91-22-66965555 Fax : 66919576

Members: BSE & NSE  
[www.krchoksey.com](http://www.krchoksey.com)