

Praj Industries Limited

Quarterly Flash

CMP :	Rs. 451	Target Price :	As per report dated	Date :	April 18, 2007
SENSEX :	13562	Recommendation :	NR		30th Nov 2006

Views:

Actuals v/s ARG Est. In-Line with Estimates

Actuals v/s Consensus Est. In-Line with Estimates

Absolute Performance Good

Comments:

Topline

Topline continues to grow exponentially, as previously booked orders get executed. Company continues to make inroads into the european & asian markets, though incremental orders are likely to be less remunerative than in the past.

Operating Profit

Operating Margins seem to have taken a severe beating, partly due to raw-material price hikes & partly due to tighter margins on newer orders. We expect margins to decline some more from current levels.

Net Profit

Though the bottomline has shown robust growth on a y-o-y basis, it has shown a sequential decline, coupled with sliding net margins.

Key Data

Bloomberg Code :	PRJ IN Equity
Reuters Code :	PRAJ.BO
BSE Code :	522205
NSE Code :	PRAJIND
52-Week Range(H/L) :	445 - 118
Market Cap (Rs mn) :	37743
Shares O/S (mn) :	83.78
Free Float (mn) :	58.46
3m Avg. Volume :	756321
Face Value :	2

Financials (Rs. mn)

Y/E Mar	Mar-05		ARG Estimates	
	Mar-05	Mar-06	Mar-07	Mar-08
Net sales	2368.5	2694.2	5,945	10220
Operating profit	281	339.9	1,060	1683
Operating margins (%)	11.9	12.6	17.8	16.5
PAT	213	233.6	846	1398
PAT margins (%)	9.0	8.6	14.2	13.7
FDEPS (Rs.)	26.3	2.9	10.1	15.8
PER (x)	17.2	156.4	44.6	28.5
P/B (x)	8.2	64.0	24.6	13.7
EV/ EBITDA (x)	118.0	101.6	30.6	17.3
Dividend Yield (%)	2.4	0.3	0.3	0.3
ROCE (%)	71.6	66.0	59.8	49.6
ROE (%)	55.0	46.0	59.7	49.5

Impact on-

We need to get some pointers from the management as to the buoyancy of the incremental orders coming henceforth. Though the current order book size will enable them to achieve our forecasted topline target for FY08, we may have to negatively update our PAT expectation. Company has declared a 1:1 bonus, but at 28.5x FY08E earnings, stock isn't cheap.

Financial Forecast :

Target Price :	N.A	Recommendation :	N.A
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Quarterly Performance (Rs. mn)	2006				2007		Growth (%)		Variance Rs mn
	1QCY06	2QCY06	3QCY06	4QCY06	1QCY07 Actual	Estimate	YoY	QoQ	
Net Sales	955	805	1,477	1,779	2,015	1,885	110.9	13.3	130
- Operating expenses	828	693	1,250	1,344	1,739	1,598	110.0	29.4	141
Operating profit	127	111	227	435	276	287	116.4	(36.6)	(11)
Operating margin (%)	13.3	13.8	15.3	24.5	13.7	15.2			-154 bps
+ Other income	19	7	11	20	51	32	160.6	148.1	19
EBITDA	147	119	238	455	326	319	122.2	(28.3)	7
EBITDA margin (%)	15.4	14.8	16.1	25.6	16.2	16.9			-73 bps
- Depreciation	8	8	11	7	6	7	(25.3)	(24.1)	(1)
- Interest expense	1	1	1	0	1	-	(27.8)	280.1	1
PBT	138	110	226	448	320	312	131.2	(28.5)	8
- Taxes	34	26	51	111	50	61	47.1	(55.1)	(11)
PAT	104	84	175	336	270	251	158.6	(19.7)	19
+ Profit share in associates	-	-	-	-	-	-			-
- Minority interests	-	-	-	-	-	-			-
Consolidated PAT	104	84	175	336	270	251	158.6	(19.7)	19

Disclaimer: This note is to be read in conjunction with the disclaimer note as mentioned in the mail.

Recommendation Guide: Buy >30%; Outperformer (OP): 20 to 30%; Market Performer (MP): 10 to 20%; Under-Performer (UP): 0 to 10%; Sell: <0%; Not Rated (NR)