

STOCK DATA

Market Cap	Rs6.1bn
Book Value per share	Rs66
Eq Shares O/S (F.V. Rs.10)	16.7mn
Median Vol (12 mths)	78,007 (BSE+NSE)
52 Week High/Low	Rs470/141
Bloomberg Code	PRIL IN
Reuters Code	PRIL.BO

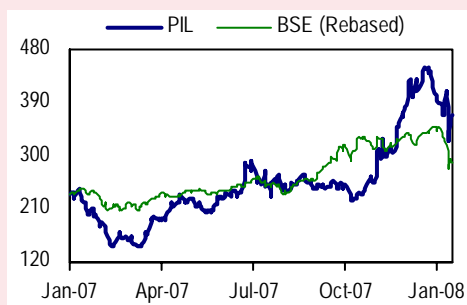
SHAREHOLDING PATTERN (%)

Qtr. Ended	Jun-07	Sep-07	Dec-07
Promoters	70.3	70.3	60.2
MFs/FIs	1.8	4.4	10.4
FIIIs	3.8	6.9	17.3
PCBs	7.9	5.9	3.9
Indian Public	16.2	12.5	8.2

STOCK PERFORMANCE (%)

	1M	3M	12M
Absolute	(10.6)	60.4	56.1
Relative	3.0	72.5	27.9

STOCK PRICE PERFORMANCE



KEY HIGHLIGHTS

Pratibha Industries Ltd (PIL) posted sales of Rs1.7bn (up 112% YoY) in Q3FY08. This was on back of a strong order book and buoyant contribution from the HSAW pipes division. However, increase in other expenses led to a 303bps compression in OPM to 10.4%. This along with higher capital charges and depreciation resulted in net profit growth being restrained to 69% at Rs111mn.

● **Strong order book**

PIL's current order book (core construction business) stands at Rs23.8bn, with major chunk (~52%) being accounted for by Water Management Projects (WMPs). While urban infrastructure projects constitute ~40% of the order book, road projects account for the balance. PIL also has orders for ~208 km of pipes to be used in water projects.

● **Increasing contribution of HSAW pipes**

PIL's HSAW plant (capacity 92mtpa) commissioned in Q2FY08 is currently producing ~4-4.5k mt/ month and contributed Rs323mn to the revenues in Q3FY08. PIL is seeking API accreditation for this plant, post which, it would be able to foray into the lucrative oil and gas EPC segment. PIL is also setting up a coating plant (capacity 1.7mn sq. mtrs.), and the same should be operational in Q4FY08.

● **Raised Rs607mn through QIP**

PIL raised Rs607mn, by offering 1.2mn shares each to Merrill Lynch Capital Markets Espana SASV and Reliance Capital Trustee Co. Ltd. at Rs253/share leading to a dilution of 14.4% (on post issue capital). It plans to utilize the funds for expanding its HSAW pipes division.

VALUATIONS AND RECOMMENDATION

At the CMP of Rs367, it trades at a P/E of 8.3x and EV/EBIDTA of 5.4x discounting its FY10E earnings. Given its strong order book & revenues from the pipe manufacturing business, PIL is set to capitalise on the burgeoning opportunities thrown up by the infrastructure sector. This scalability, would ensure that its metrics align with its peers in the sector. Hence, we upgrade our recommendation to 'BUY' with a 18 month price target of Rs545.

KEY FINANCIALS (CONSOLIDATED)

Rs mn	Quarter Ended			Yr Ended (March)				
	Jun-07	Sep-07	Dec-07	2006	2007	2008E	2009E	2010E
Net Sales	745	959	1,754	1,741	3,004	5,280	8,415	12,124
YoY Gr.(%)	36.0	81.6	111.5	43.4	72.5	75.8	59.4	44.1
Op. Profits	93	159	183	220	367	645	1,015	1,453
Op. Marg.(%)	12.4	16.6	10.4	12.7	12.2	12.2	12.1	12.0
Net Profits	60	68	111	123	204	371	560	739
Eq. Capital	143	143	167	143	143	167	167	167

KEY RATIOS

	Yr Ended (March)				
	2006	2007	2008E	2009E	2010E
EPS (Rs)	7.4	12.3	22.3	33.5	44.3
ROCE (%)	23.2	21.4	22.6	24.5	29.8
RONW (%)	24.4	23.1	26.4	26.4	27.2
P/E (x)	49.9	30.0	16.5	10.9	8.3
EV/Sales (x)	3.3	2.1	1.4	0.9	0.7
EV/EBDIT (x)	25.3	16.7	11.1	7.4	5.4

Q3FY08 Performance Overview

PIL posted revenues of Rs1.7bn, a growth of 112% YoY. While infrastructure and construction segment contributed Rs1.4bn (~81%), revenues from HSAW pipes division were at Rs323mn (18% of revenues).

For the quarter, material costs as a percentage of sales dropped to 290 bps to 78% on a YoY basis and establishment & selling expenses shot up more than 5x to Rs153mn. Personnel expenses too witnessed a 155% jump from Rs19mn to Rs49mn due to additions to the workforce and rising wages and PIL's OPM dipped 303 bps to 10.4%. However, on an absolute basis operating profit rose 64% to Rs183mn.

Interest cost increased to Rs68mn on the back of increase in debt to Rs1.3bn, and with its HSAW plant getting commissioned, depreciation quadrupled to Rs12mn. Despite this, other income to the tune of Rs26mn (nil in Q3FY07) enabled PIL to post net profit of Rs111mn, a YoY growth of 69% .

Order Book

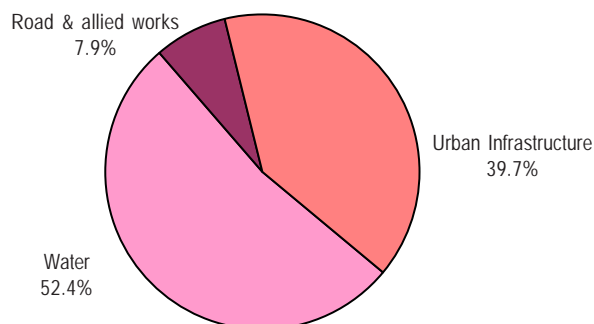
The current order book stands at Rs23.8bn and PIL's strong presence in WMPs has ensured that ~52% of order book is from WMPs. These orders are expected to be executed over 3 years.

Net sales rose sharply riding on a healthy order book and contribution from the HSAW pipes division...

WMPs form a substantial part of the order book underscoring PIL's strength in the WMP segment...

During Q3FY08 PIL bagged orders worth Rs2.2bn...

Order book break up



Source: Company

Major projects Awarded in Q3FY08

Water Pumping Station, Mumbai:

PIL bagged contract from BMC, Mumbai for design & construction of storm water pumping station at Irla, Andheri (W). The project will be executed in JV with Grundfos Pumps of Chennai and Keum Jung Industrial Company, Korea. Valued at Rs707mn, the project is expected to be executed in 12 months.

Residential Complex, Mumbai:

PIL secured a contract for construction of residential complex consisting of four high rise towers from Wadhwa Constructions Pvt. Ltd. The total area to be constructed is ~2.5mn sq. ft. To be executed in 33 months, the project is valued at Rs589mn.

Urban Infrastructure, J&K:

PIL secured an urban infrastructure project from J&K Economic Reconstruction Agency for Rs495mn. To be executed over 18 months, this project involves replacement of worn out rising mains & laying of new mains in Jammu.

SAW pipe division

PIL commenced commercial production of HSAW pipes at its new facility located at Wada in Thane District in Q2FY08. The plant has a capacity of 92k mtpa and has been set up at a capital outlay of Rs811mn funded in a debt:equity ratio of 60:40. The HSAW division serves two important purposes for PIL. Firstly, it ensures backward integration where PIL's WMPs consume pipes manufactured by HSAW division. Also, PIL can now tap the lucrative oil and gas EPC opportunities.

PIL is already in the process of obtaining 'API 5L X80' certification from the American Petroleum Institute (API), and the same would make pipes manufactured by PIL eligible for oil & gas EPC contracts. This needs to be followed up by certification from the clients. PIL expects API certification to be received in Q4FY08.

PIL has already booked orders of ~208 km of HSAW pipes to be used in water supply projects, which would translate into a requirement of ~55k mt. Of this, ~35% will be consumed captively and execution of these orders is over 12-14 months.

PPP/BOT projects

PIL along with Unity Infraprojects Ltd. in a 50:50 JV is executing a water supply BOT project awarded by Ulhasnagar Municipal Corporation (UMC). To be executed in 18 months, this is one of the first projects in India where private sector is participating in a public water supply project. The project, worth Rs940mn, will be funded in a debt:equity of ~70:30 and is estimated to earn an IRR of ~18-20%. The JV will supply 118mn litres/day of treated water to UMC (to be increased to 188mn litres/day) and earn a rate of Rs5.28/m³. The payment is slated to increase by Rs0.2/m³ every year thereafter. The concession agreement is expected to be signed in Q4FY08, post which, the JV can execute construction on the project.

Going forward, we believe that PIL's experience of UMC project will help it achieve more business in the PPP (Public Private Partnership) space. PIL will also benefit from the higher IRR that such projects offer.

With the HSAW pipes division under its belt, PIL is set to enter the oil and gas EPC segment...

UMC water supply project (50:50 JV b/w PIL and Unity Infraprojects Ltd.)

Cost of the project (Rs mn)	940
Equity (Rs mn)	300
Debt (Rs mn)	640
IRR of the project	19%
Completion of land acquisition	Dec-07
Concession agreement & Financial closure	Jan-08
Construction period	18 months
Concession period	30 Yrs
NAV of the project (Rs mn)	411
PIL's share in the NAV	206
PIL equity capital (shares mn)	16.7
NAV/share (Rs)	12.3

Assumption: Discount rate 14%

OUTLOOK

PIL has a dominant position in WMPs with significant presence in Maharashtra especially Mumbai Metropolitan Region. It is also expanding in states like Rajasthan, Jammu and Kashmir and the NCR region. While WMPs offer better margins (~12-14%), PIL's HSAW facility could further strengthen margins in WMPs and also help PIL to establish its presence in the oil and gas EPC contracts.

PIL is also establishing itself in tunneling projects, building structurals projects, airport infrastructure etc. and these segments/projects offer new growth avenues.

VALUATIONS

We expect net sales to grow at 59% CAGR to Rs12.1bn in FY10 on the back of a robust order book. With its HSAW plant having commenced production, PIL can now start leveraging the rising expenses on business development, staff costs and margins should thus stabilize at around 12-12.2%. Accordingly, we expect net profits to grow by 54% CAGR to Rs739mn in FY10. However with the recent dilution through QIP, EPS is estimated to grow by 46% CAGR to Rs44.3 in FY10.

Scale up in core construction business and pipes division will boost performance...

At the CMP of Rs367, PIL trades at a P/E of 8.3x and EV/EBIDT of 5.4x FY10 estimates. These parameters offer ample scope for upward revision, given its strong presence in niche segments (WMPs), strong scale up of pipe manufacturing division and stable margins. Hence, we upgrade our recommendation to 'BUY' with a 18-month price target of Rs545.

PIL Valuation	
FY10E EPS (Rs)	44.3
PE (x)	12.0
Value/share of core business 'A' (Rs)	531.6
NAV/share from UMC project 'B' (Rs)	12.3
Total Value/share (Rs) (A+B)	544
CMP (Rs)	367
Potential upside	48%

Peer Comparison					
Company (Cons.FY08E)	Tantia Cons.	Sadhbhav	Pratibha	Unity	JMC
Revenues (Rs mn)	3,421	7,378	5,280	7,980	8,504
Op. Profit (Rs mn)	401	835	645	1,026	810
Net Profit (Rs mn)	150	411	371	552	408
OPM%	11.7	11.3	12.2	12.9	9.5
EPS (Rs)	8.1	37.7	22.3	41.3	18.5
P/E (x)	15.1	34.4	16.5	20.5	19.1

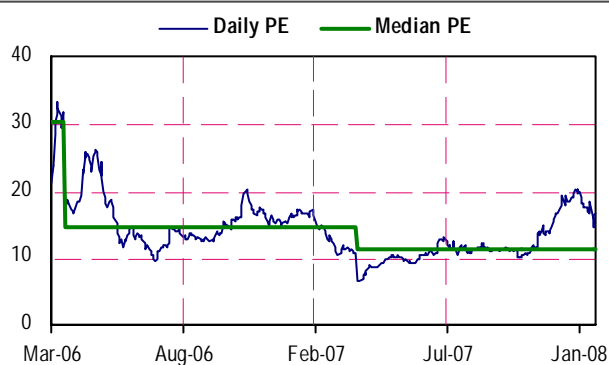
Company description

PIL is the flagship company of Pratibha Group, incorporated in 1983. It initially focussed on precast products (mainly SRFC manhole covers & frames) and has subsequently graduated to being a multifunctional construction & infrastructure development company. Recently, PIL undertook backward integration by setting up an HSAW facility to enter into the lucrative oil and gas EPC segment.

Financial Results for the quarter & nine months ended 31 December 2007 (Consolidated)

Particulars (Rs mn)	Quarter Ended			Nine Months Ended			Year Ended
	31/12/07	31/12/06	Gr %	31/12/07	31/12/06	Gr %	31/03/07
Net Sales	1,754	829	111.5	3,458	1,905	81.5	3,004
Total Expenditure	1,571	718	119.0	3,023	1,674	80.6	2,637
(Inc.)/Dec in stock in trade	(490)	-		(1,109)	-		-
Consumption of raw materials	1,858	671	104.1	3,748	1,523	73.2	2,383
Personnel Expenses	49	19	154.6	116	51	127.6	83
Eshtablishment Selling & Other expenses	153	30	415.4	268	102	163.6	173
Share of JV Partners	-	(2)		-	(2)		(2)
Operating profit	183	112	63.9	436	231	88.4	367
Other Income	26	-		26	2		4
PBDIT	209	112	87.0	462	234	97.7	370
Interest	68	27	154	152	62	145	123
Depreciation	12	3	243	25	8	199	11
PBT & extra-ordinary items	129	82	58.6	285	164	74.6	236
Provision for current tax	19	15	21	46	18	156	26
Provision for deferred tax	-	-		-	1		4
Fringe benefits	-	1		-	2		2
Tax provisions of earlier years	-	-		-	-		(1)
PAT before extra-ordinary items	111	65	69.1	239	143	67.5	204
Extra ordinary items	-	-		-	(3)		-
Net Profit	111	65	69.1	239	140	70.8	204
Equity Capital (F.V. Rs 10)	167	143		167	143		143
Reserves (excl. rev. res.)	-	-		-	-		806
EPS for the period (Rs)	6.6	4.6		14.3	9.8		14.3
Diluted EPS (Rs)	6.6	3.9		14.3	8.4		12.2
Book Value (Rs)	-	-		-	-		66
OPM (%)	10.4	13.5		12.6	12.1		12.2
NPM (%)	6.3	7.9		6.9	7.5		6.8
Expenditure (% of Net Sales)							
Consumption of raw materials	78.0	80.9		76.3	79.9		79.3
Personnel Expenses	2.8	2.3		3.4	2.7		2.8
Eshtablishment Selling & Other expenses	8.7	3.6		7.7	5.3		5.8

Median PE v/s Daily PE



PE Band



Segmentwise results for the quarter & nine months ended 31 December 2007

Particulars (Rs Mn)	Quarter Ended	Nine Months Ended
	31/12/07	31/12/07
Segment Revenue		
Infrastructure & Construction	1,432.6	2,934.1
Manufacturing	323.4	526.2
Unallocated	23.8	24.2
Gross Total	1,779.9	3,484.5
(Less): Intersegment Revenue	-	-
Net Sales	1,779.9	3,484.5
Segment Results		
Infrastructure & Construction	235.1	588.4
Manufacturing	9.7	28.7
Unallocated	(43.9)	(127.3)
Total PBIT	200.9	489.8
Less: Interest	67.8	151.5
Less: Other Unallocable exp. net of inc.	3.8	52.8
PBT	129.3	285.5
Capital Employed		
Infrastructure & Construction	678.7	1,381.7
Manufacturing	21.5	394.4
Total	700.2	1,776.0
ROCE (annualised %)		
Infrastructure & Construction	138.6	170.4
Manufacturing	180.3	29.1
Total	114.8	110.3
PBIT Margins (%)		
Infrastructure & Construction	16.4	20.1
Manufacturing	3.0	5.5
Total	11.3	14.1
Sales Mix (%)		
Infrastructure & Construction	80.5	84.2
Manufacturing	18.2	15.1
PBIT Mix (%)		
Infrastructure & Construction	117.0	120.1
Manufacturing	4.8	5.9

Income Statement	2005	2006	2007	2008E	2009E	2010E
Revenues	1,214	1,741	3,004	5,280	8,415	12,124
<i>Growth (%)</i>	48.4	43.4	72.5	75.8	59.4	44.1
Total Expenditure	1,057	1,521	2,637	4,635	7,400	10,671
Operating Profit	157	220	367	645	1,015	1,453
Interest & dividend income	-	5	4	30	20	15
EBIDT	157	226	370	675	1,035	1,468
(-) Interest	66	71	123	190	230	270
(-) Depreciation	5	7	11	32	59	61
PBT & extraordinary items	86	148	236	453	746	1,137
(-) Tax provision	5	14	33	82	187	398
Net Profits	81	123	204	371	560	739
Fully diluted Eq. sh. O/s (mn nos)	2.0	14.3	14.3	16.7	16.7	16.7
Book Value (Rs)	93	58	66	112	142	183
Basic EPS (Rs)	40.5	8.6	14.3	22.3	33.5	44.3
Diluted EPS (Rs)	4.9	7.4	12.3	22.3	33.5	44.3

Balance Sheet	2005	2006	2007	2008E	2009E	2010E
<i>Equity Share Capital</i>	20	143	143	167	167	167
<i>Reserves & Surplus</i>	165	679	806	1,703	2,206	2,888
Net worth	185	822	949	1,870	2,373	3,055
Total Debt	375	503	1,363	1,787	1,927	2,087
Deferred Tax liability	1	1	4	4	4	4
Capital Employed	561	1,327	2,316	3,662	4,304	5,146
Fixed Assets	84	135	493	1,371	1,352	1,331
Net current assets	472	854	1,795	2,112	2,773	3,636
Investments	5	295	28	178	178	178
Misc exp.	-	43	-	-	-	-
Total Assets	561	1,327	2,316	3,662	4,304	5,146

Cash Flow Statement	2005	2006	2007	2008E	2009E	2010E
PBT & Extraord. items	86	137	236	453	746	1,137
Depreciation	5	7	11	32	59	61
Interest & dividend inc.	-	-	-	(30)	(20)	(15)
Interest paid	52	71	123	190	230	270
Tax paid	(5)	(14)	(28)	(82)	(187)	(398)
Other Adjustments	18	12	(1)	-	-	-
(Inc)/Dec in working capital	(238)	(362)	-	(278)	(742)	(988)
Cash from operations	(82)	(149)	(357)	285	86	67
Net capital expenditure	(16)	(57)	(376)	(910)	(40)	(40)
Net investments	-	(290)	266	(150)	-	-
Interest recd	-	-	-	30	20	15
Cash from investing activities	(16)	(348)	(110)	(1,030)	(20)	(25)
Issue of eq. shares	-	460	(2)	24	-	-
Share premium	-	-	-	583	-	-
Change in Loans	150	129	860	424	140	160
Eq. Dividend paid	-	-	(33)	(57)	(57)	(57)
Interest paid	(52)	(71)	(123)	(190)	(230)	(270)
Cash from financing activities	98	518	702	784	(147)	(167)
Inc/(Dec.) in cash	1	21	235	39	(81)	(125)

Key Ratios	2005	2006	2007	2008E	2009E	2010E
EBIDT (%)	12.9	13.0	12.3	12.8	12.3	12.1
ROACE (%)	54.4	23.2	21.4	22.6	24.5	29.8
ROANW (%)	87.5	24.4	23.1	26.4	26.4	27.2
Sales/Total Assets (x)	2.2	1.3	1.3	1.4	2.0	2.4
Debt:Equity (x)	2.0	0.6	1.4	1.0	0.8	0.7
Current Ratio (x)	1.9	2.6	3.0	2.4	2.1	2.1
Debtors (days)	127	122	192	122	122	115
Inventory (days)	94	90	37	81	81	81
Net working capital (days)	140	177	215	144	119	108
EV/Sales (x)	0.9	3.3	2.1	1.4	0.9	0.7
EV/EBIDT (x)	7.0	25.3	16.7	11.1	7.4	5.4
P/E (x)	75.5	49.9	30.0	16.5	10.9	8.3
P/BV (x)	4.0	6.4	5.5	3.3	2.6	2.0

Equity Desk

R. Baskar Babu - Head - Equity Broking
baskarb@pinc.co.in 91-22-66186465

Gealgeo V. Alankara - Head - Institutional Sales
alankara@pinc.co.in 91-22-66186466

Sachin Kasera - Co-Head - Domestic Equities
sachink@pinc.co.in 91-22-66186464

Sailav Kaji - Head - Derivatives & Strategist
sailavk@pinc.co.in 91-22-66186344

Research

Sameer Ranade - Capital Goods / Utilities
sameerr@pinc.co.in 91-22-66186381

Sujit Jain - Real Estate / Construction
sujitj@pinc.co.in 91-22-66186379

Amol Rao - Hospitality / Pipes / Packaging
amolr@pinc.co.in 91-22-66186378

Nirav Shah - Sugar / Textiles
niravs@pinc.co.in 91-22-66186383

Rishabh Bagaria - Auto / Auto Ancilliary
rishabhb@pinc.co.in 91-22-66186391

Ruchir Desai - Technology
ruchird@pinc.co.in 91-22-66186372

Syed Sagheer - Logistics / Light Engineering
syeds@pinc.co.in 91-22-66186390

Chandana Jha - Banking / Financial Services
chandana@pinc.co.in 91-22-66186398

Rahhul Aggarwal - Metals
rahhula@pinc.co.in 91-22-66186388

Dipti Solanki - Media
diptis@pinc.co.in 91-22-66186392

Faisal Memon - Associate - Metals
faisalm@pinc.co.in 91-22-66186389

Ashish Dangi - Associate - Lifestyle / Retail Products
ashishd@pinc.co.in 91-22-66186481

Ashwani Agarwalla - Associate- Agro Products /Fertilizers
ashwania@pinc.co.in 91-22-66186482

Abhishek Gangwani -Associate - Electronics / Hardware
abhishekg@pinc.co.in 91-22-66186385

Naveen Trivedi - Associate - Speciality Chemicals
naveent@pinc.co.in 91-22-66186384

Abhinav Bhandari - Associate - Real Estate / Construction
abhinavb@pinc.co.in 91-22-66186371

Anand Rajgarhia - Associate - Shipping / Logistics
anandr@pinc.co.in 91-22-66186377

Sales:

Anil Chaurasia *Alok Doshi*
91-22-66186462 91-22-66186375

Sapna Mehta *Sundeep Bhat*
91-22-66186391 91-22-66186641

Dealing:

Chandrakant Ware/Rajesh Khanna/Shivkumar R/Ashok Savla
idealing1@bloomberg.net 91-22-66186326

Raju Bhavsar / Manoj Parmar / H Prajapati / Pratiksha
idealing1@bloomberg.net 91-22-66186323

Directors

Gaurang Gandhi
gaurangg@pinc.co.in 91-22-66186400

Hemang Gandhi
hemangg@pinc.co.in 91-22-66186400

Ketan Gandhi
ketang@pinc.co.in 91-22-66186400

Rakesh Bhatia - Head Compliance
rakeshb@pinc.co.in 91-22-66186400



Infinity.com

Financial Securities Ltd

SMALL WORLD, INFINITE OPPORTUNITIES

Member : Bombay Stock Exchange & National Stock Exchange of India Ltd. : Sebi Reg No: INB 010989331. Clearing No : 211
1216, Maker Chambers V, Nariman Point, Mumbai - 400 021; Tel.: 91-22-66186633/6400 Fax : 91-22-22049195

Disclaimer: This document has been prepared by the Research Desk of M/s Infinity.com Financial Securities Ltd. (PINC) and is meant for use of the recipient only and is not for public circulation. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors

The information contained herein is obtained and collated from sources believed reliable and PINC has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The opinion expressed or estimates made are as per the best judgement as applicable at that point of time and PINC reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval

PINC, its affiliates, their directors, employees and their dependant family members may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document

This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of PINC. The views expressed are those of analyst and the PINC may or may not subscribe to all the views expressed therein

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Neither PINC, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Copyright in this document vests exclusively with PINC and this document is not to be reported or circulated or copied or made available to others.