

BUZZING

STOCK

# Patels Airtemp (India) Ltd.

CMP – Rs.54

## Analyst

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## Key Stock Data

Sensex	15504
Nifty	4495
Sector	Engineering
Bloomberg	PTA IN
Reuters	PAAI.BO
No. of shares (m)	5.07
Market Cap (Rs m)	201
Market Cap (US\$ m)	4.98
52-week H/L	Rs 21/58

## Shareholding Pattern (%)

Promoters	37.32
Mutual Funds	0.0
FII's	0.09
Corporate Bodies	12.6
Pubic & Others	48

## Company in Brief:

Incorporated in 1973, Patel Airtemp (PAT) is one of the leading industrial EPC service providers in the western region. It has two state of the art manufacturing units at Rakanpur near Gandhinagar in Gujarat. The product and services catered by the company include Heat Exchangers (Air Cooled), Column and pressure vessels, AC components and turnkey HVAC projects. PAT has a nationwide service presence through its service representatives and has clients from diverse industrial segments like Power, Petrochemicals, Pharmaceuticals, Chemical and Fertilizer.

## Diverse Industrial exposure

Due to diverse industrial exposure and also due to improved execution capability PAT is consistently improving its order book each year. Further due to the accreditation of ASME U standard for its products and services the company is doing appreciably well in the export of engineering products and services, particularly to USA and Europe.

## Snapshot of Order booking and Sales (In Rs Mn)

Year	FY05	FY06	FY07
Gross Sales	309	336	471
Order book	@187	@311	500

@ Order book is at the end of first quarter of Next Financial year

Source: Company Reports and IDBI Capital Estimates

## Outlook

Going forward we expect there would be improvement in orders and sales for PAT particularly from the domestic industries (For Captive Power generation). Also we believe with the improved capability the unit size per order would increase further. This will help in maintaining the current operating margin at the current levels. However as compared to its close listed industry peer GEI Industrial Systems, the size is small in terms of sales and orders, thus warranting lower valuation. But with the significant rise in demand for HVAC and heat exchanger projects in the coming years the valuation would see some improvement going forward.

## Valuation

Based on the current order book and the growth momentum seen in the first quarter of FY08, we expect the company would post 30% rise in net turnover to Rs 535m in FY08. The net profit would remain at Rs 37.8m. The current stock price discounts our FY08 EEPS of Rs 7.5 by 7 times.

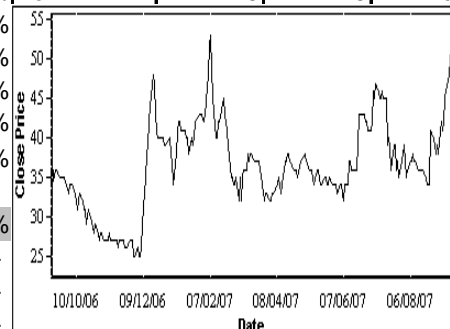
## Financials and Projection

	FY07	FY08E	% Ch.
Net Sales	412	535	30%
EBITDA	69.6	90.8	30%
EBITDA (%)	16.9%	17.0%	
Interest	11.9	13.0	9%
Depreciation	21.5	23	7%
PBT	36.2	54.8	51%
Tax	10.8	17.0	57%
PAT	25.4	37.8	49%
Equity	50.7	50.7	
EPS	5.0	7.5	
PE	11	7	

Source: Company Reports and IDBI Capital Market Estimates

### Financial Snapshot

Patel Airtemp				Rs.m			Ratios (%)			
	Q1 FY08	Q1 FY07	Chg. (%)	FY07	FY06	Chg. (%)		FY07	FY06	Chg.(%)
<b>Financial Year End: March</b>										
Net Sales	84	68	23%	412	303	36%	Debt -Equity	0.7	0.9	(24)
Other Income	0	0	100%	1	0	133%	PBIDTM	11	11	2
Total Income	84	68	23%	413	303	36%	PBDTM	7	6	13
Total Expenditure	70	58	20%	343	261	32%	RoCE	19	17	12
PBIDT	14	11	35%	70	42	65%	RoNW	15	13	10
Interest	3	3	4%	12	12	-1%				
PBDT	12	8	45%	58	30	90%				
Depreciation	3	3	-21%	22	12	87%				
Tax	2	1	100%	11	5	116%				
Reported Profit After Tax	7	3	91%	25	14	84%				
Extra -ordinary Items	-	-	-	-	-	-				
Adj. Profit After Extra-ordinary item	7	3	91%	25	14	84%				
No. of shares (m)	5.1	5.1	-	5	5	-				
EPS (annualised.) (Rs.)	5.1	2.7	-	5.0	2.7	-				
P/E	7.7	14.8	-	7.9	14.6	-				



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