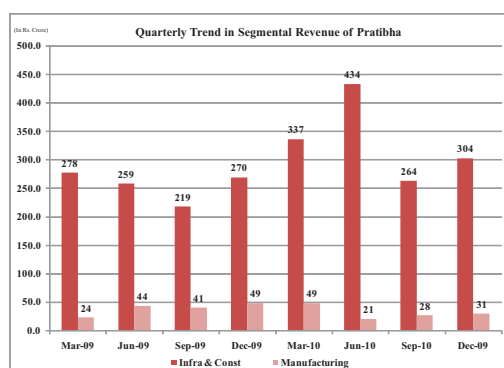




Revenue performance lower the expected

Segment wise Financial Performance - Pratibha Industries Ltd.					
Units: Rs. Mln	Dec 10	% Growth	Dec 09	% Growth	Sep 10
Infra & Const	303.6	12.6%	269.7	15.0%	264.0
Manufacturing	31.0	-36.6%	48.8	12.6%	27.5
Gross Sales	334.6	5.1%	318.5	14.8%	291.5
Inter -Seg Rev	39.2	-52.2%	81.9	22.8%	31.9
Net Sales	295.5	24.9%	236.5	13.8%	259.6

Pratibha registered around 25% growth in the Q3, 11 which was below expectation mainly due to lower than anticipated revenue booking in the Infrastructure & Construction segment. This was appended with fall in contribution from the Pipes Manufacturing segment of the company which is largely used for internal consumption.



Source: Company Data, JRG Research

The company's Revenue in the Infrastructure & Construction segment rose about 13% from Rs 270 Crore (Q3, 10) to Rs 304 Crore (Q3, 11) whereas the same rose by nearly 15% QoQ from Rs 264 Crore (Q2, 11). The other segment, Pipes manufacturing fell 37% YoY to Rs 31 Crore though the same was higher by 13% QoQ.

Operating performance strong, OPM's improve by around 50 bps

On the Operating front, the Total Raw materials costs as a % of Sales increased to 71.1% (Q3, 11) as compared to 69.7% (Q3, 10) and 69.3% sequentially. In spite of higher input costs, lower rise in Employee cost which moved up by 14% YoY to Rs 14 Crore and around 7% increase YoY in Other expenses aided margins of the company. Pratibha's Operating expenses registered around 24% increase YoY to Rs Rs 250 Crore (Q3, 11) whereas the same extended up by 13% QoQ.

No doubt the Operating margin during the quarter improved on both Yearly and Quarterly basis to 15.4% and leading the EBITDA to actuate by nearly 29% YoY and 17% QoQ to 39 Crore (Q3, 11).

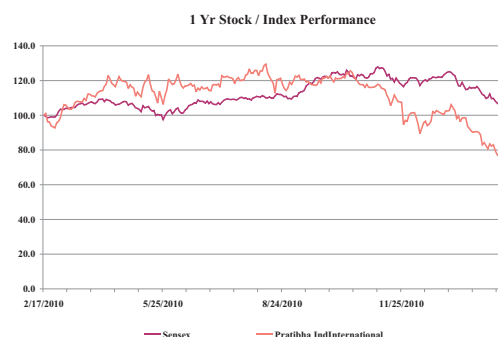
Order backlog of around Rs 4000 Crore provides strong visibility

As of Jan 2010, Pratibha's Order Book stands at around Rs 4000 Crore which does not include the L1 status of about Rs 700 Crore. The current order book is almost 4X its FY 10 Revenue and escalates the future Revenue visibility of the company. In this, Water Supply management segment of the company constitutes around 60% of the total orders



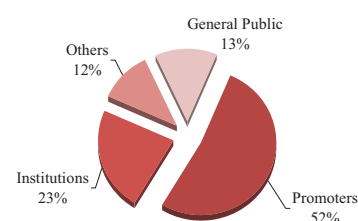
Industry: Engineering & Construction

Current Price	58
Target Price	83
Market Cap (Cr.)	572
52 Week H/L	90/50
FV	2
Book Value/Share	33
BSE Sensx	18507
NSE Nifty	5547
BSE Code	532718
NSE Code	PRATIBHA
Reuters Code	PRTI.BO
Bloomberg Code	PRIL:IN



Stock/Index Performance %	3 M	6 M	12 M
Pratibha Industries	-20.7%	-27.6%	-15.0%
BSE Sensx	-7.1%	2.5%	13.3%
BSE Mid-Cap	-17.5%	-11.7%	4.2%

Share Holding Pattern as on Dec 31, 2010



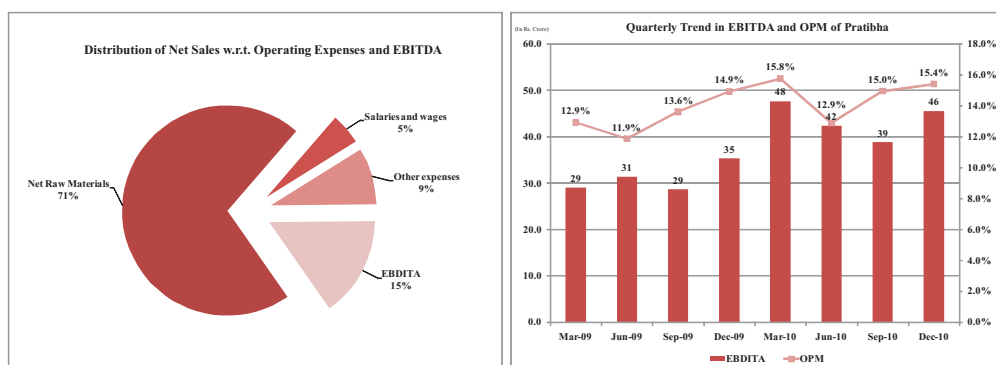
Particulars (In Rs. Crore)	FY 09	FY 10	FY 11E	FY 12E
Net Revenue	805.8	1007.2	1269.5	1626.1
Operating Exp	714.2	870.5	1098.2	1408.7
EBITDA	96.6	142.9	178.8	224.9
Net Profit	44.7	56.5	69.5	97.2
EPS	5.4	6.8	6.9	9.6

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providing further comfort w.r.t order execution. Adding to this, to develop as a full fledged construction player the company has stepped-up its operations in other segments like Housing projects, Commercial complexes, Pre-cast design & construction and Road construction among others and is adding steady weight in the aforesaid verticals.



Source: Company Data, JRG Research

Quarterly Financial Performance - Pratibha Industries Ltd.					
Units: Rs. Crore	Dec 10	% Growth	Dec 09	% Growth	Sep 10
Net Sales	294.2	25.5%	234.4	14.1%	257.8
Other Income	1.3	-40.6%	2.1	-30.3%	1.8
Total income	295.5	24.9%	236.6	13.8%	259.6
Net Raw Materials	210.1	27.4%	164.8	16.8%	179.8
% of Sales	71.1%	-	69.7%	-	69.3%
Employee costs	14.0	13.7%	12.3	-7.8%	15.1
% of Sales	4.7%	-	5.2%	-	5.8%
Other expenses	25.9	7.2%	24.2	0.5%	25.8
% of Sales	8.8%	-	10.2%	-	9.9%
Operating Expenses	249.9	24.2%	201.3	13.2%	220.8
EBDITA	45.5	29.1%	35.3	17.3%	38.8
OPM	15.4%	-	14.9%	-	15.0%
Interest expenses	21.0	18.4%	17.7	40.4%	14.9
% of Sales	7.1%	-	7.5%	-	5.8%
Depreciation	4.4	13.9%	3.9	3.9%	4.2
Profit Before Tax	20.2	47.1%	13.7	2.6%	19.7
Taxes	6.0	119.3%	2.7	-0.8%	6.1
% of Taxes	29.8%	-	20.0%	-	30.9%
Net profit	14.2	29.0%	11.0	4.1%	13.6
NPM	4.8%	-	4.6%	-	5.2%

Quarterly Segmental Performance - Pratibha Industries Ltd.					
Units: Rs. Crore	Dec 10	% Growth	Dec 09	% Growth	Sep 10
Segmental Rev					
Infra & Const	303.6	12.6%	269.7	15.0%	264.0
Manufacturing	31.0	-36.6%	48.8	12.6%	27.5
Gross Sales	334.6	5.1%	318.5	14.8%	291.5
Inter -Seg Rev	39.2	-52.2%	81.9	22.8%	31.9
Net Sales	295.5	24.9%	236.5	13.8%	259.6
EBIT					
Infra & Const	40.7	70.4%	23.9	24.4%	32.7
Margins	13.4%	-	8.9%	-	12.4%
Manufacturing	2.1	-74.0%	8.1	-25.6%	2.8
Margins	6.8%	-	16.6%	-	10.3%

Financial Valuation and Projection

Following the muted performance during the quarter we have we pruned down our financial estimates for FY 11 and FY 12. Owing to lower than expected growth in Revenue over the past two quarters, we are reducing our FY 11 and FY 12 Top-line expectation by 14% and 19 % respectively. Nevertheless, Pratibha's burgeoning Order backlog is expected to drive the Net Sales performance which is seen growing at a CAGR of 27% to Rs 1626 Crore (FY 12E) equated to Rs 1007 Crore (FY 10).

Pratibha Industries Ltd. - Modified Financials for FY 11 and FY 12						
Units: Rs Crore	FY 11E			FY 12E		
	Old	New	% Change	Old	New	% Change
Net Sales	1483.4	1269.5	-14.4%	2013.7	1626.1	-19.3%
Operating Exp	1293.3	1098.2	-15.1%	1756.8	1408.7	-19.8%
EBITDA	197.6	178.8	-9.5%	264.4	224.9	-15.0%
Interest	68.3	68.3	0.1%	86.5	76.5	-11.6%
Depreciation	18.3	16.5	-9.6%	21.3	17.0	-20.0%
Net Profit	82.2	69.5	-15.4%	115.9	97.2	-16.1%

Decline in Revenue is expected to impact the profits of the company resulting into lower EBITDA by 10% in FY 11 and 15% in FY 12. Despite Pratibha repaying around Rs 150 of its debt by utilizing the proceeds from the QIP and Preferential allotment, higher Interest costs are expected to high and eat the Bottom-line margins of the company. The Net profit is seen lower by 15% and 16% to Rs 70 Crore and 97 Crore in FY 11 and FY 12 respectively.

Recommendation

Over the next few years, Pratibha is poised to benefit from large Projects planned by the Central and State governments in the Infrastructure and Construction segment in India. Moreover, the issuance of preference shares to Van Dyck a subsidiary of ChrysCapital at high premium (Share Price - Rs 92) which now holds nearly 12% in Pratibha instills further confidence regarding the overall business of the company.

At the Trailing market price of Rs 58, Pratibha is trading at 8.4X FY 11E and less than 6X FY 12E, EPS of Rs 6.9 and 9.6 respectively which we fell is attractive. **We value the company at 12X its FY 11E earnings and maintain our rating with a modified Target price of Rs 83 (Rs 98 Earlier).**

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