

## Patel Engineering

### Performance Highlights

Y/E March (Rs cr)	1QFY11	1QFY10	% chg (yoy)	4QFY10	% chg (qoq)
Net Sales	702.3	643.0	9.2	1,197	(41.3)
Operating Profit	118.5	105.7	12.2	151.0	(21.5)
Net Profit	40.1	36.3	10.3	71.9	(44.3)

Source: Company, Angel Research

Patel Engineering (PEL) posted decent numbers on consolidated basis considering its high exposure to the politically mired Andhra Pradesh (AP) markets. PEL's order book position stood at Rs8,000cr in 1QFY2011 (2.5x FY2010 revenues) excluding L1 orders worth Rs3,100cr. Given robust OB and attractive valuations of 9.3x FY2012E earnings (adjusted for investments), **we maintain a Buy on the stock.**

**Results in line:** PEL posted top-line growth of 9.2% in spite of high exposure to AP. Operating margins came in at 16.9% (16.4%) a tad above our estimates. Interest cost came lower on account of capitalisation. Management has guided 20% growth in top- and bottom-line for FY2011.

**Outlook and Valuation:** PEL has exposure to the high-margin hydropower and irrigation segments owing to which it clocks higher margins than its peers. The company has a huge quantum of L1 orders for the next 3-4 quarters, and we believe that post conversion of the same in the OB would be one of the triggers for the stock. PEL has also ventured into the power and real estate businesses, which we believe would be another catalyst for the stock. However, due to the high exposure to AP and relatively subdued order inflow, in recent times the stock has underperformed its peers. Nonetheless, we believe that these concerns are short term in nature and would eventually recede given the company's technological expertise, strong pipeline of orders and favourable industry dynamics. Hence, we maintain a Buy on the stock, with a SOTP Target Price of Rs565, based on our Target P/E of 14x FY2012E EPS of Rs32.7 and valuing the company's investments in real estate, power and road at Rs108/share.

### Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
<b>Net Sales (incl op. income)</b>	<b>2,460</b>	<b>3,191</b>	<b>3,693</b>	<b>4,297</b>
% chg	32.6	29.7	15.7	16.3
<b>Adj. Net Profit</b>	<b>139.2</b>	<b>198.2</b>	<b>215.1</b>	<b>228.5</b>
% chg	-8.1	42.4	8.5	6.2
<b>FDEPS (Rs)</b>	<b>19.9</b>	<b>28.4</b>	<b>30.8</b>	<b>32.7</b>
EBITDA Margin (%)	15.8	15.9	16.1	15.8
P/E (x)	20.7	14.5	13.4	12.6
RoAE (%)	14.9	16.7	14.8	13.8
RoACE (%)	11.0	12.5	12.3	11.9
P/BV (x)	2.8	2.1	1.9	1.6
EV/Sales (x)	1.8	1.5	1.4	1.4
EV/EBITDA (x)	11.1	9.4	8.6	8.6

Source: Company, Angel Research

## BUY

CMP	Rs412
Target Price	Rs565

Investment Period	12 Months
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### Stock Info

Sector	Infrastructure
Market Cap (Rs cr)	2,876
Beta	1.06
52 Week High / Low	526/340
Avg. Daily Volume	49,983
Face Value (Rs)	1
BSE Sensex	18,167
Nifty	5,452
Reuters Code	PENG.BO
Bloomberg Code	PEC@IN

### Shareholding Pattern (%)

Promoters	45.5
MF / Banks / Indian Fls	12.5
FII / NRIs / OCBs	15.5
Indian Public / Others	26.5

Abs. (%)	3m	1yr	3yr
Sensex	5.2	17.1	21.0
Patel Engg.	(4.7)	3.4	(5.3)

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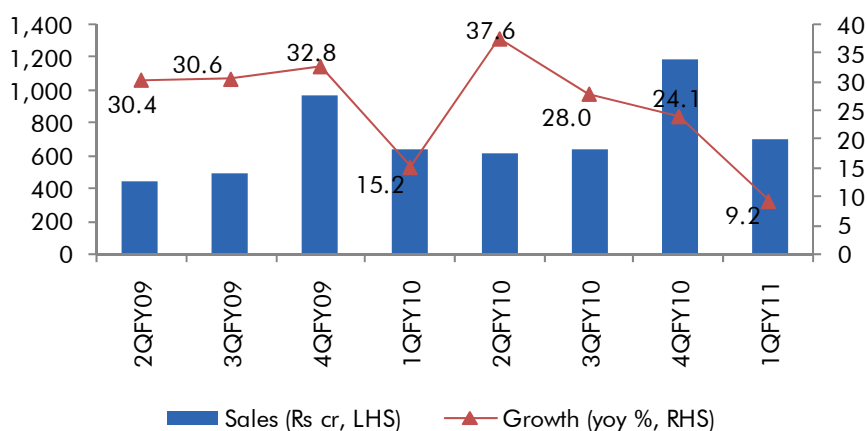
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**Exhibit 1: 1QFY2011 performance (consolidated)**

Y/E March (Rs cr)	1QFY11	1QFY10	4QFY10	% chg (yoy)	% chg (qoq)	FY10	FY09	% chg
<b>Net Sales</b>	<b>702.3</b>	<b>643.0</b>	<b>1197.1</b>	<b>9.2</b>	<b>(41.3)</b>	<b>3081.1</b>	<b>2459.8</b>	<b>25.3</b>
Total Expenditure	583.8	537.3	1046.1	8.6	(44.2)	2591.7	2070.2	25.2
<b>Operating Profit</b>	<b>118.5</b>	<b>105.7</b>	<b>151.0</b>	<b>12.2</b>	<b>(21.5)</b>	<b>489.4</b>	<b>389.7</b>	<b>25.6</b>
OPM (%)	16.9	16.4	12.6	-	-	15.9	15.8	-
Interest	32.5	28.4	46.1	14.3	(29.5)	127.2	47.5	167.7
Depreciation	25.6	31.5	29.6	(18.8)	(13.3)	125.1	119.6	4.6
Non Operating Income	2.6	7.8	7.1	-	(63.9)	60.2	14.5	316.1
Nonrecurring items	0.0	0.0	30.0	-	-	0.0	0.0	-
<b>Profit Before tax</b>	<b>63.0</b>	<b>53.5</b>	<b>112.5</b>	<b>17.8</b>	<b>(44.0)</b>	<b>297.3</b>	<b>237.0</b>	<b>25.4</b>
Tax	18.8	15.3	37.4	22.5	(49.8)	91.7	87.8	4.5
Net Profit before MI	44.2	38.1	75.1	15.9	(41.1)	205.6	149.3	37.8
PAT (%)	6.3	5.9	6.3	-	-	6.7	6.1	-
Minority Interest (MI)	4.2	1.8	3.2	130.6	31.7	12.3	12.9	(4.6)
<b>Net Profit after MI</b>	<b>40.1</b>	<b>36.3</b>	<b>71.9</b>	<b>10.3</b>	<b>(44.3)</b>	<b>193.3</b>	<b>136.4</b>	<b>41.8</b>
Adj. PAT (%)	5.7	5.7	6.0	-	-	6.3	5.5	-
<b>Adj. FDEPS</b>	<b>5.7</b>	<b>5.2</b>	<b>10.3</b>	<b>10.3</b>	<b>(44.3)</b>	<b>27.7</b>	<b>19.5</b>	<b>41.8</b>

Source: Company, Angel Research;

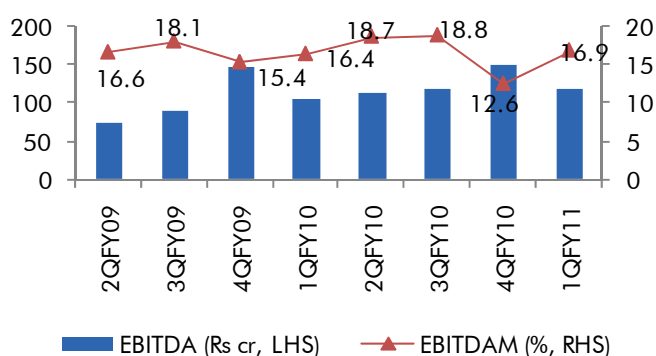
**Numbers at par:** PEL posted top-line growth of 9.2% in spite of high exposure to AP. We believe that the company has fared well compared to its peers. The hydro (54%) and irrigation (22%) segments were the major revenue contributors. **Management has guided for 20% revenue growth for FY2011, which we believe is aggressive given high exposure (~30%) of its order book to AP.** Hence, we are factoring in CAGR of 16.0% over FY2010-12E lower than management guidance. The real estate business has still not started contributing to top-line.

**Exhibit 2: Top-line trend**


Source: Company, Angel Research

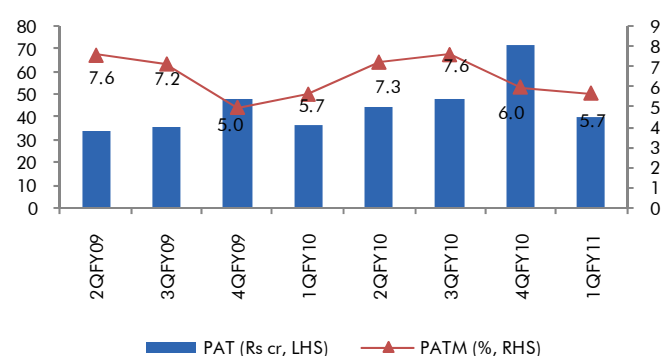
On the operating front, EBITDA margins for the quarter came in at 16.9% (16.4%) a tad above our estimates. The company continues to enjoy high margins given its presence in niche segments and access to superior technology. Interest cost came lower on account of capitalisation of interest for the power projects. Going ahead as well, we believe that the company would be able maintain its operating margins and are penciling in similar margins for FY2011E and FY2012E. On the bottom-line front, we believe that the CAGR would be much lower given higher tax outflow and interest cost on account of investments in subsidiaries.

**Exhibit 3: EBITDA trend**



Source: Company, Angel Research

**Exhibit 4: Bottom-line trend**

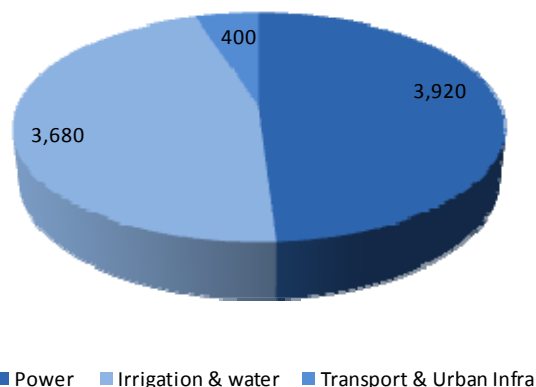


Source: Company, Angel Research

### Order Book Analysis

PEL's order book as on 1QFY2011 stood at Rs8,000cr (2.5x FY2010 revenues) lower than FY2010 pending confirmation of orders worth Rs3,000cr, which are spread across the hydro (49%), irrigation (46%) and balance transportation segments. **The company has maintained its guidance of achieving order book of Rs14,000cr (excluding the captive orders) for the fiscal.**

**Exhibit 5: 1QFY2011 order backlog – Sector-wise (Rs cr)**



Source: Company, Angel Research

## Project Updates

PEL has invested equity to the tune of Rs250cr in its power ventures, which we have valued at 1x. The land for the first phase (1,050MW plant in Nagapatnam district, Tamil Nadu) has been acquired and coal linkages are also in place from the Mahanadi coal fields. Management expects financial closure by December 2010 and construction work is likely to start in 2QFY2012. Further, regarding bringing in a strategic partner, management clarified that it would happen only in FY2012 when the construction work starts gaining visibility and venture attracts right valuation.

In real estate, the company has mentioned that the progress is satisfactory with bookings of nearly 1,000 apartments for Smondoville-1 out of the total 1,100 apartments, which also implies that the project does not require cash and would be self funded. Over the next couple of years, this project is expected to generate revenues to the tune of Rs240cr.

## Outlook and Valuation

Hydropower is one of the lowest cost modes of power generation and India's hydro power potential is estimated at 148,701MW, which is primarily concentrated in the north and north-eastern regions due to the availability of ample hydel resources. Moreover, the Twelfth Five-Year Plan ((2012-17) provides significant opportunity for the construction companies (read PEL) in the hydropower segment. Around 30,000MW hydropower capacity is expected to come up in the Twelfth Plan compared to the existing 36,917MW capacity.

Against this backdrop, we believe that PEL will be able to maintain its 22% share going ahead and garner orders of ~Rs15,250cr over the next few years.

### Exhibit 6: PEL to gain from growing market size

Potential in Hydro Power segment	Rs cr
XII FYP target (MW)	30,000
Actual Implementation (60%) (MW)	18,000
Total Industry potential @5.5cr/MW	99,000
EPC potential at 70%	69,300
<b>PEL's share (22%)</b>	<b>15,246</b>

Source: Company, Angel Research

PEL has exposure to the high-margin hydropower and irrigation segments owing to which it clocks higher margins than its peers. The company has a huge quantum of L1 orders for the next 3-4 quarters, and we believe that post conversion and reflection of the same in the order book would be one of the key triggers for the stock. PEL has also ventured into the power (leveraging on its construction abilities and favourable industry dynamics) and real estate businesses (cashing on its historical land bank), which we believe would be another catalyst for the stock. However, due to the high exposure to AP and relatively subdued order inflow, in recent times the stock has underperformed its peers. Nonetheless, we believe that these concerns are short term in nature and would eventually recede given the company's technological expertise, strong pipeline of orders and favourable industry dynamics. **Hence, we maintain a Buy on the stock, with a SOTP Target**

Price of Rs565, based on our Target P/E of 14x FY2012E EPS of Rs32.7 and valuing the company's investments in real estate, power and road at Rs108/share.

**Exhibit 7: SOTP Target Price**

Business Segment	Methodology	Remarks	Rs cr	Rs/share	% to TP
Core Construction	P/E	14x FY2012E Earnings	3,199	457.9	81.0
Real Estate	NAV	30% Discount	392	56.1	9.9
BOT Assets	BV	1.0x P/BV	109	15.7	2.8
Power Venture	BV	1.0x P/BV	250	35.8	6.3
<b>Total</b>			<b>3,950</b>	<b>565.4</b>	<b>100.0</b>
<b>CMP (Rs)</b>				<b>412.0</b>	
<b>Upside (%)</b>				<b>37.2</b>	

Source: Company, Angel Research

**Exhibit 8: Key assumptions**

	FY2007	FY2008	FY2009	FY2010	FY2011E	FY2012E
Order Inflow	2,333	2,536	3,976	5,881	5,500	7,000
Revenues	1,301	1,855	2,460	3,191	3,693	4,297
Order Backlog (Y/E)	5,008	5,684	7,200	10,000	11,807	14,510
<b>OB/Sales (x)</b>	<b>3.8</b>	<b>3.1</b>	<b>2.9</b>	<b>3.1</b>	<b>3.2</b>	<b>3.4</b>

Source: Company, Angel Research

**Exhibit 9: Angel EPS forecast v/s consensus**

	Angel Forecast	Bloomberg Consensus	Variation (%)
FY2011E	30.8	31.5	2.2
FY2012E	32.7	37.9	15.8

Source: Company, Angel Research

## Investment Arguments

### Present in niche high-margin segments

Traditionally, PEL has been concentrating on niche segments to maintain its margins and effectively use its resources. Its core competence lies in the construction of hydro power plants and upstream irrigation projects. It has been involved in ~22% of the total hydro power plants in India. Hydro power projects are complex, require high level of technological expertise and fetch significantly high margins. Also, past experience and technical competence is critical in winning contracts for hydro power and upstream irrigation projects. Therefore, it effectively serves as an entry barrier restricting the number of bids to 4-5 in hydro power and 7-8 bidders in upstream irrigation segment. Further, the benefits of hydro projects and upstream irrigation projects are that the pass on of incremental costs is high compared to the other segments. In perspective, the pass on of incremental costs in hydro projects is as high as 90% and in irrigation projects it is in the range of 70- 80%. Overall, this aids the company to maintain its margins especially in the current rising commodity prices and interest rate regime. It also explains the high margins enjoyed by PEL over the years.

### Real estate and power venture the potential value creators in long run

PEL has rationalised its expansion plans in the real estate projects and adopted a more cautious approach. Its Jogeshwari corporate park is already operational and other launches (Bangalore and Noida) are seeing good response making it self-funded. We see significant value locked in its land bank of 1,127 acres, acquired at a cost of Rs250cr. The company has already monetised part of it in Mumbai, Bangalore and Noida (not part of the above-mentioned land bank). However, we have currently valued these real estate projects conservatively, leaving a significant chunk that can be potentially value accretive. Further, PEL is developing two power projects, one thermal in Tamil Nadu and another hydro in Arunachal Pradesh. It has secured approvals to develop a 1,050MW thermal power project in Nagapatnam district, Tamil Nadu, for which land has been acquired and partial environment clearance have been obtained. Financial closure for the project is likely by December 2010. PEL will likely offer 49% stake in the project to a strategic investor, which we believe would set a benchmark for valuing these projects and create value.

### Compelling valuations

Over FY2007-10, although the company registered a healthy execution rate at ~34%, the pace of order book was slack at a mere 20% and its order book exposure to AP. We believe that these are the major reasons for the stock's underperformance on the bourses. However, we believe that with a better liquidity position post the fund infusion (raised Rs340cr via QIP), strong bidding pipeline (L1 for orders worth Rs3,000cr), signs of improvement in AP (receivables are down from Rs200cr to Rs60cr) and robust outlook for the sector, its only a matter of time before the stock garners investor fancy and would generate the outperformance. Moreover, PEL is one of the cheapest stocks in our coverage universe trading at single-digit P/E multiple - adjusted for its subsidiary valuations with strong execution capabilities in the EPC space. We believe that current valuations are

attractive and do not factor in PEL's premium position in high margin businesses, strong growth prospects and value unlocking potential.

**Exhibit 10: Recommendation Summary**

Company	CMP (Rs)	TP (Rs)	Rating	Top-line				EPS				Adj. P/E			OB/ Sale
				FY10	FY11E	FY12E	CAGR (%)	FY10	FY11E	FY12E	CAGR (%)	FY10	FY11E	FY12E	
CCCL	85	89	Acc.	1,976	2,461	2,891	21.0	5.0	5.9	7.5	22.5	17.0	14.4	11.3	2.3
Gammon	208	-	Neutral	4,489	5,575	6,607	21.3	8.4	10.0	12.1	20.0	12.3	10.4	8.6	-
HCC	72	-	Neutral	3,629	4,146	4,900	16.2	1.3	1.6	1.8	16.8	25.8	22.0	18.9	4.7
IRB Infra	291	-	Neutral	1,705	2,778	3,580	44.9	11.6	12.3	14.5	11.8	25.1	23.6	20.1	-
IVRCL	162	216	Buy	5,492	6,493	8,071	21.2	7.8	9.2	11.6	21.6	13.7	11.7	9.3	4.3
JP Assoc.	121	174	Buy	10,316	13,281	17,843	31.5	4.7	5.2	7.7	28.5	25.9	23.2	15.7	-
Punj	117	156	Buy	10,448	9,756	12,402	9.0	(11.1)	5.6	11.2	-	-	20.8	10.4	2.8
NCC	161	201	Buy	4,778	5,913	6,758	18.9	7.8	8.9	10.1	13.7	13.0	11.3	10.0	3.6
Sadbhav	1,477	1,313	Reduce	1,257	1,621	1,986	25.7	43.0	77.4	89.8	44.4	24.6	13.7	11.4	5.4
SI.	470	570	Buy	4,555	5,535	6,428	18.8	25.7	31.9	40.7	25.9	18.3	14.7	11.5	2.5
<b>PEL</b>	<b>412</b>	<b>565</b>	<b>Buy</b>	<b>3,191</b>	<b>3,693</b>	<b>4,297</b>	<b>16.1</b>	<b>28.4</b>	<b>30.8</b>	<b>32.7</b>	<b>18.6</b>	<b>13.2</b>	<b>9.9</b>	<b>9.4</b>	<b>3.1</b>
MPL	156	174	Acc.	1,308	1,701	2,120	27.3	5.8	7.7	9.8	29.8	13.8	10.5	8.2	3.1
L&T	1,809	-	Neutral	37,035	44,047	55,519	22.4	47.5	55.1	68.9	20.4	29.8	25.7	20.5	2.7

Source: Company, Angel Research

**Exhibit 11: Recommendation Summary - SOTP break up**

Company	Core Const.		Real Estate		Road BOT		Invst. In Subsidiaries		Others		Total Rs
	Rs	% to TP	Rs	% to TP	Rs	% to TP	Rs	% to TP	Rs	% to TP	
CCCL	89	100	0	0	0	0	0	0	0	0	89
Gammon India	121	54	0	0	0	0	0	0	104	46	225
HCC	26	41	29	46	8	13	0	0	0	0	63
IRB Infra	113	41	3	1	154	56	5	2	0	0	275
IVRCL	162	75	0	0	0	0	54	25	0	0	216
JP Assoc.	65	38	41	23	0	0	0	0	68	39	174
Punj Lloyd	156	100	0	0	0	0	0	0	0	0	156
NCC	141	70	19	9	19	10	0	0	21	11	201
Sadbhav	862	66	0	0	451	34	0	0	0	0	1313
Simplex In.	570	100	0	0	0	0	0	0	0	0	570
<b>Patel Engg</b>	<b>458</b>	<b>81</b>	<b>56</b>	<b>10</b>	<b>16</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>6</b>	<b>565</b>
Madhucon	98	56	4	2	0	0	72	41	0	0	174
L&T	1448	79	0	0	0	0	394	21	0	0	1842

Source: Company, Angel Research

**Profit & Loss Statement (Consolidated)**

Y/E March (Rs cr)	FY2007	FY2008	FY2009	FY2010	FY2011E	FY2012E
Net Sales	1,301	1,853	2,460	3,191	3,693	4,297
Other operating income	0	2	-	-	-	-
<b>Total operating income</b>	<b>1,301</b>	<b>1,855</b>	<b>2,460</b>	<b>3,191</b>	<b>3,693</b>	<b>4,297</b>
% chg	26.9	42.6	32.6	29.7	15.7	16.3
Total Expenditure	1,145	1,557	2,070	2,682	3,097	3,618
Net Raw Materials	289	455	427	398	790	900
Other Mfg costs	808	935	1,471	2,011	2,124	2,510
Personnel	44	112	128	136	175	200
Other	4	55	44	138	8	8
<b>EBITDA</b>	<b>157</b>	<b>299</b>	<b>390</b>	<b>509</b>	<b>596</b>	<b>679</b>
% chg	25.4	90.8	30.5	30.5	17.2	13.8
(% of Net Sales)	12.0	16.1	15.8	15.9	16.1	15.8
Depreciation & Amortisation	35	63	120	109	125	138
<b>EBIT</b>	<b>122</b>	<b>236</b>	<b>270</b>	<b>400</b>	<b>471</b>	<b>541</b>
% chg	30.3	94.0	14.5	47.9	17.8	14.8
(% of Net Sales)	9.4	12.7	11.0	12.5	12.8	12.6
Interest & other Charges	10	61	137	192	225	275
Other Income (incl Ass/JV pft)	16	41	62	98	99	100
(% of PBT)	12.4	18.9	31.9	32.0	28.7	27.3
<b>Recurring PBT</b>	<b>128</b>	<b>216</b>	<b>196</b>	<b>305</b>	<b>344</b>	<b>366</b>
% chg	58.4	69.1	(9.5)	55.8	12.8	6.2
Extraordinary Expense/(Inc.)	(0)	-	(41)	-	-	-
<b>PBT (reported)</b>	<b>128</b>	<b>216</b>	<b>237</b>	<b>305</b>	<b>344</b>	<b>366</b>
Tax	14	23	44	93	114	121
(% of PBT)	11.3	10.7	18.4	30.5	33.0	33.0
<b>PAT (reported)</b>	<b>114</b>	<b>193</b>	<b>193</b>	<b>212</b>	<b>231</b>	<b>245</b>
Less: Minority interest (MI)	2.7	10.9	12.9	13.9	15.4	16.4
Prior period items	-	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>111</b>	<b>182</b>	<b>181</b>	<b>198</b>	<b>215</b>	<b>228</b>
<b>ADJ. PAT</b>	<b>112</b>	<b>151</b>	<b>139</b>	<b>198</b>	<b>215</b>	<b>228</b>
% chg	52.6	35.4	(8.1)	42.4	8.5	6.2
(% of Net Sales)	8.6	8.2	5.7	6.2	5.8	5.3
<b>Basic EPS (Rs) (Reported)</b>	<b>18.6</b>	<b>30.5</b>	<b>30.2</b>	<b>30.2</b>	<b>30.8</b>	<b>32.7</b>
<b>Fully Diluted EPS (Rs)</b>	<b>16.0</b>	<b>21.7</b>	<b>19.9</b>	<b>28.4</b>	<b>30.8</b>	<b>32.7</b>
% chg	52.6	35.4	(8.1)	42.4	8.5	6.2



**Balance Sheet (Consolidated)**

Y/E March (Rs cr)	FY2007	FY2008	FY2009	FY2010	FY2011E	FY2012E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	6.0	6.0	6.0	7.0	7.0	7.0
Preference Capital	-	-	-	-	-	-
Reserves & Surplus	701	840	1,011	1,356	1,542	1,751
<b>Shareholders Funds</b>	<b>707</b>	<b>846</b>	<b>1,017</b>	<b>1,363</b>	<b>1,549</b>	<b>1,758</b>
Minority Interest	7	41	22	62	62	62
Total Loans	491	1,194	1,747	2,138	2,476	3,156
Deferred Tax Liability	12	15	15	11	11	11
<b>Total Liabilities</b>	<b>1,218</b>	<b>2,096</b>	<b>2,800</b>	<b>3,574</b>	<b>4,098</b>	<b>4,987</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	357	615	804	861	961	1,086
Less: Acc. Depreciation	114	180	303	306	431	569
<b>Net Block</b>	<b>242</b>	<b>435</b>	<b>500</b>	<b>555</b>	<b>530</b>	<b>517</b>
Capital Work-in-Progress	11	235	70	204	254	304
<b>Investments</b>	<b>171</b>	<b>36</b>	<b>50</b>	<b>70</b>	<b>481</b>	<b>997</b>
Current Assets	1,150	2,045	2,865	3,758	4,044	4,616
Inventories	446	824	1,110	1,803	1,893	2,177
Sundry Debtors	303	462	583	696	765	880
Cash	105	288	295	232	256	203
Loans & Advances	296	471	878	1,026	1,129	1,355
Other	-	-	-	-	-	-
Current liabilities	360	658	692	1,020	1,217	1,454
<b>Net Current Assets</b>	<b>790</b>	<b>1,387</b>	<b>2,174</b>	<b>2,738</b>	<b>2,827</b>	<b>3,162</b>
Mis. Exp. not written off	3	2	6	7	7	7
<b>Total Assets</b>	<b>1,218</b>	<b>2,096</b>	<b>2,800</b>	<b>3,574</b>	<b>4,098</b>	<b>4,987</b>

**Cash Flow Statement (Consolidated)**

Y/E March (Rs cr)	FY2007	FY2008	FY2009	FY2010E	FY2011E	FY2012E
Profit before tax (excluding MI)	131.6	185.5	237.0	291.1	328.6	349.1
Depreciation	34.9	62.7	119.6	109.0	125.4	137.9
Change in Working Capital	302.0	396.0	662.6	626.9	65.0	388.1
Less: Other income	15.9	40.8	62.5	97.6	98.6	99.7
Direct taxes paid	29.7	45.2	76.0	108.4	113.5	120.6
<b>Cash Flow from Operations</b>	<b>(181.1)</b>	<b>(233.8)</b>	<b>(444.5)</b>	<b>(432.8)</b>	<b>176.8</b>	<b>(121.5)</b>
(Inc.)/ Dec. in Fixed Assets	(78.8)	(482.3)	(15.1)	(295.0)	(150.0)	(175.0)
(Inc.)/ Dec. in Investments	6.6	(1.8)	(51.0)	21.0	(411.4)	(516.1)
Other income	15.9	40.8	62.5	97.6	98.6	99.7
<b>Cash Flow from Investing</b>	<b>(56.3)</b>	<b>(443.3)</b>	<b>(3.6)</b>	<b>(176.4)</b>	<b>(462.8)</b>	<b>(591.4)</b>
Issue of Equity	425.0	-	-	344.3	-	-
Inc./(Dec.) in loans	29.2	703.0	535.7	391.2	338.3	679.6
Dividend Paid (Incl. Tax)	9.2	8.1	5.9	22.8	17.8	19.6
Others	(147.0)	165.0	(75.0)	(165.8)	(10.9)	-
<b>Cash Flow from Financing</b>	<b>298.0</b>	<b>860.0</b>	<b>454.7</b>	<b>546.9</b>	<b>309.7</b>	<b>660.1</b>
Inc./(Dec.) in Cash	60.7	182.9	6.7	(62.3)	23.7	(52.8)
<b>Opening Cash balances</b>	<b>44.5</b>	<b>105.1</b>	<b>288.1</b>	<b>294.8</b>	<b>232.5</b>	<b>256.2</b>
<b>Closing Cash balances</b>	<b>105.1</b>	<b>288.1</b>	<b>294.8</b>	<b>232.5</b>	<b>256.2</b>	<b>203.3</b>

### Key Ratios

Y/E March	FY2007	FY2008	FY2009	FY2010E	FY2011E	FY2012E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	25.7	19.0	20.7	14.5	13.4	12.6
P/CEPS	19.6	13.4	11.1	9.4	8.5	7.9
P/BV	4.1	3.4	2.8	2.1	1.9	1.6
Dividend yield (%)	0.3	0.4	0.4	0.5	0.5	0.6
EV/Sales	2.5	2.0	1.8	1.5	1.4	1.4
EV/EBITDA	20.9	12.7	11.1	9.4	8.6	8.6
EV / Total Assets	2.7	1.8	1.5	1.3	1.2	1.2
Order Book to Sales	3.9	3.1	2.9	3.1	3.2	3.4
<b>Per Share Data (Rs)</b>						
EPS (Basic)	18.6	30.5	30.2	30.2	30.8	32.7
EPS (fully diluted)	16.0	21.7	19.9	28.4	30.8	32.7
Cash EPS	21.0	30.6	37.0	44.0	48.7	52.4
DPS	1.3	1.5	1.7	2.0	2.2	2.4
Book Value	101.3	121.1	145.6	195.0	221.7	251.6
<b>Dupont Analysis</b>						
EBIT margin	9.4	12.7	11.0	12.5	12.8	12.6
Tax retention ratio	0.9	0.9	0.8	0.7	0.7	0.7
Asset turnover (x)	1.2	1.3	1.1	1.1	1.0	1.0
ROIC (Post-tax)	9.7	14.4	10.2	9.5	8.8	8.4
Cost of Debt (Post Tax)	1.7	6.4	7.6	6.9	6.5	6.5
Leverage (x)	0.5	0.8	1.3	1.4	1.4	1.6
Operating ROE	14.0	21.1	13.5	13.2	12.0	11.3
<b>Returns (%)</b>						
ROACE (Pre-tax)	10.0	14.2	11.0	12.5	12.3	11.9
Angel ROIC (Pre-tax)	10.9	16.2	12.5	13.7	13.1	12.5
ROAE	15.8	19.5	14.9	16.7	14.8	13.8
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	3.6	3.8	3.5	3.8	4.1	4.2
Inventory / Sales (days)	125	125	144	167	183	173
Receivables (days)	85	75	77	73	72	70
Payables (days)	90	100	99	95	106	109
WC cycle (ex-cash) (days)	192.3	175.5	220.9	250.8	250.8	234.9
<b>Solvency ratios (x)</b>						
Net debt to equity	0.5	1.1	1.4	1.4	1.4	1.7
Net debt to EBITDA	2.5	3.0	3.7	3.7	3.7	4.4
Interest Coverage (EBIT/Interest)	12.6	3.9	2.0	2.1	2.1	2.0

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**Disclosure of Interest Statement**
**Patel Engg.**

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below Rs 1 lakh for Angel, its Group companies and Directors.

**Ratings (Returns):**

Buy (&gt; 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (&lt; -15%)

Neutral (-5 to 5%)