

BUY

Price	Rs320
Target Price	Rs380
Investment Period	12 months

Stock Info

Sector	Construction
Market Cap (Rs cr)	535
Beta	0.8
52 WK High / Low	470/ 196
Avg Daily Volume	70790
Face Value (Rs)	10
BSE Sensex	17,491
Nifty	5,192
BSE Code	532718
NSE Code	PRATIBHA
Reuters Code	PRTI.BO
Bloomberg Code	PRIL IN

Shareholding Pattern (%)

Promoters	60.2
MF/Banks/Indian FIs	13.7
FII/ NRIs/ OCBs	18.2
Indian Public	7.9

Abs.	3m	1yr	3yr
Sensex (%)	(6.3)	25.5	173.8
PIL (%)	(15.5)	54.5	#(11.9)

Since listing date
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Performance Highlights

- Net Sales zooms 77%:** For 4QFY2008, Pratibha Industries (PIL) reported a robust 77% yoy surge in Net Sales to Rs189cr (Rs107cr) as against our expectation of Rs159cr. Topline was driven by strong Revenue growth across Divisions and Margin expansion accruing from scale benefits. Strong growth recorded by the Water and Transportation Segments also aided Topline growth.
- Operating Margins decline by 268bp:** Operating Profit for the quarter grew by a mere 38% to Rs18.1cr (Rs13.1cr) on account of pressure on Margins, which declined to 9.6% (12.2%). For FY2008, OPMs were a tad better at 12.6% (12.2%). During the quarter, Margins declined primarily due to high raw material costs and increase in labour costs. Prices of cement and steel, the essential raw materials of the construction industry, increased substantially during the quarter under review. However, we believe the prices of these commodities have now peaked and result in Margins improving for the construction players.
- Good Order Book position:** PIL currently has an order book of Rs2,000cr, a yoy growth of about 100%. Out of the Total Order Book, 75% of the orders are from the company's core competence area which is designing to distribution of water covering laying of pipelines, WTPs, pump house, etc. Around 25% of the order book is from urban infrastructure and the balance is from development of intra-city roads, etc. This huge order book (4x FY2008 Sales) gives revenue visibility for the next two years.

Key Financials

Y/E March (Rs cr)	FY2007	FY2008	FY2009E	2010E
Net Sales	300.4	475.9	670.6	922.3
% chg	72.5	58.4	40.9	37.5
Net Profit	20.4	34.3	43.6	51.5
% chg	65.9	67.6	27.2	18.3
FDEPS (Rs)	12.2	20.5	26.1	30.9
EBITDA Margin (%)	12.2	12.6	12.5	11.8
P/E (x)	26.1	15.5	12.2	10.3
RoE (%)	23.1	24.4	21.2	20.7
RoCE (%)	19.7	19.7	19.7	21.5
P/BV (x)	4.8	2.9	2.4	2.0
EV/Sales (x)	2.3	1.3	1.0	0.7
EV/EBITDA (x)	18.8	10.5	7.8	5.5

Source: Company, Angel Research

Outlook and Valuation

The future holds great opportunities for infrastructure players as can be concluded from the allocations for the Infrastructure Sector in the Union Budget 2007-2008. Allocation for *Bharat Nirman* has increased by 31.6% from Rs18,696cr to Rs24,603cr, which will bring in huge orders for all the players. Allocation for the *Rajiv Gandhi Drinking Water Mission* has also increased from Rs4,680cr to Rs5,850cr and for the total sanitation campaign, the Budget allocation has increased from Rs720cr to Rs954cr. Allocation for the *National Highways Development Program* has been augmented to US \$2.8bn, a yoy increase of 26.5%. The state highways and roads are also throwing up investment opportunities with Maharashtra and Andhra Pradesh taking the lead.

At the CMP, the stock is trading at 12.2x FY2009E and 10.3x FY2010E Earnings of Rs26.1 and Rs30.9 respectively, on a standalone basis. PIL is a mid-sized construction company and we have assigned it a P/E multiple of 12x FY2010E Earnings for its core business and have valued its BOT project at Rs10. Accordingly, we have arrived at a Target Price of Rs380. **We maintain a Buy on the stock, with a potential upside of 19%.**

Exhibit 1: Quarterly Performance

Y/E March (Rs cr)	4QFY2008	4QFY2007	% chg	FY2008	FY2007	% chg
Net Sales	188.9	106.6	77.2	475.9	295.2	61.2
Total Expenditure	170.9	93.6	82.6	416.0	259.2	60.5
Operating Profit	18.1	13.1	38.4	59.9	36.0	66.5
OPM (%)	9.6	12.2	-	12.6	12.2	-
Interest	6.6	5.8	14.6	20.2	11.7	72.9
Depreciation	1.1	0.3	275.9	3.5	1.1	209.8
Non-Operating Income	1.1	0.5	148.9	3.7	0.4	951.4
Non-Recurring Items	0.0	0.0	-	0.0	0.0	-
Profit Before Tax	11.5	7.5	54.2	40.0	23.6	69.6
Tax	1.2	1.1	-	5.7	3.1	-
Reported Profit After Tax	10.3	6.4	61.0	34.3	20.4	67.7
PAT (%)	5.5	6.0	-	7.2	6.9	-
Adj Profit After Tax	10.3	6.4	61.0	34.3	20.4	67.7
Adj. PAT (%)	5.5	6.0	-	7.2	6.9	-
Adj. FDEPS (Rs)	6.2	3.8	61.0	20.5	12.2	67.7

Source: Company, Angel Research



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Sebi Registration No : INB 010996539

Ratings (Returns) : Buy (Upside > 15%)
Reduce (Downside upto 15%)

Accumulate (Upside upto 15%)
Sell (Downside > 15%)

Neutral (5 to -5%)