

Construction

Pratibha Industries Ltd

Buy

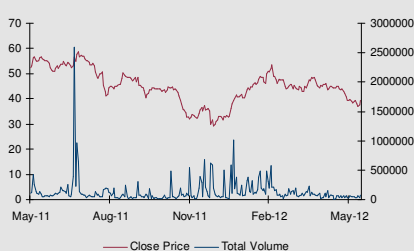
CMP Rs 39

Target Price Rs 52

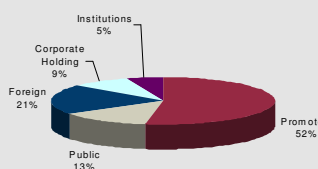
Key Data

Face Value	2
Market Cap (Rs in mn)	3878
Total O/s Shares in (in mn)	99.4
Free Float	47.57%
52 Week High / Low	74/28
Avg. Monthly Volume (BSE)	8644
Avg. Monthly Volume (NSE)	35005
BSE Code	532718
NSE Code	PRATIBHA
Bloomberg Code	PRIL IN
Beta	0.95
Date of Incorporation	19 th July 1995
Last Dividend Declared	30%
Six month return	21%
Indices	BSE B
FCCB's outstanding	N.A.
Warrants outstanding	N.A.

One Year Price Chart



Source: Capitaline

Share Holding Pattern (31st Mar 2012)

Source: Company, KJMC Research

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Pratibha Industries Ltd (PIL) reported better than expected Q4FY12 results on strong execution of order book. The consolidated net revenue grew at 33.2% on yoy to Rs 5.17 bn but high interest and depreciation on yoy basis resulted into a flattish PAT at Rs 270.4 mn. The consolidated EBITDA margin for the quarter grew by 95 bps to 13.6%. In FY12, the company has added Rs 33.5 bn of new orders. The order book stood firm at Rs 56.4 bn which excludes Rs 6 bn of orders where it is L1 or preferred bidder. Based on strong order book, the management has given a revenue growth guidance of 20-25% with 13-13.5% of EBITDA margins in the next two years. The company has targeted to achieve an order backlog of Rs 70 bn by the end of FY13.

Key Highlights

Execution remained strong in Q4FY12: The Company reported better than expected consolidated net revenue of Rs 51.7bn with 33.2% yoy growth in Q4FY12. The revenue growth was on the back of strong execution of orders. 50% of the revenue was from water segment, 38% from building segment and balance from Urban Infrastructure project and pipes manufacturing. The management has maintained revenue growth guidance of 20-25% in the next two years.

Maintained margin guidance of 13-13.5% on existing order book: In Q4FY12 the consolidated EBITDA margin improved by 95 bps on yoy to 13.6%. The management has maintained margin guidance of 13-13.5% on the existing orders. The EBITDA for the quarter grew at 43.2% yoy to Rs 702.1 mn whereas PAT fell marginally by 1.3% yoy. The consolidated net debt at the end of the quarter grew from Rs 7.64 bn to Rs 8.85 bn on qoq on account of increased borrowing against funding higher capex and investment in projects. In FY12 the company incurred a capex of ~Rs 4 bn for purchasing equipment and for funding Delhi car parking project.

Targets to achieve Rs 70bn of order backlog by FY13 end: The order backlog of the company remained strong at Rs 56.4 bn (3.4x FY12 consolidated net sales). 52% of orders are from water space, 11% from urban infra and 37% are from building. The order book excludes Rs 6 bn of orders where PIL is L1/preferred bidder. In FY12, the company added Rs 33.5 bn of new orders. The company targets to achieve an order backlog of Rs 70 bn by the end of FY13. Currently it is bidding for Rs 70 bn of new projects related to DMRC phase 3 project in JV. These orders are of larger ticket size of Rs 10-15 bn.

Financial Snapshot (Consolidated)

Rs in mn

Particulars	FY10	FY11	FY12A	FY13E	FY14E
Net Revenue	10,072	12,681	16,646	20,169	24,973
YoY Growth %	25.0	25.9	31.3	21.2	23.8
EBITDA	1,367	1,721	2,181	2,645	3,267
EBITDA Margin %	13.6	13.6	13.1	13.1	13.1
PAT	565	714	811	877	1,170
PAT Margin %	5.6	5.6	4.9	4.3	4.7
EPS	6.8	7.2	8.2	8.7	11.6
P/E	5.8	5.4	4.8	4.5	3.4
EV/EBITDA	5.1	4.1	5.3	4.6	4.1
RoE%	22.6	19.2	16.0	14.9	16.9

Source: Company, KJMC Research

BOT projects on track: In DMRC car parking project, it has leased out 15% of the area and 75% of commercial lease space is expected to be leased out by FY13 end. The construction work at 53 km stretch of Bhopal Sanchi project is in full swing.

Merger of Pratibha Pipes & Structures is on track: Last quarter, the company announced merger of Pratibha Pipes and Structural Limited (PPSL), a promoter group company into Pratibha Industries Ltd and further the manufacturing undertaking including existing pipes business would be hived off into a wholly owned subsidiary. The merger swap ratio was fixed at 6 shares of FV Rs 2 of Pratibha Industries for 1 share of FV Rs 10 of PPSL. The merger process is on track and the company is convening shareholders meeting on 5th June to approve the scheme. The whole process will take approx 2-3 months for completion. In FY12, PPSL reported Rs 2 bn of sales and approx Rs 600 mn of PBT. It had a debt of Rs 850 mn at the end of the year.

Quarterly Performance (Consolidated)

(in Rs mn)

Particulars Rs Mn	Q4FY12	Q4FY11	YoY Growth%	FY12	FY11	YoY Growth%
Net Sales	5174.9	3886.5	33.2%	16646.1	12681.1	31.3%
Expenditure	4472.8	3396.1	31.7%	14465.5	10960.6	32.0%
Construction expenses	3489.2	2773.0	25.8%	11446.9	9101.1	25.8%
Employee Cost	350.6	226.6	54.7%	1069.2	684.2	56.3%
Other Expenditure	633.0	396.5	59.7%	1949.4	1175.3	65.9%
EBITDA	702.1	490.4	43.2%	2180.7	1720.5	26.7%
EBITDAM%	13.6%	12.6%	95.0%	13.1%	13.6%	-46.7%
Other Income	20.0	22.0	-8.8%	114.0	53.1	114.5%
PBIDT	722.2	512.4	40.9%	2294.7	1773.6	29.4%
Depreciation	75.6	43.7	73.1%	227.9	170.2	33.9%
Interest	274.2	127.0	116.0%	960.7	635.5	51.2%
PBT	372.4	341.8	9.0%	1106.1	967.9	14.3%
Tax	102.0	67.7	50.7%	295.1	253.6	16.4%
PAT	270.4	274.1	-1.3%	811.0	714.3	13.5%
PATM%	5.2%	7.1%	20 bps	4.9%	5.6%	-76.1%
Equity Capital	198.9	198.8	0.0%	198.9	198.9	0.0%
EPS	2.7	2.8	-1.4%	8.2	7.2	13.5%

Source: Company, KJMC Research

Segmental Performance (Consolidated)

(in Rs mn)

Particulars	Q4FY12	Q4FY11	YoY Growth%	FY12	FY11	YoY Growth%
Segment Revenue						
Infra & Construction	6506.9	3875.1	67.9%	18892.1	13878.6	36.1%
Manufacturing	256.8	538.4	-52.3%	903.2	1337.2	-32.5%
Unallocated	8.6	11.5	-25.1%	59.6	13.5	343.0%
Less: Inter-segment	1577.4	518.7	204.1%	3094.8	2495.0	24.0%
Income from Operations	5195.0	3908.5	32.9%	16760.1	12734.2	31.6%
Segment Profits						
Infra & Construction	652.2	444.0	46.9%	2011.3	1541.9	30.4%
Manufacturing	11.5	19.3	-40.3%	61.1	95.8	-36.3%
Unallocated	8.6	11.5	-25.1%	59.6	13.5	343.0%
Total PBIT	672.3	474.8	41.6%	2132.0	1651.1	29.1%

Source: Company, KJMC Research

Outlook & Valuation

We believe that the company would maintain revenue growth of 20-25% in the next two years based on strong order backlog and new order inflows opportunity in water and urban infra space. But increased debt and high interest cost would negatively impact the PAT growth in FY13. On the basis of FY13E and FY14E fully diluted EPS of Rs 8.7 and Rs 11.6, the stock is currently trading at P/E of 4.5x and 3.4x respectively. We maintain **BUY** rating on the stock with target price of Rs 52. At our target price, the stock discounts FY13E and FY14E EPS by 6x and 4.5x respectively.

Consolidated Financial Summary

Profit & Loss Statement						Balance Sheet					
Y/E, Mar (Rs. mn)	FY10	FY11	FY12A	FY13E	FY14E	Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	10,072	12,681	16,646	20,169	24,973	Equity Share Capital	167	199	199	202	202
Growth %	25.0	25.9	31.3	21.2	23.8	Reserves	2,587	4,486	5,226	6,178	7,277
Total Expenses	8,705	10,960	14,465	17,524	21,705	Net worth	2,754	4,685	5,425	6,380	7,479
Growth %	21.9	25.9	32.0	21.1	23.9	CCPPS	0	150	150	0	0
EBITDA	1,367	1,721	2,181	2,645	3,267	Total Share Holders' Fund	2,754	4,835	5,575	6,380	7,479
Growth %	49.1	25.9	26.7	21.3	23.5	Secured Loans	3,048	3,270	8,470	8,470	9,470
EBITDAM %	13.6	13.6	13.1	13.1	13.1	Unsecured Loans	1,300	1,118	1,118	1,118	1,118
Other Income	63	59	114	64	64	Loan Funds	4,348	4,388	9,588	9,588	10,588
Interest	522	641	961	1,199	1,261	Total Liabilities	7,102	9,223	15,163	15,969	18,067
Depreciation	140	170	228	314	323	Gross Block	3,169	3,586	7,586	8,086	8,586
PBT	766	968	1,106	1,196	1,747	Less: Accumulated Depreciation	278	427	655	969	1,292
Tax	201	254	295	319	576	Net Block	2,891	3,158	6,931	7,117	7,293
Reported PAT	565	714	811	877	1,170	Capital Work In Progress	114	545	545	545	545
Growth %	26.3	26.4	13.5	8.2	33.4	Investments	51	1	41	141	141
Net Margin%	5.6	5.6	4.9	4.3	4.7	Current Assets	8,279	11,169	15,470	15,778	19,309
Minority Interest	0	0	0	0	0	Inventories	3,237	3,792	6,223	6,579	8,446
PAT (After min int)	565	714	811	877	1,170	Debtors	1,944	1,895	2,292	1,948	2,412
Growth %	26	26	14	8	33	Cash & Bank	658	1,281	1,912	1,417	1,227
						Loans & Advances	2,441	4,201	5,043	5,834	7,223
						Current Liab & Prov	4,103	5,468	7,640	7,430	9,038
						Net Current Assets	4,176	5,702	7,830	8,349	10,271
						Net Deferred Tax	-131	-184	-184	-184	-184
						Total Assets	7,102	9,223	15,163	15,969	18,067

Cash Flow Statement						Ratios					
Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E	FY14E	Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E	FY14E
Pre-Tax Profit	766	968	1,106	1,196	1,747	Profitability>Returns %					
Depreciation & Non Cash	140	170	228	314	323	EBITDA Mgn	13.6	13.6	13.1	13.1	13.1
Interest & others	492	621	961	1,199	1,261	PAT Mgn	5.6	5.6	4.9	4.3	4.7
Chg in Working Cap	-1,742	-987	-1,498	-1,013	-2,112	ROCE	20.7	19.0	16.0	15.0	17.3
Tax Paid	-3	-100	-295	-319	-576	ROE	22.6	19.2	16.0	14.9	16.9
Operating Cash Flow	-347	672	502	1,376	643	Per Share Data (Rs/share)					
Net Capex	-994	-863	-4,000	-500	-500	EPS	6.8	7.2	8.2	8.7	11.6
Free Cash Flow	-1,340	-192	-3,498	876	143	CEPS	8.5	8.9	10.4	11.8	14.8
Investments	-51	56	-40	-100	0	BVPS	33.0	47.1	54.6	63.1	74.0
Equity Capital	0	1,437	0	0	0	DVPS	0.6	0.6	0.6	0.6	0.6
Loans	1,888	44	0	0	0	Valuations (X)					
Dividend	-39	-82	-71	-72	-72	PER	5.8	5.4	4.8	4.5	3.4
Interest & Others	-522	-641	-961	-1,199	-1,261	CPER	4.6	4.4	3.7	3.3	2.6
Net Change in Cash	-64	623	630	-494	-190	P/BV	1.2	0.8	0.7	0.6	0.5
Opening Cash Position	721	658	1,281	1,912	1,417	EV/Sales	0.7	0.6	0.7	0.6	0.5
Closing Cash Position	658	1,281	1,912	1,417	1,227	EV/EBITDA	5.1	4.1	5.3	4.6	4.1
						Dividend Yield %	1.5	1.6	1.6	1.6	1.6
						Turnover (X Days)					
						Debtor Days	61	55	50	35	35
						Inventory Days	112	117	157	137	142
						Current Liability Days	76	69	62	63	62
						Net Working Cap Days	124	142	148	146	136
						Fixed Assets T/O (x)	4.2	3.8	3.0	2.6	3.0
						Gearing Ratio (X)					
						Net Debt/Equity	1.3	0.7	1.4	1.3	1.3
						Total Debt/Equity	1.6	0.9	1.8	1.5	1.4

Source: Company

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Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	-	appreciate more than 20% over a 12- month period
Accumulate	-	appreciate 10% to 20% over a 12- month period
Hold / Neutral	-	appreciate up to 20% over a 12- month period
Reduce	-	depreciate up to 10% over a 12- month period
Sell	-	depreciate more than 10% over a 12- month period

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Daily Performance Report for all Debt & Equity Funds	Report containing daily, weekly, monthly, half yearly & yearly performance along with ranking of each fund.	Mon-Fri
Product Notes	Brief Details about different products like Mutual fund, Fixed Deposits, Bonds, IPOs, Insurance & Home Loans.	Time to time

Data Sources: Capitalline, Companies, Bloomberg, Various Websites & publication available on Public domain.

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Mutual Fund's AMFI No.	:	ARN - 2386

* Under KJMC Commodities Market India Ltd

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