



NEUTRAL

Price	Rs98
Target Price	-
Investment Period	-

Stock Info

Sector	Construction
Market Cap (Rs cr)	163
Beta	0.8
52 WK High / Low	340/47
Avg. Daily Volume	10388
Face Value (Rs)	10

BSE Sensex	11,683
Nifty	3,555

BSE Code	532718
NSE Code	PRATIBHA
Reuters Code	PRTI.BO
Bloomberg Code	PRIL@IN

Shareholding Pattern (%)

Promoters	61.6
MF/Banks/Indian FIs	13.0
FII/ NRIs/ OCBs	16.1
Indian Public/others	9.3

Abs.	3m	1yr	3yr
Sensex (%)	21.5	(30.2)	(6.1)
PIL (%)	47.0	(69.1)	(73.5)

Shailesh Kanani

Tel: 022 – 4040 3800 Ext: 321
e-mail: shailesh.kanani@angeltrade.com

Aniruddha Mate

Tel: 022 – 4040 3800 Ext: 335
e-mail: aniruddha.mate@angeltrade.com

Performance Highlights

- **Dismal show on Topline front:** For 4QFY2009, Pratibha Industries (PIL) posted a dismal set of performance on the Consolidated Net Sales front to Rs224.8cr (Rs216.7cr) against our expectation of Rs291.3cr. This growth of mere 3.8% came as a consequence of slow order intake and poor execution which can be mainly attributed to tight liquidity situation experienced by the company. However, for the full year FY2009 the company posted a growth of 42.9% to Rs807.3cr (Rs565.1cr). Going ahead, we expect the company to post a decent growth of 33.1% to Rs1,074.4cr in FY2010 mainly on account of robust order book.
- **Operating Margins at 12.1%:** For 4QFY2009, PIL registered healthy operating margins of 12.1% (9.3%) against our expectations of 10.5%. This good performance on the OPM front came on the back of yoy decrease in Raw material expenses by 960bp which can be mainly attributable to decline in commodity prices. Going ahead we expect the company to post a better performance on the operating front and post an OPM of 12.0% as it stands to benefit from the decline in commodity prices.
- **Bottomline impacted by lower Topline growth:** PIL's Bottomline grew at mere 17.5% to Rs12.1cr (Rs10.3cr) against our expectation of Rs15.8cr. This below estimate performance came on the back of lower Topline growth. Going ahead we expect the company's Bottomline to be under pressure and post a subdued growth of 14.3% to Rs51.1cr which would be mainly on account of higher Interest costs.
- **Weak Order Book evokes concerns:** PIL has an outstanding order book of Rs2,200cr which is 2.7x its FY2009 consolidated sales. This weak order book is a consequence of slow order inflow which has been a cause of concern for quite some time. Projects from the JNNURM (*Jawaharlal Nehru National Urban Renewal Mission*) scheme accounts for 40-45% of the outstanding order book, the rest accounts for projects relating to Tunneling, Building construction etc.

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
Net Sales	565.1	807.3	1,074.4	1,288.3
% chg	87.9	42.9	33.1	19.9
Net Profit	34.3	44.7	51.1	56.0
% chg	68.3	30.6	14.3	9.6
FDEPS (Rs)	20.5	26.8	30.6	33.6
EBITDA Margin (%)	11.7	11.5	12.0	11.8
P/E (x)	4.8	3.6	3.2	2.9
RoE (%)	24.6	21.9	20.7	18.9
RoCE (%)	23.5	20.8	20.3	18.8
P/BV (x)	0.9	0.7	0.6	0.5
EV/Sales (x)	0.4	0.5	0.5	0.5
EV/EBITDA (x)	3.7	4.1	4.1	3.8

Source: Company, Angel Research

Outlook and Valuation

Infrastructure happens to be at the focal point for economic revival to happen. India requires investments to the tune of US \$500bn in Infrastructure by FY2012, of which around US \$125bn is expected to come from the Private sector. Given this, most Infrastructure companies stand to benefit from this with a decent share of the Infrastructure spend expected to fall in their kitty, which would ensure good Earnings visibility for most infra players, going ahead.

However in spite of all the optimism relating to infrastructure sector company specific performance continues to be a function of order book thereby ensuring revenue visibility and liquidity position. Slow order intake has been a cause of concern for PIL for quite some time. Moreover we believe that the large cap players who are straddled across segments and geographies have stronger Revenue visibility. Also such diversified players are available at very attractive valuations. Hence, we prefer bigger infra players like IVRCL Infra, Nagarjuna Const. to a relatively small player like PIL. **At Rs98, the stock is trading at attractive valuations of 3.2x FY2010E Earnings however owing to tight liquidity crunch faced by PIL and lower Order Book/ Sales ratio we maintain our Neutral view on the stock.**

Exhibit 1: 4QFY2009 Performance (Consolidated)

Y/E March (Rs cr)	Q4FY2009	Q4FY2008	% chg	FY2009	FY2008	% chg
Net Sales	224.8	216.7	3.8	807.3	565.1	42.9
Total Expenditure	197.6	196.6	0.5	714.2	498.8	43.2
Operating Profit	27.1	20.1	35.1	93.2	66.2	40.7
OPM (%)	12.1	9.3	-	11.5	11.7	-
Interest	7.0	7.4	(5.0)	34.1	22.5	51.3
Depreciation	3.0	1.1	167.0	7.1	3.6	97.9
Non Operating Income	0.0	-	-	3.4	0.1	-
Non recurring items	-	-	-	-	-	-
Profit Before tax	17.2	11.6	48.1	55.4	40.2	38.0
Tax	5.1	1.3	289.6	10.7	5.9	-
Reported Profit After Tax	12.1	10.3	17.7	44.7	34.3	30.6
PAT (%)	5.4	4.8	-	5.5	6.1	-
EPS (Rs)	7.3	6.2	17.7	26.8	20.5	30.6

Source: Company, Angel Research



Research Team: Tel: 4040 3800

E-mail: research@angeltrade.com

Website: www.angeltrade.com

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

Opinion expressed is our current opinion as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions - futures, options and other derivatives as well as non-investment grade securities - involve substantial risks and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, Angel Broking, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent Angel Broking and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

Angel Broking Limited and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions.

Angel Broking Limited and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

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%)