

STOCK DATA

Market Cap	Rs5.4bn
Book Value per share	Rs66
Eq Shares O/S (F.V. Rs.10)	16.7mn
Median Vol (12 mths)	75,935 (BSE+NSE)
52 Week High/Low	Rs470/144
Bloomberg Code	PRIL@IN
Reuters Code	PRIL.BO

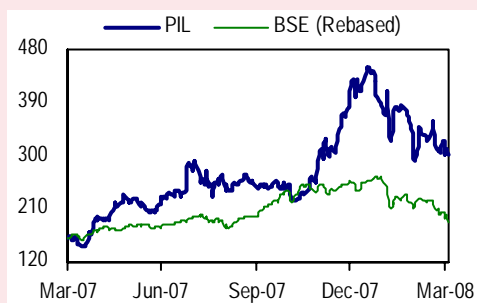
SHAREHOLDING PATTERN (%)

Qtr. Ended	Jun-07	Sep-07	Dec-07
Promoters	70.3	70.3	60.2
MFs/FIs	1.8	4.4	10.4
FIs	3.8	6.9	17.3
PCBs	7.9	5.9	3.9
Indian Public	16.2	12.5	8.2

STOCK PERFORMANCE (%)

	1M	3M	12M
Absolute	(14.0)	(24.8)	87.6
Relative	4.9	(2.1)	60.2

STOCK PRICE PERFORMANCE



Pratibha Industries Ltd. (PIL) is a construction and infrastructure player, well entrenched in Water Management Projects (WMPs). WMPs form ~52% of PIL's order book of ~Rs24bn. PIL integrated backward in Q2FY08 by commissioning an HSAW plant (capacity 92kmtpa). Also, the company recently received API (American Petroleum Institute) certification for its HSAW plant and plans to foray into the lucrative oil and gas EPC segment. Promoters of Pratibha group currently own 'Pratibha Pipes and Structural Ltd. (PPSL)' with a capacity of 24kmtpa LSAW pipes, and Pratibha Shareholding Pvt Ltd (PSPL) and One Metro India Pvt Ltd (OMIPL).

PIL, under a scheme of arrangement, is acquiring PPSL, PSPL and OMIPL, and issuing equity in PIL to promoters as compensation. It will thereafter demerge its HSAW pipes division into PPSL, making PPSL a 100% subsidiary. In FY08, PPSL is expected to post net sales of Rs1.6bn and net profits of Rs80mn.

KEY TAKEAWAYS

- The scheme involves issue of PIL shares in the ratio of 137 shares of PIL for every 1 share held by them in PSPL amounting to 23,97,500 shares; 13 shares of PIL for every 27 equity shares in OMIPL amounting to 481,481 shares. Both PSPL and OMIPL will be merged into PIL.
- The restructuring will result in a 14.7% dilution on fully diluted equity capital of Rs19.6mn. We expect the scheme to be earnings accretive as our FY08E EPS post-restructuring will be Rs22.7 vs pre-restructuring FY08E EPS of Rs22.3. Also, with PIL getting API certification for its HSAW division, margins of the division (estimated by us at ~8.5% for FY08-FY10E) could get a leg up as PIL forays into higher margin oil and gas EPC segment.

VALUATIONS

At the CMP of Rs275, PIL trades at a P/E of 6.9x and EV/EBIDTA of 4.8x FY10E earnings. A strong order book & revenues from the pipe manufacturing business should enable PIL to capitalise on the burgeoning opportunities in the infrastructure sector. However, we have factored in execution delays for some projects (Ulhasnagar water supply project). We have also revised our OPM estimates downwards due to steep increase in key raw material prices. We maintain our 'BUY' recommendation with an 18-month price target of Rs490.

KEY FINANCIALS (STANDALONE)					(Rs Mn)		KEY RATIOS						
Yr Ended (March)	Net Sales	YoY Gr (%)	Op Profits	Op Marg (%)	Net Profits	Eq Capital	Yr Ended (March)	EPS (Rs.)	ROCE (%)	RONW (%)	P/E (x)	EV/Sales (x)	EV/EBDIT (x)
2006	1,741	43.4	220	12.7	123	143	2006	8.6	23.2	24.4	43.9	2.5	19.5
2007	3,004	72.5	367	12.2	204	143	2007	14.3	21.4	23.1	26.3	1.6	13.2
2008E	6,880	129.0	806	11.7	444	196	2008E	22.7	24.9	30.5	12.1	1.1	8.7
2009E	10,392	51.0	1,183	11.4	661	196	2009E	33.7	24.3	29.2	8.2	0.7	6.2
2010E	13,317	28.1	1,519	11.4	780	196	2010E	39.8	27.2	26.8	6.9	0.6	4.8

Income Statement	2005	2006	2007	2008E	2009E	2010E
Revenues	1,214	1,741	3,004	6,880	10,392	13,317
<i>Growth (%)</i>	<i>48.4</i>	<i>43.4</i>	<i>72.5</i>	<i>129.0</i>	<i>51.0</i>	<i>28.1</i>
Total Expenditure	1,057	1,521	2,637	6,074	9,209	11,799
Operating Profit	157	220	367	806	1,183	1,519
Interest & dividend income	-	5	4	30	10	15
EBIDT	157	226	370	836	1,193	1,534
(-) Interest	66	71	123	225	250	270
(-) Depreciation	5	7	11	42	62	64
PBT & extraordinary items	86	148	236	569	881	1,200
(-) Tax provision	5	14	33	125	220	420
Net Profits	81	123	204	444	661	780
Fully diluted Eq. sh. o/s (mn no)	2.0	14.3	14.3	19.6	19.6	19.6
Book Value (Rs)	93	58	66	100	130	167
Basic EPS (Rs)	40.5	8.6	14.3	22.7	33.7	39.8
Diluted EPS (Rs)	4.1	6.3	10.4	22.7	33.7	39.8

Balance Sheet	2005	2006	2007	2008E	2009E	2010E
<i>Equity Share Capital</i>	20	143	143	196	196	196
<i>Reserves & Surplus</i>	165	679	806	1,766	2,360	3,072
Net worth	185	822	949	1,962	2,555	3,268
Total Debt	375	503	1,363	2,383	2,413	2,573
Deferred Tax liability	1	1	4	4	4	4
Capital Employed	561	1,327	2,316	4,350	4,973	5,846
Fixed Assets	84	135	493	1,461	1,439	1,415
Net current assets	472	854	1,795	2,710	3,355	4,252
Investments	5	295	28	178	178	178
Misc exp.	-	43	-	-	-	-
Total Assets	561	1,327	2,316	4,350	4,973	5,846

Cash Flow Statement	2005	2006	2007	2008E	2009E	2010E
PBT & Extraord. items	86	137	236	569	881	1200
Depreciation	5	7	11	42	62	64
Interest & dividend inc.	(0)	(0)	-	(30)	(10)	(15)
Interest paid	52	71	123	225	250	270
Tax paid	(5)	(14)	(28)	(125)	(220)	(420)
Other Adjustments	18	12	(1)	-	-	-
(Inc)/Dec in working capital	(238)	(362)	-	(791)	(797)	(716)
Cash from operations	(82)	(149)	(357)	(110)	166	383
Net capital expenditure	(16)	(57)	(376)	(1,010)	(40)	(40)
Net investments	(0)	(290)	266	(150)	-	-
Interest recd	-	-	-	30	10	15
Cash from investing activities	(16)	(348)	(110)	(1,130)	(30)	(25)
Issue of eq. shares	-	460	(2)	53	-	-
Share premium	-	-	-	583	-	-
Change in Loans	150	129	860	1,020	30	160
Eq. Dividend paid	-	-	(33)	(67)	(67)	(67)
Interest paid	(52)	(71)	(123)	(225)	(250)	(270)
Cash from financing activities	98	518	702	1,364	(287)	(177)
Inc/(Dec) in cash	1	21	235	124	(151)	181

Key Ratios	2005	2006	2007	2008E	2009E	2010E
EBIDT (%)	12.9	13.0	12.3	12.2	11.5	11.5
ROACE (%)	54.4	23.2	21.4	24.9	24.3	27.2
ROANW (%)	87.5	24.4	23.1	30.5	29.2	26.8
Sales/Total Assets (x)	2.2	1.3	1.3	1.6	2.1	2.3
Debt:Equity (x)	2.0	0.6	1.4	1.2	0.9	0.8
Current Ratio (x)	1.9	2.6	3.0	2.4	2.1	2.2
Debtors (days)	127	122	192	122	122	115
Inventory (days)	94	90	37	81	81	81
Net working capital (days)	140	177	215	142	116	115
EV/Sales (x)	0.8	2.5	1.6	1.1	0.7	0.6
EV/EBIDT (x)	5.8	19.5	13.2	8.7	6.2	4.8
P/E (x)	66.4	43.9	26.3	12.1	8.2	6.9
P/BV (x)	3.0	4.8	4.1	2.7	2.1	1.6

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