

Petron Engineering

₹ 153

*Time to get Global***Buy**

Sep 21, 2012

Company Background

Petron Engineering Construction Limited (PECL) established in 1976, is one of India's foremost EPC companies in Oil & Gas, Power, Cement, Petrochemical and Metal Industries for past more than three decades. PECL was acquired by KazStroyService Limited (KSS), UK in 2008 to enter the league of global engineering majors. Today, the company has to its credit more than 120 Fired Heaters, 45 Power Plant Projects and also the honour of working with top-notch clients in the industry. Be it the Obajana Cement Plant of Nigeria, which with a capacity of 15,000 tpd is the biggest Cement Plant in Africa or the 600MW boiler for Reliance Energy, PECL today is a venerated name in the EPC industry.

Key Highlights

- ➔ PECL have received a Fax of Acceptance from GAIL (India) Limited, (A Gol Navratna Company) for Gas Processing Unit for Order Value of ₹ 67.08 Cr, Gas Cracking Unit for Order Value of ₹ 192.34 Cr, Cracker Furnace Package for a Order Value of ₹ 66.50 Cr, at Pata. UP. for Petrochem Complex - II.
- ➔ PECL have received Orders from Lanco Infratech Ltd., for Supply of Electrical Equipment and Erection, Testing & Commissioning of Electrical Erection Package for their 2 x 600 MW Thermal Power Project at Dist. Dhenkanal, Odisha, India for a total Order Value of ₹ 31.60 Cr.
- ➔ PECL is a contract by Lafarge India for Mechanical Erection, Electrical and Automation Installation for its 5000 TPD Cement Plant Project at Chittaurgarh, Rajasthan, India, for an approximate Contract Value of ₹ 66.50 Cr.
- ➔ PECL stands as a leading name in the field of Cement Plant Construction. The group has constructed several major cement plants in India and Overseas, with a combined capacity of approx 1,00,000 MTPD of cement production for leading clients including ACC, Grasim Industries, Madras Cement Ltd, National Cement, Yemen and National Cement company, Dubai.
- ➔ In May 2011 the LN Mittal group bought 33.34% stake in the promoter which triggered open offer in India. The open offer came at ₹ 386. The holding of LN Mittal group in PECL will be good for the company as their management expertise would result in the positive synergy in the long run.

Key Financials

Year Ended 31 st	Mar 10	Mar 11	Mar 12
Revenue (INR mn)	5,744.8	5,096.5	5,280.2
Rev. growth (%)	29.88	(11.28)	3.60
EBITDA (INR mn)	662.8	664.2	898.5
Net profit (INR mn)	238.8	309.5	320.0
Shares outstanding (mn)	7.5	7.5	7.5
EPS (INR)	31.7	41.0	42.4
EPS growth (%)	269.09	29.61	3.39
P/E (x)	10.8	7.3	5.7
RONW (%)	29.24	29.12	24.35
ROCE (%)	17.91	21.33	15.54

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Info Codes

Reuters	: PEEC.BO
Bloomberg	: PTEC@IN
NSE	: PETRONENGG
BSE	: 530381

Market Data

52 Wk Range (₹)	: 325 / 130
Shares in Issue (mn)	: 7.54
Mkt. Cap (₹ bn)	: 1.16
BSE 2 Wk Avg Vol	: 1365

Share Holding Pattern (%)

Promoters	: 72.47
DII's	: 02.30
FII's	: 00.00
Others	: 25.23

Investment Theme

The growth plans of PECL & KSS are complimentary and powerful synergy exists to expand the activities of the group in Kazakhstan, India & beyond. Together, the partnership plans to explore Middle East, Far East & Turkmenistan markets to achieve a true International flavor and to realize soaring success in all their ventures. KSS group has branches/regional offices in leading commercial centers of the world with support centers at London, Dubai, Singapore, Gurgaon, Almaty and Atyrau (Kazakhstan). The Group has total manpower of more than 38,500 alongwith the management base consisting of professionals from Germany, Russia, Italy, UK, Scotland, Australia, Ukraine Turkey, India and Kazakhstan. KSS Group with PECL is on the verge of becoming a truly global phenomenon.

Cause a KSS is a Bliss !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	5711.1	5081.3	(11.03)	5308.6	4.47
Other Income	27.2	42.5	56.25	5.3	(87.53)
Change in Stocks	(387.4)	(82.0)	(78.83)	1877.3	(2389.39)
Raw Material Con.	1442.6	1218.3	(15.55)	2706.3	122.14
Employee Exp.	852.2	880.9	3.37	1097.9	24.63
Indirect Taxes	509.9	457.4	(10.30)	498.7	9.03
Other Exp.	1883.4	1821.0	(3.31)	1989.8	9.27
Operating Exp.	5075.5	4459.6	(12.13)	4415.4	(0.99)
Operating Profit	635.6	621.7	(2.19)	893.2	43.67
Total Interest	119.4	76.9	(35.59)	171.1	122.50
Gross Profit	543.4	587.3	8.08	727.4	23.85
Net Dep.	184.8	113.1	(38.80)	224.8	98.76
Total Taxation	119.8	164.7	37.48	182.6	10.87
Net Profit/Loss	238.8	309.5	29.61	320.0	3.39

4 Years Balance Sheet

(₹ mn)

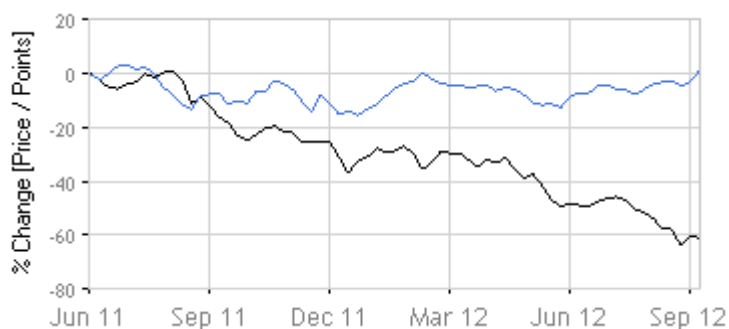
Balance Sheet as on 31 st	Mar 09	Mar 10	Mar 11	Mar 12
SOURCES OF FUNDS	1,234.8	1,423.6	1,499.8	2,786.7
Equity Share capital	75.4	75.4	75.4	75.4
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	627.8	849.2	1,141.2	1,443.7
Secured Loans	299.0	245.6	283.2	1,198.6
Unsecured Loans	232.6	253.4	0.0	69.0
USES OF FUNDS	1,234.8	1,423.6	1,499.8	2,786.7
Gross Block	1,289.0	1,409.0	1,733.6	1,982.8
Less : Revaluation Reserves	62.8	61.4	59.9	58.5
Less : Accumulated Depreciation	710.1	769.8	837.5	945.1
Net Block	516.1	577.8	836.2	979.2
Capital Work in Progress	56.7	20.8	56.0	25.4
Investments	0.0	0.0	0.0	0.0
Current Assets	2,364.8	2,566.4	3,553.6	4,757.5
Less : Current Liabilities	1,702.8	1,741.4	2,946.0	2,975.4
Total Net Current Assets	662.0	825.0	607.6	1,782.1
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	0.0	0.0	0.0	0.0
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	99.9	140.1	1,952.8	2,568.1
Dividend (%)	0	20	20	20

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 11	Sep 11	Dec 11	Mar 12
Net Sales	1,676.50	1,795.60	1,959.50	1,451.50
Cost Of Sales	1,464.50	1,595.10	1,809.00	1,345.80
Operating Profit	212.00	200.50	150.50	105.70
Recurring Income	3.70	2.30	5.30	26.30
Adjusted PBDIT	215.70	202.80	155.80	132.00
Financial Expenses	31.70	38.20	41.70	50.30
Depreciation	47.70	39.60	38.10	39.10
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	136.30	125.00	76.00	42.60
Tax Charges	43.80	41.30	25.60	11.30
Adjusted PAT	92.50	83.70	50.40	31.30
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	92.50	83.70	50.40	31.30

52 Week Index Relative Percentage Appreciation



Petron vs SENSEX

Points to Ponder

The world is becoming a newer place by the day. From stem cell research to nuclear physics, developments in every field are an endeavour to make it a better place to live. India stands on the verge of such a revolution today. Where the services sector has elevated us from being a developed nation about 20 years ago to an emerging superpower, a sustained growth needs strong infrastructural support. It is said, if you can't reach them, you can't help them. What that requires is an effort from both public and privates sectors. PECL with its diverse businesses and sectors, aims to do just that. With services spread over a wide gamut ranging from Refinery, Oil & Gas Power to Cement, Fertilizer to Petrochemicals PECL envisions to make our developing nation of today as the world leader of tomorrow.

Risks Associated

The world economy worldwide is showing the signs of another slowdown. The risk of sovereign crisis in many countries has increased many folds. Any slowdown in Economy would delay or slow down expansion plans in Infra segment, leading to decline in orders. The infra projects are huge & long term in nature and they have much larger impact. Therefore they need to pass through much detailed scrutiny and take long time in approvals and other procedures. Such delays in execution of projects may adversely impact margin of the EPC company. The prices of raw material fluctuate frequently. By the time the project is finalized, the prices of raw materials change drastically. This makes it difficult to accurately predict the margins or operating efficiency.

In a Nutshell

PECL, is an EPC player having valuable and rich experience in the field of Refinery, Power and Cement, Petrochemical and Fertilizer Plants. Its clients include IOCL, HPCL, NTPC, BHEL, Adani Power, ACC, etc. The company was originally promoted by Indian promoters in July 1976. In 2008, Kazakhstan based KazStroyService (KSS) group acquired controlling stake of 53% in PECL. The company witnessed strong performance post acquisition by KSS group. In May 2011 L.N. Mittal group acquired indirect stake of 33.34% in PECL's promoter which triggered an open offer in India. Post open offer LN Mittal group currently has an indirect stake of approx 37% in PECL. PECL is competitive, high technology oriented EPC player that strives to conduct its business in full compliance with international safety, management and quality standards. PECL stands as a leading name in the field of Cement Plant Construction. The group has constructed several major cement plants in India and Oversea, with a combined capacity of approx 1,00,000 Mt / day of cement production for leading clients including ACC, Grasim Industries, Madras Cement Ltd, National Cement, Yemen and National Cement company, Dubai. PECL has got a distinction of installing more than 45 Power Plant Projects, involving a variety of construction systems and covering every sector : be it coal, Coal, Lignite or Gas based plants, indisputably emerging as one of nations biggest contributors to power sector. The company has also been involved in execution of projects for leading players in Petrochemical Industry in India such as Reliance Petroleum, Haldia Petrochemicals etc.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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