

Petron Engg. Const. Ltd.

₹ 117

*Flowing with Orders***Accumulate**

Mar 14, 2014

Company Background

Petron Engineering Construction Limited (Petron Eng) 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. Petron Eng was acquired by KazStroyService Limited, 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, Petron Eng today is a venerated name especially in India's EPC industry.

Key Highlights

- ➔ On Mar 10, 2014 Petron Eng has received Letter of Award for Civil Contract at Nagpur Cement Works, Nagpur, from UltraTech Cement for a total Contract Value of Rs. 54.70 Crores.
- ➔ On Feb 26 2014 Petron Eng has received from BPCL, an order for Composite Mechanical Works of Process Units - FCCU for Integrated Refinery Expansion Project (IREP) of BPCL Kochi Refinery for a Contract Value of approx. Rs. 213 Crores.
- ➔ On Feb 19, 2014 Petron Eng has received Letter of Intent from JBF Petrochemicals Limited, Mangalore for Composite works comprising Civil, Structural, Underground Piping, Buildings, Mechanical Piping, Insulation, Painting, Electrical & Instrumentation works for its JBF PTA OSBL Project at Mangalore for an approx. Contract Value of Rs. 196.00 Cr.
- ➔ On Feb 03, 2014 Petron Eng has been awarded a Contract by VISA Power Limited, Kolkata, for execution of civil job at VISA Raigarh Thermal Power Plant, Chhattisgarh for a Contract Value of Rs. 99.76 Crs.
- ➔ On Dec 09, 2013 Petron Eng has received an Advice of Contract awarded by Bharat Petroleum Corporation Limited, Ernakulam, Kerala for Heater Package of FCCU for Integrated Refinery Expansion Project of its Kochi Refinery for a Contract Value of Rs. 24.37 Crores plus US\$ 312830/-.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	5,096.5	5,327.9	5,111.1
Rev. growth (%)	(11.28)	4.54	(4.07)
EBITDA (INR mn)	664.2	898.4	489.6
Net profit (INR mn)	309.5	320.0	0.9
Shares outstanding (mn)	7.5	7.5	7.5
EPS (INR)	41.0	42.4	0.1
EPS growth (%)	29.61	3.39	(99.72)
P/E (x)	7.3	5.7	611.2
RONW (%)	29.1	24.4	(6.5)
ROCE (%)	21.3	14.8	(3.1)

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Info Codes

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

Market Data

52 Wk Range (₹)	: 145 / 33
Shares in Issue (mn)	: 7.5
Mkt. Cap (₹ bn)	: 0.87
BSE 2 Wk Avg Vol	: 12000

Share Holding Pattern (%)

Promoters	: 72.47
DII's	: 0.04
FII's	: 0.00
Others	: 27.49

Investment Theme

With Indian Government's view to renew focus on Infrastructure development and prioritize the need for greater Infrastructure development, Infrastructure Industry in India is surely poised for Growth. Petron's Management is optimistic in meeting its share of business under a major challenging scenario. Power, Cement and Refineries are considered major concentration areas for further business volumes for the company. To bridge the ever increasing Gas demand and supply situation in Natural Gas, new LNG Terminals are being planned in India and Petron Eng is focusing this sector. Few Fertilizer plants expansion projects are announced, this being one of Petron Eng's core area. The Company is also working in this sector. Thus, Petron Eng is geared up to align to participate for such Projects to achieve a sustainable business in its challenging times.

Reached Re-Order Level

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	5081.3	5308.6	4.47	4981.6	(6.16)
Other Income	42.5	5.2	(87.76)	109.0	1996.15
Change in Stocks	(82.0)	1877.3	(2389.39)	717.6	(61.77)
Raw Material Con.	1218.3	2706.3	122.14	2069.7	(23.52)
Employee Exp.	880.9	1097.9	24.63	1103.1	0.47
Indirect Taxes	457.4	498.7	9.03	513.8	3.03
Other Exp.	1821.0	1989.8	9.27	1632.0	(17.98)
Operating Exp.	4459.6	4415.4	(0.99)	4601.0	4.20
Operating Profit	621.7	893.2	43.67	380.6	(57.39)
Total Interest	76.9	171.1	122.50	280.3	63.82
Gross Profit	587.3	727.3	23.84	209.3	(71.22)
Net Dep.	134.6	250.1	85.81	197.4	(21.07)
Total Taxation	143.2	157.2	9.78	11.0	(93.00)
Net Profit/Loss	309.5	320.0	3.39	0.9	(99.72)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	1,423.6	1,499.8	3,018.0	3,413.1
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	849.2	1,141.2	1,443.8	1,444.6
Long Term Loans	283.1	220.0	311.5	699.4
Short Term Loans	215.9	63.2	1,187.3	1,193.7
USES OF FUNDS	1,423.6	1,499.8	3,018.0	3,413.1
Gross Block	1,409.0	1,733.6	1,982.8	2,058.1
Less : Revaluation Reserves	61.4	59.9	58.5	57.1
Less : Accumulated Depreciation	769.8	837.5	945.1	1,096.3
Net Block	577.8	836.2	979.2	904.7
Capital Work in Progress	20.8	56.0	25.4	12.9
Investments	0.0	0.0	0.0	0.0
Current Assets	2,566.4	3,553.6	4,757.5	4,697.2
Less : Current Liabilities	1,741.4	2,946.0	2,744.1	2,201.7
Total Net Current Assets	825.0	607.6	2,013.4	2,495.5
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	140.1	1,174.8	1,223.3	1,617.7
Dividend (%)	20	20	20	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 13	Jun 13	Sep 13	Dec 13
Net Sales	1,286.80	1,073.30	898.60	886.50
Cost Of Sales	1,265.60	982.60	815.90	775.90
Operating Profit	21.20	90.70	82.70	110.60
Recurring Income	49.70	9.80	12.60	2.60
Adjusted PBDIT	70.90	100.50	95.30	113.20
Financial Expenses	55.20	52.10	57.70	66.10
Depreciation	42.50	42.30	42.50	42.30
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	(26.80)	6.10	(4.90)	4.80
Tax Charges	13.50	2.00	0.90	1.50
Adjusted PAT	(40.30)	4.10	(5.80)	3.30
Non Recurring Items	0.00	0.00	7.90	0.00
xOther Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	(40.30)	4.10	2.10	3.30

52 Week Index Relative Percentage Appreciation



Petron vs SENSEX

Points to Ponder

All the industries to which Petron Eng caters to are showing improving trends. The Cement Industry is poised for continuous growth to keep pace with the infrastructure development in India, many companies are awarding EPC contracts for expansion. Large size petrochem projects are expected to come up in coming years as the demand for Fiber, Plastic, Rubber, Resins is supposed to rise. There is also a big scope for Hydro, Solar, Wind and Nuclear Power.

Risks Associated

The world economy worldwide is under slowdown. The risk of sovereign crisis in many countries has increased many folds. Any further 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. Further increased inflation, sporadic labour wages, rise in cost of feed stock and delay in land acquisitions due to government policies may not augur well for the company.



Petron Eng.

In a Nutshell

Petron Eng, 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 Petron Eng's promoter which triggered an open offer in India. Post open offer LN Mittal group currently has an indirect stake of approx 37% in Petron Eng. The company is competitive, high technology oriented EPC player that strives to conduct its business in full compliance with international safety, management and quality standards. Petron Eng 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. Petron Eng 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. Recent orders secured by the company propose a good future for it.

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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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