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Pennar Industries; Maintain BUY rating on the stock with TP of Rs 81

Pennar Industries and its subsidiaries Pennar Enviro have received orders worth Rs 760 mn. Company received orders from Hindustan Dorr Oliver, United Spirits Limited, Sterling and Wilson, Integral Coach Factory, Southern Railway and East Central Railway.

Orders Details:

Environment and Water Treatment:

- Hindustan Dorr Oliver-design, supply and erection of an effluent treatment plant
- United Spirits-design, supply and erection of an effluent treatment plant and a sewage treatment plan

Solar Power and Railways:

- 20 Mw order from Sun Technologies for supply of solar module mounting systems in Orissa
- 23 Mw order from Sterling and Wilson for supply of solar module mounting systems in Madhya Pradesh
- Order from Southern Railway and East Central Railway for supply of components for Wagons.
- Order from Integral Coach Factory for the supply of components for Coaches.

Our Take:

This is positive and large order intake for the company. Out of six business segments of the company, three are order book based, which are Systems and Projects (includes railways and solar), PEBS and Pennar Enviro. Order book for solar and railway businesses at the end of Q3FY15, stood at Rs 600 mn and Rs 960 mn, respectively. Order book of PEBS segment was not disclosed by the company in Q3FY15 (as PEBS has filed DRHP), but we estimate it to be about Rs 3,000 mn, Which brings total order book of the company at the end of Q3FY15 to be Rs ~4,560 mn.

In CY15 (till date), including current Rs 760 mn orders intake, company has received total orders worth of Rs 2,260 mn.(disclosed orders)

At CMP of Rs 50, Pennar industries is trading at FY16E and FY17E, PE multiple of 9.8x and 6.7x, respectively. We maintain BUY rating on the stock with TP of Rs 81.

Key rationales for our recommendation are 1) High growth business of Pre-engineered buildings 2) Separate listing of PEBS (74% subsidiary) can act as additional trigger point for the stock price of the company 3) company's gradual transition from pure Commodity player to value added player-which is helpful in margin expansion 4) Company's presence in diverse sector of Economy like automobile, infrastructure, railways etc.