



CONCORDE CAPITAL

Ukraine/ Steel Pipe & Tube

Dnipropetrovsk Pipe

AGM Sets New Development Course

BUY

7 Apr 2006

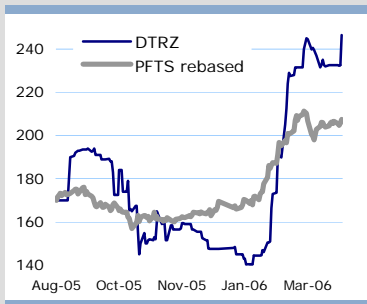
USD 48.80

12m Target

USD 86.65

Andriy Gostik
+380 44 207 5030
ag@concorde.com.ua

DTRZ Mid-Market, UAH



Market Information

Bloomberg DTRZ.UZ
Reuters DTRZ.PFT

No of Shares, mln 1.06

Market price, USD 48.80
52Wk H/L, USD 48.81/27.82
MCap, USD mln 51.5
Free Float, % 25%

Stock Ownership

IUD & related entities (est.) 70%
Minorities 30%

Ratios 2005*

EBITDA Margin 2.4%
Net Margin 0.1%

*Adjusted downward for debt write-offs

With financial recovery in the past and issues with creditors settled, Dnipropetrovsk Pipe is expected to boost its operating and financial performance this year. The company's AGM on April 6, 2006 outlined DTRZ's development program aimed at capacity modernization and production expansion. Our DCF-based target remains unchanged at USD 86.65 per share. BUY

Financial Recovery Over. DTRZ has successfully undergone a financial recovery procedure which started in April 2003. On Sep 21, 2005, an amicable agreement was signed between DTRZ's core shareholder, Industrial Union of Donbass (IUD) which owns over 70% of the company's shares and its creditors who had previously filed for the company's bankruptcy. According to the agreement, DTRZ has written off a major portion of its accounts payable to its creditors (~USD 21.5 mln) and the remaining amount (USD 9.9 mln) will be paid off by the end of 2006.

Financials To Improve This Year. DTRZ's sales in 2005 totaled USD 143.9 mln, up 69.5% yoy. The debt write-off boosted the company's reported income which in 2005 comprised USD 21.7 mln. However, the company's adjusted net income-2005 is USD 0.16 mln, lower than 0.36 last year. The company expects a substantial improvement in its bottom line in 2006 with net income projected at USD 12.9 mln, close to our previous estimate of USD 15.3 mln. We estimate net margin of ~7-9% this year.

Modernization To Boost Production. DTRZ has developed a detailed modernization program for the next four years with a total estimated cost of USD 41.1 mln which, the management estimates, will allow the company to increase production from current 228 ths mt to 300 ths mt in 2008-2009.

The EU Market Holds Promise. The company exports 74% of its pipe production and its export structure is well diversified and not pegged to the Russian market. Specifically, in 2005 DTRZ sold only 15% of its pipes to Russia. The EU import duty on DTRZ's pipes is just 12.6%, the lowest among Ukrainian pipe makers, as DTRZ was granted market economy company status. This status opens significant doors in the EU market for its pipe exports in the near future. The company's other key markets are the Middle East, Africa, Eastern Europe and Asia.

In The Hands Of A Master. The AGM replaced DTRZ's Supervisory Board with the IUD's top management. We expect DTRZ to enjoy IUD's financial strength, management abilities and distribution channels which should result in significant financial and operating performance improvements in the mid term. IUD already created a precedence of a successful plant rehabilitation by bringing Alchevsk Iron & Steel to a new profitability level.

KEY FINANCIAL DATA, USD mln

	Net Revenue	EBITDA	Net Income	DPS, USD
2005*	143.9	3.5	0.2	0.0
2006E	149.9	29.8	12.9	0.0
2007E	154.4	29.6	17.7	0.0

Spot Exchange Rate 5.05

*adjusted downward for debt write-offs

KEY RATIOS

	P/S	P/E	EV/EBITDA	Div Yield
2004	0.36	18.42	311.79	0.0%
2005E	0.34	2.17	4.00	0.0%
2006E	0.33	2.37	2.90	0.0%

Concorde Capital
3V Sportyvna Square
2nd entrance, 3rd floor
Kyiv 01023, UKRAINE

Tel +380 44 206 8370
Fax: +380 44 206 8366
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

Managing Partner

John David Suggitt

js@concorde.com.ua

Director, Equity Sales

Peter Bobrinsky

pb@concorde.com.ua

Equity Sales

Marina Martirosyan
Lucas Romriell
Alexis Stenbock-Fermor
Anastasiya Nazarenko

mm@concorde.com.ua
lr@concorde.com.ua
asf@concorde.com.ua
an@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Metals & Mining

Andriy Gostik
Eugene Cherviachenko

ag@concorde.com.ua
ec@concorde.com.ua

Machine Building, Construction, Consumer Goods

Olga Pankiv

op@concorde.com.ua

Banking & Macroeconomics, Retail

Alexander Viktorov

av@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Politics

Nick Piazza

np@concorde.com.ua

Junior Analyst

Polina Khomenko

pk@concorde.com.ua

Disclaimer

This report has been prepared by Concorde Capital investment bank for informational purposes only. Concorde Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Concorde Capital may have a conflict of interest that could affect the objectivity of this report.

Concorde Capital, its directors and employees or clients may have or have had interests or long or short positions in the securities referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Concorde Capital may act or have acted as market-maker in the securities discussed in this report. The research analysts, and/or corporate banking associates principally responsible for the preparation of this report receive compensations based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and investment banking revenues.

The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data. Any opinions expressed herein are statements of our judgments as of the date of publication and are subject to change without notice. Reproduction without prior permission is prohibited. © 2006 Concorde Capital