

Analyst & Advisor: Abhishek Jain  
www.stocksidea.com  
+91-98260-41144

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## **Gammon India Limited—Strong Buy—385—INR**

Sector — construction (Infrastructure)  
Regd.Off. — Gammon House, Veer Savarkar Marg, Mumbai- 25  
Listed — NSE, BSE.

### **Company Overview—**

The company was incorporated in 1922 and converted into a public Ltd. company on 31st April 1962. The name was changed to Gammon India Ltd. In 1977 company associated with Gammon Eastern Union Ltd., Hong Kong, who promoted Gammon Midest Ltd. joint venture Company in Sharjah, United Arab Emirates. This joint venture company was incorporated in April, and was to undertake construction and service contracts in the Middle East and elsewhere. A new joint venture company, Heitkamp Gammon Ltd., was being established with Gammon India Ltd., and Heitkamp Rohrbau GmbH, West Germany as the principal promoter shareholder. In 1989 R&D Division of the company undertook development of energy efficient GFRP bladed fans for ID Cooling towers and PP splash grid modular packing system for ND/ID covering towers, alternative packing systems etc. Development and manufacture of places booms for concreting, mobile shuttering systems complete with hydraulic arrangement. Company's R & D division developed, fabricated and put into commission the headmast and tail-mast for 700 m span cable ropeway for Alamatti Dam as also 1500 mm dia. double-wall casing for executing the pile foundations for transmission towers at Tezpur for 60 m deep piles. It also designed and manufactured a special reverse circulation-pilling rig for 1500 mm diameter piles capable for depths upto 75 m. This division also developed special techniques for installation of 1500 mm diameter piles through the reinforced concrete well staining for a Bridge across Brahmaputra River at Jogighopa. Sikkim Hydro Power Ventures Ltd, a Special Purpose Vehicle Company incorporated for the development of 60 MW Rangit - II Hydro Electric Power Project in Sikkim has become a subsidiary of Gammon Infrastructure Projects Ltd. Vizag Seaport Pvt Ltd has also become the subsidiary of the company.

### **Products & services—**

Company has presence in all areas of civil construction. Company has executed many multifarious civil engineering works from Cotton Godowns, Bridges, flyovers, bitumen & concrete Roads, Marine Structures, Cooling Towers, Chimneys, Tunnels and Dams. Company has specialization in tunnel engineering, marine structures, bulk storage structures, energy projects & highrise structures, ground engineering & environmental protection, hydraulic works & irrigation projects, industrial structures, public utility structures, transport engineering, bridge engineering. Gammon has established strong presence of prestressed concrete in India. Company can claim for the largest numbers of bridges and flyovers built in India.

Company provides start-to-end solutions like the Builders and contractors, reinforced concrete specialists, engineers, architects, surveyor's estimators and designers. Gammon is the only Indian Construction Company to have been accredited with ISO 9001 certification for all fields of Civil Engineering Works including design, stands out as gateway for Technological and Engineering excellence in Civil Engineering fields. Company's dedicated and experienced team of planners, designers and construction engineers are ever ready to contribute their expertise

together and turn vision into reality. Company made the longest river bridge in the world across the mighty Ganges at Patna. The tallest bridge in Asia, the longest span cantilever bridge in India across river Jadhukata., the longest road bridge in India across the open sea and first cable stayed bridge in India.

### Financials—

Gammon India reported a phenomenal jump of 50.91% in net profits to Rs 3160 Lakhs for the quarter ended Dec. 31, 2006 as compared with Rs 2094 Lakhs for the corresponding quarter of the previous year. Total income of the company also increased 31.49% to Rs 44,072.00 Lakhs for the current quarter in comparison with Rs 33,517.00 Lakhs for the corresponding quarter in the previous year.

#### Results for 3<sup>rd</sup> Quarter FY2006-07

Financial Results	Rs.lakhs
Net Sales	44007.00
Other Income	65.00
Gross Income	44072.00
Increase/Decrease in Stock	0.00
Consumption of Raw Materials	13555.00
Staff Cost	3586.00
Total Expenditure Excluding Other Expenditure	17141.00
Other Expenditure	21715.00
Total Expenditure	38856.00
Interest	533.00
Profit Before Depreciation & Taxes	4683.00
Depreciation	1023.00
Profit Before Tax	3660.00
Provision for Taxation	500.00
Net Profit	3160.00
Adjusted Net Profit	3160.00
Face Value of Share (in Rs.)	2.00
Paid-up Equity Share Capital	1735.00
Basic EPS (in Rs.)	3.64
Diluted EPS (in Rs.)	3.61

### Recent Developments—

Gammon India is likely to form a 50:50 joint venture (JV) with its partner Dragados SPL of Spain. The syndicate of Gammon-Dragados had earlier emerged as a preferred bidder for the terminal, bidding for which was delayed for almost 2 years due to security clearance issues. When the port trust opened financial bids recently, Gammon-Dragados combine with its revenue sharing quote of 35% beat the only other bidding consortium of L&T of India and ICTSI of

Philippines, which quoted 31%. The bidding was based on annual revenues to be shared with the port trust. Gammon would form a joint venture with Dragados soon, mostly with 50:50 equity sharing. The JV will take over the existing BPS terminal having 150,000 20-ft equivalent container unit (TEU) capacity, and simultaneously start constructing the offshore terminal. It is expected to be operational in 3 years.

Mumbai Port Trust (MPT) board cleared Rs 12,280 million-container project bid of Gammon India. The Mumbai Port Trust board cleared Gammon India's bid for the port's ambitious offshore container terminal that will add an additional capacity of 15 million tons (MT). Recently, the market regulator Sebi had banned Gammon and its chairman Abhijit Rajan from accessing the capital market for one year for irregularities in its 2001 rights issue. The company has filed an appeal with the securities appellate tribunal. Emerging as the leading bidder for the MPT project, outbidding L&T, Gammon quoted the highest revenue sharing ratio of 35.064%, above L&T's 31.12%.

#### **Valuation—**

Company has strong order book positions of over 78bn rs. Company is looking for mega power projects and highway projects. At CMP, stock is trading at 18.9 X multiple of its FY2007-08 Estimated EPS. We recommend investors to "Strong Buy" "Gammon Indian limited" with medium to long-term investment horizon.

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