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Hindustan construction—Buy—140—INR

Sector — Construction
Regd.Off. — L B S Marg Vikhroli (W), Mumbai, Maharashtra- 400083
Listed — NSE, BSE.

Company Overview—

HCC is one of the largest private sector construction companies in India and the foremost in infrastructure building. Businessman and nationalist, Seth Walchand Hirachand, founded the company. With a vision for a modern and prosperous India, Seth Walchand entered into the core sector of industry and on 27th January 1926 Hindustan Construction Company Ltd.,(HCC) was born. Company started initially with tunneling works has today grown to a Company with a dedicated, experienced and expert team of people achieving remarkable feats in the field of civil engineering construction. The Subsidiary Companies of HCC are Hincon Technoconsult Ltd, Western Securities Ltd, HCC Infotech Ltd, Pune Paud Toll Road Company Ltd and Hincon Realty Ltd. The company has staff strength of over 1250 people, including over 600 people with technical and engineering skills and experience. HCC's highly trained manpower and up-to-date machinery are, in large measure, responsible for the quality and excellence of HCC's project implementation. For its immense contribution in the field of construction, HCC has won accolades from several prestigious organizations within India and abroad. Company plans to play a role in a major initiative - that of developing a strong, lease-based sub-contractor base.

Products & services—

Company is one of the largest construction and infrastructure building company in the country. HCC specializes in the construction of technologically complex & Long-gestation period projects. The Company executes various projects from diversified areas like Hydrel, Power, Roads, Bridges, Dams, Barrages, Marine Works, Buildings & Environmental Projects. The company has also undertaken several projects in Bhutan, Saudi Arabia, Iraq, Myanmar, Tanzania, Sri Lanka etc. The company also specializes in construction techniques like pre-cast units for industrial structures and jetties, slip forming for tall structures and underground shafts, bridge builders for segmented construction of long-span bridges, three-dimensional computer-aided design technology for bridges, and dredgers for speedy sinking of monoliths, etc.

HCC has contributed its civil engineering construction expertise with leading edge technologies for building some of the foremost infrastructure projects in India and abroad. Among these are over 300 road and railway bridges and several outstanding landmarks around the country. HCC has been involved in construction of the most diverse projects ranging from power, dams, highways and bridges, to marine structures, water supply, factories and waste treatment plants.

Financials—

Results for 3rd quarter FY2006-07

Financial Results	Rs.lakhs
Net Sales	53613.00
Other Income	18.00
Gross Income	53631.00
Increase/Decrease in Stock	0.00
Consumption of Raw Materials	15701.00
Staff Cost	6327.00
Total Expenditure (Excluding Other Expenditure)	22028.00
Other Expenditure	24947.00
Total Expenditure	46975.00
Interest	1754.00
Profit Before Depreciation & Taxes	4902.00
Depreciation	2055.00
Profit Before Tax	2847.00
Provision for Taxation	648.00
Adjusted Net Profit	2199.00
Face Value of Share (in Rs.)	1.00
Paid-up Equity Share Capital	2563.00
Basic EPS (in Rs.)	0.86

Recent Developments—

Company has bagged a contract from NTPC, New Delhi for “Construction of Barrage and Desilting Chamber” package for Loharinag Pala Hydro Electric Power Project (4x150MW) in the state of Uttaranchal. The value of the above contract is Rs 2464.80 million. The project is to be executed in 40 calendar months.

Company has been awarded two contracts aggregating to Rs 8 billion from National Hydroelectric Power Corporation, Faridabad. One of the contracts is for the construction of barrage, coffer dams, intake tunnel, head race tunnel, surge shaft, pressure shaft, underground power house, TRT, outlet structure and switch yard under the aegis of Chutak H E Project (4 x 11 MW), valued at Rs 4.10 billion. The other contract is the Nimoo-Bazgo H E Project (3 x 15 MW), J & K, valued at Rs 3.84 billion. The Chutak H E Project is expected to be complete in 50 calendar months, while the Nimoo-Bazgo H E Project would be completed in 45 calendar months.

Hindustan Construction Co, a construction and engineering firm, is planning an initial public offering (IPO) of its real estate unit. The unlisted unit, HCC Real Estate, is 100% owned by Hindustan Construction. The company is in talks with bankers on the real estate company’s IPO.

Company has secured a Rs 2750 million project from National Highways Authority of India (NHAI) for design, construction, development, finance, operation and maintenance of highways. The project involves the NH-7 in the state of Andhra Pradesh under North-South Corridor (NHDP Phase II) on BOT (Annuity) basis with semi-annuity amount of Rs 238 million.

Valuation—

Order book position of the company is growing steadily from last few Quarters and stands at over 9500 crore. Company has expertise in hydropower and nuclear power, which will be the key growing areas in future in power sector. At CMP, Stock is trading at 26.4 X multiple of its FY2008 Estimated EPS and 13.6 X of its FY2009 Estimated EPS. We recommend investors to “BUY” “Hindustan construction company ltd.” with medium to long-term investment horizon.

We invite Readers to send Valuable feedback, stock and subscription queries at E-mail Id- investment_guru1@yahoo.com

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