

BUZZING

STOCK

Hindustan Motors Limited

CMP – Rs.33

Analyst

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Key Stock Data

Sensex	17774
Nifty	5186
Sector	Automobiles
Bloomberg	HM IN
Reuters	HMTR.BO
No. of shares (m)	161
Market Cap (Rs m)	5319
Market Cap (US\$ m)	135
52-week H/L	Rs.46 /24

Shareholding Pattern (%)

Promoters	29.48
Mutual Funds	11.48
FII's	3.52
Corporate Bodies	13.42
Pubic & Others	41.68

Summary

Hindustan Motors is the oldest car-manufacturing unit in India, famous for its Ambassador cars. Ambassador cars manufactured by the company were darling of the Indian roads, until the advent of Maruti Udyog. Since then, the company's performance has been deteriorating. However going forward, we believe the initiatives taken by the company to upgrade its product offerings and strengthen its component business shall result in higher sales volume as well as better profitability.

The stock is currently trading at 14.6x its annualized Q1FY08 EPS of Rs.2.3.

Property Development Plan

Hindustan Motors has finalized an arrangement with Shriram Properties of Bangalore which will set up a Rs 55,000m integrated township and an auto park on 314 acres for land out of a total of ~700 acres where the Uttarpara plant is located. Shriram Properties in turn has roped in Starwood and Walton Street Capital for funding the township development.

For the development of the township, a special purpose vehicle, Bengal Shriram Hightech City Pvt. Ltd, has been formed, in which Shriram, Starwood and Walton will hold 33 %stake each. Hindustan Motors will be a minority partner in the venture and will receive four percent from the sale of space in the township. The projected shall be completed in the next six years.

Expansion and Diversification at Uttarpara Plant

Hindustan Motors has developed a comprehensive "Revival and Renewal Proposal" that would bring its Automotive Industrial Complex at Uttarpara back to profitability and financial health. The proposal envisages the following:

- Diversifying and Expanding into the Automotive Component Sector by developing a modern and large sized Automotive Forgings & Castings and Automotive Stampings business by cost effectively leveraging existing facilities and infrastructure.(~Rs 750 –1,000m).
- Sustaining the existing vehicle business by expanding range and upgrading technology. The company plans to upgrade the Ambassador model and make it compliant to the future emission norms. HML has also charted out plans to launch new models of the car, which can be sold even after 2009.
- Repayment of debt (~Rs.900m)
- Transformation of work practices in line with best in class in the auto industry – to achieve competitiveness in Quality Cost & Delivery.

The company plans to fund the entire capex from the proceeds (~Rs.2,950 m) realized from the sale of land to Shriram Properties, Bangalore.

Business Overview

Hindustan Motors Limited (HML) is a subsidiary of the GP-CK Birla Group. The company is an automobile manufacturing company that manufactures and sells vehicles and their automotive parts. Besides passenger cars (Ambassador, Grand and Avigo), Multi Utility vehicles (Trekker, Porter and Pushpak) and the RTV, the company also manufactures passenger cars in mid size premium segment (Mitsubishi Lancer, Lancer Select, and Lancer Cedia) and has brought in Sports Utility Vehicle (Mitsubishi Pajero) into the Indian market in collaboration with Mitsubishi Motors, Japan.

HML also provides remote services that include engineering services, engineering design, manufacturing engineering.

Facilities

The company has manufacturing facilities situated in Tiruvallur (Chennai), Uttarapara (Kolkata) and Pithampur (Indore). The company's Tiruvallur plant is dedicated to manufacture Mitsubishi Lancer cars in technical collaboration with Mitsubishi Motors, Japan. Its Uttarapara plant is engaged in the manufacture of Passenger cars, Ambassadors, Contessa and Multi Utility vehicles. The company's Pithampur plant manufactures the Road Trusted Vehicles (RTV), in technical collaboration with OKA Motor Company, Australia.

Financial Snapshot

Hindustan Motors Limited						Rs.m	Ratios (%)			
Financial Year End: March	Q1 FY08	Q1 FY07	Chg. (%)	FY07	FY06	Chg. (%)		FY07	FY06	Chg.(%)
Net Sales	1,402	1,415	(1)	6,261	4,268	47	Debt -Equity	2.1	1.6	26
Other Income	34	20	74	816	142	474	PBIDTM	(2.6)	(3.4)	(24)
Total Income	1,436	1,434	0	7,078	4,410	61	PBDTM	(4.6)	(5.0)	(7)
Total Expenditure	1,423	1,550	(8)	6,550	4,512	45	RoCE	(14.9)	-	-
PBIDT	13	(115)	(111)	528	(102)	617	RoNW	(47.2)	-	-
Interest	48	30	59	167	88	89				
PBDT	(35)	(146)	(76)	360	(190)	289				
Depreciation	53	59	(10)	232	180	29				
Tax	3	0	2,900	(11)	58	(119)				
Reported Profit After Tax	(92)	(205)	(55)	133	(437)	130				
Extra -ordinary Items	-	-	-	737	64	1,051				
Adj. Profit After Extra-ordinary it	(92)	(205)	(55)	(604)	(501)	(21)				
No. of shares (m)										
EPS (annualised.) (Rs.)	2.28	5.08	-	0.83	0	-				
P/E	14.63	6.6		40.2		-				

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