



Weekly Pick

Advisory Group

7 May 2010

HSBC  InvestDirect

Dredging Corporation

Closing Price: Rs 582.75

Dredging Corporation of India (DCI), incorporated in 1976 with Mini Ratna Status by the Government of India, caters to the dredging requirements domestically (Indian seaports) and internationally (foreign seaports). It offers four types of dredging services, viz. maintenance dredging, capital dredging, beach nourishment and land reclamation. Dredging maintenance is an annuity based business with periodic deposition of sediments due to under water currents, waves and tides. Removing the accumulated sediments is inevitable in order to restore the navigable depth.

It ensures the continuous availability of the desired depths in shipping channels of the Major and Minor Ports, Navy, fishing harbor and other maritime organizations.

DCI is a proxy to India's port investment and dredging activity & enjoys stable business model & monopolistic market & has nearly 80% market share with major chunk coming from JNPT & Kolkatta port. The company being a zero debt gives enough cushion to leverage its balance sheet going ahead in order to capitalize on the growth trajectory which the sector can witness going ahead.

With the Development of existing and new ports is government's immediate focus to boost EXIM growth which is evident through private investments going into the sector can also boost the overall prospects for the company going ahead. Further the future disinvestment and low float availability with the public makes it right contender for investment.

On the valuation front, the company at Current market price of Rs.585 is quoting at Price to Book value 1.29 x (Book value Rs. 453).

Dredging Corporation Technical View



Source: HISL Advisory, FALCON

The prices after hitting the rally high around 785 were on a corrective decline for last few months. In this corrective dip the prices in Wednesdays trading hit the low of 561.50 and since then have been showing tendency of reasserting the longer term uptrend. The prices in last three days of trading activity have formed a classical Morning Star signaling an onset of an uptrend which can challenge January high of 785. With momentum in weekly chart still locked in the bullish band investors can look to buy the stock at current price of 583 and also on dips to 570 with a strict stop placed below the low of Morning star at 561 for the target of 680 and eventually the January high of 785. Traders can keep a stop loss 550 on the investment.

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