

OUTPERFORMER
CMP: 41.35

| | |
|----------|--------|
| BSE Code | 500185 |
| NSE Code | HCC |

Key Data

| | |
|----------------------|--------------|
| Sensex | 9788 |
| 52 week H/L (Rs) | 278.90/30.80 |
| Market Cap (Rs Cr) | 864.67 |
| Avg. daily vol. (6m) | 945810 |
| Face Value (Rs) | 1 |

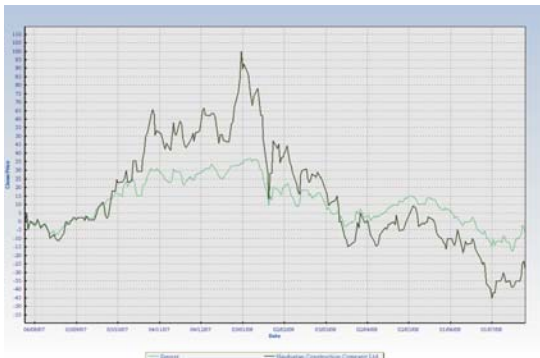
Source: Capitaline

Shareholding Pattern (%)

| | |
|----------------------------|-------|
| Promoters | 47.17 |
| Institution | 19.85 |
| Foreign holding | 8.08 |
| Non-promoter corp. holding | 10.29 |
| Public & Others | 14.61 |

Source: Capitaline

One-Year Performance (Rel. to Sensex)



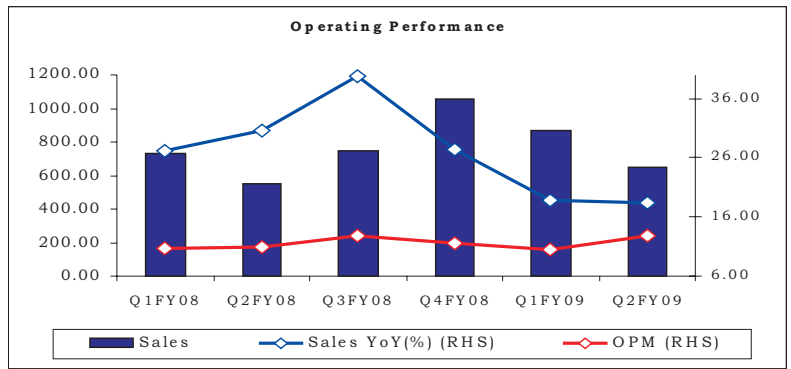
Source: Capitaline

Result Highlights

- HCC registered a 18.3% (yoy) growth in the top line and 71.5% (yoy) growth in the bottom line to Rs 649 Cr and Rs 20 Cr respectively. The company also stated that instead of charging losses/ gains on foreign exchange borrowings to the P&L, from April 1, it would rather adjust the carrying costs of assets with retrospective effect.
- Operating profit grew by 39% to Rs 84 Cr and the operating margins witnessed a 194 bps expansion to 12.9%.
- Company's order book has increased by Rs 576 Cr during Q2 to Rs 10772 Cr. Company has added 4 new orders worth Rs 1688.28 Cr after 30th Sep taking the total order backlog as on date to 12820 Cr i.e. 3.9 × TTM sales of Rs 3320 Cr.

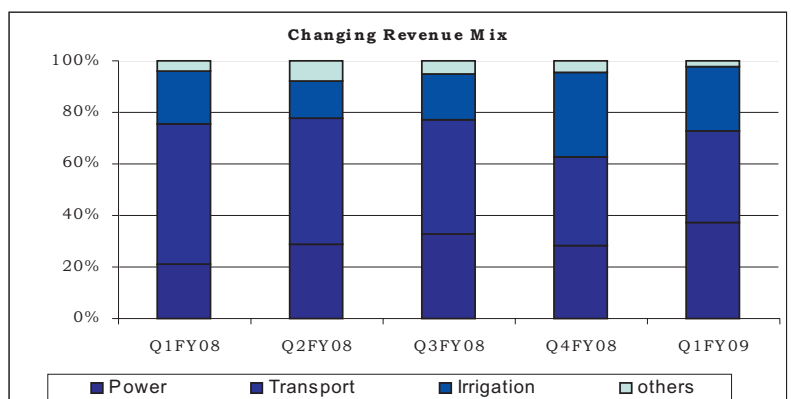
Financials

| (Rs crores) | Q2 FY09 | Q2 FY08 | YoY (%) | Q1 FY08 | QoQ (%) |
|---------------------------|--------------|--------------|---------|--------------|---------|
| Net Sales | 649.16 | 548.70 | 18.31 | 865.50 | -25.00 |
| Total Expenditure | 565.48 | 488.60 | 15.74 | 774.80 | -27.02 |
| Core EBITDA | 83.68 | 60.10 | 39.23 | 90.70 | -7.75 |
| <i>EBITDA Margins (%)</i> | <i>12.89</i> | <i>10.95</i> | | <i>10.48</i> | |
| Other Income | 2.36 | 0.30 | 687.43 | 1.50 | 57.49 |
| Depreciation | 29.63 | 22.60 | 31.11 | 25.30 | 17.12 |
| EBIT | 56.41 | 37.80 | 49.22 | 66.90 | -15.69 |
| Interest | 49.20 | 34.20 | 43.85 | 39.10 | 25.82 |
| Profit Before Tax | 7.21 | 3.60 | 100.29 | 27.80 | -74.06 |
| Tax | 2.16 | 2.30 | | 8.40 | |
| Adjusted Net Profit | 5.05 | 1.30 | 288.48 | 19.40 | -73.97 |
| Extra Ordinary Inc/Exp | 14.89 | 10.30 | | 11.40 | |
| Reported Net Profit | 19.94 | 11.60 | 71.90 | 30.80 | -35.26 |
| <i>NPM (%)</i> | <i>0.78</i> | <i>0.24</i> | | <i>2.24</i> | |
| No of shares | 25.63 | 25.63 | | 25.63 | |
| EPS (Ann.) | 0.79 | 0.20 | | 1.03 | |

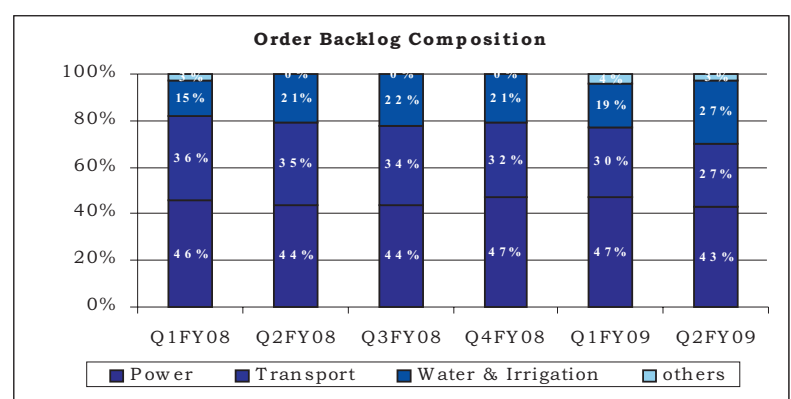


HCC reported revenues of Rs 649 Cr and net profit of Rs 19.94 Cr which are 18.3% and 71.5% higher on yoy basis. The company has, with effect from April 1st, changed the way it recognises fluctuations in foreign exchange rates related to its FCCB and would now adjust the carrying cost of fixed assets instead of charging gains or losses to the profit and loss account.

Operating profit for the quarter was almost 40% higher at Rs 83.7 Cr and the operating profit margins expanded by 195 bps mainly on the back of increasing share of high margin hydro power projects in the revenue mix (i.e 46% against 36% in same quarter previous year). We expect margins to improve further in the coming quarters due to the above mentioned reason and the fact that most of the commodity prices have corrected significantly from their peak.



The order backlog mix remains almost same from the last quarter with power segment accounting for highest share of 43% followed by water/ irrigation and transportation segment at 27% each. The order book is expected to strengthen significantly as we expect NHAH to aggressively award projects worth Rs 86600 Cr for which it had invited bids after April 2008



Progress on Real Estate front on track

247 Park

During the quarter the company leased out additional 25000 square feet of commercial and retail space @ more than Rs 90 psf. This takes the total leased out space to 3 lakh sq ft out of the total 1.2 msf of saleable area.

SRS Projects

At present the company is engaged with 2 slum rehabilitation schemes with total development area of 5.8 msf. For the SRS project in Vikhroli East, HCC has obtained more than 70% dwellers' consent and has added 30 acres land in the project for creating a mega development.

Lavasa

At lavasa, the company sold 130 apartments and 106 villas as against 160 in Q1. The apartments were sold @ RS 2950 / sq ft against Rs 2850 /sq ft in Q1. The average selling price for villas firmed up from Rs 3250 / sq ft in Q1 to Rs 3550 / sq ft in Q2. The company has pre sold properties worth Rs 700 Cr as against Rs 550 Cr in Q1FY09.

Recommendations

At the current price, HCC trades 10 times its TTM earnings of Rs 4. The company has strong order book position (almost 4 xTTM sales). Going forward we expect margins to strengthen due to falling commodity prices and greater execution of high margin power projects. We are positive about company's future plans both in construction as well as real estate front. The recent sell off provides a good opportunity for long term investors and we maintain our OUTPERFORMER rating on the stock.

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RATING INTERPRETATION

Buy Expected to appreciate more than 20% over a 12-month period

Accumulate Expected to appreciate up to 20% over a 12-month period

Hold Expected to remain in a narrow range

Avoid Expected to depreciate up to 10% over a 12-month period

Exit Expected to depreciate more than 10% over a 12-month period

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