



(Investment Idea)

Hind Dorr Oliver Limited (HDOL)

HDOL, total engineering solution provider for all manufacturing activities in pulp & paper, metal & minerals, fertilizers and environment related projects, has reported fabulous performance for Q4 FY 2007. Net Sales spurted up by 66.5% to Rs. 78.52 crore (Rs. 47.15 crore). OPM% zoomed to 9.8% (1.6%) mainly due to sharp reduction in material cost too 83% (88.2%) of sales. Consequently, PBT skyrocketed to Rs. 8.79 crore (Rs. 2.51 crore). After providing for tax @ 23.2%, PAT shot up to Rs. 6.75 crore (Rs. 2.81 crore) For FY 2007, Net Sales grew @ 47.5% to Rs, 208.51 crore (Rs. 141.41 crore). OPM% improved significantly to 8.9% (4.4%). Further aided by doubling of other income to Rs. 5 crore (Rs.2.5 crore) because of lease rental (~ Rs. 3-4 crore) from Andheri property, PBT almost tripled to Rs. 21.37 crore (Rs. 7.38 crore). However, average tax rate of 28.1% (12.3%) restricted growth in PAT of Rs. 15.36 crore (Rs. 6.47 crore) to 137.4%.

After coming into the fold of IVRCL group, company is making rapid strides and is growing at faster pace both in topline & bottomline HDOL has core competencies in providing engineered solutions, technologies and installations in solid-liquid separation applications in areas of :-

- Mineral beneficiation : HDOL has been pioneer in processing of Alumina, iron-ore, Uranium, Coal, Copper, Lead, Zinc, Chrome. After securing Rs. 200 crore order from Vedanta group with Chinese partner Chalico for fume treatment plant in FY 2007, company is expecting substantial orders in view of significant potential in this segment.
- Pulp and paper processing : Company provides complete EPC solutions for pulp mill starting from raw material preparation to bleaching pulp.
- Phosphatic and chemical processes: HDOL has installed almost 90% of India's phosphatic fertiliser plants on turnkey basis.
- Environmental management: HDOL is pioneer in water / waste management and industrial effluent systems and offers integrated solutions for complete onsite treatment. It has over five decades of experience in India / abroad in terms of executing turnkey projects in this field.

Company has ventured into Knowledge Process Outsourcing (KPO) business, which provides engineering solution services to TATA Consulting Engineers, subsidiary of TCS and Chemtex, USA based company. There are lots of opportunities in engineering outsourcing in global market. Company has strengthened its engineering operations by recruiting more engineers.

HDOL has ASME (American Society of Mechanical Engineers) U-Stamp accreditation. It is focusing on export market and expects regular orders from USA & Europe market. Company is also looking at acquisition of engineering, technology & manufacturing company.

Considering the strong corporate capex cycle (especially in paper, metal industries), pending orders worth Rs. 350 crore and IVRCL at the helm resolving past legacy issues, company is poised for great future. Accordingly, it is targeting turnover of Rs. 500 crore by FY 2009 @ CAGR of ~ 55%. Improved profitability and steady flow of rental income would lead to faster growth in bottomline.

At CMP of Rs. 84.15, share (Rs. 2/- paid up) is trading at 19.7 times FY 2007 actual EPS of Rs. 4.3 and 12 times FY 2008 expected EPS of Rs. 7/-. In view excellent future prospects, we recommend to "BUY" the share at CMP.

Disclosures:

The author may have held / hold the above-mentioned securities in their personal accounts or on behalf of the clients. The information contained has been obtained from sources believed to be reliable. While taking utmost care in making the report, the authors or the company does not take responsibility for the consequences of the report. All investment and information and opinion are subject to change without notice. The investment recommendations may not be suitable to all the investors.

May 31, 2007