

Gammon India Limited

CMP (19.02.2008) – Rs. 534.60

Profile

Gammon India Limited, the only Indian Construction Company to have been accredited with ISO 9001 certification for all fields of Civil Engineering Works including design, stands out as gateway for technological and engineering excellence in Civil Engineering fields. Gammon has dedicated and experienced team of planners, designers and construction engineers. They have to their credit the longest river bridge in the world across Ganges at Patna, the tallest bridge in Asia, the longest span cantilever bridge in India across river Jadukata, the longest road bridge in India across the open sea and first cable stayed bridge in India.

Gammon India currently holds 10.56cr shares of Gammon Infrastructure which is expected to come out with an Initial Public Offer in the near term and might result in substantial value unlocking. Gammon's order inflows for 9MFY08 were Rs. 1300cr. The order mix continues to be unfavorable being dominated by the low margin road construction orders at approx. 40%.

Latest Developments

Gammon plans to set up a surface logistic company by investing Rs. 300cr. initially. It seeks to tap the fast growing retail market too. Gammon's surface logistics company would have pan-India operations and expects to start business by January 2009. Gammon wants to be a third party logistic player, the one who provides outsourced or third party services to the companies for part or sometimes all of their supply chain management functions. The \$60 billion Indian surface logistics industry is attracting many players, including shipping companies such as Shreyas Shipping and the Essar group.

Financials

(Rs. in cr)

	9m 200712	200703	200603 (15m)	200412	**CAGR %
Share Capital	17.7	17.7	17.7	15.6	
Networth		897.5	858.5	325.2	
Revenues	1523.3	1859.2	1467.9	866.7	40.4
EBITDA	148.0	226.8	215.5	105.3	40.6
PAT	64.9	44.5	104.2	42.9	1.6
Operating Cash Flows before working capital changes		189.9	195.76	97.16	34.7
Dividend %		25.0	24.0	33.3	
EPS (Rs.)*	7.3	5.0	9.4	7.3	-15.5
Debt-Equity Ratio		0.3	0.4	1.1	
Interest Coverage Ratio		4.0	2.7	2.4	
RoNW %		5.1	14.1	24.0	
EBITDA Margin %	9.7	12.2	14.7	12.2	
PAT Margin %	4.3	2.4	7.1	4.9	
Price/Sales	2.2				
PE Multiple	141.8				
P/BV Ratio	5.2				

* EPS for 9 months ended 200712 is in absolute terms and not annualized.

** CAGR calculated for a period of 2 years & 3 months.

Analyst

Abhishek Gupta

abhishekg@bajajcapital.com

Review

Alok Agarwala

aloka@bajajcapital.com

Result Analysis: 3rd Quarter 08

(Rs. in cr)

	Q3FY08	Q3FY07	Q2FY08	YoY % change	QoQ % change
Net Sales	522.67	440.07	460.32	18.8	13.5
Other Income	0.39	0.65	0.78	-40.0	-50.0
Total Income	523.06	440.72	461.1	18.7	13.4
Total Expenditure	475.89	388.56	419.09	22.5	13.6
EBITDA	47.17	52.16	42.01	-9.6	12.3
Interest	4.8	5.33	3.84	-9.9	25.0
Depreciation	11.42	10.23	11.31	11.6	1.0
PBT	30.95	36.6	26.86	-15.4	15.2
Tax	11.75	12.08	9.73	-2.7	20.8
APAT	19.2	24.52	17.13	-21.7	12.1
EPS	2.21	2.83	1.97	-21.7	12.1
Equity	17.35	17.35	17.35		

Information Sources

1. ISI Emerging Markets
2. Capitaline Plus

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Bajaj Capital Centre for Investment Research
Bajaj Capital Ltd
97, Bajaj House, Nehru Place
New Delhi 110019

Email: bccir@bajajcapital.com