

ANALYSTS SAY metro orders are a big positive for HCC and J Kumar Infraprojects and provide better earnings visibility over the medium term

L&T, HCC, J Kumar Shares Gain on Mumbai Metro Orders

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Mumbai: Larsen & Toubro and J Kumar have bagged two packages each of the total seven awarded by the Mumbai Metro Rail Corporation as part of the third phase of the metro network in the city, the government agency said on Tuesday.

Reacting to the news, shares of these companies shot up — L&T rose 0.6%, HCC 10.3%, and J Kumar Infraprojects ended up over 9%.

Mumbai Metro Rail Corporation, a joint venture between the govern-

ment of Maharashtra and the central government, is developing the 33.5-km long underground corridor with 27 stations and has already secured a loan assistance from the Japan International Cooperation Agency.

“This is a significant win in the heavy civil infrastructure space and we hope that this is a sign for many such projects involving vital infrastructure that are in the offing,” said SN Subrahmanyam, deputy managing director and president, L&T.

Larsen & Toubro’s joint venture with STEC of China bagged orders worth ₹5,273 crore, which includes



Package 1 (Cuffe Parade-VidhanBhavan-Chuchgate-Hutatma Chowk) and Package 7 (Marol Naka-MIDC-SEEPZ). This

will be completed in 48 months.

HCC’S joint venture with MMS of Russia bagged the ₹2,523-crore Package 2 (CST-Metro-Kalbadevi, Girgaum-Grant Road). J Kumar’s joint venture with CRTG bagged Package 5 (Dharavi-BKC Metro-Vidyanagari-Santacruz) and Package 6 (CSIA-Sahar Road-CSA International) worth ₹4,935 crore.

DOGUS-Soma JV bagged the ₹2,557.84-crore Package 3 (Mumbai Central-Mahalaxmi Metro- Science Museum-Acharya Atrey Chowk-Worli). While CEC-ITD CEM-TPL consortium bagged the ₹2830.1-crore Package 4 (Siddhivinayak-Dadar

Metro-Shitladevi).

“The metro orders are a big positive for HCC and J Kumar and provides better earnings visibility over the medium term. But the stocks re-ratings would depend on the timely execution of the order backlogs and also on how these companies reduce their existing debt,” said Daljeet Kohli, head of research, IndiaNivesh Securities.

While J Kumar Infra is currently trading at 15 and 16.29 times FY 2017 and FY 2018 estimated EPS, HCC trades at 23 times and 16 times its FY 2017 and FY 2018 estimated revenue.

“Though J Kumar stands out for its

ability to execute complex projects and forge joint ventures, the stock’s relegation in last few months stemmed from J Kumar’s miserable order execution and unexpected delay in award of Mumbai L3 orders,” said Kishan Gupta, analyst at CD Equisearch.

After Reliance Infrastructure exited the Mumbai Metro 2 project, the government of Maharashtra abandoned the public-private partnership model. Private developers have been shying away from development project as they struggle with stretched balance sheets and do not want to raise more debt.