

Construction firms book robust orders

IT is the biggest-ever boom time for construction companies. Almost all infrastructure-focused mid-size construction firms have experienced strong order inflows subsequent to government's big push to the infrastructure sector.

The mid-size construction industry has seen an order flow more than Rs 45,000 crore in the last 12 months. This order-book position has been encouraging as it covers two to three years of sales for most players. The order book-to-sales ratio of most construction companies has improved significantly.

Hindustan Construction has an order book-to-sales ratio of 3.1 times based on its trailing 12-months financial performance, indicating that company has sustainable revenues for at least next three years.

The company has an unexecuted order of around Rs 5,300 crore and total sales of Rs 1,731.4 crore for the trailing 12 months ended December 2005.

Jaiprakash Associates, which had unexecuted orders around Rs 6,700 crore and revenues of Rs 3,006 crore for the trailing 12 months ended December 2005 has order book-to-sales ratio of 2.2 times. Patel Engineering has the highest order book-to-sales ratio of 5.5 times.

The company has unexecuted orders worth Rs 4,340 crore and revenues of Rs 784 crore for trailing 12 months, which translates into order book-sales ratio of 5.5 times, indicating that the company has sustainable revenues for next five years.

The company recently announced that it has bagged a number of infrastructure projects worth Rs 5,500 crore.

Hyderabad-based IVRCL has an order-book to sales ratio of 3 times. The company has unexecuted orders of Rs 4,000 crore and revenues of Rs 1,314 crore as on December 31, 2005.

Likewise, Nagarjuna Construction has an order-book to sales ratio of 2.8 times and Gammon India has an order-book to sales ratio of 4.7 times