

# Madras Cements

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**Shareholding (%)**

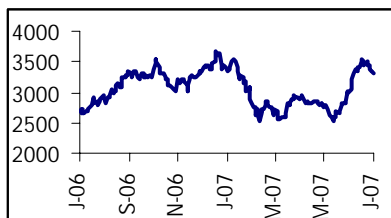
Promoters	42.6
FII's	4.3
MFs	9.3
Insurance Co.	11.0
Others	32.8

**Share price performance**

52-week high/low (Rs) 3750/2450			
	-1m	-3m	-12m
Abs (%)	10.5	14.9	22.4
Rel* (%)	5.6	4.1	-21.7

\*to Nifty

**Stock chart**



**Higher realisations drive growth**

Madras Cements Ltd. (MCL) has reported impressive Q1FY08 results. Driven by higher realisations, MCL has reported 37.6% YoY and 7.8% QoQ growth in net sales. While cost pressures had a bearing on the company's profitability YoY; higher realisations enabled MCL to improve its operating profit margin to 38.9% in Q1FY08.

Currently, MCL is trading at EV/EBIDTA of 6.5x and EV/tonne of US\$121 FY08E; this is lower than most of its peers. With cement prices remaining firm, we expect MCL to report robust growth in FY08E. This apart, operationalisation of new capacities will further drive growth going forward. Hence, we maintain 'Buy' rating on the stock.

**Key highlights of Q1FY08 results are:**

- Revenue up 37% following strong realisations:** Buoyed by the sharp increase in cement prices in the south, MCL has reported an impressive 37.6% YoY and 7.8% QoQ growth in net sales. While cement sales volume were up 12.8% YoY, the same declined 1.7% QoQ. Cement prices in the south have been on a rise during Q1FY08. The sharp increase in cement prices resulted in 22% YoY and 9.6% QoQ growth in net realisations.

**Table 1. Realisations**

	June-07	March-07	Change
Chennai	233	218	6.9%
Bangalore	243	228	6.6%
Hyderabad	223	208	7.2%
Trivandrum	248	233	6.4%

Source: IISL research, company

- Margin expands 38.9%:** Higher realisations bolster MCL's operating profit margin to 38.9% in Q1FY08. While rising costs have led to 37.2% YoY rise in cost of sales per tonne; cost pressures have reduced QoQ, wherein, due to lower freight cost and other expenses, cost of sales per tonne declined 4.7%.
- Net profit at Rs 1 bn:** Buoyed by the 33.8% growth in operating profit YoY, MCL has reported net profit of Rs 1 bn during Q1FY08. However, the improvement would have been much higher, but for the increase in capital charges (interest cost and depreciation provision).

**Buy**  
**Rs3309**

August 1, 2007

**Market cap**

Rs bn 40  
US\$ mn 987

**Avg 3m daily Vol.**

12,648

**Avg 3m daily value**

Rs mn 38

**Shares outstanding (mn)**

12

**Reuters**

MSCM.BO

**Bloomberg**

MC IN

**Sensex**

15,551

**Nifty**

4,529

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▲ **Valuation:** Currently, MCL is trading at EV/EBIDTA of 6.5x and EV/tonne of US\$121 FY08E; this is lower than most of its peers. With cement prices remaining firm, we expect MCL to report robust growth in FY08E. This apart, operationalisation of new capacities will further drive growth going forward. Hence, we maintain 'Buy' rating on the stock.

*Table 2. Quarterly result table*

Rs mn	Q1FY08	Q1FY07	YoY %	Q4FY07	QoQ %
	Q1FY08	Q1FY07	YoY %	Q4FY07	QoQ %
Net sales	4,690.4	3,408.9	37.6	4,350.2	7.8
Total expenses	2,866.2	2,045.2	40.1	3,017.9	(5.0)
Inc / Dec in stock	30.6	(100.6)	(130.4)	79.8	(61.7)
Raw material consumed	566.4	451.8	25.4	544.7	4.0
Staff cost	190.8	127.9	49.2	186.0	2.6
Power & Fuel	858.6	680.6	26.2	850.9	0.9
Freight	676.1	436.1	55.0	727.6	(7.1)
Other expenses	543.7	449.4	21.0	628.9	(13.5)
EBIDTA	1,824.2	1,363.7	33.8	1,332.3	36.9
Other income	20.2	29.0	(30.3)	13.6	48.5
PBIDT	1,844.4	1,392.7	32.4	1,345.9	37.0
Interest	80.6	42.0	91.9	59.6	35.2
Gross profit	1,763.8	1,350.7	30.6	1,286.3	37.1
Depreciation	239.3	173.9	37.6	182.1	31.4
PBT	1,524.5	1,176.8	29.5	1,104.2	38.1
Tax	522.2	388.3	34.5	394.4	32.4
current	176.0	376.7	(53.3)	365.0	(51.8)
deferred	346.2	11.6		29.4	1,077.6
PAT	1,002.3	788.5	27.1	709.8	41.2
Adj PAT	1,002.3	788.5	27.1	709.8	41.2
Equity	120.8	120.8		120.8	
Adj EPS	83.0	65.3	27.1	58.8	41.2
<b>Key Ratios (%)</b>					
EBIDTA margin	38.9	40.0		30.6	
Interest / Sales	1.7	1.2		1.4	
Tax / PBT	34.3	33.0		35.7	

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