

- Net Sales increases by 61.1% to Rs3.9bn
- Operating profit increases by 207.4% to Rs1.3bn
- Operating margin increases by 1560 bps to 32.7%
- Realization per ton increases by 26.8% to Rs2651
- Cost per ton increases by 3% to Rs1784
- PAT stood at Rs681mn for Q3FY07 compared to Rs96mn for Q3FY06

Financials Highlights

Period to	12/06	12/05	Growth	FY07(P)	FY08(P)	FY09(P)
(Rs mn)	(3)	(3)	(%)	(12)	(12)	(12)
Net Sales	3,910	2,427	61.1	15,845	17,420	20,578
Total expenses	(2,631)	(2,010)	30.9	(9,896)	(10,512)	(13,071)
% of Net Sales	67.3	82.9	-	62.5	60.3	63.5
Operating profit	1,279	416	207.4	5,949	6,908	7,507
% of Net Sales	32.7	17.1	-	37.5	39.7	36.5
Other Income	16	13	18.8	91.8	120	120
PBIDT	1,295	429	201.5	6,040	7,028	7,627
Interest	(85)	(112)	(24.6)	(211)	(150)	(225)
Depreciation	(180)	(173)	3.7	(726)	(756)	(1,596)
PBT	1,031	144	615.6	5103	6123	5807
Tax	(349)	(48)	626.2	(1,712)	(2,025)	(1,510)
% of PBT	33.9	33.4	-	33.5	33.1	26.0
PAT	681	96	610.3	3,391	4,098	4,297
% of Net Sales	17.4	4.0	-	21.4	23.5	20.9
Equity	121	121	-	121	121	121
Annualized EPS	-	-	-	280.7	339.2	355.7
PE at CMP of Rs3418	-	-	-	12.2	10.1	9.6

Cement volume grows by 27%

MCL's cement volumes increased by 27% y-o-y to 1.48mn ton and on sequential basis it went up by 1%. MCL has increased its despatches despite monsoon in the Southern States. We expect MCL's despatches to be at 5.78mn ton for FY07, up from 5.66mn ton as per our previous estimation. We retain our FY08 and FY09 cement volume at 6.02mn ton and 7.49mn ton as new capacities comes in at FY08/FY09.

Margins come down sequentially due to cost pressures

MCL's OPM increased by 1560 bps to 32.7% on y-o-y basis but went down 620 bps on sequential basis due to increase in cost per ton of cement. Cost per ton increased by 4.8% sequentially to Rs1784 in Q3FY07. On y-o-y basis it increased by 3.0%. Higher coal prices in international market and increase in freight charges has led to increase in costs. Power & Fuel expenses per ton went up by 6.7% sequentially to Rs551 and freight charges increased by 9.8% to Rs374. Realization per ton fell by 4.7% sequentially to Rs2651. We have factored 2.3% fall in our estimations for the quarter. Cement price have rebound in Southern markets post monsoon and hovering at pre-monsoon levels at present.



India Infoline Result Update
Madras Cements Ltd (Q3 FY07)
Rating: BUY CMP: Rs3,418 Target Price: Rs4,270
January 31, 2007

Cost per ton

	12/06	12/05	Growth	09/06
(Rs)	(3)	(3)	(%)	(3)
Raw materials	417	337	23.7	376
Staff	82	109	(24.7)	89
Power & Fuel	551	514	7.2	516
Freight	374	376	(0.4)	341
Other Exps	360	396	(9.1)	378
Total	1,784	1,732	3.0	1,701

Interest cost spurts sequentially

Interest cost for the quarter has come down 24.6% y-o-y to Rs85mn. Sequentially it has more than doubled. Higher requirement for working capital due to fund requirement for ongoing expansion and interest rates firming up has increased the interest burden for Q3FY07 over Q2FY07.

Valuations

We revise our FY07 earnings estimate from Rs291.2 to Rs280.7 and retain our FY08 and FY09 earnings estimates at Rs339.3 and Rs355.8 respectively. We consider MCL as better play in Southern region going forward. MCL is expanding cement capacity by 4mn ton to take the total capacity to 10mn ton by FY09. MCL is putting up 18MW CPP at Jayanthipuram facility by Q1FY08. MCL is trading at 10.1x and 9.6x of its estimated FY08 and FY09 earnings of Rs339.2 and Rs355.7 respectively. We maintain our BUY rating with target price of Rs4270. Our target price discounts FY09 earnings by 12.0x and EV/EBIDTA by 7.6x.

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