

RESULT UPDATE

SMALL CAP

Share Data

Reuters code	MAPR.BO
Bloomberg code	MDHPJ IN
Market cap. (US\$ mn)	178
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	37
Target price (Rs)	368

Performance (%) 1M 3M 12M

Absolute	(16)	27	338
Relative	(14)	20	143

Valuation ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	16.6	20.5
+/- (%)	30.9	23.1
PER (x)	13.5	11.0
PBV (x)	1.4	1.2
Dividend/Yield (%)	0.4	0.4
EV/Sales (x)	0.9	0.8
EV/EBITDA (x)	7.2	6.3

Major shareholders (%)

Promoters	57
FII's	14
MFs & FI's	14
Public & Others	15

Financial highlights

(Rs mn)	2QFY09	2QFY10	YoY (%)	1HFY09	1HFY10	YoY (%)	FY09	FY10E	YoY (%)	FY11E	YoY (%)
Net Sales	1,563	2,547	63.0	3,959	5,395	36.3	10,254*	13,011	26.9	15,213	16.9
EBITDA	402	286	(28.9)	738	642	(13.0)	1,240	1,587	28.1	1,932	21.7
EBITDA Margin (%)	25.7	11.2	-	18.6	11.9	-	12.1	12.2	-	12.7	-
Depreciation	142	113	(20.3)	240	216	(10.1)	433	529	22.0	614	16.1
Other Income	25	53	114.7	33	71	112.9	191	163	(14.7)	175	7.4
Interest	61	45	(26.6)	110	112	1.6	266	305	14.8	366	19.8
PBT	224	181	(19.3)	421	385	(8.5)	731	916	25.3	1,127	23.1
Tax	95	61	(36.3)	145	135	(7.1)	262	302	15.3	372	23.1
PAT	128	120	(6.7)	276	251	(9.3)	469	614	30.9	755	23.1
PAT Margin (%)	8.2	4.7	-	7.0	4.6	-	4.6	4.7	-	5.0	-
Adjusted EPS (Rs)	3.5	3.2	(6.7)	7.5	6.8	(9.3)	12.7	16.6	30.9	20.5	23.1

*Not adjusted for changed accounting policy.

Madhucon Projects

Maintain BUY

Price: Rs 225

BSE Index: 16,283

29 October 2009

2QFY10 Result – Infrastructure player in making

Madhucon Projects (Madhucon) earnings are marginally below our expectations due to lower than expected EBITDA margin. Net sales for the quarter stood at Rs 2,547 mn and reported 63% YoY growth (refer first bullet point of highlights). The net profit was down by 7% YoY and stood at Rs 120 mn.

Outlook

Robust order book of ~Rs 42 bn (3.2x FY10E and 2.7x FY11E sales) provides revenue visibility. Bharatpur Mahua BOT project has commenced operation while DK Expressway BOT project has been completed and is expected to become operational in the next few days. We expect the remaining two BOTs, which are under development currently, to become operational in FY10/early FY11, resulting in decent toll revenue to the company.

The company has big plans for its power venture and has started works on its first project, Simhapuri power plant phase I (300 MW).

Madhucon is planning to list its infrastructure subsidiary (comprises of road BOT, power and mining assets) to raise funds for the equity requirements. Success in the same can be a major trigger for the stock as it will unlock the value.

We expect the company to post net sales CAGR of 22% and a net profit CAGR of 27% from FY09-11E. At the current market price, the stock is trading at 4.9x FY10E and 4.0x FY11E (Ex-BOT) earnings. Maintain Buy.

Highlights

- The company changed its revenue recognition policy wherein the completed work which is not billed, is treated as work-in-progress and is valued on the basis of actual expenditure incurred. Post change in accounting policy, unbilled completed work now forms a part of change in stock (earlier formed a part of net sales), thereby resulting in EBITDA margin of ~25.7% in 2QFY09. The company has adjusted its net sales for 2QFY09 as per the changed revenue recognition policy.

- The order book stood at Rs 42 bn, which is 3.2x FY10E and 2.7x FY11E, sales. The order book comprises: roads ~27%, irrigation ~34%, power ~22% and others (includes building and mining) ~17%.
- Other income mainly constitutes of aggregate sales and interest income.
- The company has increased its stake in Simhapuri Energy Private Ltd., a thermal power plant, from 48% to 74%. Financial closure (FC) for the first phase of 300 MW is achieved and the construction work is going on. FC for the second phase of 300 MW is expected to be completed by year end.

SOTP valuation

Business	Basis	Value (Rs/share)
Construction	8x FY11E EPS	164
BOT road projects	DCF	143
Simhapuri power plant (1 st phase)	DCF	61
Total		368

Income Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Net Sales	7,380	10,254*	13,011	15,213
Growth (%)	44.7	38.9	26.9	16.9
Operating Expenses	(6,307)	(9,015)	(11,423)	(13,281)
Operating Profit	1,073	1,240	1,587	1,932
EBITDA	1,073	1,240	1,587	1,932
Growth (%)	40.1	15.5	28.1	21.7
Depreciation	(339)	(433)	(529)	(614)
Other Income	126	191	163	175
EBIT	860	997	1,221	1,493
Interest Paid	(165)	(266)	(305)	(366)
Pre-tax profit	695	731	916	1,127
(before non-recurring items)				
Pre-tax profit	695	731	916	1,127
(after non recurring items)				
Tax (current + deferred)	(223)	(262)	(302)	(372)
Net Profit	473	469	614	755
Adjusted net profit	473	469	614	755
Growth (%)	13.7	(0.7)	30.9	23.1

Balance Sheet

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Current assets	7,086	7,150	9,981	12,015
Cash & marketable sec.	1,016	848	929	1,038
Other current assets	6,070	6,302	9,052	10,976
Investments	2,997	3,728	4,227	4,727
Net fixed assets	2,480	2,884	3,030	3,266
Total assets	12,563	13,762	17,238	20,008
Current liabilities	5,553	5,078	7,066	8,296
Total debt	1,962	3,199	4,109	4,928
Other non-current liabilities	122	125	124	124
Total liabilities	7,637	8,402	11,299	13,348
Share capital	74	74	74	74
Reserves & surplus	4,852	5,286	5,866	6,586
Shareholders' funds	4,925	5,360	5,939	6,660
Total equity & liabilities	12,563	13,762	17,238	20,008
Capital employed	7,010	8,684	10,172	11,712

*Not adjusted for changed accounting policy.

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	695	731	916	1,127
Depreciation	(329)	(423)	(529)	(614)
Chg in working capital	360	(799)	(762)	(695)
Total tax paid	(134)	(176)	(303)	(372)
Cash flow from oper. (a)	1,250	179	380	675
Capital expenditure	(853)	(827)	(674)	(850)
Chg in investments	(686)	(731)	(500)	(500)
Cash flow from inv. (b)	(1,539)	(1,558)	(1,174)	(1,350)
Free cash flow (a+b)	(289)	(1,379)	(794)	(675)
Debt raised/(repaid)	(50)	1,237	910	819
Dividend (incl tax.)	(26)	(26)	(35)	(35)
Cash flow from fin. (c)	(76)	1,211	875	785
Net chg in cash (a+b+c)	(364)	(168)	81	109

Key Ratios

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
Adjusted EPS (Rs.)	12.8	12.7	16.6	20.5
Growth	13.7	(0.7)	30.9	23.1
Book NAV/Share (Rs)	133.5	145.3	161.0	180.5
Dividend/Share (Rs)	0.6	0.8	0.8	0.8
Dividend payout ratio	5.5	7.4	5.6	4.6
Tax	32.0	35.9	33.0	33.0
EBITDA margin	14.5	12.1	12.2	12.7
EBIT margin	11.7	9.7	9.4	9.8
RoCE	12.7	12.7	13.0	13.6
Net debt/Equity	19.2	43.9	53.5	58.4

Valuations

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	17.5	17.7	13.5	11.0
PCE	10.2	9.2	7.2	6.0
Price/Book	1.7	1.5	1.4	1.2
Yield (%)	0.3	0.4	0.4	0.4
EV/Net sales	1.3	1.0	0.9	0.8
EV/EBITDA	8.6	8.6	7.2	6.3

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	6.4	4.6	4.7	5.0
Asset turnover	0.7	0.8	0.8	0.8
Leverage factor	2.4	2.6	2.7	3.0
Return on equity (%)	10.0	9.1	10.9	12.0

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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