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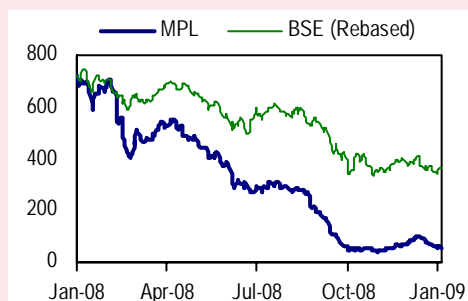
STOCK DATA

Market Cap	Rs2bn
Book Value per share	Rs133
Eq Shares O/S (F.V. Rs.2)	37mn.
Median Vol	14,562 (BSE+NSE)
52 Week High/Low	Rs718/42
Bloomberg Code	MDHPJ@IN
Reuters Code	MAPR.BO

STOCK PERFORMANCE (%)

	1M	3M	12M
Absolute	(44.9)	1.7	(92.0)
Relative	(37.7)	13.2	(83.6)

STOCK PRICE PERFORMANCE



Madhucon Projects Ltd. (MPL) registered net sales of ~Rs2.3bn (+13% YoY) for Q3FY09. Led by a 324bps fall in OPM to 10.3%, operating profits declined by 14% YoY to Rs234mn. Lower interest (Rs26mn) & depreciation charges (Rs88mn) lent a marginal boost to net profits to Rs139mn (+ 6.8% YoY). For nine months ended Dec'08, the company reported net sales of Rs7.1bn (+41.1% YoY). While OPM for the period was 213bps down YoY to 13.7%, net profits were at Rs415mn (+16.2% YoY).

● **Order book robust at Rs45bn (4.5x FY09E revenues)**

Additionally, MPL stands L1 for contracts worth Rs4bn, clarity on which is expected to emerge in subsequent quarters. Around 51% of the existing works are bagged from either Central or State Government agencies; remaining contracts emanating from various in-house SPVs executing road BOTs (~17%), energy (20%) & property development division (12%).

● **BOT toll based projects progressing as scheduled**

MPL is executing 4 road BOT projects spanning across 306kms. The company completed the construction work on MAJEL (Madhucon Agra Jaipur Expressways Ltd.) in Jan'09 & is presently awaiting CoD from NHAI. The remaining projects are progressing as scheduled & construction on the same is expected to complete by end-FY10.

● **Marginally revise FY09 & FY10 estimates**

Owing to a lower than expected Q3FY09 topline, we revise downwards our sales target by 4.7% & 3.1% for FY09 & FY10 respectively. MPL has been at the forefront in road construction activities in FY09, backed by NHAI's cash contracts & in-house BOTs. Consequently, its OPM is expected to remain under pressure at 13-13.5%. For FY10, with the execution of existing road projects, margins are expected to improve by 40-50bps.

VALUATIONS AND RECOMMENDATION

At the CMP of Rs55, MPL trades at a P/E of 3x and EV/EBIDT of 3.7x its FY10 earnings. Our SOTP valuations peg its fair value per share at Rs90, indicating a potential upside of ~63% from the current levels. We believe MPL's impressive order book position, BOTs across arterial roads of key National Highways & strong earnings potential from the new ventures especially mining offer predictability of revenues over the next 24-30 months. Thus, we reiterate our 'BUY' recommendation on the stock with a 12-month price target of Rs90.

KEY FINANCIALS (STANDALONE)

Rs mn	Yr Ended (March)				
	2007	2008	2009E	2010E	2011E
Net Sales	5,100	7,380	10,033	13,521	17,847
Growth (%)	49.1	44.7	35.9	34.8	32.0
Op. Profits	766	1,073	1,351	1,893	2,534
Op. Marg. (%)	15.0	14.5	13.5	14.0	14.2
Net Profits	416	472	536	670	852
Eq Capital	74	74	74	74	74

KEY RATIOS

	Yr Ended (March)				
	2007	2008	2009E	2010E	2011E
Dil. EPS (Rs)	11.2	12.8	14.5	18.1	23.0
ROCE (%)	12.4	12.7	12.6	14.2	15.5
RONW (%)	9.7	10.0	10.4	11.6	13.1
P/E (x)	4.9	4.3	3.8	3.0	2.4
EV/Sales (x)	0.5	0.4	0.5	0.6	0.6
EV/EBDIT (x)	2.7	2.5	3.6	3.7	3.7

SOTP Valuation					
BOT Details	Length (kms)	Traffic/day	D:E	Total Cost (mn)	NPV/Share
MAJEL	57.0	1,863	3.2	2,980	21.1
TNDK	67.7	1,290	3.0	3,733	5.7
TTEL	55.8	2,746	4.0	3,900	23.8
MTEL	125.7	2,063	4.1	9,200	0.9
Fair Value per Share (A)					52
EPC Business					
MPL (Standalone) FY10E Net Profit					670
No. of Shares (MPL Cons.)					37
EPS FY10E					18.1
Assigned P/E multiple (x)					2.0
Fair Value per Share (B)					36
Real Estate					
Total Land (acres)					9
Present Value (@ 40% disc. to last auction price)					552
Less expenses & taxes					488
NAV					64
Fair Value per Share (C)					2
SOTP (A+B+C)					90
CMP (Rs)					55
Potential upside (%)					62.7

Source: PINC Estimates

Backed by visibility of earnings over next 2 years coupled with buoyant growth prospects from new forays, we maintain our 'BUY' recommendation on the stock with a price target of Rs90...

Estimate Changes

Rs mn	FY09			FY10		
	Previous	Revised	% Ch.	Previous	Revised	% Ch.
Net Sales	10,533	10,033	(4.7)	13,955	13,521	(3.1)
Operating Profits	1,473	1,351	(8.3)	1,993	1,893	(5.0)
Net Profits	533	536	0.7	675	670	(0.8)
Diluted EPS	14.4	14.5	0.7	18.2	18.1	(0.8)

Financial Results for the quarter & nine months ended 31 December 2008 (Standalone)

Particulars (Rs mn)	Quarter Ended			Nine Months Ended			Year Ended
	31/12/08	31/12/07	Gr %	31/12/08	31/12/07	Gr %	31/03/08
Net Sales	2,273	2,012	13.0	7,098	5,032	41.1	7,380
Total Expenditure	2,038	1,739	17.2	6,126	4,236	44.6	6,307
Material Consumed	1,250	185	574.8	2,126	450	372.6	1,344
Construction expenses	324	1,320	(75.5)	2,707	3,212	(15.7)	4,427
Personnel Expenses	110	52	112.6	286	124	130.8	303
Other expenditure	355	182	94.6	1,007	449	124.0	234
Operating profits	234	272	(14.0)	972	796	22.1	1,073
Other Income	45	26	72.5	78	67	15.9	126
PBDIT	279	298	(6.5)	1,050	863	21.6	1,199
Interest	26	28	(7.1)	136	118	15.4	165
Depreciation	88	93	(4.8)	329	278	18.0	339
PBT	164	177	(7.4)	585	467	25.3	695
Provision for current tax	25	47	(46.2)	170	110	54.8	175
Provision for deferred tax	-	-		-	-		46
Fringe benefits	-	-		-	-		1
Net Profits	139	130	6.8	415	357	16.2	472
Equity Capital (F.V. Rs 2)	74	74		74	74		74
Reserves (excl. rev. res.)	-	-		-	-		4,929
EPS for the period (Rs)	3.7	3.5		11.2	9.6		12.8
Diluted EPS (Rs)	3.7	3.5		11.2	9.6		12.8
Book Value (Rs)	-	-		-	-		133
OPM (%)	10.3	13.5		13.7	15.8		14.5
NPM (%)	6.1	6.5		5.8	7.1		6.4
Expenditure (% of Net Sales)							
Raw material	55.0	9.2		30.0	8.9		18.2
Construction expenses	14.3	65.6		38.1	63.8		60.0
Personnel Expenses	4.8	2.6		4.0	2.5		4.1
Other expenditure	15.6	9.1		14.2	8.9		3.2

Year Ended March (Figures in Rs mn)

Income Statement	2006	2007	2008	2009E	2010E	2011E
Revenues	3,421	5,100	7,380	10,033	13,521	17,847
<i>Growth (%)</i>	<i>11.7</i>	<i>49.1</i>	<i>44.7</i>	<i>35.9</i>	<i>34.8</i>	<i>32.0</i>
Total Expenditure	2,794	4,335	6,307	8,682	11,628	15,313
Operating Profit	627	766	1,073	1,351	1,893	2,534
Other Income	74	218	126	138	210	276
EBIDT	701	983	1,199	1,489	2,103	2,810
Interest	134	140	165	234	566	921
Depreciation	191	253	339	442	523	598
EBT	376	590	695	813	1,015	1,291
Tax provision	43	174	223	276	345	439
Net Profits	333	416	472	536	670	852
Fully diluted Eq. sh. O/s (mn nos)	37	37	37	37	37	37
Book Value (Rs)	111	121	133	147	164	186
Basic EPS (Rs)	9.0	11.2	12.8	14.5	18.1	23.0
Diluted EPS (Rs)	9.0	11.2	12.8	14.5	18.1	23.0

Balance Sheet	2006	2007	2008	2009E	2010E	2011E
<i>Equity Share Capital</i>	74	74	74	74	74	74
<i>Reserves & Surplus</i>	4,021	4,405	4,852	5,362	6,006	6,823
Net worth	4,095	4,479	4,926	5,436	6,080	6,897
Total Debt	1,034	2,012	1,962	4,262	6,662	9,212
Deferred Tax liability	35	76	122	122	122	122
Capital Employed	5,165	6,567	7,010	9,820	12,864	16,231
Fixed Assets	1,134	1,956	2,480	2,738	2,816	2,817
Net current assets	4,018	2,300	1,533	3,312	5,148	8,248
Investments	13	2,311	2,997	3,770	4,900	5,166
Total Assets	5,165	6,567	7,010	9,820	12,864	16,231

Cash Flow Statement	2006	2007	2008	2009E	2010E	2011E
PBT	376	590	695	813	1,015	1,291
Depreciation	191	253	339	442	523	598
Interest & dividend received	(69)	(115)	(77)	(138)	(210)	(276)
Interest paid	26	14	72	234	566	921
Tax paid	(68)	(148)	(176)	(276)	(345)	(439)
(Inc)/Dec in working capital	(1,171)	204	402	(1,838)	(1,904)	(3,173)
Cash from operations	(713)	798	1,255	(764)	(356)	(1,078)
Purchase of fixed assets	(401)	(1,075)	(864)	(700)	(600)	(600)
(Purchase) / Sale of Investments	(0)	(2,298)	(686)	(773)	(1,130)	(266)
Interest & dividend received	69	115	77	138	210	276
Cash from investing activities	(333)	(3,258)	(1,472)	(1,335)	(1,519)	(590)
Proceeds from issue of share capital	20	-	-	-	-	-
Proceeds from premium on shares issue	2,734	-	-	-	-	-
Proceeds from long term borrowings	629	977	(50)	2,300	2,400	2,550
Interest paid	-	-	(72)	(234)	(566)	(921)
Dividend & tax on dividend paid	(12)	(25)	(26)	(26)	(26)	(35)
Cash from financing activities	3,355	952	(147)	2,040	1,808	1,594
Inc/(Dec.) in cash	2,308	(1,508)	(364)	(59)	(68)	(73)

Key Ratios	2006	2007	2008	2009E	2010E	2011E
EBIDTA (%)	20.5	19.3	16.3	14.8	15.6	15.7
ROACE (%)	15.3	12.4	12.7	12.6	14.2	15.5
ROANW (%)	13.0	9.7	10.0	10.4	11.6	13.1
Sales/Total Assets (x)	0.7	0.8	1.1	1.0	1.1	1.1
Debt:Equity (x)	0.3	0.4	0.4	0.8	1.1	1.3
Current Ratio (x)	2.8	1.7	1.3	1.6	1.7	2.0
Debtors (days)	107.6	104.1	44.8	72.0	90.0	100.8
Inventory (days)	65.4	59.7	64.8	72.0	75.6	77.4
Net working capital (days)	118.8	64.9	25.2	84.5	113.4	149.9
EV/Sales (x)	0.1	0.5	0.4	0.5	0.6	0.6
EV/EBIDT (x)	0.3	2.7	2.5	3.6	3.7	3.7
P/E (x)	6.1	4.9	4.3	3.8	3.0	2.4
P/BV (x)	0.5	0.5	0.4	0.4	0.3	0.3

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