Result Update

India Research

Mundra Port and Special Economic Zone Ltd.

DOLAT CAPITAL

CMP: Rs 594

Target Price: Rs 691 Infrastructure and Port / Accumulate

MPSEZ Q3FY10 results were below our estimates. Sales and operating profit grew by 12.5% and 23.9% respectively, mainly due to drop in crude oil traffic as a result of fire at IOC depot in Jaipur. The depot halted importing crude oil for one month which impacted the overall volume growth. Also, lower contribution from lease of land to the tune of just Rs95mn impacted revenue negatively. We remain positive as economic recovery augurs well for the business prospects of Mundra Port. Simultaneously, economic rebound would also help increase business for SEZ which would contribute positively to the company. Hence, we maintain our Accumulate recommendation with a revised DCF based target price to Rs 691

Q3FY10 Result

Particulars (Rs mn)	Q3FY10	Q3FY09	YoY (%)	Q2FY10	Q-o-Q %
Net Sales	3,378.4	3,002.1	12.5%	3,177.7	6%
Operating Expenses	1,047.8	1,120.6	-6.5%	936.6	12%
Opearting Expense/Sales.	*31.0%*	*37.3%*		*29.5%*	
EBIDT	2,330.6	1,881.6	23.9%	2,241.2	4%
OPM	***69.0%***	***62.7%***	6.3%	***70.5%***	***63.2%***
PAT	1,632.6	1,010.0	61.6%	1,747.9	-7%
NPM	***48.3%***	***33.6%***		***55.0%***	
Equity	400.7	400.7		4,006.8	4,006.8
EPS	4.1	2.5	61.6%	4.4	(0.0)

Key highlights

- In Q3FY10 MPSEZ reported ~12.5% yoy increase in revenues to Rs3378.4mn, mainly on the back of 9% increase in cargo handled to 9.83mn tonnes and revenue contribution from lease of land to the tune of Rs 95mn (20 acres) during the quarter.
- OPM improved by ~630 bps to 69% and Operating expenditure as a percentage of sales declined from 37.3% to 31%, as port handled a high proportion of cargo related to coal, sugar and food grains which have higher handling rates..
- MPSEZ recorded a strong volume growth. The company's port volume for Q3FY10 stood at 9.83mn tonnes as against 8.98mn tonnes in Q3FY09, despite the fact that volume at 12 major ports of India remained flattish. The average realization per MT improved by 3% yoy and is up by 9% on sequential basis.
- Bulk cargo volumes increased by 9% y-o-y to 5.75mn tonnes due to 36% increase in handling of liquid cargo to 1.76mn tonnes. Crude segment degrew by 3% due to lower import of crude oil from IOC while Container segment has recorded a growth rate of 18%. Bulk cargo accounted for 58% (59%) of total cargo volumes, while crude oil was 14% (16%) and containers were 28% (26%) of the total cargo volumes.
- The PAT is up 62% yoy to Rs1633mn (Rs1010 mn) due to lower interest cost as compared to last year.

Cargo handled (mn tonnes)

Particulars (mn tonnes)	Q3FY10	Q3FY09	YoY(%)	Q2FY10	Q-o-Q(%)
Total Tonnnage Handled	9.83	8.98	9%	10.11	-3%
Dry	3.99	3.97	1%	3.23	24%
Liquid cargo	1.76	1.29	36%	1.84	-4%
Bulk	5.75	5.26	9%	5.07	13%
Crude	1.35	1.4	-4%	2.32	-42%
containers	2.73	2.32	18%	2.72	0%
Cargo moved by rail	2.52	3.1	-19%	2.29	10%

Key Devlopments

Coal handling terminal at Mormugoa port

MPSEZ plans to develop 7-10mntn coal handling terminal at the Mormugao port, Goa with an investment of Rs3.5bn in the next two years on DBFOT basis

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30 January 2010

(design build, finance, operate and transfer) for 30 years. The project would involve construction of 300 metres coal terminal with 20% revenue share to the Mormugao Port Trust.

Alstom-Bharat Forge to set up Power equipment plant at MPSEZ

Alstom-Bharat Forge JV plans to setup a 5,000MW power equipment manufacturing facility at MPSEZ. The facility will be spread across 120 acres and will be the largest of its kind in the private sector. The project will involve an investment of Rs24bn and will utilize MPSEZ port for moving the project equipment manufactured at the site to prospective customers, as the port has the capability to handle such complex size cargo.

Revised Estimates

Particulars	Revised		Earlier		% Change	
	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Net Sales	13913	21020	14637	21572	-4.9%	-2.6%
EBITDA	9472	15349	10516	16232	-9.9%	-5.4%
PAT	6064	11262	6240	11158	-2.8%	0.9%
EPS	15.1	28.1	15.6	27.8	-3.0%	1.1%

Valuation

We expect the revenues of MPSEZ to grow at a CAGR of 36% and PAT to grow at a CAGR of 56% for the next two years. We remain positive as economic recovery augurs well for the business prospects of Mundra Port. Simultaneously economic rebound would also help increase business for SEZ which would contribute positively to the company. Hence, we maintain our Accumulate recommendation with a revised DCF based target price of Rs.691.

Financials

Year	Net Sales	Growth-%	EBITDA	OPM(%)	Net Profit	Growth-%	EPS (Rs)	Growth-%	PER (X)	ROANW-%	ROACE-%
FY08	8,182	41.1	5,354	65.4	2,134	13.9	5.1	-2.6	111.5	12.7	11.3
FY09	11,351	38.7	7,616	67.1	4,611	116.1	12.1	137.8	51.6	16.6	11.6
FY10E	13,913	22.6	9,472	68.1	6,064	31.5	15.1	25.6	39.2	18.9	12.9
FY11E	21,020	51.1	15,349	73.0	11,262	85.7	28.1	85.7	21.1	28.1	19.6

Figure in Rs mn

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The ratings are based on the absolute upside of our target price from the current price.

Upside	Ratings
> 25 %	Buy
15% - 25%	Accumulate
0% - 15%	Reduce
< 0 %	Sell

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