

May 22, 2009

Rating	Accumulate
Price	Rs559
Target Price	Rs637
Implied Upside	14.0%
Sensex	13,737

(Prices as on May 21, 2009)

Trading Data

Market Cap. (Rs bn)	224.0
Shares o/s (m)	400.7
Free Float	33.9%
3M Avg. Daily Vol ('000)	384.9
3M Avg. Daily Value (Rs m)	153.2

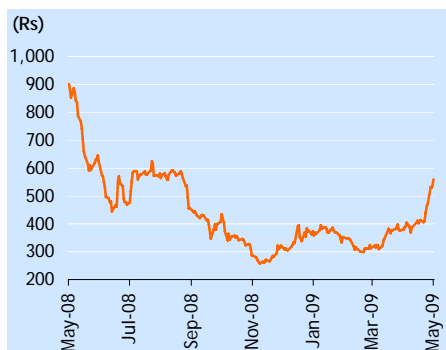
Major Shareholders

Promoters	66.1%
Foreign	6.4%
Domestic Inst.	17.9%
Public & Others	9.6%

Stock Performance

(%)	1M	6M	12M
Absolute	43.9	95.3	(36.5)
Relative	16.9	41.2	(17.8)

Price Performance (RIC: MPSE.BO, BB: MZSE IN)



Source: Bloomberg

- **Revenues disappoint:** Mundra Port and Special Economic Zone (MPSEZ) did not book any SEZ sales for the quarter which led to lower-than-expected revenues. The company's topline declined by 13.4% YoY as Q4FY08 revenues consisted of Rs862m SEZ income. Port revenues grew by 17.4% YoY on account of a 12% increase in volumes and 4.6% increase in the average realizations.

EBITDA margins also declined to 58.2% as against 71.5% in Q4FY08 on account of the absence of high margin SEZ income.

- **Volume growth dominated by bulk cargo:** Mundra port clocked in volumes of 9.5m tonnes for the quarter and 35.7m tones for FY09, representing growth of 12% and 24%, respectively. Growth in volumes was dominated by bulk cargo which grew by 14.6% for the quarter. The crude and POL category also saw growth. However, container volumes declined by 8.5% for the quarter.

- **Strong growth in profits on account of interest income:** MPSEZ's profits grew by 66% for the quarter on account of an interest income on liquid funds as well as reduced interest cost. The company reported an inflow of Rs114m as against an outflow towards interest as expected by us. Profits stood at Rs1.55bn as against Rs0.9bn in Q4FY08.

- **Valuations:** We have valued the MPSEZ's port business on the basis of a DCF for a period of 30 years which is the concession period for the port. Based on this, we arrive at a value of Rs565. The NAV of the 18000 acre SEZ stands at Rs143. We attribute a 50% discount to the SEZ NAV, thereby valuing the company Rs637. We rate the stock 'Accumulate'

Key financials (Y/e March)	FY08	FY09	FY10E	FY11E
Revenues (Rs m)	8,170	11,949	15,093	22,240
Growth (%)	48.4	46.3	26.3	47.3
EBITDA (Rs m)	5,358	7,340	10,680	16,005
PAT (Rs m)	2,104	4,325	6,260	11,180
EPS (Rs)	5.3	10.8	15.6	27.9
Growth (%)	16.2	105.6	44.7	78.6
Net DPS (Rs)	1.5	2.0	2.5	3.0

Source: Company Data; PL Research

Profitability & valuation	FY08	FY09	FY10E	FY11E
EBITDA margin (%)	65.6	61.4	70.8	72.0
RoE (%)	11.7	14.5	18.3	26.8
RoCE (%)	10.3	10.2	14.0	19.2
EV / sales (x)	28.8	20.3	16.3	11.0
EV / EBITDA (x)	44.0	33.1	23.0	15.3
PE (x)	106.4	51.8	35.8	20.0
P / BV (x)	8.0	7.1	6.1	4.8
Net dividend yield (%)	0.27	0.36	0.45	0.54

Source: Company Data; PL Research

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Q4FY09 Result Overview

(Rs m)

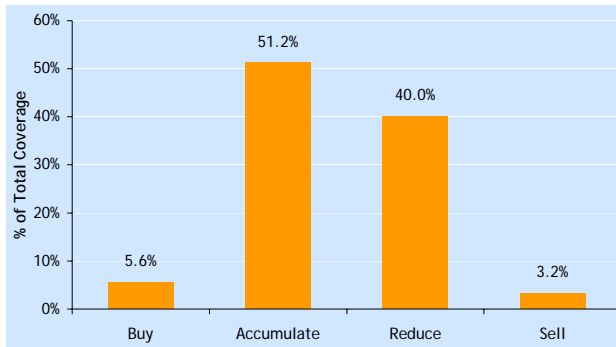
Y/e March	Q4FY09	Q4FY08	YoY gr. (%)	Q3FY09	FY09	FY08	YoY gr. (%)
Net Sales	2,845	3,286	(13.4)	3,009	11,949	8,170	46.3
Expenses							
Administration & other exp	440	256	72.0	159	1,011	711	42.2
Operating exp	644	595	8.4	873	3,195	1,836	74.0
<i>% of Sales</i>	<i>38.1</i>	<i>25.9</i>		<i>34.3</i>	<i>35.2</i>	<i>31.2</i>	
Personnel exp	105	87	20.1	89	404	266	51.7
<i>% of Sales</i>	<i>3.7</i>	<i>2.6</i>		<i>3.0</i>	<i>3.4</i>	<i>3.3</i>	
Total Expenses	1,189	938	26.8	1,121	4,609	2,813	63.9
EBITDA	1,656	2,349	(29.5)	1,888	7,340	5,358	37.0
<i>Margins (%)</i>	<i>58.2</i>	<i>71.5</i>		<i>62.8</i>	<i>61.4</i>	<i>65.6</i>	
Depreciation	391	291	34.3	348	1,468	1,023	43.5
EBIT	1,265	2,057	(38.5)	1,541	5,872	4,335	35.5
Interest	(114)	319	(135.5)	495	1,459	1,079	35.3
Other Income	169	209	(19.2)	24	446	279	60.0
Extraordinary	-	-		-	-	117	
Prior Period Items	-	-		-	-	(13)	
PBT	1,547	1,947	(20.5)	1,070	4,859	3,638	33.5
Tax	35	1,036	(96.6)	61	533	1,534	-65.2
<i>Effective tax rate (%)</i>	<i>2.3</i>	<i>0.0</i>		<i>5.7</i>	<i>11.0</i>	<i>42.2</i>	
PAT	1,512	911	66.0	1,008	4,325	2,104	105.6

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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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