

April 13, 2010

Rating	Not Rated
Price	Rs165
Target Price	NA
Implied Upside	NA
Sensex	17,933

(Prices as on April 12, 2010)

### Trading Data

Market Cap. (Rs bn)	12.2
Shares o/s (m)	74.0
Free Float	42.34%
3M Avg. Daily Vol ('000)	311.9
3M Avg. Daily Value (Rs m)	52.6

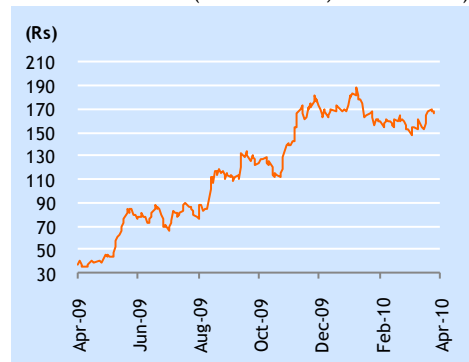
### Major Shareholders

Promoters	57.66%
Foreign	12.64%
Domestic Inst.	12.38%
Public & Others	17.32%

### Stock Performance

(%)	1M	6M	12M
Absolute	7.5	33.4	356.1
Relative	3.5	28.5	290.8

### Price Performance (RIC:MAPR.BO, BB:MDHPJ IN)



Source: Bloomberg

- Order book 4.1x FY09 revenues:** Current order book of Madhucon Projects (MPL) stands at Rs40bn; it was Rs46bn at the end of H1FY10. Out of the total orders, irrigation (mainly from AP) projects close to 35% of the order book are currently going slow. Power constitutes 31%, Roads constitute 20% and balance is in Mining and Real estate. The company's share of own projects in total order book is nearly 50% which is mainly from the power segment. Going forward, we expect the share of the company's own projects to go up as it would be developing more power and road BOT projects.
- Strong road BOT portfolio:** The current BOT portfolio of MPL consists of four road projects, of which two are operational. The balance CODs are expected by June 2010. The company is also L1 for one project in Bihar. The total toll collections expected in FY11, once the four projects commence operations, are close to Rs4.6-5.2m per day, translating into an annual turnover of close to Rs1.7bn p.a.
- Power and coal assets to add long-term value:** Currently, MPL, through its 76% owned subsidiary 'Simhapuri Energy' plans to develop 1920MW in the near future. The 300MWx2 project will get operational by December 2012. The financial closure of the 300MW is done and the second phase of 300MW is expected by May 2010. The third and fourth phase of 660MW each would be commissioned post FY15. The company is also developing a 25x3MW hydro power project in Uttarakhand. MPL has also been granted a mining license (250m tonnes) and a mine with total reserves of 900m tonnes. The company has so far invested close to Rs1.2bn in this venture and would further require close to Rs3bn for mine development and excavation. The first batch of production of 1m tonne is expected by the end of FY11E.
- Presence in Real estate and Hotels:** MPL is going slow on a 2m sq.ft real estate venture in Kukatpally in Andhra Pradesh. The company plans to develop a 'mega mall and a commercial complex at a total cost of Rs8bn. Also housed in the parent company is a 5-star hotel development for which the fund requirement would be close to Rs3.6bn.
- Valuation:** MPL would require funds close to Rs25bn for the development of Power, Road BOT and Mining assets for which it is planning listing its holding subsidiary Madhucon Infra. The investments from the company till now for these ventures stand at Rs6bn. At CMP of Rs165, MPL trades at a P/E of 24.4 x and 21.5x FY10E and FY11E. We have 'Not Rated' the stock.

Key financials (Y/e March)	FY08	FY09	FY10E	FY11E
Revenues (Rs m)	7,980	9,719	11,000	13,200
Growth (%)	56.5	21.8	13.2	20.0
EBITDA (Rs m)	1,073	1,176	1,241	1,584
PAT (Rs m)	472	469	500	568
EPS (Rs)	6.4	6.3	6.8	7.7
Growth (%)	(43.4)	(1.0)	6.6	13.5
Net DPS (Rs)	0.6	0.4	0.4	0.5

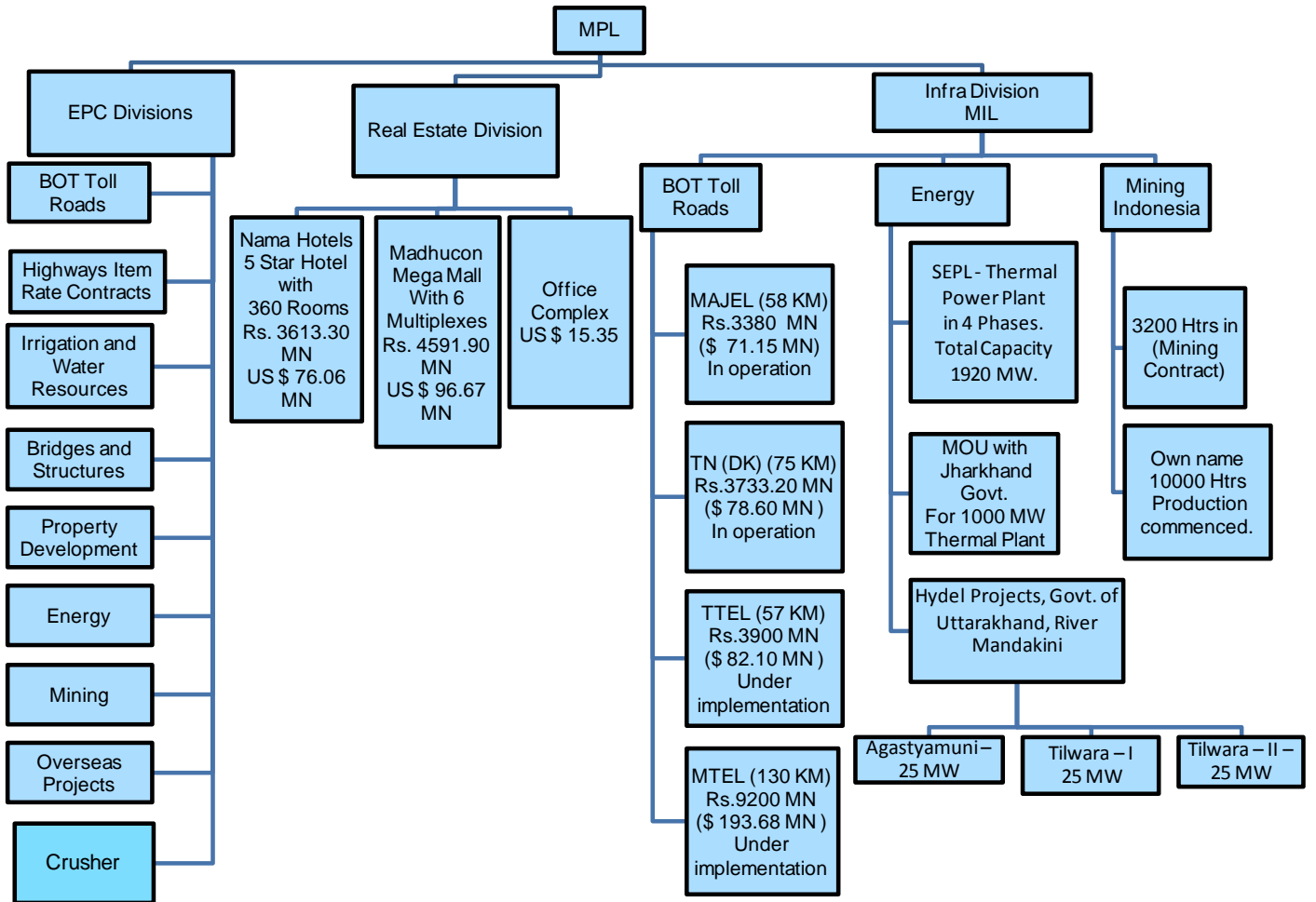
Source: Company Data; PL Research

Profitability & valuation	FY08	FY09	FY10E	FY11E
EBITDA margin (%)	14.5	12.1	11.3	12.0
RoE (%)	10.0	9.5	8.9	9.3
RoCE (%)	10.8	7.6	13.0	14.0
EV / sales (x)	0.9	1.5	1.5	1.3
EV / EBITDA (x)	6.6	12.4	13.1	10.8
PE (x)	25.7	26.0	24.4	21.5
P / BV (x)	1.2	1.1	2.1	1.9
Net dividend yield (%)	0.4	0.2	0.2	0.3

Source: Company Data; PL Research

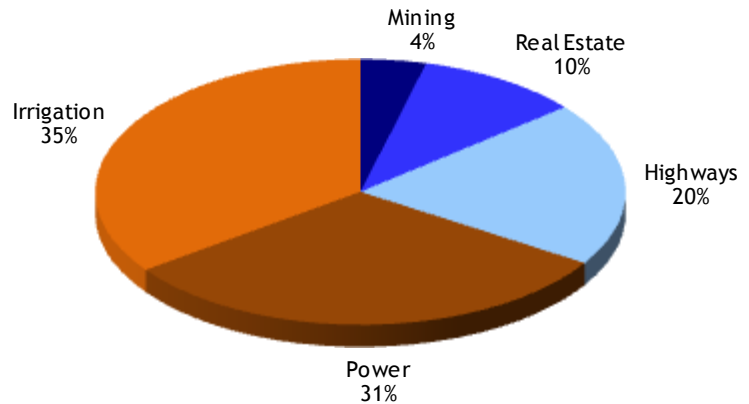
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Business structure



Source: Company Data, PL Research

Order book - break up



Source: Company Data, PL Research

**Road BOTs to on stream in FY11E**

(Rs bn)

Project	Kms	Period	Project Cost	Equity	Debt	Grant	Revenues p.a first year (Rs m)	COD
Bharatpur - Mahwa	57	25	3.5	0.6	2	0.97	300	0
Karur Dindigul	68	20	3.8	0.75	2.2	0.86	200	0
Trichy - Thanjavur	56	20	4	0.65	2.6	0.78	346	Q1FY11
Madurai - Tuticorin	128	20	9.2	1.8	6	1.4	876	Q1FY11

Source: Company Data, PL Research

**Power projects under development**

MW	Clearances	FC	Revenues	COD
300	Y	Y	70% PTC, bal Merchant	Q4FY11
300	P	N	PPA with Reliance Trading and Merchant	Q3FY13
1320	P	N	Combination of Merchant and PPA	FY15E
75	P	N	PPA and Merchant	2018E

Source: Company Data, PL Research

**Coal assets profile-invested so far close to Rs 1.2bn**

Place	Ownership	Reserves (mt)	CCV
East Kalimantan, Indonesia	Mining Contract	250	5500-6100 Kcal/Kg
South Sumatra	Allotted	900	5500-6100 Kcal/Kg

Source: Company Data, PL Research

**Fund requirement (Estimated)**

(Rs bn)

Power	20
Road	2
Mines	3
<b>Total Requirement</b>	<b>25</b>

Source: PL Research

**Potential Value of MPL (Estimated)**

Verticals	Equity	Valuation parameter	Value (Rs bn)
Roads	3.8	1.25x P/BV	5
Power	24	1x P/BV	24
Coal Mines	2	1x P/BV	2
<b>Total Value</b>			<b>31</b>

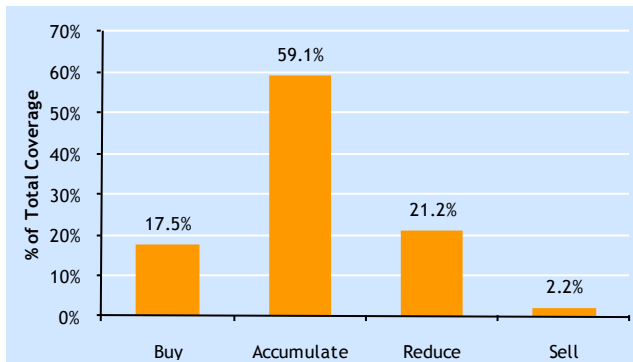
Source: PL Research

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#### Rating Distribution of Research Coverage



#### PL's Recommendation Nomenclature

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

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