



Research



McNally Bharat Engineering Company Ltd RESULT UPDATE

Reduce target to 358 from 390

CMP: 311

Date::15th May 2010

Under weight

STOCK INFO (FY2010)

Sector	Capital Goods
Market cap	972.3cr
Equity Capital	31.09cr
Face value	Rs 10
Book value	Rs.63.04
EPS	Rs.12.49
Price/Book value	4.96
Sales Growth	49.62%
Dividend	12.5%
Incorporation	1961
52 week H/L	385/66.05
Avg Daily Vol	56000(2 Wk avg)
Chairman	D. Khaitan
Promoter Holding	36.43%
FII's/MF Holding	18.85/18.73%

Fairwealth Research Desk initiated a Buy on McNally Bharat Engineering company Ltd (MBECL) at Rs 265, it has made a high of 385.

We re-rate the stock as underperformer with a revised target price of Rs 358.

MBECL Annual results were below our expectations

The top-line of the company grew by 49.66% YoY to Rs 1448.31cr as against Rs 967.98cr (surpassing our estimation of Rs 1295.52)

However, the operating performance at Rs 98.89cr is well below our research estimations (we estimated a PBDIT of Rs. 111.41cr). This is primarily due to very high raw material and sub-contract costs.

The bottom-line performance of the company is below par our research estimation with a marginal increment of only 13.80%, to Rs 38.83cr (we estimated 47.8cr.)

COMPANY PROFILE

McNally Bharat Engineering Company Ltd. (MBECL) is one of the leading engineering companies in India. It is engaged in providing turnkey solutions in the areas of Power, Steel, Aluminum, Material Handling, Mineral Beneficiation, Pyroprocessing, Pneumatic Handling of powdered materials including fly ash handling and high concentrate disposal, coal washing, port cranes, civic and industrial water supply etc.

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RESULT ANALYSIS

Particulars (In Crores)	Quarter Ended					Year Ended		
	Mar'10	Mar'09	% Var YoY	Dec'09	% Var QoQ	FY2010	FY2009	Var%
Net Sales	562.41	473.96	18.66%	332.5	69.15%	1448.31	967.98	49.62%
other Income	2.7	26.6	-89.85%	1.67	61.68%	3.08	28.53	-89.20%
Total Income	565.11	500.56	12.90%	334.17	69.11%	1451.39	996.51	45.65%
Expenditure	521.62	447.41	16.59%	309.53	68.52%	1353.78	909.96	48.77%
PBIDT	43.49	53.15	-18.17%	24.64	76.50%	97.61	86.55	12.78%
Interest	6.92	15.22	-54.53%	13.62	-49.19%	33.99	32.77	3.72%
Profit Before Depreciation & Tax	36.57	37.93	-3.59%	11.02	231.85%	63.62	53.78	18.30%
Depreciation	1.41	0.33	327.27%	1.28	10.16%	4.79	2.41	98.76%
Profit Before Tax	35.16	37.6	-6.49%	9.74	260.99%	58.83	51.37	14.52%
Tax	12.72	12.22	4.09%	2.35	441.28%	20	17.25	15.94%
Profit After Tax	22.44	25.38	-11.58%	7.39	203.65%	38.83	34.12	13.80%
Extraordinary Item	0.92	15.57	-94.09%	0	0.00	-2.88	15.32	-118.80%
Adj. Profit After Tax	21.52	9.81	119.37%	7.39	191.20%	41.71	18.8	121.86%
EPS	7.22	8.16	-11.58%	2.38	203.27%	12.49	10.97	13.80%
Operating Profit Margin	7.73	11.21	-	7.41	-	6.74	8.94	-
Net Profit Margin	3.97	5.07	-	2.22	-	2.68	3.42	-

During the quarter ended 31st March, 2010, the net sales of the company reported an increment of 18.66% on y-o-y basis to Rs 562.41cr as against Rs 473.96cr during the corresponding quarter last year. The impressive top-line performance of the company was largely on account of higher execution of contracts.

However, the operating performance of the company witnessed a contraction of 18.17% YoY to Rs 43.49cr as against Rs 53.15cr. This is a consequence of higher raw material and higher sub-contractor cost during the quarter which resulted in fall in OPM by 348bps to 7.73% as against 11.21% during similar period last year.

The net profit of the company saw a contraction of 11.58% YoY to Rs 22.44cr as against Rs 25.38cr during the quarter, largely on account of lower operating profit.

On Q-o-Q basis, the top-line of the company has shown an impressive growth of 69% to Rs 562.41cr as against Rs 332.5cr, the operating profit of the company grew by a massive 76.5% to Rs 43.49cr as against Rs 24.64cr largely on account of improved top-line and better operating margins.

The net profit of the company grew by a whopping 203% to Rs 22.44cr as against Rs 7.39cr. This can be attributed to volume growth of the company and fall in the interest cost of the company by 54% to Rs 6.92cr as against Rs 13.62cr during the preceding quarter.

Notes: Figures are sourced from www.bseindia.com & capital market

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