

## Equities

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# Mundra Port And Special Economic Zone (MPSE.BO)

## Alert: Takeaways from India Infrastructure Conference, 10-11 Jan

### ■ Company Update

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- **Takeaways from Mumbai** — MPSEZ presented at our India Infrastructure Mini Conference 2011 in Mumbai. Below are the key takeaways from management:
- **Strong volume growth ahead** — MPSEZ expects FY11 throughput to be ~50mtpa, up ~30% yoy. Volume growth in FY12 would be driven by increased throughput of coal for Adani Power's Mundra project and Tata Power's Mundra UMPP.
- **Capacity enhancement on schedule** — Rail link capacity between Mundra and Adipur is being doubled, and the remaining broad gauge conversion work on the rail link to Delhi and Bhatinda has been completed. The Mundra-Bhatinda crude pipeline capacity has been completed. Work on the coal jetty is near completion and coal throughput for the Mundra UMPP project is expected to start in 1Q FY12.
- **Domestic expansion at different locations on track** — The Dahej port started operations in Sep 2010 with capacity of 20mtpa. Dahej port traffic throughput is likely to be ~2mtpa in FY11 and ~6mtpa in FY12. The company has refinanced debt at a lower cost. The Mormugao coal jetty is expected to be commissioned by FY13. MPSEZ will spend Rs4bn for eventual capacity of 6-7mtpa.
- **International expansion in initial stages** — MPSEZ will spend ~US\$1-1.5bn on a 60mtpa port in Australia. Total capex, including a 360-400km rail link, will be ~US\$2.5bn.

Mundra Port And Special Economic Zone (MPSE.BO; Rs141.05; 3L)

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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# Mundra Port And Special Economic Zone

## Valuation

Our target price for MPSEZ is Rs164. Mundra Port is valued at Rs124/share on a discounted cash flow to equity basis, using a cost of equity of 12%. The SEZ is valued at Rs19/share, using a cost of equity of 13% and then assigning a 20% discount to the calculated NAV (consistent with how we value the smaller Indian real estate companies). We value Dahej Port at Rs8/share - on a discounted cash flow to equity basis, using a cost of equity of 12%. We value Hazira Port at Rs10/share - on a discounted cash flow to equity basis, using a cost of equity of 14% and Mormugao port at Rs1/share on a discounted cash flow to equity basis, using a cost of equity of 14%. We value stakes in Adani Logistics (Rs2/share) and Kutch railways at book value.

## Risks

We rate the stock Low Risk, in line with our quantitative risk-rating system, which tracks 260-day historical share price volatility. Key upside risks to our Sell recommendation and target price include: 1) better-than-expected traffic growth; 2) better-than-expected demand for the land at the SEZ; 3) higher-than-expected lease income for the SEZ; and 4) extension of the concession period. The key downside risk to our estimates and target price include lower than expected sale of land at SEZ and slower growth in traffic volumes

## Appendix A-1

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Analyst: Deepal Delivala  
Covered since February 9 2009



Chart current as of 8 January 2011

	Date	Rating	Target Price	Closing Price
1	9-Feb-09	*3H	*58.20	77.13
2	23-Jul-09	*3M	*94.80	111.70

	Date	Rating	Target Price	Closing Price
3	25-Jan-10	*2M	*131.80	120.10
4	25-Oct-10	*3L	*164.00	164.50

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**Mundra Port And Special Economic Zone (MPSE.BO)**

**Ratings and Target Price History**

**Best Ideas Research**

**Relative Call (3 Month)**

Analyst: Deepal Delivala

Covered since February 9 2009



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Chart current as of 8 January 2011

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% of companies in each rating category that are investment banking clients

12 Month Rating			Relative Rating		
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45%	44%	40%	0%	44%	0%

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