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Kejal Mehta
kejalmehta@plindia.com
+91-22-66322246

Dhrushil Jhaveri
dhrushiljhaveri@plindia.com
+91-22-66322232

Rating	Accumulate
Price	Rs148
Target Price	Rs161
Implied Upside	8.8%
Sensex	17,707
Nifty	5,362

(Prices as on February 06, 2012)

Trading data

Market Cap. (Rs bn)	296.7
Shares o/s (m)	2,003.4
3M Avg. Daily value (Rs m)	220.5

Major shareholders

Promoters	77.50%
Foreign	10.64%
Domestic Inst.	4.87%
Public & Other	6.99%

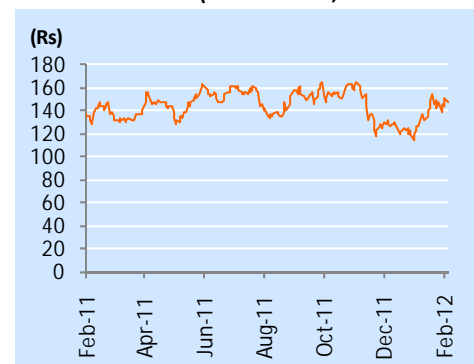
Stock Performance

(%)	1M	6M	12M
Absolute	16.0	6.0	9.7
Relative	4.4	3.7	11.4

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	7.2	7.7	-6.0
2014	9.9	9.9	0.0

Price Performance (RIC:APSE.BO, BB: ADSEZ IN)



Source: Bloomberg

- Results disappoint on lower volumes, SEZ saves the day:** Mundra reported lower-than-expected revenues during the quarter on account of flat sequential volumes. Higher realization per tonne (+5% QoQ) on account of higher proportion of fertilizer volumes, led to port revenues increasing 4% QoQ in a amid flat volumes (-1%) in Q3 FY12. Aided by contribution from the SEZ side, where a new lease (~30 acres with Anupam MHI) was signed during the quarter, revenues increased 11% QoQ and 53% YoY to Rs6.91bn in Q3FY12.

EBITDA margins for the quarter were slightly higher-than-expected at ~69.7%, an improvement of 340bps QoQ and ~100bps YoY. However, interest cost was sharply (+70%) higher QoQ at Rs783m on account of a loss of ~Rs483m on derivative contracts (owing to the sharp depreciation in the rupee) during the quarter compared to a loss of ~Rs14 cr in Q2 FY12. Consequently, PAT stood at Rs3.1 bn, a growth of 36% YoY and 14% QoQ.

- Lower coal, crude volumes lead to flat volumes QoQ:** The disappointment on the volumes front emanated from the coal and crude segments where volumes declined by 12% and 31%, respectively, on a sequential basis. Q3 witnessed a fall in volumes due to delay in commencement of HMEL refinery volumes which witnessed trial runs last quarter. Higher imported coal prices, coupled with a depreciating rupee, led to lower coal imports during the quarter. However, a strong pickup in fertilizer volumes (+47% QoQ) along with a continued growth in the container volumes (+7% QoQ) made up for the fall in the coal and crude segments, resulting in an overall flat throughput (-1% QoQ) at ~16.6mt for Q3FY12. Going forward, management expects coal volumes to start inching up again with a rebound in demand from Adani Power.

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Key financials (Y/e March)

	2011	2012E	2013E	2014E
Revenues (Rs m)	20,001	33,446	41,091	51,161
Growth (%)	33.7	67.2	22.9	24.5
EBITDA (Rs m)	12,994	22,464	27,165	34,863
PAT (Rs m)	8,342	11,405	14,477	19,805
EPS (Rs)	4.2	5.7	7.2	9.9
Growth (%)	23.4	36.7	26.9	36.8
Net DPS (Rs)	1.3	1.5	2.0	2.5

Profitability & Valuation

	2011	2012E	2013E	2014E
EBITDA margin (%)	65.0	67.2	66.1	68.1
RoE (%)	21.8	24.7	26.0	29.0
RoCE (%)	10.9	10.2	8.4	9.9
EV / sales (x)	16.5	13.1	11.2	8.9
EV / EBITDA (x)	25.4	19.5	16.9	13.0
PE (x)	35.6	26.0	20.5	15.0
P / BV (x)	7.1	5.9	4.9	3.9
Net dividend yield (%)	0.8	1.0	1.4	1.7

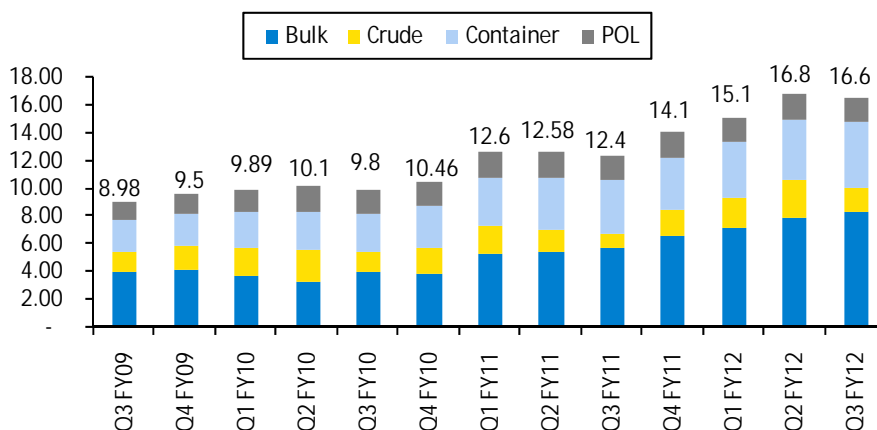
Source: Company Data; PL Research

- Valuations:** We have moderated our volume assumptions, going forward, to factor in a slower pickup in coal volumes at Adani and Mundra UMPP. We continue to value MPSEZ on a DCF basis, whereby, our SOTP value now stands at Rs161/ share. Our estimate of a 21% CAGR in volumes over FY12-14, coupled with an expectation of strong free cash flow generation, going forward, leads us to retain our positive stance on the stock. We maintain **'Accumulate'**.

Exhibit 1: Q3FY12 Result Overview (Rs m)

Y/e March	Q3FY12	Q3FY11	YoY gr. (%)	Q2FY12	9MFY12	9MFY11	YoY gr. (%)
Net Sales	6,906	4,508	53.2	6,197	18,400	12,799	43.8
Expenses							
Administration & other exp	448	166	169.6	358	1,100	627	75.5
Operating exp	1,413	1,095	29.1	1,497	4,078	2,953	38.1
<i>% of Sales</i>	<i>20.5</i>	<i>24.3</i>		<i>24.1</i>	<i>22.2</i>	<i>23.1</i>	
Personnel exp	230	148	55.4	237	673	489	37.5
<i>% of Sales</i>	<i>3.3</i>	<i>3.3</i>		<i>3.8</i>	<i>3.7</i>	<i>3.8</i>	
Total Expenses	2,092	1,410	48.4	2,091	5,850	4,069	43.8
EBITDA	4,814	3,098	55.4	4,106	12,549	8,731	43.7
<i>Margins (%)</i>	<i>69.7</i>	<i>68.7</i>		<i>66.3</i>	<i>68.2</i>	<i>68.2</i>	
Depreciation	702	531	32.1	678	1,967	1,492	31.8
EBIT	4,112	2,567	60.2	3,428	10,582	7,238	46.2
Interest	783	133	490.3	464	1,579	471	235.2
Other Income	28	9	223.0	67	99	111	(10.9)
Extraordinary	-	-		-	-	-	
PBT	3,357	2,443	37.4	3,030	9,102	6,879	32.3
Tax	251	158	58.8	296	718	364	97.1
<i>Effective tax rate (%)</i>	<i>7.5</i>	<i>6.5</i>		<i>9.8</i>	<i>7.9</i>	<i>5.3</i>	
PAT	3,106	2,285	36.0	2,734	8,384	6,514	28.7
Adj PAT	3,106	2,285	36.0	2,734	5,840	4,401	32.7

Source: Company Data, PL Research

Exhibit 2: Port Volumes


Source: Company Data, PL Research

**Exhibit 3: SOTP**

	NAV/Share (Rs)
Mundra Port	100
Concession extension	21
Dahej Port (75% Stake)	4
Mormogao Port	2
Hazira Port	4
SEZ (40% discount to NAV)	13
Abbot Point	18
Total NAV	161

Source: PL Research

Income Statement (Rs m)

Y/e March	2011	2012E	2013E	2014E
Net Revenue	20,001	33,446	41,091	51,161
Raw Material Expenses	5,321	6,656	9,113	10,318
Gross Profit	14,680	26,790	31,977	40,842
Employee Cost	798	803	986	1,228
Other Expenses	888	3,523	3,826	4,751
EBITDA	12,994	22,464	27,165	34,863
Depr. & Amortization	2,388	4,465	5,424	6,933
Net Interest	880	5,740	6,800	7,305
Other Income	309	160	430	760
Profit before Tax	10,036	12,420	15,371	21,385
Total Tax	874	963	894	1,580
Profit after Tax	9,162	11,457	14,477	19,805
Ex-Od items / Min. Int.	820	51	—	—
Adj. PAT	8,342	11,405	14,477	19,805
Avg. Shares O/S (m)	2,003.4	2,003.4	2,003.4	2,003.4
EPS (Rs.)	4.2	5.7	7.2	9.9

Cash Flow Abstract (Rs m)

Y/e March	2011	2012E	2013E	2014E
C/F from Operations	13,998	17,100	25,926	32,000
C/F from Investing	(18,314)	(117,755)	(34,708)	(15,685)
C/F from Financing	(3,665)	113,970	1,321	(3,776)
Inc. / Dec. in Cash	(7,980)	13,315	(7,462)	12,539
Opening Cash	9,997	2,515	16,285	8,824
Closing Cash	2,515	16,285	8,824	21,362
FCFF	(5,576)	(90,370)	6,168	8,009
FCFE	(6,714)	32,344	18,295	16,547

Key Financial Metrics

Y/e March	2011	2012E	2013E	2014E
Growth				
Revenue (%)	33.7	67.2	22.9	24.5
EBITDA (%)	37.6	72.9	20.9	28.3
PAT (%)	23.4	36.7	26.9	36.8
EPS (%)	23.4	36.7	26.9	36.8
Profitability				
EBITDA Margin (%)	65.0	67.2	66.1	68.1
PAT Margin (%)	41.7	34.1	35.2	38.7
RoCE (%)	10.9	10.2	8.4	9.9
RoE (%)	21.8	24.7	26.0	29.0
Balance Sheet				
Net Debt : Equity	0.8	2.8	2.7	2.1
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	35.6	26.0	20.5	15.0
P / B (x)	7.1	5.9	4.9	3.9
EV / EBITDA (x)	25.4	19.5	16.9	13.0
EV / Sales (x)	16.5	13.1	11.2	8.9
Earnings Quality				
Eff. Tax Rate	8.7	7.8	5.8	7.4
Other Inc / PBT	3.1	1.3	2.8	3.6
Eff. Depr. Rate (%)	3.2	2.5	2.9	3.4
FCFE / PAT	(80.5)	283.6	126.4	83.5

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2011	2012E	2013E	2014E
Shareholder's Funds	41,871	50,374	60,844	75,641
Total Debt	35,925	158,639	170,766	179,304
Other Liabilities	10,604	10,604	10,604	10,604
Total Liabilities	88,400	219,617	242,215	265,549
Net Fixed Assets	84,683	196,473	223,257	228,009
Goodwill	404	—	—	—
Investments	666	2,166	4,666	8,666
Net Current Assets	2,647	20,978	14,291	28,874
<i>Cash & Equivalents</i>	<i>2,515</i>	<i>16,285</i>	<i>8,824</i>	<i>21,362</i>
<i>Other Current Assets</i>	<i>6,918</i>	<i>13,068</i>	<i>15,494</i>	<i>19,972</i>
<i>Current Liabilities</i>	<i>6,786</i>	<i>8,375</i>	<i>10,026</i>	<i>12,460</i>
Other Assets	—	—	—	—
Total Assets	88,400	219,617	242,215	265,549

Quarterly Financials (Rs m)

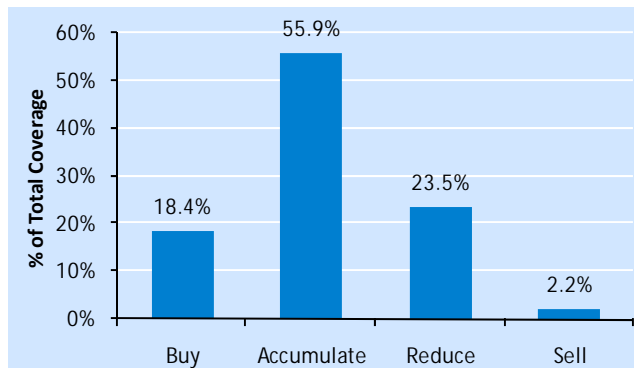
Y/e March	Q4FY11	Q1FY12	Q2FY12	Q3FY12
Net Revenue	5,176	5,296	6,197	6,906
EBITDA	3,494	3,629	4,106	4,814
<i>% of revenue</i>	<i>67.5</i>	<i>68.5</i>	<i>66.3</i>	<i>69.7</i>
Depr. & Amortization	586	587	678	702
Net Interest	279	331	464	783
Other Income	386	4	67	28
Profit before Tax	3,890	2,714	3,030	3,358
Total Tax	543	171	296	251
Profit after Tax	3,347	2,544	2,734	3,106
Adj. PAT	2,508	2,544	2,734	3,106

Key Operating Metrics

Y/e March	2011	2012E	2013E	2014E
Port volumes	52	66	85	96

Source: Company Data, PL Research.

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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