

Jun 28, 2013

**MADRAS CEMENTS LTD.**

BSE Code: 500260

NSE Code: MADRASCEM

Reuters Code:

MSCM.NS

Bloomberg Code: MC:IN

Madras Cements Ltd. (MADRASCEM) is an India-based company that is principally engaged in Ready Mix Concrete and Dry Mortar products, and operates one of the largest wind farms in the country. MADRASCEM is one of the top three cement producers in South India with total nameplate capacity of 13mtpa (0.95mtpa in West Bengal and the balance in the South). The Company operates in two segments: cement and power generation from windmills. The Company's products include ordinary portland cement, portland pozzolana cement and windpower.

## Investor's Rationale

**Topline grew 5.5% YoY on higher volume sales**— MADRASCEM, registered a growth in its topline by 5.5% YoY (6.3% QoQ) to ₹9,272mn in Q4FY'13 against ₹8,725mn assisted by volume growth of 0.5% YoY (13% QoQ). While, flat realization of 0.9% YoY (8.4% QoQ) acted negatively despite of seasonally strong quarter.

**Flattish realization, higher freight expenses and other expenses dragged the bottom-line in red** – The company's net profit plummeted 35.3% YoY (23.7% QoQ) primarily on the account of flat realization. Further higher freight (+20.9% YoY at ₹2245 mn), raw material (22.4% YoY at ₹1570 mn) and other expenses (21.2% YoY at ₹1640 mn) also dragged the bottom-line. Other expenses were up due to increase in advertisement spending in entry into eastern market. Energy cost however was moderated (2.5% at ₹1939 mn) sequentially due to softening of imported coal prices. Interest cost decreased 0.9% YoY due to reclassification of exchange loss/gain into other expense, which was part of interest earlier. While effective tax rates reported decline of 38.5% YoY due to MAT provisions. Thus, NPM contracted by 420bps YoY to 6.7% against 10.9%.

**EBITDA margin crashed 721bps on higher operating cost** – The EBITDA of the company decreased 25.0% YoY at ₹1710mn (27.1% QoQ), mainly due to higher operating expenses (raw material, freight, employee and other expenses). Thus, OPM crashed 721bps YoY at 17.9% against 25.1%.

### Market Data

Rating	BUY
CMP (₹)	228.3
Target Price (₹)	251
Stop Loss (₹)	216
Duration	Short-term
52-week High-Low (₹)	269/144
Rise from 52WL (%)	58.2
Correction from 52WH (%)	15.1
Beta	0.6
1 year Average Volume (mn)	0.3
	3M- (10.3)
Stock Return (%)	6M- (9.4)
	1Y- 50.9
Market Cap (₹bn)	54.3
Book Value (₹)	103.1

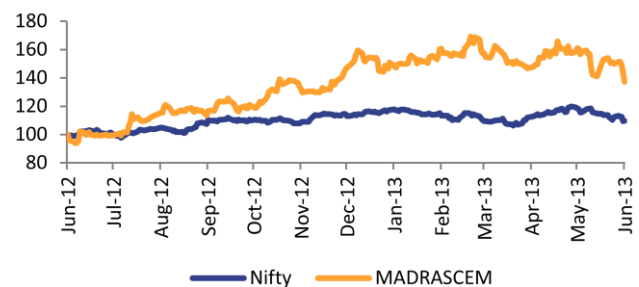
### Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	42.32	42.32	-
FII (%)	13.79	5.76	8.03
DII (%)	17.89	23.69	(5.80)
Public & Others (%)	26	28.23	(2.23)

### Quarterly Performance

(₹Mn)	Q4 FY'13	Q4 FY'12	Q3 FY'13	YoY Change(%)	QoQ Change(%)
Sales	9,272	8,788	8,725	5.5	6.3
Op. exp	7,866	6,811	6,702	15.5	17.4
EBITDA	1,710	2,279	2,347	(25.0)	(27.1)
OPM (%)	17.9	25.1	25.9	(721bps)	(808bps)
Net profit	642	992	841	(35.3)	(23.7)
NPM (%)	6.7	10.9	9.3	(420bps)	(259bps)
EPS (₹)	3.0	4.0	4.0	(25.0)	(25.0)

### One Year Price Chart





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