

Weak Quarter

18th Feb, 2015

CMP: Rs. 283
Target Price: Rs. 422
Recommendation: Buy

Stock Info

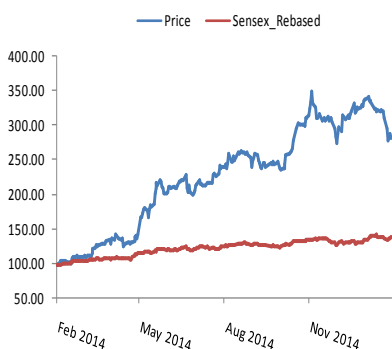
BSE Group	B
BSE Code	502157
NSE Symbol	MANGLMCEM
Bloomberg	MGC .IN
Reuters	MGLC.BO
BSE Sensex	29,136
NSE Nifty	8,809

Market Info

Market Capital	Rs 754 cr
Equity Capital	Rs 27 cr
Avg. Trading Vol. (NSE Qtly)	1,34,710
52 Wk High/ Low	354/95
Face Value	10

Shareholding Pattern (%) (31st Dec 2014)

Promoters	27.4
Domestic Institutions	4.3
Foreign Institutions	6.5
Non Promoters Corp.	20.7
Public & Others	41.1
Govt. Holdings	-



Mangalam Cement (MCL) reported 3QFY15 result, which came below our estimates. Company reported net loss of Rs 2.4 crs vs. a profit of Rs 0.5 crs on YoY basis largely due to higher interest cost.

MCL reported 29.3% yoy increase in revenues to Rs 207.6 cr. Cement volumes (Grey cement + clinker) increased 17% yoy to 0.55 mn tonnes. Net realisation increased 10.5% yoy to Rs 3,775 per ton. However realisations on QoQ basis declined by 6.4% due to subdued demand. We expect cement prices to firm up going ahead.

EBITDA per tonne declines qoq

MCL reported decline in EBITDA per ton on qoq basis from Rs 393 per ton to Rs 172 per ton. We believe MCL to post EBITDA/ton of Rs 494 in FY15E and Rs 614 in FY16E. Operating cost, on per ton basis, saw increase of Rs 39 on qoq basis. Consequently, EBITDA margins during the quarter came in at 4.4% vs. 9.7%.

Outlook and valuations:

We expect revival in investment cycle over long term, however, over short to medium term issues like weak demand and excess capacity will continue to hit earnings of the company. Going forward, we forecast MCL's EBITDA margins to increase to 14% in FY16E. We have modelled for volume growth of 24% CAGR and realizations to increase by 4.5% CAGR over the next 2 years. At CMP of Rs 283 the stock is trading at EV/ton of \$ 56, which is at a huge discount to its midcap peers. We believe MCL has a price potential of Rs 422 based on EV/ton of \$75.

Financials:

Y/E March, (Rs. in Cr)	FY13	FY14	FY15E	FY16E
Net Revenue	706	697	925	1,179
EBITDA	131	56	103	158
PAT	77	30	32	64
EPS	29.0	11.1	12.2	24.1
EPS Growth (%)	38%	-62%	10%	98%
RONW (%)	15.7	5.8	6.2	11.3
P/E (x)	9.8	25.5	23.3	11.8
EV/EBITDA (x)	5.1	14.5	11.3	7.2



3QFY15 Results (Standalone)

Rs in Crore	3QCY15	3QCY14	YOY (%)	2QCY15	QoQ (%)
Net Sales	207.6	160.6	29.3	237.8	-12.7
Other operating income	5.7	1.0		1.7	
Expenditure	203.9	167.5	21.7	216.4	-5.8
EBITDA	9.5	-5.9	NA	23.2	-59.1
EBITDA Margins (%)	4.6	-3.7		9.7	
Other Income	0.7	0.8		1.3	-50.6
Interest	10.6	2.3		10.3	
Depreciation	8.9	7.0		8.9	
PBT	-9.4	-14.5	NA	5.3	-275.3
Tax	-7.0	-14.9		0.7	
Tax rate (%)	NA	NA		0.1	
PAT	-2.4	0.5	NA	4.6	NA
Net Profit Margin (%)	0.0	0.0		0.0	
EPS (Rs)	-0.9	0.2	NA	1.7	NA

	FY15	FY16
EV/ton (\$/ton)	75	75
Exchange rate	62	62
Capacity	3	3
EV (Rs crs)	1,511	1,511
net Debt	444	415
CWIP	30	31
Market Cap	1,097	1,127
No shares	2.7	2.7
Fair Value	411	422
CMP	283	283
Upside	45%	49%



Profit & Loss Statement (Standalone)

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY 16 E
Net Sales	706	697	925	1,179
% Chg	11.9%	-1.2%	32.7%	27.4%
Total Expenditure	575	642	822	1,022
% Chg	9.1%	11.5%	28.2%	24.3%
EBITDA	131	56	103	158
EBITDA Margin %	18.5%	8.0%	11.1%	13.4%
Other Income	7	5	9	10
Depreciation	25	28	29	41
EBIT	113	33	83	126
Interest	5	9	37	35
PBT	108	24	46	92
Tax Provisions	30	-6	14	28
PAT	77	30	32	64
% Chg	38.2%	-61.7%	9.6%	97.9%
EPS	29.0	11.1	12.2	24.1

BS(Standalone)

	FY13	FY14	FY15E	FY16E
Shareholders' funds				
Share capital	27	27	27	27
Reserves and Surplus	466	480	497	540
Non-current liabilities	352	490	594	600
Long-term borrowings	211	343	443	418
Deferred Tax Liabilities (Net)	58	61	61	61
Current liabilities	125	145	166	213
Short-term borrowings	0	13	13	13
Short-term provisions	21	11	18	24
Total Liabilities	969	1,142	1,284	1,379
Net Fixed assets	349	515	799	803
Capital work-in-progress	214	255	30	31
Non-current investments	36	36	36	36
Long-term loans and advances	23	20	36	40
Current assets	326	286	353	439
Inventories	137	116	137	183
Trade receivables	30	23	35	45
Cash and Cash Equivalents	92	46	12	17
Short-term loans and advances	60	94	162	187
Total Assets	969	1,142	1,284	1,379

Cash Flow Statement, Year Ending December

Particulars, in Rs crore	FY13	FY14	FY15E	FY 16 E
Operating Activities				
PBT	108	24	46	92
Add Depr	25	28	29	41
Others	(2)	2	-	-
Total	131	54	75	133
Cash Taxes	(24)	(10)	(14)	(28)
Changes in Working Cap	(0)	19	(81)	(34)
Cash Flow from Operations	106	63	(20)	72
Investing Activities				
Change in investments	(25)	5	-	-
Capex	(217)	(231)	(88)	(47)
Cash Flow from Investing	(242)	(226)	(88)	(47)
Financing Activities				
Dividends + Taxes paid	(18)	(19)	(16)	(22)
Change in Non Curr Liab	206	135	89	1
Cash Flow from Financing	187	116	73	(21)
Opening Cash	37	92	46	12
Changes during year	52	(46)	(34)	4
Closing Cash	92	46	12	17

Key Ratios (Standalone)

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY16E
Per Share data (Rs)				
EPS	29.0	11.1	12.2	24.1
Cash EPS	38.4	21.5	22.9	39.6
DPS	6.0	3.0	5.0	7.0
Book value	184	190	196	212
Operating, Returns Ratio				
Debt/ Equity (X)	0.4	0.7	0.9	0.8
Current Ratio (X)	2.6	2.0	2.1	2.1
RoE (%)	15.7	5.8	6.2	11.3
RoCE (%)	11.7	4.4	7.0	9.9
Dividend Yield (%)	2.1	1.1	1.8	2.5
Valuation Ratio (X)				
P/E	9.8	25.5	23.3	11.8
P/BV	1.5	1.5	1.4	1.3
EV/EBITDA	5.1	14.5	11.3	7.2

Source: Company data, Arihant Research

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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