MOTILAL OSWAL

GMR Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,614	GMRI IN
	REUTERS CODE
S&P CNX: 5,184	GMRI.BO

Equity Shares (m)	1,655.4
52-Week Range	201/52
1,6,12 Rel. Perf. (%)	-16/59/-
M.Cap. (Rs b)	244.2
M.Cap. (US$ b)	6.1

22 October 2007

Neutral

Previous Recommendation: Neutral

Rs148

YEAR END	NET SALES* (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	16,967	1,744	1.1	-8.5	140.0	12.3	8.8	6.9	15.7	48.9
3/08E	18,437	1,599	1.0	-8.3	152.7	11.5	7.5	5.4	5.9	15.4
3/09E	24,737	1,957	1.2	22.4	124.8	10.7	8.6	6.7	6.0	11.9

*Consolidated

2QFY08 performance impacted by Vemagiri losses: For 2QFY08, GMR Infrastructure reported consolidated net revenue of Rs4b (up 26.5% YoY), EBIDTA of Rs1.6b (up 24.6% YoY) and net profit after minority interest of Rs496m (down 7.6% YoY). The net profit was lower YoY primarily on account of losses at Vemagiri power plant, which stood at Rs342.3m in 2QFY08 (largely interest and depreciation). The contribution from the various divisions to the consolidated PAT was: power 49%, airport business 33% and road business 18%.

- For the Delhi airport, project capex has increased from Rs86b to Rs89b. Financial closure is now expected by December 2007 as against earlier expectations of August 2007. This is due to delays in bid opening for real estate (Phase I – 45 acres). The bid document entails an upfront payment of Rs630m/acre as advances, deposit and share subscription, while the bidding criteria is the license fees payable per annum.
- For the Hyderabad airport, land bank available for real estate development stands at 1,000 acres, plus two SEZs of 250 acres each. This came as a positive surprise, as earlier the management had indicated land bank at 700 acres, which was revised to 1,000 acres in June 2007 and 1,500 acres currently.
- GMR Energy (100% subsidiary) has been allotted Rampia and Dip side block of Rampia mine along with five other companies with an estimated reserve of 645.2m tons.

Valuations: Based on SOTP valuation, we arrive at a target price of Rs153/share comprising Rs139/share for airport business (excluding Sabiha Gocken), Rs5/share for road projects, Rs6/share for power business and Rs3/share of cash balance. We calculate NPV of real estate development at Rs108b, which represents 43% of our sum of the parts value. **Maintain Neutral.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (Rs Million)

Y/E MARCH	FY07				FY08		FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q		
Sales	**4,093**	**3,125**	**3,554**	**6,196**	**4,766**	**3,953**	**16,967**	**18,437**
Change (%)	*53.50*	*41.3*	*62.0*	*0.0*	*16.45*	*26.5*	*59.8*	*8.7*
EBITDA	**1,281**	**1,250**	**1,526**	**1,380**	**1,386**	**1,557**	**5,436**	**7,064**
Change (%)	*10.14*	*9.6*	*39.6*	*0.0*	*8.19*	*24.6*	*20.0*	*29.9*
As of % Sales	*31.3*	*40.0*	*42.9*	*22.3*	*29.1*	*39.4*	*32.0*	*38.3*
Depreciation	260	268	445	354	406	439	1,345	1,746
Interest	294	236	376	535	375	359	1,441	2,607
Other Income	17	46	121	-1	192	117	183	1,378
Extra-ordinary income	0	0	0	0	0	0	0	0
PBT	**744**	**792**	**826**	**490**	**796**	**875**	**2,833**	**4,089**
Tax	96	86	139	94	101	157	215	1,245
Effective Tax Rate (%)	*12.9*	*10.9*	*16.8*	*19.3*	*12.7*	*17.9*	*7.6*	*30.5*
Reported PAT	**648**	**706**	**688**	**395**	**695**	**719**	**2,618**	**2,844**
Adj PAT (before minority interest)	**648**	**706**	**688**	**395**	**695**	**719**	**2,483**	**2,795**
Change (%)	*146.84*	*199.4*	*43.1*	*0.0*	*7.29*	*1.8*	*19.3*	*12.6*
Minority Interest	**181**	**170**	**155**	**210**	**231**	**223**	**539**	**996**
Adj PAT (after minority interest)	**467**	**536**	**533**	**185**	**464**	**496**	**1,744**	**1,599**

E: MOSt Estimates

Satyam Agarwal (Agarwals@MotilalOswal.com); Tel: +91 22 39825410 / Nalin Bhatt (NalinBhatt@MotilalOswal.com); +91 22 39825429

2QFY08 performance impacted by Vemagiri losses

During 2QFY08, GMR Infrastructure reported consolidated net revenue of Rs4b (up 26.5% YoY), EBIDTA of Rs1.6b (up 24.6% YoY) and net profit after minority interest of Rs496m (down 7.6% YoY). The net profit was lower YoY primarily on account of losses at Vemagiri power plant, which stood at Rs342.3m in 2QFY08 (largely interest and depreciation). Adjusted for the same, the net profit for 2QFY08 stood at Rs777m, up 44% YoY. The contribution from the various divisions to the consolidated PAT was: power 49%, airport business 33% and road business 18%.

SEGMENTAL RESULTS (RS M)

	1QFY07	2QFY07	3QFY07	4QFY07	1QFY08	2QFY08
Revenues						
Airport*	517	823	878	943	1,000	1,230
Power	3,198	1,943	2,303	4,505	3,314	2,145
Roads	372	360	365	335	347	349
Others	6	8	-1	579	105	247
Total	**4,093**	**3,134**	**3,546**	**6,361**	**4,766**	**3,971**
EBIDTA						
Airport	134	144	176	202	210	321
Power	928	814	1,068	872	1,015	852
Roads	306	290	282	276	290	288
Total EBIDTA	**1,368**	**1,248**	**1,526**	**1,350**	**1,515**	**1,461**
Profit after tax						
Airport	98	82	88	100	160	183
Power	-	554	1,045	263	435	276
Roads	85	69	73	75	90	100
Total EBIDTA	**183**	**705**	**1,206**	**438**	**685**	**559**
Capital employed						
Airport	5,873	5,686	5,569	5,815	6,117	6,452
Power	7,787	8,097	8,514	14,292	9,039	9,330
Roads	2,844	4,274	4,966	5,243	5,323	5,555
Others	-110	7,014	5,968	-57	5,569	5,600
Total Capital Emp	**16,394**	**25,071**	**25,017**	**25,292**	**26,048**	**26,936**

*Net of sharing** *Source: Company*

Delhi International Airport Ltd (DIAL)

During 2QFY08, DIAL reported net revenue (post sharing of 45.99% with GoI) of Rs1.2b (up 49.5% YoY), EBIDTA of Rs321m (up 123% YoY), implying an EBIDTA margin of 26.1% (v/s 17.5% in 2QFY07). The net profit for the airport business stood at Rs183m (v/s Rs82m in 2QFY07). Non-aero revenue (including cargo) accounted for 62% of total revenue from airports, up from 49% in FY07.

Traffic data: During 2QFY08, passenger traffic stood at 9.59m till August 2007 (FY07 - 20.4m) while air traffic movement stood at 86,170ATMs (FY07- 201,000). The cargo handling volumes stood at 177,230 tons (FY07 - 390,000).

TRAFFIC SUMMARY FOR DELHI INTERNATIONAL AIRPORT

	YTD AUG-07	FY07	FY06	FY05	FY04
ATMs (in Nos)	86,107	201,000	167,000	137,000	121,000
% YoY		*20*	*22*	*13*	*-*
Passengers*	9.59	20.44	16.24	12.78	10.39
% YoY		*26*	*27*	*23*	*-*
Cargo (in tons)	177,203	390,828	383,052	343,937	295,807
% YoY		*2*	*11*	*16*	*-*

* (in m) *Source: AAI/Company*

Physical progress: The construction work for the third runway has been completed to the extent of 40%, while the construction of new integrated terminal building 3 has commenced (8% completed). Construction of the third runway is expected to be completed by June 2008 and Terminal 3 by March 2010. During 1HFY08, the company commissioned three more rapid exit taxiways to ease congestion at the air side and additional four parking bays (Total 8). The company expects to complete the expansion of the Terminal 1 (existing domestic) by June 2008 and Terminal 2 (existing international) by March 2008. Total project capex has increased from Rs86b to Rs89b, largely due to some changes in design as suggested by the government engineers. Also, the financial closure is now expected by December 2007, as compared to the earlier expectations of June– September 2007.

PROJECT PROGRESS

	CONSTRUCTION ACTIVITY	TARGET	CONTRACT	OVERALL PROGRESS (%)
Terminal 1 (existing Domestic)	Arrival terminal expansion	Mar-08	Pratibha Build sons	26.0
	New departure terminal	Jun-08	B L Kashyap	
Terminal 2 (existing International)	Revamp of arrival level	Feb-08	L&T - Design & Execution	20.0
	Revamp of departure level	Mar-08		
Terminal 3 (New Terminal)	New runway and taxiways	Jun-08	L&T - Design & Execution	40.0
	New terminal	Mar-10		8.0

Source: Company

Real estate development: DIAL has incorporated a wholly-owned subsidiary Delhi Aerotropolis Pvt Ltd (DAPL) and has licensed 250 acres of land to it for the commercial development. DAPL will develop the basic infrastructure and will supervise the development work. The company will therefore receive the entire lease rentals including upfront deposits. The management has indicated that as per the transaction documents, the 45.99% revenue sharing with the government is applicable only on the revenue of DIAL, and not on DAPL.

- **First phase of development (45 acres):** DAPL has developed a master plan for the first phase of development covering 45 acres, distributed across six land parcels. The development would be hospitality centric in accordance with the OMDA stipulations. The company has received proposals from international and domestic realtors for developing 45 acres of land to be allotted either in six parcels or one single parcel.

  The current development plan indicates that Parcel A (5.5 acres) will have premium hotels, Parcel B (4.68 acres) will have luxury hotels and hotel apartments. Parcel C (7.15 acres) will have 3 and 4 star hotels, 0.2msf of commercial space and 0.1msf of retail space. Parcel D (14 acres) will have a mix of 5 star, 4 star and 3 star hotels, mid market hotel apartments, convention facility of about 0.25msf and 0.1msf each of commercial and retail space. Land parcel E (8.7 acres) will have 5 star and 4 star hotels, luxury hotel apartments, 0.3msf of commercial space and 0.1msf of retail space. Land parcel F will be either a resort hotel with spa and hotel villa or a combination of luxury hotels and apartments. The total area under development is ~5.91msf, an FSI of 3x.

Upfront payment of Rs630m/acre: The Request for Proposal document states that the upfront payment stands at Rs630m per acre, comprising Rs130m/ acre as advance towards development of infrastructure facilities, Rs150m as security deposit refundable at end of initial term of 28 years and Rs350m/acre as subscription towards redeemable preference share capital of Delhi Aerotropolis Pvt Ltd, redeemable at the end of 20 years at a 10% premium. In addition, the bidders will have to quote for a license fee payable per annum, as the bidding criteria. The RFP document also states that the developer will have to pay in advance three times the average license fees, 10% of the total license fees for 28 years, 10% of the advance license fee and 10% of the advance development cost.

According to the media reports, the government has raised objections towards raising advances through security deposit and license fees in Delhi Aeratropolis, as this would delay the receipt of 45.99% revenue share. This has resulted in a delay in bid opening for real estate (Phase I – 45 acres).

- **Balance land development:** The balance land with DAPL (205 acres) would be developed post 2010 and does not have FSI restrictions, subject to a maximum height of 28 meters. The management believes that this would entail an FSI of 3x on the remaining land bank too, entailing developable area of 30msf.

Hyderabad International Airport Ltd (HIAL)

Physical progress: The overall physical progress for the Hyderabad international airport project is 85% as of September 2007 (v/s 73.6% as of June 2007). The passenger terminal building has been completed up to 90% and the work on airside work, taxiway, the runway and auxiliary building associated with the airside system is completed up to 92%. The company is also simultaneously working on construction of the 308-room hotel and expects to complete ~120 rooms by March 2008 along with the commencement of the airport operations. The company has appointed Munich International Airport and ORAT as a consultant to ensure the smooth transfer of operations from the existing airport at Begumpet to the new Hyderabad international airport.

PROJECT PROGRESS

	CONSTRUCTION ACTIVITY	TARGET	CONTRACT	OVERALL PROGRESS (%)
Passenger Terminal Building	Civil Works	Dec 08	China State Const (Hong Kong) Ltd.	90
	E & M Works	Feb 08		82
	I T Systems	Mar 08		77
Air Side and Land Side Works	Air Field Pavements	Dec 08	L&T – Design & Execution	92
	E & M Works	Feb 08		80
	Roads	Feb 08		76
	Buildings	Jan 08		91
Associated Infrastructure	Fuel Farm	June 08	IMC Ltd	85
	Hotel	Mar 10	B L Kashyap	85

Source: Company

HIAL: PASSENGER TERMINAL BUILDING, RUNWAYS, TAXIWAYS (LEFT) AND ATC (RIGHT)


Source: Company

Traffic data: The passenger traffic for the Hyderabad International airport in 2QFY08 stood at 2.9m, up 30% YoY while ATMs grew by 33.4% YoY to 34,400. The volumes of the cargo handled at the airport grew by 15.8% to 21,600 tons.

TRAFFIC SUMMARY FOR DELHI INTERNATIONAL AIRPORT

	YTD AUG-07	FY07	FY06	FY05	FY04
ATMs (in nos)	34,400	68,088	50,030	35,747	28,077
% Growth	*33.4*	*36*	*40*	*27*	-
Passenger (m)	2.9	5.74	4.00	2.85	2.21
% Growth	*30*	*44*	*40*	*29*	-
Cargo (in tons)	21,600	44,649	36,521	34,007	27,753
% Growth	*15.8*	*22*	*7*	*23*	-

Source: AAI/Company

Contract award: HIAL has awarded majority of the concession agreement for the non-aero revenue contracts like cargo handling, flight kitchens, duty free, etc. (For details, refer table on the next page).

Real Estate development: The management has indicated that the land bank available for real estate development stands at 1,000 acres for commercial and residential development, plus two SEZs of 250 acres each. This came as a positive surprise, as earlier the management had indicated land bank for real estate development at 700 acres, which increased to 1,000 acres in June 2007 and 1,500 acres currently. The company has received in-principle approval

HIAL: DETAILS OF CONCESSIONS AWARDED

CONCESSION	OPERATOR	TERMS (YEARS)	FINANCIAL TERMS
Cargo Handling	HIAL in JV with Menzies (51:49)	15	Rents, Revenue share, Dividend
Flight Kitchens	LSG Sky Chefs and Sky Gourmet	20	Rent, Revenue share
Fuel Farm (O&M)	Reliance I. Ltd	7	% of revenue
Duty Free	Nuance - Shoppers Stop	7	Rent, Revenue share
Car Parking	Tenaga Group	3	Revenue share
F&B	FMS Host, Blue Foods and Gelato	-	-
Fuel Retail	BPCL	-	-
Advertising	Laqshya	7	Revenue share (60%) or fixed sum, whichever is higher. Fixed revenue will increase by 10% pa
Lounge Management	Plaza premium lounge of KL	7	-
Ground Handling	Menzies-Bobba and Air India – SATS	7	-
Medical Centre*	Apollo Hospitals	-	
MRO	Land leased for Indian Airlines for shifting of existing facilities and Term sheet signed for setting up a base maintenance MRO		

*17-bed permanent medical centre

Source: Company

for setting up a multi product SEZ (250 acres, catering to IT/ITES, biotech, garment and electronics industry) and aviation specific SEZ (250 acres, catering to aircraft maintenance, manufacturing, assembling and repair of avionics components). The company has appointed Jones Lang LaSalle as its business development consultant for the master plan prepared by the CPG Singapore for the commercial development. The development of the property would be executed through Hyderabad Aerotropolis Pvt Ltd, a 100% subsidiary of Hyderabad International Airport.

Power portfolio

For 2QFY08, power business reported revenue of Rs2.1b (v/s Rs1.9b in 2QFY07) and PBIT of Rs852m (v/s Rs814m in 2QFY07). The plant load factor (PLF) of GEL stood at 9.8% for 2QFY08 (v/s 14.2% in 2QFY07) and 47% for GPCL (v/s 34% in 2QFY07). The Vemagiri power plant reported net loss of Rs342.3m in 2QFY08, as the plant was non-operational due to non availability of gas. During FY07, the Vemagiri power plant reported loss of Rs851m comprising interest of Rs380m and depreciation of Rs330m. We expect gas availability to improve from mid FY09, as gas supplies from KG basin commences.

Future growth opportunities: DPR for Alakananda hydro project has been completed and capacity has been revised to 300MW (v/s 140MW earlier). Further, the company has been awarded 180MW Bajoli Holi project in Himachal Pradesh on BOOT basis for 40 years. GMR is developing power projects of 1,640 MW (operational capacity of 808MW) and has signed MoUs/submitted bids for another 1,700 MW of projects (Nepal 700MW and Chhattisgarh 1,000 MW). GMR Energy (100% subsidiary) has been allotted Rampia and Dip side block of Rampia mine along with five other companies (Reliance Energy, Sterlite Energy, Mittal Steel, Navbharat Power and Lanco Group) with an estimated reserve of 645.2m tons.

1. Hydro projects: The company has emerged as a successful bidder for 160MW of Talong hydro power project in Arunachal Pradesh and 180MW Bajoli Holi hydro project in Himachal Pradesh. The company has completed the detailed project report for Alaknanda project and has revised the capacity of the plant to 300 MW (v/s 140MW earlier). It has emerged as L1 for two hydro power projects in Nepal totalling to 700MW and the nod from the Government of Nepal is being awaited. The company has also signed MoU with GCE and Himtal for acquisition of license to develop hydro power projects of 125MW each in Nepal.

2. Thermal power projects: GMR Energy Ltd has been awarded a 1,050MW coal-based power project in Orissa and has signed MoU to set up a 1,000MW thermal power project at Chhattisgarh.

- For **Orissa power project**, the power purchase agreement has been signed for 25% of the capacity for Orissa based on current CERC norms. The company plans to keep the balance capacity (i.e. 75%) on merchant basis and has signed agreement with Power Trading Corporation for 25 years. The state government has already issued the notification for the acquisition of land (940 acres) for the project and company has paid Rs229m as an advance towards land deposit. GMR Energy (100% subsidiary) has been allotted Rampia and Dip side block of Rampia mine along with five other companies (Reliance Energy, Sterlite Energy, Mittal Steel, Navbharat Power and Lanco Group) with an estimated reserve of 645.2m tons.
- For the 1,000MW coal-based power project at Chhattisgarh, the state government would be entitled to 5% of the net energy annually on a variable cost as determined by the state electricity regulatory commission and right to purchase up to 30% of the energy generated for a period of 20 years based on current CERC norms.

Roads portfolio

During 2QFY08, the roads business reported revenue of Rs349m (v/s Rs360m in 2QFY07) and PBIT of Rs288m (v/s Rs290m in 2QFY07). The company has a portfolio of six road projects, of which two are operational and financial closure for the remaining four projects has been achieved. The total project cost of the four projects is Rs23.7b with a total debt funding of Rs18b.

Further, the company is pre-qualified to submit financial bids for five road projects under NHDP Phase V (cumulative cost Rs.63.3b), and has submitted qualification requests for three projects (cumulative cost of Rs.31.8b).

Krishnagiri SEZ project in Tamil Nadu

GMR Infrastructure signed a MoU with Tamil Nadu Industrial Development Corporation (TIDCO) for development of a multi product SEZ in Krishnagiri District, Tamil Nadu on 6 August 2007. The proposed multi product SEZ is spread over 3,300 acres and will be developed through a joint venture with TIDCO. The SEZ will focus on a variety of industries ranging from biotechnology to IT/ITES besides the traditional electronics and engineering areas. GMR Infrastructure has incorporated a new company, GMR Krishnagiri SEZ Ltd, on 24 September, 2007 for this purpose.

The project cost for developing the basic infrastructure is estimated around Rs23b while the total development cost including industrial and social infrastructure would be around Rs110b. The management expects the first lease agreement to be signed in FY10, and the entire development is expected to be completed by 2014. The management has indicated that the land acquisition is expected to be completed over the next 10-12 months. Currently, we do not assign any value to the proposed SEZ in our SOTP valuation.

Projects: Investment commitment of Rs34b

GMR has invested Rs5.5b of equity in various operational and under development projects till September 2007 while the outstanding equity commitment stands at Rs10.2b. Besides this, the company is working on four power projects and one airport project (Sabiha Gocken), the equity contribution (GMR's share) for which is estimated at Rs24b.

GMR'S INVESTMENT COMMITMENT FOR PRESENT AND FUTURE PROJECTS (RS M)

PROJECT	ESTIMATED PROJECT COST	ESTIMATED DEBT	ESTIMATED EQUITY	% OWNERSHIP	GMR'S EQUITY
Existing Project	137,161	79,613	57,548	-	10,230
Orissa (Coal-based) Power Project	43,000	30,100	12,900	100	12,900
Badrinath Hydro Power Project	14,567	11,650	2,917	100	2,917
Talong Hydro Power Project	9,200	6,440	2,760	100	2,760
Bajoli Holi Hydro Power Project	11,312	7,736	3,576	100	3,576
Sabiha Gokcen Airport, Turkey	24,000	19,200	4,800	40	1,920
Total	**102,079**	**75,126**	**26,953**		**34,303**

Source: Company

38% CAGR in consolidated profit over FY07–10E

We expect GMR Infrastructure to report consolidated revenues of Rs45.2b in FY2010, up from Rs15.1b in FY07. We expect the company to report net profit of Rs4.6b in FY10, up from Rs1.9b in FY07, a CAGR growth of 38% during this period. We expect GMR Infrastructure to generate negative free cash flow from operations till FY09, as the company invests in various SPVs, which will generate returns later.

Valuations: Maintain Neutral

Based on SOTP valuation methodology, we arrive at target price of Rs153/share comprising Rs139/share for airport business (excluding Sabiha Gocken), Rs5/share for road projects, Rs6/share for power business and Rs3/share of cash balance. We calculate NPV of real estate development at Rs108b, which represents 43% of our sum of the parts value. Maintain **Neutral.**

FINANCIAL SUMMARY (RS M)

	FY07	FY08E	FY09E	FY10E
Revenue				
Airports	3,400	5,867	15,050	25,354
Roads	1,427	1,427	1,718	4,561
Power	10,300	11,143	7,969	15,307
Total	**15,126**	**18,437**	**24,737**	**45,222**
EBIDTA				
Airports	743	2,489	9,106	17,900
Roads	1,167	1,157	1,093	4,024
Power	3,922	3,418	2,180	3,897
Total	**5,832**	**7,064**	**12,378**	**25,822**
Profit after Tax*				
Airports	330	827	2,381	2,897
Roads	245	274	127	483
Power	1,352	499	-551	1,229
Total	**1,927**	**1,599**	**1,957**	**4,609**

(*) After minority Interest *Source: Motilal Oswal Securities*

SUM OF PARTS VALUATION FOR GMR (RS M)

PROJECT	% HOLDING	EQUITY VALUE	IN %	RS/SHARE
Airports		**230,448**	**91.0**	**139**
Hyderabad International Airport Ltd.	63.0	108,350	42.8	65
Delhi International Airport Ltd.	50.1	122,099	48.2	74
Roads		**8,652**	**3.4**	**5**
GMR Ambala Chandigarh Expressways Ltd.	100.0	2,044	0.8	1
GMR Jadcherla Expressways Ltd.	100.0	1,636	0.6	1
GMR Tindivanam Ulundherpet Expressways Ltd.	100.0	1,822	0.7	1
GMR Pochanpalli Expressways Ltd.	100.0	527	0.2	0
GMR Tuni Anakapalli Expressways Ltd.	74.0	1,203	0.5	1
GMR Tambaram Tindivanam Expressways Ltd.	74.0	1,420	0.6	1
Power		**9,107**	**3.6**	**6**
Vemagiri Power Generation Ltd.	100.0	2,511	1.0	2
GMR Energy Ltd.	100.0	4,095	1.6	2
GMR Power Corporation Ltd.	51.0	2,501	1.0	2
Cash Balance (Mar 08)		5,000	2.0	3
Grand Total		**253,208**	**100.0**	**153**

Source: Motilal Oswal Securities

GMR Infrastructure: an investment profile

Company description

GMR Infrastructure currently manages an infrastructure asset base of ~Rs220b under operation and development across various SPVs. The current portfolio of the company pans over three key verticals of Infrastructure Viz. Airports (2 projects), Power (3 projects) and Roads (6 projects). Besides this, company is in the initial stages of undertaking developmental studies on three power project: Alaknanda hydro power project (300MW) in Uttaranchal, Telong Hydro power project (160MW) in Arunachal Pradesh and coal-based power project in Orissa (1,000 MW).

Key investment arguments

- GMR's aviation portfolio comprises Delhi and Hyderabad airports, which together represent 28% of India's passenger traffic.
- It has prime real estate at both airports (Delhi – 250 acres and Hyderabad – 1000 acres). Large tracts of land at airport sites provide interesting value maximization opportunities.
- One of the largest road and power BOT portfolio taking into account projects bidded for and under development.

Key investment risks

- GMR is yet to achieve financial closure for the Delhi international airport following delay in real estate monetization of 45 acres due to legal and other issues.
- Delay in project completion, execution risk.
- Real Estate accounts for a significant part of the airport valuations.

Recent developments

- DPR for Alakananda hydro project has been completed recently. The capacity has been revised upwards to 300 MW from 140MW earlier.
- It has submitted bids for 3 road BOT projects with total cost of Rs31.8b, the bids for which are likely to be opened in November 2007.

Valuations and view

- We expect consolidated net profit to grow from Rs1.7b in FY07 to Rs4.6b in FY10, a CAGR of 38%.
- Based on SOTP valuation, we arrive at a target price of Rs153/share. NPV of real estate development stands at Rs108b, representing 43% of our sum of the parts value.
- Maintain **Neutral**.

Sector view

- Significant investment opportunity in sectors like roads, airports, ports, SEZs, etc for private sector developers to participate.
- Large development project could possible unlock sizable value in future.

EPS: MOST FORECAST VS CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY08	1.0	1.1	-10.8
FY09	1.2	1.9	-36.8

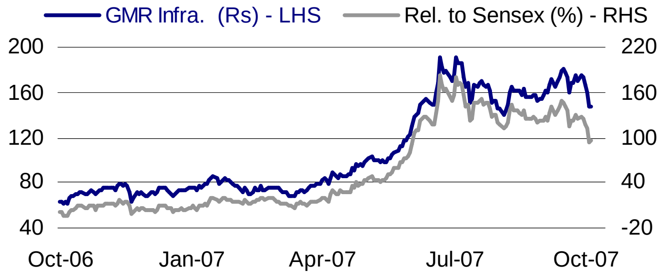
TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
148	153	3.4	Buy

SHAREHOLDING PATTERN (%)

	SEP-07	JUN-07	SEP-06
Promoter	80.6	80.6	79.2
Domestic Inst	3.6	6.6	8.9
Foreign	9.3	9.1	8.3
Others	6.5	3.7	3.6

STOCK PERFORMANCE (1 YEAR)



INCOME STATEMENT					(Rs Million)
Y/E MARCH	**2006**	**2007**	**2008E**	**2009E**	**2010E**
Net Sales	**10,616**	**16,967**	**18,437**	**24,737**	**45,222**
Change (%)	*6.9*	*59.8*	*8.7*	*34.2*	*82.8*
- Airports	0	3,400	5,867	15,050	25,354
- Roads	1,504	1,427	1,427	1,718	4,561
- Power	9,033	10,300	11,143	7,969	15,307
Operating Expenses	6,086	11,531	11,374	12,359	19,401
EBITDA	**4,530**	**5,436**	**7,064**	**12,378**	**25,822**
% of Net Sales	*42.7*	*32.0*	*38.3*	*50.0*	*57.1*
- Airports	0	743	2,489	9,106	17,900
- Roads	1,166	1,167	1,157	1,093	4,024
- Power	3,368	3,922	3,418	2,180	3,897
Depreciation	1,054	1,345	1,746	3,254	8,283
Interest	1,303	1,441	2,607	4,024	9,210
Other Income	33	183	1,378	1,599	1,804
PBT	**2,207**	**2,833**	**4,089**	**6,699**	**10,133**
Tax	125	415	1,245	2,432	2,855
Rate (%)	*5.7*	*14.7*	*30.5*	*36.3*	*28.2*
PAT before Min. Int.	**2,082**	**2,418**	**2,844**	**4,268**	**7,278**
- Airports	0	446	1,650	4,305	5,079
- Roads	62	331	370	157	577
- Power	1,161	1,824	824	-195	1,622
Minority Interest	555	674	1,245	2,311	2,669
Reported PAT	**1,531**	**1,744**	**1,599**	**1,957**	**4,609**
Change (%)	*121.8*	*13.9*	*-8.3*	*22.4*	*135.5*

BALANCE SHEET					(Rs Million)
Y/E MARCH	**2006**	**2007**	**2008E**	**2009E**	**2010E**
Share Capital	2,644	3,311	3,311	3,311	3,311
Reserves	3,060	16,612	17,942	19,568	23,399
Net Worth	**5,704**	**19,923**	**21,252**	**22,879**	**26,710**
Minority Interest	4,244	5,261	6,506	8,816	11,485
Loans	29,217	37,057	97,143	127,862	137,906
Deffered Tax Liability	2	145	145	145	145
Capital Employed	**39,167**	**62,385**	**125,045**	**159,702**	**176,246**
Net Fixed Assets	**29,826**	**48,059**	**87,816**	**130,421**	**147,779**
Investments	2,557	2,625	2,557	2,557	2,557
Curr. Assets	**6,783**	**11,701**	**38,866**	**32,351**	**36,198**
Share Application money	0	0	0	0	0
Misc. Expenses	0	0	0	0	0
Application of Funds	**39,167**	**62,385**	**129,240**	**165,329**	**186,535**

E: MOSt Estimates

RATIOS					
Y/E MARCH	**2006E**	**2007**	**2008E**	**2009E**	**2010E**
Basic (Rs)					
Adjusted EPS	**1.2**	**1.1**	**1.0**	**1.2**	**2.8**
Growth (%)	*35.4*	*-8.5*	*-8.3*	*22.4*	*135.5*
Cash EPS	1.9	1.9	2.0	3.1	7.8
Book Value	4.3	12.0	12.8	13.8	16.1
DPS	0.1	0.2	0.1	0.2	0.4
Payout (incl. Div. Tax.)	6.5	15.0	15.0	15.0	15.0
Valuation (x)					
P/E	128.1	140.0	152.7	124.8	53.0
Cash P/E	75.7	79.0	73.0	46.9	18.9
EV/EBITDA	58.4	48.9	15.4	11.9	6.1
EV/Sales	24.9	15.7	5.9	6.0	3.5
Price/Book Value	34.2	12.3	11.5	10.7	9.1
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.3
Profitability Ratios (%)					
RoE	26.7	8.8	7.5	8.6	17.3
RoCE	9.0	6.9	5.4	6.7	11.0
Leverage Ratio					
Debt/Equity (x)	5.1	1.9	4.6	5.6	5.2

CASH FLOW STATEMENT					(Rs Million)
Y/E MARCH	**2006E**	**2007**	**2008E**	**2009E**	**2010E**
PBT before Extraordinary Iter	**2,207**	**2,833**	**4,089**	**6,699**	**10,133**
Add : Depreciation	1,054	1,345	1,746	3,254	8,283
Interest	1,303	1,441	2,607	4,024	9,210
Less : Direct Taxes Paid	125	415	1,245	2,432	2,855
(Inc)/Dec in WC	-2,000	1,328	-5,494	-1,433	-4,661
CF from Operations	**2,438**	**6,533**	**1,702**	**10,113**	**20,110**
(Inc)/Dec in FA	-8,654	-19,578	-41,502	-45,860	-25,641
(Pur)/Sale of Investments	-803	-67	67	0	0
CF from Investments	**-9,457**	**-19,646**	**-41,435**	**-45,860**	**-25,641**
(Inc)/Dec in Networth	-100	12,769	0	0	0
(Inc)/Dec in Preference Capit	0	0	0	0	0
(Inc)/Dec in Debt	10,046	8,183	60,086	30,719	10,044
(Inc)/Dec in Differed Tax Liabi	-1	143	0	0	0
Less : Interest Paid	1,303	1,441	2,607	4,024	9,210
Dividend Paid	112	294	270	330	778
CF from Fin. Activity	**8,131**	**19,359**	**57,209**	**26,365**	**57**
Inc/Dec of Cash	**1,112**	**6,246**	**17,476**	**-9,382**	**-5,474**
Add: Beginning Balance	4,509	6,754	13,000	34,672	26,723
Closing Balance	**5,622**	**13,000**	**30,477**	**25,289**	**21,249**

For more copies or other information, contact
Institutional: Navin Agarwal. **Retail:** Manish Shah
Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: inquire@motilaloswal.com

Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

Disclosure of Interest Statement	GMR Infrastructure
1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	Yes
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No