INITIATING COVERAGE

GMR Infrastructure

Underperformer

17 June 2009

"Expensive valuations"

GMR Infrastructure (GMR) has emerged as a leading infrastructure development company in India with presence in power, airport and road segments.

Year to March	FY08	FY09P	FY10E	FY11E	CAGR (%)
P&L Data (Rs mn)					**FY09-11E**
Revenues	22,948	40,192	46,171	53,453	15.3
EBITDA	5,985	10,670	15,414	19,015	33.5
Net Profit	2,101	2,795	2,742	3,224	7.4
Margins (%)					
EBITDA	26.1	26.5	33.4	35.6	–
Net Profit	9.2	7.0	5.9	6.0	–
Balance Sheet (Rs mn)					
Total Assets	166,153	198,705	226,950	254,810	13.2
Shareholder's Funds	61,172	64,285	67,026	70,250	4.5
Per Share Data (Rs)					
EPS	1.2	1.5	1.5	1.8	7.4
CEPS	2.3	3.7	4.3	5.3	19.7
Returns (%)					
RoCE	4.6	4.2	5.4	5.8	–
RoNW	4.3	3.8	3.5	3.9	–

- The company has a good mix of operational and under development assets across different sectors. At present, profitability of the airports is bogged down by the economic slowdown while the power projects are currently hampered by fuel supply issues.
- We however believe that investment of GMR in airport assets is prudent, and profitability will improve with the economic revival. The majority of GMR's operational power capacity is likely to benefit from gas supply from the KG basin. Also, there is a strong pipeline of power projects. The road portfolio, though operational, would not contribute significantly to value due to its small size.
- The company has strong business fundamentals and a capable management team; however the stock valuation has run up ahead of the earnings prospects. We have valued the company's various projects, using the DCF method, at Rs 112 and our valuation suggests a 26% downside from the current market price of Rs 151. We initiate coverage with an Underperformer rating. However, given the money flow and the demand for Indian infra story, GMR may trade at a premium to its fair value in the short-term.

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Share Data

Market Cap.	Rs 274.9 bn (US$ 5.8 bn)
Price	Rs 151
Target Price	Rs 112
BSE Sensex	14,958
Reuters	GMRI.BO
Bloomberg	GMRI IN
6M avg. daily turnover (US$ mn)	20.2
52-week High/Low (Rs)	175/46
Issued Shares	1,820.7 mn

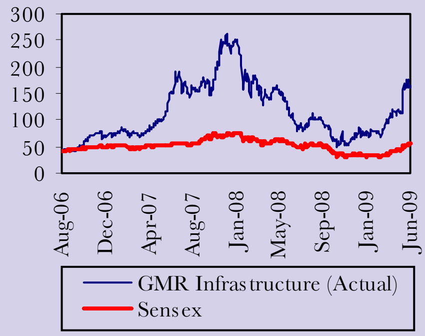
Valuation Ratios

Yr to 31Mar	FY10E	FY11E
EPS (Rs)	1.5	1.8
+/- (%)	(1.9)	17.6
PER (x)	100.3	85.3
PBV (x)	3.4	3.3
EV/Sales (x)	8.5	7.4
EV/EBITDA (x)	25.4	20.9

Shareholding Pattern (%)

Promoters	75
FIIs	9
MFs/FIs	8
Public & Others	8

Relative Performance



Attention is drawn to the disclaimer and other information on Page 2

Analyst Declaration: We, Vikas Gupta & Gautam Bafna, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendation or view expressed in this report.

B&K Research is also available on Bloomberg <BNKI>, Thomson First Call & Investext.

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B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.

B&K Investment Ratings:

1. **BUY:** Potential upside of > +25% (absolute returns)
2. **OUTPERFORMER:** 0 to +25%
3. **UNDERPERFORMER:** 0 to -25%
4. **SELL:** Potential downside of < -25% (absolute returns)

Investment arguments

Diversified asset portfolio

Airports – Showcase assets… revival linked to the economic recovery

All the airport projects have location advantage

The airport portfolio of the company is diversified, with the Delhi Airport located at political capital, the Hyderabad Airport located at IT hub and Sabiha Gokcen located at Istanbul, Turkey which is a popular tourist destination. The profitability of the airports has currently been impacted by the economic slowdown, however, we believe that the investment of GMR in airport assets is prudent and returns will accrue over a period of time, with the economic revival. Delhi Airport and Hyderabad Airport are expected to benefit from growth in the domestic economy and air traffic. Sabiha Gokcen is expected to corner a majority of the air traffic growth of Istanbul, as, Ataturk, the other airport in Istanbul, is constraint by capacity.

Capex on the first phase of the Hyderabad Airport is already completed and funds for Sabiha Gokcen are fully tied up. Though, the company had maintained that there is funding concern on the Delhi Airport, we believe that the levy of Development Fee and the recent real estate transaction have alleviated this concern and will also limit the further equity commitment by GMR.

Delhi Airport funding

Planned (Phase I)	Rs bn	As on 31 March 2009	Rs bn
Total project cost	89.8	Capex	62.0
Debt		Debt	
- Long term	49.9	– Long term	31.1
- Short term	0.0	– Short term	6.0
Equity		Equity	
- Equity including internal accruals	12.5	– Shareholders' contribution	12.0
- Development fee	18.3	– Internal accruals	0.4
- Interest free deposits	9.1	– Advance against lease deposits	12.5

Source: Company, B&K Research

Power – Will benefit from KG basin gas

Apart from operational capacity of 725 MW, GMR has strong project pipeline

GMR started its journey as a power project developer and currently has three operational plants of aggregate 823 MW (attributable to GMR: 725 MW) capacity. These power projects were hampered by fuel supply issues, however, majority of GMR's capacity is likely to benefit from gas supply from the KG basin. Also, the company has eight power projects with a capacity of 4,240 MW under development. Though financial closure of these projects, except Kamalanga (1,050 MW), is pending, timely development will add significant value.

Roads – small contribution

Construction on the road BOT projects is completed

The road portfolio of the company is a balanced mix of three annuity and four toll-based projects. With construction on all the projects completed (except for recently secured Hyderabad-Vijayawada), the only risk associated with them is of traffic for toll projects. Experience gained from the execution of these projects will be valuable to the company, as, going forward; a large number of road projects will be up for bidding. The contribution towards the cash flow and value (valued at Rs 6 per share) will not be significant due to the small size vis-à-vis the other segments.

Strong management

The key strengths of the GMR's management are the ability to partner with world leaders in various businesses to gain qualification and know-how, maximise returns through financial engineering and maintain a healthy relationship with regulatory authorities.

Joint venture: Setting new equation

Partnership with renowned international players

The company has entered into strategic partnership with renowned international players in various segments, which has enabled the company to technically qualify for the projects as well as gain know-how of the respective fields. The know-how gained will allow the company to technically qualify for future infrastructure development projects on a standalone basis. Some JV partners of the company are:

Airports	Fraport	Europe's 2nd largest passenger airport
	MAHB	Operator and manager of Malaysia's 39 airports
	ERAMAN	Largest airport retailer in Malaysia
	IDFC	India's premier Infrastructure finance organisation
	Limak	One of the leading E&C company in Turkey
Power	GE	One of the world's largest diversified organisation
	KEPCO	Korea's largest integrated electrical utility
	Hyundai	Global leader in heavy industries
Roads	UEM group	Malaysia's leading conglomerate in infrastructure building

Financial engineering

Financial acumen helping in maximising returns

The company has successfully used innovative financial engineering strategies to maximise the returns on investment. In the two annuity road BOT projects, GMR has securitised annuities and has raised Rs 8.7 bn at a 7.5% yield. For the Delhi Airport, the company has structured real estate transactions in such a way that it can raise large funds upfront through refundable deposits and infrastructure deposits, and postpone revenue share with the AAI. Also, the company is planning to work on a partnership basis with duty free and other concessionaires on Delhi Airport, which will help in reducing revenue share with the AAI.

Prime real estate – Could give positive surprise

250 acres at Delhi Airport and 1,500 acre at Hyderabad Airport

The company owns the development rights of 250 acres of real estate at the Delhi Airport and 1,500 acres at the Hyderabad Airport (1,000 acre for commercial and residential development and 500 acre for SEZ). The company intends to develop this land bank into a world-class "Aerotropolis" which comprises of business complexes, hotels, shopping malls and SEZs. The company has earmarked 45 acres of land around the Delhi Airport for a hospitality district, of which 21.6 acre has already been bidded out at attractive rates.

The lacklustre real estate market has resulted in delays in implementation plans for real estate. However, the land bank remains attractive due to its prime location and large footfalls of passengers. We believe that an upswing in the real estate market could bring in a positive surprise on the valuation front.

Investment concerns

Execution and commissioning risk

A large number of GMR's projects are currently in the execution phase and timely and successful commissioning is key to the company's success. Though the airport projects have the potential to create value, timely completion is important as there are penalty clauses for unnecessary delays.

Fluctuation in commodity prices

Cement, steel and other metals are the basic raw materials used for the infrastructure projects. After a strong rise, prices of these commodities have corrected in the last few months, providing some respite to the infrastructure developers. However, any future rise in the commodity prices may impact the profitability of the company.

Regulatory risk

The government and regulatory authorities are involved in all of GMR's infrastructure projects. The company's success depends on support from the authorities and the government for resolving any issues regarding regulatory changes.

Requirements of funds

GMR's board has approved fund raising up to Rs 50 bn

Infrastructure projects require huge investments in the initial phase and returns are generated over a long period of time. GMR can use cash in hand to fund existing projects but it will need to raise equity to fund the future projects. The company would also require funds to raise its holding in InterGen. Also, the company's ability to raise debt on time and at a competitive rate will be crucial.

Funding requirements of existing projects

(Rs bn)	Capex			Equity			GMR's equity		
	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
DIAL	27.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SGIA	14.6	0.0	0.0	3.7	0.0	0.0	1.5	0.0	0.0
Kamalanga	4.5	9.1	15.9	1.1	2.3	4.0	0.9	1.8	3.2
Kakinada relocation	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**51.1**	**9.1**	**15.9**	**4.8**	**2.3**	**4.0**	**2.4**	**1.8**	**3.2**

Source: B&K Research

Interest rate

As GMR's fund requirements are substantial, the company has to depend on debt and the company is targeting debt/equity of 4:1 for future projects. Though the interest rates have started declining in the last few months, any potential increase in future can lead to a higher interest burden and lower profits.

Risk associated with airport projects

The turbulent macro environment and fare hikes by airlines have resulted in a fall in the air-traffic in FY09. Improvement in the air traffic is largely dependent on the economic growth.

We have assumed a moderate traffic increase in FY10 and a strong growth thereafter. However, lower than expected traffic could impact the profitability and therefore the valuation.

Airport projects have high risk high return profile

We believe that there is a remote possibility of implementation of the formula for the calculation of aero revenue in Delhi Airport in the next few years, as it will significantly increase the burden on already bleeding airlines and travellers. We have assumed the application of formula from FY13 (against FY10 as per the concession agreement) but further delay could impact the profitability.

Also, the real estate portion of the project contributes significantly to the valuation. As the funding of Delhi Airport is partially dependent on funds from real estate development, delay and compromise on rates can result in a funding gap and delay in execution of the project.

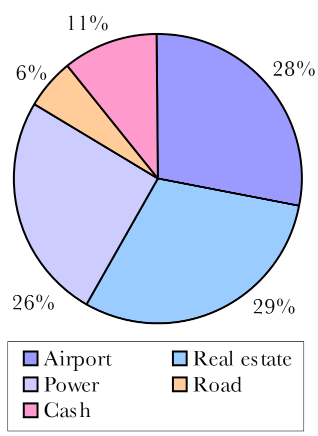
Valuations

GMR's asset portfolio includes long-term infrastructure projects which are at different stages of the project life cycle. We have used the DCF methodology to value the company.

Valuation

Project	Size	Project cost (Rs bn)	Equity value (Rs bn)	Holding (%)	Value/ share (Rs)
Airport	**Passengers (mn)**				
Delhi					
Airport operations	37	89.8	51.2	50	14.1
Real estate	–	–	61.9	50	17.0
Hyderabad					
Airport operations	12	24.8	42.1	63	14.6
Real estate	–	–	47.4	63	16.4
Sabiha Gokcen					
Airport operations	25	29.3	12.5	40	2.8
Total Airport (a)					**64.8**
Power	**MW**				
GMR energy (Kakinada relocation)	235	4.1	20.3	100	11.2
GMR power (Basin Bridge)	200	8.7	4.4	51	1.2
Vemagiri	388	11.8	9.0	100	4.9
Kamalanga	1,050	45.4	23.0	80	10.1
Intergen	7,658	–	95.4	2.5	1.3
Total Power (b)					**28.7**
Road	**Km**				
Tuni Anakapalli	59	3.0	2.0	61	0.7
Tambaram Tindivinam	93	3.9	2.7	61	0.9
Pochanpalli Expressway	93	7.0	0.9	100	0.5
Ambala Chandigarh	35	4.8	(1.1)	100	(0.6)
Jadhcherla	58	4.9	2.0	100	1.1
Ullundurpet	73	8.1	6.6	100	3.6
Total Road (c)					**6.2**
Surplus Cash (d)					**12.0**
Total (a+b+c+d)					**112**

Valuation pie



Source: B&K Research

The combined value of GMR's infrastructure assets stands at Rs 112 per share. The airport segment constitutes 28% of the valuation pie, while 29% is constituted by real estate, 26% by power, 6% by the road segment and 11% by cash. At the current market price of Rs 151, our valuation suggests a 26% downside. Though we remain confident about the profitability of the projects and the capability of the management, on a DCF valuation basis the stock appears to be expensive. Also, the company's valuation looks stretched with the Price/Book value of 3.4x FY10E and 3.3x FY11E, which is high compared to its peers. We initiate coverage with an Underperformer rating and a target price of Rs 112.

We have valued only those projects where the financial closure has been achieved. Projects which are in the initial stages and yet to achieve financial closure are not valued currently due to lack of clarity on timelines and funding structure. Timely progress on these projects could provide upside risk to our target price.

Peer comparison

	BB Code	CMP	M Cap	PE (x)			Dividend yield (%)			Price/Book value (x)		
B&K estimates		(Rs)	(Rs bn)	FY09	FY10E	FY11E	FY09	FY10E	FY11E	FY09	FY10E	FY11E
GMR	GMRI IN	151	275	98.4	100.3	85.3	0.0	0.0	0.0	3.6	3.4	3.3
GVK	GVKP IN	40	56	52.3	38.5	35.5	0.0	0.0	0.0	2.1	1.9	1.8
Lanco	LANCI IN	383	85	29.9	21.6	14.0	0.0	0.0	0.0	2.8	2.3	1.7
Reliance Infra	RELI IN	1,259	284	23.0	28.5	27.9	0.7	0.5	0.5	2.6	2.4	2.2
Consensus estimates		**US$**	**M cap (US$ mn)**	**CY08**	**CY09E**	**CY10E**	**CY08**	**CY09E**	**CY10E**	**CY08**	**CY09E**	**CY10E**
Aeroports De Paris	ADP FP	39	3,830	9.6	10.9	10.0	5.2	4.6	4.9	0.9	0.9	0.8
Fraport AG Frankfurt	FRA GR	21	1,951	7.7	10.1	8.8	7.9	7.6	7.6	0.6	0.6	0.5
Macquaire Airport	MAP AU	2	3,095	1.8	94.3	18.1	12.8	11.7	11.7	0.7	0.5	0.5
Shangai International Airport	600009 CH	2	4,210	36.4	33.1	24.8	0.5	0.4	0.6	2.3	2.2	2.0
Shenzhen Airport	000089 CH	1	1,751	51.8	21.6	19.5	0.0	1.4	2.1	2.6	2.4	2.1

Source: B&K Research, Bloomberg

Sensitivity

Airport		Real estate		Power		Road		Cash	Total
Additional traffic growth	Value/ share (Rs)	Rate	Value/ share (Rs)	Merchant power Rs/KwH	Value/ share (Rs)	Additional traffic growth	Value/ share (Rs)	Value/ share (Rs)	Value/ share (Rs)
+3%	52	+15%	38	6.00	47	+3%	10	12	160
+2%	45	+10%	37	5.50	40	+2%	8	12	142
+1%	38	+5%	35	5.00	32	+1%	7	12	125
Base case	**31**	**Base case**	**33**	**4.50**	**29**	**Base case**	**6**	**12**	**112**
(1%)	25	(5%)	32	4.00	17	(1%)	5	12	91
(2%)	19	(10%)	30	3.50	10	(2%)	5	12	76
(3%)	15	(15%)	28	3.00	2	(3%)	4	12	60

Source: B&K Research

Company background

GMR is a Bangalore headquartered global infrastructure major with interests in the Energy, Roads, Airport and Urban Infrastructure businesses. It has successfully employed the public private partnership model to build a portfolio of high quality assets.

The GMR group was initially in agro based business and later on to capitalise on the opportunities, the group entered into various other sectors. The group has identified infrastructure sector as a thrust area for future growth and has exited from few of the traditional businesses such as Vysya Bank, ING Vysya Life Insurance and Brewery business.

GMR Infrastructure is mainly a holding company of GMR group's infrastructure assets which undertakes project by floating a subsidiary company or in association with associate companies. GMR's asset base comprise of 11 power plants, seven road BOT projects, three airport projects, coal mine and three SEZs. The company has also acquired stake in InterGen, which is an international power company.

Details of GMR's projects are as follows:

Details of GMR's projects

Project details	Type	Status
	Airports	
Hyderabad International Airport	Greenfield	Operational
Delhi International Airport	Brownfield	Operational/Development
Sabiha Gokcen Airport, Istanbul	Brownfield	Operational/Development
	Power	
Mangalore	Naphtha	Operational, to be relocated
Chennai	LSHS	Operational
Vemagiri	Gas	Operational
Kamalanga	Coal	Achieved financial closure
Vemagiri expansion	Gas	Initial stages
Chhattisgarh	Coal	Initial stages
Badrinath, Uttarakhand	Hydro	Initial stages
Talong, Arunachal Pradesh	Hydro	Initial stages
Bajoli Holi, Himachal Pradesh	Hydro	Initial stages
Upper Karnali, Nepal	Hydro	Initial stages
Upper Marsyangdi, Nepal	Hydro	Initial stages

Details of GMR's projects

Project details	Type	Status
Roads		
Tuni Anakapalli	BOT-Annuity	Operational
Tambaram-Tindivanam	BOT-Annuity	Operational
Ponchapalli	BOT-Annuity	Operational
Ambala Chandigarh	BOT-Toll	Operational
Farukhnagar-Jadcherla	BOT-Toll	Operational
Tindivanam-Ulunderpet	BOT-Toll	Operational
Hyderabad-Vijayawada	BOT-Toll	Recently won
Coal mine		
Indonesia	104 mn t	Initial stages
SEZ		
Aviation	250 acres	Initial stages
Multi Product	250 acres	Initial stages
Krishna Giri	3,300 acres	Initial stages
Real estate		
Delhi	250 acres	21.6 acres deal done
Hyderabad	1,000 acres	Initial stages

Equity history

Date	Equity capital (Rs mn)	Reason	Premium (Rs)	Ratio	Remark
31/03/04	1,586.6	As per annual report	–	–	
30/09/05	2,644.4	Bonus issue	–	2:3	
25/04/06	2,761.7	Private placement	251	–	11,737,404 shares to IDF.
22/04/06	2,857.5	Private placement	75.2	–	9,578,544 shares to ICICI Trusteeship Services.
13/05/06	2,892.4	Private placement	260	–	Total 3,490,555 shares – Quantum (M) Ltd. (2,490,555 shares) and Punjab National Bank (1,000,000 shares).
05/06/06	2,929.5	Preference issue of shares	260	–	3,703,703 shares to Citigroup Venture Capital International Mauritius.
17/08/06	3,310.8	Public issue	200	–	38,136,980 shares, 5% discount to retail investors.
12/12/07	3,641.3	Preference issue of shares	238	–	165,238,088 shares allotted to QIBs.

GMR entered the capital market in August 2006, with a public issue of 38.1 mn shares of Rs 10 face value with a premium of Rs 200, aggregating Rs 8 bn. In December 2007, the company did a QIB issue of 165 mn shares of Rs 2 each with a premium of Rs 238 per share. The company's equity share of Rs 10 face value was split into 5 shares of Rs 2 face value each in September 2007.

Management

The board of the company is headed by Mr G.M. Rao, who is the founder of the group. Mr G.M. Rao is assisted by his two sons Mr G.B.S. Raju and Mr G. Kiran Kumar and son in law, Mr Srinivas Bommidala. At SPV level, there are professionals managing the day-to-day operations.

Mr G.M. Rao, 59, the Chairman & Managing Director is the founder of the company with over one decade of experience in Infrastructure industry. He is a graduate in mechanical engineering from Andhra University. He is a technocrat and first generation entrepreneur. Under his leadership, GMR established a strong presence in the infrastructure sector with focus on power, roads and airports.

Mr G. Kiran Kumar, 33, is Group Director and has been on the board since 1999. He is a commerce graduate from Osmania University, Hyderabad. He led GMR's foray into Airport business and currently is Chairman – Airports.

Mr G.B.S. Raju, 34, is the Chairman – Corporate and International Business. He is a commerce graduate from Vivekanand College, Chennai in 1995. Under his leadership GMR's Energy barge mounted power plant was established in record time.

Mr Srinivas Bommidala, 45, is Group Director and on the board of the company for more than a decade. He has over decades of corporate experience in various sectors. Under his guidance company forayed into Airport development programme. Currently, he is the Chairman – Urban Infrastructure and Highways.

Mr B.V.N. Rao has been on the board since 1996. He is an engineering graduate from Andhra University. He has extensive experience in the banking sector with specific experience in industrial finance and rehabilitation of sick industries. Currently, he is the Chairman – Energy and Agri business.

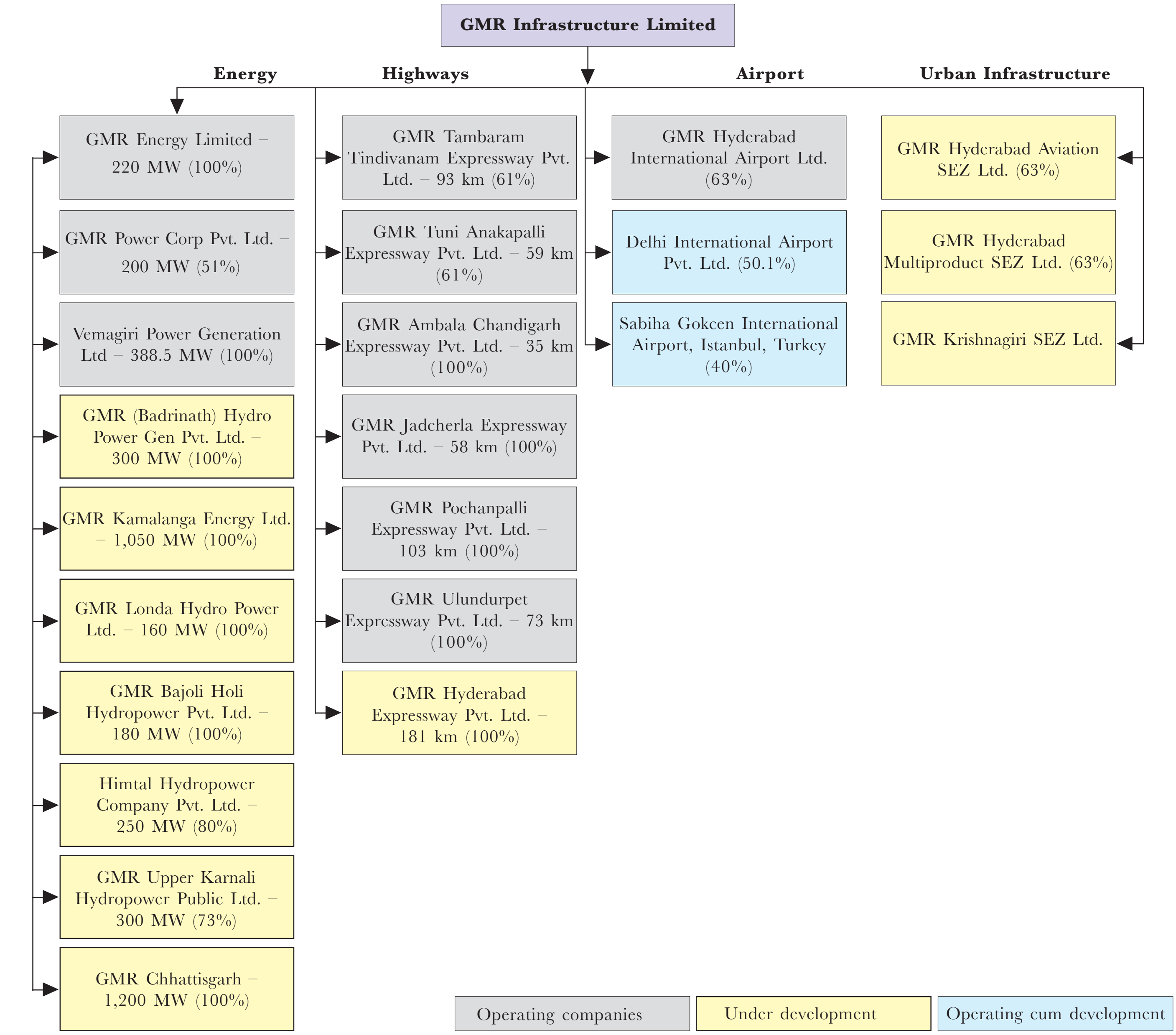
Business model

GMR is an infrastructure developer company and carries out the development, management, operation and maintenance of various infrastructure assets. The company owns the infrastructure assets and bears the risk of implementation, development, start-up, operation and maintenance. GMR has created an SPV for each of the projects with GMR being the holding company.

The company's initial focus was power and roads in the domestic market but with opportunities arising, the company forayed into airport, SEZ development, coal mines, power trading, construction and in the international market.

Historically, the construction activity was mainly outsourced. To overcome the shortage of quality construction companies and for timely execution of its projects, the company has started a separate entity, which will undertake some of GMR's own projects.

Business group structure



Source: B&K Research

Airports

GMR has three airport assets in its portfolio- Delhi, Hyderabad and Sabiha Gokcen (Istanbul, Turkey). GMR owns 63% stake in Hyderabad Airport which was developed as a greenfield airport and is operational since March 2008. Delhi and Sabiha Gokcen airports are also operational but currently undergoing brownfield expansion. GMR owns 50.1% stake in Delhi Airport and 40% stake in Sabiha Gokcen airport.

In the past few years, air traffic saw a robust growth on the back of economic boom and air travel becoming affordable due to emergence of low cost airlines. Air traffic in India grew at 25.4% CAGR between FY05-08 while the growth in Istanbul's air traffic was 15.7% CAGR between CY04-08. In FY09, economic slowdown and fair hike by low cost airlines resulted in negative 7% growth in air travel in India. However, we expect air traffic to improve going forward which will result in growth in revenues for airport operators like GMR. Also, there is ample opportunity to explore revenue streams from non-aeronautical activities.

Delhi Airport

Phase I to be completed by March 2010

In May 2006, GMR in consortium with Fraport AG, Malaysia Airports and India Development Fund won the bid for brownfield expansion of the existing operational airport. Accordingly, Delhi International Airport (P.) Ltd. was formed as a Public Private Partnership Initiative and was awarded the mandate for finance, design, build, operate and maintain the airport for a period of 30 years till 2036 with a further option of 30 years.

Besides upgradation of the existing terminals, the project envisions the construction of a new integrated terminal which in the first phase would be able to cater to 37 mn passengers per annum. This phase will be completed by 31 March 2010. In addition to the passenger terminal, a new runway is being built to cater to the additional air traffic. Going further, the project aims to achieve an ultimate design capacity of 100 mn passengers per annum.

Delhi Airport

Proposed capacities	Phase IA	Phase IB	Phase V
Passenger capacity (mn/pa)	26	37	100
Cargo capacity (mn t)	0.5	0.6	3.6
Runways	2	2	4
Passenger Terminal Building Area (mn sqm)	0.15	0.52	1.72
Completion date (Company's expectation)	Complete in July 2008	March 2010	March 2035
Completion date (Our expectation)		March 2010	March 2036

Source: Company, B&K Research

Key highlights

Project cost (Rs bn) (Phase I)	89.8
Debt/Equity (x)	1.25
Concession period (years)	30+30 (2006-66)
Revenue share with AAI (%)	45.99
GMR's stake (%)	50.1
Other shareholders	Fraport, Malaysia Airports, IDF, AAI

Development fee

The funding for the airport was to be done through Loans, Equity and Refundable Security Deposits (RSD) from Hospitality District (commercial property development). In view of the real estate slowdown and escalation of project cost, GMR requested the government for levy of development fees on the passengers to meet the short fall in funding.

Expected capital receipt of Rs 22.7 bn

The government has approved the levy of development fee of Rs 200 per departing domestic passenger and Rs 1,300 per departing international passenger, for a period of 36 months w.e.f. 01 March 2009 by Delhi Airport to meet the funding shortfall.

The final determination of levy may be made by the government on a review after six months from the effective date. The amount collected through DF would not in any case exceed the ceiling of Rs 18.27 bn (NPV as on 01 March 2009). The development fee will be accounted as capital receipt and Delhi Airport need not share any part of this with AAI. We expect the company to receive Rs 22.7 bn (net of service tax and collection charges) from this till February 2012.

Though the company has maintained that there is funding concern, we believe that the levy of Development Fee and real estate transaction has alleviated the funding concern of the project and will limit the further equity commitment by GMR on Delhi Airport.

Revenue streams

Revenue stream	Aeronautical	Non-aeronautical	Real estate
Scope	Landing, Parking Charges and Passenger Service Fees	Cargo handling, Ground handling, Duty free shops, Advertising, Hoarding & Display, F&B restaurants, Flight kitchen, stalls, retail outlets, Car rentals, Taxi stand, Aviation fueling, Car parking, aircraft maintenance, public admission fee, airline offices etc.	Hotels, retail & entertainment, offices, convention centre, commercial space (has to abide by the concession agreement)
Current structure	Regulated, Aeronautical charges defined by AAI	Non-regulated	Non-regulated but development restricted as per the concession agreement, 17 acre of land leased out till date
Future structure	Charges will be accordingly set in order to get revenue as worked out from the CPI-X formula (Aero Assets x 11.6% WACC + O&M expenses + Depreciation + Tax – 30% Non-aero revenue)	Non-regulated	Non-regulated but development restricted as per the concession agreement
Per/pax revenue (FY09)	150	265	–

As per the concession agreement, the formula to calculate the aeronautical revenue should have come into effect from May 2009. Since the application of formula will result in a substantial hike in aeronautical charges, we see a remote possibility of application of the formula for the next few years. We have assumed that the formula will be applicable from FY13E.

Delhi Airport assumptions

	FY09	FY10E	FY11E	FY12E
Passengers				
Domestic (mn/pa)	15.1	15.5	17.8	19.3
Growth rate (%)	(9)	3	15*	8
International (mn/pa)	7.8	8.0	9.2	9.9
Growth rate (%)	6	3	15	8
Total (mn/pa)	**22.8**	**23.5**	**27.0**	**29.2**
Growth rate (%)	(5)	3	15	8
P&L A/c (Rs mn)				
Aero revenue	3,421	3,843	4,825	5,812
Aero related revenue	0	3,646	4,316	4,840
Non aero revenue	6,056	4,685	8,696	9,468
Real estate	0	329	1,101	1,958
Net sales	9,476	12,503	18,938	22,078
Revenue share with AAI	4,406	5,773	8,733	10,177
Revenue to Delhi Airport	**5,070**	**6,729**	**10,205**	**11,901**
Growth (%)	8	33	52	17
Operating cost	4,444	4,278	5,348	5,680
EBITDA	626	2,452	4,857	6,222
EBITDA margin (%)	7	19	24	26
Depreciation	525	774	1,468	2,139
Other income	50	50	50	50
EBIT	152	1,728	3,440	4,133
Interest	494	956	2,658	1,813
PBT	(342)	772	782	2,321
Tax	(107)	266	276	807
PAT	**(235)**	**507**	**506**	**1,514**

*Higher growth due to Commonwealth Games in Delhi. Source: B&K Research.

Real estate development opportunity

250 acres of prime land

Out of the total area of about 5,100 acres available for airport, Delhi Airport can use 5% of the land i.e. around 250 acres, for real estate development.

The company recently invited bid to lease out 21.6 acre of the land for hotels for a concession period of 57 years. Successful bidders will pay lease rental of Rs 14.3 mn per year/acre which will increase by 5.5% per annum. Also, the company will receive nonrefundable infrastructure deposit of Rs 133 mn/acre and refundable upfront deposit of Rs 276 mn/acre (three times the average rental of 57 years, refundable at the end of concession period). We have used the same rates and structure as a valuation benchmark for the remaining land bank, which we expect the company to lease out in phases by FY15.

Delhi Airport real estate assumption

Total Land	250 acre
Complete lease out by	FY15
First year lease rate	Rs 14.3 mn per year per care
Annual increase in lease rates	5.5%
Refundable upfront deposit	Rs 276 mn/acre

Hyderabad Airport

Future capex may be delayed due to slower traffic growth

A consortium led by GMR Infrastructure Limited (63% stake) and Malaysia Airports (11% stake) won the bid for design, finance, construction, operation, maintenance and management of a new greenfield international airport in Hyderabad on BOOT basis. Airport Authority of India and Government of Andhra Pradesh hold equity stake of 13% each.

The concession period for the project is initially for a period of 30 years, and the same is extendable by another 30 years. The new airport was commissioned in March 2008 and as per the terms of concession agreement the old airport at Begumpet in Hyderabad was closed for civil and commercial operations.

The airports currently has a capacity to cater to 12 mn passengers per annum which is proposed to be extended to 40 mn on the completion of Phase IV.

Hyderabad Airport

Proposed capacities	Phase I	Phase IV
Passenger capacity (mn pa)	12	40
Cargo capacity (mn t pa)	0.1	0.4
Runways	1	2
Passenger Terminal Building Area (mn sqm)	0.12	0.39
Completion date (Company's expectation)	March 2008	March 2026
Completion date (Our expectation)	March 2008	March 2053

Key highlights

Project cost (Rs bn) (Phase I)	29.2
Debt/Equity (x)	2.7
Concession period (years)	30+30 (2008-2068)
Revenue share with AAI (%)	4
GMR's stake (%)	63
Other shareholders	Malaysia Airports, AAI, Government of Andhra Pradesh

Revenue streams

Revenue stream	Aeronautical	Non-aeronautical	Real estate
Scope	Landing, Parking Charges, Passenger Service Fees and UDF	Cargo handling, Ground handling, Duty free shops, Advertising, Hoarding & Display, F&B restaurants, Flight kitchen, retail outlets, Car rentals, Aviation fueling, Car parking, aircraft maintenance, public admission fee, airline offices, etc.	Hotels, retail & entertainment, commercial space and residential complex
Structure	Regulated, Aeronautical charges defined by AAI	Non-regulated	Non-regulated
Per/pax revenue (FY09)	331	290	–

Hyderabad Airport assumptions

	FY09	FY10E	FY11E	FY12E
Passengers				
Domestic (mn/pa)	4.6	4.9	5.3	5.7
Growth rate (%)	(16)	3	8	8
International (mn/pa)	1.6	1.7	1.8	1.9
Growth rate (%)	8.6	3	8	8
Total (mn/pa)	**6.2**	**6.6**	**7.1**	**7.6**
Growth rate (%)	(11)	3	8	8
P&L A/c (Rs mn)				
Aero revenue	2,058	2,688	2,908	3,007
Aero related revenue	0	777	896	1,034
Non-aero revenue	1,802	1,744	2,007	2,253
Real estate	0	0	300	633
Net sales	3,859	5,209	6,110	6,927
Revenue share with AAI	163	208	244	277
Revenue to Hyderabad Airport	**3,696**	**5,000**	**5,866**	**6,650**
Growth (%)		(35)	(17)	(13)
Operating cost	2,266	2,445	2,620	2,808
EBITDA	1,430	2,555	3,246	3,842
EBITDA margin (%)	37	49	53	55
Depreciation	1,122	1,183	1,183	1,183
Other income	36	50	50	50
EBIT	345	1,422	2,113	2,709
Interest	1,536	1,543	1,440	1,337
PBT	(1,192)	(120)	673	1,372
Tax	19	0	146	303
PAT	**(1,211)**	**(120)**	**526**	**1,068**

Source: B&K Research

Real estate and SEZ opportunities

1,000 acre for commercial and residential and 500 acre for SEZ

The company has the right to develop 1,000 acre of land on the Hyderabad Airport which can be used for commercial and residential development. Also, it has received formal approval from Govt of India for setting up two SEZ on 500 acre of land available for the airport development. The company plans to develop an Aviation sector SEZ and a Multiproduct General SEZ. Though, we have considered real estate development in our valuation, it will accrue to the company over a period of time. We have not considered SEZs in our valuation.

Hyderabad Airport real estate assumption

Total land	1,000 acre
Complete lease out by	FY20
First year lease rate	Rs 3 mn per year per care
Annual increase in lease rates (%)	5.5
Refundable upfront deposit	Rs 60 mn/acre

Source: B&K Research

Sabiha Gokcen

Istanbul's another airport, Ataturk is constraint by capacity

GMR, in consortium with Malaysia Airports and Limak secured the project for brownfield expansion of Sabiha Gokcen airport in Istanbul, Turkey. The concession period for the project is for a period of 20 years and the capacity of the airport on completion of capex will be 25 mn passengers per annum. As, Istanbul's another airport, Ataturk which is constraint by capacity, Sabiha Gokcen is expected to corner majority of the air traffic growth of Istanbul.

Sabiha Gokcen

Proposed capacities	
Passenger capacity (mn pa)	25
Cargo capacity (mn t pa)	0.15
Runways	1
Completion date	December 2010

Revenue streams

Revenue stream	Aeronautical	Non-aeronautical
Scope	Passenger service fees, ground handling, fuel farm, cargo, check-in counters, passenger boarding bridge, etc.	Air office space, commercial space, car rentals, ATMs, duty free shops, F&B, advertising, car parking, hotel
Structure	Passenger service fee regulated, others not regulated	Not regulated

Key highlights

Project cost (EUR mn)	451
Debt/Equity (x)	2.9
Concession period (years)	20 (including 2.5 years for construction), May 2008-28
Concession fee (EUR)	EUR 1.93 bn to be paid in 20 years with no fee in the first three years
GMR's stake (%)	40
Other shareholders	Malaysia Airports, Limak

Sabiha Gokcen assumptions

	FY09	FY10E	FY11E	FY12E
Passengers				
Domestic (mn/pa)	3.0	3.2	3.4	3.5
Growth rate (%)	–	5	6	5
International (mn/pa)	1.6	1.9	2.3	2.8
Growth rate (%)	–	21	20	19
Total (mn/pa)	**4.6**	**5.1**	**5.7**	**6.3**
Growth rate (%)	–	11	11	11
P&L A/c (Rs mn)				
Aero revenue	–	3,760	4,221	4,736
Non-aero revenue	–	4,828	5,366	5,970
Net sales	**6,673**	**8,588**	**9,586**	**10,706**
Operating cost	6,433	6,284	6,511	6,749
Concession fees to SSM	–	–	5,018	5,018
EBITDA	240	2,304	(1,943)	(1,061)
EBITDA margin (%)	4	27	(20)	(10)
Other income	(168)	65	65	65
Interest cost	35	117	1,936	1,936
Depreciation	986	1,219	1,625	1,625
PBT	(949)	1,033	(5,439)	(4,557)
Tax	(153)	207	–	–
PAT	**(797)**	**827**	**(5,439)**	**(4,557)**

Source: B&K Research

Power

GMR currently has an operational capacity of 823 MW (attributable to GMR 725 MW) through three power plants.

Operational plants

725 MW operational capacity but largely constrained by fuel

GMR Energy: This 235 MW naphtha-based power plant is currently located at Mangalore and is selling the power on merchant basis as its PPA has expired recently. As the generation cost using naphtha is significantly higher compared to coal, natural gas or hydro power plants, it will not be feasible to run the plant for long-term on the existing fuel. Considering this, the company is planning to relocate the plant to Kakinada, Andhra Pradesh and run it on Natural Gas from Reliance. We have assumed that the plant relocation will happen in 2HFY10 and from the start of FY11E the relocated plant at Kakinada will be operational. However, fuel supply agreement and finalisation of shifting have not been done yet.

GMR Power: GMR owns 51% stake in the 200 MW power plant located in Chennai. The fuel used in the plant is Lower Sulphur Heavy Stock (LSHS) which is also not an economical fuel. However, the company is supplying the power on PPA with 68.5% take or pay and the fuel cost is a pass-through.

Vemagiri Power: This power plant was earlier running on diverted gas as per the directions of Andhra Pradesh Coordination Committee. However, now it has started operating on gas from Reliance. Under the revised terms of PPA the contracted capacity with APTRANSCO has been amended to 296 MW and the company is entitled to sell power generated from balance 91 MW capacity on merchant basis.

The company is also planning a brown field expansion of Vemagiri power plant by 800 MW.

Operational power plants

Project	GMR Power	Vemagiri Power	GMR Energy	Relocation of GMR Energy plant
Location	Chennai, Tamil Nadu	Vemagiri, Andhra Pradesh	Mangalore, Karnataka	Kakinada, Andhra Pradesh
Capacity	200 MW	388 MW	235 MW	235 MW
Fuel	LSHS	Natural Gas	Naphtha	Natural Gas
Project cost (Rs mn)	8,703	11,834	9,779	4,100
Buyer	TNEB	APTRANSCO 76%, Merchant 24%	Merchant	Merchant
COD	1999	2006	2001	Early FY11
PPA expiry	2014	2021	2008	–
GMR's stake (%)	51	100	100	100

Source: Company, B&K Research

Power P&L

(Rs mn)	FY09	FY10E	FY11E	FY12E
Net sales	21,527	21,159	22,877	23,050
Fuel charges	16,186	14,729	14,264	14,457
Other expenses	–	1,394	1,634	1,723
EBITDA	5,341	5,035	6,979	6,869
EBITDA margin (%)	25	24	31	30
Depreciation	1,172	860	1,180	1,180
Other income	114	100	150	150
EBIT	4,283	4,275	5,948	5,839
Interest	955	1,420	1,709	1,554
PBT	3,328	2,855	4,239	4,285
Tax	283	323	480	520
PAT	**3,045**	**2,532**	**3,759**	**3,765**

Under development plants

Most of the under development capacity is in initial stage

GMR has planned a significant expansion in its power capacity and currently eight power plants with combined capacity of 4,090 MW are proposed to be developed. However, these projects except Kamalanga are in very initial stage and will take time in reaching to construction phase. For Kamalanga, stake of the company is 80% and financial closure of the project has been achieved. The total project cost is expected to be around Rs 45 bn. We have considered only Kamalanga project in our valuation.

Under development power projects

Location	Chhattisgarh	Badrinath, Uttarakhand	Talong, Arunachal Pradesh	Bajoli Holi, Himachal Pradesh	Upper Karnali, Nepal	Upper Marsyangdi, Nepal	Kamalanga, Orissa	Vemagiri expansion
Plant capacity (MW)	1,050	300	160	180	300	250	1,050	800
Fuel	Coal	Hydro	Hydro	Hydro	Hydro	Hydro	Coal	Gas
Concession period (years)	–	45	40	40	30	30	–	–

InterGen

Majority of holding is with the promoter group currently but will be transferred to GMR finally

The GMR group acquired a 50% stake in InterGen NV in October 2008 for US$ 954 mn from AIG Highstar. InterGen has projects of around 7,658 MW across the globe with its proportionate attributable capacity of 6,231 MW. The company also has 428 MW of capacity under construction and 2,849 MW of capacity under development. The company has a mix of contracted to merchant power sales arrangement at 70:30 and around 90% of the capacity is gas-based, thus benefiting from carbon credits.

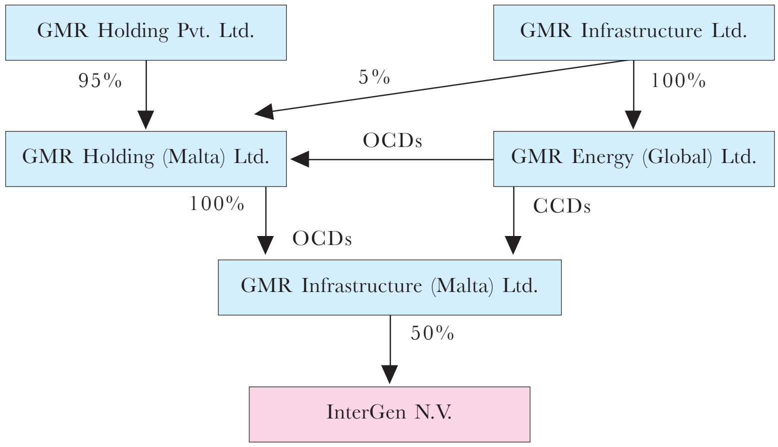
GMR Infrastructure (listed entity) has only a 2.5% interest in the InterGen while the rest of the stake is currently with GMR Holdings (a promoter group company). The actual debt borrowing for the acquisition took place through a special purpose vehicle (SPV) but the acquisition debt of around US$ 1 bn is backed by a corporate guarantee from GMR Infrastructure. Going forward, GMR Infrastructure intends to buy the whole stake of GMR Holdings and raise its stake in InterGen to 50%.

InterGen

Particulars	US$ bn
Price paid for 50% stake	0.954
Debt in InterGen's books	4.2
Enterprise value	6.1
Per MW EV	~US$ 1 mn

InterGen has a net worth of US$ 544 mn and its debt/equity stands at 7.7x. Also, price/book value at the acquisition cost stands at 3.5x, which we believe is expensive. Given the limited information available on InterGen and low direct equity stake for GMR, we have valued the investment at book value.

Structuring of InterGen's acquisition



Source: Company, B&K Research

Roads

All the projects are complete now

GMR has a diversified portfolio of seven road BOT projects, out of which three are annuity-based projects and four are toll-based projects. With construction on all the projects complete (except Hyderabad-Vijayawada), the only risk associated with the projects is of traffic risk for toll projects. Initial three toll BOT road projects are secured by paying negative grant to NHAI. We expect these projects to incur net loss in the initial few years of the operation. However, with the gradual increase in traffic and decline in interest cost due to repayment of debt, profitability of these projects will improve significantly.

The company has secured Rs 22 bn Hyderabad-Vijayawada road BOT project (181 km) recently. Concession period of the project is 25 years.

GMR has securitised 75% of the future annuity payments of Tuni-Anakapalli and Tambaram-Tindivanam road projects at 7.5% yield and received Rs 8.7 bn.

Overall contribution to consolidated cash flows and valuation will not be significant due to small size vis-à-vis other segments.

Road projects

	Unit	Tuni Anakapalli	Tambaram Tindivinam	Pochanpalli Expressway	Ambala Chandigarh	Jadhcherla	Ullundurpet
		Annuity			Toll		
Length	Km	59	93	93	35	58	73
Additional length for O&M	Km	–	–	10	–	13	–
Capital cost	Rs mn	3,040	3,901	6,960	4,830	4,930	8,060
Semi-annual annuity	Rs mn	295	401	542	–	–	–
Semi-annual annuity for additional O&M length	Rs mn	–	–	3	–	–	–
NHAI grant (negative, during construction)	Rs mn	–	–	–	559	827	1,177
NHAI grant (negative, during operation)	Rs mn	–	–	–	1,188	–	1,328
Concession period	Year	17.5	17.5	20.0	20.0	20.0	20.0
Concession start	Date	May 02	May 02	Sep 06	May 06	Aug 06	Jan 06
COD	Date	Dec 04	Nov 04	Mar 09	Dec 08	Feb 09	Jun 09
Concession Ends	Date	Dec 19	Oct 19	Sep 26	May 26	Aug 26	Oct 26
GMR's stake	%	61	61	100	100	100	100

Source: Company, B&K Research

Road assumptions

Traffic (mn/pa)	FY09	FY10E	FY11E	FY12E
Ambala Chandigarh	4.5	4.7	5.0	5.3
Growth (%)	–	4	6	6
Jadhcherla	4.5	4.7	5.0	5.3
Growth (%)	–	4	6	6
Ullundurpet	4.8	5.0	5.3	5.6
Growth (%)	–	4	6	6
P&L A/c (Rs mn)				
Annuity revenue	1,414	2,481	2,481	2,481
Toll revenue	109	1,434	1,765	1,964
Total sales	**1,523**	**3,914**	**4,245**	**4,445**
Revenue share with NHAI	–	66	75	83
Regular O&M expenses	266	479	517	543
Periodic expenses	–	369	393	393
NHAI grant	–	50	175	237
EBITDA	1,257	2,950	3,086	3,188
EBITDA margin (%)	83	75	73	72
Depreciation	557	1,805	1,881	1,881
Interest	392	2,228	2,461	2,355
Other income	15	450	450	500
PBT	322	(632)	(807)	(548)
Tax	56	54	54	59
PAT	**267**	**(687)**	**(861)**	**(607)**

Others

Krishnagiri Special Economic Zone

GMR has entered into a joint collaboration with TIDCO, an undertaking of the Government of Tamil Nadu, to develop a 3,300 acre multi-product SEZ in the Krishnagiri district of Tamil Nadu. Krishnagiri is connected through National Highway-7 and rail network. The SEZ plans to cater to IT & ITES, electronics, engineering and biotech companies.

The company has indentified the entire land to be used for the SEZ and currently acquiring it. Since land acquisition, final notification, master plan, business plan and DPR are pending and company intends to move slow on the project, we have not included the SEZ in our valuation.

Coal mine

GMR has acquired 100% ownership interest of PT Barasentosa Lestari (PT BSL) for a consideration of US$ 80 mn. PT BSL have minable reserves of 104 mn t coal over two separate coal blocks in South Sumatra, Indonesia and is holding a legal coal mining license under the Coal Contract of Work issued by the Government of Indonesia with 30 year mining authorization. The company plans to fund the project with a debt/equity ratio of 4:1. Also, further investments of US$ 80 mn is proposed in next two years.

Investment in Homeland Energy Group Ltd. (HEG)

GMR has acquired ~33.5% stake in Homeland Energy Group Ltd. (HEG), Canada, which is listed on Toronto Stock Exchange for a consideration of US$ 30 mn. These shares were acquired in exchange for 10% voting and equity interest held by GMR in Homeland Mining and Energy SA (Pty) Ltd., South Africa, subsidiary of Homeland Energy Corporation, Mauritius.

HEG, Canada, is the parent company of Homeland Group, having interest in development of coal projects in South Africa and several other global strategic investments.

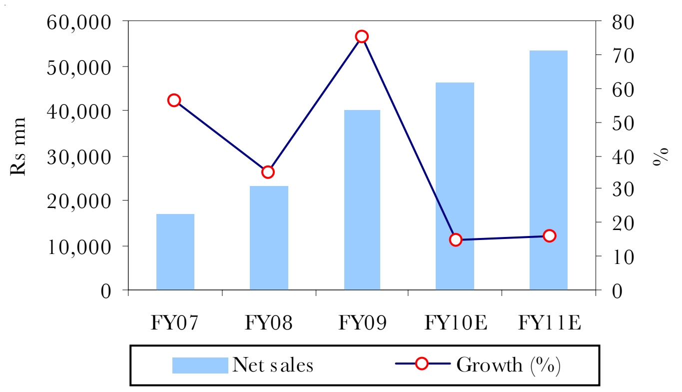
HEG's investments include a 39% stake in Homeland Uranium with assets in Niger and USA and an 8% stake in Altona with coal assets in Australia. HEG owns mining licence for Kendal (74%, mineable reserve 25 mn tonnes), Eloff (50% with an option to increase to 74% for US$ 15 mn, reserve 259-275 mn tonne) and Northfield (100% 1 mn tonne).

Financials

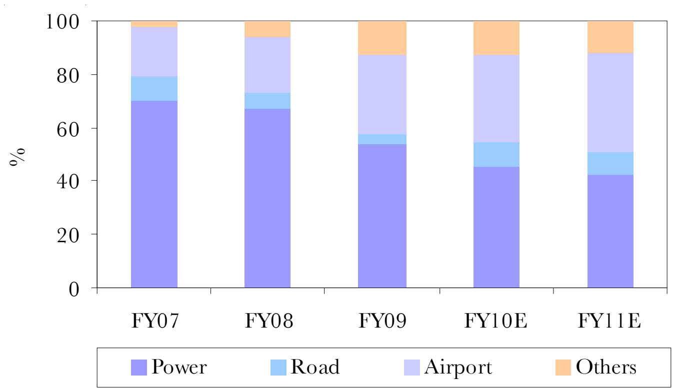
Revenue

Until FY06, GMR had operational assets only in the power and road BOT segments. Addition of the Delhi Airport project in May 2006 in the asset portfolio and higher PLF in power assets were the primary reason for a strong growth in FY07. In FY08, strong growth in airport traffic coupled with improved PLF and increased fuel cost in power segment lead to continuation of revenue growth. Hyderabad Airport was commissioned in 4QFY08 but its full impact on revenue was there in FY09. Also, commissioning of three road projects during the end of FY09, addition of Sabiha Gokcen airport, and steady growth on other projects, added to the revenue growth. Commissioning of three road projects with expected air and road traffic improvement from the second half of FY10E, will result in a moderate growth of 15.3% CAGR over FY09-11E. Power and airport segments are expected to remain significant contributor to the overall revenue.

Net sales and growth



Net sales break-up

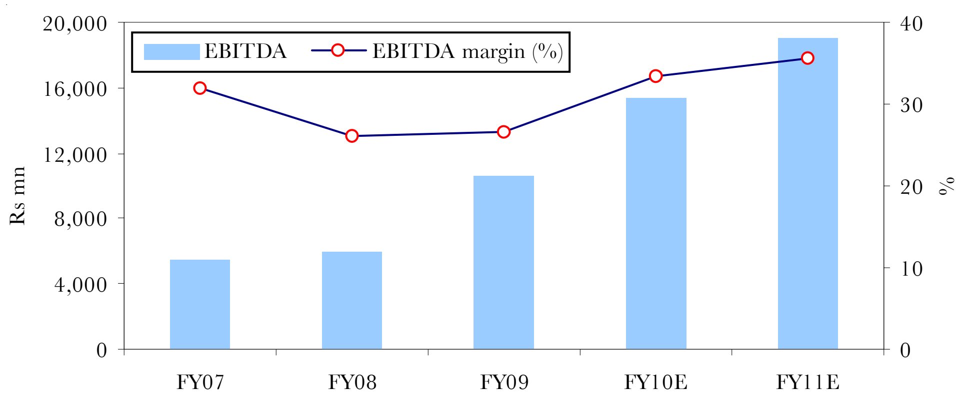


Source: Company, B&K Research

EBITDA margins

In the last two financial years, the company's EBITDA margins have come down due to a decline in the margin of power and airport segments. The company sold power under PPAs, where returns are mostly fixed in nature, increased revenue led to a decline in relative margins. Going forward, EBITDA margins are expected to improve with improvement in performance in the airport and power segments, and increased share of road segment where margins are higher.

EBITDA and EBITDA margin

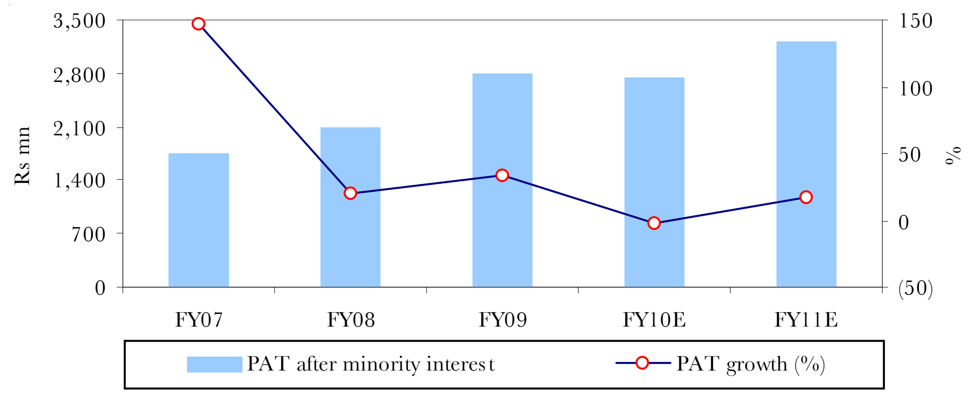


Source: Company, B&K Research

PAT

PAT after minority interest increased by 147.2% in FY07 due to the addition of Delhi Airport and improved performance across the segments. Despite a strong growth in net sales in FY08 and FY09, PAT increased by 20.4% and 33.4%, respectively, due to the decline in EBITDA margin and increase in interest and depreciation cost. Going forward, improved performance of power and airport projects at EBITDA level would not provide much respite as interest and depreciation cost will increase further. PAT is expected to grow at 7.4%% between FY09-11E.

PAT and PAT growth



Source: Company, B&K Research

Segmental performance

(Rs mn)	FY08	FY09	FY10E	FY11E
Net sales				
Power	15,412	21,527	21,159	22,877
Road	1,397	1,523	3,848	4,171
Airport	4,734	12,159	15,165	19,906
Others	1,405	4,982	6,000	6,500
Total	**22,948**	**40,192**	**46,171**	**53,453**
PAT before minority interest				
Power	1,586	3,045	2,487	3,670
Road	417	267	(912)	(1,088)
Airport	(11)	(1,678)	697	(1,169)
Others	634	1,137	1,050	1,137
Total	**2,626**	**2,771**	**3,322**	**2,550**

Detailed financials

Income Statement

Yr end 31 Mar (Rs mn)	FY06	FY07	FY08	FY09	FY10E	FY11E
Sales						
Power	9,033	11,949	15,412	21,527	21,159	22,877
Roads	1,504	1,432	1,397	1,523	3,848	4,171
Airports	–	3,160	4,734	12,159	15,165	19,906
Others	317	426	1,405	4,982	6,000	6,500
Net sales	**10,854**	**16,967**	**22,948**	**40,192**	**46,171**	**53,453**
Operating expenses	(6,086)	(11,531)	(16,963)	(29,522)	(30,758)	(34,438)
Raw material consumed	(4,081)	(6,988)	(10,313)	(13,470)	(14,729)	(14,264)
Employee expenses	(317)	(604)	(1,012)	(3,405)	(4,156)	(5,661)
Administrative expenses	(712)	(1,305)	(2,574)	(3,291)	(2,359)	(3,320)
Other operating expenses	(977)	(2,634)	(3,065)	(9,356)	(9,513)	(11,193)
Operating profit	4,768	5,437	5,985	10,670	15,414	19,015
EBITDA	**4,768**	**5,437**	**5,985**	**10,670**	**15,414**	**19,015**
Depreciation	(2,200)	(1,346)	(1,785)	(3,898)	(5,109)	(6,362)
Other income	51	183	698	212	350	350
EBIT	**2,619**	**4,275**	**4,897**	**6,983**	**10,655**	**13,003**
Interest paid	(1,558)	(1,441)	(1,687)	(3,682)	(6,193)	(9,043)
Pre-tax profit (before non-recurring items)	1,061	2,833	3,210	3,301	4,462	3,960
Pre-tax profit (after non-recurring items)	1,061	2,833	3,210	3,301	4,462	3,960
Tax (current + deferred)	(125)	(415)	(584)	(530)	(1,140)	(1,410)
Tax provided	(126)	(273)	(303)	(761)	(1,140)	(1,410)
Deferred tax	1	(143)	(280)	231	–	–
Net profit	**936**	**2,418**	**2,626**	**2,771**	**3,322**	**2,550**
Adjusted net profit	705	1,744	2,101	2,795	2,742	3,224
Minority interests	(231)	(673)	(526)	23	(580)	674
Net income	**705**	**1,744**	**2,101**	**2,795**	**2,742**	**3,224**

Balance Sheet

Yr end 31 Mar (Rs mn)	FY06	FY07	FY08	FY09P	FY10E	FY11E
Current assets	**11,439**	**19,173**	**19,230**	**22,528**	**23,346**	**24,500**
Cash & bank	6,754	13,000	8,945	5,821	4,248	2,489
Debtors	2,433	3,860	4,116	7,137	8,120	9,317
Inventory	359	304	380	661	759	879
Loans & advances	1,051	1,871	5,731	8,809	10,120	11,716
Other current assets	841	137	58	100	100	100
Non-current assets	32,383	50,684	146,922	176,177	203,604	230,309
Investments	2,557	2,624	48,996	35,625	29,848	54,367
Fixed assets (Net block)	27,376	43,231	89,495	138,022	172,996	175,714
Gross block	24,559	41,406	66,917	108,343	126,353	191,682
Less: Depreciation	(11,051)	(12,407)	(14,218)	(18,116)	(23,225)	(29,588)
Add: Capital WIP	13,868	14,232	36,796	47,796	69,869	13,620
Other non-current assets	2,450	4,828	8,432	2,530	759	228
Total assets	**43,822**	**69,856**	**166,153**	**198,705**	**226,950**	**254,810**
Current liabilities	4,656	7,471	13,661	15,197	17,326	19,187
Creditors	3,686	4,084	9,348	9,360	10,752	11,716
Other current liabilities	174	2,543	3,431	4,955	5,692	6,590
Other provisions	797	845	882	882	882	882
Non-current liabilities	29,218	37,201	80,194	108,121	128,192	151,187
Total debt	29,217	37,057	79,769	107,655	121,383	124,365
Other non-current liabilities	2	144	425	467	6,810	26,821
Deferred tax liabilities	2	144	425	467	467	467
Others	–	–	–	–	6,343	26,355
Total liabilities	**33,874**	**44,672**	**93,855**	**123,318**	**145,519**	**170,374**
Total shareholders' funds	**9,948**	**25,184**	**72,298**	**75,387**	**81,431**	**84,435**
Paid-up capital	2,644	3,311	3,641	3,641	3,641	3,641
Reserves & surplus	3,060	16,612	57,531	60,643	63,385	66,609
Share premium	0	12,018	50,708	50,708	50,708	50,708
Retained earnings	1,175	3,086	5,242	8,355	11,096	14,320
Other reserves	1,885	1,508	1,580	1,580	1,580	1,580
Shareholders' funds	**5,704**	**19,923**	**61,172**	**64,285**	**67,026**	**70,250**
Minorities interests	4,243	5,261	11,126	11,103	14,405	14,185
Total equity & liabilities	**43,822**	**69,856**	**166,153**	**198,705**	**226,950**	**254,810**

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY06	FY07	FY08	FY09P	FY10E	FY11E
Pre-tax profit	1,061	2,833	3,210	3,301	4,462	3,960
Depreciation	2,195	1,355	1,812	3,898	5,109	6,362
Chg in debtors	(601)	(1,427)	(256)	(3,021)	(983)	(1,197)
Chg in inventory	(52)	55	(76)	(280)	(98)	(120)
Chg in loans & advances	(544)	(819)	(3,860)	(3,078)	(1,311)	(1,596)
Chg in other current assets	(809)	704	79	(42)	–	–
Chg in other non-current assets	(1,560)	(2,378)	(3,604)	5,902	1,771	531
Chg in current liabilities	(634)	2,767	6,152	1,536	2,130	1,861
Chg in provisions	239	48	37	–	–	–
Chg in other non-current liabilities	–	–	–	–	6,343	20,012
Total tax paid	(126)	(273)	(303)	(489)	(1,140)	(1,410)
Cash flow from operations (a)	**(830)**	**2,866**	**3,191**	**7,728**	**16,283**	**28,404**
Capital expenditure	(7,094)	(17,211)	(48,075)	(52,426)	(40,083)	(9,080)
Chg in investments	(802)	(67)	(46,372)	13,371	5,777	(24,519)
Cash flow from investing (b)	**(7,897)**	**(17,278)**	**(94,447)**	**(39,055)**	**(34,306)**	**(33,599)**
Free cash flow (a+b)	**(8,727)**	**(14,412)**	**(91,256)**	**(31,327)**	**(18,023)**	**(5,195)**
Equity raised/(repaid)	505	12,684	39,021	–	–	–
[incl. chg in share premium]						
Chg in minorities	304	344	5,340	–	2,722	454
Debt raised/(repaid)	10,062	7,840	42,713	27,886	13,728	2,983
Other financing activities	101	(210)	127	318	–	–
Cash flow from financing (c)	**10,972**	**20,659**	**87,200**	**28,204**	**16,450**	**3,437**
Net chg in cash (a+b+c)	**2,245**	**6,246**	**(4,056)**	**(3,124)**	**(1,574)**	**(1,758)**

Income Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Net Sales	**22,948**	**40,192**	**46,171**	**53,453**
Growth (%)	*35.2*	*75.1*	*14.9*	*15.8*
Operating Expenses	(16,963)	(29,522)	(30,758)	(34,438)
Operating Profit	5,985	10,670	15,414	19,015
EBITDA	**5,985**	**10,670**	**15,414**	**19,015**
Growth (%)	*10.1*	*78.3*	*44.5*	*23.4*
Depreciation	(1,785)	(3,898)	(5,109)	(6,362)
Other Income	698	212	350	350
EBIT	**4,897**	**6,983**	**10,655**	**13,003**
Interest Paid	(1,687)	(3,682)	(6,193)	(9,043)
Pre-tax profit	3,210	3,301	4,462	3,960
(before non-recurring items)				
Pre-tax profit	3,210	3,301	4,462	3,960
(after non recurring items)				
Tax (current + deferred)	(584)	(530)	(1,140)	(1,410)
Net Profit	**2,626**	**2,771**	**3,322**	**2,550**
Minority interests	(526)	23	(580)	674
Reported PAT	2,101	2,795	2,742	3,224
Adjusted net profit	2,101	2,795	2,742	3,224
Growth (%)	*20.4*	*33.0*	*(1.9)*	*17.6*

Balance Sheet

Yr end 31 Mar (Rs mn)	FY08	FY09P	FY10E	FY11E
Current assets	19,230	22,528	23,346	24,500
Cash & Marketable Securities	8,945	5,821	4,248	2,489
Other Current Assets	10,286	16,707	19,099	22,011
Investments	48,996	35,625	29,848	54,367
Net fixed assets	89,495	138,022	172,996	175,714
Other non-current assets	8,432	2,530	759	228
Total assets	**166,153**	**198,705**	**226,950**	**254,810**
Current Liabilities	13,661	15,197	17,326	19,187
Total debt	79,769	107,655	121,383	124,365
Other non-currnet liabilities	425	467	6,810	26,821
Total Liabilities	**93,855**	**123,318**	**145,519**	**170,374**
Share capital	3,641	3,641	3,641	3,641
Reserves & Surplus	57,531	60,643	63,385	66,609
Shareholder's funds	**61,172**	**64,285**	**67,026**	**70,250**
Minorities interests	11,126	11,103	14,405	14,185
Total equity & liabilities	**166,153**	**198,705**	**226,950**	**254,810**
Capital employed	**152,492**	**183,509**	**209,624**	**235,622**

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY08	FY09P	FY10E	FY11E
Pre-tax profit	3,210	3,301	4,462	3,960
Depreciation	(1,785)	(3,898)	(5,109)	(6,362)
Chg in working capital	(1,528)	1,017	7,852	19,492
Total tax paid	(303)	(489)	(1,140)	(1,410)
Cash flow from Oper. (a)	**3,164**	**7,728**	**16,283**	**28,404**
Capital expenditure	(48,075)	(52,426)	(40,083)	(9,080)
Chg in investments	(46,372)	13,371	5,777	(24,519)
Cash flow from Inv. (b)	**(94,420)**	**(39,055)**	**(34,306)**	**(33,599)**
Free cash flow (a+b)	**(91,256)**	**(31,327)**	**(18,023)**	**(5,195)**
Equity raised/(repaid)	39,021	0	0	0
Debt raised/(repaid)	42,713	27,886	13,728	2,983
Cash flow from fin. (c)	**87,200**	**28,204**	**16,450**	**3,437**
Net chg in cash (a+b+c)	**(4,055)**	**(3,124)**	**(1,574)**	**(1,758)**

Key Ratios

Yr end 31 Mar (%)	FY08	FY09P	FY10E	FY11E
Adjusted EPS (Rs)	1.2	1.5	1.5	1.8
Growth	10.9	24.6	(1.9)	17.6
Book NAV/Share (Rs)	42.4	41.4	44.7	46.4
Tax	18.2	16.1	25.6	35.6
EBITDA margin	26.1	26.5	33.4	35.6
EBIT margin	21.3	17.4	23.1	24.3
RoCE	4.6	4.2	5.4	5.8
Net debt/Equity	98.0	135.1	143.8	144.3

Valuations

Yr end 31 Mar (x)	FY08	FY09P	FY10E	FY11E
PER	122.6	98.4	100.3	85.3
PCE	66.3	41.1	35.0	28.7
Price/Book	3.6	3.6	3.4	3.3
EV/Net sales	15.1	9.4	8.5	7.4
EV/EBITDA	57.8	35.3	25.4	20.9

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY08	FY09P	FY10E	FY11E
Net margin (%)	9.2	7.0	5.9	6.0
Asset turnover	0.2	0.2	0.2	0.2
Leverage factor	2.4	2.5	2.7	2.9
Return on equity (%)	4.3	3.8	3.5	3.9