

# India Engineering & Construction

JPM conference : Bullish view intact

*There were 12 companies in the Infrastructure space (Power, Utilities, Engineering, Construction and Developers) that attended JPMorgan's India Conference in Mumbai recently. Leading engineering and construction companies that met investors at the Conference were L&T, Suzlon, HCC, NCC, IVRCL, Jaiprakash, Gammon, Punj Lloyd and GMR. Key takeaways:*

- **Construction macro-opportunity on track:** Government is projecting US\$320Bn of investments in infrastructure in XIth Plan (FYMar08-12). We expect Public Private Partnerships to accelerate and Model Concession Agreements to reduce regulatory risks.
- **Infrastructure and real estate development a common feature for construction companies:** Construction companies are looking at infrastructure and real estate development business to broaden and strengthen their business model. These new businesses are more capital-intensive. New corporate structure will likely have different subsidiaries for these new businesses and capital raising is likely to be at these subsidiaries, rather than at parent.
- **Strong revenues and earnings growth outlook maintained.** Companies have comfortable order books (3x-6x FY06 revenues) and maintained 25-35% growth outlook over medium term. Outlook on margins stable, with no significant movement either way. Margins in "high-margin" segments are expected to come down though with new players moving up into those segments.
- **Employee attrition not raw material prices are challenges for companies:** and different strategies are being adopted including ESOPs, hiring from other countries. Escalation clauses have reduced the impact of raw material price increases on companies. However, BOT contracts are fixed price thereby adversely impacting companies with higher exposure to such contracts.
- **We maintain overweight stance on construction sector and our top picks are HCC, Nagarjuna and IVRCL on current valuations.**

## Snapshot

Company	EPS CAGR FY06-08E	Current order book (Rs Bn)	FY08E P/E	Core FY08E P/E
HCC	49%	100	20.3	16.5
HCC (ex-BW)	78%	100	15.7	12.7
NCC	49%	66.8	18.2	14.2
IVRCL	36%	70	22.0	17.7
Jaiprakash	31%	77.5	28.8	24.7
L&T	29%	307	23.3	20.1
Suzlon	54%	66.3	22.1	22.1
Gammon	41%	80	21.0	16.5

Source: Company, Data, JPMorgan Estimates. Note: Based on share prices as at close on 7 November 2006.

## India

### Construction & Engineering

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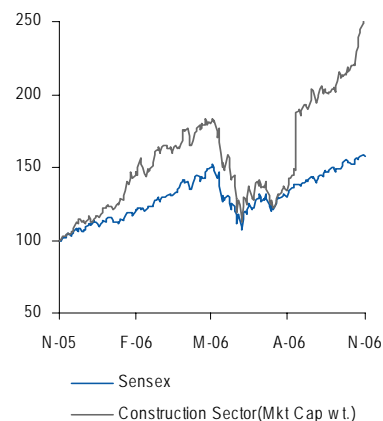
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### Construction sector performance rel to Sensex (past year)



Source : Datastream

## J.P. Morgan India Private Limited

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## Jaiprakash Associates (JAIA.BO, Rs633, Neutral)

Jaiprakash Associates (JPA) has over four decades of experience in undertaking turnkey contracts in hydropower, as a leading construction company or as a leader of joint ventures. The company sees cement continuing to drive profitability and margins for the future. We hosted Mr. Suren Jain, Director, and Mr. R.K.Narang, Director, at our JPMorgan India Conference recently.

### Key Takeaways

**Cement capacity on course to reach 20MTPA by FY09:** The company is augmenting its cement capacity to c20mtpa by FY08-09, making it the country's third largest cement group. **The company is currently implementing 11.7mtpa at different locations and another 1mtpa of cement capacity is under conceptualization at Bhutan. Further, the company has obtained a limestone mining license in Chamba (Himachal Pradesh) which can support a 2.5mtpa plant.** The new capacities are expected to be highly efficient and cost-effective through captive power plants and usage of alternative fuels such as municipal waste and rice husk based power plant. Ordering for all the cement capacities ex the 2.5mtpa SAIL have already been done. The company indicated that equipment availability is emerging as a concern for adding new capacities.

**Jaypee Greens:** The Jaypee Greens property, stretching over 452 acres is in a niche with no direct competition. It has been conceptualized as a "golf-centric real estate" living concept. The company is looking at developing 8Mn square ft of real estate development with mixed use - residential, commercial, recreational and institutional.

**Taj Expressway:** The Taj Expressway project envisages construction of a 165 Km long 6-Lane Access Controlled Expressway for Rs60Bn connecting Noida to Agra. Decks have been cleared for commencement of the Taj Expressway project - the Narayan Committee recently cleared the project of irregularities and the state cabinet approved the project. The company already has in its possession c600acres of land in Noida and is confident that it will be given the remaining 600 acres of land by end FYMar07. **The remaining portion of the total 6250acres has been already "notified" by the Government and the company too will have some flexibility in deciding the location of the projects.** This land will be acquired by the Government and will be transferred by to the company at its acquisition cost.

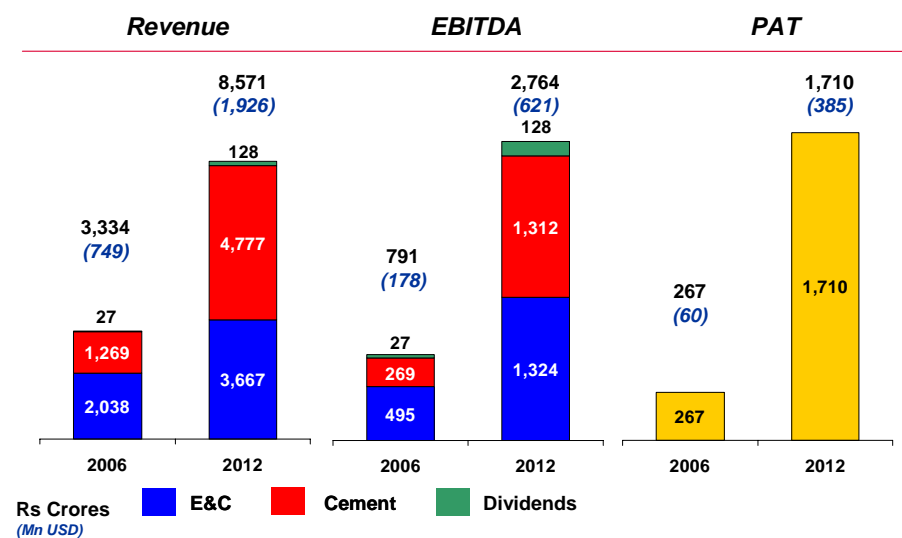
**JPMorgan Comment.** There have been deals at Rs c50mn/acre in the vicinity of the company's 600 acres of land at Noida. With the project restarting, and land already having been acquired, we believe that a substantial part of the project cost (Rs60bn) can be met through the Noida land itself. The new land is to be transferred to the company at the acquisition cost of the Government. The "notification" by the Government implies that the land cannot be used by existing owners for non-agricultural purposes. Thus, the acquisition costs for the Government won't be comparable to market rates for the land in that area for "non-agricultural" land. We estimate that the remaining land will cost the company an average cRs12.5/Mn. Cost appreciation on this land will occur as the project comes up.

**Construction business growth could be higher from Taj project and JP Greens.**

The company is projecting completion of the Baglihar project over the next two years i.e. FY08 and FY09.

**JPMorgan Comment.** This project has been previously slow-moving and has been in the order book for some time. The construction segment could see further ordering now from both Jaypee Greens, Taj expressway and the transmission project at Karcham, not of which are yet reflected in the order book of the company.

Figure 1: JPA FY2012 projections – Revenue, EBITDA and PAT



Source: Company.

## Punj Lloyd (PUJL.BO, Rs872, OW)

Punj Lloyd is a leading Engineering & Construction company in India exposed to capex in both oil and gas and civil infrastructure sectors, in India and abroad. We hosted Mr. Anil Aggarwal, CFO, at our JPMorgan India Conference recently.

### Key Takeaways

**Lower revenue guidance of Rs 32bn-35bn for FY07. Margins likely to be stable**

**JPMorgan Comment. Negative.** Company's earlier guidance of Rs 35-38bn (given after FYMar06 results) of revenues has been lowered. We believe that this is likely to lead to a cut in street earnings estimates from current consensus levels of Rs 2.1bn to Rs 2.4bn for FYMar07.

**Sembcorp (SEC) to start contributing meaningfully only from FYMar08 onwards.** Current SEC orderbook of cRs 25bn is unlikely to be profitable as the construction part of these contracts has been already outsourced. Incremental orders in SEC are being taken with Punj Lloyd as the civil contractor whereby it is able to retain the construction margin. Offshoring from Singapore and UK, where possible, is being attempted towards cost reduction. Company indicated that there are ongoing discussions for securing big orders through SEC's subsidiary Simon Carves in the oil space.

**JPMorgan Comment.** Acquisition of SEC is a positive for Punj Lloyd but it is likely to contribute to profitability only from FY08 onwards. The current low-margin orderbook of the company is another 1-1.5 years of work. Punj Lloyd has now stopped taking orders in SEC where it is unable to generate operating margins of less than 10%.

**King Abdullah economic city IPO is now over. Contracts from the Saudi JV are expected to come in over the next six months.** Sembcorp's execution track record in key civil construction areas will pre-qualify for a wide variety of projects

**JPMorgan Comment.** Order inflow from Saudi JV will be a key share price driver in our view. As of now, incremental orderflows from this JV are not factored in either street or our estimates.

#### **Attrition remains a key concern**

Like all construction companies, Punj Lloyd has also been facing staff attrition at various levels. However the problem is less severe at senior management levels. This is partly because of attractive compensation packages the company has now started paying in order to retain managers. However, increase in staff costs should be offset by growth in sales going ahead.

**No progress on disputable debtor claims as yet. Assam road projects are also likely to go into arbitration on escalation clauses.**

**JPMorgan Comment. Negative.** Delays in Assam road projects are likely to lead to the company booking lower margins/losses on these and hence the margins are likely to be lower unless the escalations are allowed.

**The company has indicated that it is willing to look at BOT opportunities other than in the roads segment.**

**JPMorgan Comment.** Punj Lloyd has indicated that it was not looking at toll based road projects due to inherent risks associated with them. However, its intention of looking at other areas of BOT suggests that it does not want to be left out as government orders more and more projects in the infrastructure space through the PPP route. One example is airports where the company has indicated it will participate in the bidding.

**Medicity, where the company has 18% stake has been recently awarded SEZ status.**

**JPMorgan Comment: Positive.** This is an upside for the company as it is also involved in construction work for the aforementioned Medicity project. However the overall impact is unlikely to be material for the share price. However, this project can lead the company into more real estate forays in line with other construction peers.

## Nagarjuna Constructions (NGCN.BO, Rs208, OW)

Nagarjuna is a leading construction company present in roads, buildings water, electrical, irrigation and hydro power projects. We hosted Mr. YD Murthy (Senior Vice President, Finance) at our JPMorgan India Conference recently.

### Key Takeaways

**The company believes it will be able to deliver on revenues of Rs30Bn in FYMar07 and a year end order book of Rs70Bn with EBITDA margins at c9.5%**

**JPMorgan Comment.** With revenues at Rs13Bn for 1HFY07E and current order book at c66.8Bn, we believe that the company is well placed to achieve the targeted revenue of Rs30Bn.

**Renewed focus on real estate projects through a re-organization in which all real estate projects - both residential and commercial - have been aggregated under one subsidiary (NCC Urban Infrastructure Ltd.). Infrastructure projects are under a separate subsidiary**

**JPMorgan Comment.** The company at present has a land bank 267acres which corresponds to a development area of 13.3Mn sqft in Hyderabad, Chennai, Bangalore etc. According to the company this corresponds to a total sale value of Rs27.4Bn by March 2010. We have valued the entire real estate at Rs 20/share.

The company has recently set up a JV with SREI Infrastructure for creating a construction equipment bank which will also lease equipment. Further details on this venture are awaited.

**Rising input costs are a concern but mgmt contends they have been able to pass on roughly 80% of the increase to their customers absorbing only 20%**

**JPMorgan Comment:** As we have maintained, companies are protected by raw material prices through escalation clauses, and the impact on profitability should be limited in most cases.

## L&T (LART.BO, Rs1322, Neutral)

L&T is a technological leader in domestic engineering & construction and switch gears which is enhancing global presence with focus in the Middle East & China. We hosted Mr PS Kapoor, Joint General Manager, Investor Relations, at our JPMorgan India Conference recently.

### Key Takeaways

**Strong trends in order book continues:** Current order book is US\$7.5bn or Rs345bn (against Rs283bn as of June'06) mirroring a strong trend of order flows in the second quarter. Order book is now at 2.37x FY06 revenues. The company remains confident of continuing with recent growth rates revenues. The company is seeing continued strong activity and fresh orders in airports, ports and power.

**JPMorgan Comments.** This reiterated its positive outlook on both industrial capex

as well as infrastructure spending in India. Ordering in roads has slowed down over last two quarters as the new model concession agreement for BOT projects remains to be finalised. We expect a strong pick-up in orderflows from this segment soon.

**IDPL (Infrastructure asset holding company) outlook is positive.** The company is looking to invest \$410Mn as equity in its infrastructure arms of transportation and urban infrastructure over the next 4 years. This compares with current equity investment of US\$88mn.

**Process industries ex-cement also seeing strong order momentum:** Oil and gas sector is seeing demand from new well platforms & revamp of existing platforms as Indian companies venture for deep sea exploration. In addition there is order flow expected from new refineries. However, the company has not received any significant cement plant orders.

**JPMorgan Comments.** We believe that this indicates loss of marketshare as FLS has ramped up orderbooking guidance for India in 2006 twice.

**International business.** The company sees a US\$7bn opportunity in Gulf countries (Oman, UAE, Saudi Arabia, Qatar, Bahrain, Kuwait) in hydrocarbons, infrastructure and power. It looks at China both as a market and a source of competitive advantage (sourcing and global manufacturing)

**Financials:** L&T reiterated that E&C margins could increase 100bps over 2 years, from 8.1% in FY06.

**JPMorgan Comments.** The company is being increasingly selective about projects and is working in consortium to avoid price competition. Overall margins are expected to move up from 9.4% in FY06 to 10% in FY07.

## Gammon (GAMM.BO, Rs423, UW)

Gammon is a leading construction company in India specializing in design and construction in areas of transportation engineering, industrial structures, energy projects, high rise structures, bulk storage facilities, foundation engineering, hydraulic works and irrigation projects. We hosted Mr Pervez Umrigar, Group MD & Corporate Affairs, and Mr. Parag Parekh, Corporate Affairs, at our conference recently.

### Key Takeaways

**Gammon expects there to be three US\$1bn+ revenue construction companies in India by FY09. It believes it will be one of them.**

**The company expects revenue growth of c40% in FY07 but with some margin erosion (30-40bps) and some drop in non-op income.** Revenue tends to be very strong in the two years after the order book peaks at over 4x. It is currently close to 5x so next two years should be strong too.

**Revenue and margins has been cyclical for the industry in the FY07 compared to FY06 because new contracts were won last year.**

Due to the inflow of orders, a large number of projects are in the stage where no profits are booked whereas costs are incurred, so profitability has suffered. Future project mix will impact profitability.

**Gets 100% cost escalation in bitumen but only WPI based in cement. Trying to work on imports of cement from Indonesia**

**JPMorgan Comment.** As we have maintained, companies are protected by raw material prices through escalation clauses and the impact on profitability should be limited to a great extent. However, Gammon is more exposed to input price pressures than peers as 17% of its orderbook is from its own BOT projects, which are fixed price in nature and don't have any escalation clauses. Imports of cement may not be viable on both price and logistics basis, in our view.

**GIPL is bidding for a large number of projects** in urban infrastructure, roads, power transmission and ports, the major ones being the Mass Rapid Transit system, Hyderabad, Mumbai Trans Harbour Link and the Mumbai Offshore container terminal.

**JPMorgan Comment.** Any of these orders could lead to a substantial increase in the order book as these orders are of a significant ticket size.

**The company is one of the three companies that pre-qualifies for nuclear ordering and expects an increase in nuclear order flow.**

**JPMorgan Comment.** Nuclear ordering for the XIth Plan is expected in the next few months and the company could see order flow. The company along with HCC and L&T should be one of the major beneficiaries of the US-India nuclear pact.

**GIPL IPO soon, possibly by end of FYMar07. More projects are expected to be won by GIPL before the planned issue, vis-à-vis the projects included in its Prospectus filed with SEBI in March etc.**

**JPMorgan Comment.** In addition, the upcoming listing of GIPL could be another trigger for the stock.

## HCC (HCNS.BO, Rs139, OW)

HCC is a leading construction company in India with expertise in heavy civil construction segments hydro power, nuclear power, dams, tunnels and bridges, which are benefiting from double-digit growth in infrastructure spending. We hosted Mr KG Tendulkar, Deputy Managing Director, and Mr. Praveen Sood, CFO, at our conference.

### Key Takeaways

**Expects 2HFY07 revenue to be 50% higher than 1HFY07. Expects full year FY07 margins to be flat y/y at 9%. 30% topline growth looks sustainable over medium-term.**

**JPMorgan Comment.** FY08 should be a very good year for revenue growth and margins vs FY07, especially as 4 hydro projects (currently under mobilization) start generating revenues and margins start getting booked after 10% threshold level.

**Bandra-Worli Sea Link** has lost cRs400m in 1HFY07 and losses will be similar in 2H (full-year loss of Rs4/share). The project is due to be completed by March 08 and the company expects some reimbursements of losses in FY08. The Bandra Worli project is expected to be completed in Mar-08. The company believes normalized margins are 12-15% but do not show up on company's reported overall margins due to Bandra-Worli Sea link. Beyond FYMar08, HCC's earnings won't be impacted by losses from this project.

**JPMorgan Comment.** This is in line with what we have been highlighting. Losses in the worst case can be Rs1-1.5bn over FY07-08. We have assumed cRs1200mn losses in of FY07 and FY08. Scenario 2 highlights the earnings assuming that HCC was not making any losses on the BW project. We also assume that HCC gets a write-back of the Rs 350Mn of losses already made in 1H FY07. Upside to Scenario 2 comes from MSRDC approving the revised rates and thus company making a write-back of losses it had booked in the past till FY06 (Rs1.5bn). Stock looks attractive especially when seen on FY09E earnings (given there will be no losses from Bandra-Worli from April 08E).

Table 2: Scenario Analysis of BW Sea link

Rs in millions

	FY07E		FY08E	
	Scenario 1	Scenario 2	Scenario 1	Scenario 2
Net Sales	25048	25448	32652	33052
EBITDA	2326	2726	3211	3611
EBITDA Margin	9.3%	10.7%	9.8%	10.9%
PAT	1154	1668	1760	2274
Net Margin	4.6%	6.6%	5.4%	6.9%
No of shares – diluted for GDR but not for FCCB	256	256	256	256
EPS (Rs/ share)	4.5	6.5	6.9	8.9
%yoy	45%	110%	53%	36%

Source: JPMorgan estimates, Company data.

Note: **Scenario 1:** Worse case - Assuming Bandra Worli sea link losses continue for FY07 and FY08E

**Scenario 2:** Company does not make any losses in FY07 and FY08, losses booked in 1HFY07 are reversed, no one-time grant for past losses

**Real estate – beyond Lavasa.** The company plans to develop 13,000 acres of land including Lavasa and FY08-09 should see the impact of these developments as the company benefits from developing. These developments would also aid its construction business and company is looking to build construction capabilities in “Buildings” segment.

**JPMorgan Comment.** The company has entered real estate development business and is seriously exploring many opportunities beyond its 12,500acre Lavasa township project. It is targeting 1,000acre landbank by Mar-07, of which c500acres has already been acquired. It sees significant opportunity from this space for its construction business too, in the future.

**The company is one of the three companies that pre-qualifies for nuclear** ordering and expects an increase in nuclear order flow.

**JPMorgan Comment.** Nuclear ordering for the XIth Plan is expected in the next few months and the company could see order flow from nuclear construction.



## IVRCL (IVRC.BO, Rs352, OW)

IVRCL is a leading construction company in India. It has projects in the verticals of water-related infrastructure, buildings and industrial structures, roads and bridges, and power. We hosted Mr. Ramachandran (Dy Director Business Development & Strategy) and Mr. SV Ram Kumar (Executive Asst. to VC & MD) at our recent conference.

### Key takeaways

**FY07 revenue guidance reduced to Rs22-24bn (from the previous Rs24-27Bn), with 50bps improvement in EBITDA margin, but PAT margins flat.** A higher tax rate of 18-20% will be the key. The company has an order book of Rs70Bn, a major part of which is in water and is L1 (lowest rate quoted, formal order expected soon) in Rs15Bn worth of orders.

**JPMorgan Comment.** Revenue guidance has been muted by the company and is a negative. Growth has suffered in the previous quarters owing to road project revenues falling below expectations. We have forecast FY07 sales of Rs24.6Bn and PAT of Rs1.57Bn, marginally ahead of consensus estimates which have moved downwards, due to recent earnings revisions.

**All four BOTs - the three road BOTs and the Chennai water desalination plant - have achieved financial closure.**

**JPMorgan Comment.** The Chennai project has been waiting for approval for quite some time and has just received all clearances. This is a positive.

**New growth areas - Hydro power and mining sector.** It is talking to JV partners for exploring this opportunity. The company is jointly bidding with GE for a project in Kutch and another in Sri Lanka, both relating to water desalination.

**JPMorgan Comment.** The company is attempting to build pre-qualifications in new areas in order to improve order mix for the future. Hydro power construction is a high margin business.

**Real estate.** IVRC Prime (IVRCL has 80% shareholding, remaining 20% held by IVRCL promoters) has properties in five cities – Hyderabad, Bangalore, Chennai, Pune and Noida. The total acquisition cost for the land has been Rs5Bn out of which Rs1Bn more is required to be paid.

**JPMorgan Comment.** IVRC Prime has a land bank of c2000 acres. We have not yet valued the land, even at the cost of acquisition which would give upside of Rs30-35 per share. We await more clarity on development plans to arrive at fair value for the land.

Table 3: Construction Sector Valuations

	P/E		Adjusted core construction P/E		Investment Value/Share Rs/Share	EV/OB		EV/EBITDA		EPS CAGR FY06-08E
	FY07E	FY08E	FY07E	FY08E		FY07E	FY08E	FY07E	FY08E	
HCC	30.9	20.3	25.2	16.5	26	0.4	0.3	16.7	12.1	49%
HCC-exBW	21.5	15.7	17.5	12.7	26					78%
NCC	24.2	18.2	18.9	14.2	45	0.5	0.4	16.4	11.5	49%
Patel	23.8	16.5	22.4	15.6	25	0.5	0.5	18.9	13.2	36%
Gammon	32.9	21.0	25.8	16.5	92	0.4	0.3	19.6	14.0	41%
IVRCL	30.2	22.0	24.2	17.7	69	0.5	0.4	22.5	15.8	36%
Jai Prakash	38.4	28.8	32.9	24.7	90	1.2	1.5	21.8	15.8	31%
Punj Lloyd	21.4	16.5	21.4	16.5	0	0.9	0.7	11.9	9.1	123%

Source: JPMorgan estimates, Company data. Note: Based on share prices as at close on 7 November 2006.

## Suzlon Energy (SUZL.BO, Rs1357, OW)

Suzlon is India's leading manufacturer of wind turbine generators (WTGs), with a 53% market share in India as of Dec 2005. It is also the fifth-largest wind turbine manufacturer in the world in terms of installed capacity for the year ended 31 Dec 2005. We hosted Mr. Samir Shah (General Manager, Corporate Finance), Mr. Gaurang Vasani (Sr. Manager, Corporate Finance) and Ms. Savli Mangle (Manager, Investor Relations) at our recently concluded conference.

### Key Takeaways

**Growth opportunities in all key markets driven by economic growth, shift towards renewable energy, energy security and cost competitiveness of wind.**

**JPMorgan Comment.** We agree. Wind energy demand is quite strong and the global market is expected to grow from 59,264MW in CY05 to 148,794MW by 2010 a CAGR growth of 20% as per BTM. US India and China are likely to be the key markets driving the growth ahead.

**Capex and expansion plans.** Integrated manufacturing. Backward integration to prove a source of competitive advantage. Along with shortages in gearboxes, **shortages in bearings capacity are also a constraint in the in the supply chain.** The capex plans of the company include integrated turbine manufacturing facility for 1500MW at Karnataka by 1QFY08, forging and machining facility of 70,000MT by 2QFY08 at Vadodara and another foundry and machining at Coimbatore in 3QFY08 of 120,000MT capacity. Hansen too plans to increase capacity from 3200MW to 5800MW in Belgium by 4QFY08. The company is also setting up rotor blade testing in India. Additionally, Suzlon Energy, as part of its international expansion plans, may double the capacity of its US blade manufacturing plant in Minnesota and set up an additional gearbox facility at its China plant at Xanjian.

**Regulatory shift from accelerated depreciation to PTC (Production Tax Credit) based system in India will be a positive for the company** in the longer term since PTC system will attract power utilities / other financial investors thus providing a sustainable demand source in the longer term.

**Company guidance-**Pricing environment is strong across geographies. Company indicated that sales volumes of 1600MW for FY07 & 2600MW for FY08E are definitely achievable. EBITDA margins are likely to remain stable going ahead. **JPMorgan Comment.** We maintain our earnings forecasts. We remain confident of the company achieving our FY07 sales estimate of c1,700MW. Total installations in 2Q FY07 were 388MW (215MW local and 173MW international) up 70% yoy. Suzlon should be able to achieve our local FY07 sales estimate of 1,108MW (vs 386MW sold in 1H FY07, with 35:65 skew in installations between 1H and 2H in the local market likely to continue). Suzlon's higher-than expected market share of 58% in 1H FY07 (vs our FY07 forecast of 52%) more than compensates for the moderation in growth in the Indian market (12% growth in FY07 expected by Suzlon). In the international business, too, the company should be able to achieve our FY07 sales forecast of 603MW (vs 198MW sold in 1HFY07). This is in line with company's expectations of completing c40-50% of its current orderbook in 2HFY07.

Table 4: Engineering peer valuations

	MKT CAP (\$ MM)	P/E		Earnings Growth		EV/EBITDA		Net margin		P/BV	
		07E	08E	07E	08E	07E	08E	07E	08E	07E	08E
Suzlon	8374	29.3	22.1	75%	33%	21.4	15.2	19%	17%	10.2	7.4
ABB India	3103	58.6	43.0	71%	36%	28.6	20.3	8%	9%	12.2	9.0
Siemens India	3505	38.5	28.2	38%	37%	17.1	13.5	8%	9%	13.6	10.1
BHEL	12793	25.8	21.5	42%	20%	16.0	13.4	13%	13%	6.5	5.3
Crompton Greaves	1348	24.3	19.2	13%	27%	14.2	10.8	5%	5%	8.8	6.7

Source: Bloomberg, IBES, JPMorgan estimates.

Note: Consensus numbers for Crompton Greaves, ABB, Siemens. Based on share prices as at close on 7 November 2006.

## GMR Infrastructure Ltd. (GMR.BO, Rs354, Non Rated)

GMR Infrastructure is an early entrant in the infrastructure developer space, has a track record of execution with a diversified portfolio of projects across different segments of infrastructure. As a developer, the company raises money, partners with experts and outsources the construction of projects. The company is looking at airports, power and roads as growth areas. We hosted Mr. Madhu Terdal, (CFO- Corporate Strategic Finance) at our recently concluded conference.

### Revenues in 2010 - airport 50%, power 35% and 15% roads

The company operates 4 power plants, 6 highways and more recently the airports in Delhi and Hyderabad. The company has long-term, exclusive concessions to operate each of these. During last 6 months, 90% of its revenues came from power and the remaining 10% from roads. The plan for both the airport projects, i.e. Hyderabad and Delhi, has been recently accelerated with much higher traffic projected earlier than the previous schedule. The company is confident that it will be able to meet the desired numbers according to its draft plan, which will soon be submitted.

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### Companies Recommended in This Report (all prices in this report as of market close on 08 November 2006)

Gammon India Ltd (GAMM.BO/Rs427.05/Underweight), Hindustan Construction Company (HCNS.BO/Rs140.70/Overweight), IVRCL Infrastructure Ltd (IVRC.BO/Rs349.80/Overweight), Jaiprakash Associates Ltd (JAIA.BO/Rs641.90/Neutral), Larsen & Toubro (LART.BO/Rs1,312.35/Neutral), Nagarjuna Construction Company Limited (NGCN.BO/Rs197.45/Overweight), Punj Lloyd Ltd (PUJL.BO/Rs857.55/Overweight), Suzlon Energy Ltd (SUZL.BO/Rs1,394.85/Overweight)

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Revised September 30, 2006.

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**Asia Pacific Equity Research**  
09 November 2006

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