

June 4, 2008

Rating	Not Rated
Price	Rs151
Target Price	NA
Implied Upside	NA
Sensex	15,963

(Prices as on June 3, 2008)

Trading Data

Market Cap. (Rs bn)	21.8
Shares o/s (m)	144.6
Free Float	NA
3M Avg. Daily Vol ('000)	NA
3M Avg. Daily Value (Rs m)	NA

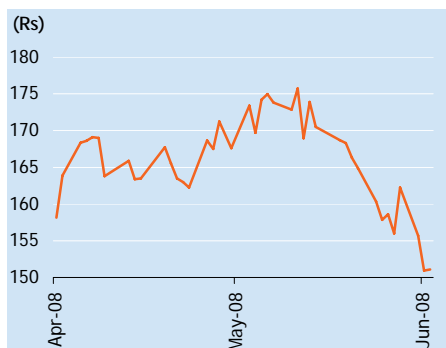
Major Shareholders

Promoters	NA
Foreign	NA
Domestic Inst.	NA
Public & Others	NA

Stock Performance

(%)	1M	6M	12M
Absolute	(9.8)	NA	NA
Relative	1.6	NA	NA

Price Performance (RIC: GAIN.BO, BB: GISP IN)



Source: Bloomberg

Gammon Infrastructure Projects

Asset mix provides diversity

- Strong project portfolio:** Gammon Infrastructure Projects (GIPL) has a strong portfolio of 14 projects, of which four are operational, seven are in development phase and three in pre-development phase. Operational projects include three road projects and one port project - Rajahmundry Expressway, Dharmavaram-Tuni Expressway and Cochin River Bridge, and Vizag Seaport. Of the remaining, three are road projects, one port, five power, and one SEZ.
- Balanced portfolio:** GIPL has a balanced portfolio of fixed return (annuity) based projects, as well as projects from where returns are market driven. This provides the company potential for significant upside from market-based projects as well as stable revenue from assured-return projects. The current portfolio of projects has concessions that range between 20-40 years.
- Outlook & valuation:** The company has a strong portfolio of 14 projects in various stages of development. Apart from having a well diversified portfolio, in terms of both geographic distribution and type of assets, these projects have a good mix of both fixed returns as well as market determined returns. Given the strong portfolio and experience in implementing infrastructure projects, we believe that GIPL is well poised to benefit from PPP domestic infrastructure projects. On a ballpark basis, we have a project NPV value of Rs26bn, of which GIPL's share is Rs22.6bn.

Key financials (Y/e March)

	FY06	FY07	FY08
Revenue (Rs m)	778	1,477	1,594
Growth (%)	—	89.8	7.9
EBITDA (Rs m)	593	1,183	1,148
PAT (Rs m)	216	275	187
EPS (Rs)	1.7	2.1	1.3
Growth (%)	—	27.1	(39.8)
Net DPS (Rs)	—	—	—

Source: Company Data; PL Research

Profitability & valuation

	FY06	FY07	FY08
EBITDA margin	76.2	80.1	72.0
EV / EBITDA (x)	38.6	20.9	—
PE (x)	89.3	70.2	—
P / BV (x)	7.6	6.8	—
Net dividend yield (%)	—	—	—

Source: Company Data; PL Research

Neyha Srivastava
NeyhaSrivastava@PLIndia.com
+91-509156585

Subramaniam Yadav
Subramaniamyadav@PLIndia.com
+91-22-6632 2241



Management representatives:

Mr. Parag Parikh - Head Finance

Mr. Parag Narsingkar - Manager

Q: What is the project portfolio mix and what stages of development are the various projects in?

A: We have a portfolio of 14 projects, of which four are operational, seven projects are in development phase and three in pre-development phase.

Operational projects include three road projects and one port project - Rajahmundry Expressway, Dharmavaram-Tuni Expressway and Cochin River Bridge, and Vizag Seaport. Of the remaining, three are road projects, one port project, five power projects and one SEZ.

Q: What are the concession formats for these projects?

A: We have a balanced portfolio of fixed return (annuity) based projects as well as projects where returns are market driven. Hence, we have the potential for a significant upside from market-based projects and stable revenue from assured-return projects.

We have four projects which are fixed return annuity projects. Apart from these, two of our projects are a mix of fixed return and market driven returns. In fact, we have one of the largest portfolio of annuity projects in the country. Apart from these, two of our projects are a mix of fixed return and market driven returns. The balance five projects are pure market driven returns. The current portfolio of projects has concessions that range between 20-40 years.

Given the recent increase in commodity prices, how would GIPL's current project portfolio be impacted?

Most of our earlier projects have been insulated from those risks, as we have already awarded those projects to contractors on a fixed-price basis. However, in future, we may not be able to enter into such fixed-price contracts with contractors.

Apart from the verticals that you are already present in, what are the new segments that you are planning to enter?

Currently we are present in roads, ports and power, and are looking at growing out portfolio in these segments. Apart from these segments, we also see opportunities in urban infrastructure, airports, power transmission, LRT/MRT systems and water supply.

Q: What is the total capital outlay on these projects and how will this be phased out?

A: The total capital outlay of all these projects is about Rs60bn. The entire investment in these projects would be phased out over the next four years.

Q: How do you expect the current pre-operative portfolio to ramp-up? And, based on this, what is the outlook on revenue growth?

A: In the total asset of Rs60bn, we have commissioned assets worth Rs8.5bn, which are the Rajahmundry Expressway, Dharmavaram-Tuni Expressway, Cochin River Bridge and Vizag Seaport. Currently, these assets contribute to revenue; however, over the next two years a large number of pre-operative projects would go on stream. Hence, we expect turnover to triple over the next two years to approximately Rs5bn from the current turnover of Rs1.7bn. Profits are expected to keep pace with this growth in topline.

Apart from project revenue, we expect some opportunities to be able to unlock value on projects as and when these become operational or near COD. We of course would look at maintaining controlling stake in these projects at all times.



Q: What is the status on the Mumbai-Nasik Expressway, and when would you start tolling on the facility?

A: Construction work on the facility is underway and is progressing at a steady pace. We are targeting to complete the first 50km by the end of the current calendar year, after which the concession allows us partial tolling on the facility. The balance 50km are expected to be completed by April 2009, which is the target COD for the project.

Q: Has there been any upside in traffic expectations on MNEL since the time you bid for the project?

A: Traffic count indicates that growth on MNEL is likely to be much better than what was originally projected. Initial models had taken into account a traffic growth of 4-4.5%; however, growth could be in excess of 8%, thereby increasing project returns.

Q: Do you see any adverse impact of the proposed freight corridor on traffic flows on the MNEL project?

A: On the contrary, we expect traffic from this to feed on to the Mumbai-Nashik Expressway.

Having said that, MNEL concession protects us from competing facilities for eight years.

Q: What is the status on the biomass power portfolio? When are the projects expected to come on stream?

A: There are a total of nine biomass fuel projects in Punjab, with capacity of 10-15MW each totalling 120MW. Power Purchase Agreement (PPA) has been signed with Punjab State Electricity Board for 20 years for two of the projects at a price of Rs3.45/per unit which would be escalated for 5% pa for the first five years.

We have placed orders for boilers and turbines for the first project and expect to commission the first plant by February 2009.

We have eight biomass fuel power projects with capacity of 10-12MW in Haryana. MoU for the same has been signed with the Haryana Renewable Energy Development Authority (HAREDA) and the DPR has been submitted to them for approval.

Q: What is the status on the 260MW Himachal Power Project?

We have been declared as the preferred bidders for this project; however, we still await the letter of award from the government.

Q: Have there been any new projects / new developments that have occurred since the time of the IPO?

A: Since the time of the IPO, GIPL has exercised its call option purchase of entire equity stake of International Port Services in Vizag Seaport Pvt. Ltd. from. Subject to all regulatory clearances, this would be done for a consideration of about Rs330m. Vizag Seaport has also allotted shares to Cochin Bridge Infrastructure Company Ltd post conversion of a convertible instrument into equity; which would be subsequently acquired by the Company. After these two transactions, company's share in VSPL is 73.7%.

Q: Do you have any projects that might be awarded in the near term?

A: We have been declared preferred bidders in two projects, a 260MW hydro power project valued at approximately Rs20bn and the Bedi Port project at Jamnagar valued at approximately Rs7.5bn. So, this as and when awarded, will add to the current asset portfolio, taking the total asset size to approx. Rs90bn.



Q: What is the update on the Bedi Port, and what kind of cargo will the port handle?

A: Before initiating the development process, the DPR process would need to be initiated. This should take another 10-12 months. We have a choice of cargo that we can handle; however, given the location, etc., we feel that liquid cargo would be the most viable.

Do you see the new prequalification norms by NHAI (short listing only the top five bidders) impacting GIPL's ability to secure new orders?

According to the new norms, five prequalified bidders are favoured as international best practice for securing financial bids. In case short listing is to be done for two or three projects at the same time, the number of short listed bidders could be increased to 6 Or 7 at the authority's discretion. We believe the new norms will reduce very aggressive bids and over time improve project returns, at the same time encouraging serious players. GIPL, with its rich experience in strategic partnerships with international players for executing infrastructure projects, stands a good chance in making it to the top five.



Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India.

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

PL's Recommendation Nomenclature

BUY	: > 15% Outperformance to BSE Sensex	Outperformer (OP)	: 5 to 15% Outperformance to Sensex
Market Performer (MP)	: -5 to 5% of Sensex Movement	Underperformer (UP)	: -5 to -15% of Underperformance to Sensex
Sell	: <-15% Relative to Sensex		
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.