

RESULT UPDATE

LARGE CAP

Share Data

Reuters code	GMRI.BO
Bloomberg code	GMRIIN
Market cap. (US\$ mn)	4,433
6M avg. daily turnover (US\$ mn)	6.9
Issued shares (mn)	3,892
Target price (Rs)	54

Performance (%)	1M	3M	12M
Absolute	(12)	2	(34)
Relative	(3)	3	(43)

Valuation ratios

Yr to 31 Mar	FY11E	FY12E
EPS (Rs)	0.7	0.9
+/- (%)	51.0	39.4
PER (x)	83.2	59.7
PBV (x)	2.0	1.9
EV/Sales (x)	6.9	6.6
EV/EBITDA (x)	18.6	17.0

Major shareholders (%)

Promoters	74
FII's	9
MF's	1
BFSI's	8
Public & Others	8

Financial highlights

(Rs mn)	4QFY09	4QFY10	YoY (%)	FY09	FY10	YoY (%)	FY11E	YoY (%)	FY12E	YoY (%)
Net sales	13,278	11,250	(15.3)	40,192	45,665	13.6	52,031	13.9	56,645	8.9
EBITDA	2,864	3,146	9.8	10,668	13,643	27.9	19,192	40.7	22,165	15.5
EBITDA margin (%)	21.6	28.0	-	26.5	29.9	-	36.9	-	39.1	-
Other income	(9)	1,071	-	214	1,634	664.6	550	(66.3)	776	41.2
Interest	1,152	2,227	93.3	3,682	7,223	96.2	9,529	31.9	9,148	(4.0)
Depreciation	1,105	1,642	48.6	3,898	6,122	57.1	6,741	10.1	7,312	8.5
PBT	598	348	(41.8)	3,301	1,931	(41.5)	3,471	79.7	6,482	86.7
Tax	186	(761)	-	530	(322)	-	1,810	-	2,807	55.1
PAT	412	1,109	169.3	2,771	2,253	(18.7)	1,661	(26.3)	3,674	121.2
Minority interest	(121)	378	-	(23)	669	-	(878)	-	136	-
Adjusted PAT	532	731	37.2	2,795	1,584	(43.3)	2,539	60.3	3,539	39.4
EPS (Rs)	0.1	0.2	36.2	0.8	0.4	(43.7)	0.7	51.0	0.9	39.4

GMR Infrastructure

Maintain Underperformer

Price: Rs 54

BSE Index: 16,023

25 May 2010

4QFY10 Result – Subdued performance

GMR Infrastructure's 4QFY10 performance at PBT level was subdued but recognition of deferred tax asset cushioned the bottom-line. Net sales for the quarter of Rs 11.25 bn were in line with expectation. YoY de-growth of 15% is attributed mainly to relocation of its 235 MW barrage-mounted power plant to Kakinada (to be run on natural gas in future). EBITDA margin for the quarter were 28%, compared to 32.4% in 3QFY10 and 21.6% in 4QFY09. Despite a substantially high other income of Rs 1,071 mn, PBT declined by 42% to Rs 348 mn on account of high interest and depreciation. MAT credit entitlement of Rs 44 mn and deferred tax of Rs (749) mn, cushioned the bottom-line, which stood at Rs 731 mn.

GMR has emerged as a leading infrastructure company by creating a large portfolio of large infrastructure projects, which it is expanding further aggressively. However, these projects are long-term projects and earnings growth will be back ended. The stock is trading at 2.2x FY10E and 2.0x FY11E Price/ Book Value. We maintain our Underperformer call on the stock.

Highlights

- Revenue in the airport segment grew by 57% (due to traffic growth) and road 97% (due to new projects and traffic growth), while power segment revenues de-grew by 34% (due to relocation of its barrage-mounted power plant to Kakinada).
- The company has raised Rs 14 bn through a QIP issue in April 2010. The company also entered into an agreement with Temasek for issue of convertible preference share of Rs 9.3 bn in GMR Energy. Also, Rs 5 bn is raised through issuance of NCDs. The company has further taken an approval from board to raise up to Rs 50 bn through issue of equity.
- Due to a favourable order from Tamil Nadu Electricity Board (TNEB) for claims in its Chennai power project, the company has written-back provision of Rs 303 mn. Also, there are claims worth Rs 4 bn, which are yet not recognised in the financial statements due to pending acceptance of TNEB.

Segment results

(Rs mn)	4QFY09	4QFY10	YoY (%)	FY09	FY10	YoY (%)
Segment revenue						
Airports	3,923.1	6,092.9	55.3	16,632.1	20,455.3	23.0
Less: Revenue share	1,156.0	1,757.7	52.1	4,569.7	5,569.1	21.9
Net Airport revenue	2,767.1	4,335.2	56.7	12,062.4	14,886.2	23.4
Power	6,492.4	4,287.7	(34.0)	21,387.1	20,394.7	(4.6)
Roads	460.4	909.0	97.4	1,519.0	3,460.7	127.8
EPC	3,041.7	175.8	(94.2)	3,041.7	4,098.5	34.7
Others	712.2	1,668.2	134.2	2,521.5	3,307.9	31.2
Total	13,473.8	11,375.9	(15.6)	40,531.7	46,148.0	13.9
Less: Inter-segment	195.9	126.3	(35.5)	339.5	482.9	42.2
Net segment revenue	13,277.9	11,249.6	(15.3)	40,192.2	45,665.1	13.6
EBIT						
Airports	(127.0)	948.4	–	140.0	2,401.2	1,615.1
Power	740.4	780.4	5.4	4,107.8	2,598.3	(36.7)
Roads	222.4	370.4	66.5	710.2	1,609.2	126.6
EPC	814.6	330.5	(59.4)	814.6	1,444.4	77.3
Others	85.2	376.0	341.3	1,232.2	1,333.5	8.2
Total	1,735.6	2,805.7	61.7	7,004.8	9,386.6	34.0
Less: Inter-segment	(14.3)	231.1	–	21.5	232.0	979.1
Net segment result	1,749.9	2,574.6	47.1	6,983.3	9,154.6	31.1
Less: Interest	1,152.3	2,226.9	93.3	3,682.0	7,223.3	96.2
PBT	597.6	347.7	(46.1)	3,301.3	1,931.3	(65.1)

Income Statement

Yr end 31 Mar (Rs mn)	FY09	FY10P	FY11E	FY12E
Net sales	40,192	45,665	52,031	56,645
<i>Growth (%)</i>	75.1	13.6	13.9	8.9
Operating expenses	(29,524)	(32,022)	(32,839)	(34,480)
Operating profit	10,668	13,643	19,192	22,165
EBITDA	10,668	13,643	19,192	22,165
<i>Growth (%)</i>	78.2	27.9	40.7	15.5
Depreciation	(3,898)	(6,122)	(6,741)	(7,312)
Other income	214	1,634	550	776
EBIT	6,983	9,155	13,001	15,630
Interest paid	(3,682)	(7,223)	(9,529)	(9,148)
Pre-tax profit	3,301	1,931	3,471	6,482
(before non-recurring items)				
Pre-tax profit	3,301	1,931	3,471	6,482
(after non-recurring items)				
Tax (current + deferred)	(530)	322	(1,810)	(2,807)
Net profit	2,771	2,253	1,661	3,674
Adjusted net profit	2,795	1,584	2,539	3,539
<i>Growth (%)</i>	33.0	(43.3)	60.3	39.4
Minority interests	23	(669)	878	(136)
Net income	2,795	1,584	2,539	3,539

Balance Sheet

Yr end 31 Mar (Rs mn)	FY09	FY10P	FY11E	FY12E
Current assets	45,383	38,890	54,453	53,111
Investments	13,109	42,802	32,611	32,611
Net fixed assets	151,155	197,290	244,800	287,164
Other non-current assets	13,271	3,981	1,194	358
Total assets	222,917	282,962	333,058	373,244
Current liabilities	19,647	20,800	23,590	25,613
Total Debt	120,238	166,383	179,365	194,576
Other non-current liabilities	260	6,535	24,742	43,226
Total liabilities	140,145	193,717	227,698	263,415
Share capital	3,641	3,667	3,892	3,892
Reserves & surplus	61,070	64,125	80,439	83,978
Shareholders' funds	64,711	67,793	84,331	87,870
Minorities interests	18,061	21,453	21,029	21,959
Total equity & liabilities	222,917	282,962	333,058	373,244

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY09	FY10P	FY11E	FY12E
Pre-tax profit	3,301	1,931	3,471	6,482
Depreciation	3,592	6,122	6,741	7,312
Chg in working capital	(9,216)	12,649	16,194	18,561
Total tax paid	(764)	322	(1,810)	(2,807)
Cash flow from oper. (a)	(3,087)	21,025	24,597	29,548
Capital expenditure	(65,252)	(52,257)	(54,252)	(49,676)
Chg in investments	35,887	(29,693)	10,191	–
Cash flow from inv. (b)	(29,365)	(81,950)	(44,061)	(49,676)
Free cash flow (a+b)	(32,452)	(60,926)	(19,464)	(20,128)
Equity raised/(repaid)	0	1,497	14,000	–
Chg in minorities	6,959	2,722	454	795
Debt raised/(repaid)	40,469	46,145	12,983	15,211
Other financing activities	745	0	0	0
Cash flow from fin. (c)	48,172	50,364	27,437	16,005
Net chg in cash (a+b+c)	15,720	(10,561)	7,973	(4,123)

Key Ratios

Yr end 31 Mar (%)	FY09	FY10P	FY11E	FY12E
EPS (Rs)	0.8	0.4	0.7	0.9
EPS growth	24.6	(43.7)	51.0	39.4
EBITDA margin	26.5	29.9	36.9	39.1
EBIT margin	17.4	20.0	25.0	27.6
RoCE	3.9	3.9	4.5	4.8
Net debt/Equity	115.5	170.6	149.3	160.8

Valuations

Yr end 31 Mar (x)	FY09	FY10P	FY11E	FY12E
PER	70.8	125.7	83.2	59.7
PCE	29.5	25.8	22.8	19.5
Price/Book	2.4	2.2	2.0	1.9
EV/Net sales	7.3	7.7	6.9	6.6
EV/EBITDA	27.6	25.8	18.6	17.0

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY09	FY10P	FY11E	FY12E
Net margin (%)	7.0	3.5	4.9	6.2
Asset turnover	0.2	0.2	0.2	0.2
Leverage factor	2.5	2.9	3.2	3.3
Return on equity (%)	3.6	1.8	2.6	3.3

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