



# GVK Power & Infrastructure

 Relative to sector: **Outperformer**
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**Relative Performance**


Source: Bloomberg, ENAM Research

**Stock data**

 No. of shares : 1,579 mn  
 Market cap : Rs 52 bn  
 52 week high/low : Rs 51/ Rs 31  
 Avg. daily vol. (6mth) : 6.1 mn shares  
 Bloomberg code : GVKP IB  
 Reuters code : GVKP.BO

Shareholding (%)	Dec-10	QoQ chg
Promoters	54.3	0.1
FIs	28.5	2.1
MFs / UTI	6.2	(1.8)
Banks / FIs	1.9	0.1
Others	9.2	(0.4)

**Financial summary**

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	P/BV (x)
2010	17,866	1,556	-	1.0	28.8	-	4.9	5.2	-	0.2	-
2011E	20,201	1,531	1.3	1.0	(1.6)	33.9	4.2	4.2	21.6	0.2	1.5
2012E	22,239	2,763	1.9	1.7	80.5	18.8	7.1	5.3	17.6	0.2	1.4
2013E	23,911	3,417	2.8	2.2	23.7	15.2	7.0	5.3	13.9	0.2	1.4

Source: \*Consensus broker estimates, Company, ENAM estimates

**RESULTS IN-LINE**

GVK Power & Infrastructure Ltd (GVK) reported 3QFY11 revenues of Rs 4.6 bn (down 3% YoY), EBITDA of Rs 1.3 bn (down 8% YoY) & PAT of Rs 419 mn (down 8% YoY) on a consolidated basis. Power segment profitability was impacted, given lower gas availability during the quarter. However, PAT came in line with expectations as low tax rate offset impact of low profitability of Power segment. We believe current stock price of GVK gives negligible value for the real estate. Core business cash flows from road and power, in tandem with real estate monetization around Mumbai airport (Mgmt. estimates by 2QFY12E), are key triggers for the stock. We **maintain Buy rating** with TP of Rs 50.

**Key highlights**

- **Revenue breakup:** ~90% from power segment (down 4% YoY) and ~10% from road segment (up 10% YoY to Rs 487 mn). Given its stake in airports is less than 50%, the same reflects in profits and not in revenues for the company.
- **Airport profitability improves:** Contribution from Mumbai and Bangalore airports has improved by nearly 40% sequentially to Rs 307 mn, given improvement in non-aeronautical revenues and air traffic. This buoyancy is expected to continue, and offset most of the impact from rise in interest cost (by round Rs 170 mn) from debt on acquisition of Bangalore airport stake.
- **PAT:** Contribution to profit: (a) ~33% from Airport (down 11% YoY to Rs 140 mn, adj. for interest of ~Rs 170 mn for debt on acquisition of Bangalore airport stake); (b) ~51% from roads (up 22% YoY to Rs 215 mn); and (c) ~16% from power (down 36% YoY).

**Maintain Buy**

We believe monetization of real estate around Mumbai will be a key trigger for re-rating of the stock. This coupled with profitability at the road and power segments, apart from the core airport business, reinforces our confidence for **maintaining our Buy rating**. We have a target price of Rs 50/share – 52% upside from CMP.

## Results update

(Rs mn)	Quarter ended					12 months ended		
	Dec-10	Dec-09	% Chg	Sep-10	% Chg	Mar-11E	Mar-10	% Chg
<b>Net Sales</b>	<b>4,596</b>	<b>4,735</b>	<b>(2.9)</b>	<b>5,034</b>	<b>(8.7)</b>	<b>20,201</b>	<b>17,866</b>	<b>13.1</b>
<b>EBIDTA</b>	<b>1,292</b>	<b>1,408</b>	<b>(8.2)</b>	<b>1,455</b>	<b>(11.2)</b>	<b>5,718</b>	<b>4,683</b>	<b>22.1</b>
Other income	34	109	(69.1)	31	9.8	154	292	(47.2)
<b>PBIDT</b>	<b>1,325</b>	<b>1,516</b>	<b>(12.6)</b>	<b>1,485</b>	<b>(10.8)</b>	<b>5,872</b>	<b>4,975</b>	<b>18.0</b>
Depreciation	501	530	(5.5)	462	8.4	1,871	1,371	36.4
Interest	660	579	13.9	656	0.7	2,748	2,171	26.6
<b>PBT</b>	<b>165</b>	<b>407</b>	<b>(59.5)</b>	<b>368</b>	<b>(55.2)</b>	<b>1,254</b>	<b>1,433</b>	<b>(12.5)</b>
Tax	(9)	54	-	82	-	245	200	22.7
Other provisions	(307)	(154)	99.1	(220)	39.3	-	-	-
Minority Interest	62	49	26.4	78	(20.5)	(523)	(323)	60.0
<b>PAT</b>	<b>419</b>	<b>458</b>	<b>(8.5)</b>	<b>428</b>	<b>(2.1)</b>	<b>1,531</b>	<b>1,556</b>	<b>(1.9)</b>
No. of shares (mn)	1,579	1,579	-	1,579	-	1,579	1,579	-
EBIDTA margin (%)	28.1	29.7	-	28.9	-	28.3	26.2	-
PBIDT margin (%)	28.8	32.0	-	29.5	-	29.1	27.8	-
<b>EPS - annualized (Rs.)</b>	<b>1.1</b>	<b>1.2</b>	<b>(8.5)</b>	<b>1.1</b>	<b>(2.1)</b>	<b>1.0</b>	<b>1.0</b>	<b>(1.9)</b>

Source: Company, ENAM Research

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