



Airport land monetisation holds the key

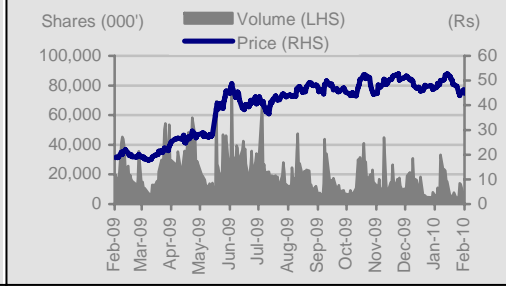
We hosted GVK Power and Infrastructure at our Enterprising India Conference. Questions were primarily focussed on the purchase of 29% stake in the Bangalore International Airport (BIAL) for Rs11.7bn and also on the timelines for monetisation of real estate associated with the Mumbai International Airport.

- Management expects stable growth in profits from BIAL, driven primarily by the recovery in passenger traffic. BIAL is expected to end FY10 with passenger traffic of ~10m vs ~7m seen in FY09. During 9MFY10, BIAL posted net profit of Rs595m.
- There is 559 acres of land available at BIAL for commercial development. The company indicated that the second phase at BIAL, which would cost ~US\$1bn, would be funded by debt, internal accruals and cash flow from monetisation of the 550 acres of land.
- For monetisation of land associated with the Mumbai Airport, the company said it is awaiting approval for the development plan from MMRDA, which should be achieved in the next one month. Post that, RFQs would be floated and the company expects to close the deal for ~1.04m sq ft development by 2QFY11-3QFY11.
- The gas-fired power plants—Jegrupadu-II (217MW) and Gautami Power (464MW) are selling their entire power output at regulated rates. Permission to sell 20% of the capacity under merchant route would depend on the outcome of the ongoing lawsuit. The management expects to commence merchant sales by 1QFY11.
- The company has achieved financial closure for the 540MW coal-fired power plant at Goindwal Sahib. It also expects to achieve financial closure for the captive coal mine (Tokisud) in Jharkhand by end-February 2010.
- Equity requirement for FY11 stands at Rs2.75bn for the Mumbai Airport, Alaknanda Hydro power and O&G business. The company might need to raise fresh equity to fund this investment.

CMP	Rs45
Market cap (US\$ m)	1,559
Bloomberg	GVKP IN
<hr/>	
52Wk High/Low (Rs)	54/18
Diluted o/s shares (m)	1,579
Daily volume (US\$ m)	13.8
Free float (%)	45.7
<hr/>	
Shareholding pattern (%)	
Promoters	54.3
FIIIs	30.1
DIIIs	6.1
Others	9.6

Price performance (%)			
	1M	3M	1Y
GVK	-3.6	1.3	141.0
Rel. to Sensex	2.0	-5.8	60.3
GMR	-12.3	-0.1	71.0
MPSEZ	17.6	36.4	73.4

Stock Performance



Financial Summary

Y/e 31 Mar	FY08A	FY09A	FY10ii	FY11ii	FY12ii
Revenues (Rs m)	4,541	5,138	23,206	23,472	25,149
EBITDA Margins (%)	40.9	34.3	29.9	29.1	31.7
Pre-Exceptional PAT (Rs m)	948	760	1,461	1,565	2,289
Reported PAT (Rs m)	1,355	1,076	2,021	1,338	1,805
EPS (Rs)	0.7	0.5	0.9	1.0	0.0
Growth (%)	-34.6	-19.8	71.2	7.1	-100.0
PER (x)	66.4	82.9	48.4	45.2	0.0
ROE (%)	5.8	3.2	4.8	4.3	6.0
Debt/Equity (x)	0.6	1.2	1.5	1.8	0.0
EV/EBITDA (x)	45.4	58.9	18.2	20.6	0.0
Price/Book (x)	2.9	2.7	2.2	2.1	0.0

Source: IIFL Research, Priced as on 02 February 2010

Key to our recommendation structure

BUY - Absolute - Stock expected to give a positive return of over 20% over a 1-year horizon.

SELL - Absolute - Stock expected to fall by more than 10% over a 1-year horizon.

In addition, **Add** and **Reduce** recommendations are based on expected returns relative to a hurdle rate. Investment horizon for **Add** and **Reduce** recommendations is up to a year. We assume the current hurdle rate at 10%, this being the average return on a debt instrument available for investment.

Add - Stock expected to give a return of 0-10% over the hurdle rate, ie a positive return of 10%+.

Reduce - Stock expected to return less than the hurdle rate, ie return of less than 10%.

Published in 2010. © India Infoline Ltd 2010

This report is for the personal information of the authorised recipient and is not for public distribution. This should not be reproduced or redistributed to any other person or in any form. This report is for the general information of the clients of IIFL, a division of India Infoline, and should not be construed as an offer or solicitation of an offer to buy/sell any securities.

We have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time without notice.

India Infoline or any persons connected with it do not accept any liability arising from the use of this document. The recipients of this material should rely on their own judgment and take their own professional advice before acting on this information.

India Infoline or any of its connected persons including its directors or subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this publication.

India Infoline and/or its affiliate companies may deal in the securities mentioned herein as a broker or for any other transaction as a Market Maker, Investment Advisor, etc. to the issuer company or its connected persons. India Infoline generally prohibits its analysts from having financial interest in the securities of any of the companies that the analysts cover. In addition, the company prohibits its employees from conducting F&O transactions or holding any shares for a period of less than 30 days.