

RESULT UPDATE

MID CAP

Share Data

Reuters code	GVKP.BO
Bloomberg code	GVKP IN
Market cap. (US\$ mn)	1,493
6M avg. daily turnover (US\$ mn)	19.9
Issued shares (mn)	1,579
Target price (Rs)	54

Performance (%) 1M 3M 12M

Absolute	(4)	1	304
Relative	3	(4)	130

Valuation ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	1.2	1.5
+/- (%)	56.3	25.2
PER (x)	37.5	30.0
PBV (x)	1.9	1.8
Dividend/Yield (%)	0.0	0.0
EV / Sales (X)	5.1	4.4
EV / EBITDA	16.0	12.7

Major shareholders (%)

Promoters	61
FII's	20
MF's	5
BFSI's	1
Public & Others	13

Financial highlights

(Rs mn)	2QFY09	2QFY10	YoY (%)	1HFY09	1HFY10	YoY (%)	FY09	FY10E	YoY (%)	FY11E	YoY (%)
Net sales	1,095	4,923	349.6	2,425	8,245	240.0	5,138	19,333	276.3	22,605	16.9
EBITDA	476	1,508	216.6	980	2,452	150.2	1,763	6,130	247.7	7,747	26.4
EBITDA margin (%)	43.5	30.6	-	40.4	29.7	-	34.3	31.7	-	34.3	-
Other income	60	80	32.4	144	118	(18.3)	202	260	28.8	200	(23.1)
Interest	91	565	520.0	171	872	411.2	334	2,133	539.0	2,671	25.2
Depreciation	198	532	168.9	392	890	127.2	780	2,090	168.1	2,286	9.4
PBT	247	490	98.2	562	807	43.7	851	2,167	154.5	2,990	38.0
Tax	27	120	344.3	57	201	250.4	100	379	277.5	552	45.8
PAT	220	370	68.0	504	606	20.2	751	1,788	138.1	2,438	36.3
Share of associates profits	85	134	58.0	208	247	19.0	316	445	40.9	468	5.2
Minority interest	1	62	-	2	84	-	3	365	-	567	55.1
Adjusted PAT	305	442	45.2	710	770	8.4	1,064	1,868	75.6	2,339	25.2
EPS (Rs)	0.2	0.3	45.2	0.5	0.5	1.5	0.8	1.2	56.3	1.5	25.2

GVK Power & Infrastructure

Price: Rs 44

BSE Index: 15,896

**Maintain
Outperformer**

30 October 2009

2QFY10 Result – Airport and power segments drive the earnings growth

GVK reported good set of numbers, better than our expectation. Net sales grew by 350% YoY to Rs 4,923 mn mainly due to JP II and Gautami power plants becoming operational from 1QFY10. Interest and depreciation was significantly up as these expenses of Gautami and JP II projects are charged to P&L now, since they are operational. PAT was higher than expected, mainly on account of better than expected traffic on Jaipur-Kishangarh road project and better profitability in Mumbai airport project. PAT was Rs 442 mn, up by 45% YoY and 35% QoQ.

The Government of Andhra Pradesh recently issued directions for the sale of merchant power (20%) to third parties by JP II and Gautami projects. Government's direction would help in getting approval from APERC for merchant power soon.

Traffic on the Jaipur-Kishangarh road project has improved significantly during the current financial year with a 10.8% YoY growth in 1HFY10 while traffic on Mumbai airport project is almost flat in 1HFY10 (however down by 9.8% in 2QFY10). We expect that traffic will continue to improve.

We have revised our earning estimates upward by 12% for FY10E and 6% for FY11E, mainly, to take into account the improved performance of Mumbai airport project. The stock is trading at 1.9x FY10E and 1.8x FY11E Price/ Book Value. Maintain Outperformer.

Highlights

- Rs 80 mn were spent for major maintenance expense on Jaipur-Kishangarh road project during the quarter. Major maintenance work will continue till FY11.

- Despite a moderate growth in Mumbai Airport revenues, EBITDA margin improved significantly due to savings in various operating expenses and duplication of staff cost is no longer there. The company is expecting further savings (~Rs 20 mn/month) in the power cost as it will be buying power from Tata power instead of Reliance from November 2009.
- The company is in the process of getting approvals from MMRDA for the real estate development on Mumbai Airport and expects to start land monetisation from early FY11.
- Work on various projects under execution is on track (Mumbai Airport and Alaknanda hydro power) while financial closure of Goindwal Sahib is expected to be achieved soon.
- The company is planning a brown field expansion of its Gautami and JP II power plants by 1,200 MW, subject to gas allocation.
- GVK is exploring opportunities for inorganic growth and currently in the process of due diligence on some of the power projects (under development/initial stage projects). Also, the company can look at increasing its stake in Mumbai airport, if its South African partner is willing to dilute. The company is also bidding for NHAI road BOT projects.

Performance of operational projects

(Rs mn)	JP I & JP II Power		Gautami Power		Jaipur-Kishangarh Expressway		Mumbai Airport	
	2QFY09	2QFY10	2QFY09	2QFY10	2QFY09	2QFY10	2QFY09	2QFY10
Net sales	702.8	1,968.4	–	2,498.8	360.7	424.4	2,327.2	2,446.4
EBITDA (%)	25.1	23.7	–	29.0	78.5	64.2	18.6	34.9
PAT	29.3	31.1	–	126.1	148.7	133.7	229.3	362.5

Operational performance

	2QFY09	2QFY10	YoY (%)	1HFY09	1HFY10	YoY (%)
Mumbai Airport						
Passengers (mn)	5.4	5.9	9.8	12.0	12.1	0.5
ATMs ('000)	54.6	56.1	2.8	114.8	113.6	(1.1)
Cargo ('000 tonne)	140.0	143.3	2.4	280.2	278.3	(0.7)
Road project						
Traffic volume (mn)	1.7	1.9	13.4	3.4	3.8	10.8
Power projects						
PLF % (JP I)	69	86	25	70	87	25
PLF % (JP II)	–	95	–	–	98	–
PLF % (Gautami)	–	92	–	–	93	–

Income Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Net Sales	4,700	5,138	19,333	22,605
Growth (%)	17.9	9.3	276.3	16.9
Operating Expenses	(2,825)	(3,375)	(13,203)	(14,858)
Operating Profit	1,875	1,763	6,130	7,747
EBITDA	1,875	1,763	6,130	7,747
Growth (%)	(6.6)	(6.0)	247.7	26.4
Depreciation	(776)	(780)	(2,090)	(2,286)
Other Income	1,026	517	705	668
EBIT	2,125	1,501	4,745	6,129
Interest Paid	(431)	(334)	(2,133)	(2,671)
Pre-tax profit	1,694	1,167	2,612	3,458
(before non-recurring items)				
Non-recurring items	-	12	-	-
Pre-tax profit	1,694	1,179	2,612	3,458
(after non recurring items)				
Tax (current + deferred)	(239)	(100)	(379)	(552)
Net Profit	1,456	1,079	2,233	2,906
Minority interests	(101)	(3)	(365)	(567)
Reported Pat	1,355	1,076	1,868	2,339
Adjusted net profit	1,355	1,064	1,868	2,339
Growth (%)	133.4	(21.5)	75.6	25.2

Balance Sheet

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Current assets	4,879	4,226	10,399	12,228
Cash & Marketable Securities	1,643	1,562	1,809	1,859
Other Current Assets	3,236	2,663	8,590	10,369
Investments	7,068	3,214	6,705	7,593
Net fixed assets	25,776	52,091	61,569	73,846
Other non-current assets	5	5	5	5
Total assets	37,728	59,536	78,678	93,672
Current Liabilities	297	1,339	2,219	2,577
Total debt	12,910	29,798	39,066	50,413
Other non-current liabilities	891	885	885	1,385
Total Liabilities	14,098	32,022	42,170	54,376
Share capital	1,406	1,406	1,579	1,579
Reserves & Surplus	22,218	23,464	31,919	34,141
Shareholder's funds	23,624	24,870	33,499	35,720
Minorities interests	6	2,644	3,009	3,576
Total equity & liabilities	37,728	59,536	78,678	93,672
Capital Employed	37,431	58,197	76,459	91,095

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	1,694	1,179	2,612	3,458
Depreciation	(776)	(780)	(2,090)	(2,286)
Chg in working capital	(874)	1,614	(5,047)	(1,421)
Total tax paid	(243)	(107)	(379)	(52)
Cash flow from Oper. (a)	1,353	3,466	(724)	4,271
Capital expenditure	(5,443)	(27,226)	(11,567)	(14,563)
Chg in investments	(4,095)	3,854	(3,491)	(888)
Others	119	131	0	0
Cash flow from Inv. (b)	(9,419)	(23,241)	(15,058)	(15,451)
Free cash flow (a+b)	(8,066)	(19,775)	(15,782)	(11,180)
Equity raised / (repaid)	12,766	0	7,168	0
Debt raised / (repaid)	(2,536)	16,888	9,268	11,347
Dividend (incl tax.)	(96)	0	0	0
Cash flow from fin. (c)	9,078	19,693	16,029	11,230
Net chg in cash (a + b + c)	1,012	(81)	247	50

Key Ratios

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
Adjusted EPS (Rs.)	1.0	0.8	1.2	1.5
Growth	(60.7)	(21.5)	56.3	25.2
Book NAV/Share (Rs)	16.8	19.6	23.1	24.9
Dividend/Share (Rs)	0.0	0.0	0.0	0.0
Dividend payout ratio	7.1	0.0	0.0	0.0
Tax	14.1	8.5	14.5	16.0
EBITDA margin	39.9	34.3	31.7	34.3
EBIT margin	45.2	29.2	24.5	27.1
RoCE	6.6	3.1	7.0	7.3
Net debt / Equity	47.7	102.6	102.1	123.6

Valuations

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	46.1	58.7	37.5	30.0
PCE	29.3	33.9	17.7	15.2
Price / Book	2.6	2.3	1.9	1.8
Yield (%)	0.0	0.0	0.0	0.0
EV / Net sales	14.9	19.1	5.1	4.4
EV / EBITDA	37.4	55.8	16.0	12.7

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	28.8	20.7	9.7	10.3
Asset turnover	0.1	0.1	0.3	0.3
Leverage factor	1.9	1.9	2.2	2.3
Return on equity (%)	7.9	4.2	5.8	6.2

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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