

## RESULT UPDATE

### LARGE CAP

#### Share Data

Reuters code	GMRI.BO
Bloomberg code	GMRIIN
Market cap. (US\$ mn)	5,436
6M avg. daily turnover (US\$ mn)	28
Issued shares (mn)	3,667
Target price (Rs)	57

Performance (%)	1M	3M	12M
Absolute	(1)	(2)	150
Relative	(2)	(11)	29

#### Valuation Ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	0.7	0.8
+/- (%)	(7.8)	15.4
PER (x)	97.7	84.7
PBV (x)	2.8	2.7
EV/Sales (x)	8.1	7.4
EV/EBITDA (x)	23.1	19.8

#### Major shareholders (%)

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

#### Financial highlights

(Rs mn)	2QFY09	2QFY10	YoY (%)	1HFY09	1HFY10	YoY (%)	FY09	FY10E	YoY (%)	FY11E	YoY (%)
Net sales	8,468	11,943	41.0	17,323	23,718	36.9	40,192	47,385	17.9	54,226	14.4
EBITDA	2,471	3,801	53.8	4,859	7,013	44.3	10,668	16,656	56.1	20,284	21.8
EBITDA margin (%)	29.2	31.8	-	28.1	29.6	-	26.5	35.2	-	37.4	-
Other income	98	155	58.2	170	275	62.0	214	500	134.2	500	-
Interest	709	1,771	150.0	1,398	3,369	141.0	3,682	6,695	81.8	9,546	42.6
Depreciation	852	1,408	65.2	1,651	2,781	68.5	3,898	5,636	44.6	6,790	20.5
PBT	1,008	776	(23.1)	1,981	1,138	(42.5)	3,301	4,826	46.2	4,449	(7.8)
Tax	60	183	203.8	162	306	88.4	530	1,578	197.7	2,011	27.4
PAT	948	592	(37.5)	1,818	833	(54.2)	2,771	3,248	17.2	2,438	(24.9)
Minority interest	48	56	-	169	71	-	(23)	652	-	(556)	-
Adjusted PAT	900	536	(40.4)	1,649	761	(53.8)	2,795	2,595	(7.1)	2,994	15.4
EPS (Rs)	0.2	0.1	(40.9)	0.5	0.2	(54.2)	0.8	0.7	(7.8)	0.8	15.4

## GMR Infrastructure

Maintain Underperformer

Price: Rs 69

BSE Index: 16,741

27 October 2009

### 2QFY10 Result – Growth in revenues but not in the earnings

**GMR Infrastructure's results were in line with our expectation both at net sales and PAT level. There was a moderate growth of 5% in revenues from airport segment. However, strong growth in power segment, a 151% growth in road segment due to new projects and commencement of EPC division from the current financial year, were the key revenue drivers. EBITDA margin for the quarter was 29.2%. A sharp increase in interest and depreciation cost negated the impact of net sales growth and PAT de-grew by 40%.**

**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 2.8x FY10E and 2.7x FY11E Price/Book Value. We maintain our Underperformer call on the stock.**

#### Highlights

- There was an improvement in traffic and operating profit in all three airports of the company but higher interest and depreciation cost resulted in an increase in segment loss. Sabiha Gokcen airport's terminal building will be inaugurated on 31 October 2009 while work on Delhi Airport's integrated terminal is 79% complete.
- InterGen did consolidated revenues of US\$ 915 mn and EBITDA of US\$ 238 mn in 1HCY09 against US\$ 1017 mn revenues and US\$ 301 mn EBITDA in 1HCY08.
- The company has done tie up for Rs 26 bn loans for 600 MW (2 phases) EMCO thermal power plant. GMR had purchased this project from EMCO, for a premium of Rs 1.2 bn.
- Government of Andhra Pradesh has recently issued direction to sell 20% of power from Vemagiri power project. Final approval from APERC is likely soon.

- Board of Directors of the company has approved to raise funds up to Rs 10 bn through issue of Preference Shares.

### Segment results

(Rs mn)	1QFY10	2QFY09	2QFY10	(Rs mn)	1QFY10	2QFY09	2QFY10
<b>Airport</b>				<b>Power</b>			
Gross revenue	4,475	4,420	4,772	Gross revenue	6,356	4,345	5,721
Aero revenue	1,582	1,302	1,441	Contracted	4,064	3,216	4,436
Non aero revenue	2,893	3,118	3,330	Merchant	912	146	863
Less: revenue share	1,235	1,114	1,272	Power trading/others	1,380	983	422
Net sales	3,240	3,306	3,500	Net sales	6,356	4,345	5,721
EBITDA	1,174	446	1,203	EBITDA	949	1,422	1,403
EBITDA margin (%)	36.2	13.5	34.4	EBITDA margin (%)	14.9	32.7	24.5
PAT	(311)	(318)	(333)	PAT	306	929	880
<b>Road</b>				<b>Urban Infrastructure &amp; Others</b>			
Annuity	617	349	622	Investment income	155	468	265
Toll	147	–	253	EPC income	1,150	–	1,692
Net sales	764	349	875	Net sales	1,415	468	1,847
EBITDA	653	291	662	EBITDA	436	314	532
EBITDA margin (%)	85.5	83.4	75.7	EBITDA margin (%)	30.8	67.1	28.8
PAT	(41)	106	(242)	PAT	286	233	289

### Airport performance

(Rs mn)	Hyderabad Airport		Delhi Airport		Sabiha Gokcen Airport	
	2QFY09	2QFY10	2QFY09	2QFY10	2QFY09	2QFY10
<b>P&amp;L</b>						
Gross revenue	933	981	2,303	2,657	1,016	928
Aero revenue	509	438	793	1,003	–	–
Non aero revenue	424	543	1,510	1,653	1,016	928
Less: revenue share	40	42	1,074	1,230	–	–
Net sales	893	939	1,229	1,427	1,016	928
EBITDA	229	471	86	558	111	154
EBITDA margin (%)	25.6	50.2	7.0	39.1	10.9	16.6
PAT	(354)	(380)	17	20	6	5
<b>Operational performance</b>						
Passenger (mn)	1.5	1.6	5.0	6.1	1.3	2.0
Cargo ('000 tonne)	14.7	15.8	113.2	121.9	19.6	8.7
<b>ATMs ('000)</b>	<b>19.3</b>	<b>19.5</b>	<b>56.8</b>	<b>61.2</b>	<b>10.7</b>	<b>15.7</b>

### Power PLF

(%)	1QFY10	2QFY09	2QFY10
GMR Energy	29	0	26
GMR Power	82	79	73
Vemagiri	80	0	89

**Income Statement**

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
<b>Net Sales</b>	<b>22,948</b>	<b>40,192</b>	<b>47,385</b>	<b>54,226</b>
<i>Growth (%)</i>	<i>35.2</i>	<i>75.1</i>	<i>17.9</i>	<i>14.4</i>
Operating expenses	(16,963)	(29,524)	(30,729)	(33,942)
Operating profit	5,985	10,668	16,656	20,284
<b>EBITDA</b>	<b>5,985</b>	<b>10,668</b>	<b>16,656</b>	<b>20,284</b>
<i>Growth (%)</i>	<i>10.1</i>	<i>78.2</i>	<i>56.1</i>	<i>21.8</i>
Depreciation	(1,785)	(3,898)	(5,636)	(6,790)
Other Income	698	214	500	500
<b>EBIT</b>	<b>4,897</b>	<b>6,983</b>	<b>11,521</b>	<b>13,995</b>
Interest Paid	(1,687)	(3,682)	(6,695)	(9,546)
Pre-tax profit	3,210	3,301	4,826	4,449
Tax (current + deferred)	(584)	(530)	(1,578)	(2,011)
<b>Net profit</b>	<b>2,626</b>	<b>2,771</b>	<b>3,248</b>	<b>2,438</b>
Minority interests	(526)	23	(652)	556
Reported PAT	2,101	2,795	2,595	2,994
<b>Adjusted net profit</b>	<b>2,101</b>	<b>2,795</b>	<b>2,595</b>	<b>2,994</b>
<i>Growth (%)</i>	<i>20.4</i>	<i>33.0</i>	<i>(7.1)</i>	<i>15.4</i>

**Balance Sheet**

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Current assets	19,230	45,383	39,050	31,964
Cash & marketable securities	8,945	24,665	15,965	5,693
Other current assets	10,286	20,718	23,085	26,271
Investments	48,996	13,109	21,307	57,399
Net fixed assets	89,495	151,155	197,776	205,067
Other non-current assets	8,432	13,271	3,981	1,194
<b>Total assets</b>	<b>166,153</b>	<b>222,917</b>	<b>262,114</b>	<b>295,624</b>
Current liabilities	13,661	19,647	18,957	21,581
Total debt	79,769	120,238	146,383	154,365
Other non-current liabilities	425	260	6,535	26,546
<b>Total liabilities</b>	<b>93,855</b>	<b>140,145</b>	<b>171,875</b>	<b>202,493</b>
Share capital	3,641	3,641	3,667	3,667
Reserves & Surplus	57,531	61,070	65,137	68,131
<b>Shareholder's funds</b>	<b>61,172</b>	<b>64,711</b>	<b>68,804</b>	<b>71,798</b>
<b>Minorities interests</b>	<b>11,126</b>	<b>18,061</b>	<b>21,435</b>	<b>21,334</b>
Total equity & liabilities	166,153	222,917	262,114	295,624
<b>Capital employed</b>	<b>152,492</b>	<b>203,271</b>	<b>243,157</b>	<b>274,043</b>

**Cash Flow Statement**

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	3,210	3,301	4,826	4,449
Depreciation	(1,785)	(3,898)	(5,636)	(6,790)
Chg in working capital	(1,528)	(9,216)	12,507	22,236
Total tax paid	(303)	(764)	(1,578)	(2,011)
<b>Cash flow from oper. (a)</b>	<b>3,164</b>	<b>(2,780)</b>	<b>21,391</b>	<b>31,464</b>
Capital expenditure	(48,075)	(65,252)	(52,257)	(14,080)
Chg in investments	(46,372)	35,887	(8,198)	(36,092)
Others	27	(307)	0	0
<b>Cash flow from inv. (b)</b>	<b>(94,420)</b>	<b>(29,672)</b>	<b>(60,455)</b>	<b>(50,172)</b>
<b>Free cash flow (a+b)</b>	<b>(91,256)</b>	<b>(32,452)</b>	<b>(39,064)</b>	<b>(18,708)</b>
Equity raised/(repaid)	39,021	0	1,497	0
Debt raised/(repaid)	42,713	40,469	26,145	7,983
<b>Cash flow from fin. (c)</b>	<b>87,200</b>	<b>48,172</b>	<b>30,364</b>	<b>8,437</b>
<b>Net chg in cash (a+b+c)</b>	<b>(4,055)</b>	<b>15,720</b>	<b>(8,700)</b>	<b>(10,272)</b>

**Key Ratios**

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
Adjusted EPS (Rs.)	0.6	0.8	0.7	0.8
Growth	10.9	24.6	(7.8)	15.4
Book NAV/Share (Rs)	21.2	22.7	24.6	25.4
Tax	18.2	16.1	32.7	45.2
EBITDA margin	26.1	26.5	35.2	37.4
EBIT margin	21.3	17.4	24.3	25.8
RoCE	4.6	3.9	5.2	5.4
Net debt/Equity	98.0	115.5	144.5	159.6

**Valuations**

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	112.3	90.1	97.7	84.7
PCE	60.7	37.6	30.8	25.9
Price/Book	3.3	3.0	2.8	2.7
EV/Net sales	14.1	8.7	8.1	7.4
EV/EBITDA	54.2	32.7	23.1	19.8

**Du Pont Analysis – ROE**

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	9.2	7.0	5.5	5.5
Asset turnover	0.2	0.2	0.2	0.2
Leverage factor	2.4	2.5	2.8	3.0
Return on equity (%)	4.3	3.6	3.0	3.3

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**Analyst Declaration:** I, Gautam Bafna, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendation or view expressed in this report.

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