

GMR Infrastructure

Stock
Update

QIB issue – no impact on valuations

BUY

Price	Target
Rs235	Rs358

Sensex – 19,261

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2.6)	44.8	91.9	210.5
Rel. to Sensex	(4)	219	57.2	170.2

Stock Details

Sector	Infrastructure
Reuters	GMRI.DO
Bloomberg	GMRI@IN
Equity Capital (Rs mn)	3,641
Face Value (Rs)	2
52 Week H/L (Rs)	269 / 65
Market Cap (Rs bn)	389.0
Daily Avg Volume (no of shares)	17578636
Daily Avg Turnover (US\$ mn)	89.2

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Equity dilution not to reduce near-term value

GMR Infrastructure has announced the placement of 165.23 mn shares at a price of Rs240 to QIB's. The company has raised Rs39.66 bn through this issue and would result in the equity base being expanded by 9.08% post dilution. The funds raised from this issue would be utilized for capital expenditure of its various projects.

Our fair value for GMR Infrastructure is based on the DCF value for each of the projects. Thus, though the equity dilution does not in any way change the fair value of the company, the per share value stands reduced on account of the increase in the equity capital. We, thus, revise our target price to Rs358, which is 2% lower than our earlier target price of Rs367.

Our earlier target price did not include the value of net debt as it was miniscule at Rs0.7 per share (pre-dilution); but now include it in our valuation as it has risen to Rs24.7 per share (post-dilution). We also believe that our target is based on the embedded value of each of the projects and as the company develops more projects the target price would need to be revised to include the new projects.

No more significant dilution likely in the near term

The company had obtained board and shareholder approval for raising Rs50 bn. We believe that with this issue of equity worth Rs39.66 bn resulting in a dilution of 9.08% of the equity base GMR Infrastructure has raised almost all of its funding requirements. We hence do not expect a substantial dilution in the near future.

Delhi Airport can raise deposits

In another development, the Minister for Civil Aviation Mr Praful Patel has stated that the government would honour the Attorney-General's opinion that GMR's Delhi Airport can raise funds by way of deposits, and charge lower lease rentals for the commercial property to be developed adjacent to the Delhi International Airport. We believe that this is positive for the company and in line with our expectations. This would enable GMR to collect about Rs30 bn as interest refundable deposits for the first parcel of 50 acres of land. This land is to be developed to house various hotels and a convention complex.

This, thus, removes another overhang on the stock. This also paves way for the company to explore the option to part fund the further expansion at the Delhi Airport through the same route of raising interest-free deposits from the balance 200 acres of land available for commercial development at the Delhi Airport.

Valuations

We have valued GMR Infrastructure on a sum-of-the-parts basis using the DCF methodology for each of the projects. The projects in the power and road segments are valued on a single stage DCF method through the lifecycle of the respective project, while the projects in the airport segment are valued based on a three-stage DCF. We now also include the net debt, Rs24.7 per share in our valuation. We continue to maintain a BUY recommendation with a revised price target to Rs358 per share (down 2% from Rs367) an upside of 52% from the current level. We have revised our price target downwards to account of the increase in the equity capital of the company.

Our price target is arrived at from the embedded value of each of the projects undertaken by GMR Infrastructure and as the company develops more projects our target price would be revised to include the value of the new projects.

GMR's Project wise Valuation

Project	Fuel	Estd Comm	Project Capacity	PV of CF	Concession Period	% share of GMR Infra	Effective Capacity	Eff PV of CF	Old Value Per Share	New Value Per Share	% of Total
Delhi, India				444,900		50.1%		222,895	134.6	122.4	37%
Hyderabad, India				425,108		63.0%		267,818	161.8	147.1	44%
Airports Total				870,008				490,713	296.4	269.5	81%
Tambaram-Tindivanam	Annuity	Nov-19		5,052	17.5	49%		2,476	1.5	1.4	0%
Tuni - Anakapalli	Annuity	Nov-19		3,678	17.5	49%		1,802	1.1	1.0	0%
Total Operational				8,729				4,278	2.6	2.3	1%
Adloor-Gunla-Pochanpalli	Annuity	Sep-26		2,551	20.0	100%		2,551	1.5	1.4	0%
Ambala-Chandigarh	Toll	May-26		7,658	20.0	100%		7,658	4.6	4.2	1%
Faruknagar-Jadcherla	Toll	Aug-26		1,405	20.0	100%		1,405	0.8	0.8	0%
Tindivanam-Ulundurpet	Toll	Oct-26		3,604	20.0	100%		3,604	2.2	2.0	1%
Road Projects Total				15,218				15,218			
25% discount for under execution projects								11,414	6.9	6.3	2%
TOTAL ROADS PORTFOLIO VALUE								15,692	9.5	8.6	3%
GMR Energy	Gas		220	9,585	19	100%	220	9,585	5.8	5.3	2%
GMR Power	LSHS		200	1,996	13	51%	102	1,018	0.6	0.6	0%
Vemagiri	Gas		389	17,675	25	100%	389	17,675	10.7	9.7	3%
Total Operational			809	29,257			711	28,278	17.1	15.5	5%
Orissa	Coal	Sep-11	1,050	77,600	25	100%	1,050	77,600	46.9	42.6	13%
GMR Badrinath	Hydro	Sep-12	300	13,835	45	100%	300	13,835	8.4	7.6	2%
Talong Hydro	Hydro	Sep-12	160	2,418	35	88%	141	2,128	1.3	1.2	0%
Bajoli Holi	Hydro	Sep-14	180	2,939	40	100%	180	2,939	1.8	1.6	0%
Total Under Execution			1,690	96,793			1,671	96,502			
25% discount for under execution projects								72,377	43.7	39.8	12%
TOTAL POWER PORTFOLIO VALUE								100,655	60.8	55.3	17%
Total Value of Projects									366.7	333.4	100%
Net Debt									NA	24.7	
Total Value									366.7	358.1	

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