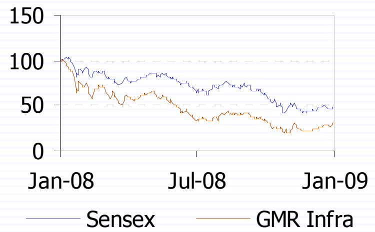
ENAM India Research

Stock Data

No. of shares	: 1,821mn
Market cap	: Rs 132bn
52 week high/low	: Rs 255 / Rs 46
Avg. daily vol. (6mth)	: 8.8mn shares
Bloomberg code	: GMRI IB
Reuters code	: GMRI.BO

Shareholding (%)		Sep-08	QoQ chg
Promoters	:	73.3	0.0
FIIs	:	8.5	(0.4)
MFs / UTI	:	0.8	(0.1)
Banks / FIs	:	7.1	0.5
Others	:	10.3	0.0

Relative Performance



Source: ENAM Research, Bloomberg

GMR Infrastructure Ltd

Rs 72

Target Price: Rs 82

Potential Upside: 13%

Sector avg. upside: 5% to 15%

(mkt cap wtd)

Relative to Sector: **Neutral**

Well-placed to survive the liquidity drought

Financial summary (Consolidated)

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	CEPS (Rs.)	P/E (x)	P/ CEPS (x)	RoE (%)	RoCE (%)	P/B (x)
2008	22,948	2,101	-	1.2	2.1	-	-	4.3	4.6	-
2009E	27,007	2,476	1.5	1.4	3.6	53.3	20.1	3.4	3.5	2.1
2010E	41,252	4,544	1.9	2.5	6.9	29.0	10.5	5.9	5.4	1.9
2011E	40,485	(583)	1.1	(0.3)	5.5	-	13.1	(0.7)	4.4	2.0
2012E	49,791	3,147	N.A.	1.7	7.4	41.9	9.8	3.9	6.5	1.9
2013E	57,001	5,882	N.A.	3.2	8.8	22.4	8.2	6.6	8.1	1.7

*Source: *Consensus broker estimates, Company, ENAM estimates Note: Above financials are excluding Real Estate and SEZ .*

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Investment summary

- **Contrary to general perception, we believe GMR Infrastructure (GIL) has no immediate funding issues**
  - It has projects on hand worth ~Rs 325bn, translating to a pending equity infusion of ~Rs 50bn
    - **Cash (~Rs 29bn)** alone is more than sufficient **to meet its 2 yr equity requirements (~Rs 12bn)**
    - With internal accruals est. at ~Rs 22bn over FY09-11E , it may be able to fund all projects in the pipeline
    - Currently however, we have assigned value only to projects which can be funded with the cash on hand

- **Key near term triggers – Bids for Delhi real estate could swing valuations**
  - Bids for **Delhi airport real estate** (hospitality district of 45 acres) to be opened shortly
    - Despite the current credit crunch and slowdown in real estate, DIAL has received ~80 Expressions of Interest
    - **Success in raising upfront deposits would swing valuations favorably**; in the worst case, GIL's balance equity commitment for Delhi airport capex (~Rs 3bn) can be funded with the cash on hand
    - Our base case estimate factors a selling price of Rs 240mn/acre and gives us a value of Rs 17/share for Delhi airport (incl. real estate) while the best case factors a SP of Rs 464mn/acre and gives a value of Rs 28/share
  - Existing **power plants to benefit with availability of gas and crack in naphtha prices**
    - The 220MW naptha based **barge mounted plant** has started **operating at higher PLFs** of ~80% (vs ~60%) due to crash in fuel prices; recently negotiated merchant tariffs post expiry of PPA are an icing on the cake. The ~Rs 4bn capex for its relocation has thus been postponed
    - **Vemagiri (388 MW)** plant has **resumed operations** in Dec with gas diverted from dual fuel plants; this will support operations till May'09 by which time RIL KG basin gas is expected to be available
    - **Financial closure of the 1GW thermal power plant at Orissa** expected soon. With merchant sales proportion of over 50%, GIL is likely to gain as power capacity addition remains short of demand due to credit tightness
  - Commissioning of 3 road projects by March 2009 to add to internal accruals FY10E onwards
    - Expect internal accruals from roads **to more than double to ~Rs 2.3bn FY10E onwards**
    - However, as most new projects are toll based, cash flows could be volatile depending on traffic growth

Investment summary

Key Concerns – Intergen acquisition may stretch balance sheet

- GIL's **D/E to increase from 1.7x to 2.5x** with Intergen acquisition loan of ~USD1bn in FY09E
  - Refinancing risk of USD 680mn acquisition loan which will be due for repayment in 2 years is high given current credit tightness; this could result in significant increase in borrowing costs for GMR
  - Intergen itself has USD 4.4bn of debt on its books (D/E of 7.7x); thus, GMR has structured the transaction with only 5% direct equity ownership by GMR Infra and the balance through a promoter entity
  - Current equity IRR of the acquisition works out to ~10% for GMR - lower than GMR's cost of capital and unlikely to be value accretive in the medium term
  - GMR expects equity IRR of 16% in the long term, which is contingent on various assumptions
- Declining in air traffic increases risk to profits and valuations of Hyderabad airport; Delhi airport relatively insulated due to minimum 11.6% guaranteed return
  - Delhi airport traffic has declined 2.3% YTD (till Oct) while Hyderabad has seen 7.8% decline YTD (till Nov)
  - While Delhi airport has a min. guaranteed return as per agreement; this is possible provided a hike in aero charges is allowed. While M'bai airport has recently been allowed a 10% hike, DIAL is yet to receive approval
  - Valuation of H'bad airport is more sensitive to traffic; a 1% change in traffic CAGR over FY08-13E impacts valuation by 5%

Financials and valuations

- We estimate a 22% CAGR in revenue and 50% CAGR in EBITDA over FY09-11E
- As new projects commission we expect a loss in FY11E, due to depreciation and interest charges; however, **cash earnings are estimated to grow at 24% CAGR**
- At CMP (Rs 72), the stock is trading at FY10E P/CEPS of 10x and P/B of 1.9x
- Risk reward appears favorable given a worst case downside of 26% vs a best case upside of 62%
- Maintain **Sector Neutral** with a target price of Rs 82 (13% upside)

GMR: Sum of Parts Valuation (CMP = Rs 72)

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GMR: Valuations

(Rs bn)	Stake (%)	Proportional equity	Pending infusion	(Rs. mn) Worst	Base	Best	Base value /share
Airport				**32,242**	**50,798**	**72,401**	**27**
Delhi	50.1	19,790	2,505	12,201	20,239	27,649	11
Hyderabad	63.0	2,381	-	13,661	20,574	30,069	11
Sabiha Gokcen	40.0	2,691	-	6,380	9,985	14,684	5
Power				**29,344**	**46,717**	**65,776**	**26**
Operating power plants (808.5 MW)	51-100	7,071	-	15,406	22,699	30,702	13
Kamlanga (1,050 MW)	80.0	9,080	9,080	13,938	24,018	35,073	13
Roads				**10,435**	**15,833**	**22,788**	**9**
3 Road Projects (187 kms)	74-100	2,434	-	5,854	7,509	9,610	4
3 Road Projects (192 kms)	100.0	4,935	1,000	4,581	8,325	13,178	5
Real Estate/SEZ				**9,150**	**19,889**	**37,442**	**11**
Delhi (250 acres)	50.1			3,935	10,264	22,881	6
Hyderabad (1,000 acres)	63.0			2,270	5,035	8,169	3
2 Hyderabad SEZ (500 acres)	63.0			2,945	4,590	6,392	2
Add: Cash on books				15,915	15,915	15,915	9
Total				**97,086**	**149,151**	**214,322**	**82**
Value/Share				**53**	**82**	**118**	
Upside (%)				(26)	13	62	

Source: Company, ENAM Research *Highlighted projects are operational*

- **In our base case, for discounting, we have used a CoE of 12% for operational projects and 14% for projects under construction (except at 16% CoE for Hyderabad airport as valuations are highly sensitive to traffic growth and for Kamlanga power as FC is still pending)**

GMR: Projects and IRR snapshot

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Immense value unlocking potential

2008

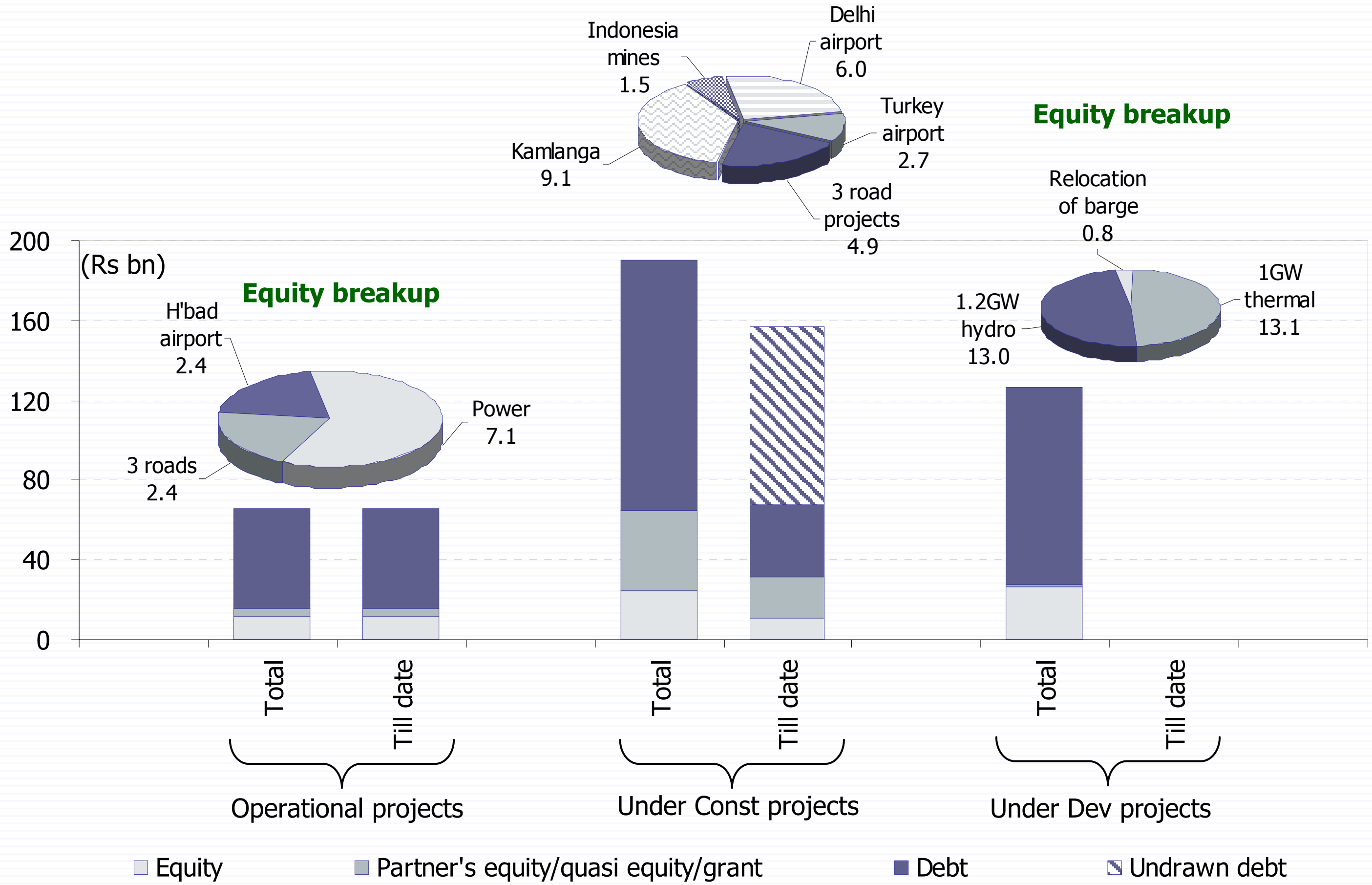
2006

Est IRR's	10-18%	12-20%	14-25%	16-30%
Global ambitions	▪ **Intergen Acquisition 12.6 GW** ▪ Cash flows from existing plants – enough to fund acquisition cost ?		▪ **Won Sabiha Gocken Airport, Turkey** : revenue generation from day 1 being operational	
Growth in domestic market	▪ **2GW thermal projects planned:** 1GW: fuel tied up ▪ **Won 1.2 GW hydro projects** ▪ Mix of PPA's + merchant sales to maximize IRR"s	▪ **4 road projects- 1 annuity , 3 tariff based-** Growth with reasonable returns	▪ **Delhi Airport modernization** : Guaranteed min.return of 11.6% WACC with upside from non-aero and real estate	▪ **250 acres Delhi airport realty:** Can swing IRR's
Stability and diversification	▪ **800MW power projects – 420MW operational** ▪ Regulated but assured returns; steady cash flows, funding growth	▪ **2 annuity road projects** ▪ Steady cash flows; securitized upfront to fund entry into airports	▪ **Hyderabad Greenfield airport project** –High entry barriers; healthy returns	▪ **3,300acres SEZ in TN:** State Govt. support. ▪ **1,500 acres real estate in HIAL:** to further enhance value creation over time
	Power (1996-98)	**Roads (2001-02)**	**Airports (2003)**	**Realty/SEZ (2007)**

GMR has consistently deployed cash flows into new projects with reasonable IRR's

GMR: Project cost funding snapshot

Equity infused and debt drawn for projects till date



Note: Above numbers are excluding Real Estate and SEZ projects

Cash of ~Rs 29bn and accruals of Rs 22bn over next 2 years to suffice pending infusion in projects under construction

Airports – First Mover Advantage

GMR's Airports portfolio at a glance

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Delhi airport- Brownfield project

- 2nd largest domestic airport with 21% mkt. share
- Minimum return of 11.6% WACC guaranteed by concession agreement in return for 46% revenue share
- Increase in non aero revenues increases profitability
- Key upside from development of 250 acres real estate around airport

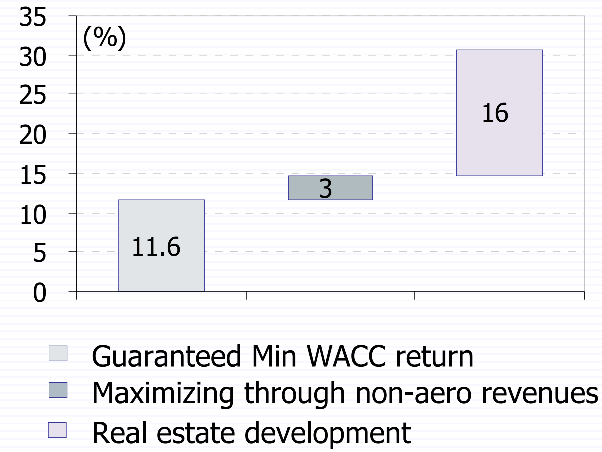
Hyderabad airport – Greenfield project

- 6% market share; 30% CAGR over FY03-08!
- 4% revenue share to be paid from the 13th year i.e. FY20
- UDF and non-aero charges are key to profitability
- Additional upside from development of 1500 acres land around the airport

Sabiha Gocken, Turkey – Brownfield project

- GMR's foray into the international market
- 6% share of pax traffic in Turkey
- Staggered payment of concession fee of Euro 1.93bn to be paid from 4th year ie FY11E
- No real estate development involved

RoE Buildup: Delhi airport



FY08- Pax handled (mn)

Airport	Int'l	Domestic	Total
Delhi	7.2	16.8	24.0
Hyderabad	1.4	5.6	7.0
Sabiha	2.3	3.0	5.3
Total	**10.9**	**25.4**	**36.3**

Source: Company, ENAM Research

Delhi Airport – A snapshot

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Concession details

Project details

Concession awarded:	**May 2006**
Concession period	30+30 yrs
Land under development	5,123 acres
Project cost (Phase I)	USD 2,244mn
Revenue share with AAI	45.99%

Phase I Plan & status

Phase 1A

Domestic Terminal : 73% complete
- Expansion of existing terminal capacity- departure terminal to 12mn pax# and arrival terminal to 8mn pax
- New departure terminal with 10mn pax capacity

International Terminal : 100% complete
- Expansion of existing terminal capacity to 8mn pax

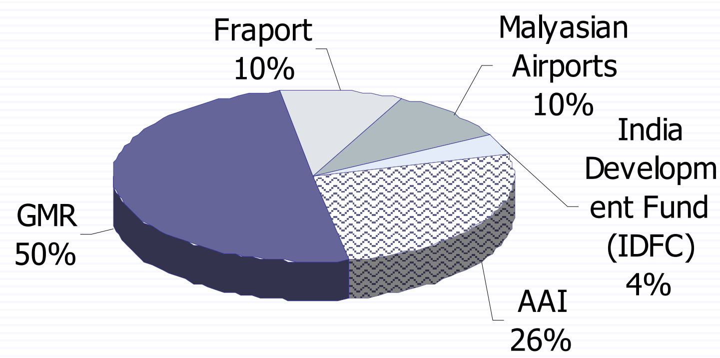
Phase 1B

New Integrated Terminal : ~50% complete
- All major procurement contracts awarded
- Completion by Mar'10
- Multi level car parking and High speed rail link to be in place by 2010

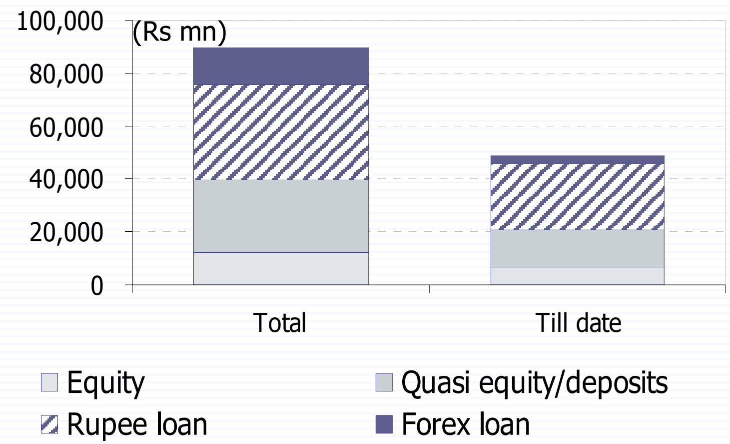
Final capacity

	Phase I	Phase V
Pax (mn)	34	100
Cargo (mn MT)	0.6	3.6
Runways	2	4
Terminal building area (mn sq.ft.)	5.2	17.2

Shareholding structure



~50% of capex has been incurred!



D/E to be maintained at 1.25:1 at all times!

Source: Company, ENAM Research

Financial Closure achieved in Dec'07 and ~50% of capex done till Sept'08!

 # Pax = passengers

Delhi Airport Development: A Bird's eye view

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- Efficient planning to minimize impact on existing operations
- Metro rail expected to come up by 2010

NH8 to Gurgaon

Total land area = 5100 acres

Source: Company, Google Maps

Delhi airport: Cyclical dip in traffic

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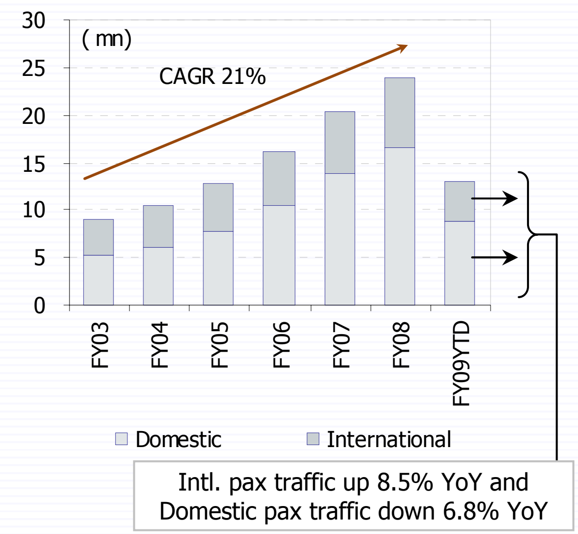
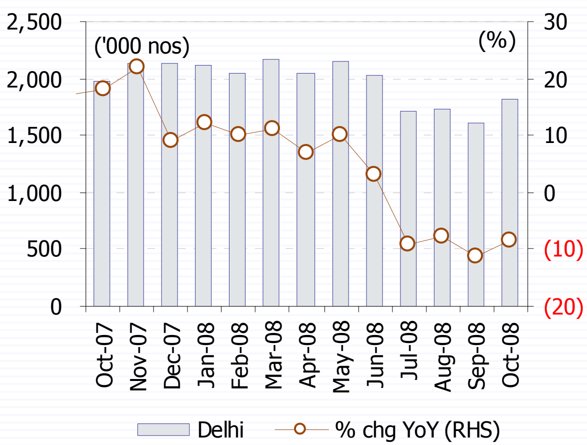
- **2nd largest domestic airport with 21% mkt. share; growing @ 21% CAGR!**
  - Delhi handled 24mn pax in FY08; higher than GMR's earlier estimates of 17mn
  - Impact of slowdown: 2.3% YoY drop in pax traffic (Apr- Oct)
    - Sharpest decline till date was in Sep at 11.3%YoY and 6.8% MoM
    - We have factored a 10% decline for FY09E and 5% growth in FY10E
    - Expect traffic to pick up with Commonwealth Games scheduled in Oct.2010; we have thus factored 15% growth in FY11E
    - Overall, we have factored a traffic CAGR of 3.5% till 2044 by which time the airport reaches the max. capacity of 100mn pax.
  - Cargo volumes up ~4% (Apr-Oct) despite the slowdown!
    - We have factored only 2.5% growth in FY09E and 5% growth for FY10E
  - We believe that the current slowdown is a cyclical dip
    - Overall demand and growth in India is not a problem

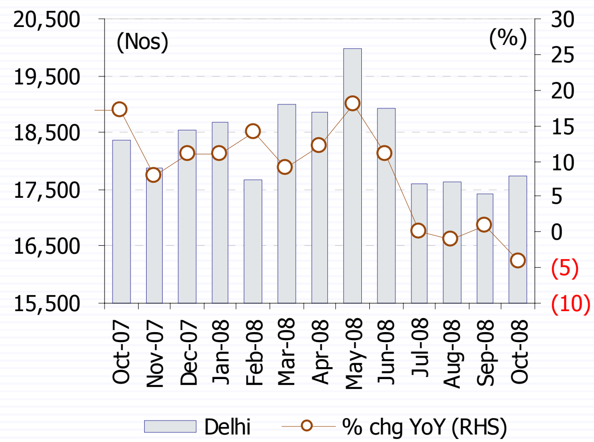
Delhi passenger growth



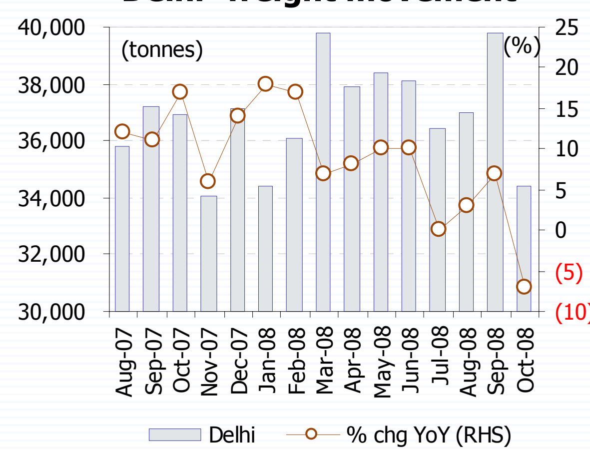
Pax traffic- down ~2% YTD



Delhi- ATM movement



Delhi- freight movement



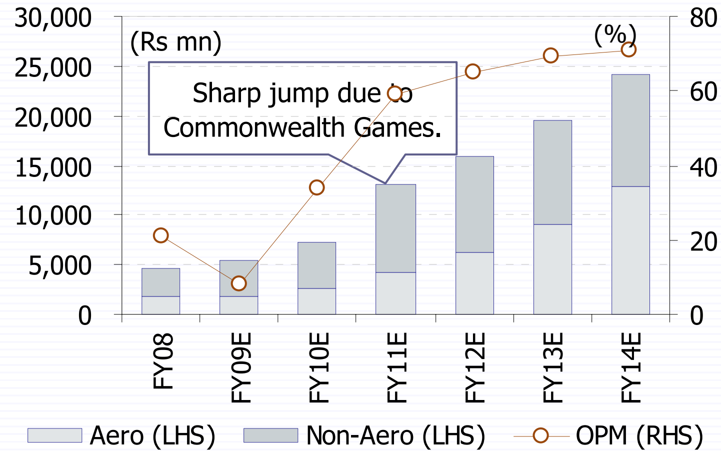
Source: Company, ENAM Research

Delhi Airport: Revenue Analysis

➲ 11.6% WACC guaranteed through aero charges; upside from non-aero revenues

- Aero Revenues: Regulated but assured returns
  - Comprise aero charges such as landing charges, aircraft parking charges, passenger service fee etc.
  - In return for a 46% revenue share, DIAL has been guaranteed 11.6% WACC on the aero assets
  - Aero charges can thus compensate for a de-growth in air traffic and are determined by a formula:
  - 11.6% WACC x Aero assets + aero-related expenses (opex + depreciation + taxes) – 30% non-aero revenues
- Non aero revenues: Dependent on traffic growth!
  - Globally, non-aero revenues comprise over 60% of total revenues of airports
  - DIAL has renegotiated various contracts like ground and fuel handling, car parking, ad space, lease rentals etc and increased non-aero contribution to 65% v/s 55% in FY06
- Factoring a drop in non-aero rates post 2011
  - Non-aero contracts are currently at very high rates
    - We believe these could be renegotiated downwards post 2011 after Commonwealth Games (terminal bldg area would have been expanded ~5 fold)
  - There is an upside risk to our valuations in case of continuation of high rates

Aero: Non aero revenue mix and OPM



Key non-aero revenue assumptions

Key non-aero assumptions	2008	2012
Duty free spend/pax (Rs)	488	400
- DIAL revenue share (%)	*31*	*20*
Ad space rates/sq mt/mth	34,000	37,485
- DIAL revenue share (%)	*75*	*60*
Wtd avg rentals (Rs/sqmt/mth)	571	623
- Of which duty free area rentals	15,000	5,500

Source: Company, ENAM Research

DIAL Real estate: Bids to open by mid Jan …

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DIAL – Rights to 250 acres of prime land

- Concession agreement has granted DIAL rights to develop 250 acres of prime land around the airport
  - DIAL intends to develop an Aerotropolis – airport city; first 45 acres parcel to be developed as a hospitality district with a range of hotels from budget to 7 star
  - Currently, Delhi faces a shortage of ~ 20,000-25,000 rooms in view of the demand expected during the Commonwealth games implying a favorable scenario for hotel development

Upfront deposits controversy finally resolved!

- DIAL had proposed raising upto Rs 27.5bn as interest free deposits by leasing land to developers
  - Amount was and is to be used for funding the airport capex plans
- However, this came under a major controversy and delayed the plans as GMR had proposed raising upto 80% of the lease rentals as upfront deposits
  - This would have been unfavorable for AAI as it would have lost out on its revenue share
- Recently, the resolution has been in favor of GMR
  - Both the Attorney General and the Civil Aviation Ministry have given an opinion in favor of GMR
  - GMR has thus invited bids for leasing for 57 years. The bidder has to quote a base rental escalated by 5.5% p.a.
  - **Upfront amount = 3x the avg annual rentals over the 57 years; implies ~65% upfront payment by the developer**
  - GMR now expects to complete the process by mid Jan'09

Est. demand supply of hotel rooms in NCR

	No Activity	Construction Begun	Opening Soon	Total Supply
Delhi	1,920	2,862	187	4,969
Gurgaon	4,680	3,386	1,081	9,147
Noida	300	1,230	88	1,618
Total NCR	**6,900**	**7,478**	**1,356**	**15,734**
Est. Room Demand for Commonwealth Games				**40,000**

Source: Media, FHRAI

Real estate bids – Proposed upfront deposits!

Terms for bids (Illustration)	(Rs mn/ acre)
Upfront deposits reqd from 45 acres (A)	**27,500**
Implied upfront deposit/acre (A/45) (B)	611
Implied Selling price assuming 65% upfront (B/65%)	940

Source: Company, ENAM Research

Rs 27 bn upfront for 45 acres implies an upfront amount of ~Rs 600mn/acre or a PV of ~Rs 1bn/acre

...But will the deposits really materialize?

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- **DIAL expects to raise Rs 18bn now given the credit crunch and slowdown in real estate**
  - ~80 parties have submitted EoI for DIAL real estate
    - However, given current credit crunch and slowdown in real estate, upfront deposits may not materialize
  - In our base case estimate, we have factored that DIAL might be able to raise ~Rs 16bn upfront which will suffice as it has already put in Rs 13.5bn
    - To prevent a delay in airport capex, DIAL has infused ~Rs 13.5bn (of the Rs 27.5bn) as quasi-equity; of these GMR has put in ~Rs 9bn
    - We have assumed a 25% discount to the current selling prices of premium commercial real estate in Delhi
    - Provided 65% upfront payment materializes, DIAL may be able to garner Rs16bn as deposits as illustrated
    - As the deposits will be interest free, the WACC of Delhi airport project ranges from 9.4%-10.7% depending on actual amount raised
  - If unsuccessful, GMR has proposed levying of ADF
    - ADF (Airport dev. fees) will not be subject to revenue share
    - Proposed ADF charges are Rs 300/domestic pax and Rs1000/international pax similar to UDF charges at Hyderabad airport
    - DIAL may also propose deferring of payment of revenue share in lieu of upfront deposits
    - AAI, 26% equity partner, may agree to the ADF proposal as it would have to otherwise pay its equity share (Rs 7bn)

At what rate would the developer bid?

Bidder's Economics	(Rs/sqft)
Current avg monthly rental for prime realty in Delhi	175
Discount factor due to huge supply at DIAL	25%
Avg monthly rental income possible for developer (i)	**131**
Implied Annual rental income (i*12) (ii)	1,575
Implied Selling price assuming cap rate of 14% (ii/14%) (A)	11,250
Developer's PAT @ 20% margin	2,250
Implied PBT assuming 35% tax rate (B)	3,462
Construction cost assumed (C)	3,500
Max land cost payable by developer (A-B-C) (D)	**4,288**
Upfront proportion @ 65% (D*65%)	2,788
Upfront deposit/acre with 3 FSI (Rs mn)	364
Upfront deposits for 45 acres (Rs mn)	**16,392**

Source: Company, ENAM Research

In our estimate, ~Rs 16bn of upfront deposits can be garnered at best vs DIAL's expectations of ~Rs 18bn

DIAL Valuation - Scenarios

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➲ We arrive at a base case value of Rs 17/share for DIAL incl. real estate

- We have assumed a phased development of the 250 acres over the next 6 years and an FSI of ~2.5x
  - DIAL will be developing 6.6mn sqft on the first 45 acres implying an FSI of ~3x; for the balance FSI will be ~2x
  - Depending on the upfront deposits proportion, amount of revenue share to AAI would change impacting real estate valuation
  - Also, the upfront deposit amount will determine the WACC for the airport capex (from 9.4% to 10.7%), resulting in a significant change in the core airport valuation
- In the worst case, upfront deposits may not materialize resulting in a downside of Rs 8/share to our base case estimate; key upside risk to our valuation is higher than expected bids and upfront proportion which can significantly swing the valuation

Core airport and realty valuation - key assumptions

Rs mn	Worst	Base	Best
Real estate valuation			
Upfront deposits realisable (for 45 acres) (Rs mn)	0	16,490	27,675
PV of annual rentals/acre (for first 45 acres)	540	547	1,007
PV of annual rentals/acre (for entire 250 acres)	214	240	464
Discount rate	18%	18%	18%
NAV/acre (Rs mn)	**67**	**130**	**239**
NAV /acre for GMR* (Rs mn)	**31**	**82**	**183**
Value of GMR's 50.1% stake	3,935	10,264	22,881
Value/share (Rs)	**2**	**6**	**13**
DIAL core airport valuation			
Assumed Cost of Quasi equity	14%	12%	0%
Resultant WACC calculation for DIAL	**10.7%**	**10.0%**	**9.4%**
Value of GMR's stake in DIAL (ex -realty)	12,201	20,239	27,649
Value/share (Rs)	**7**	**11**	**15**
Total	**9**	**17**	**28**

*Source: Company, ENAM Research * NAV/acre for GMR is after netting off 46% revenue share and use of deposits for airport capex*

Rs 27bn of upfront deposits would imply a PV of Rs1bn /acre as illustrated earlier

NAV/acre for GMR increases as amount of upfront deposits increases; (but decreases the bidder's IRR)

Upfront deposits would be available at zero cost; bal. Quasi equity requirement to be funded will have a cost

WACC will decrease with higher proportion of upfront deposits and hence value of DIAL airport will increase. Also, in case ADF is levied in lieu of upfront deposits, the core airport valuation will increase by a min. of Rs 4/share in our estimate

Key concerns

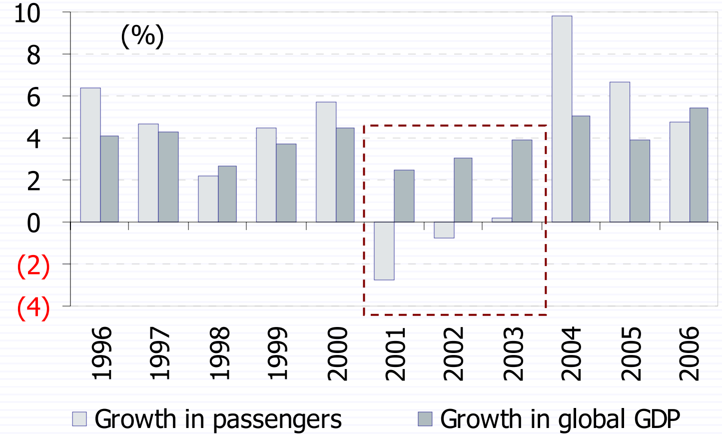
Air traffic slowdown to impact profitability

- The aero charges formula should ideally take care of ensuring minimum guaranteed returns of 11.6%
- However, the declining air traffic will imply a significant hike in aero charges (~35% pa in our estimate). However, until now even the minimum 10% hike in aero charges has been disallowed by the govt. as airlines are making a loss
- Recently however, govt. allowed GVK to hike aero charges by 10% at Mumbai airport
- Overall, we believe that the current slowdown is cyclical and we expect traffic to pick up with the Commonwealth games scheduled in 2010 and continue to grow at an overall CAGR of 10% for the next decade

Aggressive capex schedule for Delhi airport

- GMR may have to incur penalties in case deadlines are not met as specified; however, GMR has demonstrated good speed with ~50% of the capex incurred in ~8 months

Airport passenger trends and global GDP growth rates



Source: ACI

Challenging schedules

Airport	Capacity	Time
Changi	22mn	76 months
Heathrow, T5	25mn	60 months
Beijing Airport, T3	25mn	36 months
IGI Airport,T3	34mn	To be done in 37 months

Source: Company

H'bad Airport – A snapshot

ENAM

Concession details

Project details

Concession awarded/FC:	**August 2005**
Concession period	30+30 yrs
Land under development	5,500 acres
Project cost (Phase I)	USD 620mn
Revenue share with AAI	4.0%

Airlines and Facilities

Key airlines

11 Domestic Airlines and 14 Int. Airlines
- Air India, Indian Airlines, Jet Airways, Kingfisher Airlines
- Singapore Airlines, Emirates, Gulf Air, Thai Airways, Air Arabia and British Airways

Key Facilities

Airside facilities
- One of the longest runways (4,260 m)
- 42 aircraft parking stands and 5 cargo parking stands

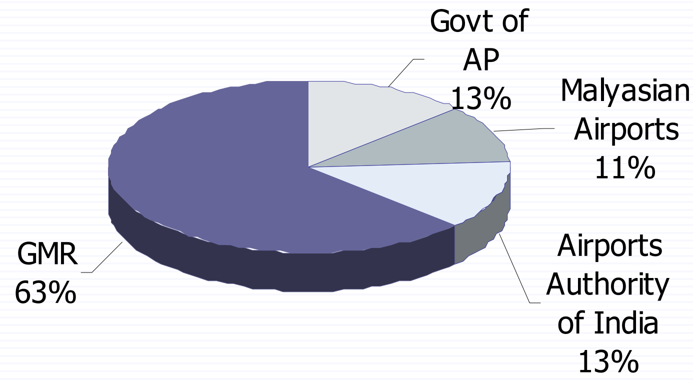
Landside facilities
- 146 Check-in counters & 46 Immigration counters
- Car park facility for 3,700 cars
- City connectivity with 30 A/c busses and 700 radio taxies

Final capacity

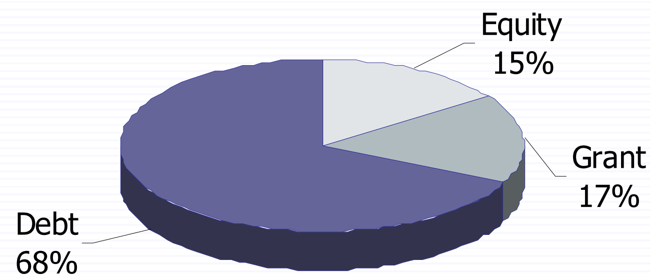
	Phase I	Phase IV
Pax (mn)	12	40
Cargo ('000 MT)	100	350
Runways	1	2
Terminal building area (mn sq.ft.)	1.17	3.9

Source: Company, ENAM Research

Shareholding structure



Funding: Benefits from higher leverage and grant



Project Cost Rs 24.8bn

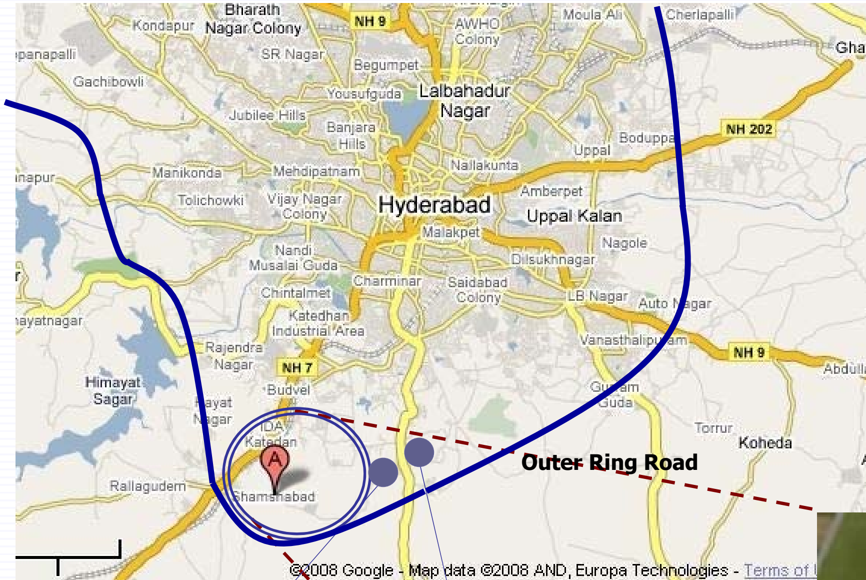
Project operational since March 2008; commissioned ahead of schedule!

Hyderabad Airport – A Bird's eye view

ENAM

Airport Connectivity

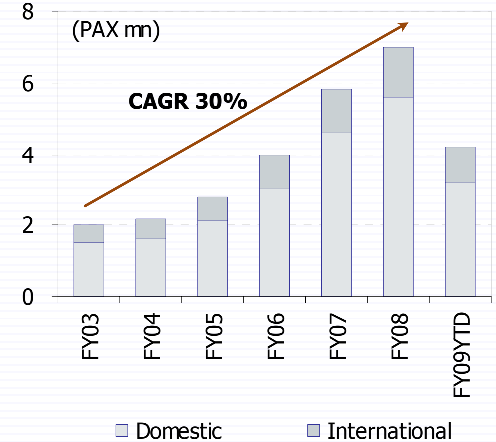
- Four-lane National Highway NH-7 with Service Lanes (on its west)
- Four-lane Srisailam State Highway (on its east)
- Proposed Eight-lane 24.38 km access controlled ORR
- Widening of 52-km Inner Ring Road with six lane Flyover (including construction of Elevated Expressway –11.6 kms)
- Multiple Traffic Management initiatives to decongest city road



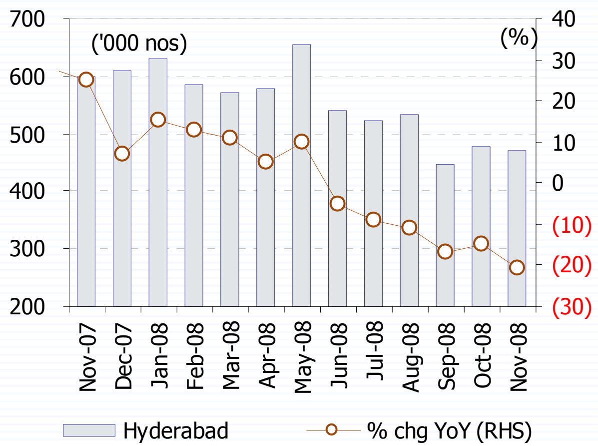
H'bad airport: Higher domestic pax

- **6% market share; 30% CAGR!**
  - The financial closure of the HIAL was completed in Aug'05 and was commissioned in Mar'08
  - Traffic decline (~5% YTD) more pronounced due to pax composition
    - Domestic :Int. pax mix is 80:20
    - GMR attracting newer airlines to tide over the decline
    - We have built in a 14% decline for FY09E and no growth in FY10E
  - Cargo volumes up 8% YTD (Apr-Nov)!
    - We have factored no growth in FY09E; 15% CAGR over next 5 years
    - GMR has signed an MoU with Deccan Express logistics for cargo handling

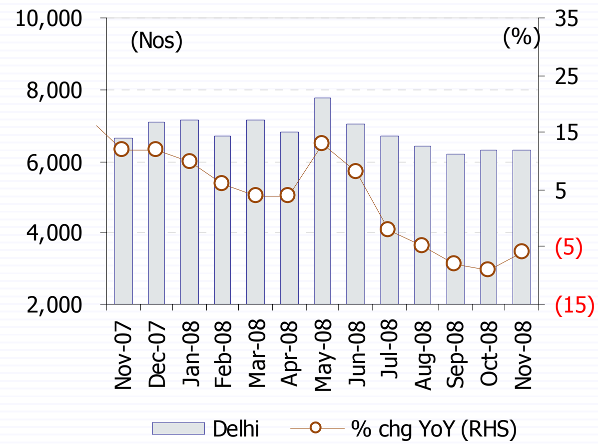
Hyderabad: Pax trends



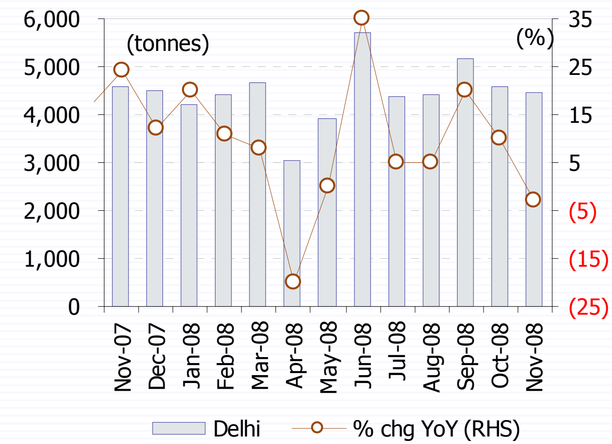
H'bad- pax movement



H'bad- ATM movement



H'bad- freight movement

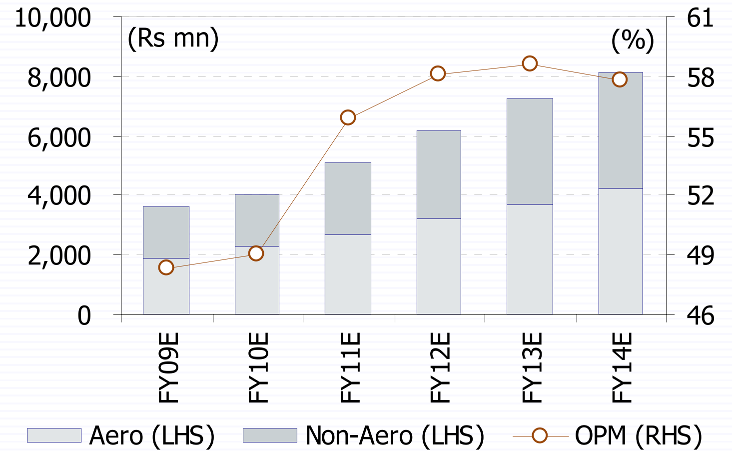


Source: Company, ENAM Research

Hyd airport: Revenue Analysis

- **Both aero and non-aero revenues dependent on traffic**
  - Aero Revenues: Highly dependant on UDF Charge
    - Besides regular aero charges such as landing charges, HIAL has been allowed to charge user development fee (UDF)
    - HIAL currently charges UDF of Rs 375 for domestic departing passenger and Rs 1,000 for international departing passenger
    - UDF accounts for ~70% of aero revenues
    - HIAL has the discretion to increase UDF charges but it will be governed by the recently introduced AERA bill
  - Non aero revenues: Dependent on traffic growth!
    - Given the lack of clarity, we have assumed no ground handling revenue from domestic carriers till FY11
    - In our assumptions non-aero revenues will comprise ~45% of total HIAL revenues v/s global average of 60%
    - As HIAL reaches a critical mass it will be able to renegotiate some of the contracts at a higher rate, aiding increase in the proportion of non-aero revenues. This remains a key upside risk to our revenue assumptions

H'bad Aero: Non aero revenue mix and OPM



H'bad Key non-aero revenue assumptions

Key non-aero assumptions	2009	2013
Duty free spend/pax (Rs)	384	467
- HIAL revenue share (%)	*32*	*32*
Wtd avg rentals (Rs/sqmt/mth)	300	364
Avg Ground Handling/ATM (Rs)	7,430	22,460

Source: Company, ENAM Research

HIAL – Sensitive to traffic growth, realty valuation

ENAM

1,000 acre commercial development and 2 SEZ's of 250 acres each as a part of the concession

- Received formal approval from GoI for setting up two SEZs on a part of land available for airport development viz. Aviation SEZ and Multi-product SEZ
- Also, plans to develop 1,000 acres land for commercial and residential purpose
  - Appointed CB Richard Ellis as Business Development Consultant and CPG of Singapore to develop the Master Plan for Commercial Development
  - Proposal for development of Budget Hotel and Commercial Space under review and to be finalized shortly

Core Airport valuation is highly sensitive to traffic growth

- We have assumed a PAX CAGR ~5.5% over the next 5 years.
- A 1% change in CAGR over FY08-13E impacts the valuation by ~5%

HIAL	Worst case	Base case	Best case
A) Airport			
Cost of Equity (%)	18	16	14
Traffic CAGR - FY08-13 (%)	4.5	5.5	6.5
Valuation	**13,661**	**20,574**	**30,069**
Value/share	**8**	**11**	**17**
B) Real Estate / SEZ			
Discount Rate (%)	20	18	16
Selling Rate			
Airport land (1,000 acres)	40	46	50
Aero SEZ (250 acres)	40	50	60
Multi product SEZ (250 acres)	40	50	60
Valuation	**5,215**	**9,625**	**14,561**
Value/share	**3**	**5**	**8**
Total Valuation	**18,876**	**30,199**	**44,630**
Value/share	**10**	**17**	**25**

A 1% change in traffic impacts valuation by 5%, balance impact is due to change in CoE

Expect oversupply in the region by 2010, hence benchmarked to highest buying price recently in the best case

Secured in principal approval for both SEZ's; land in possession; hence lower risk

Sabiha Gokcen Airport – A snapshot

ENAM

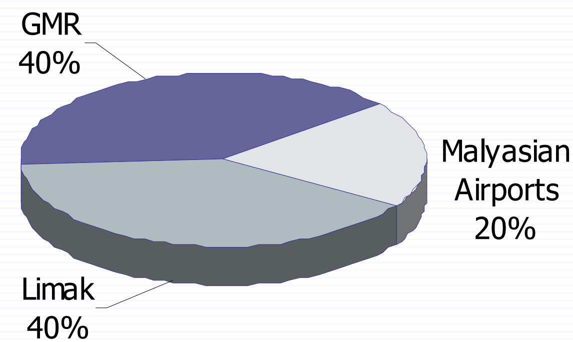
Project details	Concession details
Project Won:	**July 2007**
Site handed over:	March 2008
Concession period	20 yrs
Construction period	2-1/2 yrs
Project cost	Euro 450mn
Concession Fee	Euro 1.932bn to be payable in last 17yrs

Other Features	Project Features
Enclosed Area (sq mtr)	
-Domestic Terminal	3,500
-International Terminal	20,000
-Cargo Terminal	7,500
Cargo Capacity (tons)	**45,000**

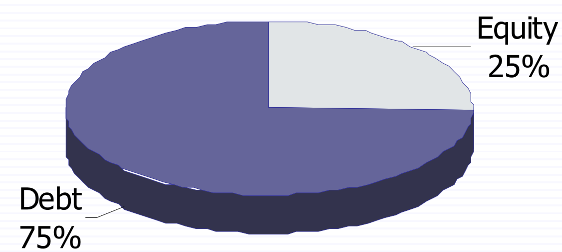
	Current	Final
Total Pax	**5.5-6**	**25.0**

Source: Company, ENAM Research

Shareholding structure



Funding: Partial Equity to be funded from profit of const. JV with Limak



Project Cost Eur 450mn

First foray into the international market for GMR!

Civil aviation in Turkey evolving fast

ENAM

Turkey civil aviation sector posting strong growth

- Turkey comprises 52 Airports which have the State Authority responsible for operations
- Tourist Traffic to Turkey is about 20mn pax
- The Annual Passenger Traffic in Turkey has grown at a CAGR of 14% over 2002-07 to 66mn (Int: Domestic mix is 55:45)
- Istanbul Ataturk Airport is among the fastest growing major airports in the world

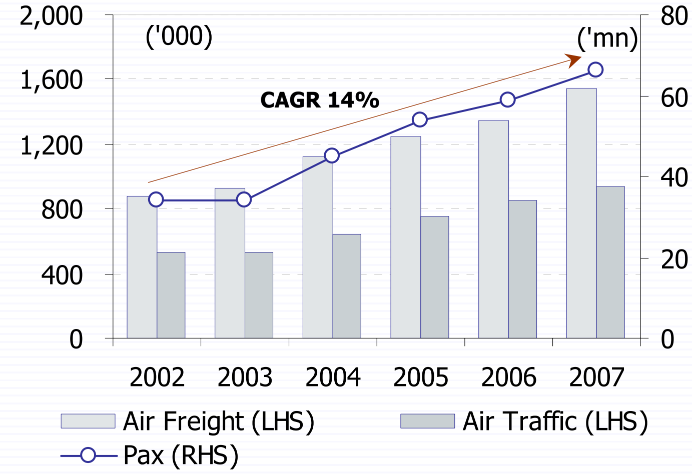
TAV is the largest airport developer

- TAV is the largest player with ~48% share in passenger traffic
  - Operates 3 out of top 5 airports in terms of passenger traffic

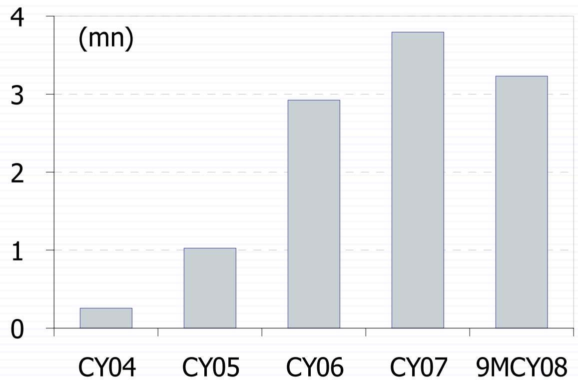
Sabiha Gokcen growing fast

- Has a ~6% share of passenger traffic in Turkey
- Posted 30% YoY growth in pax traffic in 2007 to reach 3.8mn
- We have factored an 18% YoY growth in FY09E and 7.6% CAGR over the life of the project

Growth of Turkey civil aviation



Sabiha Gocken – Passenger growth



Sabiha: Valuation sensitivity

Sabiha Gokcen	Worst case	Base case	Best case
A) Airport			
Pax Traffic CAGR (%)	6.6	7.6	8.6
Discount Rate (%)	18	16	14
Valuation	**6,380**	**9,985**	**14,684**
Value/share	**4**	**5**	**8**

Source: Company, Enam Research

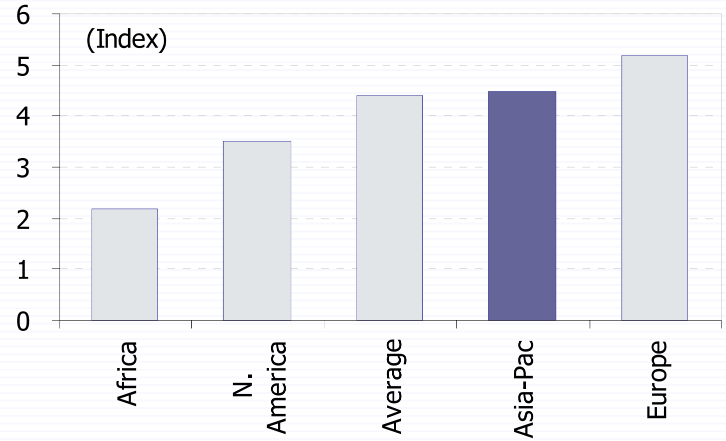
Global Valuation

ENAM

USD mn	Mkt Cap	Mkt Cap/Sales		PE (x)		EV / EBITDA (x)		P/B (x)		OPM (%)	
Comp name	(Usd mn)	2009E	2010E	2009E	2010E	2009E	2010E	2009E	2010E	2009E	2010E
Asia		**4.7**	**3.8**	**27.1**	**24.5**	**13.4**	**8.1**	**2.3**	**2.3**		
MALAYSIA AIRPORTS HLDGS BHD	733	1.7	1.6	8	8	3	3	0.8	0.7	37	36
SHANGHAI INTERNATIONAL AIR-A	3,233	6.0	5.0	19	14	11	9	1.6	1.5	66	66
BEIJING CAPITAL INTL AIRPO-H	2,307	3.1	2.7	44	33	5	5	1.1	1.1	50	52
XIAMEN INTERNATIONAL AIR-A	535	5.2	4.7	15	14	8	8	2.6	2.5	64	62
HAINAN MEILAN INTL AIRPORT-H	197	3.1	2.9	28	26	3	3	0.7	0.6	65	66
Delhi International *	842	5.6	3.1	48	52	35	11	2.8	2.6	34	59
Hyderabad International *	680	8.1	6.4	-	-	28	19	6.7	6.7	49	56
Europe		**1.3**	**1.2**	**19.5**	**14.5**	**6.5**	**6.2**	**0.8**	**0.8**		
FLUGHAFEN ZUERICH AG-REG	1,436	2.0	1.9	13	12	7	7	1.1	1.0	50	50
GEMINA SPA	782	1.0	0.9	38	21	8	7	0.4	0.4	46	44
SAVE SPA	299	0.6	0.6	10	9	5	5	0.8	0.8	16	16
FRAPORT AG	4,001	1.4	1.3	17	15	6	6	1.1	1.1	28	29
Australia / NZL		**4.3**	**3.8**	**34.4**	**16.3**	**16.9**	**13.7**	**1.0**	**1.0**		
MACQUARIE AIRPORTS	2,820	3.1	2.4	50	16	22	17	0.9	0.9	70	74
AUCKLAND INTL AIRPORT LTD	1,197	5.5	5.1	19	17	12	11	1.1	1.1	78	78

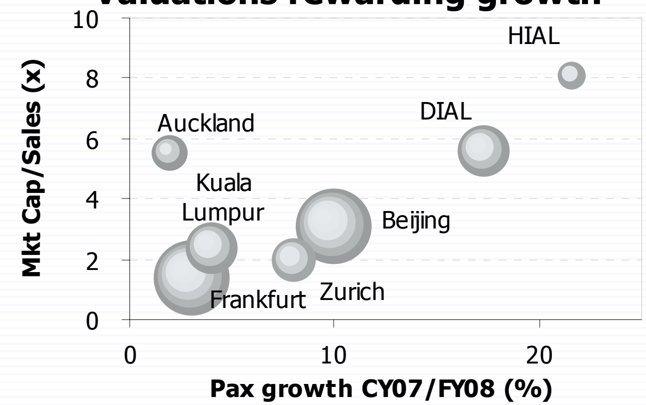
*Source: Bloomberg, * DIAL and HIAL are FY10E and FY11E*

Commercial revenue/pax indexed by world region



Source: Jacobs Consultancy

Valuations rewarding growth

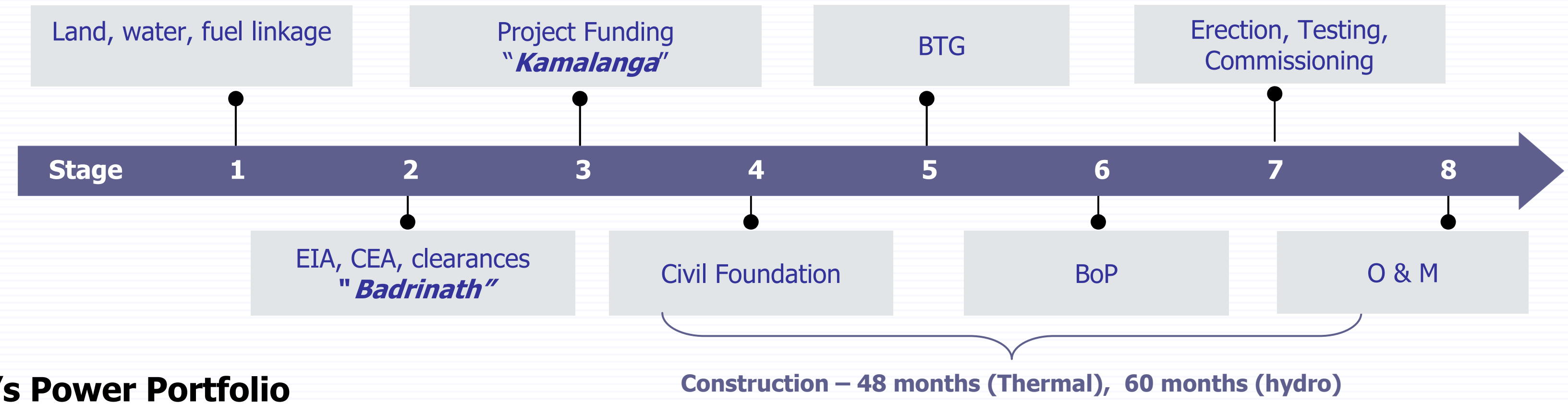


Source: Bloomberg, ENAM Research, Bubble size represents pax handled

Power Assets – Fuel linkage to be a key value add

GMR's Power portfolio at a glance

Power plant timeline



GMR's Power Portfolio

Particulars	GEL	GPCPL	Vemagiri	Kamalanga	Badrinath
Capacity (MW)	220	200	388	1050	300
Ownership (%)	100%	100%	100%	80%	100%
Capex (Rs mn)	-	-	-	45,540	14,560
Fuel Type	Naptha	LSHS	Natural Gas	Coal	Run of river
CoD	2001	1999	2006	2012	2013
Land acquisition status	-	-	-	Process started	Land not yet acquired
Fuel supply status/Environment clearance	-Naptha available currently	-	Diverted gas available currently. RIL KG basin gas expected by June-09	Coal linkage obtained	Environment clearance obtained
Off take arrangement	PPA for 7 yrs till 2008	PPA for 15 yrs till 2014	PPA for 23 yrs till 2029 for 370MW, rest merchant sales	PPA for 25% capacity with GRIDCO and for 75% capacity with PTC	▪ No PPA signed
Project Status	~80% PLF currently, to be relocated in future	Operational	Operational	▪ EPC contract being renegotiated ▪ Expect FC by Jan end	▪ DPR finalized & submitted to CEA

Operating Assets   Under Development Assets

All new projects are in very nascent stages

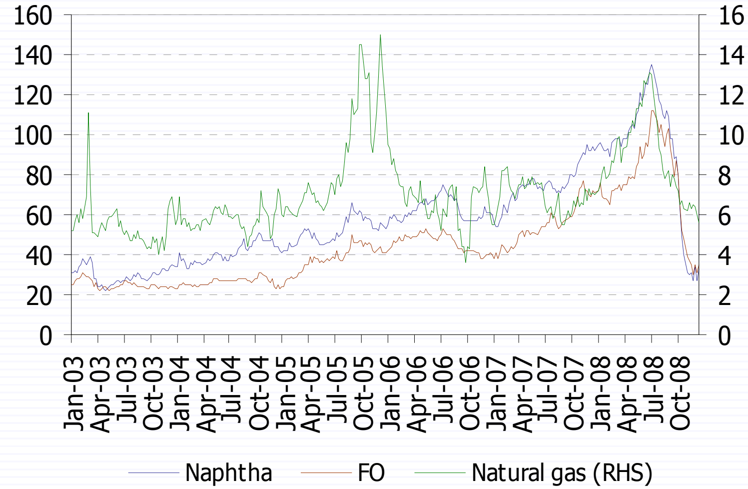
Refer page 51 for Hydro power plants under development

Operational assets: Largely regulated returns

ENAM

- **Existing plants (808MW)**
  - GMR Energy ltd (GEL)
    - IPP – 220MW – Naphtha-based
    - Crashing naphtha prices and higher merchant rates on ST basis to boost the RoEs
    - Relocation plans for GEL currently deferred
  - GMR Power Corporation Pvt. Ltd. (GPCPL)
    - IPP – 200MW – LSHS-based
    - 15-yr PPA (till 2014) with TNEB
    - Regulated return profile of 14% post-tax RoE
  - Vemagiri Power Generation Ltd. (VPGL)
    - IPP – 388.5MW – Gas-based
    - Contracted 370MW till 2029 @ 80% PLF
    - Fuel: Recently commenced operations on diverted gas; RIL KG basin gas from Q1CY09

Cracking Fuel prices



Source: Bloomberg, ENAM Research

- **Valuations sensitivity**
  - Valuations of GEL are highly sensitive to merchant tariff assumptions
  - For GPCPL and VPGL , we have assumed a Cost of Equity range of 10-14% for our scenario analysis

Existing Power Plant Valuations

		LT merchant tariff		
		3.0	4.0	5.0
Cost of Equity	10	3,235	9,865	16,495
	12	2,697	9,006	15,314
	14	2,199	8,207	14,216

	Worst	Base	Best
GEL	2,199	9,006	16,495
CoE (%)	**14**	**12**	**10**
GPCPL	1,417	1,477	1,540
VPGL	11,790	12,217	12,667
Total	**15,406**	**22,699**	**30,702**
Per/share	**8**	**12**	**17**

Source: Company, ENAM Research

New projects: Fuel linkage; the key value add

ENAM

New plants: High merchant sales proportion

- We have assigned value to Kamalanga project, where financial closure is about to be achieved and the EPC contract is being re-negotiated (with SEEPCO)
- With merchant sales proportion proposed at over 50%, GMR is likely to gain as power capacity addition could remain short of demand due to credit tightness
- Hydro projects totaling 1.2GW not assigned value as they are still in nascent stages, 5-10 yrs away from COD

Fuel Linkages : Can support 1GW more!

- 112mn tonnes (GMR's stake) of captive coal blocks in Orissa can support a 1,000MW plant to be used mostly for Kamlanga
  - Rampia Mines held by 6 players: GMR, REL. Lanco, Arcelor Mittal, Sterlite and Navabharat
- S.African Mines: GMR has acquired 10% in Homeland's S.African mines for USD 15mn
  - Has an option to acquire additional 40% for USD 140mn
  - However, re-evaluating the same as initial survey has not been satisfactory
- Indonesian Coal assets:
  - GMR is in process of acquiring coal assets in Indonesia at an estimated investment of USD 80-85mn
  - An estimated reserve of 115 MMT (medium to high quality coal) can support a power capacity of ~1GW

Kamlanga: Valuation Sensitivity

		LT Merchant Tariff		
		3.0	3.5	4.0
WACC	11.5%	17,403	26,238	35,073
	12.0%	15,610	24,018	32,425
	12.5%	13,938	21,945	29,951

Fuel linkages can support 1GW more!

Fuel Linkages	Rampia	Indonesia
Total Reserves (MMT)	560	115
GMR's stake (MMT)	112	115
Calorific Value (kcal/kg)	4,500	4,200
Total MW supportable	1,195	1,022
MW already planned	1,050	0
Balance supportable		**1,022**

Source: Company, ENAM Research

Fuel linkage will be a key competitive advantage

Intergen Acquisition

InterGen N.V. Acquisition

ENAM

- **Acquired 50% in InterGen for USD 954mn from AIG Highstar**
  - Recently revised acq. price downwards from USD 1.1bn
  - Ontario Teachers Pension Plan (USD 109bn of net assets) holds bal. 50%
    - GMR and OTPP have right of first offer to each other
- **InterGen: Unique proposition**
  - InterGen has projects of ~8GW (equity ownership of 6.2GW) across geographies
    - InterGen also has development plan for ~4.7GW
  - Assets are relatively young with avg. age of the plant at ~5.5yrs
  - Balanced mix of contracted: merchant sales at 70:30
    - Further 60% of the merchant sales are hedged
  - ~85% projects are gas based which gives advantage of lower carbon costs
- **GMR has financed this with Forex debt of ~USD 1bn (@ LIBOR + 350bps)**
- **Current equity IRR is ~10%; GMR expects IRR of ~16% post expansion to 12.7GW**
  - Acquisition EV/MW of USD 0.92/MW
    - Reasonable compared with peers currently trading at EV/MW of USD 0.9/MW
  - However, adjusted for the reduction in net worth (for payments to shareholders), the P/B multiple at 4x is expensive

Brief asset overview

InterGen Net Capacity (net of aux)	
Operating assets	7,658 MW
Assets in construction	428 MW
Equity stake	6208 MW
Assets in development:	4,680 MW
Total	**12,766 MW**

Brief Financials

CY07	(USD mn)
P&L	
Revenue	1,650
Normalized EBITDA	613
Normalized PAT	100
Reported PAT	(179)
Dividend	144
Ratio	
OPM	37.2
RoE	18.4
Balance Sheet	
Equity	544
Debt	4,200
Capital Employed	**4,744**

Gained access to a sizeable quality portfolio but at an expensive valuation!

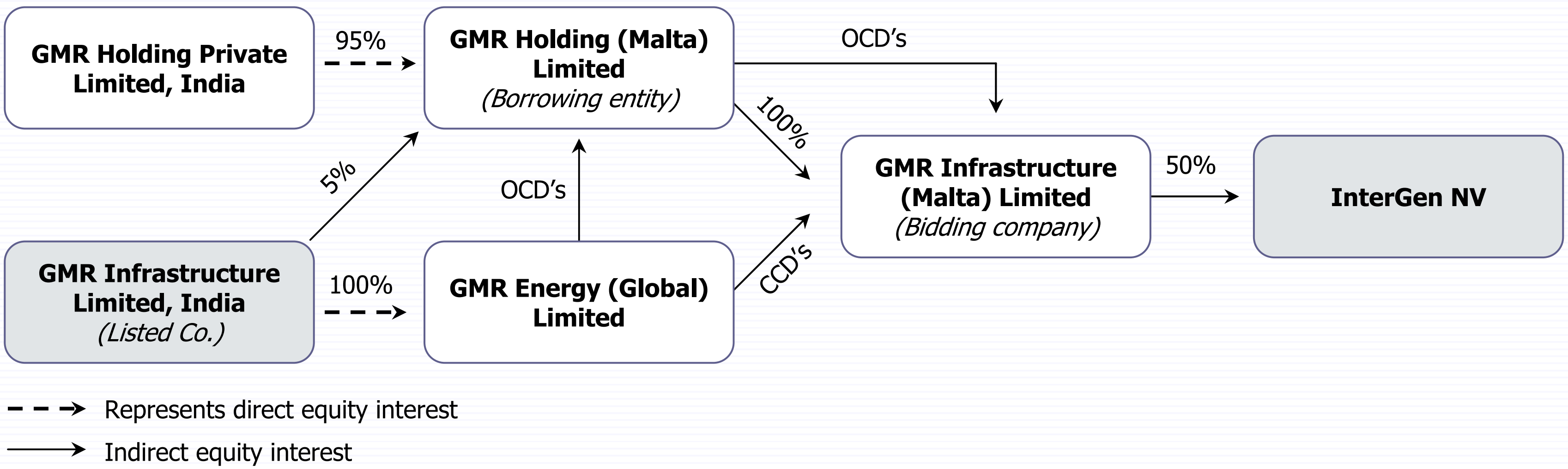
InterGen Acquisition Structuring

ENAM

➲ **Acquired 50% stake in global power genco Intergen (12.76GW); only 2.5% held directly**

- GMR Holding (Malta) Ltd. is the company borrowing acquisition finance from a consortium of banks
  - GHML would invest the entire amount of acquisition finance by way of OCD's in GML
- GIL India would invest the equity margin required for the acquisition, through GMR Energy (Global) Ltd. (GEGL), based in Isle of Man
  - In GIML as Compulsorily Convertible Debentures (CCD's) and
  - In GHML as Optionally Convertible Debentures (OCD's) on identical terms
- The said CCD's/ OCD's would be structured so as to give GEGL complete economic benefits in InterGen NV

Intergen acquisition structuring – 5% direct holding but 100% economic interest



Structuring intended to preserve GIL's borrowing capacity while retaining economic interest in Intergen

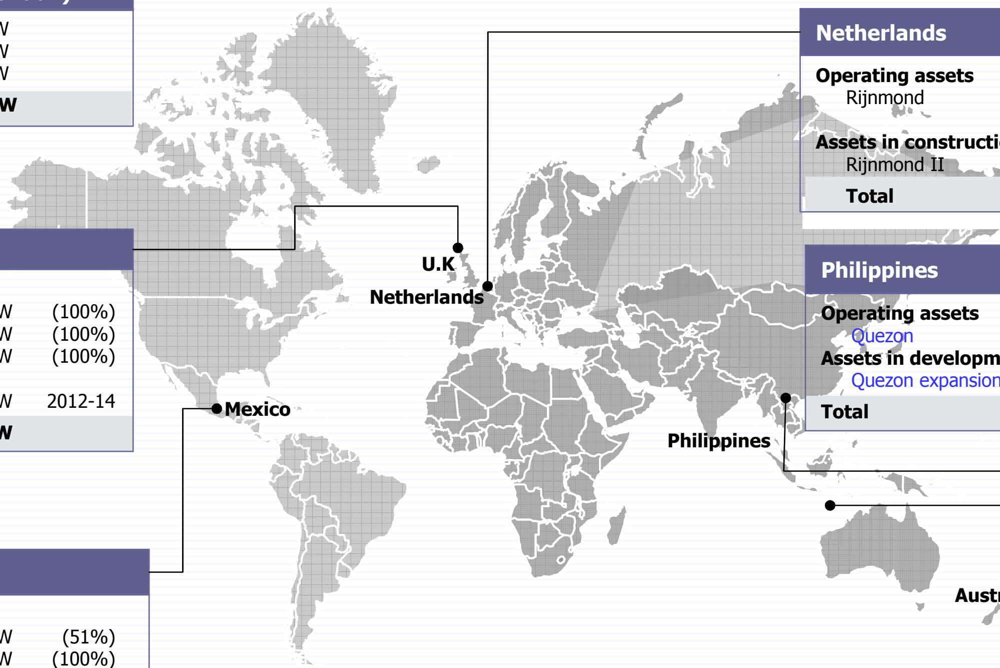
InterGen Assets - Overview

ENAM

- 8GW operational plants (incl. 428MW under construction) and a development plan for 4.6GW
  - Of these, InterGen's proportional equity stake is 6208MW
- Average age of the plants is just 5.5 years and 85% of the projects are gas based
  - Comparative cost advantage: No need to buy carbon credits in EU and N America as all projects are gas based

InterGen Net Capacity (net of aux)

Operating assets	7,658 MW
Assets in construction	428 MW
Assets in development:	4,680 MW
Total	**12,766 MW**



United Kingdom

Operating assets		
Rocksavage	748 MW	(100%)
Coryton	777 MW	(100%)
Spalding	860 MW	(100%)
Assets in development		
UK Expa. / Dev.	2,520 MW	2012-14
Total	**4,905 MW**	

Mexico

Operating assets		
Bajio	600 MW	(51%)
La Rosita	1,100 MW	(100%)
Assets in development		
Mexico Wind	500 MW	2010
Assets acq. through M&A		
TransAlta Mexico	523 MW	Mid-2008
Plant-related pipeline	n/a	Mid-2008
Total	**2,723 MW**	

Netherlands

Operating assets		
Rijnmond	820 MW	(100%)
Assets in construction		
Rijnmond II	428 MW	(100%)
Total	**1,248 MW**	

Philippines

Operating assets		
Quezon	460 MW	(45.87%)
Assets in development		
Quezon expansion	460 MW	2012-13
Total	**920 MW**	

Australia

Operating assets		
Millmerran	850 MW	(26.85%)
Callide	920 MW	(25%)
Total	**1,770 MW**	

Diagram legend

■ CCGT ■ Coal

Contracted

Detailed break up of capacity

ENAM

Intergen Assets

Name	Capacity (MW)	Stake (%)	Capacity Util (%)	Hedge/ Contract expiry	% Merchant	Key Features
N. America - Gas	**2,223**					
La Rosita I	780	100	53.8	June-18 & Jul-28	4.7%	PPA with govt entity CFE
La Rosita II	320	100	-	Jul-05	6% till CY11 100% thereafter	
Bajio	600	51	83.3	Mar-27	17%	
TransAlta Assets	523	100	-	-	-	Recently acquired assets for USD 303.5mn
Europe - Gas	**3,633**					
Rocksavage, UK	748	100	77.0	Mar-13 & Apr-13	6% till CY13 100% thereafter	To benefit from phase out of nuclear plants, tighter emission norms and lower than expected new capacity in wake of credit crisis. Intergen plans expansion in Coryton and Spalding
Spalding, UK	860	100	61.2	Sep-21	100% post CY29	
Coryton, UK	777	100	60.8	Mar-11	100%	
Rijnmond I, Netherland	820	100	71.7	Jun-19	100% post CY19	Netherland dependent on imported power and ~7-10GW power plant closures expected acc to mgmt
Rijnmond II, Netherland	428	100	-	Q2-30	100% post CY30	
Asia Pacific - Coal	**2,230**					
Quezon, Philippines	460	46	73.5	May-25	100% post CY25	
Callide C, Australia	920	25	76.3	Dec-10	100%	Both are supercritical plants located near fuel source making them top tier efficient plants in Australia. Will aids GMR for pre-qualification for UMPP in India.
Millmerran, Australia	850	27	85.0	Dec-10	100%	

Source: Company, ENAM Research

Intergen: Key Concerns

- **Loss making since 2 years; volatile cash flows – expected to continue**
  - InterGen has reported cash losses in the preceding two years due to mark to market and exceptional non-recurring items
    - However, operating cash flow remains robust
  - We note that cash flows could remain volatile going forward
    - Coryton's lucrative GSA would expire in 2016. Coryton contributes ~30% of consolidated EBITDA
  - We expect Intergen to report a loss in CY08E (but report profits on adj. basis) due to volatile currency, gas and electricity prices
- **Net worth erosion and cash distribution**
  - Net worth of InterGen declined in 2007 to USD 540mn from USD 800mn in 2006 primarily due to higher cash payment to shareholders and write-off on certain investment
  - Cash distribution option still available provided certain covenants regarding D/E and int coverage are met
    - However, cash distribution in CY08E not expected to be significant
- **InterGen has a high D/E of 7.7x; avg. cost is ~7%**
  - However, debt at parent level with back-ended/bullet repayment (only 2-4% is the annual repayment vs a tenure of ~10 years)
  - Its ~USD 4.5bn borrowings have a Ba3 rating
    - ~USD 3.4bn debt was refinanced just before the sub-prime crises and yet at high rates of ~9-9.5% due to bullet repayment structure

Debt Analysis and Final maturity

(USD mn)	Avg. Int. rate	O/S debt	Final Maturity
Senior Secured notes	**8.8%**	**2,626**	
USD Bonds	9.0%	1,260	2017
GBP bonds	9.5%	400	2017
EUR bonds	8.5%	213	2017
Term Loan (GBP)	8.3%	753	2014
Debt Facilities - non recourse	**4.8%**	**1,914**	
RijnmondI	4.5%	636	2019
RijnmondII	4.2%	476	2032
InterGen Netherland	4.5%	96	2010
Bajio	5.3%	145	2012
Quezon	7.4%	215	2012-2017
Callide	4.3%	132	2013 & 2019
Millmerran	4.4%	214	2012 & 2018
Total Debt facilites	**7.1%**	**4,540**	

Source: Company

Roads and SEZ

Roads portfolio

ENAM

	Annuity			Toll		
Particulars	**GTAEPL**	**GTTEPL**	**GPEPL**	**GACEPL**	**GJEPL**	**GUEPL**
Location	Tuni-Anakapalli	Tambaram-Tindivanam	Pochanpalli	Ambala-Chandigarh	Faruknagar-Jadcherla	Tindivanam - Ulundurpet
Road Length	59 kms	93 kms	86 kms + O&M Sweetener - 27 kms	Construct - 35 kms	46 kms + O&M Sweetener - 25 kms	73 kms
Concession Period	17.5 yrs incl. Construction period of 2.5 yrs	17.5 yrs incl. Construction period of 2.5 yrs	20 yrs incl. Construction period of 2.5 yrs	20 yrs incl. Construction period of 2.5 yrs	20 yrs incl. Construction period of 2.5 yrs	20 yrs incl. Construction period of 2.5 yrs
Concession Duration	May 2002 - Nov 2019	May 2002 - Nov 2019	Oct. 2006 - Oct. 2026	May 2006 - May 2026	Aug 2006 - Aug 2026	Oct 2006 - Oct 2026
Project Cost (Rs mn)	3,040	3,900	6,900	4,985	4,713	7,950
Financial Closure	Jun-02	Jun-02	Sep-06	May-06	Aug-06	Oct-06
Commercial Operation Date	Oct-04	Oct-04	Nov-08	Dec-08	Apr-09	Apr-09
Project status as of September-08	Started commercial operations	Started commercial operations	66% construction completed	Started commercial operations	75% construction completed	70% construction completed

☐ Operating Assets ☐ Under Development Assets

Roads	**Worst case**	**Base case**	**Best case**
Traffic growth rate over base (%)	4	5	6
Discount rate (%)	14	12	10
Valuation of existing	**5,854**	**7,509**	**9,610**
Traffic growth rate over base (%)	4.5	5.5	6.5
Discount rate (%)	16	14	12
Valuation of UC	**4,581**	**8,325**	**13,178**
Total Road Valuation	**10,435**	**15,833**	**22,788**
Value/share	**6**	**9**	**13**

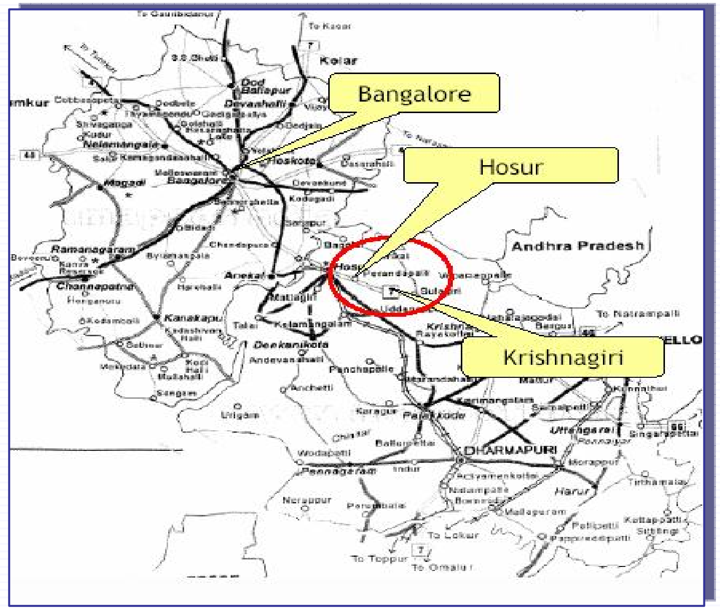
Traffic sensitivity only for GACEPL (toll based), as other two are annuity projects

Traffic sensitivity only for GJEPL and GUEPL, as GPEPL is annuity based

Krishnagiri SEZ

- **Location Krishnagiri, Tamilnadu**
  - Entire land parcel of 3,300 acres has been identified
    - Land acquisition in progress and GMR expects to acquire land at lower rate than earlier estimated
  - Partnership with TIDCO (Tamil Nadu Industrial Development Corporation)
  - Project Cost Phase I (500 acres): INR 23bn
- **Positioning Krishnagiri as a SEZ**
  - **Type of SEZ:** Bio Technology, IT & ITES, Traditional electronics & engineering companies
  - Industrial legacy due to proximity to Hosur town which is an automobile hub
  - Connectivity through NH7 & Railway Network Project Implementation
- **Final Notification of SEZ yet to be received**
  - In-principal approval has been received
  - Govt. itself being a partner, it should aid in getting final notification
- **Entire Development expected to be completed by 2014**
  - We have not assigned any value to the project as land acquisition is still under progress

A Strategic Location with distinct comparative advantages



Source: Company

Financial Analysis

Revenue, EBIDTA and PAT analysis

ENAM

Volatility in Profits but relatively stable cash flows

Income Statement	FY09E	FY10E	FY11E	FY12E	FY13E
Income from Operations	**27,007**	**41,252**	**40,485**	**49,791**	**57,001**
Power	11,543	17,633	12,605	15,697	15,811
Roads	1,631	5,027	5,426	5,772	6,133
Airport	13,832	18,592	22,454	28,322	35,057
EBIDTA	**9,231**	**19,265**	**20,765**	**27,358**	**33,256**
Power	5,209	7,541	3,900	5,247	5,260
Roads	1,292	4,315	4,678	4,942	5,263
Airport	2,730	7,409	12,188	17,170	22,733
PAT	**2,476**	**4,544**	**(583)**	**3,147**	**5,882**
Power	2,955	4,921	638	1,685	1,790
Roads	117	(545)	(667)	316	825
Airport	(596)	169	(554)	1,146	3,267

Source: Company, ENAM Research,

Year	Comments
FY09E	▪ **Power :** EBITDA and PAT to rise on account of merchant sales in barge mounted plant and Vemagiri becoming operational ▪ **Airports:** Declining pax traffic; high one time cost in DIAL and interest & dep. in HIAL to impact profits ▪ **Roads:** Lower PAT due to interest and depreciation on recently operational Ambala-Chandigarh
FY10E	▪ **Power:** Vemagiri to be fully operational with availability of gas ▪ **Airports:** 48% rise in DIAL aero revenues led by 35% revision of aero rates ▪ **Roads:** Interest & Depreciation on two newly operational projects to lead to losses
FY11E	▪ **Power :** Drop in Revenue as GEL relocation leads to lower availability ▪ **Airports:** Loss in Sabiha due to beginning of payment of annual concession fee

- **We estimate a 22% CAGR in revenue and 50% CAGR in EBITDA over FY09-11E**
- **As new projects commission, we estimate a loss in FY11E due to higher depreciation and interest charges. However, the cash earnings are estimated to grow at 24% CAGR over the same period**
  - <u>Power:</u> Stable revenue, profit and cash flow profile FY12E onwards till new power plants commence
  - <u>Airports:</u> Increasing revenue and cash flow profile FY12E onwards but dependent on traffic growth
  - <u>Roads:</u> Mix of annuity and toll based projects to lead to relatively stable revenue and cash flow profile FY11E onwards

GMR – Capex needs and cash flows

ENAM

Comfortably placed to meet near term capex requirements

(Rs mn)	Total Project Cost	GMR's Equity Cont. Total	GMR's Equity Cont. Pending	Infusion FY09E	Infusion FY10E	Infusion FY11E	Infusion FY12E	Infusion FY13E	Total
DIAL	89,792	12,000	5,000	-	5,000	-	-	-	5,000
SGIA	28,231	6,727	6,727	3,079	3,648	-	-	-	6,727
Airports		**18,727**	**11,727**	**3,079**	**8,648**	**-**	**-**	**-**	**11,727**
Kamlanga	45,400	11,350	11,203	3,258	1,971	3481	2,493	-	11,203
GEL (Relocation)	4,100	820	820	-	460	360	-	-	820
Alaknanda	14,580	2,916	2,916	875	283	455	394	539	2,546
Bajoli Holi	11,311	2,262	1,440	-	-	-	-	264	264
Talong	9,190	1,838	1,838	-	-	551	349	323	1,223
Upper Karnali	18,361	3,674	3,674	-	-	1,108	845	514	2,467
Upper Marsyagndi	16,257	3,251	3,251	-	-	1,024	728	536	2,288
Sumatra Mines	6,435	1,485	1,485	-	855	630	-	-	1,485
Power		**27,596**	**26,627**	**4,133**	**3,569**	**7,609**	**4,809**	**2,176**	**22,296**
GPEPL	6,960	1,440	647	647	-	-	-	-	647
GJEPL	4,930	1,398	528	528	-	-	-	-	528
GUEPL	8,059	2,097	983	983	-	-	-	-	983
Roads		**4,935**	**2,158**	**2,158**	**-**	**-**	**-**	**-**	**2,158**
Krishnagiri SEZ	30,500	3,448	2,993	2,993	**-**	**-**	**-**	**-**	**2,993**
Total				**12,363**	**12,217**	**7,609**	**4,809**	**2,176**	**39,174**
Less									
Cash and eqv. as on Sept-08									28,500
Internal Acc over FY09-11E				(4,756)	16,614	10,214	15,065	20,313	57,449
Excess Cash Flows									**46,775**

Source: Company, ENAM Research

Company Financials

ENAM

Profit & Loss (Rs. mn)

Y/E Mar	2008	2009E	2010E	2011E
Net sales	**22,948**	**27,007**	**41,252**	**40,485**
Other operating income	-	-	-	-
Total income	**22,948**	**27,007**	**41,252**	**40,485**
Operating Expenses	16,963	17,776	21,987	19,719
Contribution (%)	*46*	*34*	*47*	*51*
Operating Profit	**5,985**	**9,231**	**19,265**	**20,765**
Other income	698	1,009	1,052	1,253
PBIDT	**6,683**	**10,240**	**20,317**	**22,018**
Depreciation	1,785	4,094	8,033	10,639
Interest	1,687	3,200	5,042	11,584
Other pretax	-	-	-	-
Pre-tax profit	**3,210**	**2,946**	**7,242**	**(205)**
Tax provision	584	503	1,563	904
(-) Minority Interests	526	(32)	1,134	(527)
Associates	-	-	-	-
Adjusted PAT	**2,101**	**2,476**	**4,544**	**(583)**
E/o income / (Expense)	-	-	-	-
Reported PAT	**2,101**	**2,476**	**4,544**	**(583)**

Key ratios (%)

Y/E Mar	2008	2009E	2010E	2011E
Sales growth	**16.6**	**17.7**	**52.7**	**(1.9)**
OPM	**26.1**	**34.2**	**46.7**	**51.3**
Oper. profit growth	10.1	54.2	108.7	7.8
COGS / Net sales	73.9	65.8	53.3	48.7
Overheads/Net sales	0.0	0.0	0.0	0.0
Depreciation / G. block	2.7	3.7	4.5	4.8
Effective interest rate	2.9	3.1	3.4	6.4
Net wkg.cap / Net sales	(10.2)	8.4	15.7	11.7
Net sales / Gr block (x)	0.4	0.3	0.3	0.2
Incremental RoCE	0.2	1.8	12.3	**(5.3)**
RoCE	**4.6**	**3.5**	**5.4**	**4.4**
Debt / equity* (x)	1.1	1.7	2.1	2.4
Effective tax rate	18.2	17.1	21.6	-
RoE	**4.3**	**3.4**	**5.9**	**(0.7)**
Payout ratio (Div/NP)	-	-	-	-
EPS (Rs.)	**1.2**	**1.4**	**2.5**	**(0.3)**
EPS Growth	8.0	17.8	83.6	(112.8)
CEPS (Rs.)	2.1	3.6	6.9	5.5
BVPS (Rs.)	34	35	37	37

*Source: Company, ENAM Research, * Does not include Intergen acquisition loan of ~ USD 1bn*

Note: Above financials are excluding Real Estate and SEZ

Company Financials

ENAM

Balance sheet (Rs. mn)

Y/E Mar	2008	2009E	2010E	2011E
Total assets	**152,492**	**202,390**	**251,559**	**272,186**
Gross block	66,917	111,217	180,072	220,072
Net fixed assets	52,699	84,601	146,411	177,265
CWIP	45,227	53,439	44,110	34,475
Investments	-	-	-	-
Wkg. cap. (excl cash)	(3,375)	7,918	5,016	4,486
Cash / Bank balance	57,941	56,431	56,021	55,960
Others/Def tax assets	-	-	-	-
Capital employed	**152,492**	**202,390**	**251,559**	**272,186**
Equity capital	3,641	3,641	3,641	3,641
Reserves	68,657	71,100	76,778	75,669
Borrowings *	79,769	127,223	170,714	192,451
Others	425	425	425	425

Cash flow (Rs. mn)

Y/E Mar	2008	2009E	2010E	2011E
Sources	**91,611**	**62,296**	**56,213**	**29,774**
Cash profit	4,547	6,537	13,711	9,530
(-) Dividends	(0)	0	0	0
Retained earnings	4,547	6,537	13,711	9,530
Issue of equity	39,021	0	0	0
Borrowings	42,704	47,454	43,491	21,737
Others	5,340	8,304	(989)	(1,493)
Applications	**91,611**	**62,296**	**56,213**	**29,774**
Capital expenditure	51,531	52,512	59,525	30,365
Investments	46,289	(13,566)	(10,797)	(6,540)
Net current assets	(2,154)	11,293	(2,902)	(530)
Change in cash	(4,055)	12,056	10,386	6,479

*Source: Company, ENAM Research, * Does not include Intergen acquisition loan of ~ USD 1bn*
Note: Above financials are excluding Real Estate and SEZ

Appendix

From jute to jets – the life of GM Rao

ENAM

"Our journey to today's GMR happened just accidentally. Whatever opportunity came up, we have taken that opportunity." – GM Rao

1974 – Start of career
GMR joins AP PWD after completing his Engg and realizes that salaried people rarely make big money

1977-78 – Jute mills
Enters in jute business, buys a jute mill in Chennai & sets up another jute mill

1983-85 – Venture into ferroalloys & banking
Got roped into Vysya Bank due to his huge clout with the Vysya (trader) community in AP

1991-92 – Invests big in Vysya Bank

1995 – Agri Business Division
Gets license for a sugar mill & sets up Agri Business Division in Srikakulam

1996-98 – Entry into Brewing & Power Plants
Sets up power plants at Chennai & Mangalore, Ventures into brewing business with GMR Brewery

Had to exit brewery business due to prohibition, and invested the funds into power which was just opened to private investment

2001-02 – Entry into roads
Wins two NHAI projects for GQ, Sells GMR Brewery to UB

2003 – Venture into airports
Bags HIAL project, sells his 38% stake in Vysya Bank, forms Quintant with Phaneesh Murthy & sells it to iGate

2006-07 – Inter-national presence
Wins Delhi and Sabiha Gokcen (Turkey) airports

On the anvil – SEZs, coal mining, electricity T&D, nuclear energy, etc

GM Rao loved to undertake challenges since childhood. He started eating non-veg to prove a point to his school mates and later became the first person in his family to join an Engg college. He has a will to win. His victory margin at his college elections continues to be a record.

Source: Company, Media Reports, ENAM Research

It's all in the Family!

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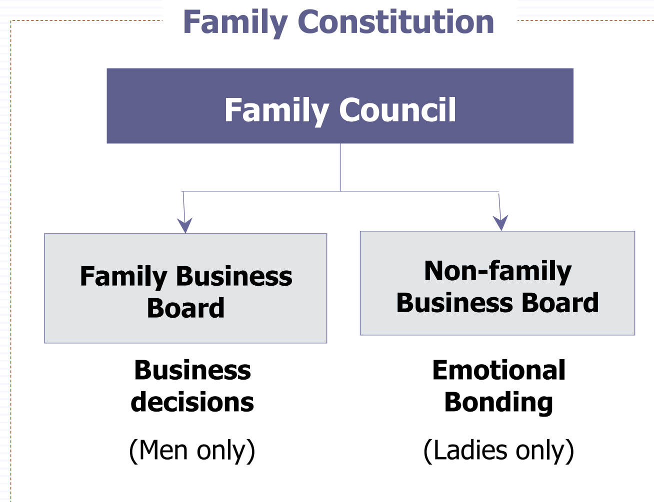
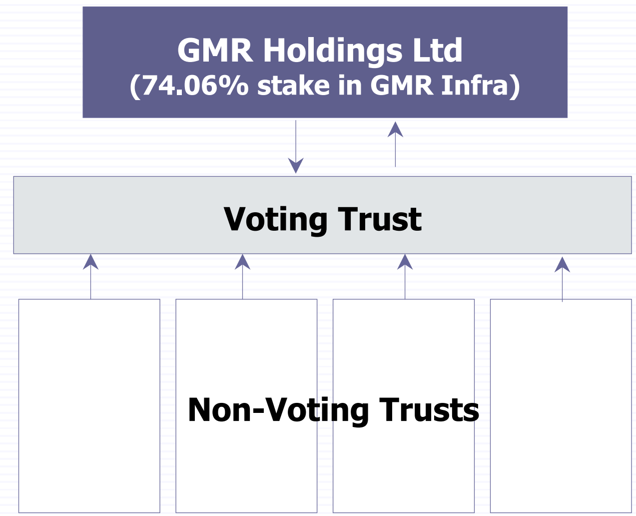
- **Group leadership to remain within the family**
  - Hired management constants to study GMR Family structure
  - Family Council comprising all 8 family members set up
  - Family Business Board comprising only the men in the family, set up to review businesses, prepare growth plans & provide direction to the group
  - Non-family Business Board comprising only the family women, set up to maintain emotional bonds
- **Family constitution (150 pages) in place**
  - Management succession, ownership succession and power sharing planned
    - GM Rao to step down at the age of 70, 1 of the 3 successors to become Chairman then
    - A dead lock trustee appointed to resolve any differences in succession
  - Family members to have relevant qualifications to enter management roles
  - Family members to be paid at par with industry professionals
- **Ownership of family wealth & control of businesses separated**
  - Family corpus held in investment company called GMR Holding Pvt Ltd
  - Four trusts set up for each of the two sons, the daughter & his wife
  - The trusts will have economic benefit from the family corpus, but no voting power
  - A separate voting trust created with one representative from each of the four trusts, and made responsible for taking all key business decisions
  - Family fund set up for those opting out of the family businesses





Source: Company, Media Reports, ENAM Research

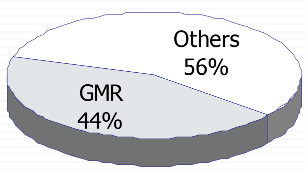
The new drivers of growth

GMR Infra
G M Rao – Executive Chairman

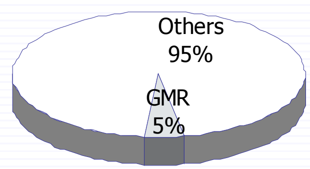
New business verticals	**Airports** (ex real estate)	**Energy & Agri**	**Highways & Urban infra** (Incl. real estate & SEZ's)	**International bus.**
New Business heads	**Kiran Grandhi** ***(younger son)***	**BVN Rao** ***(Close associate)***	**B Srinivas** ***(son-in-law)***	**GBS Raju -MD** ***(elder son)***
Previous designation	▪ MD of Hyderabad International Airport	▪ Chairman of Roads and Energy businesses	▪ MD of Delhi International Airport	▪ Group CFO

GMR – mkt. Share – Indian private sector assets

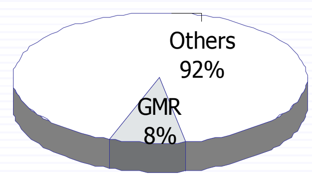
Airports: Share of pax traffic at the 5 private airports



Energy & Agri: Share of private sector power capacity addition plans (in MW)



Highways & Urban infra: Share of awarded road projects (in km)



New targets	▪ Domestic – Captured the creamiest in the domestic market, going ahead bidding for Amritsar and Udaipur airport modernization	▪ Potential to add 2000MW thermal projects given existing fuel linkage ▪ Bidding for power assets abroad	▪ Bidding for 8 road projects; short listed for ~USD1bn worth of projects ▪ Dedicated Freight Corridor ▪ New Delhi Railway Station	▪ Looking at more airport privatization opportunities internationally – Prague Airport

Family business restructuring – key to future value drivers

Source: *Company, ENAM Research*

GMR – Associated with the Best

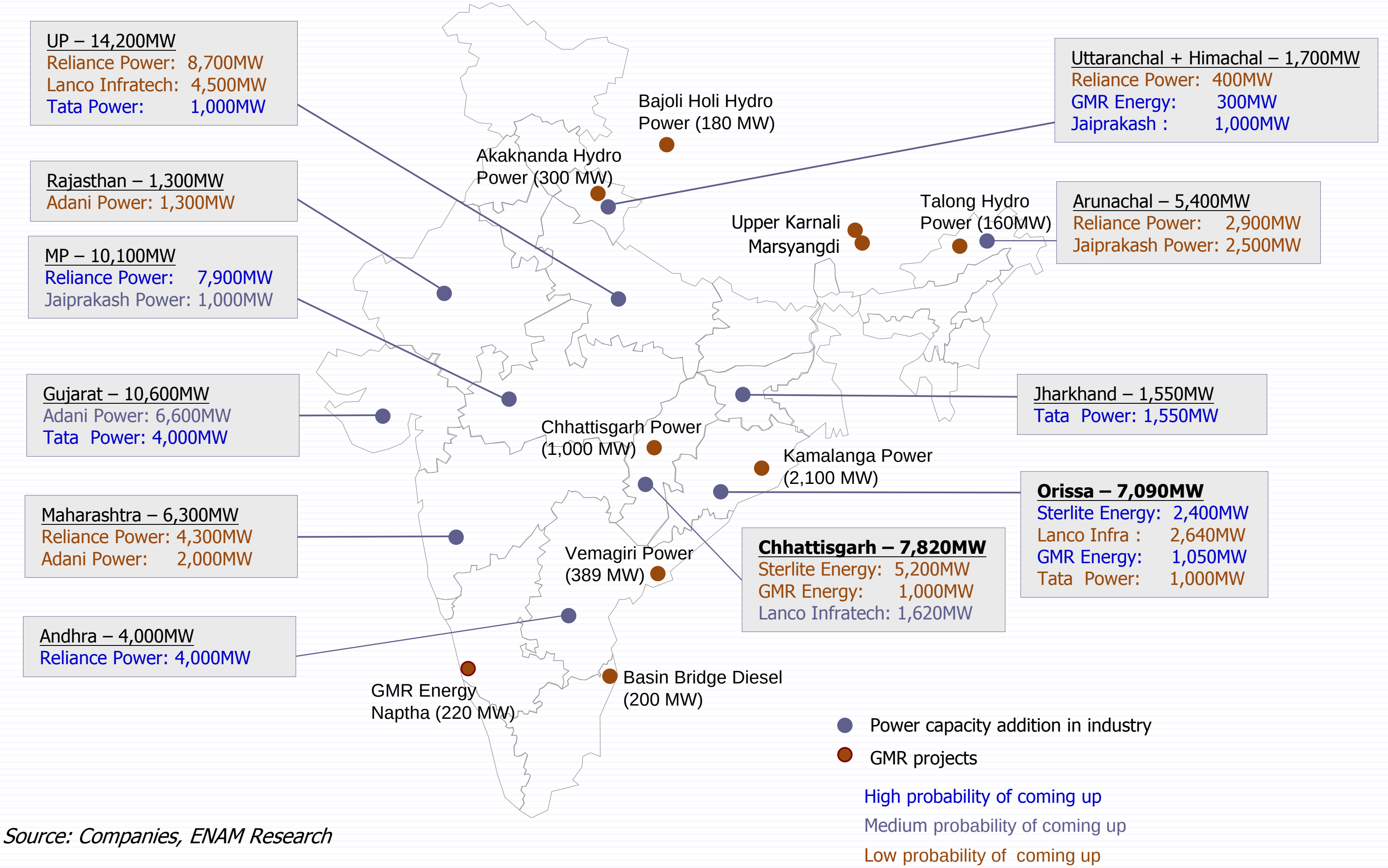
Sector	Partner	Description
Airports	Fraport	▪ Europe's largest cargo hub ▪ Europe's 2nd largest passenger airport
	Malaysia Airports	▪ Operator and manager of Malaysia's 39 airports which comprise international, domestic and Short Take-Off and Landing (STOL) ports
		▪ Largest Airport retailer in Malaysia with 40 outlets in 4 airports
	IDFC Private Equity	▪ India's premier infrastructure finance organisation - over 332 projects financed in power, roads, urban infrastructure
	Limak	▪ One of the leading engineering and construction companies in Turkey
Power	GE	▪ One of the worlds largest diversified organizations with a market capitalization of about US$400bn
	KEPCO Korea Electric Power Corporation	▪ Korea's largest integrated electric utility which controls approx 88% of Koreas generating capacity
	Hyundai Heavy Industries Co., Ltd.	▪ Global leader in Heavy Industries with global presence in Shipbuilding, Offshore & Engineering, Industrial Plant & Engineering, Engine & Machinery and Construction Equipment
Roads	UEM Group	▪ Malaysia's leading conglomerate in infrastructure-building, is a wholly-owned subsidiary of Khazanah Nasional Berhad, an investment arm of the Government

Source: Company

Other Data

Power: Private Players capacity add plans

ENAM

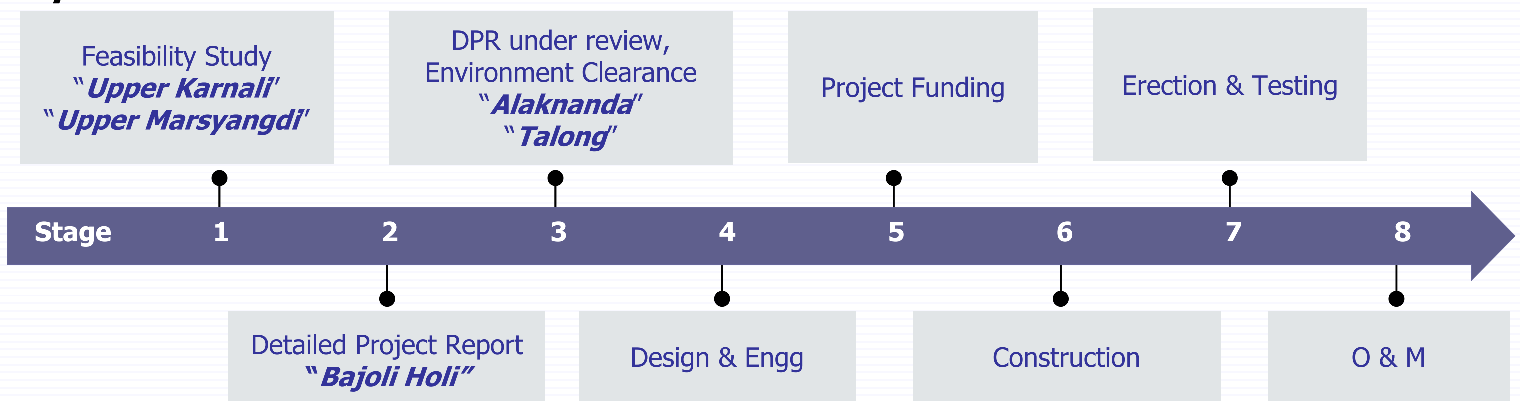


Source: Companies, ENAM Research

Capacity add plans have been scaled down due to credit crunch

GMR's Power portfolio – Hydro

Hydro Plant Timeline



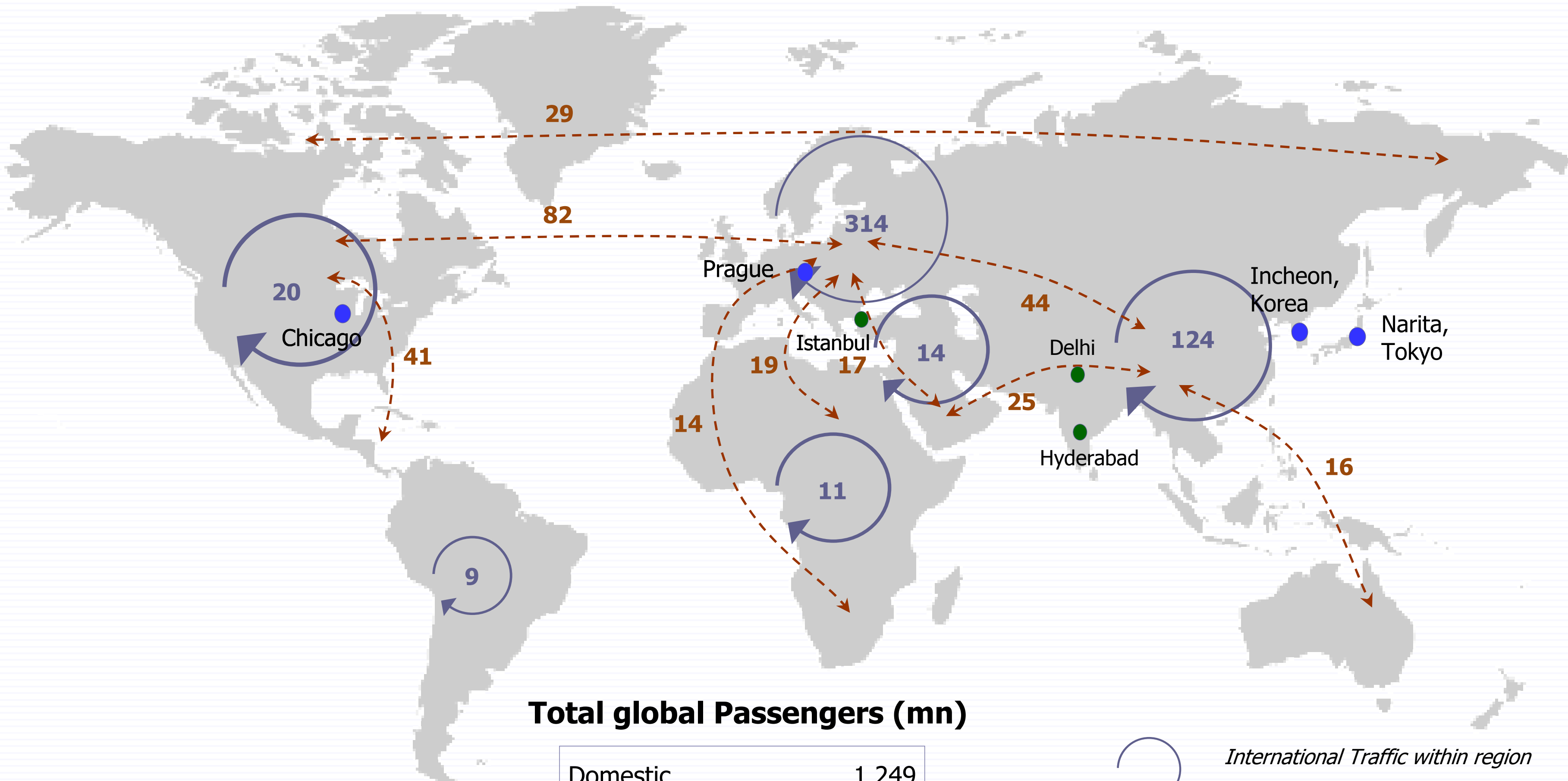
Hydro Power Portfolio

Particulars	Bajoli Holi	Talong	Upper Karnali	Upper Marsyangdi
Capacity (MW)	180	160	300	250
Ownership (%)	100%	88%	50.5%	80%
Capex (Rs mn)	11,320	8,120	26,260	29,800
Type	Run of river	Run of river	Run of river	Run of river
CoD	2015	2014	2015	2015
Land acquisition status	Land not yet acquired	Land not yet acquired	Land not yet acquired	Land not yet acquired
Environment clearance status	Not yet obtained	Not yet obtained	Not yet obtained	Not yet obtained
Offtake arrangement	▪ No PPA signed ▪ Royalty power offered – 12% in year 1 to 30% in year 30	▪ No PPA signed ▪ 14% free power offered	▪ No PPA signed ▪ 12% free power offered to Govt of Nepal	▪ No PPA signed
Project Status	▪ USD 20.5mn premium paid to Govt of HP	▪ MOA signed with state govt	▪ EPC contract finalized	▪ JV agreement signed

Significant proportion of background work yet to be completed

Major Aviation Routes

(million passengers)



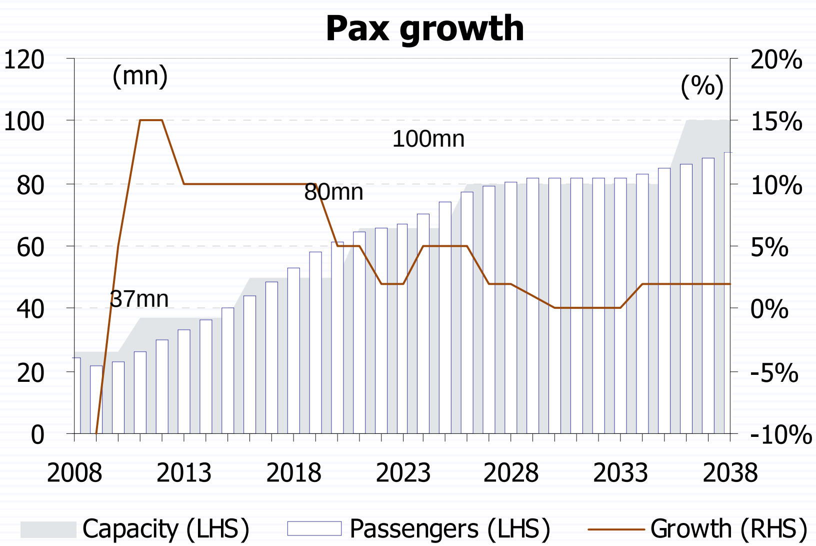
Total global Passengers (mn)

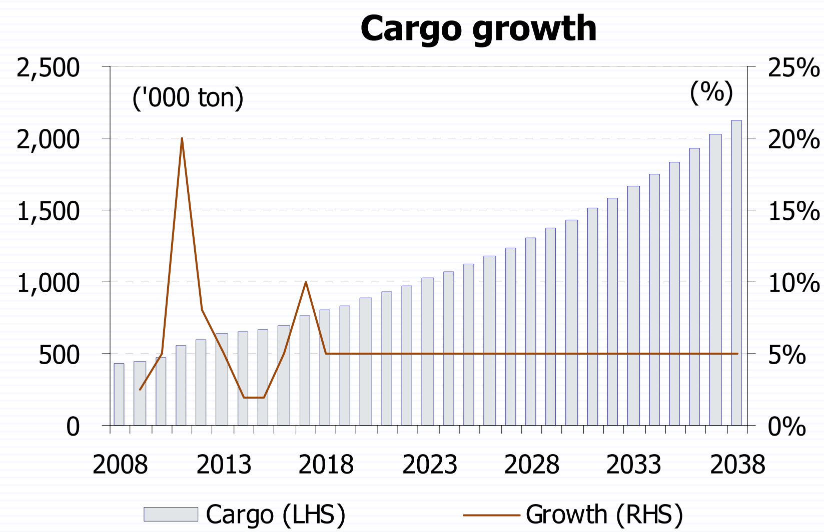
Domestic	1,249
International	831
Total	**2,080**

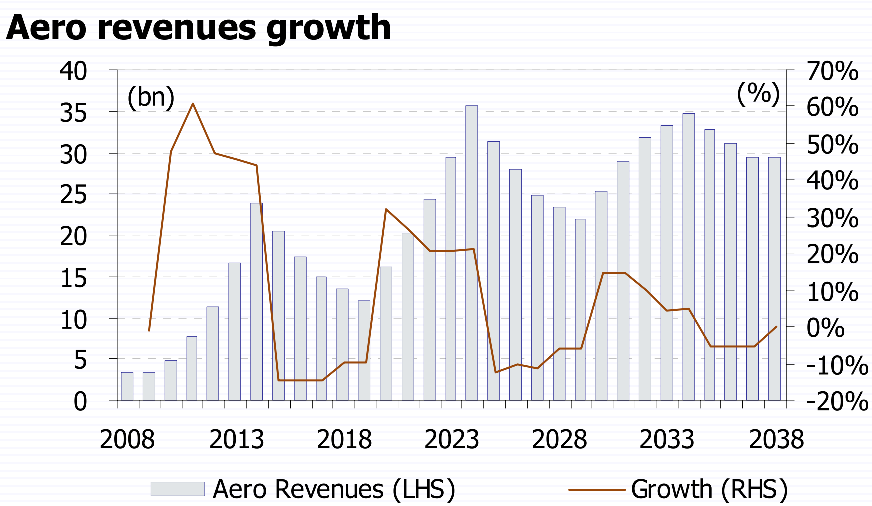
Source: IATA 2007, Note: The above data is purely international passenger data and excludes any domestic data

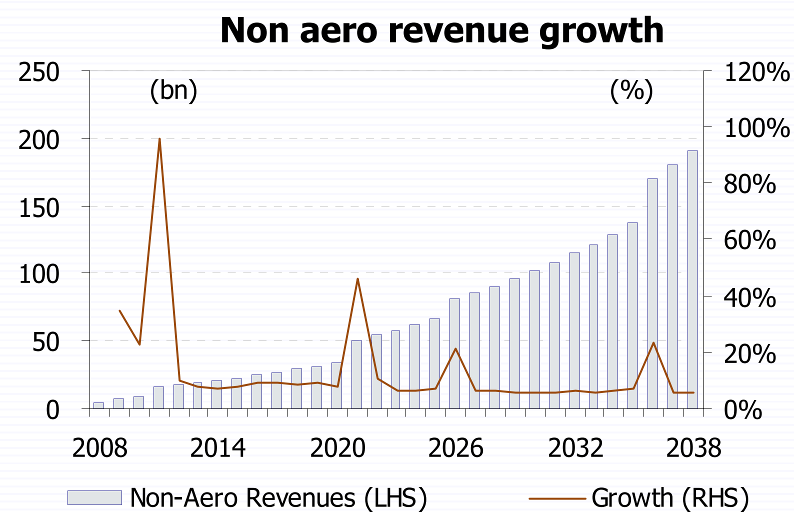
DIAL – Pax and cargo growth assumptions

ENAM









Source: Company, ENAM Research

HIAL – Pax and cargo growth assumptions

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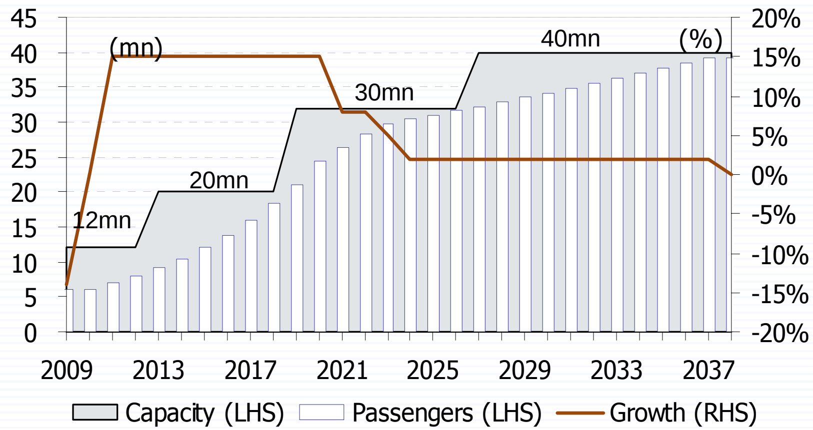
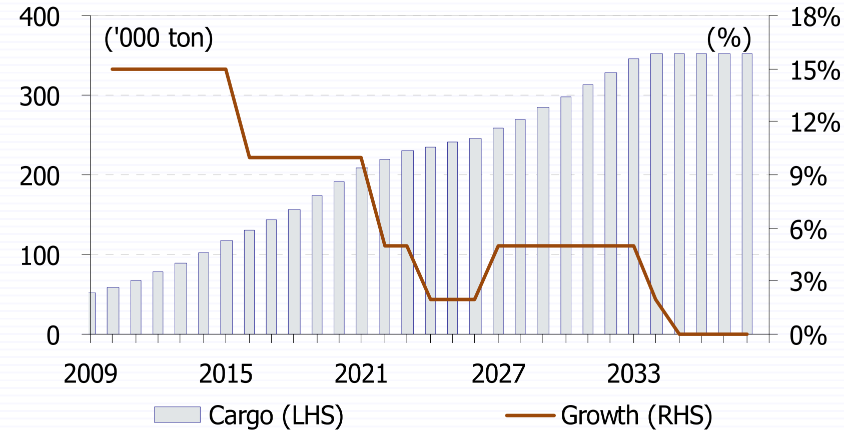
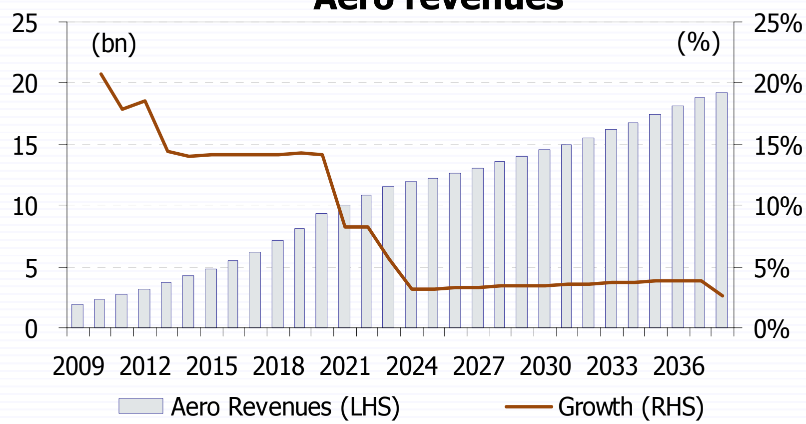
Pax growth



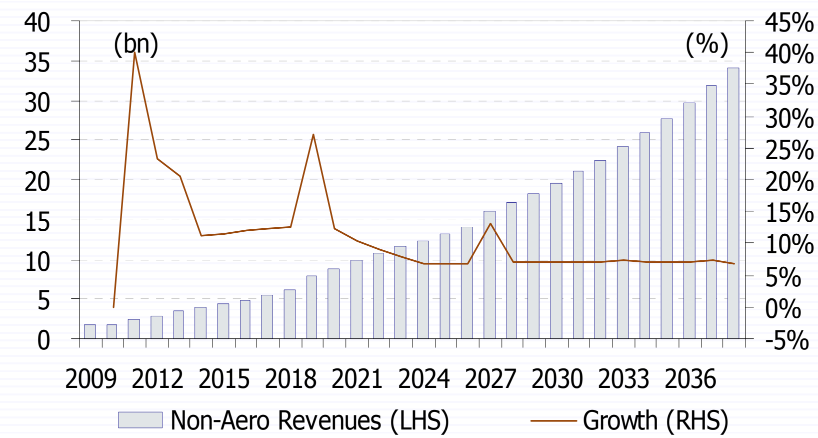
Cargo growth



Aero revenues



Non- Aero revenues



Source: Company, ENAM Research

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CONFLICT OF INTEREST DISCLOSURE

We, at ENAM, are committed to providing the most honest and transparent advice to our clients. However, given the nature of the capital markets, from time to time we are faced with situations that could give rise to potential conflict of interest. In order to provide complete transparency to our clients, before we make any recommendations, we are committed to making a disclosure of our interest and any potential conflict IN ADVANCE so that the interests of our clients are safe- guarded at all times. In light of this policy, we have instituted what we believe to be the most comprehensive disclosure policy among leading investment banks/brokerages in the world so that our clients may make an informed judgment about our recommendations. The following disclosures are intended to keep you informed before you make any decision- in addition, we will be happy to provide information in response to specific queries that our clients may seek from us.

Disclosure of interest statement (As of January 6, 2009)

1. Analyst ownership of the stock	No
2. Firm ownership of the stock	No
3. Directors ownership of the stock	Yes
4. Investment Banking mandate	No
5. Broking relationship	No

We are committed to providing completely independent and transparent recommendations to help our clients reach a better decision.