INDIA

GMR Infrastructure

3 February 2009

GMRI IN		Neutral
Stock price as of 02 Feb 09	Rs	71.20
12-month target	Rs	73.00
Upside/downside	%	+2.5
Valuation	Rs	73.00
- Sum of Parts		
GICS sector		capital goods
Market cap	Rs m	133,636
30-day avg turnover	US$m	11.7
Market cap	US$m	2,736
Number shares on issue	m	1,821

Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Total revenue	m	22,948	25,339	42,078	54,331
EBITDA	m	5,985	8,278	14,712	21,540
EBITDA growth	%	10.1	38.3	77.7	46.4
Adjusted profit	m	2,101	2,366	3,746	3,676
EPS adj	Rs	1.15	1.30	2.06	2.02
EPS adj growth	%	9.5	12.6	58.3	-1.9
PE adj	x	63.6	56.5	35.7	36.3
Total DPS	Rs	0.00	0.00	0.00	0.00
Total div yield	%	0.0	0.0	0.0	0.0
ROA	%	3.8	3.2	5.6	6.2
ROE	%	5.1	3.8	5.7	5.3
EV/EBITDA	x	26.3	19.0	10.7	7.3
Net debt/equity	%	43.5	26.8	49.5	43.7
Price/book	x	2.2	2.1	2.0	1.9

GMRI IN rel SENSEX performance, & rec history

Source: Datastream, Macquarie Research, February 2009
(all figures in INR unless noted)

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Real concerns on real estate

Event

- We reassess our valuations for GMR's assets given worsening outlook on real estate. We cut our target price to Rs73 and downgrade the stock to Neutral.

Impact

- **Monetisation of real estate assets delayed significantly:** Appetite for large airport assets has declined sharply, hit by lower passenger traffic and weaker financing capabilities of real estate developers.
  - ⇒ **Delhi real estate – no appetite from developers:** Developers are under severe stress amidst slowing demand evident from DLF 3Q FY3/09 results. Absorption rates have fallen significantly over 25% YoY.
  - ⇒ **Huge oversupply in Hyderabad real estate:** With a really bleak outlook on expansion by the IT & ITES sector, real estate prices have significantly corrected in Hyderabad. Moreover, Hyderabad has witnessed a huge oversupply of real estate, delaying the off-take for GMR's real estate assets.
  - ⇒ **No visibility on any transaction on real estate assets going through**: Our property analyst, Unmesh Sharma, believes funding for large real estate assets is extremely difficult to come through even for the largest real estate company in India like DLF (DLFU IN, Rs155, UP, TP: Rs125) and does not expect the scenario to change in the near term. In this environment, chances of GMR monetising land assets are severely impaired.
- **Airport valuations to remain depressed:** Aero and non-aero revenues would be under severe pressure as traffic growth has stagnated. If the government continues to disallow recovery of regulated returns from FY3/10, there could more downside to our airport valuations. A further funding gap of Rs10bn remains, which is currently expected to come through from real estate assets.
- **Strong top line growth but significant PAT decline in 3Q FY3/09 results:** Although GMR reported strong top-line growth of 79% driven by revenue streams from new airports, adjusted PAT declined by 10% YoY. Also, airport PBIT margins were under severe pressure at only 0.8% vs 21.8% last year.

Earnings revision

- We have revised our earnings estimates downwards by 6% and 5% for FY3/09 and FY3/10, respectively from pressure on airport margins.

Price catalyst

- 12-month price target: Rs73.00 based on a Sum of Parts methodology.
- Catalyst: Improvement in real estate sentiment in Delhi and Hyderabad.

Action and recommendation

- **Downgrading to Neutral:** We are downgrading GMR to Neutral from Outperform and reducing our target price to Rs73 from Rs87 on lower valuations for real estate and airport valuations.

Real estate assets no longer attractive

Real estate assets form most of GMR's valuations with almost 46% of the total valuation and 71% of the airports' valuation coming from the real estate assets. We believe that the valuations for this segment would remain under pressure in the near future given its unattractiveness. We are now providing a 40% discount to its NAV value (vs 30% earlier), in line with the discount that our property analyst, Unmesh Sharma, provides on his coverage universe. One of the leading developers in India, DLF, posted extremely weak results this quarter and gave a very bleak commentary on the immediate future of real estate.

Fig 1 GMR – Lower real estate valuations drag down overall airport valuations

Asset	Value	GMR's stake (%)	GMR share	per share value	Earlier
Delhi Airport	***28,125***	***50.1%***	***14,091***	***8***	***14***
Airport operations	12,486	50.1%	6,255	3	9
Real estate	15,639	50.1%	7,835	4	5
Hyderabad Airport	***57,342***	***63.0%***	***36,126***	***32***	***39***
Airport operations	22,698	63.0%	14,300	8	9
Real estate	34,644	63.0%	43,652	24	30
Total airport valuation	**85,467**		**50,216**	**40**	**53**

Source: Macquarie Research, February 2009

Delhi real estate – Developers under stress amidst slowing demand

- **Much lower demand for hotel rooms – hospitality sector:** There are roughly around 5,000 5-star hotel rooms in National Capital region (NCR). GMR plans to add another 3,000 new hotel rooms by FY3/12. In the last quarter, DLF postponed its plans to build around 5,000 hotel rooms, in partnership with the Hilton group, in five cities across India including Delhi. Indications from the largest developer in India to shelve/postpone its plans inform us that there is slacking demand in the market. We believe GMR would find it relatively tougher under these market conditions to find demand from developers.
- **Developers under severe financial strain:** According to Unmesh Sharma, the first few weeks of 2008 and 2009 will be poles apart for Indian real estate players. Unlike in early 2008, when the availability of capital was a given, the primary sources of funding have dried up. The Singapore REIT market and Indian stock exchanges currently have no appetite for new paper or secondary offerings. Tightening measures by the RBI in response to rising inflation have made debt funding not only expensive, but also very scarce for the developers. The cost of incremental borrowing (if available) has risen to 13–18% from banks and 20–36% from non-banking financial corporations and private money lenders. Meanwhile, residential sales volumes are down 15–25% across markets, driven by rising interest rates and the developers' unwillingness to cut prices.
- **We cut our valuations for Delhi real estate to Rs4 per share vs Rs5 per share earlier:** We are providing a 40% discount to NAV on Delhi's real estate valuation (vs 30% earlier), in line with the discount that our property analyst has provided on his coverage universe. We have left unchanged our completion assumptions for the hotels (FY3/15−16) and lease rental estimates.

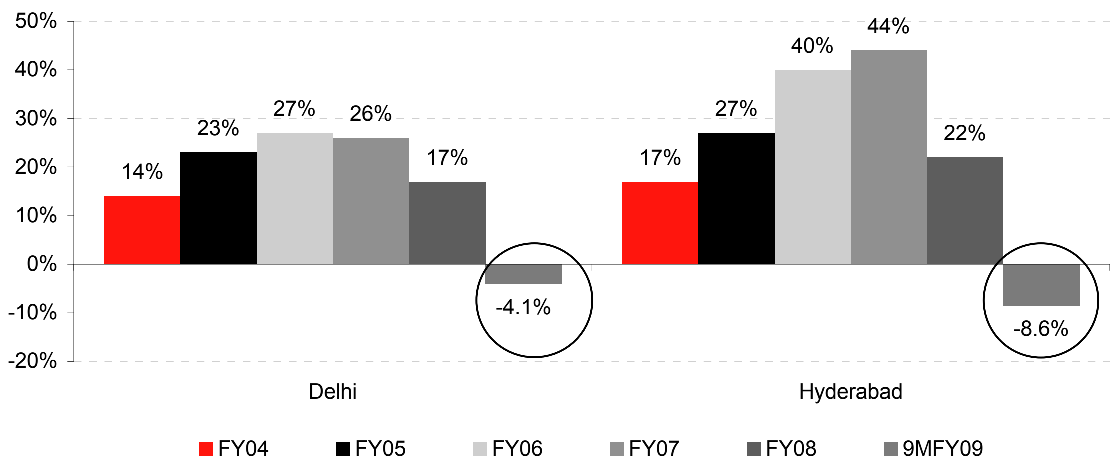
Hyderabad real estate – Plagued by oversupply

- **Demand from IT and ITES sector to slowdown:** According to Unmesh Sharma, Hyderabad, as a land-locked city, has no constraint on supply and there has been a significant step-up in construction activity over the last decade. Incremental demand has been driven by the IT & ITES sector as the city has developed into an alternative to Bangalore. However, prices could decline by 0−25% over the next 12 months given the slowing demand from these sectors, which are facing credit crunch pressures. Given the moderate high base effect and upcoming supply, upside to prices and demand are limited in the city.
- **We cut our valuations for Hyderabad real estate to Rs24 from Rs30 earlier:** We are providing a 40% discount to NAV on Hyderabad's real estate valuation (vs 30% earlier), in line with the discount that our property analyst has provided on his coverage universe. Our assumptions already built in a delay of two years for the completion assumptions for the hotels, convention centre and corporate offices in Hyderabad's real estate portfolio.

Lower traffic growth at airports to lower valuations

Traffic growth is being severely affected across the nation given the worsening economic conditions and the increase in fares post fuel price surcharges and UDF (user development fees) levied by the airlines and the airport developers.

Fig 2 Traffic growth has slowed down considerably at both airports



Source: AAI, Macquarie Research, February 2009

Domestic traffic hardest hit on higher tariffs

On a YoY basis, overall (domestic + international) passenger traffic is down in the last nine months with domestic traffic igniting the fall. International traffic is still steady but completely overpowered by the slowdown in domestic traffic significantly at both airports.

In the past, domestic traffic growth was boosted by the emergence of low cost airline models, which had tariffs around 30% lower than full service airlines. The sharp increase in tariffs over the last six months and the worsening macro scenario has led to a significant decline in discretionary travellers.

Delhi airport – plagued by declining domestic traffic

- **Domestic traffic down 9% YoY in last nine months:** Domestic traffic is down alarmingly by 9% YoY in the last nine months vs an increase in international traffic by 8%, thus overpowering it. Overall traffic has now gone down by 4% in the last nine months with a declining trend ahead.

Fig 3 Delhi airport 4% overall decline in last 9 months

	9M FY3/08	9M FY3/09	YoY
Domestic	12.4	11.2	-9%
Intl	5.3	5.7	8%
TOTAL	**17.6**	**16.9**	**-4.1%**

Source: Macquarie Research, February 2009

- **We cut our traffic growth estimates:** We have cut our growth estimates for passenger traffic, aircraft movements and cargo movements to negative 5% for the next two years from the flat growth estimated for FY3/10 earlier.

Fig 4 Delhi Airport − Growth estimates reduced

	FY3/09E		FY3/10E	
	Now	**Earlier**	**Now**	**Earlier**
Passenger traffic				
International	-5%	0%	-5%	0%
Domestic	-5%	-5%	-5%	0%
Aircraft Movements				
International	-5%	0%	-5%	0%
Domestic	-5%	-5%	-5%	0%
Cargo				
International	-5%	0%	-5%	0%
Domestic	-5%	-3%	-5%	0%

Source: Macquarie Research, February 2009

- **Aero revenues model to come under pressure with lower traffic:** Lower traffic movements have a direct impact on aero revenues in terms of lower landing, parking charges. From FY3/10, the Delhi Airport is to move to a regulated return model whereby aero-charges would be levied to assure pre-decided return on assets. However, based on current traffic growth, the aero charges would have to go up by at least 200% in FY3/10. The government of India has not allowed GMR to raise charges by just 10% in FY3/09 as airline operators are currently under financial strain. We believe it would difficult for GMR to push through any large increases in aero-charges.
- **Lower traffic growth to have cascading impact on non-aero revenues:** Lower footfall at the airports and worsening outlook on passenger growth would likely have an impact on non-aero revenues. A lower number of passengers would mean lower spend at the airport, impacting GMR's revenues. On top of it, the worsening outlook on traffic growth would mean that retailers would ask for lower rentals and lower revenue share.

No visibility on guaranteed regulated returns

As per the master agreement, DIAL (Delhi Airport) is guaranteed a return of 11.6% on the capital employed less certain deductions. If the formula for deriving returns is applied after expanded capacity is commissioned, aero charges would increase by 250%. As the government has not allowed a 10% hike in FY3/09, we do not see this formula being applied in the near term.

The increase in aero charges would be on the lower side if non-aero revenues increase dramatically, which would subsidize aero charges. However, non-aero revenues are also a function of traffic at the airport.

Fig 5 Calculation methodology of aero revenues at Mumbai airport

11.6% return on aero assets
Add: Aero O&M expenses
Add: Depreciation
Add: Tax
Less: 30% non-aero revenues

Source: Macquarie Research, December 2008

Hyderabad airport – High costs hit traffic growth

Domestic traffic has declined by 13% in the past nine months, dragging down overall traffic by 9%. We believe traffic growth would remain under pressure in the Hyderabad airport given the economic conditions and the unfavourable location of the airport (25 kms from the city). The distance has added Rs250−500 to the travelling cost for every passenger. Moreover, incremental user development fees (UDF) of Rs350 per passenger were levied on all outbound domestic passengers, which have further increased travelling costs.

Fig 6 Hyderabad airport 9% overall decline in last 9 months

	9M FY3/08	9M FY3/09	YoY
Domestic	4.1	3.6	-13%
Intl	1.1	1.2	10%
TOTAL	**5.2**	**4.7**	**-8.6%**

Source: Macquarie Research, February 2009

We have cut our growth estimates for passenger traffic, aircraft movements and cargo movements to negative 10% for FY3/09 and negative 5−10% for FY3/10 from slightly higher estimates earlier, considering the weak performance in the last nine months and the lack of triggers that we see for passenger traffic growth in the next 1−2 years in Hyderabad.

Fig 7 Hyderabad airport − Growth estimates reduced

	FY3/09E		FY3/10E	
	Now	Earlier	Now	Earlier
Passenger traffic				
International	-10%	-5%	-5%	5%
Domestic	-10%	-5%	-10%	-10%
Aircraft Movements				
International	-10%	-10%	-5%	5%
Domestic	-10%	-10%	-10%	-10%
Cargo				
International	-10%	-5%	-5%	0%
Domestic	-10%	-10%	-10%	-10%

Source: Macquarie Research, February 2009

Airport segment PBIT margins under pressure; power recovers on plant re-starts

Airport segment is under pressure from a significantly slowing down air passenger traffic at both airports, Delhi and Hyderabad. Passenger traffic has declined significantly by 4% and 9%, respectively in Delhi and Hyderabad airports in 9MFY09.

Power segment margins have recovered this quarter and are up 120bps on a nine-month basis given that the Vemagiri power plant resumed operations on 7 December 2008 based on diverted gas while GMR energy started operations in the current quarter.

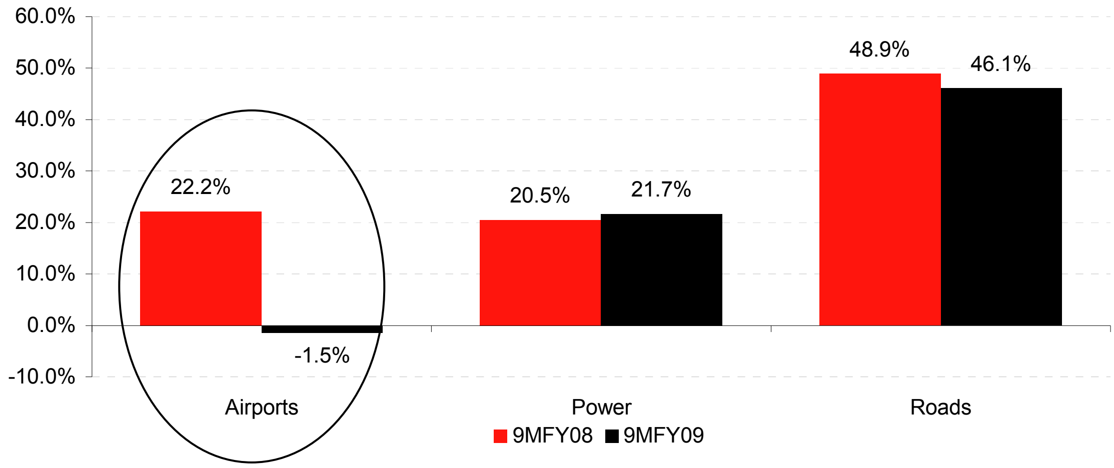
Road segment revenues were constant as both operational projects (GTAEPL and GTTEPL) are annuity based. GMR Ambala-Chandigarh Expressways Private Limited (GACEPL), a 100% subsidiary of GMR Industries, has also commenced operations in 10 December 2008. This project contributed Rs10m to road segment revenues this quarter and a loss of Rs84m.

Fig 8 GMR − Revenues and PBIT margin: segment wise comparison

	3QFY3/08	3QFY3/09	YoY growth
Revenues	5,350	9,592	79%
Airports	1,113	3,220	189%
Power	3,728	5,505	48%
Roads	352	363	3%
Others	197	561	184%
PBIT margin			
Airports	21.8%	0.8%	-21.0%
Power	17.1%	26.0%	8.8%
Roads	48.9%	36.3%	-12.6%
Others	150.6%	40.0%	-110.6%

Source: Macquarie Research, February 2009

Fig 9 PBIT margins have come down drastically in airports segment in 9M FY3/09



Source: Macquarie Research, February 2009

3Q FY3/09 results – Bleak results in line with previous quarter results

Revenue growth driven by new revenue streams and extraordinary income

GMR reported 79% growth in revenues, driven by the first time inclusion of revenues from Hyderabad and Sabiha Gokcen airports (Rs1.8bn – 19% of total revenues booked in the quarter). Revenue growth came in at 46% YoY excluding revenues from these two airports for the quarter.

Airport margins under severe pressure

The airport division's PBIT margins declined by 21.0% to only 0.8% in the quarter, the same as the previous two quarters. This was due to higher employee costs at the Delhi airport and the slowing down in traffic growth at the Hyderabad airport. At the Delhi airport, higher wage provisioning for the sixth pay commission rise and hiring new employees to replace the AAI employees burdened employee costs. At Hyderabad airport, passenger traffic declined by 9% YoY in 9M FY3/09, which translated into losses.

Forex losses of Rs252m on unhedged forex loans

GMR registered a forex loss of Rs252m (vs forex gain of Rs9m in 3Q FY3/08) due to unhedged forex loans outstanding at the Hyderabad airport and the Vemagiri plant. For the Vemagiri power plant, GMR registered a forex loss of Rs48m while it registered a loss of Rs205m at the Hyderabad airport.

In 9M FY3/09, GMR has registered Rs1,299m as forex loss against unhedged forex loans vs Rs183m profit in 9M FY3/08.

PAT declined by 36% YoY and 10% YoY taking out forex loss

High interest cost of Rs1.1bn vs Rs340m last year and high depreciation costs of Rs1.1bn vs Rs366m last year depressed PAT by 36% YoY. Interest costs increased on account of higher interest cost in airports (Rs471m in Hyderabad and Rs200m in Delhi). Depreciation costs also increased on account of the higher costs in airports (Rs285m in Hyderabad and Rs199m in Delhi).

Taking out the extraordinary forex losses, PAT declined by 10% on a YoY basis.

9M performance not very different from this quarter's performance

On a YoY basis, revenues in first 9M FY3/09 have increased substantially by 91% YoY, driven by revenues in new streams like Hyderabad and Sabiha Gokcen airports. The new airports contributed Rs5.2bn to consolidated revenues (19%). Revenue growth came in at 54% without these.

EBITDA margins are down by 290bps YoY driven by pressure on airport segment margins. PAT has declined by 19% YoY from higher interest costs in the last nine months versus last year.

Airport segment PBIT margins have come in at negative 1.5% versus positive 22.2% last year due to slow traffic growth at both quarters and higher wage provisioning costs. Power plants have re-started and thus margins have come back to becoming stable while road segment margins are pretty much intact on a steady basis given that they are annuity based.

Fig 10 3Q FY3/09 results – Top-line strong while interest and depreciation costs hurt PAT

	3Q FY3/08	2Q FY3/09	3Q FY3/09	YoY
Revenues	**5,350**	**8,468**	**9,592**	79%
COGS	3,007	4,398	5,199	73%
SG&A	844	1,599	1,515	79%
EBITDA	**1,499**	**2,471**	**2,878**	92%
Net Financial Cost	340	709	1,132	233%
Depreciation	366	855	1,146	214%
Other Income	282	-519	-173	-161%
Tax	275	60	182	-34%
PAT with extraordinary	**641**	**466**	**408**	-36%
Extraordinary items	0	181	-169	
PAT without extraordinary	**641**	**284**	**578**	-10%
EBITDA margin	28.0%	29.2%	30.0%	2.0%
Net margin	12.0%	3.4%	6.0%	-6.0%
Tax rate	25.6%	15.5%	42.6%	17.0%

Source: Macquarie Research, February 2009

Reducing earnings estimates by 6% and 5% for FY3/09 and FY3/10

Given the decline in real estate revenues, lower passenger traffic at Delhi and Hyderabad airports and lower margins that we expect in the next two years, we have reduced our earnings estimates by 6% and 5%, respectively for FY3/09 and FY3/10.

Fig 11 Earnings estimates reduced by 6% and 5% for the next 2 years

	FY3/09E		FY3/10E		% chg	
	old	new	old	new	09E	10E
Net Revenues	25,845	25,339	42,674	42,078	-2.0%	-1.4%
EBITDA	8,577	8,278	15,089	14,712	-3.5%	-2.5%
Net Income	2,505	2,366	3,936	3,746	-5.6%	-4.8%
EPS	1.4	1.3	2.2	2.1	-5.6%	-4.8%
EBITDA margin	33.2%	32.7%	35.4%	35.0%	-0.5%	-0.4%

Source: Macquarie Research, February 2009

Downgrading to Neutral and reducing target price to Rs73

We are downgrading GMR to Neutral rating from Outperform earlier and reducing our 12 month target price to Rs73 from Rs87 earlier on lower airports and real estate valuations while keeping the power and roads valuation virtually unchanged.

Airports (operations + real estate) valued at Rs40/sh

We value the Delhi airport at Rs8 per share while we value the Hyderabad airport at Rs32 per share. Most of the value in the Hyderabad airport comes from its real estate assets.

Roads valued at Rs7/sh

We have kept the valuation for roads segment unchanged at Rs7 per share given that they are annuity based projects and have delivered steady results with steady margins.

Power valued at Rs38/sh

Delays in gas supply in the Vermagiri and GMR Energy Ltd plants were already factored into our assumptions. Intergen is also included in GMR's power portfolio at book value, at Rs26 per share.

Downside risks to valuations if regulated returns are pushed further in future

If the regulated returns in DIAL (Delhi Airport) of 11.6% on the capital employed less certain deductions is pushed back further, valuations for the Delhi airport could get into negative territory of up to –Rs5 per share from the current +Rs3 per share.

Fig 12 12 month target price reduced to Rs73 from Rs87

Asset	Earlier value	Revised value	Change
Airports			
Delhi Airport	***14***	***8***	**-45%**
Airport operations	9	3	-62%
Real estate	5	4	-14%
Hyderabad Airport	***39***	***32***	**-18%**
Airport operations	9	8	-13%
Real estate	30	24	-20%
Total	**53**	**40**	**-25%**
	-	**-**	
Roads	-	-	
GTAEL	1	1	1%
GTTEL	1	1	-1%
GPEPL	0	0	-1%
GACEPL	1	1	-3%
GJEPL	1	1	-3%
GTUEPL	2	2	-2%
Total	**7**	**7**	**-1%**
Power			
GEL	4	4	-3%
GPCL	1	1	-3%
Vemagiri	3	3	3%
Orissa	4	4	1%
Intergen	30	26	28%
Total	**42**	**38**	**25%**
	-	-	
Grand total	103	85	-17%
Net Debt	16	12	-25%
Target price	**87**	**73**	**-16%**

Source: Macquarie Research, February 2009

GMR Infrastructure (GMRI IN, Neutral, Target price: Rs73.00)

Quarterly Results		**2Q/09A**	**3Q/09E**	**4Q/09E**	**1Q/10E**
Revenue	**m**	**4,814**	**5,828**	**9,375**	**8,836**
Gross Profit	**m**	**0**	**0**	**0**	**0**
Cost of Goods Sold	m	0	0	0	0
EBITDA	**m**	**1,573**	**1,904**	**3,063**	**3,090**
Depreciation	m	582	704	1,133	951
Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0
EBIT	**m**	**991**	**1,200**	**1,930**	**2,139**
Net Interest Income	m	-690	-836	-1,344	-1,085
Associates	m	0	0	0	0
Exceptionals	m	0	0	0	0
Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	445	538	866	444
Pre-Tax Profit	**m**	**746**	**903**	**1,452**	**1,497**
Tax Expense	m	-148	-180	-289	-397
Net Profit	**m**	**597**	**723**	**1,163**	**1,101**
Minority Interests	m	-148	-179	-288	-314
Reported Earnings	**m**	**450**	**544**	**876**	**787**
Adjusted Earnings	**m**	**450**	**544**	**876**	**787**
EPS (rep)		0.25	0.30	0.48	0.43
EPS (adj)		0.25	0.30	0.48	0.43
EPS Growth yoy (adj)	%	12.6	12.6	12.6	58.3
EBITDA Margin	%	32.7	32.7	32.7	35.0
EBIT Margin	%	20.6	20.6	20.6	24.2
Earnings Split	%	19.0	23.0	37.0	21.0
Revenue Growth	%	10.4	10.4	10.4	66.1
EBIT Growth	%	24.2	24.2	24.2	95.2

Profit & Loss		**2008A**	**2009E**	**2010E**	**2011E**
Revenue	**m**	**22,948**	**25,339**	**42,078**	**54,331**
Gross Profit	**m**	**0**	**0**	**0**	**0**
Cost of Goods Sold	m	0	0	0	0
EBITDA	**m**	**5,985**	**8,278**	**14,712**	**21,540**
Depreciation	m	1,785	3,062	4,528	9,483
Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0
EBIT	**m**	**4,200**	**5,216**	**10,184**	**12,057**
Net Interest Income	m	-1,687	-3,633	-5,168	-9,502
Associates	m	0	0	0	0
Exceptionals	m	0	0	0	0
Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	698	2,341	2,114	2,064
Pre-Tax Profit	**m**	**3,210**	**3,925**	**7,130**	**4,619**
Tax Expense	m	-584	-781	-1,889	-594
Net Profit	**m**	**2,626**	**3,144**	**5,241**	**4,024**
Minority Interests	m	-526	-778	-1,496	-348
Reported Earnings	**m**	**2,101**	**2,366**	**3,746**	**3,676**
Adjusted Earnings	**m**	**2,101**	**2,366**	**3,746**	**3,676**
EPS (rep)		1.15	1.30	2.06	2.02
EPS (adj)		1.15	1.30	2.06	2.02
EPS Growth (adj)	%	9.5	12.6	58.3	-1.9
PE (rep)	x	63.6	56.5	35.7	36.3
PE (adj)	x	63.6	56.5	35.7	36.3
Total DPS		0.00	0.00	0.00	0.00
Total Div Yield	%	0.0	0.0	0.0	0.0
Weighted Average Shares	m	1,821	1,821	1,821	1,821
Period End Shares	m	1,821	1,821	1,821	1,821

Profit and Loss Ratios		**2008A**	**2009E**	**2010E**	**2011E**
Revenue Growth	%	35.2	10.4	66.1	29.1
EBITDA Growth	%	10.1	38.3	77.7	46.4
EBIT Growth	%	2.7	24.2	95.2	18.4
Gross Profit Margin	%	0.0	0.0	0.0	0.0
EBITDA Margin	%	26.1	32.7	35.0	39.6
EBIT Margin	%	18.3	20.6	24.2	22.2
Net Profit Margin	%	11.4	12.4	12.5	7.4
Payout Ratio	%	0.0	0.0	0.0	0.0
EV/EBITDA	x	26.3	19.0	10.7	7.3
EV/EBIT	x	37.5	30.2	15.5	13.1
Balance Sheet Ratios					
ROE	%	5.1	3.8	5.7	5.3
ROA	%	3.8	3.2	5.6	6.2
ROIC	%	7.4	4.0	6.6	7.4
Net Debt/Equity	%	43.5	26.8	49.5	43.7
Interest Cover	x	2.5	1.4	2.0	1.3
Price/Book	x	2.2	2.1	2.0	1.9
Book Value per Share		33.9	35.2	37.2	39.3

Cashflow Analysis		**2008A**	**2009E**	**2010E**	**2011E**
EBITDA	**m**	**5,985**	**8,278**	**14,712**	**21,540**
Tax Paid	m	-584	-781	-1,889	-594
Chgs in Working Cap	m	-8,260	5,925	-932	-459
Net Interest Paid	m	-1,687	-3,633	-5,168	-9,502
Other	m	698	2,341	2,114	2,064
Operating Cashflow	**m**	**-3,848**	**12,131**	**8,838**	**13,048**
Acquisitions	m	0	0	0	0
Capex	m	-41,830	-28,415	-31,800	-9,280
Asset Sales	m	0	0	0	0
Other	m	0	0	0	0
Investing Cashflow	**m**	**-41,830**	**-28,415**	**-31,800**	**-9,280**
Dividend (Ordinary)	m	0	0	0	0
Equity Raised	m	39,650	0	0	0
Debt Movements	m	41,563	2,953	13,589	3,120
Other	m	0	0	0	0
Financing Cashflow	**m**	**81,213**	**2,953**	**13,589**	**3,120**
Net Chg in Cash/Debt	**m**	**35,537**	**-13,331**	**-9,373**	**6,888**

Balance Sheet		**2008A**	**2009E**	**2010E**	**2011E**
Cash	m	46,520	57,535	48,162	55,051
Receivables	m	0	0	0	0
Inventories	m	0	0	0	0
Investments	m	0	0	0	0
Fixed Assets	m	97,910	113,103	140,374	140,172
Intangibles	m	0	0	0	0
Other Assets	m	6,960	1,035	1,967	2,425
Total Assets	**m**	**151,390**	**171,673**	**190,503**	**197,648**
Payables	m	0	0	0	0
Short Term Debt	m	0	0	0	0
Long Term Debt	m	78,156	81,573	95,162	98,282
Provisions	m	0	0	0	0
Other Liabilities	m	430	430	430	430
Total Liabilities	**m**	**78,586**	**82,003**	**95,592**	**98,712**
Shareholders' Funds	m	61,674	64,040	67,786	71,462
Minority Interests	m	11,130	25,630	27,126	27,474
Other	m	0	0	0	0
Total S/H Equity	**m**	**72,804**	**89,670**	**94,912**	**98,936**
Total Liab & S/H Funds	**m**	**151,390**	**171,673**	**190,503**	**197,648**

All figures in INR unless noted.
Source: Company data, Macquarie Research, February 2009

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie – Asia/Europe
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie First South - South Africa
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA
Outperform (Buy) – return >5% in excess of benchmark return
Neutral (Hold) – return within 5% of benchmark return
Underperform (Sell)– return >5% below benchmark return

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to Australian/NZ/Canada stocks only

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 December 2008

	AU/NZ	Asia	RSA	USA	CA	EUR
Outperform	38.55%	50.61%	64.52%	53.13%	65.55%	43.00%
Neutral	41.82%	15.92%	25.81%	40.63%	27.73%	48.00%
Underperform	19.64%	33.47%	9.68%	6.25%	6.72%	9.00%

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