

⊙ Action

GVK Power & Infrastructure (GVKP) benefits from already-rising traffic at Mumbai and Bengaluru airports. We think Mumbai real-estate monetisation should be the next trigger for the stock, and takeaways from deals reported by peer at Delhi airport are encouraging. The stock has corrected sharply over the past three months, though company fundamentals remain strong. We upgrade the stock to BUY, from Reduce, backed by a rise in our PT to INR49.2/share, implying 20% upside potential. We see the current correction as presenting a good entry point.

✂ Catalysts

Real-estate monetisation, the next leg of non-aero revenue contracts at Mumbai airport and clarity on merchant sale of power should be key catalysts.

⚓ Anchor themes

An improving macro economy should benefit air traffic and related airport revenue streams; the key is to pick stocks that still offer value after a run-up in 2009.

Good entry point

① Airports are benefiting from traffic recovery

GVKP has stakes in two key airports — Mumbai (MIAL) and Bengaluru (BIAL) — and benefits from rising traffic following a recovery in the domestic economy. We expect a 10%-plus traffic CAGR at MIAL and rising non-aero revenue to support a 40%-plus EBITDA CAGR at MIAL over FY09-12F, making it an attractive asset opportunity, in our view.

② Real-estate monetisation is the key trigger

GVKP has ~135 acres in Mumbai on which it intends to develop 20mn sq ft of hospitality and commercial real estate. We value this at prices similar to those reported by GMR Infrastructure for Delhi Airport land to arrive at a revised real estate value of INR19/share. We expect monetisation of this land parcel to begin in 2Q FY11F.

③ Power portfolio to provide stable cash flows

With ~900MW of power generation capacity already operational, including a potential ~135MW merchant capacity, GVKP's power portfolio generates stable cash flow for the group (~INR5bn pa), which should help it to expand in the space.

④ Revising PT to INR49.2 from INR24.3; upgrading to BUY

Upon benchmarking with recent deals at Delhi Airport and an improved real-estate sector scenario, we take a fresh look on the Mumbai landbank, thus revising our PT to INR49.2/share from INR24.3, which was set when expectations of real-estate monetisation were low. We believe the sharp correction over the past three months (>20% absolute, 17% relative) presents a good entry point.

⑤ Risks to our call

1) Regulatory risk on MIAL aero-revenues; 2) delays in MIAL real-estate; 3) entire MIAL land might not be vacated; and 4) regulatory risk on merchant sale of power at J2 and Gautami.

Closing price on 24 Feb	Rs41.10
Price target	Rs49.20 (from Rs24.30)
Upside/downside	19.7%
Difference from consensus	-4.8%
FY11F net profit (Rsmn)	2,601
Difference from consensus	na
Source: Nomura	

Nomura vs consensus

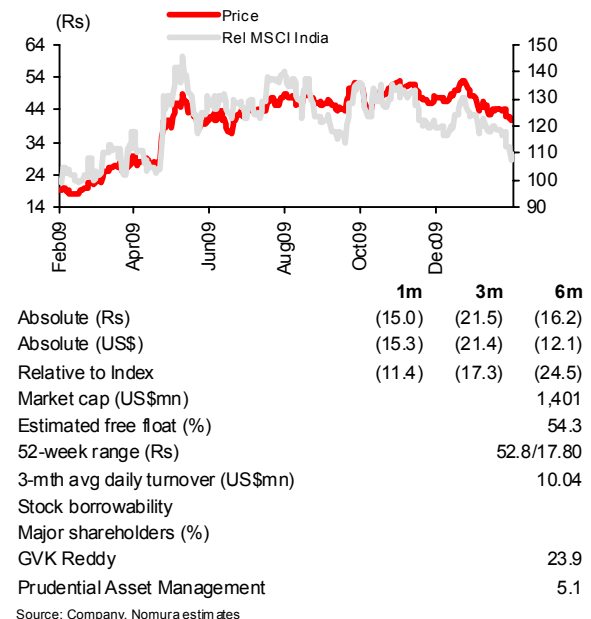
Our non-aero revenue estimates at MIAL are lower than consensus, leading to a lower value for the airport.

Key financials & valuations

31 Mar (Rsmn)	FY09	FY10F	FY11F	FY12F
Revenue	5,138	19,096	21,826	22,886
Reported net profit	1,076	2,156	2,601	3,488
Normalised net profit	1,072	2,156	2,601	3,488
Normalised EPS (Rs)	0.76	1.37	1.65	2.21
Norm. EPS growth (%)	(20.6)	79.0	20.6	34.1
Norm. P/E (x)	55.0	30.7	25.5	19.0
EV/EBITDA (x)	45.5	15.7	13.2	11.0
Price/book (x)	2.5	2.0	1.9	1.7
Dividend yield (%)	na	na	na	na
ROE (%)	4.8	7.7	7.7	9.5
Net debt/equity (%)	121.6	105.3	116.9	96.3
Earnings revisions				
Previous norm. net profit		2,941	4,154	na
Change from previous (%)		(26.7)	(37.4)	na
Previous norm. EPS (Rs)		2.10	3.00	na

Source: Company, Nomura estimates

Share price relative to MSCI India



Any authors named on this report are research analysts unless otherwise indicated.
See the important disclosures and analyst certifications on pages 10 to 13.

Business triggers

Real-estate monetisation is the key trigger

Following a spate of deals reported by peer GMR Infrastructure for Delhi Airport land, we are revising our assumptions for GVKP's landbank at Mumbai airport. Notably, GVKP is entitled to develop 198 acres of its airport land in Mumbai for commercial and hospitality purposes. Of these, the company believes only around 135 acres will be developable because the balance is under encroachment or litigation. On the 135 acres, the company is confident of being able to develop 20mn sq ft of saleable area, split into hotels and commercial space. We now assume that the split will be equal between hotel and commercial, such that 66 acres goes to hotel development and the balance to commercial space.

For the hotel landbank, we use benchmark deals reported by GMRI at Delhi recently, which were close to INR900-950mn/acre. We use a slight premium for Mumbai given its favourable demand-supply scenario and use INR1bn/acre for half of the hotel land, ie, 33 acres. We assume this will be leased out over the next three years. We further assume the balance of hotel land (a further 33 acres) will not command similar rates to the first tranche, given increasing room capacity at the same location and thus will be leased out at INR750mn/acre beginning FY14F. Net of revenue share to the AAI and tax liabilities in the lease rental component (40% of total value), we arrive at an NPV of INR31.2bn from the hotel land for MIAL. Further, we expect INR4bn of this to be transferred to fund MIAL capex and thus deduct this from our NPV value to arrive at a net NPV of INR27.2bn.

Benchmarking Mumbai landbank value to recent Delhi airport deal

Exhibit 1. GVKP: MIAL hospitality land valuation – 66 acres

(INRmn)	FY11F	FY12F	FY13F	FY14F	FY15F	FY16F
NPV of deposits and lease rentals/acre - bidder's cost	1,000	1,000	1,000	750	788	827
NPV of deposits and lease rentals/acre - GVK value	713	713	713	522	548	576
Expected development (acres)	11	11	11	11	11	11
Net realisation in NPV terms as of that year	7,839	7,839	7,839	5,742	6,029	6,331
NPV for hospitality land	31,215					

Source: Nomura estimates

For the commercial space, we assume starting lease rentals of INR150/sq ft/month beginning in FY14F and a construction cost of INR2,100/sq ft beginning FY11F. Assuming a similar deposit-to-lease ratio as hotels, we arrive at an NPV of INR54.8bn for the commercial space. Thus, the total landbank for MIAL is valued at INR82bn, which translates into INR19/share for GVKP.

Exhibit 2. GVKP: MIAL commercial land valuation – 68 acres

	FY11F	FY12F	FY13F	FY14F	FY15F	FY16F	FY17-22F	FY23F
Cumulative (mn sq. ft.)				1	2	3	...	10
Rental (Rs/sq ft/pm)				150	158	167	...	243
Capitalised value of property				18,000	18,990	20,034	...	29,144
Deposit (INR mn) @ 60%				10,800	11,394	12,021	...	17,486
NPV of rental income (INR mn)				7,200	7,596	8,014	...	11,657
Less: AAI share				2,786	2,940	3,101	...	4,511
Net revenues	-	-	-	4,414	4,656	4,912	...	7,146
Construction cost INR psf	2,100	2,205	2,315	2,431	2,553	2,680	...	3,771
Total construction cost (INR mn)	700	1,470	2,315	2,431	2,553	2,680	...	-
Add: deposit	-	-	-	10,800	11,394	12,021	...	17,486
Net cash flow	(700)	(1,470)	(2,315)	12,109	12,783	13,494	...	22,203
NPV	54,791							

Source: Nomura estimates

Exhibit 3. GVKP: MIAL total land value

Hotel land value – MIAL	31,215
Less: transfer to MIAL airport capex	4,000
Net hotel land value – MIAL	27,215
Commercial land value – MIAL	54,791
Total value – MIAL	82,006
GVKP stake @ 36.6%	30,039
Value per GVKP share	19.02

Source: Nomura estimates

Mumbai airport to benefit from rising traffic

GVK Power & Infrastructure now owns stakes in two key airports in India – Mumbai (MIAL) and Bengaluru (BIAL) — and looks set to benefit from rising traffic following a recovery in the domestic economy. It has a 36.6% stake in the Mumbai airport, India's busiest airport based on air traffic movement data from the Airports Authority of India (AAI). We believe the under-penetration of non-aero airport revenue streams and small air traffic base in India will translate into a long-term growth opportunity.

We expect a 10%-plus traffic CAGR at Mumbai airport, coupled with increasing non-aero revenue, to support a 40%-plus EBITDA CAGR at MIAL over FY09-12F, thus making it an attractive asset opportunity, in our opinion. We also think MIAL benefits from the fact that unlike Delhi airport, it need not continue on a capex spree after the current round of capacity expansion, since the current expansion itself will take it to the required capacity of 40mn passengers as per its agreement with the government. Hence, aero charges on a per-passenger basis should more or less be frozen after the first five-year block. Hence, we believe potential downside to MIAL aero revenues is limited compared with Delhi airport, where aero charges are likely to continue on an uptrend owing to continued expansion.

We do not assign any value to Bengaluru airport stake, since we believe the acquisition price paid is fair while the acquisition itself was funded through debt, thus netting out each other.

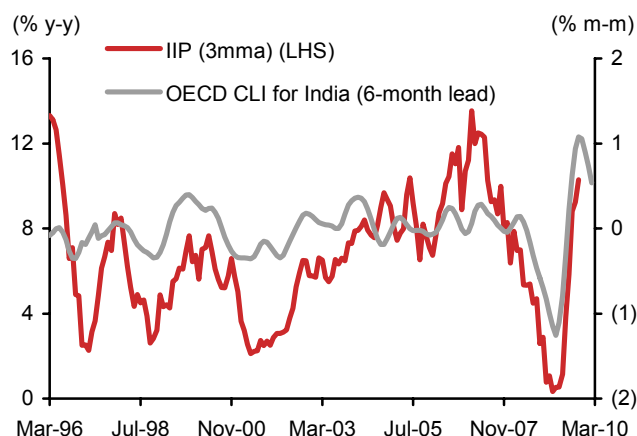
Expect 40%-plus EBITDA CAGR at MIAL over FY09-12F, led by traffic and non-aero revenue growth

Exhibit 4. Mumbai airport profile

Airport	Estimated capacity (mn)	Completion date	FY09 traffic (mn)	Aero to overall revenues		Project capex (INRbn)	Revenue share/ fee	Partners	Concession terms
				FY10F	FY12F				
Mumbai	40	2014	23.44	39.7	41.7	98	38.7%	South African consortium, AAI	30 years + option of 30 years; sweetener of 198 acres land

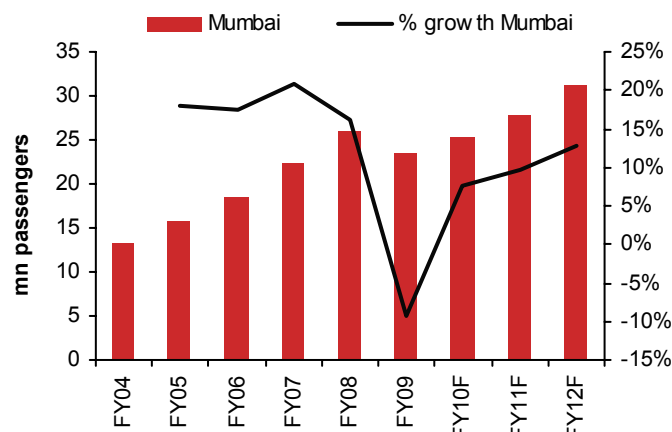
Source: Company data, Nomura estimates

Exhibit 5. Visible uptrend in industrial activity...



Source: OECD, CEIC and Nomura Global Economics

Exhibit 6. ... leads to expectation of revival in air traffic



Source: Airports Authority of India, Nomura estimates

Power portfolio provides stability

GVK has three power plants currently operational, while three others are in the pipeline.

- Jegurupadu -1 (J1) currently operates on a mix of naphtha and gas from the Gas Authority of India Limited (GAIL). With only six years of its valid power purchasing agreement (PPA) left, J1 does not provide substantial value for GVK. We value this project at INR2.2/share.
- Jegurupadu -2 (J2) is the second phase of the Jegurupadu project and commenced operations last year following gas supply from the KG-D6 basin. However, owing to a lack of gas for a substantial period after commissioning, the plant has accumulated losses of ~INR2.4bn against which the state regulator has allowed the company either to sell power on merchant basis or adjust the PPA tariff to the extent the loss is recouped. This is in contrast to the earlier order from the state government that allowed GVKP to sell 20% of plant capacity on a merchant basis in perpetuity. Meanwhile, the company has appealed in the high court to get merchant sale approval in perpetuity and expects to secure a decision in its favour by 1Q FY11F. We have, however, assumed the company will be able to sell merchant power only to the extent it is able to recoup losses. We value this project at INR3.1/share.
- Gautami Power (GPL) is the third project that, along with J2, started operations last year and is in a similar legal tangle relating to merchant power sale. We value this project at INR4.6/share.

Delays in merchant sale of power have affected power portfolio NPV slightly

GVK has three power plants in the development stage – Alaknanda hydro power, Goriganga hydro power and GVK Power Goindwal Sahib thermal.

Of these, Alaknanda and now Goindwal Sahib have achieved financial closure and construction work has commenced. GVK has already invested INR1.92bn as its equity contribution in the Alaknanda project and is currently looking for private equity investors to take a stake in the project for the balance equity portion.

The Goindwal Sahib project has already acquired land, ordered BTG and BOP equipment, and has coal mine linkages. GVK has infused INR3bn to date in the project as its equity share. The Goriganga plant is in the nascent stage currently.

We value the Alaknanda and Goindwal Sahib projects only on a P/BV multiple of the equity infused by GVK so far, since visibility in terms of commercialisation for these projects is still some way off. We value Alaknanda at 1.8x P/BV and Goindwal Sahib at 2x P/BV to arrive at a total value of INR7.9/share. Thus, our total value from the power portfolio is INR17.7/share, compared with INR18.2/share earlier.

Jaipur expressway – rich in cash flow

GVK won the Jaipur-Kishangarh BOT tollroad project as the first public-private-partnership (PPP) initiative in its category in India. The road benefits from reasonably good traffic flow and witnessed traffic growth of 12% and 9% over FY07 and FY08, respectively, falling to ~2% in FY09. Following economic recovery, traffic growth is back and we value the road project at INR6.4/share, compared with INR5.4/share earlier.

Valuation

Raising PT to INR49.2/share; upgrading to BUY rating

We value all GVKP projects individually to arrive at a fair value of INR49.2/share. An estimated cash balance as of March 2011 (net of investments into the valued projects) of INR313mn is added to this, while we net out the proposed investment into the oil and gas venture from the project NPV (since the venture is exploratory at its current stage) to arrive at our 12-month price target of INR49.20/share. Given 20% implied upside potential, we upgrade the stock to a BUY.

Recent correction provides a good entry point, we believe

Note that the stock rallied over 73% in one month after election results were declared last year (thus outperforming indices by ~50%). However, the stock has corrected >20% absolute and 17% in relative terms over the past three months amid risk aversion and in line with broader correction in asset opportunities. We believe this correction provides a good entry point for the stock considering our view of multiple catalysts ahead.

Since our previous PT of INR24.3/share, we are now building in higher realisation for real-estate parcel in Mumbai (~INR1bn/acre for hotels and INR150/sq ft/month rental for commercial space in FY14F), thus benchmarking it to recent deals that GMR Infrastructure has reported for its similar land parcel in Delhi. This leads to an increase of ~INR15/share on our previous price target. An across-the-board reduction in discount rates used to value the projects, which is in line with the rates we use for GMR Infrastructure, adds another ~INR5/share to the prior target, while a roll-over of our SoTP to Mar-11 from Mar-10 adds the balance of INR5/share.

We reiterate that earnings are not a true indicator of financial performance for the company, since a majority of its projects are in their infancy and are expected to ramp up only in the years ahead. For example, our FY10F and FY11F EPS estimates are down 26.7% and 36.7% from our prior estimates, mainly owing to the deferral of merchant power sales at J2 and Gautami from 2H FY10F to 2H FY11F.

Exhibit 7. GVKP: revised sum-of-the-parts valuation

	Asset value (INRmn)	GVKP stake (%)	GVKP stake (INRmn)	GVKP INR/share	Valuation method
Mumbai Airport	106,710	36.6%	39,088	24.8	
Core	24,705	36.6%	9,049	5.7	12.0% CoE
Real Estate	82,006	36.6%	30,039	19.0	14.5% CoE
Road	10,032		10,032	6.4	
Jaipur-Kishangarh Expressway	10,032	100.0%	10,032	6.4	12.0% CoE
Power	32,028		27,967	17.7	
Jegurupadu - I	3,452	100.0%	3,452	2.2	11.0% CoE
Jegurupadu - II	4,841	100.0%	4,841	3.1	12.0% CoE
Gautami Power Ltd	11,282	64.0%	7,220	4.6	12.0% CoE
Alaknanda Hydro	7,172	100.0%	7,172	4.5	1.8x P/BV
GVK Power Goindwal Sahib	5,282	100.0%	5,282	3.3	2.0x P/BV
SEZ	1,366		1,216	0.8	
Perambalur	1,366	89.0%	1,216	0.8	18.0% CoE
GVK Industries - O&M	824	100.0%	824	0.5	8.0x P/E
Total projects value	150,961		79,127	50.1	
Cash at parent level			313	0.2	
Less: Oil & Gas exploration JV equity commitment*			1,779	1.1	
Total Valuation			77,661	49.2	

Source: Nomura estimates; *Total share of equity investment in Oil & Gas venture

Our implied P/BV multiple for MIAL is 1.2x, which compares with current trading levels of 1.8x P/BV for regional airport companies with an average RoE of 9%. Our valuation for power assets, except for J1, is comparable with other Indian power stocks. J1 has only six years of its PPA left and is thus valued at 0.6x P/BV. Overall, the stock is trading at an FY11F P/BV of 1.9x, which we believe is attractive compared with regional peers as well as GMR Infrastructure (trading at 2.4x). At our 12-month price target of INR49.2, the stock would be valued at 2.3x FY11F.

Exhibit 8. GVKP: implied valuation for core assets (excluding real estate)

(INRmn)	NPV	EV	EV/EBITDA (x)	P/BV (x)
MIAL	24,705	62,924	13.5	1.2
Roads	10,032	10,622	10.2	2.5
J1	3,452	3,273	3.3	0.6
J2	4,841	10,449	6.3	1.6
GPL	11,282	21,028	5.9	1.4

Source: Nomura estimates

Exhibit 9. Comparison of valuation for airports

Airports & related	Share price lcc	Nomura rating	Market cap (US\$m)	PE (x)				Div Yield (%)			
				2007	2008	2009F	2010F	2007	2008	2009F	2010F
BCIA (694 HK)	4.21	Buy	2,338	14.6	193.5	47.9	41.7	3.2	0.0	1.0	1.1
GMR Infrastructure (GMRI IN)*	55.65	Reduce	4,412	48.2	36.3	25.7	42.0	0.0	0.0	0.0	0.0
GVK Power & Infrastructure (GVKP IN)	40.45	Buy	1,381	42.1	53.0	29.6	24.6	0.0	0.0	0.0	0.0
Aeroports De Paris (ADP FP)^	57.91	Not rated	7,780	17.8	21.3	20.9	19.3	2.8	2.4	2.4	2.6
Aeroporto di Venezia marco Polo SpA (SA)	6.20	Not rated	466	6.8	23.9	24.5	21.2	6.9	3.8	3.5	4.2
Airports of Thailand (AOT TB)^	40.50	Not rated	1,749	53.3	81.0	20.7	16.2	1.0	0.0	2.3	2.8
Auckland Int'l Airport (AIA NZ)^	1.89	Not rated	1,722	9.9	55.9	23.6	21.5	4.2	4.3	4.2	4.4
Copenhagen Airport (KBHL DC)^	1,175	Not rated	1,682	8.3	12.2	13.8	12.6	9.9	2.8	5.6	6.7
Fraport AG Frankfurt Airport Service World	37.61	Not rated	4,690	16.6	19.9	25.1	20.0	3.1	3.1	3.1	3.1
Gemina (GEM IM)^	0.63	Not rated	1,255	neg	(27.2)	na	62.5	0.0	0.0	0.0	0.0
Guangzhou Airport (600004 CH)^	11.45	Not rated	1,929	31.8	27.3	25.7	22.0	1.6	1.5	1.8	2.3
Macquarie Airport (MAP AU)^	3.13	Not rated	5,242	5	3	(80)	45	8.3	8.5	6.7	6.8
Malaysian Airport (MAHB MK)^	4.92	Not rated	1,594	18.9	17.7	16.7	15.1	2.6	2.8	3.2	3.5
Shanghai Airport (600009 CH)^	19.27	Not rated	5,439	21.9	42.8	52.5	35.9	0.5	0.3	0.3	0.5
Shenzhen Airport (000089 CH)^	7.44	Not rated	1,842	22.5	52.4	21.8	19.9	2.2	0.0	1.8	1.9
Travelsky Tech (696 HK)^	6.21	Not rated	1,553	16.7	17.6	12.9	11.0	2.2	1.9	2.9	3.5
Xiamen Airport (600897 CH)^	20.08	Not rated	876	36.5	30.7	22.0	20.7	0.2	0.3	0.7	0.8
Sub-sector average				23.2	38.9	19.0	26.6	2.9	1.9	2.3	2.6

Airports & related	Share price lcc	Nomura rating	Market cap (US\$m)	PBV (x)				ROE (%)			
				2007	2008	2009F	2010F	2007	2008	2009F	2010F
BCIA (694 HK)	4.21	Buy	2,338	1.5	1.3	1.2	1.2	11.0	0.7	2.7	2.9
GMR Infrastructure (GMRI IN)*	55.65	Reduce	4,412	1.6	1.4	1.3	1.3	5.0	4.2	5.4	3.1
GVK Power & Infrastructure (GVKP IN)	40.45	Buy	1,381	2.6	2.2	1.9	1.7	8.8	4.5	7.2	7.3
Aeroports De Paris (ADP FP)^	57.91	Not rated	7,780	1.9	1.9	1.7	1.6	10.9	8.7	8.2	8.5
Aeroporto di Venezia marco Polo SpA (SA)	6.20	Not rated	466	1.2	1.1	na	na	17.7	4.7	na	na
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Fraport AG Frankfurt Airport Service World	37.61	Not rated	4,690	1.4	1.4	1.4	1.4	8.4	6.9	5.5	6.7
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Macquarie Airport (MAP AU)^	3.13	Not rated	5,242	1.2	1.0	0.9	0.9	24.0	36.5	(1.2)	2.0
Malaysian Airport (MAHB MK)^	4.92	Not rated	1,594	1.8	1.6	1.6	1.6	9.5	9.3	9.8	10.3
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Shenzhen Airport (000089 CH)^	7.44	Not rated	1,842	3.0	2.5	2.5	2.3	13.4	4.8	11.3	11.3
Travelsky Tech (696 HK)^	6.21	Not rated	1,553	2.4	1.9	1.8	1.6	14.8	11.1	13.9	14.5
Xiamen Airport (600897 CH)^	20.08	Not rated	876	5.1	4.7	4.6	3.8	14.1	15.2	20.9	18.5
Sub-sector average				2.0	1.9	1.9	1.7	11.9	8.7	8.0	8.5

Source: Nomura International (HK) Limited estimates, ^ Bloomberg consensus estimates, ** YE-Mar, Share prices as of 23 February 2010

Financial statements

Income statement (Rsmn)					
Year-end 31 Mar	FY08	FY09	FY10F	FY11F	FY12F
Revenue	4,700	5,138	19,096	21,826	22,886
Cost of goods sold	(3,600)	(4,154)	(15,360)	(17,180)	(16,855)
Gross profit	1,099	983	3,736	4,646	6,031
SG&A					
Employee share expense					
Operating profit	1,099	983	3,736	4,646	6,031
EBITDA	1,875	1,763	5,794	7,391	8,784
Depreciation	(776)	(780)	(2,058)	(2,745)	(2,752)
Amortisation					
EBIT	1,099	983	3,736	4,646	6,031
Net interest expense	(431)	(334)	(1,892)	(2,163)	(2,016)
Associates & JCEs	407	316	604	748	630
Other income	619	202	327	327	339
Earnings before tax	1,694	1,167	2,775	3,558	4,984
Income tax	(243)	(92)	(477)	(674)	(971)
Net profit after tax	1,451	1,075	2,298	2,884	4,013
Minority interests	(101)	(3)	(142)	(283)	(524)
Other items					
Preferred dividends					
Normalised NPAT	1,350	1,072	2,156	2,601	3,488
Extraordinary items	4	4	-	-	-
Reported NPAT	1,355	1,076	2,156	2,601	3,488
Dividends	(96)	-	-	-	-
Transfer to reserves	1,259	1,076	2,156	2,601	3,488
Valuation and ratio analysis					
FD normalised P/E (x)	43.7	55.0	30.7	25.5	19.0
FD normalised P/E at price target (x)	51.2	64.5	36.0	29.9	22.3
Reported P/E (x)	43.5	54.8	30.7	25.5	19.0
Dividend yield (%)	0.2	na	na	na	na
Price/cashflow (x)	na	14.5	na	10.2	8.9
Price/book (x)	2.7	2.5	2.0	1.9	1.7
EV/EBITDA (x)	34.0	45.5	15.7	13.2	11.0
EV/EBIT (x)	51.5	72.7	23.2	19.9	15.5
Gross margin (%)	23.4	19.1	19.6	21.3	26.4
EBITDA margin (%)	39.9	34.3	30.3	33.9	38.4
EBIT margin (%)	23.4	19.1	19.6	21.3	26.4
Net margin (%)	28.8	20.9	11.3	11.9	15.2
Effective tax rate (%)	14.3	7.9	17.2	19.0	19.5
Dividend payout (%)	7.1	-	-	-	-
Capex to sales (%)	113.3	527.4	42.4	51.7	7.4
Capex to depreciation (x)	6.9	34.8	3.9	4.1	0.6
ROE (%)	na	4.8	7.7	7.7	9.5
ROA (pretax %)	na	2.8	6.7	7.1	8.2
Growth (%)					
Revenue		9.3	271.7	14.3	4.9
EBITDA		(6.0)	228.6	27.6	18.8
EBIT		(10.5)	279.9	24.3	29.8
Normalised EPS		(20.6)	79.0	20.6	34.1
Normalised FDEPS		(20.6)	79.0	20.6	34.1
Per share					
Reported EPS (Rs)	1	1	1	2	2
Norm EPS (Rs)	1	1	1	2	2
Fully diluted norm EPS (Rs)	1	1	1	2	2
Book value per share (Rs)	16	17	21	22	24
DPS (Rs)	0	-	-	-	-

Deferral of merchant sale of power to impact EBITDA growth only in 2H FY11F and FY12F

Source: Nomura estimates

Cashflow (Rsmn)

Year-end 31 Mar	FY08	FY09	FY10F	FY11F	FY12F
EBITDA	1,875	1,763	5,794	7,391	8,784
Change in working capital	(874)	1,606	(6,594)	133	20
Other operating cashflow	(1,568)	698	(835)	(1,015)	(1,388)
Cashflow from operations	(566)	4,067	(1,635)	6,509	7,415
Capital expenditure	(5,324)	(27,095)	(8,088)	(11,293)	(1,696)
Free cashflow	(5,891)	(23,028)	(9,723)	(4,784)	5,719
Reduction in investments	-	3,854	(662)	(1,480)	(1,363)
Net acquisitions					
Reduction in other LT assets		-	-	-	-
Addition in other LT liabilities		(116)	(733)	(109)	(116)
Adjustments	(407)	(316)	(604)	(748)	(630)
Cashflow after investing acts	(6,297)	(19,605)	(11,721)	(7,121)	3,610
Cash dividends	(96)	-	-	-	-
Equity issue	12,766	-	7,169	-	-
Debt issue	(2,536)	16,888	7,003	5,323	(1,568)
Convertible debt issue					
Others	(2,825)	2,635	(1,505)	319	286
Cashflow from financial acts	7,310	19,523	12,667	5,642	(1,282)
Net cashflow	1,012	(81)	946	(1,480)	2,329
Beginning cash	631	1,643	1,562	2,508	1,028
Ending cash	1,643	1,562	2,508	1,028	3,357
Ending net debt	11,266	28,236	34,293	41,095	37,199

Source: Nomura estimates

Balance sheet (Rsmn)

As at 31 Mar	FY08	FY09	FY10F	FY11F	FY12F
Cash & equivalents	1,643	1,562	2,508	1,028	3,357
Marketable securities	3,843	675	-	-	-
Accounts receivable	652	643	2,242	2,278	2,285
Inventories	227	442	1,542	1,567	1,571
Other current assets	2,356	1,579	5,510	5,598	5,614
Total current assets	8,722	4,901	11,802	10,471	12,827
LT investments	3,225	2,539	3,875	5,356	6,719
Fixed assets	25,776	52,091	58,122	66,670	65,613
Goodwill					
Other intangible assets					
Other LT assets					
Total assets	37,723	59,531	73,800	82,496	85,158
Short-term debt					
Accounts payable	193	350	360	435	448
Other current liabilities	77	953	980	1,186	1,220
Total current liabilities	269	1,303	1,340	1,621	1,668
Long-term debt	12,910	29,798	36,801	42,124	40,556
Convertible debt					
Other LT liabilities	2,673	2,557	1,824	1,715	1,599
Total liabilities	15,852	33,658	39,965	45,459	43,822
Minority interest	6	2,644	1,282	1,883	2,694
Preferred stock					
Common stock	1,406	1,406	1,579	1,579	1,579
Retained earnings	20,460	21,823	30,974	33,575	37,063
Proposed dividends					
Other equity and reserves					
Total shareholders' equity	21,866	23,229	32,553	35,154	38,642
Total equity & liabilities	37,723	59,531	73,800	82,496	85,158

Liquidity (x)

Current ratio	32.37	3.76	8.81	6.46	7.69
Interest cover	2.5	2.9	2.0	2.1	3.0

Leverage

Net debt/EBITDA (x)	6.01	16.02	5.92	5.56	4.23
Net debt/equity (%)	51.5	121.6	105.3	116.9	96.3

Activity (days)

Days receivable		46.0	27.6	37.8	36.5
Days inventory		29.4	23.6	33.0	34.1
Days payable		23.8	8.4	8.4	9.6
Cash cycle	-	51.5	42.7	62.4	61.0

Source: Nomura estimates

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GVK Power & Infrastructure	GVKP IN	43.35 INR	25 Feb 2010	Reduce	

Previous Ratings

Issuer	Previous Rating	Date of change
GVK Power & Infrastructure	No Rating	16 Apr 2009

Three-year stock price and rating history

Not Available for GVK Power & Infrastructure

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