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Q4 FY07  
Result Update

# Gayatri Projects

Outperformer

Rs 261

April 30, 2007

## In line with expectations

Company Details		Result Snapshot	
Market Cap:	Rs 2,609m	<p>For the Q4FY07, Gayatri Projects Ltd (GPL) reported a 39% topline growth at Rs 1660 mn and a 51% decline in PAT at Rs 32 mn. The decline was on account of the adjustment for withdrawal of the 80IA benefits. For the full year FY07 reported a 35% topline growth at Rs 5020 mn and a 30% growth in recurring net profit at Rs 234 mn.</p> <p>For Q4FY07 the EBIDTA margin was lower by 240 bps at 14.5% and for the full year FY07 was 250 bps lower at 15% compared to 17.5% in FY06. This was largely on account of the higher proportion of road projects in total revenues.</p> <p>At the current price, GPL is trading at 6.5 x and 5.2x FY08E and FY09E earnings of Rs 39.8 and Rs 49.7 respectively. Adjusting for BOT valuation (Rs 45/share), GPL trades at 5.4x and 4.3x FY08E and FY09E earnings and 5.1x and 4.6x FY08E and FY09E adjusted EV/EBIDTA. We maintain our <b>'OUTPERFORMER'</b> rating on GPL with a price target of Rs 343/share.</p>	
52 Week High/Low:	Rs 423 / 209		
Bloomberg Code:	GAYP@IN		
Reuters Code:	GAPR.BO / NS		
Shares O/s:	10m		
Average Volume (3 months):	1.5m		
Price Performance			
(%)	1m	3m	12m
Absolute	15.0	(27.9)	NA
Relative to Sensex	9.0	(25.3)	NA

## Q4 FY07 Result Overview

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
<b>Net Sales</b>	<b>1,660</b>	<b>1,195</b>	<b>39.0</b>	<b>1,531</b>	<b>3,712</b>	<b>5,021</b>	<b>35.3</b>
<b>Expenditure</b>							
Construction and raw materials	1,366	945	44.6	1,264	2,922	4,070	39.3
<i>% of Net Sales</i>	<i>82.3</i>	<i>79.1</i>		<i>82.6</i>	<i>78.7</i>	<i>81.1</i>	
Personnel Cost	28	19	49.8	25	62	89	45.1
<i>% of Net Sales</i>	<i>1.7</i>	<i>1.6</i>		<i>1.6</i>	<i>1.7</i>	<i>1.8</i>	
Others	26	29	(11.2)	32	77	108	39.2
<i>% of Net Sales</i>	<i>1.6</i>	<i>2.5</i>		<i>2.1</i>	<i>2.1</i>	<i>2.1</i>	
Total Expenditure	1,420	993	43.0	1,322	3,061	4,267	39.4
<b>EBITDA</b>	<b>240</b>	<b>202</b>	<b>18.9</b>	<b>209</b>	<b>651</b>	<b>754</b>	<b>15.9</b>
<i>Margin (%)</i>	<i>14.5</i>	<i>16.9</i>		<i>13.7</i>	<i>17.5</i>	<i>15.0</i>	
Other income	20	8	146.3	6	11	32	205.1
Depreciation	33	28	18.7	33	104	126	21.1
<i>% of Net Sales</i>	<i>2.0</i>	<i>2.3</i>		<i>2.1</i>	<i>2.8</i>	<i>2.5</i>	
<b>EBIT</b>	<b>227</b>	<b>182</b>	<b>24.6</b>	<b>182</b>	<b>558</b>	<b>661</b>	<b>18.5</b>
Interest	100	81	23.3	84	285	301	5.5
<b>PBT</b>	<b>127</b>	<b>101</b>	<b>25.7</b>	<b>99</b>	<b>272</b>	<b>359</b>	<b>32.1</b>
Total Tax	95	35	168.7	14	95	125	31.6
<i>% PBT</i>	<i>74.8</i>	<i>35.0</i>		<i>13.9</i>	<i>35.0</i>	<i>34.8</i>	
<b>PAT</b>	<b>32</b>	<b>66</b>	<b>(51.4)</b>	<b>85</b>	<b>177</b>	<b>234</b>	<b>32.4</b>

(Stock price as on April 27, 2007)



## Result Highlights

For Q4FY07 topline grew by 39% to Rs 1660 mn. For the full year FY07 GPL reported a 35% topline growth at Rs 5020 mn in line with expectations.

As expected, on account of higher construction and staff cost which grew by 39% and 45% y-o-y to Rs 4070 mn and Rs 89 mn respectively, the EBIDTA margin was lower by 260 bps at 15%. EBIDTA for the year grew by 15% y-o-y. For Q4FY07, the EBIDTA margin was lower by 230 bps y-o-y and higher by 78 bps sequentially.

Depreciation and interest grew by 21% and 18% y-o-y respectively to Rs 126 mn and Rs 301 mn. However, a percentage of sales, both the depreciation and interest are lower by 30 and 170 bps. Other income grew by 205% to Rs 32 mn.

Following the clarifications with regards to 80IA, GPL provided for tax full tax rate during the year. While historically GPL has not been availing of this benefit and so there is no retrospective impact, for the current year, GPL had been providing for tax at the MAT rate. Therefore in Q4FY07, the effective tax rate stood at 75%.

For the full year, recurring PAT grew by 30% to Rs 234 mn, which on equity base of Rs 100 mn translates to an EPS of Rs 23.4 as against our expectations of Rs 22.

## Financials & Valuations

Given the strong order book of Rs 23.5 bn (4.7x FY07 revenues) and an average gestation period of 2.5 years, we expect revenues to grow at a CAGR of 38% from FY06-09E and earnings to grow at a CAGR of 36% in the same period. GPL's execution ability perceived to be limited, in our view should not be a constraint in expansion as the transition from a smaller player to a significant one is a trajectory plotted by some of the well-entrenched players like IVRCL Infrastructure and Nagarjuna Construction. We view GPL to be at a similar stage as some of these well-entrenched players were some years back.

At the current price, GPL is trading at 6.5 x and 5.2x FY08E and FY09E earnings of Rs 39.8 and Rs 49.7 respectively. Adjusting for BOT valuation (Rs 45/share), GPL trades at 5.4x and 4.3x FY08E and FY09E earnings and 5.1x and 4.6x FY08E and FY09E adjusted EV/EBIDTA. We maintain our 'OUTPERFORMER' rating on GPL with a price target of Rs 343/share.

### Key Figures

Y/e March	FY06	FY07E	FY08E	FY09E
Revenues (Rs m)	3,712	5,021	7,720	9,940
EBITDA (Rs m)	651	754	1,081	1,322
<i>Margins (%)</i>	<i>17.5</i>	<i>15.0</i>	<i>14.0</i>	<i>13.3</i>
PAT (Rs m)	177	234	398	497
EPS (Rs)	19.7	23.4	39.8	49.7
PER (x)	11.0	9.2	5.4	4.3
EV / E (x)	6.2	6.5	5.1	4.7
EV / Sales (x)	1.1	1.0	0.7	0.6
<i>RoCE (%)</i>	<i>15.8</i>	<i>15.3</i>	<i>18.9</i>	<i>19.8</i>
<i>RoE (%)</i>	<i>20.9</i>	<i>19.1</i>	<i>24.1</i>	<i>24.8</i>

Valuations adjusted for BOT



## Notes

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