

Infra orders and news summary

Summary of Infra orders announced/awarded and news- Fortnight ending 2nd March 2011

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The total value of orders announced was Rs65.8bn

No	Order received by (For/From)	Rs bn
1	BHEL (BTG for 2*500MW Sagardighi Thermal Power Project Stage-II of West Bengal Power Dev Corp)	32.20
2	Gammon India (Construction of underground stations, tunnels, buildings, etc for Chennai Metro)	11.68
3	Leighten Contractors (EPC for refurbishing ONGC's water injection North (WIN) platform at Mumbai High Field)	6.35
4	Gayatri Projects (Construction of 118km long 2-lane road on NH44A under SARDP-NE for Government of Mizoram)	5.45
5	Siemens (Power supply and overhead equipment for Chennai Metro)	3.05
6	Pratibha Industries (Construction of office building at BKC for ONGC)	2.40
7	Valecha Engineering (Roads and bridges for Various customers)	0.86
8	Valecha Engineering (Underground stations - Nehru park, Kilpauk medical college, Pachiappa's college for Chennai Metro)	0.40
9	Valecha Engineering (Pile foundation for Tanks at Paradip terminal for Paradip port)	0.14
10	DavyMarkham (Mining and related works for Opinacca mines, Sheffield Forgemasters, Brighton Energy)	0.83
11	Hindustan Dorr Oliver (Offsite services at Vijapur petrochem complex for GAIL)	0.74
12	Hindustan Dorr Oliver (OSBL area of CCR/NHT work at Mahul, Mumbai for BPCL)	0.37
13	Hindustan Dorr Oliver (Accumulators, Tanks, moderators etc for Kakrapar Nuclear power plant unit-3 & -4 for NPCIL)	0.17
14	Pratibha Industries (Construction of research institute at BKC for Pan India Infrastructure Pvt Ltd (Essel group))	0.57
15	ARSS Infra (Power plant works for NTPC)	0.46
16	McNally Bharat (Civil works at IOCL Paradip refinery for Essar Projects)	0.16

A. Infra News

□ Infrastructure

Union Budget 2011-12: Impact on infrastructure sector

In the Union Budget 2012 the government has proposed the following measures in as far they relate to the infrastructure sector

- Overall allocation for Infra increased by 23% to Rs2.14trn.
- IIFCL's cumulative disbursement target increased to Rs250bn by March 2012 from Rs200bn by March 2011
- Tax free bonds of Rs300bn proposed to be issued by government undertakings for infra development
- Additional Tax benefit on investments of upto Rs20,000 in qualified infra bonds continued for one more year
- Allocation for Bharat Nirman increased by Rs100bn to Rs580bn

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- FII limit to invest in corporate bonds with minimum five year residual maturity period in the infrastructure sector raised by \$20bn to \$25bn. The move should help FIIs invest in bonds of infrastructure companies with 3 year lock in. This will help reduce the cost of funds for infra companies.
- Power equipment manufacturers have been exempted from paying excise duty on equipment supplied for expansion of Mega/Ultra Mega power projects in line with exemption on paying Countervailing Duty for imported equipment. Positive for domestic power equipment manufactures like BHEL and L&T.
- Section 80IA benefits continued till 31st March 2012. Positive for all infra companies
- Tax holiday for SEZs discontinued; now MAT applicable to SEZ developers and units in SEZ – negative for SEZ developers like Mundra Port and utilities operating in SEZ locations like Adani Power and KSK.

Rel Infra commissions the Delhi Airport Metro Express Line

The Delhi Airport Metro Express Line, developed by Reliance Infra was commissioned on February 23 2011. This is a 23km line connecting New Delhi Railway Station to the IGI Airport built at a cost of ~Rs57bn. The Metro will initially run at a speed of 105km/hr and the base ticket fare has been set up at Rs80 initially.

GVK increases stake in MIAL to 50.5% by purchasing 13.5% stake from Bid Services Division of South African Airports

GVK, through its subsidiary GVK Airport Holdings Pvt. Ltd. (GAHPL), has agreed to acquire a 13.5% stake in MIAL held by SAA. The consideration to be paid has been agreed at US\$231m, valuing MIAL at US\$1.71bn, or ~Rs77bn. GVK has funded the acquisition with a three-year bank loan, structured as a letter of credit (LC) facility. The LC issued by the bank would be immediately cashed by SAA. GVK would however, not be required to pay an interest/finance charge on the LC issued on a recurring basis. At the end of three years, GVK would pay the bank a total of US\$287mn, including the principal amount of US\$231mn and accumulated interest/financing charges of US\$56mn. The implied value paid by GVK for MIAL is lower than our fair value estimate of the Mumbai airport of Rs83.3bn. However, inclusive of the funding cost, the acquisition price implies a value of ~Rs95.7bn, higher than our estimates. Post the acquisition, GVK's would acquire majority control of MIAL with a 50.5% stake. Airports Authority of India (AAI) would continue to hold a 26% stake in MIAL, while South African Airports' stake would reduce to 23.5%

❑ Power

Coal India Limited (CIL) increases prices of coal

Coal India Limited (CIL) has increased the price of coal supplied to power utilities (including IPPs), fertilizers and defence customers from subsidiary Mahanadi Coal Fields (MCL) w.e.f. 27 February 2011. Base prices for grade C to grade G have been increased by Rs80-110/ MT (11-23%), while that for grades A and B have been nearly trebled. Power utilities largely consume coal of grades E to G, implying an average increase of Rs100/ MT in cost of fuel. CIL has increased coal prices of C-G grade coal by up to 30% for cement companies.

Reliance Power may sign up ~2,500MW purchase pact with UP

According to news reports, Reliance Power has emerged as the preferred bidder for supplying 2,456MW power to UP at a tariff of Rs3.7/unit. The PPA period is 25 years with the scheduled delivery from 2014, which is 48 months from the date of signing of the PPA (expected to be signed within a month). Although, the tariff quoted by Reliance Power (according to news reports) is not the lowest, the quantum of power offered is closest to the requirement of UP. Other bidders include Lanco Infratech, which placed a bid for supplying 680MW at Rs 4.283/unit. Jaiprakash Group offered 200MW at Rs3.9/unit. Power Trading Corporation placed bids on behalf of three companies, Ind-Bharath Power (200MW at Rs 4.81/unit), KVK Nilachal Power (160MW at Rs4.413/unit), and Athena Power (300MW at Rs3.324/unit). Reliance Power is likely to supply this power from its upcoming ~3,960MW Chitrangi power plant.

Finance Ministry sets up Rs500bn National Electricity Fund to help quicken pace of distribution reforms

The Union finance ministry has approved the creation of a Rs500bn National Electricity Fund (NEF) for attracting investment in the area of distribution reforms in the power sector. The ministry has also approved provision of interest subsidy for lending under the fund. The power ministry will now seek Cabinet approval for the scheme, post invitation of comments from different departments. The objective of the fund is to help the critically bankrupt State Electricity

Boards (SEBs) for improving the finances and reduce distribution losses. The money raised by NEF will be lent to SEBs at low interest rates. The interest subsidy to be provided by the Centre would depend on the size of loans, while the tenure will be 14 years.

Gammon India (Ansaldo) wins case for qualification for NTPC's bulk tender of supercritical boilers

Gammon India (for Ansaldo) had filed a case in the Delhi High Court, challenging its disqualification by NTPC in the bulk tender of 11 super-critical boiler units. The Delhi High Court has ruled in favour of Gammon, and Ansaldo is now qualified for the tender. The other qualified parties include BHEL, L&T and BGR. NTPC is likely to open the price bids of all the 4 qualified parties in 1-2 days. The development is a key positive for Gammon as the company's technical qualifications/capabilities in super-critical boilers is reaffirmed. Moreover, Gammon now has a fair chance of submitting a price bid and winning orders, which we believe can be a significant driver of the company's India business. The ruling also clears the way for NTPC to complete the bulk tendering process, with potential order flows for L&T and/or BHEL.

Lanco Infratech receives environmental clearance for Vidarbha Thermal Power Plant

Lanco Infratech has received the environmental clearance for Lanco Vidarbha Thermal Power Ltd, which is a 1320 (2 x 660) MW Coal based Super-critical Thermal Power Project planned in Wardha district of Maharashtra.

□ Roads

Three NHAI and one State Road BOTs awarded/finalized during past fortnight

In continuation with the momentum in award of road BOT projects, NHAI awarded/declared preferred bidders for three road projects.

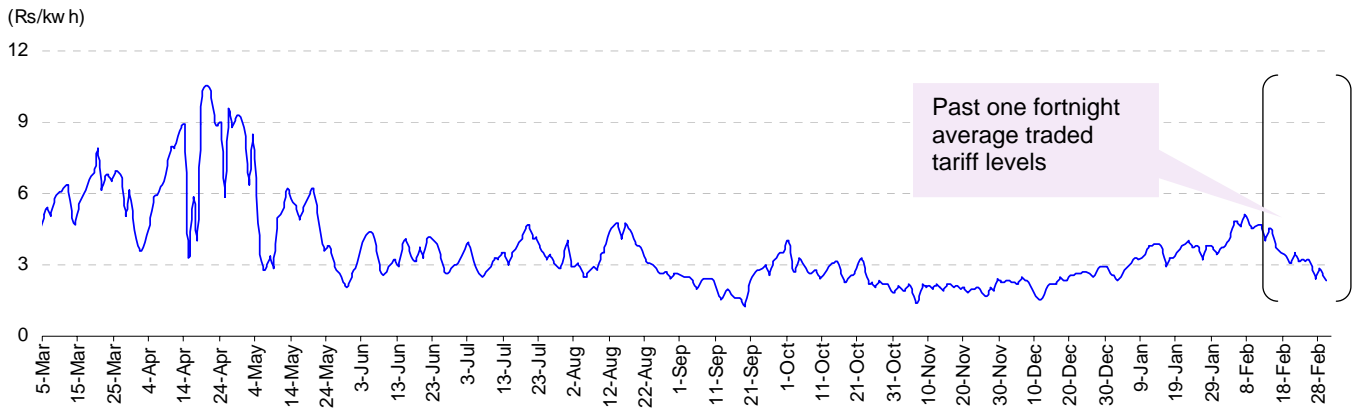
- Punj Lloyd won the Khagaria-Purnea Annuity road BOT by quoting an annuity of Rs1.12bn. The 2-laning project is a 140km long stretch on NH-31 in Bihar. The estimated project cost is Rs7.35bn and has a concession period of 17 years.
- Madhucon has won the Barasat Krishnagar Annuity road BOT in West Bengal, with annuity Rs1.48bn. The 4-laning project is an 84km long stretch on NH-34 and is estimated to have total project cost Rs12bn. The concession period of the project is 17 years, which includes the construction period of 30 months.
- Ashoka Buildcon has emerged as the preferred bidder Dankuni Kharagpur 6-laning project in West Bengal. The 111 km long project on NH-6 is estimated to have a total project cost ~Rs14bn and a concession period of 25 years.
- Valecha Engineering has won the Badwani-Palood-Sendwa annuity road project in MP from MPRDC. The estimated project cost is Rs1.04bn.

Tariffs for power traded on the power exchanges

Traded tariffs for the period (18 Feb-2 Mar 2011) on India Energy Exchange (IEX)

	(Rs/kwh)
Max	5.19
Min	1.25
Average	3.01

Trend of average traded power tariff trend since Mar 2010



Source: IEX

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