

GMR Infrastructure

16 November 2011

Reuters: GMRI.BO; Bloomberg: GMRI IN

Airports regulator restores airport development fee for DIAL

Airports Economic Regulatory Authority (AERA) has allowed charging Rs 200 to domestic passengers and Rs1,300 to international passengers as airport development fee (ADF) at Delhi International Airport (DIAL) so as to collect Rs12.3bn in Stage I and Rs7bn in Stage II. The company has planned to securitise ADF in the next one month to repay short-term loans of Rs6bn, which will reduce interest costs by around Rs720mn annually. We believe this is a positive development for the stock and retain our Buy rating on it with a SOTP-based target price of Rs39.

Key highlights:

- AERA has restored levy of ADF at the rate of Rs200 per departing domestic passenger and Rs 1,300 per departing international passenger so as to garner Rs12.3bn in Stage I and incremental Rs7bn in Stage II. This levy was suspended following a Delhi High Court order effective from 1 June 2011.
- The collection of Rs12.3bn of ADF is to bridge the financing gap for approved capex of Rs 118bn which was incurred until 31 March 2010. The collection of incremental Rs7bn of ADF in Stage II is for certain costs which were not incurred as on 31 March 2010, but was part of the project cost.
- The company has planned to securitise ADF with the banks in the next one month in order to repay short-term loans of Rs6bn, which were raised post suspension of ADF levy by the Delhi High Court. This will bring interest costs down by about Rs720mn annually.
- AERA has approved capex of Rs118bn in Stage I, which is Rs10bn lower than earlier approved capex. Out of the Rs10bn, Rs 7bn will be approved by the AERA based on the company submitting proof of actual costs incurred. In respect of the Rs1.5bn upfront fee, the company has reduced this amount from the project cost and from the means of financing and thereby there is no impact due to disallowance.

We believe this is a positive development for GMR Infrastructure and retain our Buy rating on it with a SOTP-based target price of Rs39. Key contributors to our TP comprise Rs20 from the airports business (including real estate), Rs14 from power generation and coal mining, and Rs3 from the road segment.

Y/E Mar (Rsmn)	FY09	FY10	FY11	FY12E	FY13E
Net sales	40,192	45,665	57,738	71,096	105,284
YoY (%)	75.1	13.6	26.4	23.1	48.1
EBITDA	10,668	13,643	15,553	21,644	38,014
EBITDAM (%)	26.5	29.9	26.9	30.4	36.1
Adj. net profit	2,794	1,581	(1,313)	811	4,777
EPS growth (%)	33.0	(43.4)	(183.0)	161.8	489.2
Adj. EPS	0.7	0.4	(0.3)	0.2	1.2
P/BV (x)	0.8	1.6	1.1	1.1	1.1
PER (X)	39.0	68.9	NA	134.4	22.8
EV/EBITDA	17.9	18.6	18.5	15.2	9.3
RoE (%)	4.3	2.4	NA	1.0	5.8
RoCE (%)	5.2	4.6	4.3	5.7	9.4

Source: Company, Nirmal Bang Institutional Equities Research

BUY

Sector: Infrastructure

CMP: Rs23

Target Price: Rs39

Upside: 70%

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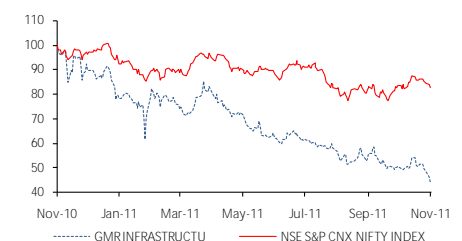
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Key Data

Current Shares O/S (mn)	3,892.4
Mkt Cap (Rsbn/US\$bn)	88.2/1.7
52 Wk H / L (Rs)	52/23
Daily Vol. (3M NSE Avg.)	4,745,347

Shareholding (%)	4QFY11	1QFY12	2QFY12
Promoter	71.4	71.4	71.4
FII	12.8	12.6	12.4
DII	8.2	8.1	8.1
Corporate	1.2	1.2	1.2
General Public	6.7	6.8	6.9

One Year Indexed Stock Performance



Price Performance (%)

	1 M	6 M	1 Yr
GMR Infra	(12.2)	(38.4)	(54.5)
Nifty Index	(1.4)	(8.0)	(15.5)

Source: Bloomberg

Exhibit 1: DIAL Project cost details

Particulars	Rsbn
Final project cost as submitted in DIAL application	128.6
Items proposed to be excluded	
Apron	0.2
R/W 10-28	0.4
Escalation for reinforcement	0.4
Upfront fee	1.5
Gross floor area(8652 sq mt)(Proposed to be excluded by EIL	1.1
Total exclusions	3.5
Cost incurred as on 31.03.2010	
ATC	3.5
Delhi jal board	0.5
Provisions	3.0
Allowable project cost	118.0
Means of finance	
Equity capital and share application money less upfrot amount (Rs1.5 bn)	23.0
Rupee term loan	36.5
Foreign currency loan + ECB advantage	16.2
Internal accruals	0.5
Refundable security deposit	14.7
Total means of finance	90.9
Funding GAP	27.2
Less: Amount collected upto 01.06.2011	14.8
Confirmed funding gap	12.3
Funding gap in case cost (not incurred as on 31.03.2010) are approved -stage 2	19.3

Source: Company, AERA, Nirmal Bang Institutional Equities Research

Exhibit 2: ADF collection details

Stage	1(excluding cost not incurred as on 31.03.2010	2(including cost not incurred as on 31.03.2010
Project cost	118.01	125.02
Less means of finance	90.87	90.87
Total funding gap	26.91	33.92
Less amount collected up to 01.06.2011	14.84	14.84
Balancing funding gap	12.3	19.31

Source: Company, AERA, Nirmal Bang Institutional Equities Research

Exhibit 3: SOTP valuation

Airports	Asset value	GMR stake	Value of stake	Project cost	Value/share
DIALcore	30,032	54%	16,218	12,760	4.2
DIAL real estate	-	-	38,155	-	10
HIALcore	34,998	63%	22,049	29,200	5.7
HIAL real estate	-	-	9,900	-	-
SGHIA	8,320	40%	3,328	29,315	0.9
Total	73,351		89,649	-	20
Power	MW	Equity value	GMR stake	Value of stake	Rs/share
GMR Energy	220	5,739	100%	5,739	1.47
GMR Power Corporation	200	6,781	51%	3,458	1.74
Vemagiri Power Generation	389	6,677	100%	6,677	1.72
GMR Kamalanga Energy	1,400	22,588	80%	18,070	4.64
Rajahmundry	768	7,306	100%	7,306	1.88
Emco Energy	600	5,818	100%	5,818	1.49
Total	5,417	54,910	-	47,070	12
Valuation- mining assets	Mining reserves (mt)	Equity value (Rsmn)	Stake (%)	Value of stake	Equity value/ share (Rs)
PT Barasentosa Lestari, Indonesia	110	5,875	100%	5,875	1.5
Homeland Energy Group	270	3,620	56%	2,027	0.6
Mining assets value/share (Rs)					2.1
Project name	Route length (km)	Value (Rsmn)	Stake (%)	Value of GMR stake	Rs/share
Tambaram-Tindivanam	93	2,041	61%	1,245	0.3
Tuni - Anakapalli	59	2,711	61%	1,694	0.4
Adloor-Gunla-Pochanpalli	103	2,543	100%	2,543	0.7
Ambala-Chandigarh	35	(175)	100%	(174)	(0.0)
Faruknagar-Thondapalli-Jadcherla	58	4,206	100%	4,206	1.1
Tindivanam-Ulundurpet	73	1,324	100%	1,324	0.3
Total	421	-	-	10,838	2.8
Net cash	-	-	-	-	2.0
Price target	-	-	-	-	39

Source: Company, Nirmal Bang Institutional Equities Research

Ratings track

Date	Rating	CMP (Rs)	Target price (Rs)
26 September 2011	BUY	28	39
29 September 2011	BUY	27	39
11 November 2011	BUY	26	39

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

HOLD 0-15%

SELL < 0%

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