

11 November 2011

<b>Rating</b>	<b>Previous Reco</b>
Buy	Buy
<b>CMP</b>	<b>Target Price</b>
Rs26	Rs38
EPS Chg FY12E/FY13E (%)	NA
Target Price change (%)	NA
Nifty	5,221
Sensex	17,570

### Price Performance

(%)	1M	3M	6M	12M
Absolute	0	(15)	(31)	(52)
Rel. to Nifty	(5)	(17)	(27)	(42)

Source: Bloomberg

### Relative price chart



Source: Bloomberg

### Stock Details

<b>Sector</b>	Construction
<b>Bloomberg</b>	GMRI IB
<b>Equity Capital (Rs mn)</b>	3,892
<b>Face Value(Rs)</b>	1
<b>No of shares o/s (mn)</b>	3,892
<b>52 Week H/L</b>	55/ 24
<b>Market Cap (Rs bn/USD mn)</b>	100/2,021
<b>Daily Avg Volume (No of sh)</b>	4781963
<b>Daily Avg Turnover (US\$m)</b>	2.7

### Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	71.4	71.4	71.2
FII/NRI	12.4	12.6	12.8
Institutions	8.1	8.1	8.2
Private Corp	1.2	1.2	1.2
Public	6.9	6.8	6.7

Source: Bloomberg

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- **Net loss at Rs 625mn v/s Rs 483mn - led by marginally lower operational numbers for Power and Airport segment, Roads inline, EPC & other segment ahead of estimates**
- **Rev. up 48.3% to Rs 18.1bn v/s exp. of Rs 17.5bn led by EPC segment +282% yoy to Rs2.9 bn v/s 1.7 bn & others at Rs 1.9bn v/s 1.2bn, EBITDA up 40% at Rs 5bn v/s exp. Rs 4.7bn**
- **Delays in aero charge hike at DIAL continue to drag the overall performance. Restriction to collect ADF leading to higher bridge loan & hence higher interest exp.**
- **Maintain BUY rating PT Rs 38 offers 49% upside from the current market price. Peaking interest rates cycle will be the key drivers of value in the near term**

GMR reported in-line results in Q2FY12. Revenues at Rs 18.1bn up 48.3% yoy v/s Rs 17.5bn higher than estimates. The increase was primarily due to higher revenues at EPC & others vertical which witnessed handsome growth. EBITDA at Rs5bn up 41%yoy, 7% higher than our estimate mainly owing to significant contribution from Non recurring management fee which was recognised under the others category. Net loss of Rs625m was higher than our estimate of a loss of Rs 483m. Loss was higher owing to lower than expected other income as the company has not recognised any gains on the 30% strategic sale of Singapore asset which took place in Q2FY12.

### Performance – Roads-inline, Power & Airport - marginally lower, EPC – Above est.

Delays in implementation of tariff at DIAL and lower merchant realisation are hurting the overall company's performance, however, road vertical has started stabilising and is expected to turn positive by Q3FY12E. Airport vertical reported an EBITDA growth of 89%yoy to Rs 2.32bn v/s exp of 2.65bn led by lower than expected contribution from Male Airport. On the power front, PLF contracted in Q2 primarily due to scheduled outage of Vemagiri 388MW for a period of 15 days in Q2FY12 & PLF during Q2FY12 reduced to 59% from 66% in Q1FY12. Vemagiri expansion (768MW) continues to be on schedule and any development on sourcing fuel arrangement should be a positive catalyst. EPC vertical surprised on the upside more than doubling the EBITDA to Rs 189mn while others segment witnessed a 6x jump in EBITDA led by handsome growth in management fee being booked on the Male airport.

### Regulatory risk remains an overhang, ADF likely to be approved anytime

The regulatory risk associated with the Delhi Airport for tariff regulation remains a key overhang; management indicated that the matter is pending with the regulator and Tariff policy based revenue structure likely by Q4FY12E. We believe the ADF approvals will be the initial trigger for DIAL which will ease the cash flow situation at DIAL followed by the tariff implementation by Q1FY13E.

### Maintain BUY rating with a TP of Rs 38 providing 49% upside

Although infrastructure is a heavy capex industry, we believe, GMR's focus on exploring opportunities with limited equity investment from the parent in a manner similar to Male airport will drive the growth for airport vertical. Management is evaluating a few bids in emerging Europe & Asia pacific as well. With renewed focus on getting the operational parameters right at Delhi Airport we believe GMR Infra will witness positive action over Q3 and we continue to maintain BUY rating on GMR Infra with a price target of Rs 38 providing a 49% upside from the current levels.

### Financial Snapshot (Standalone)

(Rsmn)

YE-	Net	EBITDA	EPS	EPS	RoE	EV/				
Mar	Sales	(Core)	APAT	(Rs)	% chg	P/E				
		(%)				EBITDA				
						P/BV				
FY10A	45,665	13,643	29.9	1,581	0.4	-41.5	2.4	60.3	21.0	1.4
FY11A	57,738	15,555	26.9	-9,297	-2.4	NA	-13.0	-10.9	19.9	1.1
FY12E	82,906	21,538	26.0	(631)	-0.2	NA	-0.8	-160.3	18.3	1.0
FY13E	117,609	36,557	31.1	4,437	1.1	NA	5.5	22.8	13.4	1.0

Rs mn	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	YTDFY12	YTDFY11	YoY (%)
<b>Revenue</b>	<b>12,217</b>	<b>13,588</b>	<b>19,620</b>	<b>18,636</b>	<b>18,122</b>	<b>48.3</b>	<b>(2.8)</b>	<b>36,758</b>	<b>24,531</b>	<b>49.8</b>
<b>Expenditure</b>	<b>8,656</b>	<b>9,775</b>	<b>15,211</b>	<b>13,656</b>	<b>13,109</b>	<b>51.4</b>	<b>(4.0)</b>	<b>26,765</b>	<b>17,195</b>	<b>55.7</b>
<i>as % of sales</i>	<i>70.9</i>	<i>71.9</i>	<i>77.5</i>	<i>73.3</i>	<i>72.3</i>			<i>73.3</i>	<i>69.3</i>	
Raw Material Consumed	2,992	2,740	4,118	4,521	3,190	6.6	(29.4)	7,711	5,978	29.0
<i>as % of sales</i>	<i>24.5</i>	<i>20.2</i>	<i>21.0</i>	<i>24.3</i>	<i>17.6</i>			<i>24.3</i>	<i>24.3</i>	
Employee Cost	690	768	1,355	1,277	1,342	94.4	5.1	2,618	1,264	107.2
<i>as % of sales</i>	<i>5.6</i>	<i>5.6</i>	<i>6.9</i>	<i>6.9</i>	<i>7.4</i>			<i>6.9</i>	<i>4.7</i>	
Other expenditure	4,974	6,268	9,739	7,859	8,577	72.4	9.1	16,436	9,953	65.1
<i>as % of sales</i>	<i>40.7</i>	<i>46.1</i>	<i>49.6</i>	<i>42.2</i>	<i>47.3</i>			<i>42.2</i>	<i>40.4</i>	
<b>EBITDA</b>	<b>3,561</b>	<b>3,813</b>	<b>4,408</b>	<b>4,979</b>	<b>5,014</b>	<b>40.8</b>	<b>0.7</b>	<b>9,993</b>	<b>7,335</b>	<b>36.2</b>
Depreciation	1,993	2,357	2,612	2,758	2,675	34.3	(3.0)	5,433	3,641	49.2
<b>EBIT</b>	<b>1,568</b>	<b>1,456</b>	<b>1,797</b>	<b>2,221</b>	<b>2,338</b>	<b>49.1</b>	<b>5.3</b>	<b>4,560</b>	<b>3,695</b>	<b>23.4</b>
Other Income	143	146	611	812	700	390.9	(13.5)	1,511	1,124	34.5
Interest	2,492	2,941	2,945	3,724	3,922	57.4	5.3	7,646	5,183	47.5
<b>PBT</b>	<b>(781)</b>	<b>(1,338)</b>	<b>(537)</b>	<b>(691)</b>	<b>(884)</b>	<b>13.2</b>	<b>27.9</b>	<b>(1,575)</b>	<b>(365)</b>	<b>331.7</b>
Total Tax	197	-820	764	655	586	197.2	(10.6)	1,240	295	320.1
<b>Adjusted PAT</b>	<b>(978)</b>	<b>(518)</b>	<b>(1,301)</b>	<b>(1,346)</b>	<b>(1,470)</b>		<b>9.2</b>	<b>(2,816)</b>	<b>(660)</b>	<b>326.5</b>
(Profit)/loss from JV's/Ass/MI	260	261	707	679	844					
<b>APAT after MI</b>	<b>(718)</b>	<b>(258)</b>	<b>(594)</b>	<b>(667)</b>	<b>(625)</b>		<b>(6.2)</b>	<b>(1,292)</b>	<b>(423)</b>	<b>205.2</b>
<b>Extra ordinary items</b>	<b>1,403</b>	<b>-</b>	<b>(9,389)</b>	<b>-</b>	<b>-</b>	<b>-</b>				
<b>Reported PAT</b>	<b>685</b>	<b>(258)</b>	<b>(9,983)</b>	<b>(667)</b>	<b>(625)</b>		<b>(6.2)</b>	<b>(1,292)</b>	<b>980</b>	<b>(231.9)</b>
<b>Reported EPS</b>	<b>0.2</b>	<b>-0.1</b>	<b>-2.6</b>	<b>-0.2</b>	<b>-0.2</b>		<b>(6.2)</b>	<b>-0.3</b>	<b>0.3</b>	<b>(231.9)</b>

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	29.1	28.1	22.5	26.7	27.7	(148.1)	94.5	27.2	29.9	-272
EBIT	12.8	10.7	9.2	11.9	12.9	6.7	98.3	12.4	15.1	-266
EBT	(6.4)	(9.8)	(2.7)	(3.7)	(4.9)	151.4	(117.1)	(4.3)	(1.5)	-280
PAT	(5.9)	(1.9)	(3.0)	(3.6)	(3.5)	242.8	12.7	(3.5)	(1.7)	-179
Effective Tax rate	(25.2)	61.3	(142.1)	(94.7)	(66.2)	(4,099.4)	2,851.5	(78.7)	(80.9)	217.1

## Segmental performance

Segmental Performance	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)
<b>Revenues</b>							
Airports	6,243.8	8,017.6	10,808.0	10,614.8	10,432.5	67.1	-1.7
Less: Rev share of concessionaires	1,366.0	1,753.2	2,096.3	2,185.6	2,076.5	52.0	-5.0
<b>Net Airport revenue</b>	<b>4,877.8</b>	<b>6,264.4</b>	<b>8,711.7</b>	<b>8,429.2</b>	<b>8,356.0</b>	<b>71.3</b>	<b>-0.9</b>
<i>%age of Total Revenue</i>	38%	43%	44%	43%	43%		
<b>Power</b>	<b>4,942.4</b>	<b>5,066.4</b>	<b>6,011.7</b>	<b>6,875.6</b>	<b>5,431.2</b>	<b>9.9</b>	<b>-21.0</b>
<i>%age of Total Revenue</i>	39%	34%	31%	35%	28%		
<b>Roads</b>	<b>945.1</b>	<b>984.6</b>	<b>989.0</b>	<b>1,002.7</b>	<b>1,002.1</b>	<b>6.0</b>	<b>-0.1</b>
<i>%age of Total Revenue</i>	7%	7%	5%	5%	5%		
<b>EPC</b>	<b>759.1</b>	<b>828.2</b>	<b>3,163.5</b>	<b>2,084.1</b>	<b>2,902.7</b>	<b>282.4</b>	<b>39.3</b>
<i>%age of Total Revenue</i>	6%	6%	16%	11%	15%		
<b>Other</b>	<b>1,181.0</b>	<b>1,558.9</b>	<b>764.8</b>	<b>1,215.6</b>	<b>1,899.5</b>	<b>60.8</b>	<b>56.3</b>
<i>%age of Total Revenue</i>	9%	11%	4%	6%	10%		
<b>Total Revenues</b>	<b>12,705.4</b>	<b>14,702.5</b>	<b>19,640.7</b>	<b>19,607.2</b>	<b>19,591.5</b>	<b>54.2</b>	<b>-0.1</b>
Less: Inter segment	488.4	1,115.0	21.2	971.7	1,469.1	200.8	51.2
<b>Net Segment Revenue</b>	<b>12,217.0</b>	<b>13,587.5</b>	<b>19,619.5</b>	<b>18,635.5</b>	<b>18,122.4</b>	<b>48.3</b>	<b>-2.8</b>

(EBIT (net of int income))	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)
Airports	73.4	297.6	458.9	869.5	539.3	634.7	-38.0
<i>EBIT Margin</i>	2%	5%	5%	10%	6%		
Power	634.5	633.2	1,002.4	973.1	768.2	21.1	-21.1
<i>EBIT Margin</i>	13%	12%	17%	14%	14%		
Roads	450.9	465.3	541.9	511.0	565.1	25.3	10.6
<i>EBIT Margin</i>	48%	47%	55%	51%	56%		
EPC	99.9	69.9	365.7	124.1	192.6	92.8	55.2
<i>EBIT Margin</i>	13%	8%	12%	6%	7%		
Other	733.6	822.7	354.3	466.5	1,465.7	99.8	214.2
<i>EBIT Margin</i>	62%	53%	46%	38%	77%		
<b>EBIT excluding inter segment</b>	<b>1,992.3</b>	<b>2,288.7</b>	<b>2,723.2</b>	<b>2,944.2</b>	<b>3,530.9</b>	<b>77.2</b>	<b>19.9</b>
Less: Inter segment	278.3	686.7	306.9	336.1	499.5	79.5	48.6
<b>EBIT</b>	<b>1,714.0</b>	<b>1,602.0</b>	<b>2,416.3</b>	<b>2,608.1</b>	<b>3,031.4</b>	<b>76.9</b>	<b>16.2</b>
<i>EBIT Margin</i>	14%	12%	12%	14%	17%		

EBITDA	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)
Airports	1,223.0	1,741.0	2,059.0	2,477.0	2,319.0	89.6	-6.4
<i>EBITDA Margin</i>	25%	28%	24%	29%	28%		
Power	1,017.0	810.0	1,055.0	1,327.0	905.0	-11.0	-31.8
<i>EBITDA Margin</i>	21%	16%	18%	19%	17%		
Roads	782.0	823.0	756.0	854.0	868.0	11.0	1.6
<i>EBITDA Margin</i>	83%	84%	76%	85%	87%		
EPC	108.0	117.0	382.0	138.0	175.0	62.0	26.8
<i>EBITDA Margin</i>	14%	14%	12%	7%	6%		
Others	431.0	322.0	155.0	183.0	747.0	73.3	308.2
<i>EBITDA Margin</i>	36%	21%	20%	15%	39%		
<b>EBITDA</b>	<b>3,561.0</b>	<b>3,813.0</b>	<b>4,407.0</b>	<b>4,979.0</b>	<b>5,014.0</b>		
<i>EBITDA Margin</i>	29%	28%	22%	27%	28%		

PAT - After minority interest	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)
Airports	-818.0			-924.0	-1,417.0	73.2	53.4
<i>PAT Margin</i>	-17%	0%	0%	-11%	-17%		
Power	1,440.0			404.0	-93.0	-106.5	-123.0
<i>PAT Margin</i>	29%	0%	0%	6%	-2%		
Roads	-176.0			-51.0	-13.0	-92.6	-74.5
<i>PAT Margin</i>	-19%	0%	0%	-5%	-1%		
EPC	89.0			124.0	189.0	112.4	52.4
<i>PAT Margin</i>	12%	0%	0%	6%	7%		
Others	176.0			-219.0	708.0	302.3	-423.3
<i>PAT Margin</i>	15%	0%	0%	-18%	37%		
<b>PAT - After minority interest</b>	<b>711.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-666.0</b>	<b>-626.0</b>	<b>-188.0</b>	<b>-6.0</b>
<i>PAT Margin</i>	6%	0%	0%	-4%	-3%		

## Conference call highlights

### Airport

- Lack of delays in implementation of tariff structure continues to drag the overall performance of GMR Infrastructure.
- Delhi airport witnessed a handsome traffic growth of 23% yoy, Hyderabad airport witnessed a handsome traffic growth of 14% yoy
- ADF collection at DIAL to commence anytime and is in the advanced stages of finalisation with AERA

### Power

- Merchant realisation for its barge mounted plant fell to Rs 3.34 per Kwh v/s Rs 4.12 per Kwh in Q1FY12 which was lower than our expectation leading to a poor Q2FY12 for the plant. We expect the realisation to improve substantially in Q3FY12E as the average exchange rate for merchant realisation for the 1<sup>st</sup> half of Q3FY12E is around ~Rs 6 per Kwh which will augur well for this 235 MW merchant based plant.
- Rajahmundry project (768 MW) is on schedule for completion by Q4FY12E, GMR has already completed 87% construction till Sep 30, 2011. Uncertainties over gas allocation continues.
- Vemagiri was on scheduled outage for 15-20 days in Q2FY12 & is expected to commence generation in Nov- 11 which will mean a lean generation in Q3FY12E as well.
- Total debtors with TNEB at Rs 600 crore and GMR is confident of recovering this amount. TNEB has started the tariff revision process as indicated by GMR management which will lift the bank funding embargo for the SEB and will be in a position to start drawing the finances from Banks again.

### E&C & Others

- E&C order backlog to receive significant fillip with the addition of USD 358 mn from the construction opportunity at Male Airport
- Other segment which comprise of aviation activity, treasury income, management fee led to the overall volatility in the Q2. Performance of this vertical will be skewed with the treasury book and will remain volatile in future as well

### Coal Mining

- Coal mining activity has commenced in Indonesia during GMR has traded the first consignment from Indonesia
- GMR sold 30% stake in GMR energy Singapore Ltd. at 30% premium. In Q2FY12 and has not recorded any gains on such transaction in Q2.
- GMR during the quarter has entered into definitive agreement with Sine Mass – PT Golden Energy for 30% offtake from their Indonesian mine. The agreement will start from Jan 12 and mine is producing 6MTPA currently

### Highways

- GMR is expected to complete Hyderabad – Vijaywada (55.27% complete as on Sep - 11) & Hungad – Hospet ( 45.98% complete as on Sept -11) ahead of schedule.
- GMR is discussing with lenders for the financial closure of Ahmedabad – Kishangarh and the management remains confident of achieving the financial closure by the mandated NHA deadline of Apr/May -12.

## Valuation

### SOTP at Rs 38 - Discounted value offers great long term upside potential

GMR's share price has underperformed the Nifty over the past year, mainly on the back of concerns surrounding the airport regulatory mechanism and sub optimal availability of fuel at gas based power plants. We believe GMR is available at a discount to its long term fair value and operating assets like DIAL, with overall strategic importance within its portfolio are being valued ignoring the enormous long term potential. Our SOTP based value of Rs 38 offers 27% upside from the present price. Airport assets including real estate contribute ~48%, Power contributes ~23% and Roads contributes ~11% to the total value. Key risks to our positive ratings are regulations, delays in implementation and major new plan announcements.

#### GMR Infra's SOTP Value

Sector	GIL's Equity Value (in Rs.bn)	Value Per GIL's share (Rs.)	Contribution to overall value
Airports (incl real estate)	71.7	18	48%
Roads	16.3	4	11%
Power	34.5	9	23%
Mines	6.0	2	4%
SEZ	3.5	1	2%
EPC	9.8	3	7%
GIL's Net Cash	6.9	2	5%
<b>GIL's Valuation</b>	<b>148.7</b>	<b>38</b>	<b>100%</b>

Source: Emkay Global

While we estimate tariff based mechanism to commence at DIAL in FY13E, we do believe the regulator will take into account the delay in implementation of the tariff policy and will reimburse the actual revenues which DIAL was entitled to, had the tariff been implemented from FY12E itself. Also, commissioning of ~2,800 MW of power capacity by FY13E coupled with expansion of captive mining and traction in EPC vertical will drive the operating performance at GMR. We also think it should continue to put on a resilient show in case economic downturns persist, as the company is better placed than peers in terms of funding. Superior positioning of the airports will further enhance the operating outlook with significant growth in aviation traffic mitigating the overall regulatory risk.

### Airport constitutes 48% of the overall SOTP

DIAL, including real estate, forms ~74% of the overall airport assets while the remaining 3 airports including the land parcel and ancillary development of hotels form ~26% of the overall airport SOTP. We have taken a conservative approach for valuing the land parcel at Hyderabad Airport assigning value per acre at less than 1/3<sup>rd</sup> of the Delhi land parcel. However, in the near term we do not foresee any development barring the MRO SEZ at Hyderabad land parcel over the coming 2 years.

### DIAL to form major chunk of Airport value

Project	Cost of Equity	Total Equity Value (Rs. bn)	Stake (%)	GIL's Equity Value (Rs.bn)	Value Per share (Rs.)	Contribution to overall value
DIAL	13	28.8	54	15.6	4.0	23%
GHIAL	13	1.3	63	0.8	0.2	1%
SGIA	13	11.0	40	4.4	1.1	6%
Male	14	3.3	77	2.5	0.6	4%
DIAL Real estate	15	66.1	54	35.7	9.2	52%
GMR Hotel & resorts - Hyderabad	1x BV	1.1	63	0.7	0.2	1%
GHIAL - Real estate	15mn/acre	15.0	63	9.5	2.4	14%
<b>Airport Assets Valuation</b>		<b>126.6</b>		<b>69.2</b>	<b>17.8</b>	<b>100%</b>
<b>Net Cash at Airport Holdco</b>		<b>10.5</b>		<b>10.5</b>	<b>2.7</b>	
<b>Total Value of Airport Holdco</b>		<b>137.1</b>		<b>79.6</b>	<b>20.5</b>	
<b>Value of convertible instruments issued</b>		<b>13.7</b>		<b>8.0</b>	<b>2.0</b>	
<b>Total Value of Airport Holdco</b>		<b>123.4</b>		<b>71.7</b>	<b>18.4</b>	

### Power forms 23% of the overall SOTP value

Operational Assets i.e GEL barge mounted, GMR Power, Vemagiri form ~32% of the overall power valuation, projects which are expected to commence operations till FY13E form ~47% of the overall power valuation with the remaining coming from projects scheduled to start post FY14E.

### Valuation driven by captive capacity

Project	Cost of Equity	Total Equity Value (Rs. bn)	Stake (%)	GIL's Equity Value (Rs.bn)	Value Per GIL's share (Rs.)	Contribution to overall value
GEL Barge Mounted	13	3.2	100	3.2	0.8	6%
GMR Power (Chennai)	13	7.2	51	3.7	0.9	7%
VPGL	13	6.4	100	6.4	1.6	12%
VPGL Expansion	14	7.2	100	7.2	1.8	13%
Kamalanga (Incl. extension)	14	22.5	80	18.0	4.6	33%
EMCO	14	3.7	100	3.7	0.9	7%
Chattisgarh	14	10.0	100	10.0	2.6	18%
Alaknanda	15	1.0	100	1.0	0.3	2%
Island Power	1x BV	1.4	100	1.4	0.4	3%
<b>Power Assets Valuation</b>		<b>62.8</b>		<b>54.8</b>	<b>14.1</b>	<b>100%</b>
<b>Net Cash at Power Hold Co</b>		<b>-14.2</b>		<b>-14.2</b>	<b>-3.6</b>	
<b>Total Value of Power Holdco</b>		<b>48.6</b>		<b>40.6</b>	<b>10.4</b>	
<b>Value of convertible instruments issued</b>		<b>7.3</b>		<b>6.1</b>	<b>1.6</b>	
<b>Total Value of Power Holdco</b>		<b>41.4</b>		<b>34.5</b>	<b>8.9</b>	

### Mining contributes 4% of the overall valuation

Indonesian Mines PT Barsentosa forms ~90% of the overall while the South African mines forms ~10% of the overall mining value. In our valuation case, we have not considered the domestic mining operations as we believe the upsides of such operations will be captured in the power vertical.

#### Indonesia mines to be the major driver

Project	Book Value	Total Equity Value (Rs. bn)	Stake (%)	GIL's Equity Value (Rs.bn)	Value Per GIL's share (Rs.)	Contribution to overall value
Indonesian Mines	1.5x	3.6	100.0	5.4	1.4	90%
Homeland Energy	0.5x	1.1	55.8	0.6	0.2	10%

### Road to contribute 11% to the overall SOTP

Toll based projects form the bulk of the overall value with ~84% value coming from this segment. ~16% of the overall road value comes from annuity based projects. We have not included Ahmedabad – Kishangarh project in our valuations.

#### Valuation driven by toll based project forming 82% of the value

Toll based projects	Cost of Equity	Total Equity Value	Stake	Equity Value - GMR Infra	Per share	Contribution to overall value
GMR Ambala Chandigarh Expressways Private Limited (GACEPL)	14.0%	-101.0	100.0%	-101.0	-0.03	14.0%
GMR Jadcherla Expressways Private Limited (GJEPL)	13.0%	2,300.4	100.0%	2,300.4	0.59	13.0%
GMR Ulunderpet Expressways Private Limited (GUEPL)	13.0%	1,997.7	100.0%	1,997.7	0.51	13.0%
GMR Hyderabad Vijaywada Expressways Private Limited (GHVEPL)	14.0%	6,933.1	74.0%	5,130.5	1.32	14.0%
GMR Hungud Hospet Expressways Private Limited (GHHEPL)	14.0%	3,892.7	51.0%	1,985.3	0.51	14.0%
<b>Total Fair Value - a</b>		<b>15,023.0</b>		<b>11,313.0</b>	<b>2.91</b>	
Annuity based projects						
GMR Tuni Anakapalli Expressways Private Limited (GTAEPL)	12.0%	955.6	61.0%	582.9	0.15	12.0%
GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL)	12.0%	2,076.2	61.0%	1,266.5	0.33	12.0%
GMR Pochanpalli Expressways Private Limited (GPEPL)	12.0%	1,728.9	100.0%	1,728.9	0.44	12.0%
GMR Chennai Outer Ring Road Private Limited (GCCRPL)	13.0%	1,512.4	90.0%	1,361.2	0.29	13.0%
<b>Total Fair Value - b</b>		<b>6,273.1</b>		<b>4,939.5</b>	<b>1.21</b>	
<b>Total Value of Road Portfolio - (a+b)</b>		<b>21,296.1</b>		<b>16,252.4</b>	<b>4.12</b>	

### SEZ to contribute 3% of the SOTP value

Krishnagiri SEZ forms ~94% of the overall SEZ value, which is considered at 1x its book value while the Hyderabad MRO operations, which are scheduled to commence operations in FY12E, are valued at 1.5x considering the heavy demand of MRO operations in India.

#### Krishnagiri SEZ forms major chunk of valuation

Project	Book Value	Total Equity Value (Rs. bn)	Stake (%)	GIL's Equity Value (Rs.bn)	Value Per GIL's share (Rs.)	Contribution to overall value
Krishnagiri	1x	3.5	95	3.3	0.9	94%
Hyderabad MRO	1.5x	0.3	63	0.2	0.1	6%
<b>SEZ's Valuation</b>		<b>3.8</b>		<b>3.5</b>	<b>0.9</b>	

**EPC to contribute 7% to the SOTP value**

With prior experience of executing contracts in aviation & road sector, GMR is progressively increasing its array of offering. GMR order backlog is likely to grow exorbitantly from Rs 32 bn to Rs 75bn, led by addition of Ahmedabad – Kishangarh project and also, addition of works from Male Airport. We have considered a 4x FY13E EBITDA multiple, which leaves room for positive surprises.

**EPC arm valued at a 4x FY13 multiple**

Description	EV/EBITDA	Total Equity value	Stake	Equity Value - GMR	Per share
EPC	4x FY13	9.8	100.0%	9.8	2.5



## Key Financials (Standalone)

## Income statement

Y/E Mar (Rsmn)	FY10A	FY11A	FY12E	FY13E
<b>Net Sales</b>	<b>45,665</b>	<b>57,738</b>	<b>82,906</b>	<b>117,609</b>
Growth (%)	14%	26%	44%	42%
<b>Total Expenditure</b>	<b>32,022</b>	<b>42,183</b>	<b>61,368</b>	<b>81,052</b>
Raw material & operating exp.	11,897	21,237	30,941	44,593
Administration & other expenses				4,014
Power & Fuel cost	13,869	12,837	14,325	17,657
Selling and Admin	3,128	4,055	4,748	5,636
Others	3,128	4,055	11,354	13,167
<b>EBIDTA</b>	<b>13,643</b>	<b>15,555</b>	<b>21,538</b>	<b>36,557</b>
Growth (%)	28%	14%	38%	70%
<b>EBIDTA %</b>	<b>29.9%</b>	<b>26.9%</b>	<b>26.0%</b>	<b>31.1%</b>
Depreciation	6,122	8,609	9,957	12,696
<b>EBIT</b>	<b>7,521</b>	<b>6,946</b>	<b>11,581</b>	<b>23,860</b>
<b>EBIT Margin (%)</b>	<b>13.4%</b>	<b>14.9%</b>	<b>12.0%</b>	<b>10.8%</b>
Other income	2,913	(4,873)	2,825	2,700
Interest	8,503	12,301	15,735	19,539
<b>PBT</b>	<b>1,931</b>	<b>(10,228)</b>	<b>(1,330)</b>	<b>7,021</b>
Tax	-319	239	2,110	3,846
<b>Effective tax rate (%)</b>	<b>-16.5%</b>	<b>-2.3%</b>	<b>-158.6%</b>	<b>54.8%</b>
<b>Adjusted PAT</b>	<b>2,250</b>	<b>(10,467)</b>	<b>(3,440)</b>	<b>3,175</b>
Growth (%)	-19%	-565%	-67%	-192%
<b>Net Margin (%)</b>	<b>4.9%</b>	<b>-18.1%</b>	<b>-4.1%</b>	<b>2.7%</b>
(Profit)/loss from JV's/Ass/MI	669.4	-1170.3	-2808.3	-1262.6
<b>Adjusted PAT After JV's/Ass/MI</b>	<b>1,581</b>	<b>(9,297)</b>	<b>(631)</b>	<b>4,437</b>
E/O items	0	0	0	0
<b>Reported PAT</b>	<b>1,581</b>	<b>(9,297)</b>	<b>(631)</b>	<b>4,437</b>
Growth (%)	489%	-688%	-93%	-803%

## Cash Flow

Y/E Mar (Rsmn)	FY10A	FY11A	FY12E	FY13E
<b>PBT (Ex-Other income)</b>	<b>1,931</b>	<b>(10,228)</b>	<b>(1,330)</b>	<b>7,021</b>
Depreciation	<b>6,122</b>	<b>8,609</b>	<b>9,957</b>	<b>12,696</b>
Interest Provided	5,697	12,321	15,735	19,539
Other Non-Cash items	-916	4,390		
Chg in working cap	187	17,724	-12,946	-10,243
Tax paid	-511	-2,434	-1,523	-2,763
<b>Operating Cashflow</b>	<b>12,511</b>	<b>30,382</b>	<b>9,893</b>	<b>26,251</b>
Capital expenditure	-68,725	-74,050	-78,090	-101,670
<b>Free Cash Flow</b>	<b>-56,214</b>	<b>-43,667</b>	<b>-68,197</b>	<b>-75,419</b>
Other income				
Investments	-31,868	9,660	0	0
<b>Investing Cashflow</b>	<b>-101,443</b>	<b>-64,390</b>	<b>-78,090</b>	<b>-101,670</b>
Equity Capital Raised	3,839	15,907	0	0
Loans Taken / (Repaid)	97,293	23,542	84,760	76,396
Interest Paid	-7,615	-11,783	-15,735	-19,539
Dividend paid (incl tax)	-5	-87		
Income from investments	0			
Others	-708	23,029		
<b>Financing Cashflow</b>	<b>81,093</b>	<b>50,608</b>	<b>69,025</b>	<b>56,857</b>
<b>Net chg in cash</b>	<b>-7,839</b>	<b>16,906</b>	<b>828</b>	<b>-18,562</b>
Opening cash position	24,665	16,826	33,732	34,560
<b>Closing cash position</b>	<b>16,826</b>	<b>33,732</b>	<b>34,560</b>	<b>15,999</b>

## Balance Sheet

Y/E Mar (Rsmn)	FY10A	FY11A	FY12E	FY13E
Equity share capital	3,667	3,892	3,892	3,892
Reserves & surplus	63,003	72,854	74,405	79,405
<b>Shareholders Funds</b>	<b>66,671</b>	<b>76,746</b>	<b>78,297</b>	<b>83,297</b>
<b>Minority Interest</b>	<b>17901.5</b>	<b>19981</b>	<b>17172.7</b>	<b>15910.1</b>
Preference share	2,000	18,149	18,149	18,149
Secured Loans	162,294	189,107	273,867	350,263
Unsecured Loans	46,080	53,189	53,189	53,189
<b>Loan Funds</b>	<b>208,374</b>	<b>242,296</b>	<b>327,056</b>	<b>403,452</b>
Net Deferred Taxes	2,535	764	1,351	2,434
<b>Total Liabilities</b>	<b>297,480</b>	<b>357,936</b>	<b>442,026</b>	<b>523,242</b>
Gross Block	148,896	243,702	256,796	380,987
Less: Acc Depreciation	23,416	31,503	41,460	54,156
<b>Net block</b>	<b>125,481</b>	<b>212,200</b>	<b>215,336</b>	<b>326,831</b>
Capital WIP	103,829	94,898	159,894	137,373
<b>Investment</b>	<b>46,411</b>	<b>29,741</b>	<b>29,741</b>	<b>29,741</b>
<b>Current Assets</b>	<b>41,408</b>	<b>74,921</b>	<b>86,341</b>	<b>70,103</b>
Inventories	1,159	1,846	1,626	1,637
Sundry Debtors	8,649	13,199	18,446	23,066
Cash and Bank	16,826	33,732	34,560	15,999
Loans and Advances	13,156	18,516	23,788	21,782
Other current assets	1616.5	7627.8	7,920	7,620
<b>Current Liab &amp; Prov</b>	<b>19,653</b>	<b>53,898</b>	<b>49,361</b>	<b>40,880</b>
Current liabilities	15,775	51,617	49,361	40,880
Provisions	3,878	2,281	0	0
<b>Net current assets</b>	<b>21,755</b>	<b>21,024</b>	<b>36,979</b>	<b>29,223</b>
Miscellaneous Exps	5	74	74	74
<b>Total Assets</b>	<b>297,480</b>	<b>357,936</b>	<b>442,025</b>	<b>523,242</b>

## Key Ratios

Y/E Mar	FY10A	FY11A	FY12E	FY13E
<b>Profitability (%)</b>				
EBITDA Margin	29.9	26.9	26.0	31.1
Net Margin	3.5	-16.1	-0.8	3.8
ROCE	3.0	2.1	2.9	4.9
ROE	2.4	-13.0	-0.8	5.5
RoIC	4.3	3.0	4.7	6.5
<b>Per Share Data (Rs)</b>				
EPS	0.4	-2.4	-0.2	1.1
CEPS	2.1	-0.2	2.4	4.4
BVPS	18.7	24.4	24.8	26.1
DPS	0.0	1.0	0.0	0.0
<b>Valuations (x)</b>				
PER	60.3	-10.9	-160.3	22.8
P/CEPS	12.4	-147.2	10.9	5.9
P/BV	1.4	1.1	1.0	1.0
EV / Sales	6.3	5.4	4.7	4.2
EV / EBITDA	21.0	19.9	18.3	13.4
Dividend Yield (%)	0.0	1.0	2.0	3.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	2.2	1.8	2.6	3.3
Net Debt/EBIDTA	14.0	13.4	13.6	10.6
Working Cap Cycle (days)	39.4	-80.3	10.7	41.0

**Recommendation History: GMR Infrastructure – GMRI IN**

Date	Reports	Reco	CMP	Target
09/09/2011	<a href="#">GMR Infrastructure Initiating Coverage</a>	Buy	30	38

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
11/11/2011	<a href="#">IL&amp;FS Transportation Q2FY12 Result Update</a>	Accumulate	205	234
08/11/2011	<a href="#">Aban Offshore Q2FY12 Result Update</a>	Buy	436	522
08/11/2011	<a href="#">Madras Cement Q2FY12 Result Update</a>	Hold	116	125
02/11/2011	<a href="#">Orient Paper Q2FY12 Result Update</a>	Buy	62	82

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