

November 11, 2011

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	Accumulate
Rating	
Price	Rs25
Target Price	Rs28
Implied Upside	12.0%
Sensex	17,193

(Prices as on November 11, 2011)

Trading data

Market Cap. (Rs bn)	90.7
Shares o/s (m)	3,641.3
3M Avg. Daily value (Rs m)	142.2

Major shareholders

Promoters	71.42%
Foreign	12.16%
Domestic Inst.	8.13%
Public & Other	8.29%

Stock Performance

(%)	1M	6M	12M
Absolute	(2.0)	(33.3)	(53.2)
Relative	(5.8)	(26.2)	(35.6)

Price Performance (RIC: GMRI.BO, BB: GMRI IN)



Source: Bloomberg

■ **Revenue better than our expectations:** Sales in Q2FY12 were aided by a stable revenue growth in Airports of 27% YoY. There was a higher treasury income which led to higher sales growth. EPC revenues were robust on account of in-house construction of BOT projects which was higher by 39% QoQ. Thus, for Q2FY12, revenues increased by 48% to Rs18.1bn as against our expectations of Rs13.5bn.

■ **Overall healthy volume growth:** Pax traffic of DIAL increased by 23% YoY and (7.5%) QoQ to 8.2m. Similarly, HIAL experienced Pax growth of 14% YoY and 1.9% QoQ, respectively, at 2.1m. Turkey Airport experienced a 14% YoY/QoQ growth in Pax. Male Airport traffic was up by 3.4% QoQ. Number on units sold in power de-grew by 11.8% YoY to 1bn units and BOT Road traffic was up 5% YoY.

■ **EBITDA hit by Power sector:** Consolidated airport EBITDA margin increased by 300bps at 28%, on account higher margins in Delhi Airport. Power, however, on consolidated basis, experienced an EBITDA margin de-growth of 400bps YoY and 200bps QoQ which was on account of higher input cost. EBITDA margin of BOTs increased by 400bps YoY at 87%, mainly on account of higher traffic growth.

■ **Forex gains adis PAT:** Forex gains of Rs470m included in OI and higher treasury income reduced the impact of loss; however, adjusted loss stands at Rs950m which is lower than our expectation of Rs1.2bn. Segment-wise PAT contribution from Airport stood at Rs(1.3)bn, Power Rs(93)m, Roads Rs(51)m, BOT Rs(13)m and EPC Rs889m.

■ **Valuation:** We have revised our estimates/TP downwards on account of higher interest cost. At CMP, the stock is trading at 1.4x FY13E earnings. Triggers ahead are resuming ADF collection at DIAL and gas allocation for 700MWs gas power plant which is nearing COD. Maintain **'Accumulate'**.

Key financials (Y/e March)	2010	2011	2012E	2013E
Revenues (Rs m)	45,665	57,738	70,293	95,683
Growth (%)	13.6	26.4	21.7	36.1
EBITDA (Rs m)	13,643	15,355	21,172	29,122
PAT (Rs m)	1,584	(9,960)	(1,414)	(949)
EPS (Rs)	0.4	(2.6)	(0.4)	(0.2)
Growth (%)	5.3	(692.3)	(85.8)	(32.9)
Net DPS (Rs)	—	—	—	—

Source: Company Data; PL Research

Profitability & Valuation	2010	2011	2012E	2013E
EBITDA margin (%)	29.9	26.6	30.1	30.4
RoE (%)	2.4	(13.8)	(1.9)	(1.3)
RoCE (%)	2.8	(1.2)	2.2	2.8
EV / sales (x)	6.3	5.4	4.6	4.5
EV / EBITDA (x)	21.0	20.4	15.4	14.6
PE (x)	57.6	(9.7)	(68.5)	(102.2)
P / BV (x)	1.4	1.3	1.3	1.3
Net dividend yield (%)	—	—	—	—

Source: Company Data; PL Research

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**Exhibit 1: Q2FY12 Result Overview (Rs m)**

Y/e March	Q2FY12	Q2FY11	YoY gr. (%)	Q1FY12	H1FY12	H1FY11	YoY gr. (%)
Net Sales	18,123	12,217	48.3	18,636	36,758	24,531	49.8
Expenditure							
Consumption of Fuel	3,190	2,992	6.6	4,521	7,711	5,978	29.0
<i>% of Net Sales</i>	<i>17.6</i>	<i>24.5</i>		<i>24.3</i>	<i>21.0</i>	<i>24.4</i>	
Increase/Decrease SIT	(259)	64	NA	248	(11)	112	-
<i>% of Net Sales</i>	<i>(1.4)</i>	<i>0.5</i>		<i>1.3</i>	<i>(0.0)</i>	<i>0.5</i>	
Generation & Operation expenses	4,624	2,433	90.1	3,508	8,132	3,965	105.1
<i>% of Net Sales</i>	<i>25.5</i>	<i>19.9</i>		<i>18.8</i>	<i>22.1</i>	<i>16.2</i>	
Purchase of traded goods	3,157	1,454	117.1	2,717	5,873	4,203	39.7
<i>% of Net Sales</i>	<i>17.4</i>	<i>11.9</i>		<i>14.6</i>	<i>16.0</i>	<i>17.1</i>	
Employee cost	1,342	690	94.4	1,277	2,618	1,264	107.2
<i>% of Net Sales</i>	<i>7.4</i>	<i>5.6</i>		<i>6.9</i>	<i>7.1</i>	<i>5.2</i>	
General & Admin Exps	1,056	1,024	3.1	1,386	2,442	1,674	45.9
<i>% of Net Sales</i>	<i>5.8</i>	<i>8.4</i>		<i>7.4</i>	<i>6.6</i>	<i>6.8</i>	
Total Expenditure	13,109	8,656	51.4	13,656	26,765	17,195	55.7
EBIDTA	5,014	3,561	40.8	4,980	9,993	7,335	36.2
<i>Margin (%)</i>	<i>27.7</i>	<i>29.1</i>		<i>26.7</i>	<i>27.2</i>	<i>29.9</i>	
Depreciation	2,675	1,993	34.3	2,758	5,433	3,641	49.2
EBIT	2,339	1,568	49.1	2,222	4,560	3,695	23.4
Interest	3,922	2,492	57.4	3,724	7,646	4,875	56.9
Other Income	700	143	390.9	812	1,511	815	85.3
Exceptional	-	1,403			-	1,403	
PBT	(884)	622	NA	(691)	(1,575)	1,038	NA
Tax	586	197	NA	655	1,240	295	NA
<i>Tax Rate (%)</i>	<i>19.8</i>	<i>19.8</i>		<i>19.8</i>	<i>(78.7)</i>	<i>28.4</i>	
Reported Pat	(1,470)	425	NA	(1,346)	(2,815)	743	NA
Minority Interest	844	286		679	1,523	252	
Net Profit After MI	(625)	711	NA	(667)	(1,292)	996	NA
Adjusted PAT	(950)	(414)	NA	(511)	(1,461)	(925)	NA

Source: Company Data, PL Research

Exhibit 2: Segmental Breakup (Rs m)

Y/e March	Q2FY12	Q2FY11	YoY gr. (%)	Q1FY12	H1FY12	H1FY11	YoY gr. (%)
Revenues							
Airports	8,356	4,830	73.0	8,429	16,785	8,929	88.0
<i>% in Total</i>	<i>46.1</i>	<i>39.5</i>		<i>45.2</i>	<i>45.7</i>		
Power	5,431	4,942	9.9	6,876	12,307	10,780	14.2
<i>% in Total</i>	<i>30.0</i>	<i>40.5</i>		<i>36.9</i>	<i>33.5</i>		
Roads	1,002	945	6.0	1,003	2,005	1,929	3.9
<i>% in Total</i>	<i>5.5</i>	<i>7.7</i>		<i>5.4</i>	<i>5.5</i>		
Others	1,897	1,181	60.6	1,216	3,112	2,400	29.7
<i>% in Total</i>	<i>9.7</i>	<i>9.3</i>		<i>6.2</i>	<i>7.9</i>		
EPC	2,903	759	282.4	2,084	4,987	1,164	328.5
<i>% in Total</i>	<i>14.8</i>	<i>6.0</i>		<i>10.6</i>	<i>12.7</i>		
Less: Intersegment Revenue	1,469	440	233.8	972	2,441	672	263.4
Net sales	18,119	12,217	48.3	18,636	36,755	24,531	49.8
EBIT							
Airports	539	73	634.7	870	1,409	960	46.8
<i>Margin (%)</i>	<i>6.5</i>	<i>1.5</i>		<i>10.3</i>	<i>8.4</i>	<i>4.8</i>	
Power	768	2,088	(63.2)	973	1,741	2,639	(34.0)
<i>Margin (%)</i>	<i>14.1</i>	<i>42.3</i>		<i>14.2</i>	<i>14.1</i>	<i>12.5</i>	
Roads	565	451	25.3	511	1,076	938	14.7
<i>Margin (%)</i>	<i>56.4</i>	<i>47.7</i>		<i>51.0</i>	<i>53.7</i>	<i>47.3</i>	
Others	1,466	680	115.6	467	1,932	1,644	17.6
<i>Margin (%)</i>	<i>77.3</i>	<i>57.6</i>		<i>38.4</i>	<i>62.1</i>	<i>52.8</i>	
EPC	193	100	92.8	124	317	170	-
<i>Margin (%)</i>	<i>6.6</i>	<i>13.2</i>		<i>6.0</i>	<i>6.4</i>	<i>8.4</i>	
Total	3,031	3,114	(2.7)	2,944	5,976	6,071	(1.6)
<i>Margin (%)</i>	<i>16.7</i>	<i>25.5</i>		<i>15.8</i>	<i>16.3</i>	<i>11.8</i>	
LESS: Interest	3,916	2,498	56.8	3,299	7,215	4,881	47.8
PBT	(884)	616	(243.5)	(691)	(1,575)	1,032	(252.6)
<i>Margin (%)</i>	<i>(4.9)</i>	<i>5.0</i>		<i>(3.7)</i>	<i>(4.3)</i>	<i>(9.9)</i>	

Source: Company Data, PL Research



Exhibit 3: Operating Metrics (Rs m)

Y/e March	Q2FY12	Q2FY11	YoY gr. (%)	Q1FY12	QoQ gr. (%)
Revenues					
Airports	4,167	3,274	27.3	5,196	(19.8)
Delhi Airport	1,937	1,518	27.6	1,926	0.6
Hyderabad	1,518	1,146	32.5	1,460	4.0
Turkey	712	610	16.7	1,810	(60.7)
Male	2,251	-		2,250	
Power	5,432	4,943	9.9	6,880	(21.0)
Highway	1,002	945	6.0	1,000	0.2
Urban Infra & EPC	1,900	1,181	60.9	2,084	(8.8)
Total	12,501	10,343	20.9	15,160	(17.5)
PAT After MI by Businesses					
Airports	(1,307)	(710)	NA	(2,060)	NA
Delhi Airport	(1,199)	(428)	NA	(1,920)	NA
Hyderabad	20	7	185.7	100	(80.0)
Turkey	(128)	(289)	NA	(240)	NA
Male	152	-		210	(27.6)
Power	(93)	1,440	NA	480	NA
Highway	(13)	(176)	NA	(30)	NA
Urban Infra & EPC	889	127	NA	124	NA
Total	(524)	681	NA	(1,486)	NA

Source: Company Data, PL Research

Exhibit 4: Change in Estimates

	FY12E			FY13E		
	Earlier	Post Revision	% change	Earlier	Post Revision	% change
Revenues (Rs m)	70,293	70,293	NA	95,683	95,683	NA
PAT (Rs m)	(723)	(1,414)	NA	1,852	(951)	NA
EPS (Rs)	(0.2)	(0.4)	NA	0.5	(0.2)	NA

Source: PL Research

Key takeaways of the Conference Call

- Coal imports from its Indonesian coal company will start by January 2012 which will be to the tune of 1mtpa, initially scaling up to 5mtpa in the coming five years. The financial closure of the mine will be completed by Q3FY12E.
- EPC business margins will continue to be in 5-7% range.
- Debtors outstanding from TNSEB are to the extent of Rs6bn and recovery of that will depend upon the new tariff by the SEB.
- Also, as there is a delay in levy of ADF, the company has to take an extra debt burden of Rs5-6bn. However finalisation of tariff should take 3-4 quarters



Income Statement (Rs m)

Y/e March	2010	2011	2012E	2013E
Net Revenue	45,665	57,738	70,293	95,683
Raw Material Expenses	17,275	12,488	42,896	66,561
Gross Profit	28,390	45,250	27,397	29,122
Employee Cost	2,932	3,386	3,123	—
Other Expenses	11,815	26,509	3,102	—
EBITDA	13,643	15,355	21,172	29,122
Depr. & Amortization	6,122	8,609	10,523	13,523
Net Interest	7,223	10,760	15,702	18,933
Other Income	1,634	(543)	2,311	1,523
Profit before Tax	1,931	(4,557)	(2,742)	(1,811)
Total Tax	(322)	239	(329)	(363)
Profit after Tax	2,253	(4,796)	(2,413)	(1,449)
Ex-Od items / Min. Int.	669	(7,504)	(999)	(500)
Adj. PAT	1,584	(9,960)	(1,414)	(949)
Avg. Shares O/S (m)	3,667.0	3,892.1	3,892.1	3,892.1
EPS (Rs.)	0.4	(2.6)	(0.4)	(0.2)

Cash Flow Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
C/F from Operations	4,518	15,780	(10,297)	4,890
C/F from Investing	(67,870)	(78,139)	(28,417)	(92,550)
C/F from Financing	55,503	79,266	42,182	73,460
Inc. / Dec. in Cash	(7,849)	16,906	3,468	(14,199)
Opening Cash	24,676	16,826	33,732	38,000
Closing Cash	16,826	33,732	38,000	25,000
FCFF	(28,727)	(81,392)	(40,022)	(87,190)
FCFE	62,745	(50,809)	(15,064)	53

Key Financial Metrics

Y/e March	2010	2011	2012E	2013E
Growth				
Revenue (%)	13.6	26.4	21.7	36.1
EBITDA (%)	27.9	12.5	37.9	37.5
PAT (%)	6.0	(728.7)	(85.8)	(32.9)
EPS (%)	5.3	(692.3)	(85.8)	(32.9)
Profitability				
EBITDA Margin (%)	29.9	26.6	30.1	30.4
PAT Margin (%)	3.5	(17.3)	(2.0)	(1.0)
RoCE (%)	2.8	(1.2)	2.2	2.8
RoE (%)	2.4	(13.8)	(1.9)	(1.3)
Balance Sheet				
Net Debt : Equity	2.9	3.0	3.1	4.5
Net Wrkng Cap. (days)	—	—	—	(188)
Valuation				
PER (x)	57.6	(9.7)	(68.5)	(102.2)
P / B (x)	1.4	1.3	1.3	1.3
EV / EBITDA (x)	21.0	20.4	15.4	14.6
EV / Sales (x)	6.3	5.4	4.6	4.5
Earnings Quality				
Eff. Tax Rate	(16.7)	(5.2)	12.0	20.0
Other Inc / PBT	84.6	(38.2)	(84.3)	(84.1)
Eff. Depr. Rate (%)	4.1	3.7	3.8	3.7
FCFE / PAT	3,960.4	510.1	1,065.3	(5.6)

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
Shareholder's Funds	66,670	77,323	73,920	73,667
Total Debt	211,713	242,296	267,253	354,496
Other Liabilities	17,097	38,906	21,982	22,483
Total Liabilities	295,480	358,524	363,155	450,646
Net Fixed Assets	229,308	301,442	292,901	386,241
Goodwill	—	—	—	—
Investments	46,410	34,406	26,555	26,523
Net Current Assets	19,762	22,364	43,697	37,879
<i>Cash & Equivalents</i>	<i>16,826</i>	<i>25,722</i>	<i>38,000</i>	<i>25,000</i>
<i>Other Current Assets</i>	<i>24,581</i>	<i>41,189</i>	<i>50,920</i>	<i>74,043</i>
<i>Current Liabilities</i>	<i>21,646</i>	<i>44,547</i>	<i>45,223</i>	<i>61,164</i>
Other Assets	—	312	1	2
Total Assets	295,480	358,524	363,154	450,645

Quarterly Financials (Rs m)

Y/e March	Q3FY11	Q4FY11	Q1FY12	Q2FY12
Net Revenue	13,588	19,620	18,636	18,123
EBITDA	3,813	4,407	4,980	5,014
% of revenue	28.1	22.5	26.7	27.7
Depr. & Amortization	2,357	2,612	2,758	2,675
Net Interest	2,941	2,945	3,724	3,922
Other Income	146	611	812	700
Profit before Tax	(1,339)	(9,929)	(691)	(884)
Total Tax	(820)	765	655	586
Profit after Tax	(223)	(10,694)	(667)	(625)
Adj. PAT	(223)	(10,694)	(511)	(950)

Key Operating Metrics

Y/e March	2010	2011	2012E	2013E
Airports (Rs m)	7,045	23,954	7,412	6,586
Power (Rs m)	10,740	21,858	9,248	10,648
Roads (Rs m)	1,698	3,903	2,157	2,226
Others (Rs m)	3,672	9,880	4,154	3,488
Blended EBITDA Marg. (%)	29.9	26.9	30.1	30.4
Int. as a % to sales	15.8	18.6	22.3	19.8
Int. Rate (%)	3.8	3.7	5.5	4.9
Capex (Rs bn)	34.6	94.8	31.6	92.6
NCA/Sales (%)	47.6	36.4	62.2	39.6

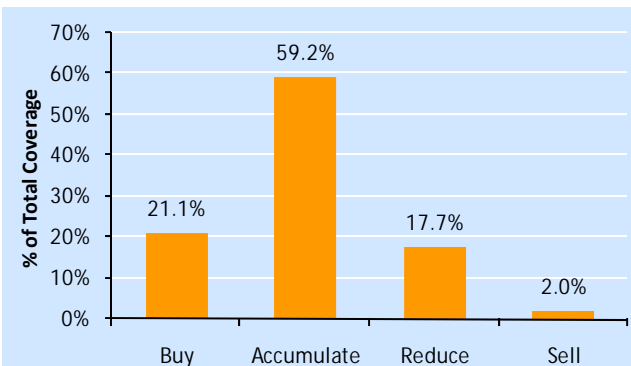
Source: Company Data, PL Research.

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BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
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Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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