June 8, 2018

Indiabulls VENTURES

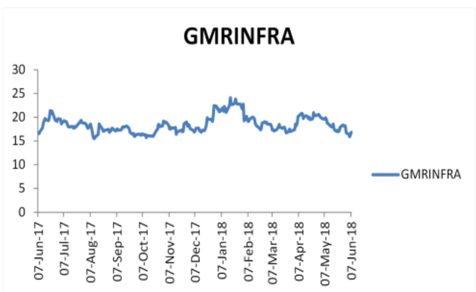
Rating:	**BUY**
Ticker:	GMRINFRA
CMP:	Rs. 16.25
Target:	Rs. 21
Upside:	29%

Key Stock Data	
Sector	Electric Utilities
No. of shares	605 Crs
FV (Rs)	1
MCAP (Rs)	9838 Crs
MCAP ($)	145 Crs

Key Financials (Rs. in Crs)

Y/E March	FY18 A	FY19 E	FY20 E
Revenue	9274	10201	11732
EBITDA	1154	1428	1760
PAT	-1082	-510	-235
EPS /sh.	-2.28	-0.85	-0.39
BV /sh.	6.32	5.5	5
P/BV (x)	2.5	2.9	3.14
PE (x)	NA	NA	NA
ROE (%)	NA	NA	NA

Shareholding Pattern	
Promoters	61.66%
FIIs	14.41%
DIIs	2.97%
Others	20.96%



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GMR Infrastructure Ltd. - GMRINFRA

4QFY18 Result Update

The Company reported decent set of 4QFY18 numbers on all counts both on a yearly as well as on a quarterly basis. The topline of the company de-grew by 23% Y-o-Y and 2% Q-o-Q to Rs. 2,234 Crs in 4QFY18 as against Rs.2902 Crs in 4QFY17. EBITDA for the quarter de-grew by 53% Y-o-Y and 21% Q-o-Q to Rs. 538 Crs in 4QFY18 as against Rs.1,145 Crs in 4QFY17 and Rs. 685 Crs in 3QFY18. PAT for the quarter slipped by 136% Y-o-Y and 104% Q-o-Q to Rs. 26 Crs in 4QFY18 against Rs. 72 Crs in 4QFY17 and Rs. 653 Crs in 3QFY18. EBITDA Margin decreased by 1538 bps Y-o-Y and 602 bps Q-o-Q to 24.08% in 4QFY18 as against 30.10% in 3QFY17 and 39.46% in 4QFY17

Tailwinds in the company

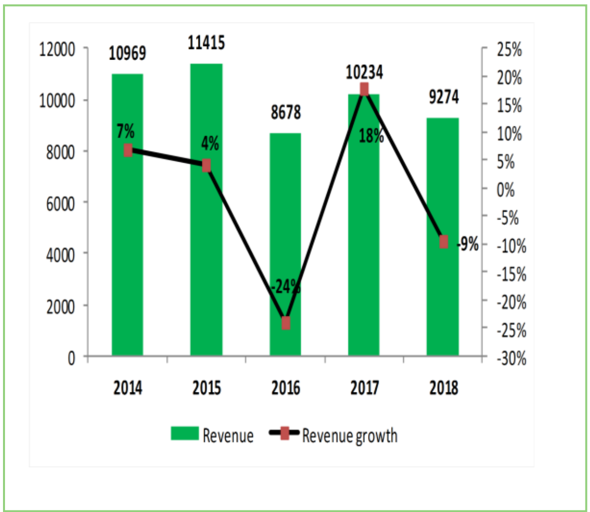
Although the company reported losses in the year FY18 there are many tailwinds in the company which will bring the profitability back in the company. The chief reason being higher profits from their airports business and Indonesian coal mines (PT GEMS). The management is expected to monetize the land which will lead to cash inflows and thus result into profitability.

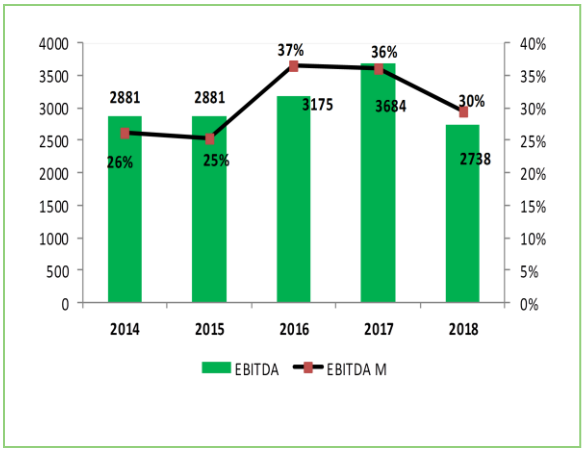
Outlook & Valuations

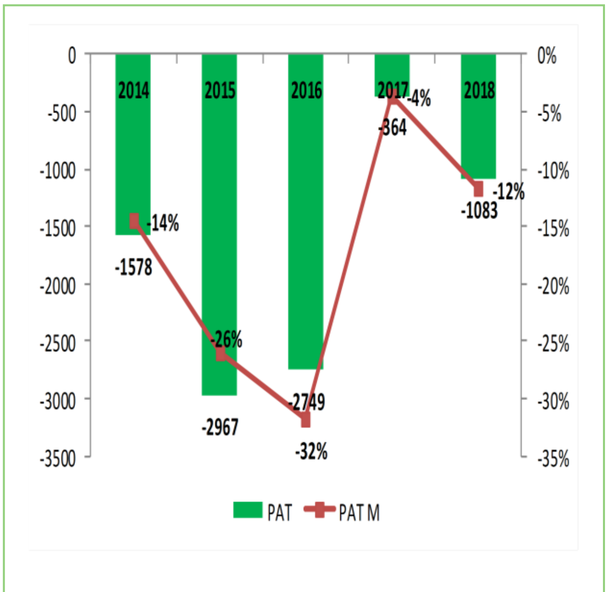
GMR has completed the development of the Delhi Airport and has monetized 45 acres of land there. If GMR manages to sell the remaining 205 acres of land at a price greater than the value at which it has sold 45. We feel the company is taking right steps to reduce the debt by selling its non-core assets. We would like to value the company on an SOTP basis due to the different segments the company operates into and arrive at a target price of Rs 21 per share.

Quarterly Financial Highlight Table (Rs. In Crs)

Particulars	4QFY18	3QFY18	4QFY17	Q/Q	Y/Y	FY2018
Revenue	2234	2276	2902	-2%	-23%	9274
EBITDA	538	685	1145	-21%	-53%	1154
PAT	-26	653	71	NA	NA	-1082
EPS	-0.15	-1.08	-0.12	NA	NA	-2.28
EBITDA M	24.08%	30.10%	39.46%	(602 bps)	(1538 bps)	12.44%
PAT M	-1.16%	28.69%	2.47%	NA	NA	NA







Investment Rationale

1. Airport business to lead growth in the company

GMR's airport business which contributes 70% of the total revenue is expected to grow at a good pace. The passenger traffic in Delhi, Hyderabad and Cebu airports grew by 15%, 25% and 12% Y-o-Y, respectively, in Q4FY18. Delhi airport non-aero revenues grew at a CAGR of 16.3% from FY15-18 and Hyderabad's non aero business grew at a CAGR of 14% from FY15-18. The company has also Signed share purchase agreement to increase stake in Hyderabad Airport from 63% to 74%. With a healthy balance sheet, both the airports are self-sufficient in funding the next leg of expansion. Aided by expansion of airports and monetization of real estate assets, we believe that airport business will continue to remain a significant contributor to the overall growth of the company.

2. Asset Divestments on the cards

The management is very aggressive of hiving off non-core business. Over the past 3 years, the company has successfully divested assets worth more than Rs 1 2000 Crs across airports, power, coal mines and road sector. The company has further identified list of non-core assets or non-strategic business up for sale. This includes – Indonesia coal mines, road assets and monetization of land parcels at Kakinada and krishnagiri. This asset divestments is further used to bring down debt.

3. Energy Business to maintain a bright spot

GMR's energy portfolio comprises 4,421MW of commissioned assets of which only 1,675MW is currently operational. The key operational assets of Warora and Kamalanga are at the cusp of a turnaround both operationally and financially, supported by improved coal supplies and tariff increases. However, the Rajahmundhry and Chhattisgarh assets continue to remain grounded for want of fuel and long-term PPAs. The two assets have undergone SDR but a final resolution on their future course of action is awaited. While the gas-based assets of Vemagiri and Kakinada too remain stranded for want of fuel, these are debt free assets and hence, will not be a drag on GMR's earnings.

Company Background

GMR is the flagship company of the GMR Group promoted by Mr. G. M. Rao. The group was initially active in the agri business and banking sector through a controlling stake in Vysya Bank, the largest private sector bank in India, before banking sector reforms and subsequent sale to ING. GMR Group is one of the fastest growing infrastructure enterprises in the country with a rich and diverse experience spanning three decades. With our vibrant portfolio of projects, GMR is uniquely placed to build state of the art projects in sectors that are of critical importance in the process of development. Using the Public Private Partnership model, the Group has successfully leveraged its core strengths to implement several iconic infrastructure projects in India.

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Risk & Concerns

1. Any slowdown in passenger traffic in roads as well as in airports due to faltering economic growth can be a risk to the company.
2. Any delay in debt reduction can be a risk to the company.
3. Any delay in monetization of real estate project can be a risk to the company.

If GMR manages to sell the remaining 205 acres of land at a price greater than the value at which it has sold 45 acres presently, it could result in further upsides for the company.

Outlook & Valuations

GMR has completed the development of the Delhi Airport and has monetised 45 acres of land there. If GMR manages to sell the remaining 205 acres of land at a price greater than the value at which it has sold 45 acres presently, it could result in further upsides for the company. Similarly, monetization of Hyderabad airport land and SEZ land at higher than expected valuations could result in a positive surprise. Favourable policy/regulatory actions, improving operations of power assets and financial restructuring are boosting GMR's operational cash flows. We would like to value the company on an SOTP basis due to the different segments the company operates into and arrive at a target price of Rs 21 per share.

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Analyst Stock Rating	
Ratings	**Expected absolute returns over 12 months**
BUY	>15%
HOLD	10- 15%
REDUCE	<10%

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Indiabulls Ventures Limited is a SEBI Registered Research Analyst having registration number: INH100004906

Disclosure:
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