

GMR Infrastructure Ltd. ₹ 16**Transformation !!!****Buy**

May 26, 2017

Company Background

GMR Infrastructure Limited (GIL) is engaged in generation of power, mining and exploration activities, development of highways, infrastructure development, such as development and maintenance of airports and special economic zone; construction business, including engineering, procurement and construction (EPC) contracting activities and operation of airports and special economic zones. The Company operates through the segments, including Airports, Power, Roads, EPC and Others. Its Airports segment is engaged in the development and operation of airports. Its Power segment is engaged in generation of power and provision of related services and exploration and mining activities. The Roads segment is engaged in the development and operation of roadways. The EPC segment is engaged in handling of engineering, procurement and construction solution in the infrastructure sector. The Others segment is engaged in urban infrastructure and other activities.

Key Highlights

- ➔ As more and more aviation-oriented businesses are being drawn to airport cities and transportation corridors radiating from them, a new urban form is emerging, This concept, has been adopted by GMR Group at its airports in Hyderabad and Delhi and GMR Infra is working towards developing an eco-system around the airports. Both Delhi and Hyderabad have completed the master plan for their landside developments and are engaged in development of physical infrastructure and discussions with potential tenants.
- ➔ Though the GMR Infra's Energy assts are not performing nicely and have a lot of issues. The company has decided to rop-e in investors like Adani Companies who will bring Money & Management so that functioning becomes better
- ➔ The company is developing a 2,100 acre multi product Special Investment Region (SIR) at Krishnagiri, near Hosur in Tamil Nadu and 10,000 acre Portbased multi-product SIR at Kakinada, Andhra Pradesh.
- ➔ The Company also has 9 Highways in operations and looking at the Government's focus on betterment of Road Infrastructure more may be in the pipeline which may be beneficial for the company. .

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	12,755.5	6,692.2	8,141.7
Rev. growth (%)	(17.02)	(47.53)	21.66
EBITDA (INR mn)	4,651.9	6,052.1	2,067.9
Net profit (INR mn)	1,659.0	(3,526.5)	(15,189.0)
Shares outstanding (mn)	15,259.1	15,728.0	6,035.9
EPS (INR)	0.4	0.0	0.0
EPS growth (%)	241.67	(100.00)	-
P/E (x)	52.46	-	-
RONW (%)	(1.47)	(1.16)	0.00
ROCE (%)	2.05	3.16	0.00

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Info Codes

Reuters	: GMRI.NS
Bloomberg	: GMRI:IN
NSE	: GMRINFRA
BSE	: 532754

Market Data

52 Wk Range (₹)	: 10 / 19
Shares in Issue (mn)	: 6035.9
Market. Cap (₹ bn)	: 96.27
BSE 2 Wk Avg Vol	: 126000

Share Holding Pattern (%)

Promoters Holding	: 61.66
Corporate Holding	: 02.31
Domestic Institution	: 07.83
Foreign Institution	: 20.72
Public & Others	: 07.49

Investment Theme

As a Company GMR Infrastructure is in diversified sectors ranging from Electric Utilities, Transmission, Building Airports, Highways, Urban infrastructure Etc. Recent issues in the company had forced it to go low. The Q3 results showed nearly problems in Energy segment and Highways. The company is also have some litigation issues in the Highway contracts however GMR Infra is trying to get out from the whole catch. It has planned capital and management infusions in some projects. The land around Airports is developed as Airport Cities & Foreign Participation in tenancy is anticipated. Development of Special Economic Zones at key areas is also planned by the company. If both of these opportunities click soon GMR Infra will have a clean Balance Sheet and some really good Financials soon. We are therefore bullish on GMR Infra and we therefore recommend to buy the scrip

Good Made & Restructured !!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	7,862.9	6,497.4	(17.4)	7,991.0	23.0
Other Income	4,892.6	194.8	(96.0)	150.7	(22.6)
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	920.8	333.0	(63.8)	275.7	(17.2)
Employee Exp.	697.2	250.3	(64.1)	392.5	56.8
Indirect Taxes	0.0	0.0	-	0.0	-
Other Exp.	5,085.4	4,041.0	(20.5)	17,210.2	325.9
Operating Exp.	6,703.4	4,624.3	(31.0)	17,878.4	286.6
Operating Profit	6,052.1	2,067.9	(65.8)	(9,736.7)	(570.8)
Total Interest	4,087.1	5,372.9	31.5	5,148.8	(4.2)
Gross Profit	1,965.0	(3,305.0)	(268.2)	(14,885.5)	350.4
Net Dep.	84.2	200.3	137.9	157.7	(21.3)
Total Taxation	221.8	21.2	(90.4)	145.8	587.7
Net Profit/Loss	1,659.0	(3,526.5)	(312.6)	(15,189.0)	330.7

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 13	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	1,14,238.2	1,36,262.3	1,47,863.8	1,53,347.4
Equity Share capital	3,892.4	15,259.1	15,728.0	6,035.9
Equity Application Money	0.0	0.0	8,896.6	0.0
Equity Share Warrants	0.0	0.0	1,417.5	0.0
Reserves & Surplus	67,964.9	68,747.4	78,834.7	88,182.6
Secured Loans	17,122.0	50,503.5	20,379.4	20,385.7
Unsecured Loans	25,258.9	1,752.3	22,607.6	38,743.2
USES OF FUNDS	1,14,238.2	1,36,262.3	1,47,863.8	1,53,347.4
Gross Block	1,312.4	1,351.5	1,393.0	1,474.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	223.4	307.0	560.2	716.9
Net Block	1,089.0	1,044.5	832.8	757.8
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	69,135.8	95,349.3	91,255.6	78,595.0
Current Assets	15,931.2	16,144.0	10,387.0	15,153.9
Less : Current Liabilities	7,263.2	6,956.8	4,002.2	4,749.9
Total Net Current Assets	8,668.0	9,187.2	6,384.8	10,404.0
Misc. Expenses not writtenoff	35,345.4	30,681.3	49,390.6	63,590.6
NOTE				
Book Value of Unquoted Investments	69,135.8	95,349.3	91,255.6	78,595.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	1,63,843.8	1,58,166.2	1,75,439.5	1,71,200.0
Dividend (%)	10.0	10.0	1.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 16	Jun 16	Sep 16	Dec 16
Cost of Sales	16,445.1	2,776.4	8,301.1	4,425.8
Operating Profit	(13,573.5)	836.2	(4,994.9)	(2,263.3)
Other Income	(10.6)	51.3	6.0	97.2
Adjusted PBDIT	(13,584.1)	887.5	(4,988.9)	(2,166.1)
Financian Expenses	1,421.8	1,944.4	1,753.3	1,965.8
Depreciation	38.6	40.6	40.9	40.1
Other Writeoffs	0.0	0.0	0.0	0.0
Adjusted PBT	(15,044.5)	(1,097.5)	(6,783.1)	(4,172.0)
Tax Charges	145.8	133.1	220.3	(352.7)
Reported Profit	(15,190.3)	(1,230.6)	(7,003.4)	(3,819.3)
Extra Ord Items	(15,162.2)	(1,874.5)	(7,306.2)	(3,430.7)
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjustes Net Proit	(28.1)	643.9	302.8	(388.6)

52 Week Index Relative Percentage Appreciation



GMR Infra vs SENSEX

Risks Associated

The Infrastructure and Power space is dependant on Government Policies Though the Government has spurred its Planned Expenditure in the Infrastructure segment, Implementation still remains a big stumbling block for many a companies. Issues like delays in land acquisition, municipal permission, supply of materials, award of work and operational failures continued to drag down implementation of these projects. This is bundled with a severe problem of liquidity in both the Government share and the Private investment. These funding pressures have created a major cash crunch across the entire infrastructure development supply chain. Apart from the problem of liquidity, the sector is facing a major problem of lack of decision making. In light of the revelation of several scams in the last few years, there is an environment of mistrust within government agencies and the agencies have responded by freezing decision making to avoid taking any responsibility. Since much of the infrastructure space relies on the government or its agencies as direct developers or regulators, such inertia in decision making impacts implementation across projects. Further most of the infrastructure companies are laden with debt and have a high interest component which eats up most of the profits. The case with GMR infra is no different though the company is trying its best to come out of the same by different ways. Success is not guaranteed. Competition is another major factor which has to be accepted in this scenario. Competition by Domestic companies as well as Foreign Companies is fierce in case of building of new Airports, etc. This factor may not make the compny viable in the long run. Finally the wrong decisions of the management may damage growth prospects of the company iff they are proved to be wrong.

In a Nutshell

GMR Infra currently owns and operates Delhi International Airport and Hyderabad International Airports. The Group is developing Goa's greenfield airport at Mopa reinforcing itself to be India's largest private airport company. Apart from this, GMR Group is also the only Indian airport developer to have developed and operated airports outside India. GMR Infrastructure in partnership with Megawide Construction Corporation of Philippines is operating and developing Mactan Cebu International Airport – the second largest airport of Philippines. The other three sectors to which it caters to is Power Generation and transmission, Highways and Urban Infrastructure though there has been a slight setback for the company in its power projects. Better availability of coal, changed policies and Newer partners should however change the scenario soon. The company also plans to do cross financing from the Aerotropolis type of cities which the company plans to develop in and around the airports it is catering to. This may ease the financials of the company a bit more than required. Pursuant to the strategic decision taken to pursue EPC opportunities outside GMR Group and consequent to the Group's entry into Railway Projects during FY 2015-16, the Group has started construction of 2 Dedicated Freight Corridor Corporation (DFCC) projects in the state of Uttar Pradesh. Mobilization and design for the projects is substantially completed and construction is in full swing. With all these in line the Company though not in a very Good position right now sees a lot of bright future in time to come.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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