

GMR Infrastructure Ltd.

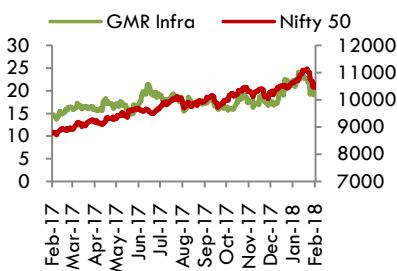
Nifty	10,400
Sensex	33,836

Key Stock Data

CMP	₹17.4
Market Cap (₹Cr)	₹10,472
52W High/Low	₹25/₹14.2
Shares o/s (Cr)	603.6
Bloomberg	GMRI:IN
NSE Code	GMRINFRA
BSE Code	532754

Shareholding Pattern (%)

Promoters	61.7%
FII & DII	25.7%
Public & Others	12.7%

Comparison Chart


Financial Summary	FY17	FY18E	FY19E
Revenues	97,686	83,815	83,871
PAT	-5,746	-10,218	-2,788
EPS	-1.0	-1.7	-0.5
P/E	NA	NA	NA
EV/ EBITDA	8.3	10.1	8.4
D/E	2.9	2.4	2.1
RoCE	7.5%	4.8%	5.7%
RoE	-7.8%	-12.9%	-3.3%

Summary

GMR Infra has reported steady set of results in Q3FY18 vis-a-vis Q2FY18. Net revenues are up 15% QoQ to ₹1691cr and up 5% to ₹5102cr in 9MFY18. EBITDA is up 9% to ₹481cr in Q3 and down 20% to ₹1773cr in 9MFY18 reflecting the impact of fall in Delhi Airport tariff. Margin contracted 170 bps QoQ to 28.4% in Q3. Losses before minority interest/share in associates' loss have reduced from ₹233cr in Q2FY18 to ₹143cr in Q3FY18. Operational improvement distinct marred by impairment loss of Chhattisgarh plant, as asset which is on block.

- **GMR Infra reported 15% QoQ revenue growth to ₹1691cr and 5% revenue growth in 9MFY18 to ₹5102cr driven by energy and EPC business.**
 - Airport segment reported flat revenues at ₹778cr with growth in non-aero revenues off-set by 12% decline in aero revenues due to reduction in Delhi airport tariff. For 9MFY18, revenue fell 17% to ₹2755cr. Traffic at Delhi/Hyderabad airport grew by 14%/19% in 9mFY18 to 48.3mn/13.3mn passengers
 - Energy segment reported 38% revenue growth to ₹423cr in Q3 and 28% growth in 9MFY18 to ₹1122cr.
 - Highways reported 4%/5% revenue growth in Q3 and 9m to ₹152cr and ₹459cr respectively.
 - EPC business reported 54% revenue growth in Q3 to ₹338cr helped by acceleration in execution of DFCC contract. For 9m, revenues grew 3.2x to ₹765cr. The division has an order book of ₹5000 cr to be completed in 2 years.
- EBITDA grew 9% QoQ to ₹481cr as EPC business reported turnaround from ₹49cr loss in Q2 to ₹14cr profit in Q3.
- Other income went up 107% to ₹223cr mainly due to forex gain of ₹64cr in Delhi airport.
- Interest cost went up by 7% to ₹634cr. Reported net debt also increased by ~₹500cr to ₹16820cr (incl. FCCB). Interest coverage remains below 1x (0.8x in Q3) mainly due to reduction in turnover/EBITDA at Delhi airport.
- Reported loss came in at ₹143cr for Q3 and ₹367cr for 9M. Below that, GMR has exported ₹442cr as its share of loss in associates, mainly arising out of Chhattisgarh project (₹386cr). As a result, consolidated loss stood at ₹660cr, higher than our expectations.
- **Chhattisgarh project update (1370 MW, GMR's stake 48%):**
 - As per media reports, lenders have put the plant on block and it has received non-binding proposals from various entities and conversion into a binding one is expected sooner than later.
 - Also, in the current quarter, GMR has restarted the plant to supply 500 MW to GUVNL under tolling policy for 8 months. This will not only cut the losses but will also improve the valuations of the plant.
 - In 9m, GMR has consolidated ₹662cr loss from Chhattisgarh project including asset impairment. Further impairment will depend upon the valuation that the plant fetches. However, the disposal of the same will remove a key overhang on the stock as well as the corresponding debt.
- **Hikes stake in Hyderabad airport to 74% –** GMR has signed share purchase agreement to buy 11% stake held by MAHB for a consideration of ₹484cr, valuing the airport at ₹4400cr. This is in line with GMR's strategy to consolidate / grow airport assets. The deal is value-accretive considering the fact that the airport has reported ₹419cr PAT in 9MFY18.

Way2Wealth Research Desk

Tel: +9122-6146 2900

- Delhi airport tariff order – Hearing has been completed in Appellate Tribunal and the order is in drafting stage. Final order is also expected anytime soon.
- Asset divestment – There has not been much progress on asset divestment or land monetization.

Risks

- Any delay in debt reduction
- Any further reduction of Airport tariff
- Any delay in monetization of real estate projects
- Invocation of bank guarantee for Rajahmundry power project (which is under SDR)
- We see short term challenges in terms of cash flow mismatch at HoldCo level and therefore asset monetization assumes imperative importance. Ability of the company to do so in the coming year will be crucial.

Valuation & Outlook

In the coming years, GMR Infra will gradually transform from an infrastructure conglomerate to a focused airport-centric company, supported by next leg of capex at Delhi (~₹70-80bn) & Hyderabad (₹24bn) and operationalization of Goa airport (₹19bn) & Crete airport in Greece. Having gone through deep debt restructuring in the past two years, the consolidated debt now looks sustainable and the corporate debt is serviceable through divestment of non-core assets. We assess the company on the basis of its asset play, business potential, airport franchise and clearance of regulatory hurdles as P&L will take a while to mend. **At CMP of ₹17.40, the stock is trading at FY19E EV/EBITDA of 8.4x. We reiterate our stance to ACCUMULATE the stock and take advantage of current weakness in the market.**

Consolidated Financials

	(₹ Crs)							
	Q3FY18	Q3FY17	VAR [%]	Q2FY18	VAR [%]	9mFY18	9mFY17	VAR [%]
Gross Revenues	2072.3	2513.0	-17.5%	1865.9	11.1%	6611.9	6884.9	-4.0%
Less: Revenue share	381.6	706.8	-46.0%	401.9	-5.1%	1510.1	2031.5	-25.7%
Net revenues	1690.7	1806.2	-6.4%	1464.0	15.5%	5101.8	4853.4	5.1%
Total expenditure	1210.1	1128.7	7.2%	1023.1	18.3%	3328.6	2625.9	26.8%
EBITDA	480.6	677.5	-29.1%	440.9	9.0%	1773.2	2227.5	-20.4%
<i>EBITDA margin %</i>	<i>28.4%</i>	<i>37.5%</i>		<i>30.1%</i>		<i>34.8%</i>	<i>45.9%</i>	
Add: Other income	223.5	74.3	200.8%	108.0	106.9%	446.6	250.0	78.6%
Less: Interest	634.1	528.8	19.9%	590.5	7.4%	1728.9	1593.1	8.5%
Less: Depreciation	262.1	259.5	1.0%	263.4	-0.5%	767.7	772.3	-0.6%
PBT	-192.1	-36.5	426.3%	-305.0	-37.0%	-276.8	112.1	-346.9%
<i>PBT margin %</i>	<i>-11.4%</i>	<i>-2.0%</i>		<i>-20.8%</i>		<i>-5.4%</i>	<i>2.3%</i>	
Tax	-48.6	178.1	-127.3%	-71.9	-32.4%	90.4	411.7	-78.0%
PAT	-143.5	-214.6	-33.1%	-233.1	-38.4%	-367.2	-299.6	22.6%
Less: Minority Interest	74.1	-14.5		34.2		159.9	0.8	
Add: Share in Associates Profit	-441.9	-18.8		-155.4		-715.9	-160.5	
Reported PAT	-659.5	-218.9	201.3%	-422.7	56.0%	-1243.0	-460.9	169.7%

Disclaimer

Analyst Certification: The research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement in GMR Infrastructure Ltd. as on February 22, 2018

Name of the Security	GMR Infrastructure Ltd.
Name of the analyst	
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.