

**GVK Power & Infrastructure Ltd.**OCT 21<sup>st</sup> 08

Recommendation : Buy CMP : Rs. 14/-

GVK is primarily into infrastructure projects with special emphasis in building world class infra facilities in urban areas. It handles diverse projects across power, roads and airports.

**Existing Operational Projects:**

Projects	Equity Stake in Subsidiary/Associate Company	Total Project Cost (Rs. mn)	Proportionate Equity (Rs. mn)	Value (Rs. mn)	Valuation per share in (Rs.)
Jaipur Expressway	Jaipur Expressways Pvt Ltd. (100%)	6145	1,200	6000	4
Mumbai Airport	MIAL (37%)	98000	7,250	7250	5
Gautami Power	Gautami Power Ltd. (51%)	18,310	2,800	7002	5
Jegurupadu-Phase I	(100%)	10252	2,880	4320	3
Cash & Cash Eq. (FY 08)				4500	3
<b>Total</b>				<b>29072</b>	<b>20</b>

We expect a sizeable upside from current levels over a 1 yr horizon when the general economic slowdown eases due to fall in inflation and softening of interest rates. We expect the Market capitalization to be ~ Rs.42174 mn and assign a price target of **Rs.30/-** within a 12-18 months time frame.

Note: We have not factored the following in the above valuations.

1. Goriganga project of Rs.5003 crs still under the development stage.
2. Under construction projects of Goindwal Sahib and Alaknanda.
3. MIAL real estate not factored in valuations due to lack of clarity.



## Drivers of growth :

**Awarded seven deep sea NELP VII blocks :** With BHP Billiton as consortium partner it has been awarded seven deep sea exploration blocks on west coast of India. The project entails a combined initial investment of \$35 mn.

### **Funding to be met from internal accruals & cash equivalents:**

Strong cash flows and cash equivalent sufficient to cushion BOT projects and provide funding for Mumbai real estate.

### **Availability of gas:**

It is strongly banking on availability of gas at affordable prices from KG Basin of RIL. As and when this situation materializes the company's profits in power segment are likely to muster multifold growth.

## Risk & Concerns:

**Availability of Gas:** The present supply of gas from GAIL is not adequate for the company's existing and future projects requirement. Any further delay in supply of gas by may seriously affect power generation at the existing and future projects.

## Revenues from MIAL

Revenues from CSIA are likely to be affected due to slowdown in passenger traffic owing to increase air fares and general slowdown in the economy. The major domestic carriers have evidenced a 30% reduction in passenger traffic and are struggling hard for their survival.



**Contact us : arm research pvt. ltd.**

**Email : [research@armresearch.in](mailto:research@armresearch.in)**

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