



Investor's Delight: Gayatri Projects Ltd. (GPL)"BUY", A Successful infra story. 23rd Oct.,2015

Hyderabad based GPL with over 50 years presence in infrastructure and Construction primarily undertakes Road, Power and Irrigation projects across the Country and owns almost all its equipments, enabling optimal cost control. It also has Joint Ventures (JVs) in Build-Operate-Transfer (BOT) projects and executes construction contracts in partnership with Indian and overseas Companies. The order book of the company is robust and stands at Rs.10,903 crore, which is 6.8x its FY2015 revenues. Since last few months, the Company is witnessing significant improvement in operating environment for Roads and Irrigation sector under new Governments which has helped the Company to secure large orders for roads and the Company has been able to establish L1 position in several other projects which could substantially add to its order book in near future. The Company has recently won orders worth Rs. 3,993 crores from NHAI which is a testament of the Company's project execution capabilities and prudent bidding strategy. The Management efforts are now very much directed towards efficiently executing these projects and the Company is confident of delivering 30% revenue growth in its construction business over next 3-4 years.

GPL has good partners like Sembcorp Industries and Nagarjuna Construction in power segment which boosts confidence on the execution front. GPL's current focus is on quickly locking-in long term PPAs at reasonable prices, for a large proportion of capacity, to make its business model very robust. GPL hopes to commission the last non-operating road in its portfolio during FY17. No further equity injection is needed and GPL is looking at all options to monetize the road assets portfolio. GPL has marquee clients in various segments like NHAI, AAI, Nalco, Tata Steel, Reliance Petroleum etc. Going forward, GPL's diversified and strongly growing construction order book as it converts the existing L1 positions, ramp-up in power generation business as project moves towards progressive completion, coupled with government's attempts towards clearing inordinate delays should help GPL deliver consistent returns over the coming years. We recommend a "BUY" and value the Company on Sum of the Parts (SOTP) basis to arrive at a value of Rs. 1300.

Standalone - Financial Summary (Rs. cr)

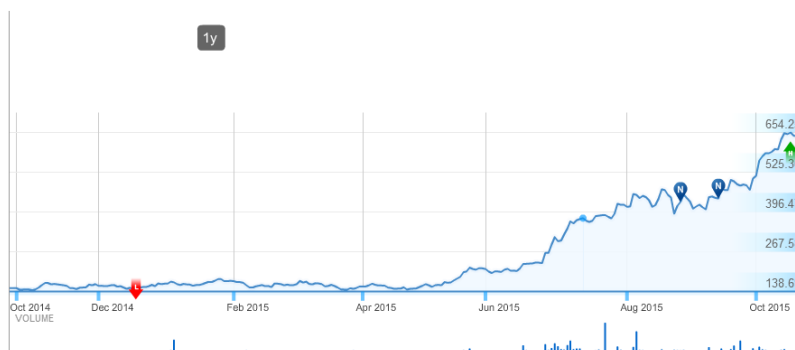
Particulars	FY14	FY15	FY16E	FY17E	FY18E
Total Income	1,815	1,605	2,162	2,881	3,627
Growth (%)	(10.3)	(11.6)	34.6	33.4	26
EBITDA	272	212	315	437	563
OPM (%)	15.0	13.2	14.6	15.2	15.5
PAT	48	22	70	140	200
PAT (%)	2.64	1.37	3.2	4.8	5.5
Equity cap.	30.2	30.2	35.5	35.5	35.5
Networth	666.2	682.2	847.5	966.5	1,138
EPS (Rs.)	21.4	8.4	19.8	39	56
P/E (x)	31	78	33	17	12
Price/Book (x)	2.96	2.89	2.74	2.41	2.04
ROE (%)	10.0	3.8	8.25	14.5	18
D/E (x)	2.32	2.61	1.99	2.03	2

Source: Company, Ajcon Research, Please note the Company is expected to Report PAT of Rs. 342 cr, Rs. 656 cr for FY17E and FY18E respectively on Consolidated basis.

CMP	Rs. 655.25
Target Price	Rs. 1,300
Upside	98%
Time horizon	1 year
Basis of valuation	FY18 Estimated Financials
Beta vs Sensex	2.40
BSE Code	532767
Bloomberg Code	GAYP:IN
Reuters Code	GAPR.NS
52 Week High/low	Rs. 667.5/Rs. 133
Face Value	Rs. 10
Share Capital	Rs. 35.5 cr (FY15)
Net Debt	Rs. 1,573 cr (FY 15)
Market Capitalization	Rs. 2,326 cr
Book Value	Rs. 226 per share as on FY15
Shareholding Pattern (%)	As on Sep 2015
Promoters	47.48
FII's	36.72
DII's	3.34
Others	12.47
Price Performance (%)	
	1M: 30%, 3M: 64%, 6M: 345%, 12M:340%



Price performance



Investment Rationale

1) Strong Q1FY16 result

In Q1FY2016, the stand-alone revenues of Gayatri Projects Ltd (GPL) grew by 18.4% YoY to Rs405 crore on account of better execution, specifically in the industrial segment. The OPM was affected on account of a change in revenue mix leading to a growth in the operating profit by 11.3% YoY. The operating profit margin (OPM) contracted by 90 basis points YoY to 14.2% on account of a change in the revenue mix. Consequently, the operating profit of the company grew by 11.3% YoY to Rs58 crore. Further, the company provided for lower interest (down 15.2% YoY) and higher other income (Rs3.9 crore as against Rs0.2 crore during Q1FY2015). Consequently, the adjusted net profit stood at Rs11 crore (as against Rs0.8 crore during Q1FY2015). However, lower interest expense and higher other income led to an adjusted net profit of Rs11.2 crore (as against Rs0.8 crore in Q1FY2015).

Particulars	Q1FY16	Q1FY15	YoY(%)	Q4FY15	QoQ (%)
Net Sales	405.1	342.2	18.4	560.1	(27.7)
Operating Exp.	347.5	290.5	19.6	485.4	(28.4)
EBITDA	57.6	51.7	11.3	74.7	(22.9)
OPM (%)	14.2	15.1	(90) bps	13.3	88 bps
Other income	3.9	0.2	-	2.6	51.5
Depreciation	9.3	7.7	20.6	6.5	43.8
Interest	35.4	41.7	(15.2)	45.2	(21.8)
PBT	16.8	2.5	572.9	25.6	(34.3)
Less: EOI	(0.5)	1.4	-	-	-
Taxes	5.6	1.6	241.3	9.6	(41.4)
PAT	10.7	(0.5)	-	16.0	(30.1)
PAT (%)	2.8	0.2	251 bps	2.8	9 bps
Equity Capital	30.2	30.2	-	30.2	-
EPS	3.7	0.3	-	5.3	(30.1)

Source: Company, Ajcon Research

2) Robust order book

The order book of the company is robust and stands at Rs.10,903 crore, which is 6.8x its FY2015 revenues. This is likely to give a boost to revenue growth going ahead.



Out of this, the Company recently received bagged multiple orders worth Rs. 3,993 crores from National Highways Authority of India (NHAI). These include the following:

Project type	Mode	Amount (Rs. cr)
4 - laning of Ghagra Bridge to Varanasi section of NH-233 from Km 180.42 to Km 240.34 in the state of Uttar Pradesh under NHDP Phase -IV	EPC	741
4 - laning of Ghagra Bridge to Varanasi section of NH-233 from Km 240.34 to Km 299.35 in the state of Uttar Pradesh under NHDP Phase -IV	EPC	785
4- laning of Sultanpur to Varanasi section of NH-56 from Km 134.70 to Km 205.00 in the state of Uttar Pradesh under NHDP Phase - IV	EPC	986
4- laning of Sultanpur to Varanasi section of NH-56 from Km. 205 to Km 263 in the state of Uttar Pradesh under NHDP Phase -IV	EPC	806
6-laning of Eastern Peripheral Expressway (NH No. NEII) in the state of Haryana and UP under Package VI from Km 114 to Km 136	EPC	675
	Total	3,993

In addition, Rs3,179-crore-worth of orders in Andhra Pradesh which hitherto were progressing slowly are now showing uptick in execution. Further, the management has witnessed improved operating environment for the irrigation segment over the last few months which should sustain the growth momentum over the next two to three years.

3) Commissioning of Krishnapatnam Power Project – 1320 MW reduces uncertainty:

Thermal Powertech Corporation India Ltd. (TPCIL), in which GPL holds 31% stake while SembCorp holds 69% stake, has been consistently operating phase-I (660MW) at 90-100% plant load factor (PLF) since stabilisation in May 2015.

TPCIL phase-II was synchronized with the grid and the second unit (660MW) is on schedule and the same has been commissioned (full commercial operations started) from September 2015.

The first phase of the approximately US\$1.5 billion coal-fired power plant, commissioned earlier this year generated more than 800 mn units during the quarter ended June 30, 2015. Phase I, operating around 90%-100% PLF levels since stabilizing in May 2015 is already supplying 500 MW of power to the Andhra Pradesh and Telangana Power Distribution Companies under a long term PPA and further power under short term arrangements.

Further, the 1320 MW coal – fired power plant located in Krishnapatnam is more efficient and environmentally friendly compared to conventional coal-fired power plants as it uses supercritical technology.

Commenting on this event, Mr. T.V. Sandeep Kumar Reddy, Managing Director, Gayatri Projects Limited said “We are pleased to announce the successful commissioning of the second phase, which marks the completion of maiden power project. We hope that the project besides addressing the electricity needs will bring lasting economic benefits to the region. The Sembcorp-Gayatri partnership is working towards commissioning another 1320 MW of power capacity over next 9-12 months. We look forward to continuing this positive momentum and bring more and lasting value to the region through smooth and efficient execution of all our project.”

4) Secured fuel supply agreements with coal fields:

TPCIL has also secured a fuel supply agreements with Mahanadi Coal Fields and Indonesia-based PT Bayan Resources for the supply of coal to its power plant.

5) NCC Power Projects to commence from FY16:

Its second 1,320MW power project, NCC Power Projects (NCC; in which GPL holds 25% stake, SembCorp holds 45% stake and NCC holds 30% stake), is expected to commence operations in one unit by the end of FY2016. Thus, the uncertainty related to the ability of GPL to successfully execute large power projects is mitigated, resulting in re-



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rating of the stock. Moreover, GPL's road subsidiary, Gayatri Infra Ventures Ltd (GIVL), is profitable and is generating enough free cash to service its debts.

6) Road projects acting as milking cash cows

All the six Road projects (four annuity and two toll) are generating positive cashflows which are sufficient to repay the principal amount. In GIVL, GPL holds 70 percent stake and balance 30% is owned by private equity investors. It does not envisage any additional infusion of equity from the parent Company.

7) Recent Capital raising to help GPL in EPC segment

GPL raised approximately Rs.74 cr. of equity capital through a preferential allotment of shares (in line with SEBI's ICDR Regulations, 2009) to 2 funds managed by GMO & Co.'s Emerging Markets Investment team. This capital raising will help GPL move aggressively in the EPC space where government tendering activity has picked up strongly



About the Company

Gayatri Projects Ltd.

Gayatri Projects is Hyderabad – based infrastructure and Construction Company with a presence across the segment primarily undertaking road and irrigation projects. The Company with an over 50 years presence in the segment executes projects across the country and owns almost all its equipment, enabling optimal cost control. It also has Joint Ventures (JVs) in Built-Operate-Transfer (BOT) projects and executes construction contracts in partnership with Indian and overseas companies.

Its two subsidiaries, Gayatri Infra Ventures Ltd. (GIVL) and Gayatri Energy Ventures Ltd. (GEVL) incorporated in 2008 in Hyderabad are the Asset Development arms of the Company. GIVL, the road development arm and associated Gayatri entities are currently working on 7 operating and 1 under construction road projects, adding up to gross capital employed in excess of Rs. 5,000 cr while GEVL which was setup to undertake power generation projects is in final stages of developing a 2,640 MW power project in partnership with Sembcorp industries.

The Company has marquee clients like NHAI, AAI, Nalco, Tata Steel, Reliance Petroleum etc.

GPL owns Extensive fleet of state of the art Construction equipment

- 1) Heavy Earth Moving Machine: Hydraulic excavators, loaders
- 2) Concreting Plants: batching plants, transit mixers
- 3) Road Equipment: vibratory tandem rollers, integrated stone crushing plants
- 4) Quarry Equipment: Wagon Drills, Jack Hammers
- 5) Transportation Equipment: Tractors, Water tankers

Two fold benefits of owning several assets:

- Lower dependence on external sub contractors
- Maximizing profits & returns

About Sembcorp Industries

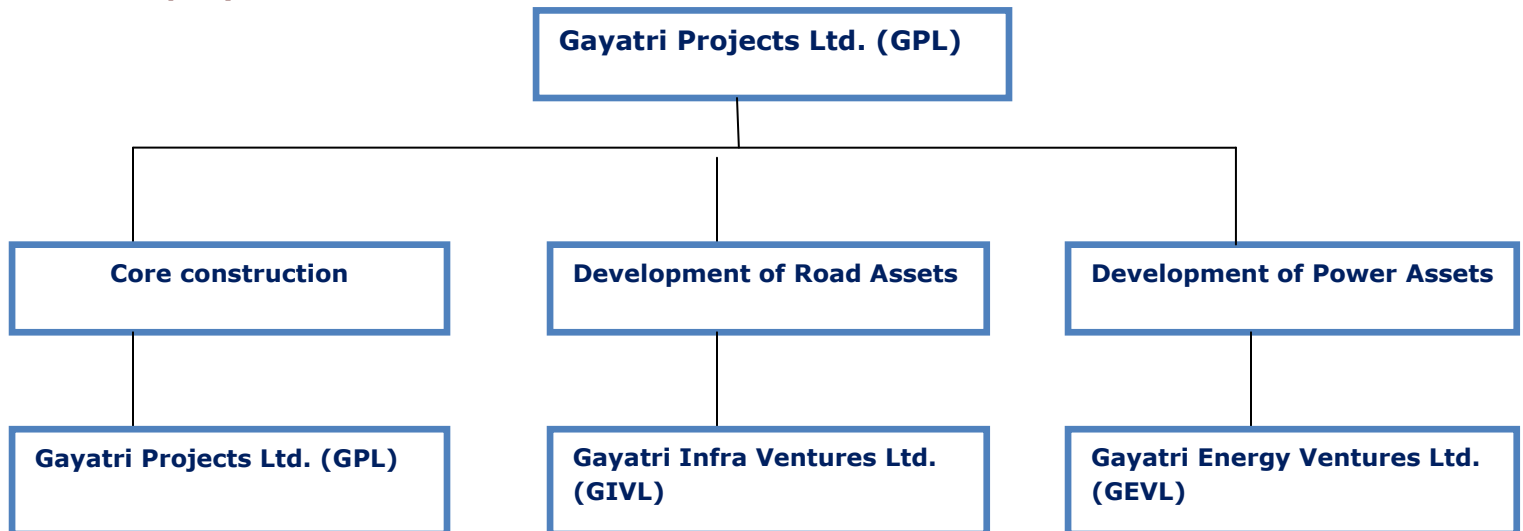
Incorporated in 1998, Sembcorp Industries is a leading energy, water and marine group operating across six continents worldwide. With facilities of over 8,200 MW of gross power capacity and over nine million cubic metres of water per day in operation and under development, Sembcorp is a trusted provider of essential energy and water solutions to both industrial and municipal customers. It is also a world leader in marine and offshore engineering, as well as an established brand name in urban development. In India, Sembcorp has over 3,300 megawatts of power capacity: 2,640 MW in thermal energy and over 700 MW in renewable energy. It owns and operates two supercritical thermal power plants: Thermal Powertech Corporation India (TPCIL) and NCC Power Projects (NCCPP), each having a capacity of 1,320 MW, in Andhra Pradesh. Sembcorp's renewable energy portfolio in India, operated through Sembcorp Green Infra, consists of more than 700 megawatts of wind power and solar power assets in six states across the southern, western and central regions of India.



Asset Holding Subsidiaries

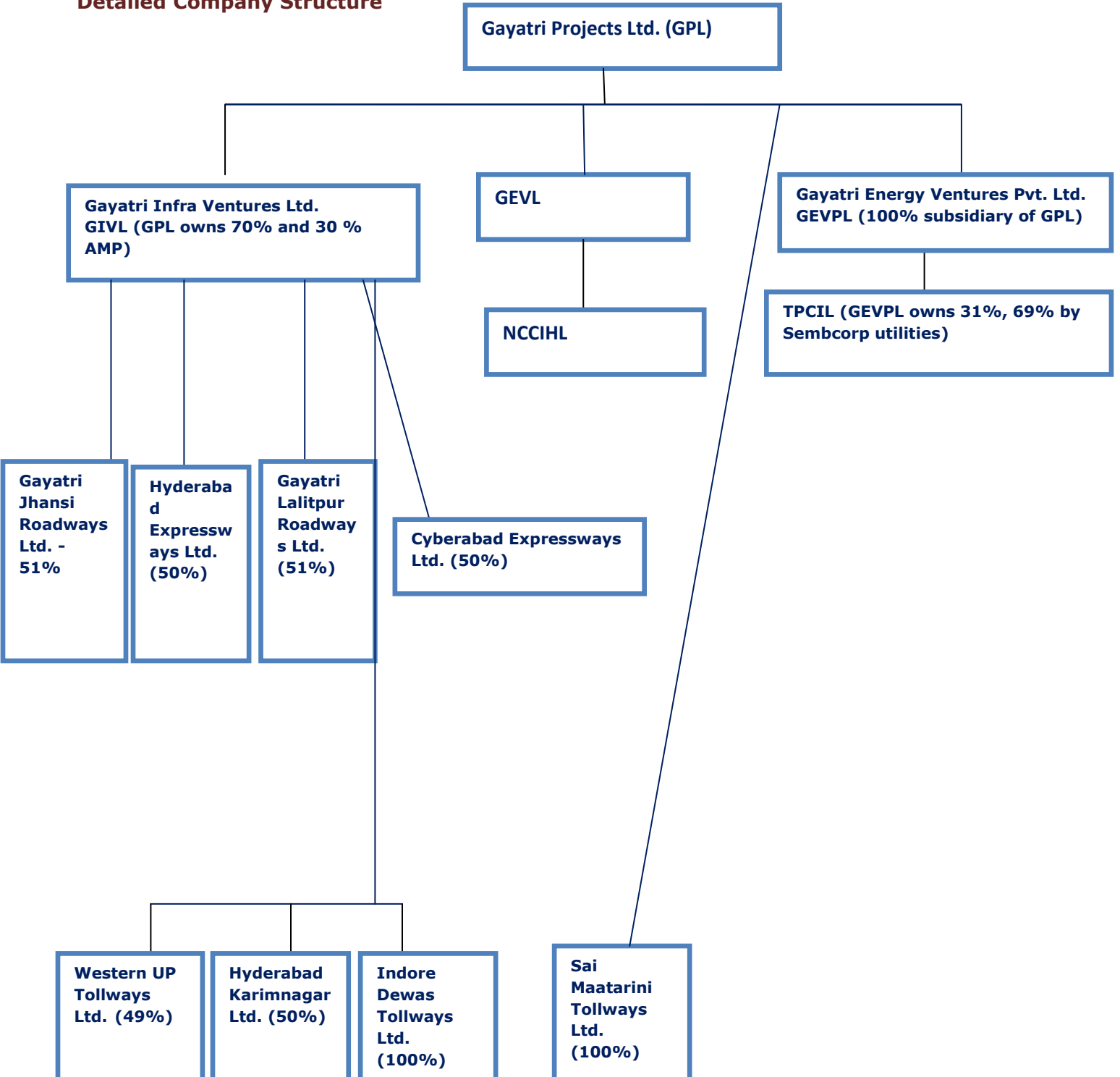
- a) Gayatri Infra Ventures Ltd., a subsidiary of Gayatri Projects Ltd. is dedicated towards development of road assets
- b) Incorporated in 2008; wherein Gayatri Projects Ltd. owns 70%; while AMP Capital owns the balance 30%
- c) Balanced portfolio comprising of four annuity and four toll based projects. These projects offer safety of steady cash flow with the opportunity for upside as traffic volumes improves.
- d) Timely receipt of annuity helps maintaining quality of its projects.
- e) Revenue generated from toll based projects continue to meet expectations

Company Structure





Detailed Company Structure





Special Purpose Vehicles of Gayatri Projects Ltd. - 8 BOT projects on turnkey basis.

Western UP Tollway Ltd.

Western UP Tollway Ltd. WUPTL is first toll project for GPL which it bagged with consortium company Nagarjuna Construction Company Ltd. and Maytas Infra Ltd. The project involves improvement, operation and maintenance, rehabilitation and strengthening of existing 2- lane and widening to 4- lane divided highway of 52 km to 131 km of NH-59 (Meerut- Muzaffarnagar Section) in the state of Uttar Pradesh on BOT basis. Total cost of project is Rs.6,681 mn which includes a grant of Rs.564 mn. The project enjoys 20 years of concession period which includes construction period of 30 months. The project has commenced operations from FY11.

Gayatri Lalitpur Roadways Ltd.

Gayatri Lalitpur Roadways Ltd. GLRL is a Special Purpose Company, annuity BOT project which GPL bagged with consortium company Infrastructure Development Finance Company Ltd. (IDFC). The project involves to design, develop, construct, operate and maintain of 50 km stretch between Jhansi and Lalitpur on National Highway no. 26 (NH-26) as part of the North – South Corridor in Uttar Pradesh. The work involves strengthening and widening of existing 2 lane highway, construction of additional 2 lanes and provision of service roads in specific urban and semi-urban areas to cater to local traffic. Total cost of project is Rs.3,126 mn which enjoys 20 years of concession period including construction period of 30 months. The project has commenced operations from FY11.

Gayatri Jhansi Roadways Ltd.

Gayatri Jhansi Roadways Ltd. (GJRL) is annuity BOT project which GPL bagged with consortium company Infrastructure Development Finance Company Ltd. The project involves to design, develop, construct, operate and maintain of 50 km stretch stretch between Jhansi and Lalitpur on National Highway no. 26 (NH26) as part of the North – South Corridor in Uttar Pradesh. The project road starts from 88.5 km of the Shivpur Jhansi Road of NH25 and ends at 46.10 km of NH26. This stretch of the project road is named UP2. The project extends from 46.10 km to 94.00 km of NH26 and is named UP3. The work involves strengthening and widening of existing 2 lane highway, construction of additional 2 lanes and provision of service roads in specific urban and semi urban areas to cater to local traffic. Total cost of project is Rs.4,210 mn which enjoys 20 years of concession period including construction period of 30 months. The project has commenced operations from FY11.

Hyderabad Expressways Ltd.

Hyderabad Expressways Limited is a Special Purpose Company promoted by Gayatri Projects Limited and Maytas Infra Limited to design, construct, develop, finance, operate and maintain 8-lane access controlled expressway under Phase II programme of outer ring road (ORR) of Hyderabad Urban Development Authority HUDA. HUDA has made up its mind for taking up development of outer ring road project where the intensity of traffic has increased significantly and there is requirement of providing access controlled corridor connecting areas like Cyberabad, International airport, Singapore Township, Bio-Tech park etc. for safe and efficient movement of traffic. The project work starts from Bongulur to Tukuguda casing 108 km to 121 km. The total



cost of project is Rs.4,310 mn which enjoys 15 years of concession period including construction period of 30 months. The project has commenced operations from FY11.

Cyberabad Expressways Ltd.

Cyberabad Expressways Ltd. CEPL is a Special Purpose Company promoted by annuity BOT project which GPL bagged with consortium company Maytas Infra Private Ltd. The project involves designing, construction, development, finance, operate and maintain of eight lane (AP II) access controlled expressway under Phase II programme of outer ring road ORR of Hyderabad Urban Development Authority HUDA. HUDA has made up its mind for taking up the development of outer ring road project where the intensity of traffic has increased significantly and there is requirement of providing access controlled corridor connecting areas like Cyberabad, International airport, Singapore Township, Bio-Tech park etc. for safe and efficient movement of traffic. The project work starts from kollur to Patancheru casing 12 km to 23.70 km. The total cost of project is Rs.5,018 mn which enjoys 15 years of concession period which includes construction period of 30 months. The project has commenced operations from FY13.

Indore Dewas Tollways Ltd.

Indore Dewas Tollways Ltd. (IDTL) is a Special Purpose Company promoted by GPL. GPL bagged the contract from NHAI with consortium company DLF Infra Holdings Ltd. The project involves Six – Laning of Indore – Dewas Section of NH-3 from KM 577.550 to Km 610.000 and Km 0.000 to Km 12.600 (Approximate Length 45.05 Kms) in the State of Madhya Pradesh under NHDP Phase – V to be executed as BOT (Toll) project on Design, Build, Finance, Operate and Transfer “DBFOT” Pattern. The total cost of project is Rs.6,000 mn which enjoys 25 years of concession period which includes construction period of 30 months.

HKR Roadways Ltd.

HKR Roadways Ltd. (HKRRL) is a Special Purpose Company promoted by GPL. GPL bagged the contract from Government of Andhra Pradesh with consortium company DLF Infra Holdings Ltd. The project involves Four – Laning of Hyderabad – Karimnagar – Ramagundam Stretch of SH – 1 (Rajiv Rahadari) Km 28.200 to Km 235.058 (Approximate Length 207 Kms) in the State of Andhra Pradesh to be executed as BOT (Toll) project on Design, Construction, Finance, Operation and Maintenance under Private Public Partnership on “DBFOT” Basis. The total cost of project is Rs.22,090 mn which enjoys 25 years of concession period which includes construction period of 30 months.

Sai Maatarini Tollways Ltd.

Sai Maatarini Tollways Ltd (SMTL) is a Special Purpose Company promoted by GPL. GPL bagged the contract from NHAI. The project involves Four-Laning of Panikoili-Rimuli Section of NH-215 from Km.0.00 to Km.163.00 (Design Length 166.173) in the State of Orissa under NHDP Phase – III as BOT (Toll) project on Design, Construction, Finance, Operation and Maintenance under Private Public Partnership on “DBFOT” Basis.



Road Assets - Portfolio Summary

Annuity	Status	GIVL stake	COD	Concession period (Years)	Length (kms)	Q1FY16 (Rs. in crore)
Gayatri Jhansi Roadways Ltd.	PCC obtained	51%	Jun 2010	20	50	14.8
Gayatri Lalitpur Roadways Ltd.	PCC obtained	51%	Jul 2010	20	50	11.9
Hyderabad Expressways Ltd.	PCC obtained	50%	Aug 2011	15	13	16.2
Cyberabad Expressways Ltd.	PCC obtained	50%	Mar 2012	15	11.7	19.7

Source: Company, Ajcon Research

Toll based projects	Status	GIVL stake	COD	Concession period (Years)	Length (kms)	Q1FY16 (Rs. in crore)
Western UP Tollways Ltd.	PCC obtained	49%	Oct 2011	20	78.5	30.8
Hyderabad Karimnagar – Ramgundam (HKRRL)	PCC obtained	50%	May 2014	25	207.0	29.0
Indore Dewas Tollways Ltd. (IDTL)	Under construction	100%	May 2015	25	45.1	3.5*
Sai Maatarini Tollways Ltd. (SMTL) 100% Subsidiary of GPL	Under construction	100%		24	166.2	

Source: Company, Ajcon Research

Power Assets

1) Incorporated in 2008, Gayatri Energy Ventures Ltd. is a wholly owned subsidiary of Gayatri Projects Ltd., dedicated towards developing Power Assets.

2) Current portfolio:

- a) TPCIL (31% GEVPL; 69% SembCorp Utilities)
- b) NCC Power Projects (GEVL holding through investment in NCCIHL)

3) Strong Power Plant Economics

- a) Exceptional fuel security: True port-based location ensures among the best logistics for both imported and domestic coal.



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- b) Global coal price deflation is making imported coal cheaper than domestic coal on a per GCal, landed at plant basis.
- c) Home market – South India – continues to stay power deficit: shortage of generation capacity and constrained transmission networks
- d) Targeting high proportion of sales through long term PPAs at remunerative rates: 500 MW already in place, L2 for 500MW in a large AP tender, single bidder situation for 500 MW plus in another southern state

Portfolio Summary

	TPCIL	NCCPPL
Capacity	1,320 Mw (2x660Mw)	1,320 Mw (2x660Mw)
Location	Near Krishnapatnam port, Andhra Pradesh	Near Krishnapatnam port, Andhra Pradesh
Estimated Total project cost (TPC)	9,044 crore	9,900 crore
Consent for establishment (CFE)	Obtained	Obtained
Land Acquisition (LA)	Acquired	Acquired
Environmental Clearance (EC)	Obtained	Obtained
Coal Linkage (CL)	Secured	Letter of Assurance (LOA) obtained
Water Linkage (WL)	Obtained	Obtained
Power Purchase Agreement (PPA)	Signed	In Progress
Financial Closure	Completed	Completed
Current Progress	Both Phase I and Phase II commenced operations	Expected to commence operations from FY16

Source: Company, Ajcon Research



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About the Management

T. Indira Subbarami Reddy, aged 64 years, is a Promoter and Non-Executive Chairperson of the Company. T.Indira Subbarami Reddy has over 18 years of experience in the construction industry and has been a director in the Company since March 8, 1996.

T. V. Sandeep Kumar Reddy, aged 47 years, is a Promoter and also, the Managing Director of the Company. He has been associated with the Company since its incorporation in the year 1989. T. V. Sandeep Kumar Reddy has over 25 years of experience in the Construction Industry. He holds a Masters Degree in Construction Engineering and Management from University of Michigan at Ann Arbor, USA and also holds a Bachelor Degree in Civil Engineering from Purdue University. T. V. Sandeep Kumar Reddy is responsible for overseeing the day to day affairs of the Company.

J. Brij Mohan Reddy, aged 73 years, is Company's executive vice chairman, is a Post-Graduate in Engineering from the University of California, Berkley, United States. He has over 49 years of experience in the Heavy Engineering Construction and the harbour engineering industries. He has been associated with the Company since 1989 and has been a whole - time director in the Company since March 30, 1994.

Ch. Hari Vittal Rao, aged 75 years, is Company's Non-Executive and Independent Director is a CAIIB from Indian Institute of Bankers, and holds a Bachelors Degree in Arts from Andhra University. Ch. Hari Vittal Rao has over 49 years of experience as a banker and was employed with Bank of Baroda and Naandi Foundation in the past. He has been associated with the Company since November 04, 2005.

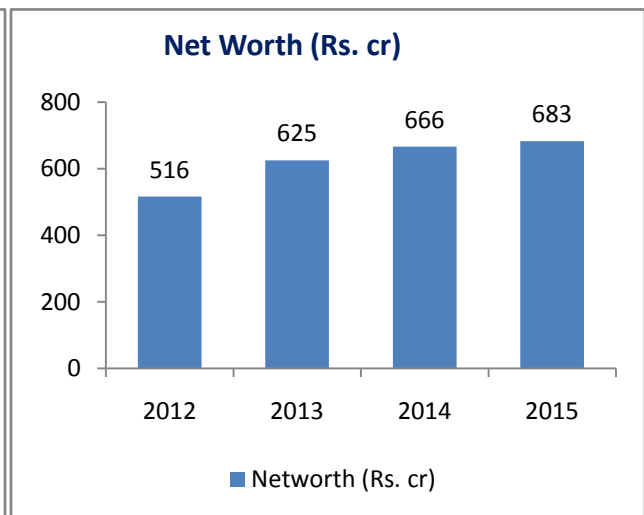
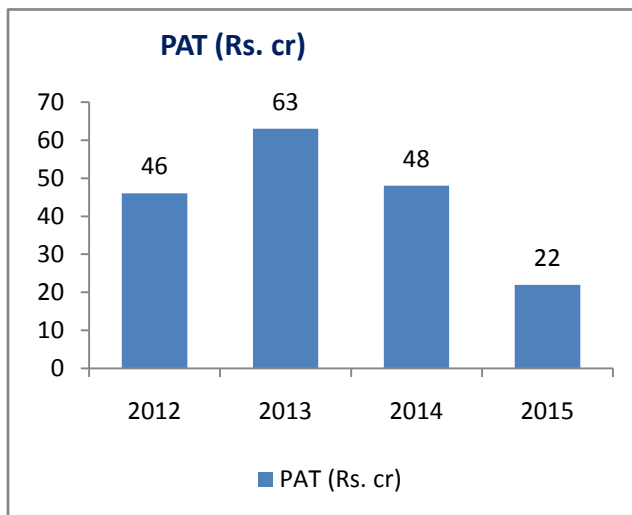
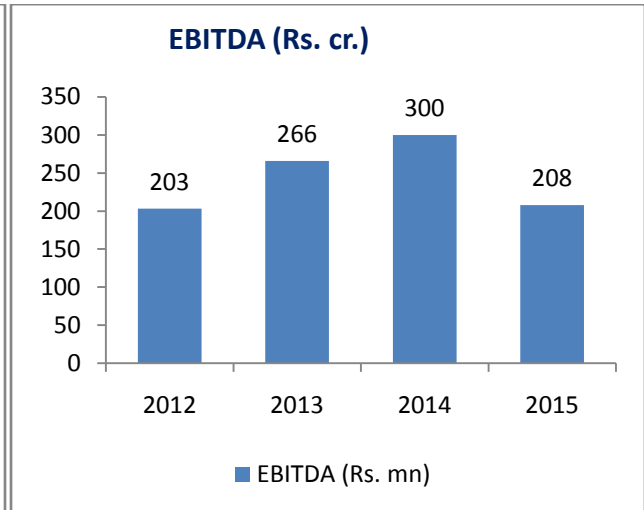
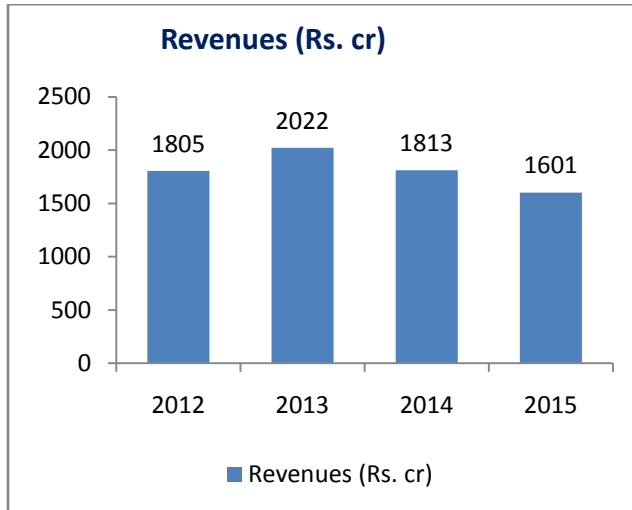
Dr. V L Moorthy, aged 78 years, is Company's Non-Executive and Independent Director holds a Masters Degree in science and a Doctorate in Philosophy in the field of pure chemistry from University of Calcutta. He has experience of 42 years in the fields of paper and pulp industry and was previously employed with ITC Bhadrachalam Paper Board. He has been associated with the Company since November 04, 2005.

G. Siva Kumar Reddy, aged 59 years, is Company's Non-Executive and Independent Director is a Post Graduate in Commerce from Madras University. G. Siva Kumar Reddy has over 28 years of experience. He has been associated with the Company since March 30, 1994.



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Annual Financial Highlights



Source: Company, Ajcon Research



Standalone Profit and Loss Account (Rs. mn)

Particulars	FY2014	FY2015	FY2016E	FY2017E	FY2018E
PROFIT & LOSS A/C					
YoY Revenue Growth (%)	-10.4%	-11.7%	34.6%	33.4%	26.0%
Revenue from operations	18,125	16,011	21,550	28,740	36,201
Other Income	25	44	68	67	72
TOTAL REVENUE	18,150	16,055	21,618	28,806	36,273
Contract receipts from subsidiaries & step-down subsidiaries	4,454	3,302	7,425	3,387	
GROSS MARGIN	3,525	2,806	3,891	5,185	6,529
GPM (%)	19.4%	17.5%	18.0%	18.0%	18.0%
Employee benefits	(410)	(363)	(392)	(432)	(475)
Other Expenses	(394)	(323)	(349)	(384)	(422)
EBITDA	2,722	2,120	3,150	4,370	5,632
EBITDA Margin - (%)	15.0%	13.2%	14.6%	15.2%	15.5%
Net Finance Costs	(1,597)	(1,487)	(1,732)	(1,823)	(2,036)
EBDT	1,125	633	1,418	2,546	3,596
Depreciation & Amortization	(300)	(282)	(300)	(325)	(425)
PBT	825	351	1,118	2,222	3,172
Total Tax	(349)	(130)	(414)	(822)	(1,174)
of which: current tax	(315)	(144)	(414)	(822)	(1,174)
of which: previous years	(39)	-	-	-	-
of which: deferred tax	5	14	-	-	-
Effective Tax rate	42.3%	37.1%	37.0%	37.0%	37.0%
PAT	476	221	704	1,400	1,998

Source: Company, Ajcon Research



Standalone Balance Sheet (Rs. mn)

Particulars	FY2014	FY2015	FY2016E	FY2017E	FY2018E
NETWORTH	6,660	6,825	8,477	9,669	11,377
Paid Up Capital	302	302	355	355	355
Reserves & Surplus	6,357	6,523	8,122	9,314	11,022
NET DEBT	13,417	16,337	15,579	18,229	19,601
Long term borrowings	3,008	9,272	7,942	10,692	12,192
Short term borrowings	10,138	7,918	7,918	7,918	7,918
Current L T borrowings	2,285	599	1,000	1,000	1,000
Less: Cash	(2,013)	(1,452)	(1,281)	(1,380)	(1,509)
TOTAL LIABILITIES	20,077	23,163	24,056	27,899	30,977
NET FIXED ASSETS	2,343	2,081	2,031	3,207	4,282
Gross tangible assets	4,543	4,620	4,870	6,370	7,870
Less: Accumulated Depn & Amortization	(2,250)	(2,539)	(2,839)	(3,164)	(3,588)
CWIP	50	-	-	-	-
INVESTMENTS	11,352	12,161	12,322	13,852	13,852
Non-current	9,456	9,468	9,468	9,468	9,468
of which: subsi - GIVL	1,253	1,253	1,253	1,253	1,253
of which: subsi - SMTL	1,802	1,802	1,802	1,802	1,802
of which: subsi - IDTL	0	0	0	0	0
of which: Assoc- Balaji HHPL	0	0	0	0	0
of which: subsi - GEVL	6,398	6,398	6,398	6,398	6,398
of which: subsi - Bhandara TPCL	0	0	0	0	0
of which: Assoc - HKR Roadways	0	12	12	12	12
of which: Others	2	2	2	2	2
Current investments	19	7	-	-	-
Loans & Advances	1,877	2,686	2,855	4,385	4,385
of which: Subsis	727	1,906	2,074	3,604	3,604
of which: JCE	390	-	-	-	-
of which: Assocs	760	780	780	780	780
NET OTHER NON-CURRENT ASSETS	(3,931)	165	(1,298)	(2,949)	(3,943)
Long term loans and advances	2,569	3,310	3,310	3,310	3,310
Other Non-current assets	-	-	-	-	-
Receivable from related parties	-	2,185	2,185	2,185	2,185
Less: Mobilisation advances	(5,362)	(4,257)	(5,720)	(7,371)	(8,365)
Less: DTL	(311)	(288)	(288)	(288)	(288)
Less: Other long term liabilities	(827)	(784)	(784)	(784)	(784)
Less: Long Term Provisions	-	-	-	-	-
NET CURRENT ASSETS	10,313	8,755	11,000	13,789	16,786
Inventories	2,375	2,420	3,259	4,342	5,468
Trade receivables	9,407	6,236	8,396	11,188	14,088
Short term loans & advances	3,120	5,265	6,054	6,963	8,007



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Other Current Assets	9	13	13	13	13
Less: Trade payables	(3,856)	(4,456)	(6,000)	(7,995)	(10,067)
Less: Other current liabilities	(741)	(722)	(722)	(722)	(722)
TOTAL ASSETS	20,077	23,163	24,056	27,899	30,977
Receivable days	189	142	142	142	142
Payable days	96	123	124	124	124

Source: Company, Ajcon Research



Risk & Concerns

BOT projects—a riskier game

A BOT project has a higher risk compared to an EPC contract. In the past, some projects of GPL have seen a cost overrun due to a delay in land acquisition and forest clearance.

Rise in commodity prices

Any substantial rise in commodity prices would affect the margins of the company. The raw material cost forms the major portion of the total cost of the company. Though the projects do have a cost escalation clause, the same protects the margins to a certain limit. Any rise over and above the limit does affect the margins.

Government policies

Changes in government policies may affect the project under execution adversely.

Delay in project execution

Any delay in execution of projects may affect the profitability of the Company.

Strengths and Opportunities

- 1) Strong management with proven track record of implementing large projects
- 2) Great team spirit partnering with world's well known energy Company – "Semcorp" and Nagarjuna Construction Company
- 3) Strong financials with a comfortable debt/equity ratio
- 4) Derisked business model
- 5) Great opportunities to grow in power and construction space ensuring growth rate of about 25% CAGR



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Recommendation parameters for fundamental reports:

Buy – Absolute return of 20% and above

Accumulate – Absolute return between 15% and above

Book profits: On achieving the price target given in the research report for a particular Company or on a occurrence of a specific event leading to change in fundamentals of the Company recommended

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