

June 18, 2014

GVK Power & Infrastructure Ltd.

BSE Code: 532708 NSE Code: GVKPIL Reuters Code: GVKP.NS Bloomberg Code: GVKP:IN

Incorporated in 1994, GVK Power & Infrastructure Ltd (GVKPIL) is the leading Indian conglomerate with diversified interests across various sectors of economic significance. The company is engaged in the business of owning, operating, and maintaining power plants. It is amongst India's largest infrastructure developers with experience and expertise spanning areas including hospitality, manufacturing, power, roads, airports, SEZs and urban infrastructure. The company operates through its four business segments, namely, Power, Roads, Airport and Others.

Investor's Rationale

Strong growth in Airport business boost topline by 39% in Q4FY14 – GVKPIL registered growth of 39% YoY in its consolidated topline to ₹6,944.1 mn as against ₹5,000.7 mn for the corresponding quarter previous fiscal. Airport business contributed 77% to the total revenue grew by 13.3% at ₹5,366.5 mn. The revenue from Road segment grew by 8.3% at ₹711.5 mn, while, the revenue from Power stood at ₹866.1 mn.

Q4FY14 loss widened to ₹2,354.6 mn – GVKPIL's net loss further increased to ₹2,354.6 mn in Q4FY14 as against ₹1,710.1 mn in Q4FY13 on account of lower power capacity utilisation at its gas-based units led by restricted supply of fuel. Further, high interest (up by 85% YoY) and depreciation costs (up by 80% YoY) due to the commissioning of the new T2 terminal of MIAL also dragged the bottomline.

Better operational performance supported EBITDA margin– GVKPIL registered a positive EBITDA at ₹1,591.6 mn in Q4FY14, assisted by healthy topline growth and better operational efficiency. As a result, the operating margins rose to 22.9%. Margins were well supported by fall in fuel cost by 46.6% at ₹644.1bn as against ₹1,206.9 mn for the corresponding quarter previous fiscal.

Focused towards debt reduction- Net debt remains a major concern for the company and to contain its debt, the company has taken the Board's approval to raise ₹10bn through QIP mainly to utilise the proceeds to pare the debt worth ₹5 bn taken at GVKPIL for airport stake acquisition. Apart from this, the company is also looking at monetization of its assets.

Market Data

Rating	BUY	
CMP (₹)	18	
Target Price	24	
Stop Loss	15	
Duration	Medium-term	
52-week High-Low (₹)	20.90/5.50	
Rise from 52WL (%)	220.0	
Correction from 52WH (%)	15.8	
Beta	2.31s	
1 year Average Volume (mn)	5.97	
	3M-	75.90
Stock Return (%)	6M-	99.40
	1Y-	111.73
Market Cap (₹bn)	27.71	
Book Value (₹)	17.58	

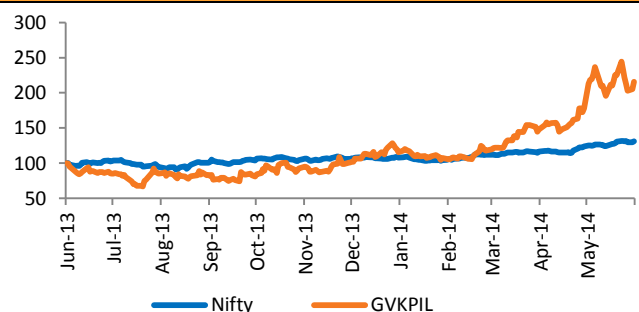
Shareholding Pattern

	Mar'14	Dec'13	Chg
Promoters (%)	54.25	54.25	0.00
FII (%)	14.91	14.35	0.56
DII (%)	2.77	2.76	0.01
Public & Others (%)	28.07	28.64	(0.57)

Quarterly Performance (Consolidated)

(₹mn)	Q4 FY'14	Q4 FY'13	Q3 FY'14	YoY Change(%)	QoQ Change (%)
Sales	6,944.1	5,000.7	7,350.9	39	(5.5)
Op. exp	5,352.5	5,229.6	4,787.7	2.4	11.8
EBITDA	1,591.6	(228.9)	2,563.2	-	(37.9)
OPM (%)	22.9	(4.6)	34.9	-	(1,195bps)
Net profit	(2,354.6)	(1,710.1)	(454.3)	37.7	418.3
NPM (%)	(32.9)	(32.0)	(5.9)	(91bps)	(2,696bps)
EPS (₹)	(1.5)	(1.1)	(0.3)	38.0	413.8

One Year Price Chart





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