

Gammon Infrastructure Projects Ltd.

Price Band	: Rs167 - 200 per share	March 11, 2008
Issue open during	: March 10 - 13, 2008	
Recommendation	: Subscribe with a long term view	
Book Running Lead Managers	: IDFC-SSKI, Macquarie	
Grading (CARE)	: 4 / 5	
To list on	: NSE & BSE	
Market Cap post-listing	: Rs28.91Bn or \$711mn (based on the cap price)	

IPO of 16.6mn equity shares of Rs10 each, aggregating to Rs3.31Bn or \$81.4mn (at the cap price)

Shareholding Pattern

Shareholder Categories	Pre-issue		Post-issue	
	No. of shares	% Holding	No. of shares	% Holding
Promoters and Promoter Group	110,080,000	86.0%	110,080,000	76.2%
AMIF I Ltd.	11,520,000	9.0%	11,520,000	8.0%
QIBs excluding MFs	0	0.0%	8,490,150	5.9%
Mutual Funds	0	0.0%	446,850	0.3%
Non Institutional Investors	0	0.0%	1,489,500	1.0%
Public	0	0.0%	4,468,500	3.1%
Others	6,400,000	5.0%	6,400,000	4.4%
Employees	0	0.0%	1,655,000	1.1%
Total	128,000,000	100.00%	144,550,000	100.00%

Recommendation - Subscribe with a long term view

- Gammon Infrastructure Projects Ltd. (GIPL), part of the Gammon Group is in the business of investing, developing, operating and maintaining infrastructure projects on PPP basis. Currently, GIPL has 14 projects in its portfolio, of which 4 are in the operational phase; 7 are in the development phase and the rest in the pre-development phase.
- In our view, the diversity in its asset portfolio is a major strength. Its projects are into diverse segments, viz., roads, bridges, ports, hydro power and biomass power. Of these, six are based on annuity basis, three on annuity & toll basis and the balance five on toll basis.
- An excellent play on the growth of infrastructure in the Indian economy.
- Given the diversified portfolio of assets, the mix of toll-based and annuity-based revenue streams, the synergies it can draw from the Gammon brand and its execution capabilities, we believe GIPL will be well positioned to leverage its capabilities for bidding and securing larger size projects, going forward.
- Proven engineering capabilities of the Gammon Group coupled with GIPL's experience in successful development and timely implementation of projects, provides it with competitive advantage.
- GIPL's projects have long gestation period. Along with the implementation risks, other concerns are related to the recurring capex required for implementing large infrastructure projects
- The IPO is priced at a p/e of 116.27x annualised H1-FY08 earnings. Given the group background, execution capabilities and diversified project portfolio, investors may consider investing with a long term view. However, we believe the current issue size may not adequately support GIPL's growth plans. Going forward, the company may need to explore further fund raising.

Business overview

Incorporated in 2001, GIPL is an infrastructure project development enterprise formed to participate in the development of infrastructure projects in India. It undertakes projects on a public-private partnership basis (PPP).

PPPs refer to long-term, contractual relationships between governmental agencies and private sector companies, specifically targeted towards financing, designing, implementing, and operating infrastructure facilities and services that were traditionally provided by the government or its agencies.

Such ventures are developed and operated on the expertise and capabilities of the consortium partners and are based on a contractual agreement, which ensures appropriate and mutually agreed allocation of resources, risks and returns.

GIPL undertakes and develops projects such as roads, bridges, ports, hydroelectric power and biomass power projects on a PPP basis.

GIPL also has identified urban infrastructure, airports, mass rapid transit systems, power transmission lines and SEZs as areas of focus for project development. It also offers services in other areas of project development, such as project advisory services, project funding and operations and maintenance activities.

Highlights of Operational Projects

Name of SPV	REL	AEL	CBICL	VSPL
Nature of Project	Road	Road	Bridge	2 multipurpose berths
Revenue Model	Annuity	Annuity	Toll & Annuity	Toll
GIPL's holding	93.5%	93.5%	97.65%	42.22%
Total Project Cost	Rs256.40Cr	Rs248.10Cr	Rs 25.74Cr	Rs313.71Cr
O&M Provider	GIPL	GIPL	CBICL	Portia Mgmt Services, UK

REL - Rajahmundry Expressway Limited. A 53 km stretch of road in Andhra Pradesh on National Highway (NH) 5, connecting Chennai and Kolkata. The project achieved financial closure on May 29, 2002.

A bonus of Rs11.52Cr has accrued to REL for achieving the COD ahead of schedule, the payment of which is awaited.

A concession agreement was entered into between REL and NHAI on October 30, 2001. The concession period runs until November 29, 2019. The annuity payments are semi-annual. NHAI is required to pay REL Rs29.62Cr on each annuity payment date.

AEL - Andhra Expressway Limited. A 47 km stretch of road in Andhra Pradesh on NH-5, connecting Chennai and Kolkata.

A concession agreement was entered into between AEL and NHAI on October 30, 2001 and the concession period will continue until April 29, 2019. The annuity payments are semi-annual. NHAI is required to pay AEL Rs27.92Cr on each annuity payment date.

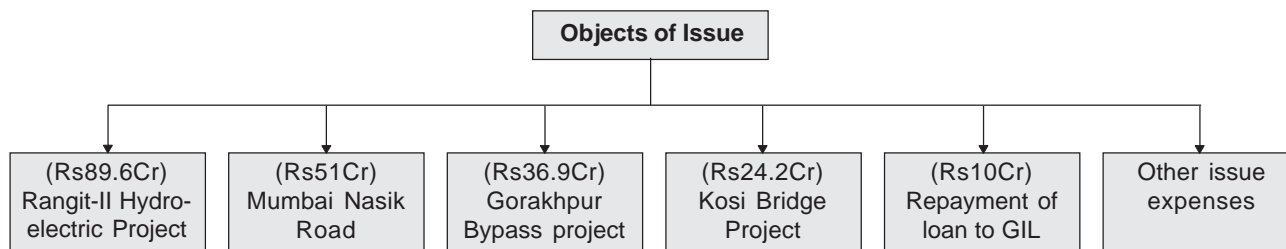
CBICL - Cochin Bridge Infrastructure Company Limited. A 700m bridge across the Mattancherry channel in Cochin, Kerala.

Revenue sources for the project are: tolls collected from users; annuity (Rs1.54Cr starting from January 2004), advertising income and 50% of the charges collected from providers of utilities using the bridge, if any. The concession period commenced on October 27, 1999 and has been extended to April 2020

KEYNOTE

VSPL - Vizag Seaport Private Limited. Two multipurpose berths in the northern arm of the inner harbor at Visakhapatnam port. VSPL is the only private operator for handling bulk cargo in India's largest seaport at Visakhapatnam. The commercial operations at one berth commenced in July 2004, while the second berth commenced operations in September 2005.

Objects of Issue



Profit and loss statements

(RsCr)

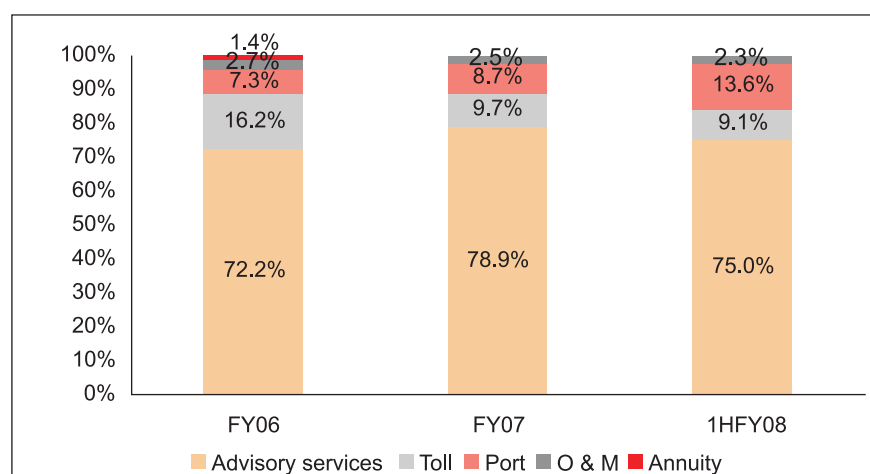
For period ending	Mar 31, 06 15 months	Mar 31, 07 12 months	Sept 30, 07 6 months
Turnover			
- Income from advisory services	1.07	0.00	0.00
- Operation & Maintenance revenue	12.47	14.34	7.06
- Income from port operations	5.62	12.86	10.57
- Annuity revenues	55.45	116.60	58.30
- Toll proceeds	2.04	3.65	1.78
- Miscellaneous receipts	0.13	0.25	0.00
Total Turnover	76.78	147.70	77.72
Other Income	1.72	11.18	5.95
TOTAL INCOME	78.50	158.88	83.67
EXPENDITURE			
Operational Expenses	13.16	22.38	15.24
Administrative Expenses	5.43	7.03	3.73
Finance Costs	23.13	44.95	25.54
Depreciation	19.31	38.43	19.88
Amortisation of Intangible Asset	0.00	1.83	0.92
Amortisation of Goodwill	0.00	0.23	0.15
Miscellaneous expenditure written off	0.03	0.08	0.03
TOTAL EXPENDITURE	61.06	114.92	65.48
Net Profit before tax and Share of Profits / (Losses) in Associates	17.44	43.96	18.19
Share of Profits / (Losses) in Associates	10.17	0.66	0.37
Net Profit before tax and after Share of Profits/ (Losses) in Associates	27.60	43.30	17.81
Provision for taxation	7.03	11.36	5.79
NET PROFIT AFTER TAX	20.58	31.94	12.02
(-)Profit after tax attributable to Minority Interest	2.31	2.09	1.07
NET PROFIT	18.27	29.85	10.96
EPS	1.43	2.33	0.86

Balance Sheets

(RsCr)

As at,	31.03.06	31.03.07
Paid up equity capital	128.00	128.00
Reserves	124.70	154.10
Total Shareholders funds	252.70	282.10
Minority interest	17.50	19.60
Secured loans	511.80	667.80
Unsecured loans	0.00	0.00
Total Debt	511.80	667.80
Total Liabilities	782.00	969.50
Application of Funds		
Gross Block	623.10	678.20
(-) Acc Depreciation	59.40	99.60
Net Block	563.70	578.60
CWIP	19.30	200.30
Investments	4.80	5.40
Curr. Assets, Loans and Adv	229.00	248.60
(-) Current Liabilities and provisions	34.00	59.50
Net Curr. Assets	195.00	189.20
Misc exps not written off	0.40	0.70
Net Defferred Tax	-1.20	-4.70
Total Assets	782.00	969.50

Revenue mix



Keynote Capitals Ltd.

Member

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Ratings structure

Subscribe & Hold	:	subscribe for listing gains, hold for further appreciation
Subscribe for listing gains	:	expect decent appreciation on listing
Subscribe with a medium term view	:	stock can deliver only over 6-8 months after listing
Subscribe with a long term view	:	value can only be realised over 12-18 months
Await listing	:	good fundamentals; consider valuations on listing

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