February 10, 2010

India: Construction: Infrastructure

Strong pipeline to drive growth; Sell-off creates opportunities

Industry context: On-the-ground execution is robust

Our analysis of projects in the Indian infrastructure sector shows a strong improvement in execution as well as a robust depth in projects to be executed over the next three years. Leading indicators of execution pickup like lending to infrastructure (47% growth vs. 10% industry credit growth over the past 12 months) and demand for infrastructure inputs like cement (21% increase in dispatches over past four months) are showing very strong upwards momentum.

Source of opportunity: Sell-off creates attractive entry levels

We maintain our attractive stance on the Indian infrastructure sector as we believe spending on this sector is increasing at a rapid pace, offering substantial asset growth opportunities. Share prices have moved -21% to -2% ytd, offering some attractive entry levels. **Valuations are at a 19% discount to median despite an estimated 30% sales CAGR and an average ROE improvement of c.400 bp over FY10E-FY12E for our Buy-rated stocks**.

Best Buy ideas: IVRCL, IRB and JPA

We recommend IVRCL (Buy, on Conviction list, 61% potential upside), IRB (Buy, 35%) and JPA (Buy, 44%). Our Conviction list stock, IVRCL, has outperformed L&T in the last seven out of nine years, including this year, and – driven by higher earnings growth and multiple expansions – we expect the outperformance to continue for the rest of the year. Following the release of 3Q results, we have revised our FY10E-FY12E EPS estimates for our capital goods and infrastructure coverage groups by -27% to +10%, and our 12-month target prices by -8% to +9%.

Best Sell idea

We continue to hold a structurally negative view on BHEL (Sell, on Conviction list, 23% potential downside) due to its high valuations not reflecting upcoming risks that we foresee related to pricing and profitability.

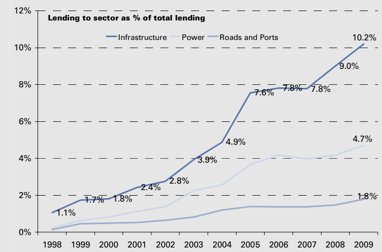
Catalysts

New project awards and commissioning of projects under construction, reflected in strong quarterly growth, remain key catalysts.

Risks

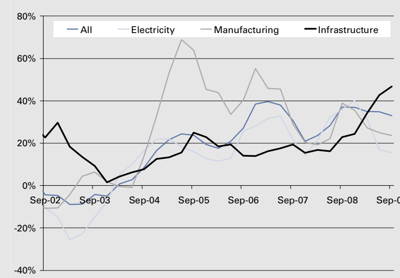
Steep rise in raw material costs and interest rates; increase in competition.

Lending to infra sector up 20X in last 10 yrs



Source: Goldman Sachs research estimates.

Infrastructure has shown the fastest growth in project additions over the last 6months



Source: Goldman Sachs Research estimates.

Summary of ratings and target prices

Ticker	Rating	12-mo TP(Rs)	Potential Upside(%)	FY11E P/B(X)	FY11E P/E(X)
IRBI.BO	Buy	326	35%	3.1	17.0
IVRC.BO	Buy*	477	61%	1.3	11.4
JAIA.BO	Buy	180	44%	2.9	16.0
GVKP.BO	Neutral	48	13%	1.9	21.0
GMRI.BO	Neutral	63	20%	2.7	56.6
BHEL.BO	Sell*	1761	-23%	5.6	22.9
LART.BO	Neutral	1450	2%	3.8	20.2
PUJL.BO	Neutral	236	33%	1.5	12.9

*Source: Goldman Sachs Research estimates. *Stock on Conviction list.*

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The prices in the body of this report are as of market close on February 5, 2010, unless mentioned otherwise.

Snapshot of key changes, valuation and price performance

Exhibit 1: We have revised our FY10E-FY12E EPS estimates for our capital goods and infrastructure coverage groups by -27% to +10% and our 12-m target prices by -8% to +9%
Summary of changes to our target prices and estimates

Reuters Ticker	Company Name	Change in sales est FY10E	FY11E	FY12E	Change in EPS est FY10E	FY11E	FY12E	New 12-month TP(Rs)	Change in 12-month TP
IVRC.BO	IVRC Infra	-4%	-5%	4%	-11%	-10%	-5%	477	-5%
IRBI.BO	IRB	-5%	1%	-1%	-2%	-1%	0%	326	0%
JAIA.BO	Jaiprakash Associates	12%	8%	6%	5%	0%	-1%	180	-3%
GVKP.BO	GVK Power & Infra	1%	1%	1%	4%	-13%	-15%	48	2%
GMRI.BO	GMR Infra	4%	3%	2%	-1%	-3%	-4%	63	1%
BHEL.BO	BHEL	1%	5%	3%	6%	10%	9%	1,761	7%
LART.BO	Larsen & Toubro	-18%	-11%	-9%	-14%	-2%	-1%	1,450	9%
PUJL.BO	Punj Lloyd	-7%	7%	8%	-27%	-17%	-6%	236	-8%

Source: Goldman Sachs Research estimates.

Exhibit 2: We have Buy recommendations on IVRCL, IRB and JPA, and have a Sell recommendation on BHEL
Snapshot of ratings and target prices for our infrastructure and capital goods coverage universe

Company	Ticker	Rating	Mkt. Cap $ mn	3m ADTV $ mn	Price (Rs) Current	12-month TP	Potential upside %	FY2011E P/B (X)	P/E (X)	TP implied FY11E P/B (X)	P/E (X)
India - Infrastructure											
IRB Infrastructure	IRBI.BO	Buy	1,712	8	241	326	35%	3.1	17.0	4.3	23.0
IVRCL	IVRC.BO	Buy*	810	19	297	477	61%	1.3	11.4	2.2	19.1
Jaiprakash Associates	JAIA.BO	Buy	5,688	58	125	180	44%	2.9	16.0	4.2	23.0
GVK Power & Infra	GVKP.BO	Neutral	1,283	14	43	48	13%	1.9	21.0	2.1	23.6
GMR Infrastructure	GMRI.BO	Neutral	4,084	8	52	63	20%	2.7	56.6	3.2	68.1
India - Capital Goods											
BHEL	BHEL.BO	Sell*	24,044	42	2,295	1,761	-23%	5.6	22.9	4.3	17.6
Larsen & Toubro	LART.BO	Neutral	17,827	68	1,423	1,450	2%	3.8	20.2	3.9	20.6
Punj Lloyd	PUJL.BO	Neutral	1,256	27	177	236	33%	1.5	12.9	1.9	17.2

* This stock is on our regional Conviction list. For important disclosures, please go to http://www.gs.com/research/hedge.html. Priced as of February 5, 2010.

Source: Datastream, Bloomberg, Goldman Sachs research estimates.

India Infrastructure: Leading indicators signal large-scale activity

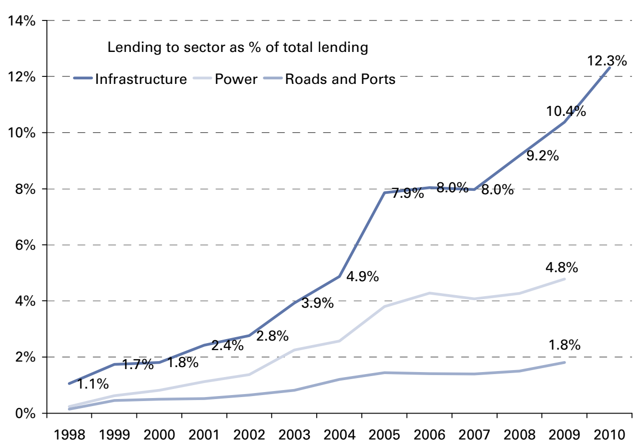
In an environment in which most construction and infrastructure companies have reported moderate to slightly disappointing Q3FY10 results, many investors are questioning the recovery and growth prospects of the sector. This, combined with the recent sell-off in the broader market, has lead to sharp corrections in most of the infrastructure stocks we cover.

Our analysis of all infrastructure projects completed and currently being undertaken in India shows that execution has improved exponentially over the past five years and indicates a robust pipeline of projects to be executed for next three years (Exhibits 6 to 10).

Along with the visibly stronger pipeline, we think two leading indicators as mentioned below, offer incremental support to our belief that projects are getting off the ground and execution is strong:

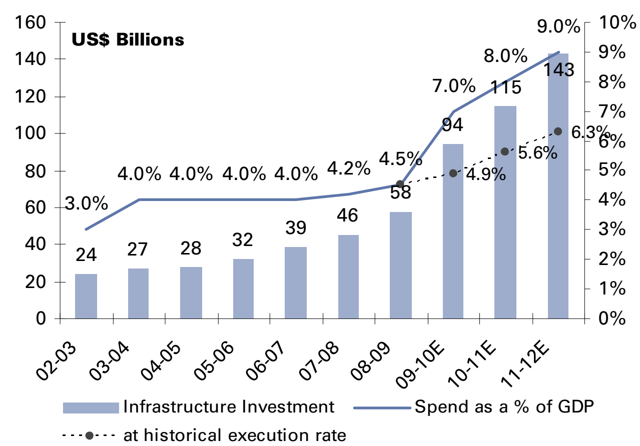
- **lending to the infrastructure sector has spiked to above 12% of total loans as of November 2009 (see Exhibit 3) growing at 4X the industry-wide rate of credit growth, and**
- **demand for structural inputs, such as cement and steel has started to bounce back again (see Exhibit 15 and 16).**

Exhibit 3: Lending to the infra sector has grown 20X over the last 10 years and has spiked up to 12.3% of total lending as of Nov 2009
Indian infrastructure sector lending as a % of total lending



Source: Reserve Bank of India (RBI).

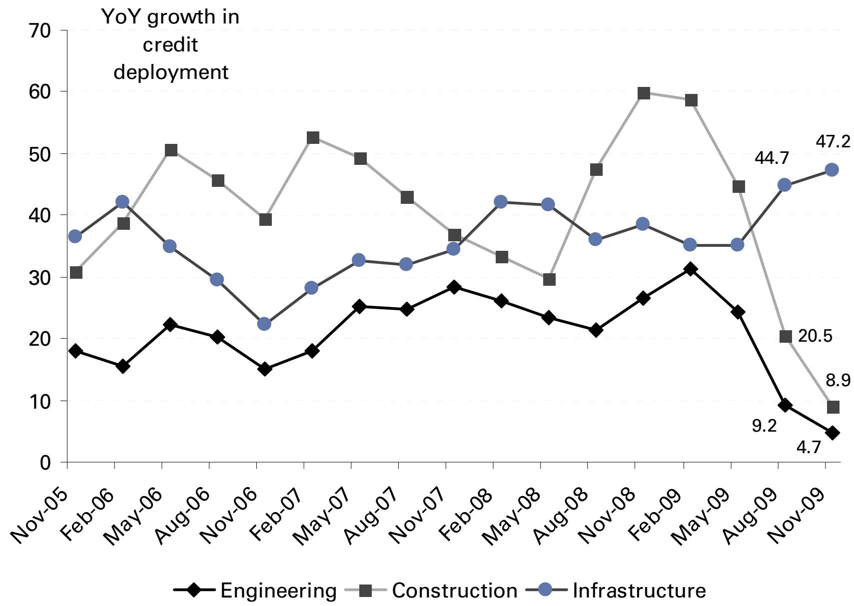
Exhibit 4: The government is aiming to raise the infrastructure investment to 9% of GDP by 2012
Infrastructure sector investment as a % of GDP



Source: Planning Commission, Goldman Sachs Research estimates.

That said, lending to engineering and construction companies is yet to pick up (Exhibit 5). We believe that as the debt raised for infrastructure projects is deployed on projects, it will be reflected positively on growth for both construction and infrastructure operation companies.

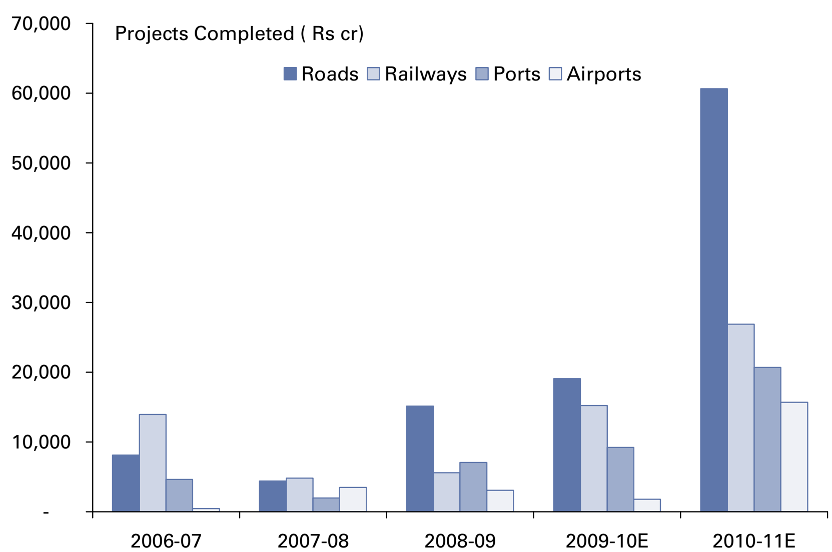
Exhibit 5: While lending to the infrastructure sector has risen by >40% for the last two quarters, lending to the engineering and construction sectors is yet to pickup
YoY growth in credit deployment to the engineering, construction and infrastructure sectors



Source: RBI.

A partial explanation for this lack of debt raising by construction and engineering companies is also that most of the companies raised equity in some form during the past six months; hence they require less debt in the shorter term. We expect a pick-up in execution growth for these companies to become visible in reported numbers three months hence starting Q4FY10.

Exhibit 6: Projects expected to be completed over next 15 months is substantially higher than execution achieved in previous three years – we believe a large proportion of this will be executed on time as reiterated by growth in leading indicators

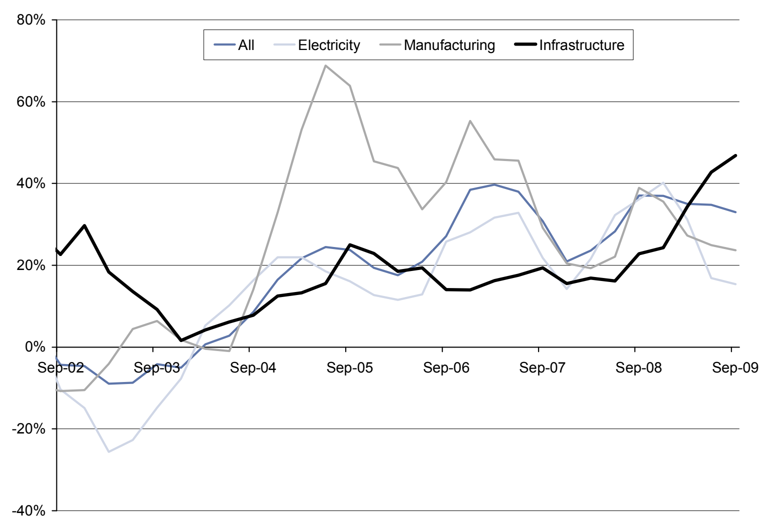


Source: CMIE CAPEX database, Goldman Sachs Research estimates.

We believe the roads, power construction, and water infrastructure sub-sectors are attractive in terms of the scale of opportunity and potential returns, and we estimate 24% sales CAGR and ROE improvement by c.260 bp for the stocks in our coverage group over FY10E-FY12E.

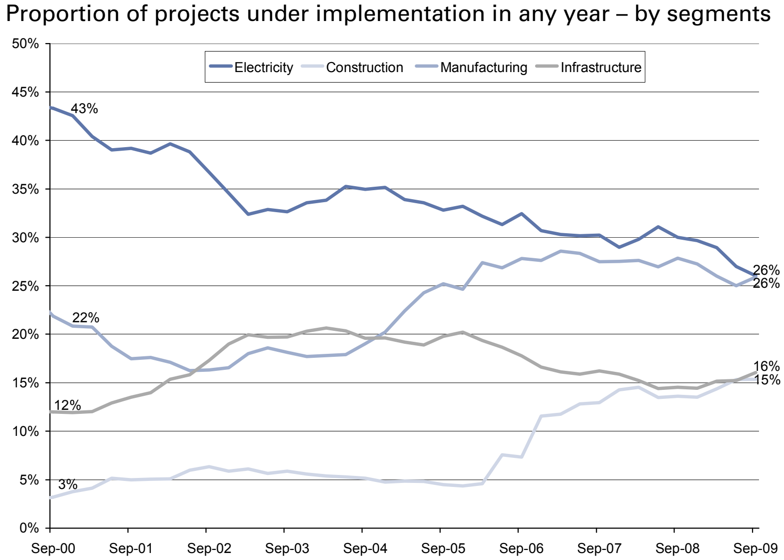
Execution has improved...but needs to improve further to achieve higher growth expectations, in our view

Exhibit 7: Infrastructure segment has shown the fastest growth in terms of new project additions over the past 6 months – manufacturing sector new project additions have come off substantially since their highs in 2005-2007
Yoy growth in total projects under implementation every year – by segment



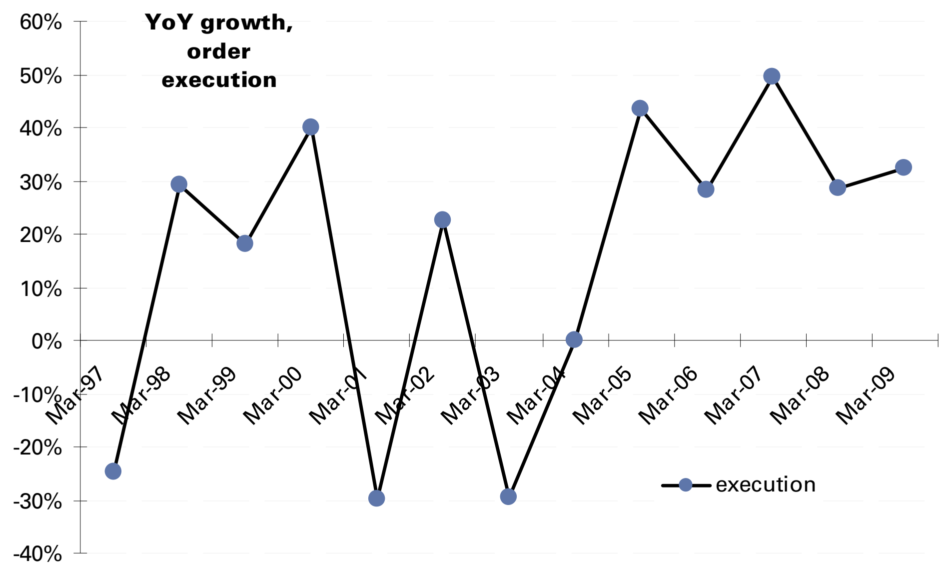
Source: CMIE.

Exhibit 8: Electricity and manufacturing sub-segments continue to dominate overall projects – contribution from construction has risen the most over the past 4 years
Proportion of projects under implementation in any year – by segments



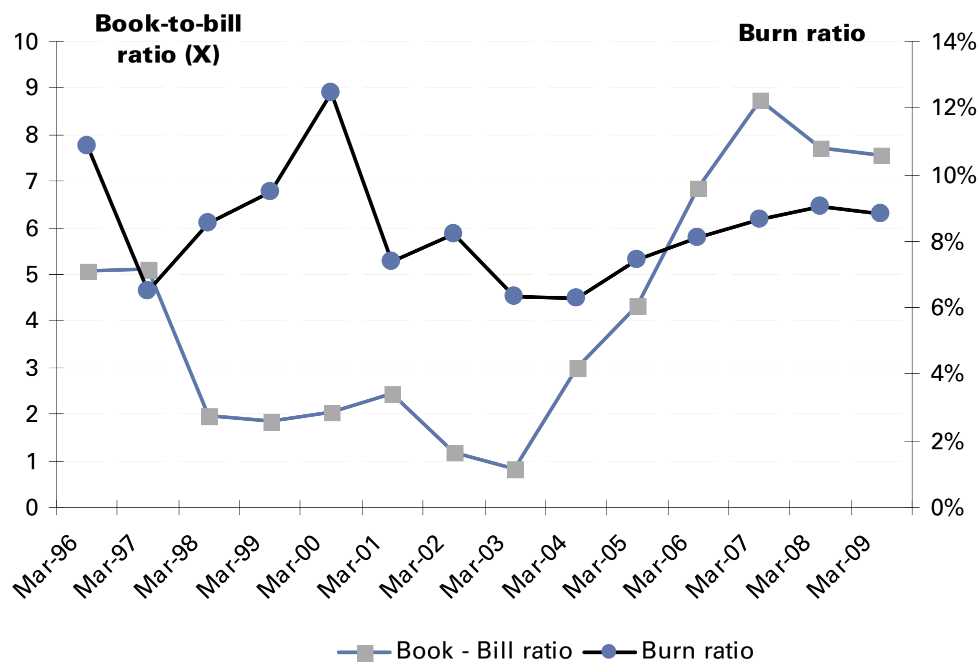
Source: CMIE.

Exhibit 9: India's project execution capacity has expanded markedly over the last 5 years – the govt.'s aim of $500 bn infra spending for the 11th Five Year Plan is still a high target
Total projects executed by contract in India every year



Source: CMIE.

Exhibit 10: Since bookings are still relatively high – burn ratio will have to come up to meet execution schedules...
YoY growth in project additions in India

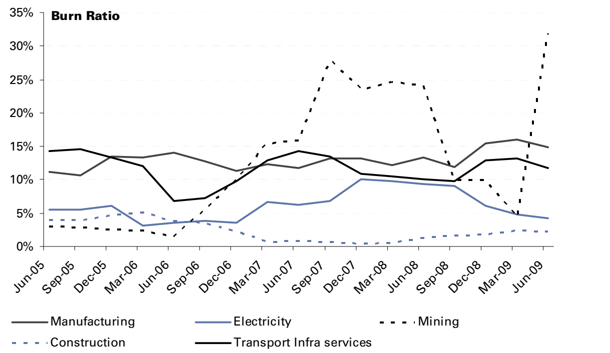


*Note: We define the "burn ratio" to mean sales in the period*100/order book at the beginning of the period.*

Source: CMIE.

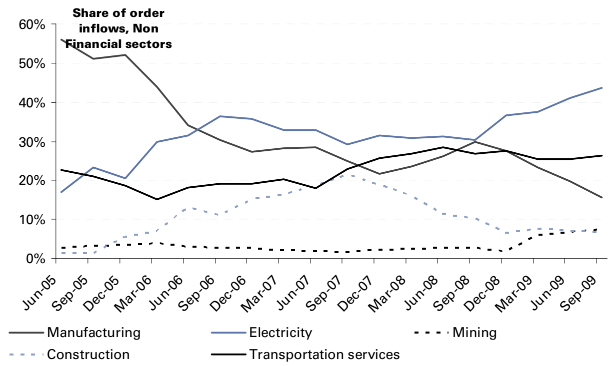
Longer-cycle power segment dominating recent order inflows

Exhibit 11: While manufacturing & mining sector orders have higher burn ratios and thus shorter execution periods, power orders have relatively high burn ratios



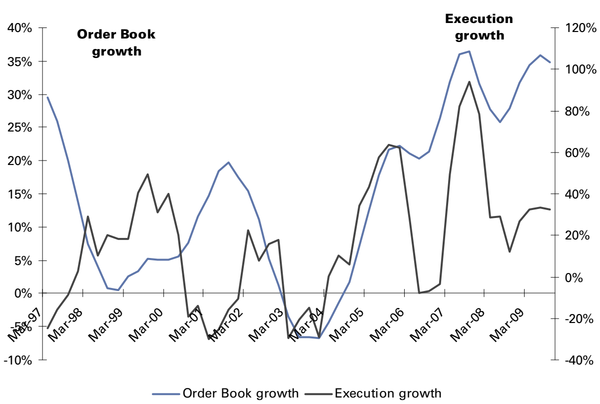
Source: CMIE, Goldman Sachs Research.

Exhibit 12: Share of these relatively higher execution period power segment orders has risen significantly since Sep 2008, leading to…



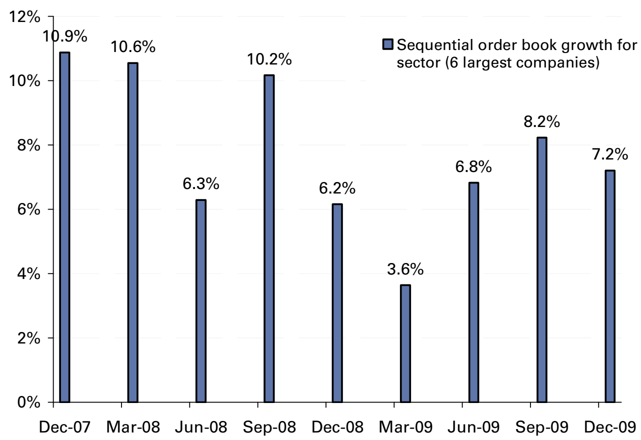
Source: CMIE, Goldman Sachs Research.

Exhibit 13: …execution growth lagging order book growth since 2H08



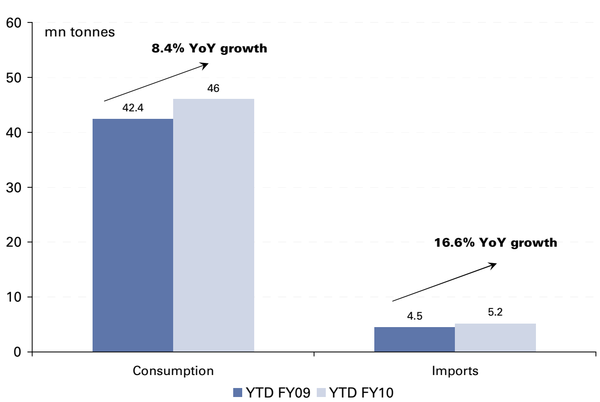
Source: CMIE, Goldman Sachs Research

Exhibit 14: Order book growth for the sector has recovered from the lows of 2008...



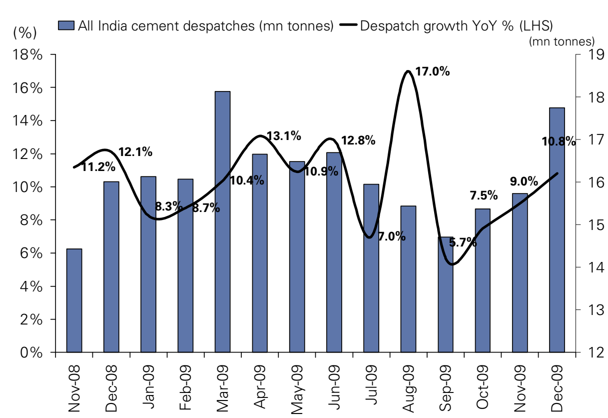
Source: CMIE, Goldman Sachs Research.

Exhibit 15: India's domestic steel demand and imports have started to show a strong upward trend...



Source: CMIE, Goldman Sachs Research.

Exhibit 16: …similar scenario in cement, with domestic cement demand up 10.8% for December 2009, improving from 5.7% yoy growth in September 2009

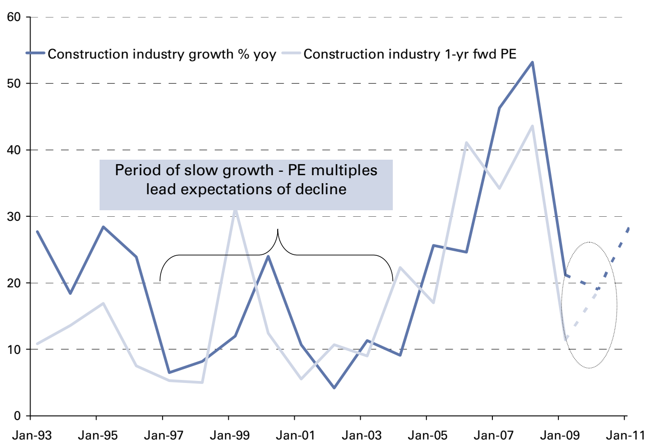


Source: CMIE, Goldman Sachs Research.

High expectations: We are selective, but valuations can expand

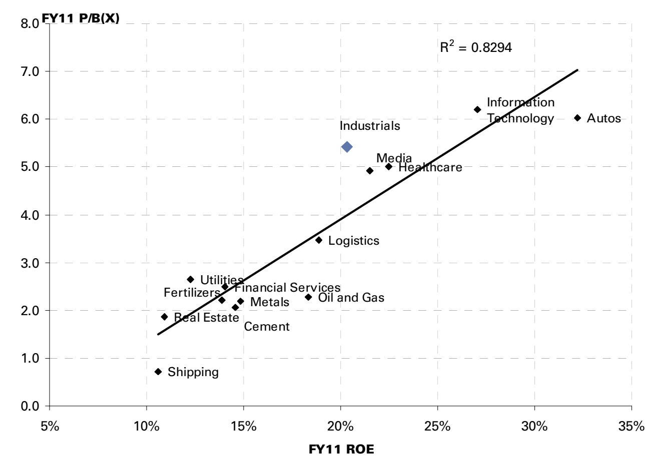
Our analysis of historical data indicates a strong correlation between sales growth and the multiple that the market assigns to the sector (Exhibits 17 to 20). The share prices of stocks within our coverage group have moved between -17% to +3% ytd and our current 12-month target prices imply upside/downside potential of +61% to -23% from current levels.

Exhibit 17: The market seems to closely follow order inflows – which is reflected in next year's growth
Construction industry's yoy sales growth and 1-yr fwd P/E



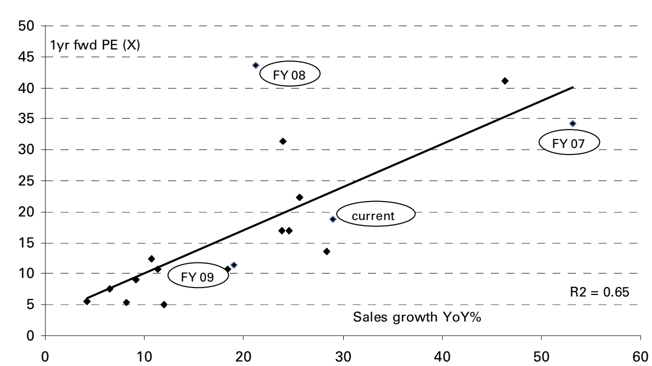
Source: CMIE.

Exhibit 18: P/B vs. ROE comparison for the Indian Industrials (Cap goods + Infrastructure) sector vs. other sectors in India



Source: Datastream, Goldman Sachs Research estimates.

Exhibit 19: Both multiples and growth expectations for the sector have expanded since March 2009...
1-yr fwd P/E multiple and % yoy sales growth for the Indian construction industry



Source: CMIE, Datastream.

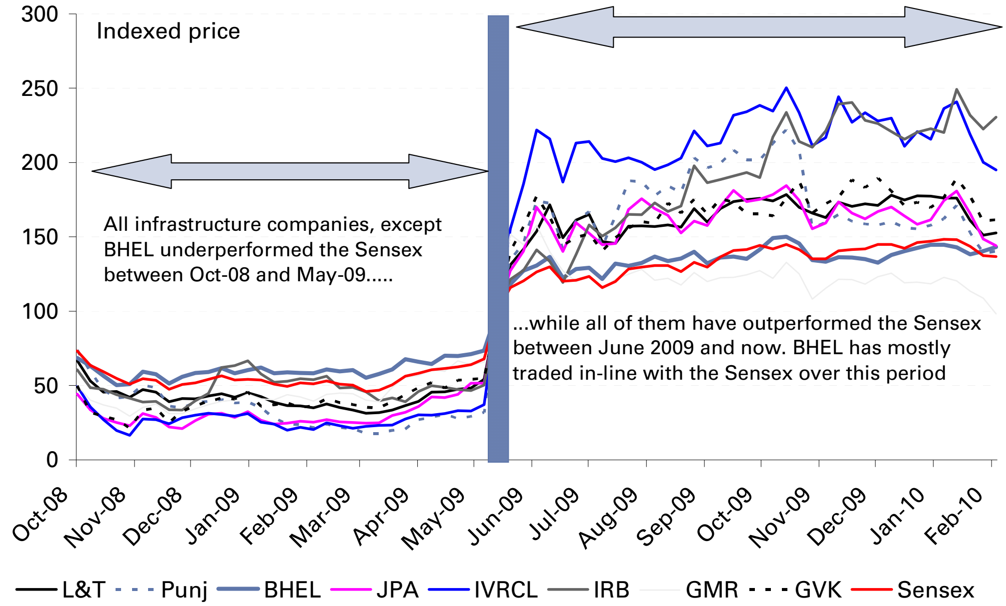
Exhibit 20: Macro growth reflected in better operational growth for the BSE capital goods companies during 2004-2008
Growth, returns and valuation trend for the BSE capital goods companies

	2000-2004	2004-2008	2008-2010
Sales Growth (CAGR) (%)	9%	34%	24%
Average ROE(%)	14%	25%	24%
Average P/E (X)	14.7	25.8	25.5
Average P/B (X)	1.9 →	6.7 →	4.5

Source: Datastream, Company data, Reuters.

Stocks in the sector tend to outperform in a stable growth environment

Exhibit 21: Since the elections, most of the stocks in our coverage have largely outperformed the broader index
Indexed price performance of our Infrastructure and construction coverage universe



Source: Datastream

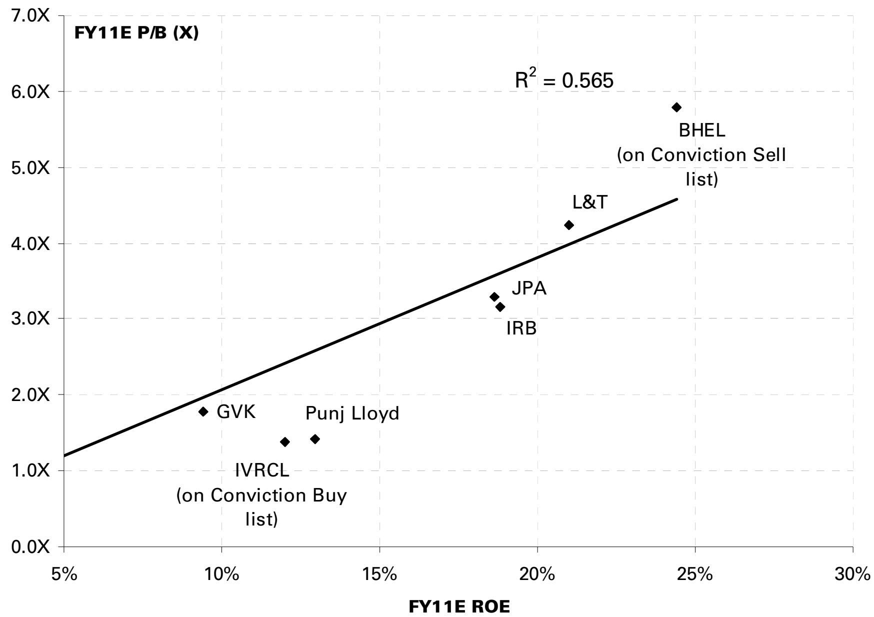
Exhibit 22: The capital goods and infrastructure stocks in our coverage have been sold off recently – but most are still outperforming on a one-year basis
Price performance

Name	Last (Rs)	% 6m	% YTD	% 1y
GMR INFRASTRUCTURE	56	(25)	(21)	51
LARSEN & TOUBRO	1445	(6)	(15)	123
JAIPRAK ASSOCIATES	126	(23)	(15)	174
PUNJ LLOYD	178	(26)	(14)	107
IVRCL INFRA	313	(8)	(11)	215
JAIPRAKASH POWER	67	(24)	(9)	124
SENSEX	15936	3	(9)	71
GVK POWER	44	(3)	(8)	127
IVR PRIME	164	113	(7)	469
BHEL	2328	(1)	(4)	70
IRB INFRA DEV	243	26	(2)	118

Source: Datastream, Bloomberg.

Exhibit 23: IVRCL trades at a significant discount to our coverage group and BHEL trades at a significant premium – justifying our placement of these stocks on the Conviction Buy and Conviction Sell lists, respectively

P/B vs. ROE for our infrastructure and capital goods coverage universe



Source: Datastream, Bloomberg, Goldman Sachs Research estimates.

IVRCL Infrastructure & Projects (IVRC.BO; CL-Buy, 12-m TP: Rs477)

Long-term growth profile intact despite challenges in AP

- We reiterate our Buy rating (on the Conviction list) on IVRCL with a revised 12-m target price of Rs477, as we believe current valuations do not adequately reflect the company's strong growth and improving returns profile.
- Although the current political dispute in Andhra Pradesh (AP) is a key short-term challenge for the company, we think this will be offset by strong order inflows and execution across the company's other geographies.
- Including L1 positions of Rs45 bn as of Dec 31, 2009, FY10 should represent the strongest year of order inflows for the company. Excluding the L1 orders, the company's order book currently stands at Rs175 bn, spread across 21 states and multiple core infrastructure segments such as water, power and transportation.
- The company's stronger balance sheet post restructuring enhances its ability to win new BOT projects without dilution, in our view. IVRCL's current debt/equity ratio stands at 0.9X vs. the average of 3.0X for BOT projects and average 1.8X for construction companies in India.
- We expect IVRCL to register a sales CAGR of 26% over FY09-FY11E, compared to management's expectations of a 20% yoy growth in sales in FY2011E, even assuming no recovery in projects in AP.
- We have revised our FY10E -FY12E EPS estimates downwards by 5%-11% and our 12-m target price by 5%, as we build in the impact of slower than earlier expected execution on the AP projects. Our sales estimates are lower by 4% for FY2010E and 5% for FY2011E.

Valuation

- Our 12-month target price for IVRCL of Rs 477 is derived from a sum-of-the-parts valuation of the company's construction business and a 20% discount to the value of the company's 80% stake in IVR Prime and 55% stake in Hindustan Dorr-Oliver Ltd (HDO).
- IVRCL currently trades at an FY11E P/E of 12.5X, which we view as attractive vs. the five-year median 12-month forward P/E of 15.8X. We expect EBIT margins to improve by 130 bp over FY09-FY11E and look for ROE to improve by 260 bp over the same period.

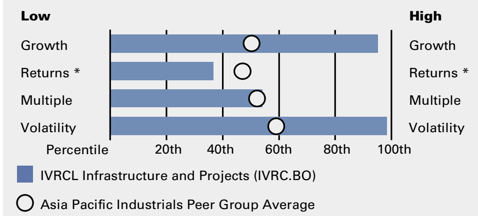
Catalysts

Catalysts include: 1) strong order inflows in the water and roads segments; 2) commissioning of the two pending road BOTs and the Chennai water desalination project; 3) any resolution on the Telangana issue in Andhra Pradesh; 4) a pickup in the real estate business leading to surplus cash generation in IVR Prime.

Risks

Key risks to our view and 12-month price target include: 1) aggressive bidding in new projects; 2) a steep rise in interest rates; 3) volatile construction material costs; and 4) lower-than-expected spending by the Indian government on core infrastructure projects.

Investment Profile

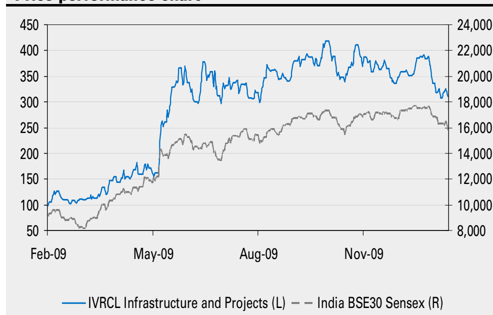


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Rs)	310.85
12 month price target (Rs)	477.00
Market cap (Rs mn / US$ mn)	41,495.3 / 888.1
Foreign ownership (%)	48.0

	3/09	3/10E	3/11E	3/12E
EPS (Rs) New	**16.85**	**16.88**	**24.94**	**37.75**
EPS revision (%)	0.0	(11.1)	(9.7)	(5.2)
EPS growth (%)	(20.8)	0.2	47.7	51.4
EPS (dil) (Rs) New	**16.85**	**16.88**	**24.94**	**37.75**
P/E (X)	18.4	18.4	12.5	8.2
P/B (X)	1.7	1.5	1.4	1.2
EV/EBITDA (X)	11.1	11.6	8.4	6.5
Dividend yield (%)	0.5	0.6	0.6	0.7
ROE (%)	9.0	8.7	11.6	15.5

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(11.7)	(7.6)	215.9
Rel. to India BSE30 Sensex	(10.2)	(6.9)	81.9

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2/05/2010 close.

Exhibit 24: Summary financials – IVRCL Infrastructure

Profit model (Rs mn)	3/09	3/10E	3/11E	3/12E
Total revenue	**49,638.1**	**56,316.7**	**71,762.5**	**98,461.8**
Cost of goods sold	(41,883.9)	(47,434.2)	(59,690.4)	(81,898.3)
SG&A	(3,499.6)	(3,879.9)	(4,944.0)	(6,783.5)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**4,791.9**	**5,565.7**	**7,845.7**	**10,764.7**
Depreciation & amortization	(537.2)	(563.2)	(717.6)	(984.6)
EBIT	**4,254.7**	**5,002.5**	**7,128.1**	**9,780.1**
Interest income	--	272.1	205.8	231.0
Interest expense	(1,351.3)	(1,999.7)	(2,178.7)	(2,199.7)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	204.6	275.0	0.0	0.0
Pretax profits	**3,107.9**	**3,550.0**	**5,155.2**	**7,811.5**
Income tax	(704.9)	(1,136.0)	(1,649.7)	(2,577.8)
Minorities	(153.1)	(160.0)	(176.0)	(193.6)
Net income pre-preferred dividends	**2,249.9**	**2,254.0**	**3,329.5**	**5,040.1**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**2,249.9**	**2,254.0**	**3,329.5**	**5,040.1**
Post-tax exceptionals	0.0	0.0	0.0	0.0
Net income	**2,249.9**	**2,254.0**	**3,329.5**	**5,040.1**
EPS (basic, pre-except) (Rs)	16.85	16.88	24.94	37.75
EPS (basic, post-except) (Rs)	16.85	16.88	24.94	37.75
EPS (diluted, post-except) (Rs)	16.85	16.88	24.94	37.75
DPS (Rs)	1.64	1.80	1.98	2.18
Dividend payout ratio (%)	9.7	10.7	7.9	5.8
Free cash flow yield (%)	(36.2)	(1.3)	(2.0)	(5.9)

Growth & margins (%)	3/09	3/10E	3/11E	3/12E
Sales growth	28.9	13.5	27.4	37.2
EBITDA growth	(13.5)	16.1	41.0	37.2
EBIT growth	(17.7)	17.6	42.5	37.2
Net income growth	(20.6)	0.2	47.7	51.4
EPS growth	(22.2)	0.2	47.7	51.4
Gross margin	15.6	15.8	16.8	16.8
EBITDA margin	9.7	9.9	10.9	10.9
EBIT margin	8.6	8.9	9.9	9.9

Cash flow statement (Rs mn)	3/09	3/10E	3/11E	3/12E
Net income pre-preferred dividends	2,249.9	2,254.0	3,329.5	5,040.1
D&A add-back	537.2	563.2	717.6	984.6
Minorities interests add-back	0.0	0.0	0.0	0.0
Net (inc)/dec working capital	238.9	(1,711.2)	(3,731.6)	(6,848.2)
Other operating cash flow	(3,842.6)	1,887.6	2,148.9	2,162.2
Cash flow from operations	**(816.6)**	**2,993.6**	**2,464.4**	**1,338.8**
Capital expenditures	(9,634.8)	(2,376.3)	(1,935.2)	(2,469.2)
Acquisitions	(0.1)	0.0	0.0	0.0
Divestitures	58.6	0.0	0.0	0.0
Others	355.5	272.1	205.8	231.0
Cash flow from investments	**(9,220.7)**	**(2,104.2)**	**(1,729.5)**	**(2,238.2)**
Dividends paid (common & pref)	(167.9)	(218.7)	(240.5)	(264.6)
Inc/(dec) in debt	7,666.4	500.0	2,000.0	3,500.0
Common stock issuance (repurchase)	0.2	0.0	0.0	0.0
Other financing cash flows	(651.0)	(1,999.7)	(2,178.7)	(2,199.7)
Cash flow from financing	**6,847.6**	**(1,718.3)**	**(419.2)**	**1,035.7**
Total cash flow	**(3,189.7)**	**(829.0)**	**315.7**	**136.3**

Balance sheet (Rs mn)	3/09	3/10E	3/11E	3/12E
Cash & equivalents	3,401.2	2,572.2	2,887.9	3,024.2
Accounts receivable	13,687.0	15,528.5	19,787.5	27,149.4
Inventory	16,297.1	18,456.8	23,225.7	31,866.8
Other current assets	23,762.9	23,762.9	23,762.9	23,762.9
Total current assets	**57,148.2**	**60,320.4**	**69,664.0**	**85,803.4**
Net PP&E	20,988.8	22,801.9	24,019.6	25,504.2
Net intangibles	926.9	926.9	926.9	926.9
Total investments	41.1	41.1	41.1	41.1
Other long-term assets	0.0	0.0	0.0	0.0
Total assets	**79,105.0**	**84,090.3**	**94,651.5**	**112,275.6**
Accounts payable	17,020.4	19,310.4	24,606.6	33,761.6
Short-term debt	11,596.5	11,596.5	11,596.5	11,596.5
Other current liabilities	5,636.5	5,636.5	5,636.5	5,636.5
Total current liabilities	**34,253.5**	**36,543.5**	**41,839.7**	**50,994.6**
Long-term debt	13,399.2	13,899.2	15,899.2	19,399.2
Other long-term liabilities	471.9	471.9	471.9	471.9
Total long-term liabilities	13,871.1	14,371.1	16,371.1	19,871.1
Total liabilities	**48,124.6**	**50,914.6**	**58,210.8**	**70,865.8**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**25,016.8**	**27,052.1**	**30,141.1**	**34,916.6**
Minority interest	5,963.6	6,123.6	6,299.6	6,493.2
Total liabilities & equity	**79,105.0**	**84,090.3**	**94,651.5**	**112,275.6**
BVPS (Rs)	**187.41**	**202.64**	**225.77**	**261.55**

Ratios	3/09	3/10E	3/11E	3/12E
ROE (%)	9.0	8.7	11.6	15.5
ROA (%)	3.2	2.8	3.7	4.9
ROACE (%)	7.4	6.6	8.3	10.0
Inventory days	135.7	133.7	127.4	122.8
Receivables days	79.4	94.7	89.8	87.0
Payable days	129.3	139.8	134.3	130.1
Net debt/equity (%)	69.7	69.1	67.5	67.5
Interest cover - EBIT (X)	3.1	2.9	3.6	5.0

Valuation	3/09	3/10E	3/11E	3/12E
P/E (analyst) (X)	18.4	18.4	12.5	8.2
P/B (X)	1.7	1.5	1.4	1.2
EV/EBITDA (X)	11.1	11.6	8.4	6.5
Dividend yield (%)	0.5	0.6	0.6	0.7

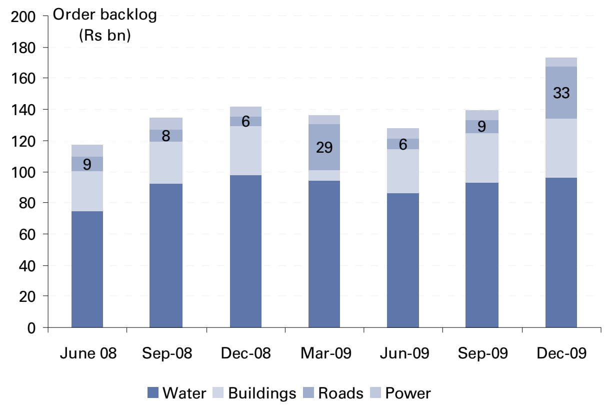
Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Source: Company data, Goldman Sachs Research estimates.

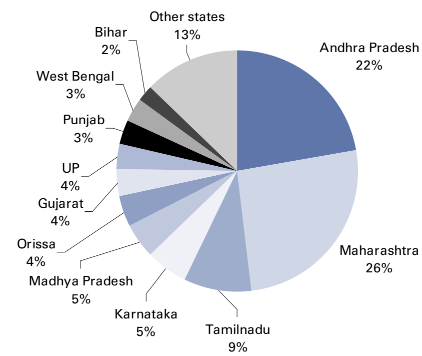
Current order backlog is diversified across segments and geographies

Exhibit 25: The share of the roads segment in IVRCL's order backlog has risen from c.8% in June 2008 to about 19% as of Dec 31, 2009



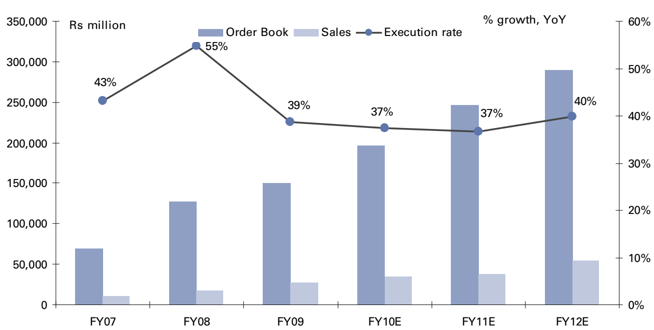
Source: Company data.

Exhibit 26: Despite its significant exposure to Andhra Pradesh, its order backlog is spread across 21 states
9M FY10 order backlog distribution by states



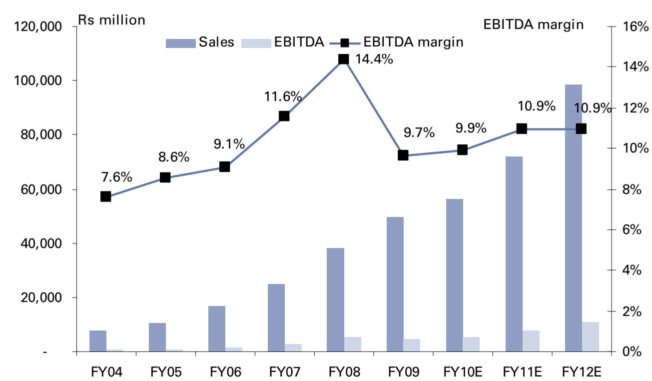
Source: Company data, Goldman Sachs Research.

Exhibit 27: We expect strong order inflows and improved execution to lead to a 26% sales CAGR for IVRCL over FY09-FY12E



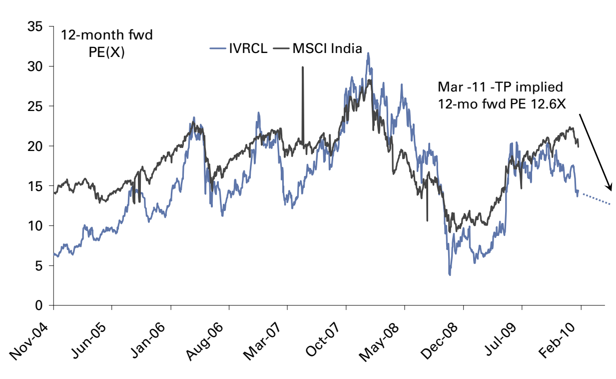
Source: Company data, Goldman Sachs Research estimates.

Exhibit 28: Margins should recover as raw material prices stabilize and higher-margin water and transportation segments drive sales growth



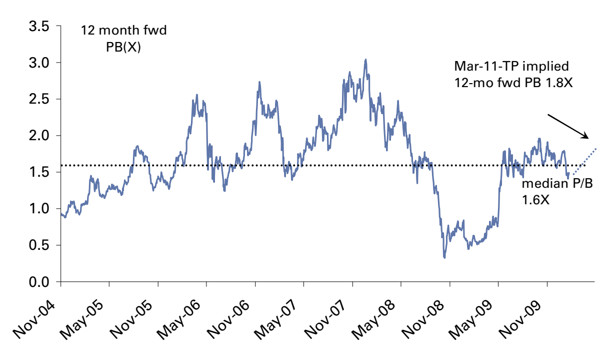
Source: Company data, Goldman Sachs research estimates.

Exhibit 29: IVRCL's P/E multiple has largely followed the market multiple but is currently trading at a discount
Our 12-month TP implies an FY12E P/E of 12.6X



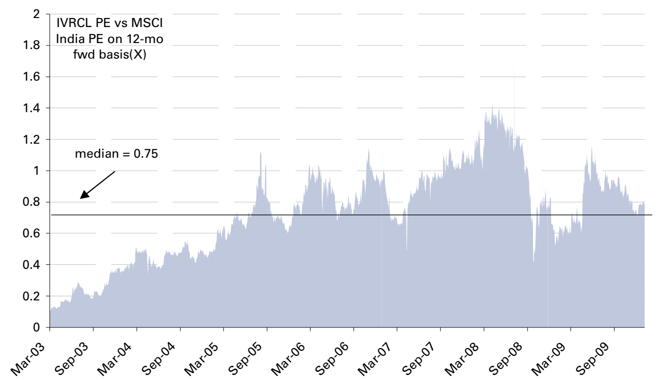
Source: Company Data, Goldman Sachs Research estimates.

Exhibit 30: IVRCL trades at a 12-month forward P/B of 1.5X, close to its historical median of 1.6X
Our 12-month TP implies an FY12E P/B of 1.8X



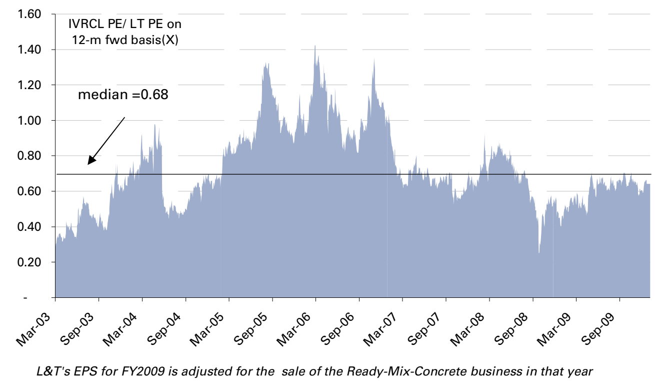
Source: Planning Commission, Goldman Sachs Research estimates.

Exhibit 31: IVRCL is currently trading at a discount of 18% to the MSCI India index on a 12-month fwd P/E vs. a historical median discount of 25%
IVRCL vs. MSCI India 12-month fwd P/E – historical trend



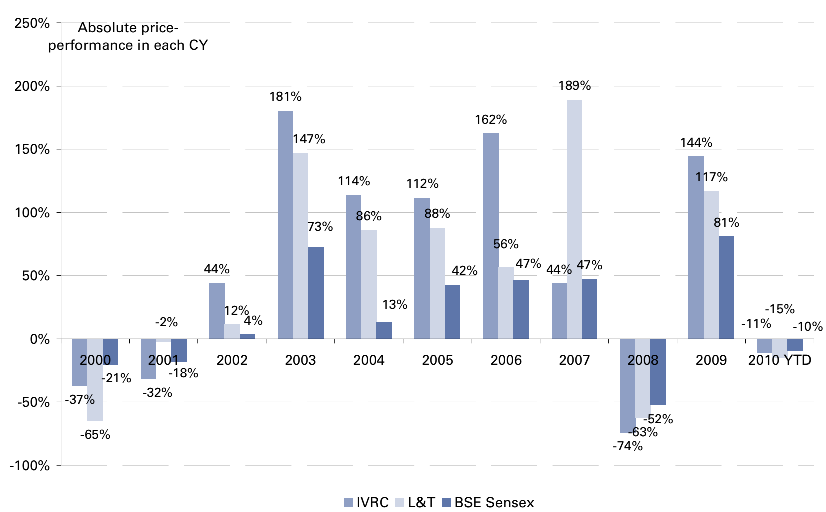
Source: Datastream, Bloomberg, MSCI, Goldman Sachs Research estimates.

Exhibit 32: IVRCL is currently trading at a discount of 36% to L&T on a 12-month fwd P/E vs. a historical median discount of 32%
IVRCL vs. L&T 12-month fwd P/E – historical trend



Source: Datastream, Bloomberg, Goldman Sachs Research estimates.

Exhibit 33: IVRCL has outperformed L&T in seven of the last nine years and the BSE Sensex in six of these nine years; 2010 ytd, the stock is down 11% vs. L&T down 15% and the Sensex down 10%
IVRC ,L&T and the BSE Sensex – annual price performance since 2000



Source: Datastream, Bloomberg, Goldman Sachs Research estimates.

Exhibit 34: IVRCL's SOTP valuation—we value the company's construction business, the biggest component of the company's value, at 10X FY2011E EV/EBITDA vs. the median of 10.7X for its Indian peers

Segment	Valuation Methodology	Rs / Share	% contribution to SOTP value
Construction	10x FY11E EV/EBITDA	501	74%
IVR Prime	Listed - 80% stake, at 20% holding discount	100	21%
HDO	Listed - 55% stake, at 20% holding discount	21	4%
Total		**623**	
less: net debt		146	
Value per share		**477**	
% upside/downside potential		***61%***	

Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 35: IVRCL offers an improving ROE and growth profile relative to global peers at comparable multiples

Valuation comparison vs. global peers

	BB		Price	GS	Market Cap	P/E (X)		EV/EBITDA (X)		P/B (X)		ROE (%)		Sales CAGR (%)		EPS CAGR (%)	
Companies	Ticker	Currency	2/5/2010	Rating	US$mn	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr	2-yr	1-yr	2-yr
India Infrastructure peers																	
IVRCL Infrastructure and Projects	**IVRC IN**	**Indian Rupee**	**297**	**Buy***	**810**	**16.8**	**11.4**	**10.6**	**7.7**	**1.4**	**1.3**	**8.3%**	**11.0%**	**13%**	**20%**	**0%**	**22%**
IRB Infrastructure Developers	IRB IN	Indian Rupee	241	Buy	1,712	23.6	17.0	11.7	9.2	3.9	3.1	16.4%	18.6%	90%	66%	92%	64%
Reliance Infrastructure	RELI IN	Indian Rupee	1,035	Buy	4,982	16.6	14.4	19.1	14.8	1.2	1.1	7.4%	7.9%	9%	22%	4%	9%
GVK Power and Infrastructure	GVKP IN	Indian Rupee	43	Neutral	1,283	35.8	21.0	15.8	12.6	2.0	1.9	5.7%	8.9%	265%	106%	55%	62%
Larsen & Toubro	LT IN	Indian Rupee	1,423	Neutral	17,827	29.2	20.2	17.2	13.4	4.5	3.8	15.4%	18.8%	12%	21%	-4%	18%
Punj Lloyd	PUNJ IN	Indian Rupee	177	Neutral	1,256	19.2	12.9	9.0	7.3	1.6	1.5	8.5%	11.3%	0%	14%	NM	NM
Jaiprakash Associates	JAIA IN	Indian Rupee	125	Buy	5,688	23.7	16.0	13.9	10.2	3.5	2.9	14.6%	18.1%	70%	53%	32%	40%
GMR Infrastructure	GMRI IN	Indian Rupee	52	Neutral	4,084	66.4	56.6	25.9	21.1	2.8	2.7	4.2%	4.7%	19%	15%	3%	10%
Simplex Infrastructures Ltd	SINF IN	Indian Rupee	422	NC	415	15.4	12.0	6.6	5.7	2.1	1.8	14%	16%	5%	11%	10%	19%
Hindustan Construction Co	HCC IN	Indian Rupee	130	NC	783	32.9	24.0	14.8	NA	2.6	NA	9%	10%	11%	16%	71%	53%
Nagarjuna Construction Co	NJCC IN	Indian Rupee	157	NC	801	19.4	15.4	13.1	11.1	1.9	1.7	10%	11%	4%	12%	2%	13%
Mcap - weighted Average (Mean)						**29.6**	**21.8**	**16.8**	**12.9**	**3.4**	**2.8**	**12%**	**15%**	**31%**	**29%**	**11%**	**22%**
Median						**23.6**	**16.0**	**13.9**	**10.7**	**2.1**	**1.8**	**9%**	**11%**	**12%**	**20%**	**7%**	**20%**
Asia Infrastructure peers																	
Chiyoda	6366.T	Japanese Yen	797	Sell	2,313	80.1	33.3	16.4	10.1	1.4	1.4	2%	4%	-25%	-22%	-61%	-3%
Doosan Heavy Industries & Construction	034020 KS	South Korean Won	82,500	Neutral	7,402		43.6	21.5	16.8	2.7	2.5	-11%	6%	16%	14%	NM	NA
Hitachi Construction Machinery	6305 JT	Japanese Yen	1,828	Buy	4,220	99.2	15.1	9.4	5.8	1.3	1.1	1%	8%	-21%	-4%	-79%	19%
JGC	1963 T	Japanese Yen	1,658	Buy	4,691	16.9	10.4	5.6	3.5	1.7	1.5	10%	14%	-4%	19%	-21%	13%
Komatsu	6301 JT	Japanese Yen	1,758	Buy	19,040	45.6	18.3	13.3	8.7	2.0	1.9	4%	10%	-29%	-9%	-52%	10%
Mitsubishi Heavy Industries	7011 JT	Japanese Yen	313	Sell	11,756	91.1	91.2	9.3	8.9	0.8	0.8	1%	1%	-11%	-8%	-52%	-31%
Sumitomo Heavy Industries	6302 JT	Japanese Yen	472	Buy*	3,188	40.0	14.4	7.2	5.3	1.2	1.2	3%	8%	-20%	-7%	-48%	21%
China Railway Construction (H)	1186 HK	Hong Kong Dollar	10	Neutral	15,940	16.5	12.2	6.4	5.8	2.1	1.9	13%	15%	48%	34%	67%	50%
China Railway Group (H)	0390 HK	Hong Kong Dollar	6	Buy	15,294	16.0	11.7	7.0	6.2	1.7	1.5	11%	13%	46%	32%	NM	NM
Mcap - weighted Average (Mean)						**38.8**	**28.1**	**10.2**	**7.9**	**1.8**	**1.6**	**5%**	**10%**	**8%**	**10%**	**-15%**	**10%**
Median						**42.8**	**15.1**	**9.3**	**6.2**	**1.7**	**1.5**	**3%**	**8%**	**-11%**	**-4%**	**-52%**	**13%**
North American Infrastructure peers																	
Caterpillar, Inc.	CAT US	U.S. Dollar	52	Neutral	32,887	21.6	13.3	8.0	6.0	4.0	3.4	19%	26%	13%	16%	11%	35%
Deere & Co.	DE US	U.S. Dollar	50	Neutral	21,388	20.0	13.8	6.7	5.2	4.0	3.6	20%	26%	2%	7%	-13%	12%
Eaton Corp.	ETN US	U.S. Dollar	62	Neutral	10,335	15.1	11.8	6.7	6.0	1.4	1.5	10%	13%	9%	8%	58%	42%
Fluor Corp.	FLR US	U.S. Dollar	43	Neutral	7,702	11.2	12.9	4.3	4.1	2.4	2.1	22%	16%	-1%	-4%	5%	-4%
Foster Wheeler Ltd.	FWLT US	U.S. Dollar	26	Buy	3,285	8.9	10.2	4.7	4.4	4.0	2.9	45%	28%	-28%	-17%	-22%	-17%
Jacobs Engineering Group Inc.	JEC US	U.S. Dollar	36	Sell	4,442	16.3	15.3	6.4	5.7	1.5	1.4	9%	9%	-18%	-8%	-31%	-14%
Kennametal Inc.	KMT US	U.S. Dollar	24	Sell	1,960	30.1	15.1	10.1	6.9	1.4	1.3	5%	9%	-7%	3%	0%	41%
Terex Corp.	TEX US	U.S. Dollar	18	Not Rated	1,716			-34.0	11.8	1.0	1.1	-14%	1%	-48%	-26%	NM	NM
Mcap - weighted Average (Mean)						**18.4**	**12.9**	**6.1**	**5.7**	**3.3**	**2.8**	**18%**	**22%**	**4%**	**7%**	**6%**	**21%**
Median						**16.3**	**13.3**	**6.5**	**5.8**	**2.0**	**1.8**	**14%**	**14%**	**-4%**	**0%**	**0%**	**12%**
European & Russian Infrastructure peers																	
MAN AG	MAN EU	Euro	50	Neutral	10,084	43.4	19.4	14.4	11.3	1.4	1.3	3%	7%	-18%	-9%	-85%	-42%
Metso OYJ	ME01V EU	Euro	23	Neutral	4,495	14.7	14.2	7.6	7.5	2.2	1.9	15%	14%	-20%	-11%	-44%	-24%
Saipem	SPMI.MI	Euro	24	Neutral	14,380	14.8	16.8	8.5	8.5	3.3	2.9	22%	17%	1%	2%	-2%	-7%
SBM Offshore	SBMO NA	Euro	13	Sell	2,821	13.1	11.8	8.1	7.5	1.7	1.8	13%	15%	-5%	-1%	-10%	0%
Scania	SCVA SS	Swedish Krona	98	Sell	10,488	72.4	23.9	20.3	12.9	3.7	3.3	5%	14%	-31%	-14%	-88%	-39%
Technip	TECF PA	Euro	50	Buy*	7,201	13.1	16.4	4.5	5.1	1.9	1.8	15%	11%	-13%	-7%	-10%	-15%
Volvo	VOLVA SS	Swedish Krona	66	Sell	17,926		43.2	NM	12.5	2.0	1.9	-20%	4%	-26%	-13%	NM	NM
Keller Group	KLR L	British Pounds/Pence	600	Neutral	602	8.6	7.6	4.1	3.7	1.2	1.1	14%	14%	-8%	-3%	-38%	-16%
Carillion	CLLN L	British Pounds/Pence	284	Neutral	1,768	7.6	7.5	6.3	6.0	1.2	1.1	14%	12%	3%	1%	-5%	-2%
Balfour Beatty	BALF L	British Pounds/Pence	263	Neutral	2,814	7.0	7.7	4.6	5.0	1.8	1.6	20%	20%	13%	14%	-7%	-8%
Skanska	SKAb ST	Swedish Krona	116	Sell	6,496	12.6	12.8	5.2	5.1	2.3	2.2	19%	17%	-4%	0%	-13%	-8%
Vinci	SGEF PA	Euro	38	Neutral	25,299	11.9	10.4	6.7	6.2	2.0	1.8	17%	17%	-5%	1%	-3%	6%
Eiffage	FOUG PA	Euro	36	Sell	4,608	12.9	10.8	8.7	8.1	1.2	1.1	9%	10%	2%	3%	-15%	1%
Bilfinger Berger	GBFG DE	Euro	49	Neutral	2,965	16.2	9.1	8.1	5.3	1.5	1.4	8%	15%	-4%	4%	-30%	12%
Hochtief AG	HOTG DE	Euro	51	Buy*	4,651	18.6	13.1	4.3	3.6	1.6	1.5	9%	12%	-2%	3%	-19%	7%
Strabag	STRV VI	Euro	20	Neutral	3,090	16.6	13.3	3.8	3.3	0.8	0.7	5%	6%	7%	5%	-17%	2%
Mostotrest	MSTT RTS	U.S. Dollar	790	Neutral	980	66.4	31.1	15.4	11.5	6.0	5.0	9%	16%	-5%	13%	-11%	38%
Mostootryad 19	MSOTI RTS	U.S. Dollar	1,700	Neutral	111	7.2	8.8	3.1	2.7	1.2	1.1	17%	12%	-17%	-8%	2%	-9%
Bamtonnelstroy	BTSTI RTS	U.S. Dollar	3,590	Neutral	381	17.3	25.9	6.5	8.3	2.6	2.4	15%	9%	7%	-5%	5%	-16%
Mostostroy-11	MSTSI RTS	U.S. Dollar	1,035	Buy	4,982	18.0	13.8	7.4	5.8	3.3	2.7	18%	19%	-30%	-9%	-73%	-41%
Mcap - weighted Average (Mean)						**19.3**	**18.7**	**7.5**	**8.1**	**2.2**	**2.0**	**9%**	**13%**	**-11%**	**-4%**	**-24%**	**-9%**
Median						**14.7**	**13.2**	**6.7**	**6.1**	**1.9**	**1.8**	**14%**	**14%**	**-5%**	**0%**	**-13%**	**-8%**
Global Average																	
Mcap - weighted Average (Mean)						**25.2**	**20.0**	**9.0**	**8.0**	**2.5**	**2.2**	**11%**	**15%**	**2%**	**6%**	**-10%**	**7%**
Median						**16.8**	**13.8**	**7.6**	**6.2**	**1.9**	**1.7**	**10%**	**12%**	**-1%**	**2%**	**-10%**	**6%**

** - indicates stock is on the GS regional conviction list. For important disclosures, please go to http://www.gs.com/research/hedge.html.*

NC - Not Covered

Source: Datastream, Bloomberg, Goldman Sachs Research estimates.

Exhibit 36: Shareholding pattern – IVRCL Infrastructure & Projects

IVRCL Infra & Projects (% share)	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Promoters	9.73	9.73	9.73	9.73	9.73
- Domestic promoter	9.73	9.73	9.73	9.73	9.73
Public Institutions excl. FIIs	13.29	16.77	19.13	19.23	23.14
FIIs	58.05	54.34	48.04	47.68	42.17
Others	18.93	19.16	23.1	23.35	24.96
Total	**100**	**100**	**100**	**100**	**100**

Source: BSE.

Jaiprakash Associates Ltd (JAIA.BO; Buy, 12-m TP: Rs180)

Strong execution and capacity expansion are key drivers

- We reiterate our Buy rating on Jaiprakash Associates and revise our 12-month target price down slightly to Rs180, implying 44% potential upside from current levels.
- In a quarter when most infrastructure companies, including L&T, have disappointed on the execution front, Jaiprakash Associates' construction revenues were up 119% on a yoy basis, reaffirming our view on the company's strong execution skills.
- The cement division has also shown strong volume growth, with dispatches in both December and January up 60% yoy. The company has already achieved its fiscal year end total capacity target of 22.5 MT – these new plants will drive a substantial growth in dispatches over the next 6-12 months, in our view.
- However, pressure on realizations and hence margins in the cement segment have been a concern – with realization per tonne dropping 18% sequentially in Q3FY10 and EBIT margins for the segment dropping by 700 bp from Q1FY10 levels.
- We revise our FY10E-FY12E sales estimates by 6%-12% and our FY10E EPS estimates by c.5% on better execution in the construction and real estate segments seen over 9MFY10.
- Driven by new cement and power capacities and continued execution on the order book, we forecast sales CAGR of 29% and ROE to improve by 550bp over FY10E-FY12E for the company.

Catalyst

1) Timely execution on proposed expansion plans in the power and cement segments; 2) a pick-up in general construction activity, leading to strong growth in cement and realizations; and 3) commissioning of the Yamuna Expressway before the Commonwealth Games in October 2010.

Valuation

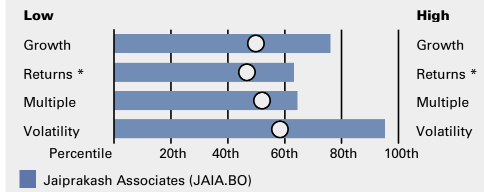
Our 12-month target price of Rs180 (revised slightly from Rs186 previously) for Jaiprakash Associates is derived using a sum-of-the-parts valuation of its cement, construction, power, real estate and road segments (see Exhibit 42).

The stock is currently trading at an FY11E P/B of 2.9X and FY11E P/E of 16.3X, vs. historical median values of 12-month forward P/B of 3.2X and P/E of 21.7X.

Key risks

1) Difficulty in fund-raising for planned future projects; 2) volatile raw material prices; and 3) possible overcapacity in cement market impacting realizations negatively.

Investment Profile

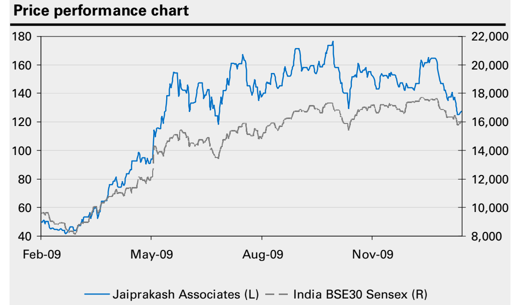


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Rs)	127.55
12 month price target (Rs)	180.00
Market cap (Rs mn / US$ mn)	270,635.6 / 5,782.2
Foreign ownership (%)	24.0

	3/09	3/10E	3/11E	3/12E
EPS (Rs) New	**4.01**	**5.28**	**7.83**	**10.11**
EPS revision (%)	0.0	5.3	0.5	(1.2)
EPS growth (%)	13.2	31.6	48.3	29.0
EPS (dil) (Rs) New	**4.01**	**5.28**	**7.83**	**10.11**
P/E (X)	31.8	24.1	16.3	12.6
P/B (X)	4.3	3.5	2.9	2.4
EV/EBITDA (X)	17.1	14.1	10.4	8.3
Dividend yield (%)	0.5	0.6	0.6	0.7
ROE (%)	15.9	15.6	19.7	21.1

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(16.7)	(12.3)	155.8
Rel. to India BSE30 Sensex	(14.4)	(17.1)	52.8

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2/09/2010 close.

Exhibit 37: Summary financials – Jaiprakash Associates

Profit model (Rs mn)	3/09	3/10E	3/11E	3/12E
Total revenue	**57,641.8**	**97,911.0**	**134,116.5**	**162,933.2**
Cost of goods sold	(33,046.3)	(60,308.4)	(82,609.3)	(100,033.1)
SG&A	(10,923.6)	(15,176.2)	(21,458.6)	(26,069.3)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**16,761.6**	**27,371.0**	**37,492.2**	**46,362.6**
Depreciation & amortization	(3,089.7)	(4,944.6)	(7,443.7)	(9,531.8)
EBIT	**13,671.9**	**22,426.3**	**30,048.6**	**36,830.8**
Interest income	1,001.3	2,617.7	1,539.2	1,204.8
Interest expense	(5,043.2)	(12,416.9)	(12,380.0)	(12,380.0)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	2,879.8	4,891.7	6,365.5	7,346.5
Pretax profits	**12,509.8**	**17,518.8**	**25,573.2**	**33,002.1**
Income tax	(3,539.7)	(6,306.8)	(8,950.6)	(11,550.7)
Minorities	0.0	0.0	0.0	0.0
Net income pre-preferred dividends	**8,970.1**	**11,212.1**	**16,622.6**	**21,451.4**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**8,970.1**	**11,212.1**	**16,622.6**	**21,451.4**
Post-tax exceptionals	0.0	0.0	0.0	0.0
Net income	**8,970.1**	**11,212.1**	**16,622.6**	**21,451.4**
EPS (basic, pre-except) (Rs)	4.31	5.28	7.83	10.11
EPS (basic, post-except) (Rs)	4.31	5.28	7.83	10.11
EPS (diluted, post-except) (Rs)	4.01	5.28	7.83	10.11
DPS (Rs)	0.67	0.74	0.82	0.90
Dividend payout ratio (%)	15.6	14.0	10.4	8.9
Free cash flow yield (%)	(16.8)	(2.6)	0.6	3.5

Growth & margins (%)	3/09	3/10E	3/11E	3/12E
Sales growth	44.7	69.9	37.0	21.5
EBITDA growth	51.9	63.3	37.0	23.7
EBIT growth	53.0	64.0	34.0	22.6
Net income growth	47.1	25.0	48.3	29.0
EPS growth	19.3	22.6	48.3	29.0
Gross margin	42.7	38.4	38.4	38.6
EBITDA margin	29.1	28.0	28.0	28.5
EBIT margin	23.7	22.9	22.4	22.6

Cash flow statement (Rs mn)	3/09	3/10E	3/11E	3/12E
Net income pre-preferred dividends	8,970.1	11,212.1	16,622.6	21,451.4
D&A add-back	3,089.7	4,944.6	7,443.7	9,531.8
Minorities interests add-back	0.0	0.0	0.0	0.0
Net (inc)/dec working capital	(1,577.9)	(4,280.0)	(3,026.3)	(2,287.6)
Other operating cash flow	(5,250.7)	9,799.2	10,840.8	11,175.2
Cash flow from operations	**5,231.2**	**21,675.9**	**31,880.7**	**39,870.8**
Capital expenditures	(33,270.5)	(22,458.2)	(23,182.3)	(23,258.7)
Acquisitions	(8,905.6)	0.0	0.0	0.0
Divestitures	2,174.7	0.0	0.0	0.0
Others	1,192.5	2,617.7	1,539.2	1,204.8
Cash flow from investments	**(38,808.9)**	**(19,840.5)**	**(21,643.2)**	**(22,053.9)**
Dividends paid (common & pref)	869.2	(1,402.5)	(1,572.8)	(1,730.0)
Inc/(dec) in debt	43,793.8	0.0	0.0	0.0
Common stock issuance (repurchase)	5,356.0	0.0	0.0	0.0
Other financing cash flows	(5,509.8)	(12,416.9)	(12,380.0)	(12,380.0)
Cash flow from financing	**44,509.2**	**(13,819.4)**	**(13,952.7)**	**(14,110.0)**
Total cash flow	**10,931.5**	**(11,984.0)**	**(3,715.2)**	**3,706.9**

Balance sheet (Rs mn)	3/09	3/10E	3/11E	3/12E
Cash & equivalents	29,085.9	17,101.9	13,386.7	17,093.6
Accounts receivable	10,220.4	17,360.5	23,780.0	28,889.5
Inventory	12,286.2	22,421.9	30,713.1	37,191.1
Other current assets	40,023.5	40,023.5	40,023.5	40,023.5
Total current assets	**91,616.0**	**96,907.8**	**107,903.4**	**123,197.7**
Net PP&E	118,649.6	136,212.3	152,018.2	165,826.7
Net intangibles	348.9	299.8	232.6	150.9
Total investments	44,994.7	44,994.7	44,994.7	44,994.7
Other long-term assets	0.0	0.0	0.0	0.0
Total assets	**255,609.2**	**278,414.6**	**305,148.8**	**334,170.0**
Accounts payable	18,602.4	31,598.2	43,282.6	52,582.5
Short-term debt	6,793.1	14,176.4	14,176.4	14,176.4
Other current liabilities	26,941.5	26,941.5	26,941.5	26,941.5
Total current liabilities	**52,337.0**	**72,716.1**	**84,400.5**	**93,700.4**
Long-term debt	124,268.6	116,885.3	116,885.3	116,885.3
Other long-term liabilities	12,023.5	12,023.5	12,023.5	12,023.5
Total long-term liabilities	136,292.1	128,908.8	128,908.8	128,908.8
Total liabilities	**188,629.1**	**201,624.9**	**213,309.3**	**222,609.2**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**66,980.1**	**76,789.7**	**91,839.5**	**111,560.8**
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	**255,609.2**	**278,414.6**	**305,148.8**	**334,170.0**
BVPS (Rs)	**29.98**	**36.19**	**43.28**	**52.58**

Ratios	3/09	3/10E	3/11E	3/12E
ROE (%)	15.9	15.6	19.7	21.1
ROA (%)	4.2	4.2	5.7	6.7
ROACE (%)	8.5	9.7	11.8	13.2
Inventory days	122.0	105.0	117.4	123.9
Receivables days	50.9	51.4	56.0	59.0
Payable days	195.6	151.9	165.4	174.9
Net debt/equity (%)	152.2	148.4	128.1	102.2
Interest cover - EBIT (X)	3.4	2.3	2.8	3.3

Valuation	3/09	3/10E	3/11E	3/12E
P/E (analyst) (X)	31.8	24.1	16.3	12.6
P/B (X)	4.3	3.5	2.9	2.4
EV/EBITDA (X)	17.1	14.1	10.4	8.3
Dividend yield (%)	0.5	0.6	0.6	0.7

Note: Last actual year may include reported and estimated data.

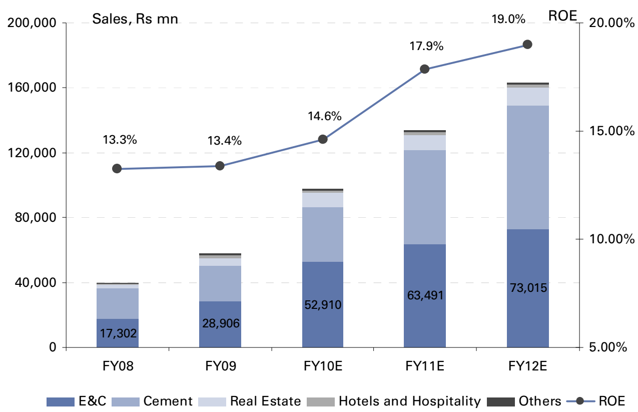
Source: Company data, Goldman Sachs Research estimates.

Note: Prices in this exhibit are as of the close on February 9, 2010.

Source: Company data, Goldman Sachs Research estimates.

Exhibit 38: JPA currently has 700MW of operational power capacity; 1500 MW lined up for commissioning in CY2011 (400 MW on merchant power basis)

Power capacity expansion schedule



Source: Company data, Goldman Sachs Research estimates.

Exhibit 39: Majority of cement segment expansion is focused on the relatively high-demand/price-protected zones like North and Central India

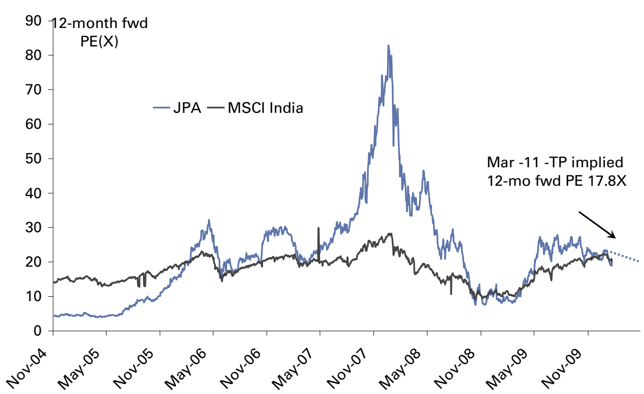
Cement capacity expansion

Year	Cement Capacity (mn Tonnes)				
		Addition in			
	Jun-09	FY10	FY11	FY12	Total
Central Zone	12		1	1.75	14.75
North Zone	1.5	4.7	-	-	6.2
West Zone	1.2	1.2	2.4	-	4.8
East Zone	-	2.2	-	4.1	6.3
South Zone	-	-	3.5	0	3.5
Total	**14.7**	**22.8**	**29.7**	**35.55**	**35.55**

Source: Company data.

Exhibit 40: JPA is currently trading at a 12-mo fwd P/E of 19.2X – vs. its historical median12-m fwd P/E of 21.7X

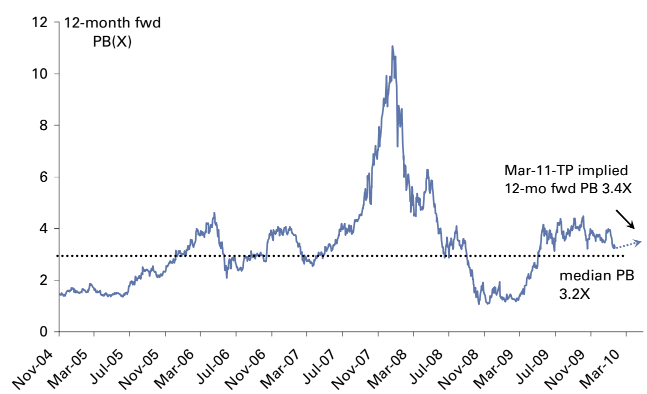
Our 12-month TP implies a 12-month fwd P/E of 17.8X



Source: Datastream, Bloomberg, Goldman Sachs Research estimates.

Exhibit 41: JPA is currently trading at a 12-mo fwd P/B of 3.3X – vs. its historical median12-m fwd P/B of 3.2X

Our 12-month TP implies a 12-month fwd P/B of 3.4X



Source: Datastream, Bloomberg, Goldman Sachs research estimates.

Exhibit 42: SOTP valuation breakdown – Jaiprakash Associates

Segment	Rs/ Share	% contribution to SOTP value	Valuation Basis and Methodology
Cement	69	38%	30 mt of est. cement capacity by FY11E
Construction	54	30%	10X FY11E EV/EBITDA
Power	56	31%	20% holding discount, separate value for stake in KW
Real Estate	37	20%	20% discount to NAV
Other investments and net debt	-36	-20%	
Equity value per share	180		
% upside/downside potential	**44%**		

Note: KW stands for the Karcham Wangtoo power plant of JP Associates

Source: Company data, Goldman Sachs Research estimates.

Exhibit 43: Jaiprakash Associates offers substantially better growth and increasing returns relative to both local and global peers

Valuation comparison vs. global peers

Companies	BB Ticker	Currency	Price 2/5/2010	GS Rating	Market Cap US$mn	P/E (X)		EV/EBITDA (X)		P/B (X)		ROE (%)		Sales CAGR (%)		EPS CAGR (%)	
						1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr	2-yr	1-yr	2-yr
India Infrastructure peers																	
Jaiprakash Associates	**JAIA IN**	**Indian Rupee**	**125**	**Buy**	**5,688**	**23.7**	**16.0**	**13.9**	**10.2**	**3.5**	**2.9**	**15%**	**18%**	**70%**	**53%**	**32%**	**40%**
Reliance Infrastructure	RELI IN	Indian Rupee	1,035	Buy	4,982	16.6	14.4	19.1	14.8	1.2	1.1	7%	8%	9%	22%	4%	9%
GVK Power and Infrastructure	GVKP IN	Indian Rupee	43	Neutral	1,283	35.8	21.0	15.8	12.6	2.0	1.9	6%	9%	265%	106%	55%	62%
Larsen & Toubro	LT IN	Indian Rupee	1,423	Neutral	17,827	29.2	20.2	17.2	13.4	4.5	3.8	15%	19%	12%	21%	-4%	18%
Punj Lloyd	PUNJ IN	Indian Rupee	177	Neutral	1,256	19.2	12.9	9.0	7.3	1.6	1.5	9%	11%	0%	14%	NM	NM
GMR Infrastructure	GMRI IN	Indian Rupee	52	Neutral	4,084	66.4	56.6	25.9	21.1	2.8	2.7	4%	5%	19%	15%	3%	10%
Simplex Infrastructures Ltd	SINF IN	Indian Rupee	422	NC	454	15.4	12.0	6.6	5.7	2.1	1.8	14%	16%	5%	11%	10%	19%
Hindustan Construction Co	HCC IN	Indian Rupee	130	NC	857	32.9	24.0	14.8	NA	2.6	NA	9%	10%	11%	16%	71%	53%
Nagarjuna Construction Co	NJCC IN	Indian Rupee	157	NC	875	19.4	15.4	13.1	NA	1.9	NA	10%	11%	4%	12%	2%	13%
Mcap - weighted Average (Mean)						**30.0**	**22.2**	**17.1**	**12.8**	**3.4**	**2.8**	**12%**	**15%**	**29%**	**27%**	**7%**	**21%**
Median						**23.7**	**16.0**	**14.8**	**12.6**	**2.1**	**1.9**	**9%**	**11%**	**11%**	**16%**	**7%**	**18%**
India Cement peers																	
ACC	ACC.BO	Indian Rupee	844	Sell	3,389	9.9	12.1	5.9	7.0	2.6	2.2	26.6%	18.4%	10%	9%	32%	4%
Ambuja Cements	ABUJ.BO	Indian Rupee	100	Sell	3,243	12.4	13.3	7.7	7.9	2.3	2.1	18.8%	14.9%	14%	12%	-13%	-10%
Grasim Industries	GRAS.BO	Indian Rupee	2,572	Neutral	5,046	7.5	10.9	4.3	4.8	1.7	1.5	20.6%	14.1%	10%	6%	43%	-1%
Ultratech Cement	ULTC.BO	Indian Rupee	936	Neutral	2,495	10.1	11.6	5.9	6.0	2.5	2.1	24.6%	17.9%	12%	9%	18%	1%
India Cement	ICMN.BO	Indian Rupee	112	Neutral	528	8.2	10.7	6.0	7.1	0.8	0.8	9.7%	7.0%	16%	8%	-12%	-18%
Mcap - weighted Average (Mean)						**9.6**	**11.8**	**5.7**	**6.2**	**2.2**	**1.9**	**22%**	**16%**	**11%**	**9%**	**22%**	**-2%**
Median						**10.1**	**12.1**	**6.0**	**7.1**	**2.3**	**2.1**	**19%**	**15%**	**12%**	**9%**	**7%**	**1%**
Asia Infrastructure peers																	
Chiyoda	6366.T	Japanese Yen	797	Sell	2,313	80.1	33.3	16.4	10.1	1.4	1.4	2%	4%	-25%	-22%	-61%	-3%
Doosan Heavy Industries & Construction	034020 KS	South Korean Won	82,500	Sell*	7,402		43.6	21.5	16.8	2.7	2.5	-11%	6%	16%	14%	458%	NA
Hitachi Construction Machinery	6305 JT	Japanese Yen	1,828	Buy	4,220	99.2	15.1	9.4	5.8	1.3	1.1	1%	8%	-21%	-4%	-79%	19%
JGC	1963 T	Japanese Yen	1,658	Buy	4,691	16.9	10.4	5.6	3.5	1.7	1.5	10%	14%	-4%	19%	-21%	13%
Komatsu	6301 JT	Japanese Yen	1,758	Buy*	19,040	45.6	18.3	13.3	8.7	2.0	1.9	4%	10%	-29%	-9%	-52%	10%
Mitsubishi Heavy Industries	7011 JT	Japanese Yen	313	Sell	11,756	91.1	91.2	9.3	8.9	0.8	0.8	1%	1%	-11%	-8%	-52%	-31%
Sumitomo Heavy Industries	6302 JT	Japanese Yen	472	Buy*	3,188	40.0	14.4	7.2	5.3	1.2	1.2	3%	8%	-20%	-7%	-48%	21%
Mcap - weighted Average (Mean)						**52.3**	**37.6**	**12.3**	**9.0**	**1.7**	**1.6**	**2%**	**7%**	**-15%**	**-3%**	**20%**	**0%**
Median						**62.9**	**18.3**	**9.4**	**8.7**	**1.4**	**1.4**	**2%**	**8%**	**-20%**	**-7%**	**-52%**	**11%**
North American Infrastructure peers																	
Caterpillar, Inc.	CAT US	U.S. Dollar	52	Neutral	32,887	21.6	13.3	8.0	6.0	4.0	3.4	19%	26%	13%	16%	11%	35%
Deere & Co.	DE US	U.S. Dollar	50	Neutral	21,388	20.0	13.8	6.7	5.2	4.0	3.6	20%	26%	2%	7%	-13%	12%
Eaton Corp.	ETN US	U.S. Dollar	62	Neutral	10,335	15.1	11.8	6.7	6.0	1.4	1.5	10%	13%	9%	8%	58%	42%
Fluor Corp.	FLR US	U.S. Dollar	43	Neutral	7,702	11.2	12.9	4.3	4.1	2.4	2.1	22%	16%	-1%	-4%	5%	-4%
Foster Wheeler Ltd.	FWLT US	U.S. Dollar	26	Buy	3,285	8.9	10.2	4.7	4.4	4.0	2.9	45%	28%	-28%	-17%	-22%	-17%
Jacobs Engineering Group Inc.	JEC US	U.S. Dollar	36	Sell	4,442	16.3	15.3	6.4	5.7	1.5	1.4	9%	9%	-18%	-8%	-31%	-14%
Kennametal Inc.	KMT US	U.S. Dollar	24	Sell	1,960	30.1	15.1	10.1	6.9	1.4	1.3	5%	9%	-7%	3%	0%	41%
Terex Corp.	TEX US	U.S. Dollar	18	Not Rated	1,716			-34.0	11.8	1.0	1.1	-14%	1%	-48%	-26%	-145%	Na
Mcap - weighted Average (Mean)						**18.4**	**12.9**	**6.1**	**5.7**	**3.3**	**2.8**	**18%**	**22%**	**4%**	**7%**	**3%**	**21%**
Median						**16.3**	**13.3**	**6.5**	**5.8**	**2.0**	**1.8**	**14%**	**14%**	**-4%**	**0%**	**-7%**	**12%**
European Infrastructure peers																	
MAN AG	MAN EU	Euro	50	Neutral	10,084	43.4	19.4	14.4	11.3	1.4	1.3	3%	7%	-18%	-9%	-85%	-42%
Metso OYJ	ME01V EU	Euro	23	Neutral	4,495	14.7	14.2	7.6	7.5	2.2	1.9	15%	14%	-20%	-11%	-44%	-24%
Saipem	SPMI.MI	Euro	24	Neutral	14,380	14.8	16.8	8.5	8.5	3.3	2.9	22%	17%	1%	2%	-2%	-7%
SBM Offshore	SBMO NA	Euro	13	Sell	2,821	13.1	11.8	8.1	7.5	1.7	1.8	13%	15%	-5%	-1%	-10%	0%
Scania	SCVA SS	Swedish Krona	98	Sell	10,488	72.4	23.9	20.3	12.9	3.7	3.3	5%	14%	-31%	-14%	-88%	-39%
Technip	TECF.PA	Euro	50	Buy*	7,201	13.1	16.4	4.5	5.1	1.9	1.8	15%	11%	-13%	-7%	-10%	-15%
Volvo	VOLVA SS	Swedish Krona	66	Sell	17,926		43.2	455.2	12.5	2.0	1.9	-20%	4%	-26%	-13%	NM	NM
Mcap - weighted Average (Mean)						**23.8**	**24.9**	**129.5**	**10.2**	**2.4**	**2.2**	**4%**	**11%**	**-17%**	**-8%**	**-31%**	**-17%**
Median						**42.7**	**23.9**	**20.3**	**12.5**	**2.0**	**1.9**	**5%**	**11%**	**-26%**	**-13%**	**-49%**	**-27%**
Global Average																	
Mcap - weighted Average (Mean)						**28.0**	**22.5**	**41.5**	**8.6**	**2.7**	**2.4**	**10%**	**14%**	**-2%**	**4%**	**-1%**	**5%**
Median						**19.2**	**15.4**	**9.3**	**7.5**	**2.0**	**1.8**	**9%**	**11%**	**-4%**	**2%**	**-10%**	**10%**

** - indicates stock is on the GS regional conviction list. For important disclosures, please go to http://www.gs.com/research/hedge.html.*

NC - Not Covered

Source: Datastream, Bloomberg, Goldman Sachs research estimates.

Exhibit 44: Shareholding pattern – Jaiprakash Associates

JPA (% share-holding)	**Dec-09**	**Sep-09**	**Jun-09**	**Mar-09**	**Dec-08**
Promoters	46.1	46.5	50.1	45.2	45.3
- Domestic promoter	46.1	46.5	50.1	45.2	45.3
Public Institutions excl. FIIs	9.4	10.6	10.4	11.8	12.7
FIIs	26.5	26.5	23.6	23.8	22.3
Others	18.0	16.3	16.0	19.1	19.8
Total	**100.01**	**100**	**100**	**100**	**100**

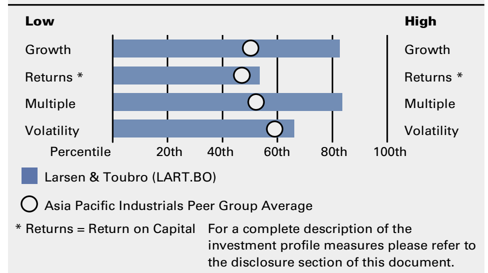
Source: BSE.

Larsen & Toubro (LART.BO; Neutral, 12-m TP: Rs1,450)

Order inflow strong, pick-up in execution holds the key

- For 9MFY10, while L&T's order book has registered a 29% growth, sales over the same period have grown by just 1%, reflecting the execution challenges faced by the company since the beginning of FY10.
- The share of longer gestation power segment orders has risen from 22% at end-FY09 to 32% as of 9MFY10. This, coupled with a decline in shorter-term, industrial capex, and some delays on operational issues (financing, land) has pulled down average execution rates, in our view. The company's Q3FY10 burn ratio was 35% vs. 50% as of 9MFY09.
- However, the company has managed to improve its EBITDA margins by c.200 bp over 9MFY10 over 9MFY09 – benefiting from lower commodity prices. We expect EBIT margins for the consolidated company to stabilize at around 11%.
- We have revised our FY10E-FY12E EPS estimates downwards by 1%-14%, mostly driven by slower-than-expected execution in 9MFY10. Execution rates troughed in Q3FY10; we expect them to pick up again starting in Q4FY10.
- The stock is down 15% ytd compared to 9% fall in the BSE Sensex. We believe current valuations are fair – adequately balancing the risk of execution uncertainty with strength in order inflows.

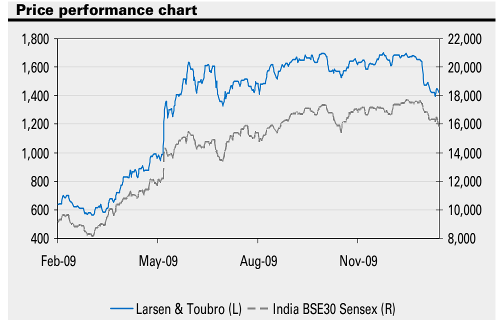
Investment Profile



Key data	Current
Price (Rs)	1,423.15
12 month price target (Rs)	1,450.00
Market cap (Rs mn / US$ mn)	832,965.4 / 17,827.0
Foreign ownership (%)	12.0

	3/09	3/10E	3/11E	3/12E
EPS (Rs) New	**63.89**	**48.71**	**70.39**	**92.29**
EPS revision (%)	0.0	(14.1)	(1.7)	(1.0)
EPS growth (%)	64.0	(23.8)	44.5	31.1
EPS (dil) (Rs) New	**63.89**	**48.71**	**70.39**	**92.29**
P/E (X)	22.3	29.2	20.2	15.4
P/B (X)	6.0	4.5	3.8	3.1
EV/EBITDA (X)	14.6	17.2	13.4	10.2
Dividend yield (%)	0.7	0.8	0.8	0.8
ROE (%)	30.5	17.7	20.4	22.2

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(7.7)	(6.1)	123.5
Rel. to India BSE30 Sensex	(6.1)	(5.4)	28.7

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2/05/2010 close.

Valuation

- Our 12-month target price of Rs1,450 (raised from Rs1,327) is based on a 1-year fwd target P/B multiple of 4.1X for L&T's standalone business, the mean P/B multiple in the last five years.
- The stand-alone business contributes to 94% to our revised target price. We also value L&T IDPL at 1.5X book value vs. 1.0X earlier, on the back of the traction achieved over the past few months in order wins and operationalisation of its projects.
- L&T currently trades at 20.2X FY11E EPS which is a premium of 7% to its five-year median 12-month forward P/E of 18.8X and a 46% premium to its global peers.

Catalysts

- Revival in fixed asset formation and private industry capex investments towards 2H FY2010.
- Revenue streams from new ventures – power, ship building and defence equipment.

Risks

Downside risks: 1) Increase in competition from global companies; 2) delay in the awarding of planned infrastructure projects. **Upside risk:** 1) Faster-than-expected pick-up in economic activity leading to stronger order inflows.

Exhibit 45: Summary financials – Larsen & Toubro

Profit model (Rs mn)	3/09	3/10E	3/11E	3/12E
Total revenue	**409,007.4**	**456,761.7**	**597,718.1**	**744,653.5**
Cost of goods sold	(309,424.7)	(343,684.0)	(451,231.8)	(559,583.0)
SG&A	(53,328.6)	(63,806.1)	(83,399.0)	(103,516.5)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**53,550.4**	**57,419.8**	**73,750.0**	**94,837.9**
Depreciation & amortization	(7,296.3)	(8,148.2)	(10,662.7)	(13,283.9)
EBIT	**46,254.1**	**49,271.6**	**63,087.3**	**81,554.0**
Interest income	1,360.1	1,313.1	8,986.7	10,191.5
Interest expense	(4,619.6)	(8,004.5)	(10,213.3)	(10,550.8)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	608.7	1,200.0	1,320.0	1,320.0
Pretax profits	**43,603.3**	**43,780.3**	**63,180.7**	**82,514.8**
Income tax	(14,248.7)	(14,009.7)	(20,217.8)	(26,404.7)
Minorities	314.4	(700.0)	(700.0)	(700.0)
Net income pre-preferred dividends	**29,669.0**	**29,070.6**	**42,262.9**	**55,410.1**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**29,669.0**	**29,070.6**	**42,262.9**	**55,410.1**
Post-tax exceptionals	8,225.6	0.0	0.0	0.0
Net income	**37,894.6**	**29,070.6**	**42,262.9**	**55,410.1**
EPS (basic, pre-except) (Rs)	50.71	48.71	70.39	92.29
EPS (basic, post-except) (Rs)	64.76	48.71	70.39	92.29
EPS (diluted, post-except) (Rs)	63.89	48.71	70.39	92.29
DPS (Rs)	10.44	10.96	11.51	11.51
Dividend payout ratio (%)	16.1	22.5	16.3	12.5
Free cash flow yield (%)	(8.5)	1.6	1.6	3.0

Growth & margins (%)	3/09	3/10E	3/11E	3/12E
Sales growth	39.4	11.7	30.9	24.6
EBITDA growth	49.3	7.2	28.4	28.6
EBIT growth	50.4	6.5	28.0	29.3
Net income growth	63.0	(23.3)	45.4	31.1
EPS growth	60.2	(24.8)	44.5	31.1
Gross margin	24.3	24.8	24.5	24.9
EBITDA margin	13.1	12.6	12.3	12.7
EBIT margin	11.3	10.8	10.6	11.0

Cash flow statement (Rs mn)	3/09	3/10E	3/11E	3/12E
Net income pre-preferred dividends	29,669.0	29,070.6	42,262.9	55,410.1
D&A add-back	7,296.3	8,148.2	10,662.7	13,283.9
Minorities interests add-back	(1,161.5)	(1,161.5)	(1,161.5)	(1,161.5)
Net (inc)/dec working capital	(39,538.2)	(7,459.9)	(23,494.6)	(23,628.1)
Other operating cash flow	8,694.0	8,552.8	3,088.1	2,220.7
Cash flow from operations	**4,959.6**	**37,150.3**	**31,357.6**	**46,125.1**
Capital expenditures	(54,775.9)	(19,135.2)	(16,954.4)	(19,893.1)
Acquisitions	(18,428.0)	0.0	0.0	0.0
Divestitures	17,900.5	0.0	0.0	0.0
Others	1,064.1	1,313.1	8,986.7	10,191.5
Cash flow from investments	**(54,239.3)**	**(17,822.1)**	**(7,967.7)**	**(9,701.5)**
Dividends paid (common & pref)	(5,093.3)	(7,194.9)	(6,539.4)	(6,908.4)
Inc/(dec) in debt	53,532.5	53,532.5	6,750.5	6,750.5
Common stock issuance (repurchase)	230.4	27,600.0	0.0	0.0
Other financing cash flows	(407.3)	(8,004.5)	(10,213.3)	(10,550.8)
Cash flow from financing	**48,262.3**	**65,933.1**	**(10,002.2)**	**(10,708.7)**
Total cash flow	**(1,017.4)**	**85,261.3**	**13,387.7**	**25,714.9**

Balance sheet (Rs mn)	3/09	3/10E	3/11E	3/12E
Cash & equivalents	14,590.4	99,851.7	113,239.4	138,954.3
Accounts receivable	116,435.3	130,029.9	170,157.0	211,986.3
Inventory	71,057.8	78,925.3	103,623.1	128,505.4
Other current assets	66,895.3	66,895.3	66,895.3	66,895.3
Total current assets	**268,978.8**	**375,702.2**	**453,914.8**	**546,341.2**
Net PP&E	94,838.2	107,970.4	117,069.2	127,175.7
Net intangibles	61,053.0	58,907.8	56,100.6	52,603.4
Total investments	143,257.1	143,257.1	143,257.1	143,257.1
Other long-term assets	0.0	0.0	0.0	0.0
Total assets	**568,127.1**	**685,837.5**	**770,341.7**	**869,377.4**
Accounts payable	119,926.5	133,928.7	175,259.0	218,342.5
Short-term debt	64,447.7	71,198.2	77,948.7	84,699.2
Other current liabilities	88,629.0	88,629.0	88,629.0	88,629.0
Total current liabilities	**273,003.2**	**293,755.9**	**341,836.7**	**391,670.7**
Long-term debt	119,551.8	166,333.8	166,333.8	166,333.8
Other long-term liabilities	25,109.3	25,109.3	25,109.3	25,109.3
Total long-term liabilities	144,661.1	191,443.1	191,443.1	191,443.1
Total liabilities	**417,664.3**	**485,199.0**	**533,279.8**	**583,113.8**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**139,877.0**	**189,352.7**	**225,076.1**	**273,577.8**
Minority interest	10,585.8	11,285.8	11,985.8	12,685.8
Total liabilities & equity	**568,127.1**	**685,837.5**	**770,341.7**	**869,377.4**
BVPS (Rs)	**235.84**	**317.31**	**374.88**	**455.66**

Ratios	3/09	3/10E	3/11E	3/12E
ROE (%)	30.5	17.7	20.4	22.2
ROA (%)	7.8	4.6	5.8	6.8
ROACE (%)	11.6	10.4	12.4	14.7
Inventory days	71.5	79.6	73.8	75.7
Receivables days	88.7	98.5	91.7	93.7
Payable days	127.1	134.8	125.1	128.4
Net debt/equity (%)	112.6	68.6	55.3	39.2
Interest cover - EBIT (X)	14.2	7.4	51.4	227.0

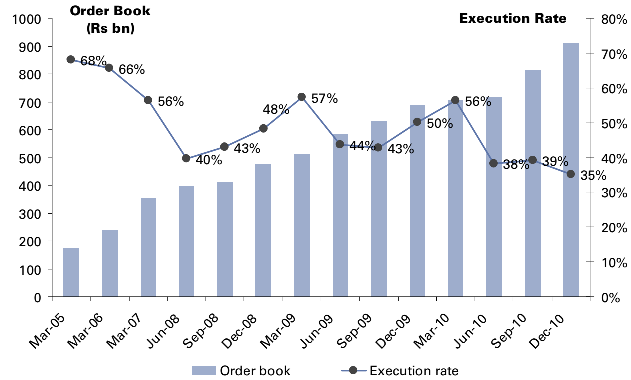
Valuation	3/09	3/10E	3/11E	3/12E
P/E (analyst) (X)	22.3	29.2	20.2	15.4
P/B (X)	6.0	4.5	3.8	3.1
EV/EBITDA (X)	14.6	17.2	13.4	10.2
Dividend yield (%)	0.7	0.8	0.8	0.8

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

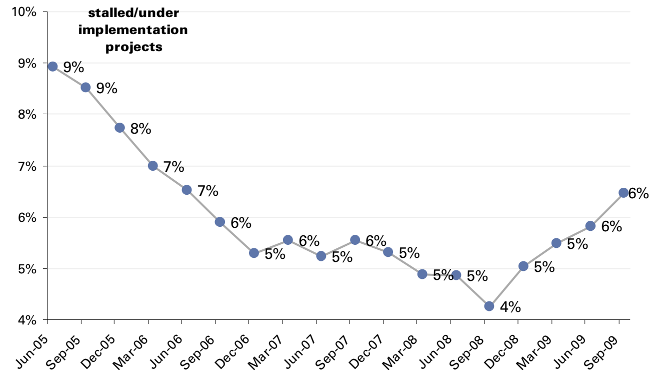
Source: Company data, Goldman Sachs Research estimates.

Exhibit 46: L&T's E&C order book has grown at an average yoy growth rate of 28% over 9MFY10, while the execution rate has significantly declined…



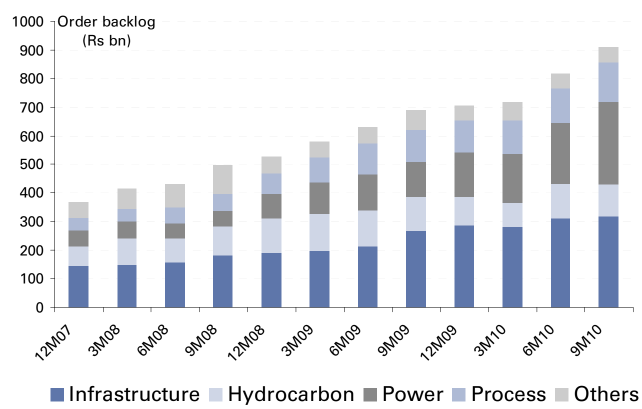
Source: Company data, Goldman Sachs Research.

Exhibit 47: …as the number of stalled Indian construction projects has seen a steep rise since Q3FY09 – especially in the fertilizers, metals and mining sectors



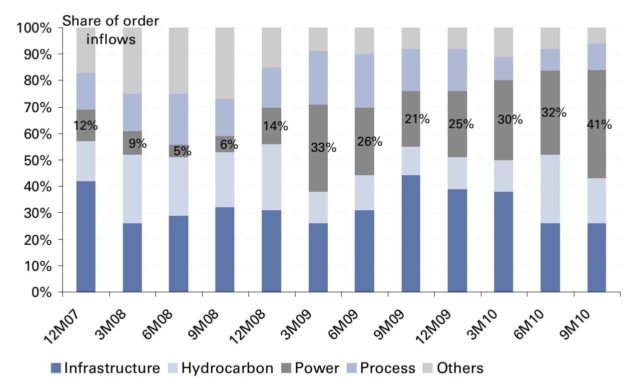
Source: CMIE, Goldman Sachs Research estimates.

Exhibit 48: The share of power segment in the order backlog has doubled from 15% at end-FY07 to 32% now
Distribution of order book by segments



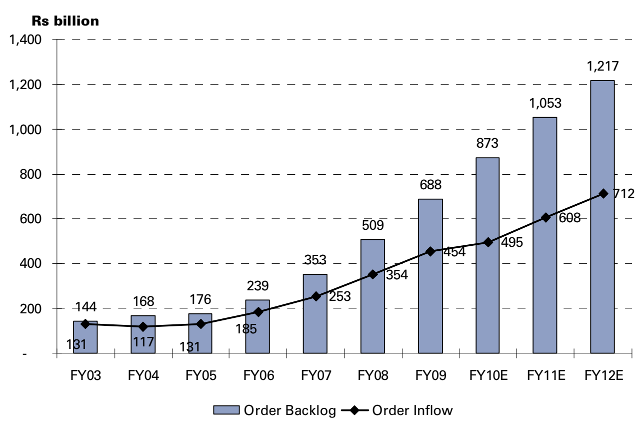
Source: Company data.

Exhibit 49: The share of power segment in 9MFY10 order inflows is 41% while the share of process is 10%
Distribution of order inflows by segments



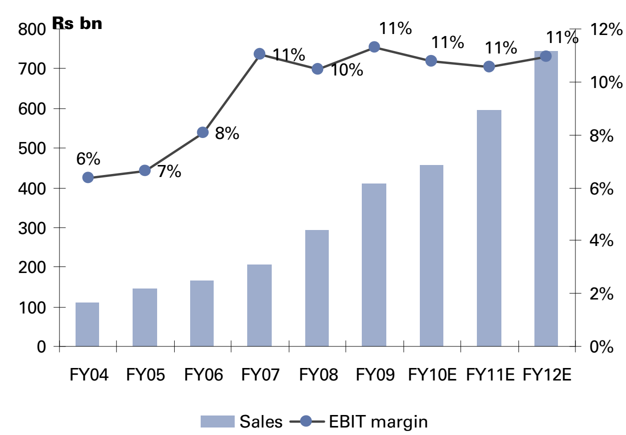
Source: Company data.

Exhibit 50: We forecast L&T's E&C order book to grow at a CAGR of 18% over FY10E-FY12E



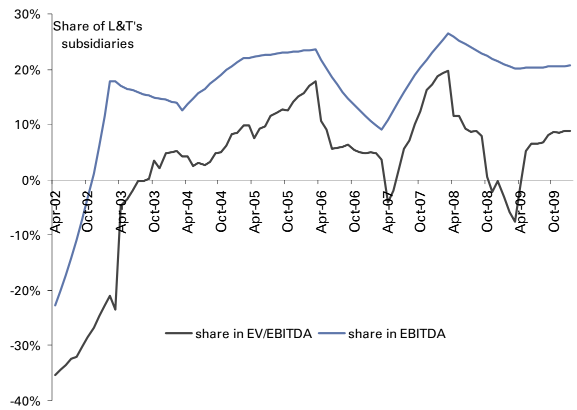
Source: Company data, Goldman Sachs Research estimates.

Exhibit 51: We forecast sales to grow at a CAGR of 28% over FY10E-FY12E and EBIT margins to stabilize at c.11%



Source: Company data, Goldman Sachs research estimates.

Exhibit 52: While the share of subsidiaries in the consolidated EBITDA has risen over the years, current valuations for the consolidated company seem to be understating this



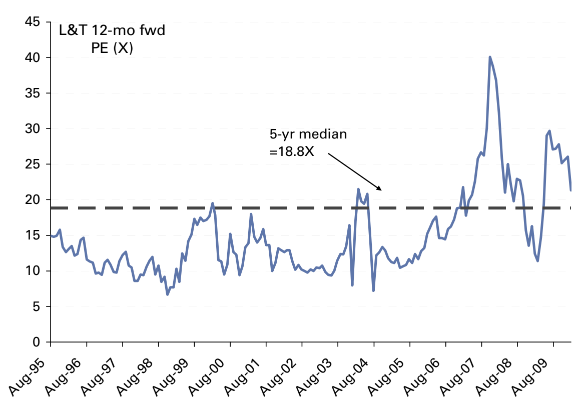
Source: Datastream, Bloomberg, Goldman Sachs Research estimates.

Exhibit 53: The standalone company accounts for 94% of our 12-m TP of Rs1,450 for L&T

Entity Name	Valuation Methodology	Value/share (Rs)	Contribution to valuation(%)
L&T Standalone	4.1x FY11E book	1357	94%
L&T Finance	6X FY11E EPS	11.1	1%
L&T Infotech	8X FY11E EPS	29.4	2%
L&T IDPL	1.5X Book value	18	1%
Other Subsidiaries and Associates	Book Value	35	2%
Target Price		**1,450**	

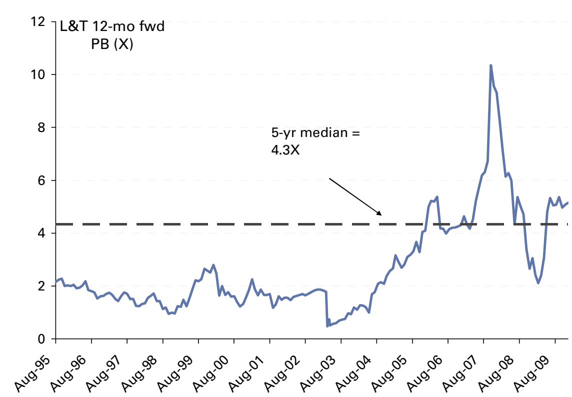
Source: Goldman Sachs Research estimates.

Exhibit 54: L&T is currently trading at a 12-m fwd P/E of 21.3Xvs. its 5-year median 12-m fwd P/E of 18.8X



Source: Datastream, Bloomberg, Goldman Sachs Research estimates.

Exhibit 55: L&T is currently trading at a 12-m fwd P/B of 3.9X vs. its 5-year median 12-m fwd P/B of 4.3X



Source: Datastream, Bloomberg, Goldman Sachs Research estimates.]

Exhibit 56: L&T currently trades at a premium of 46% to the median for global peers and 26% to the median for Indian peers on its FY11E P/E

Valuation comparison vs. peers

Companies	BB Ticker	Currency	Price 2/5/2010	GS Rating	Market Cap US$mn	P/E (X) 1-yr fwd	P/E (X) 2-yr fwd	EV/EBITDA (X) 1-yr fwd	EV/EBITDA (X) 2-yr fwd	P/B (X) 1-yr fwd	P/B (X) 2-yr fwd	ROE (%) 1-yr fwd	ROE (%) 2-yr fwd	Sales CAGR (%) 1-yr	Sales CAGR (%) 2-yr	EPS CAGR (%) 1-yr	EPS CAGR (%) 2-yr
India Infrastructure peers																	
IVRCL Infrastructure and Projects	IVRC IN	Indian Rupee	297	Buy*	810	16.8	11.4	10.6	7.7	1.4	1.3	8.3%	11.0%	13%	20%	0%	22%
IRB Infrastructure Developers	IRB IN	Indian Rupee	241	Buy	1,712	23.6	17.0	11.7	9.2	3.9	3.1	16.4%	18.6%	90%	66%	92%	64%
Reliance Infrastructure	RELI IN	Indian Rupee	1,035	Buy	4,982	16.6	14.4	19.1	14.8	1.2	1.1	7.4%	7.9%	9%	22%	4%	9%
GVK Power and Infrastructure	GVKP IN	Indian Rupee	43	Neutral	1,283	35.8	21.0	15.8	12.6	2.0	1.9	5.7%	8.9%	265%	106%	55%	62%
Larsen & Toubro	**LT IN**	**Indian Rupee**	**1,423**	**Neutral**	**17,827**	**29.2**	**20.2**	**17.2**	**13.4**	**4.5**	**3.8**	**15.4%**	**18.8%**	**12%**	**21%**	**-4%**	**18%**
Punj Lloyd	PUNJ IN	Indian Rupee	177	Neutral	1,256	19.2	12.9	9.0	7.3	1.6	1.5	8.5%	11.3%	0%	14%	NM	NM
Jaiprakash Associates	JAIA IN	Indian Rupee	125	Buy	5,688	23.7	16.0	13.9	10.2	3.5	2.9	14.6%	18.1%	70%	53%	32%	40%
GMR Infrastructure	GMRI IN	Indian Rupee	52	Neutral	4,084	66.4	56.6	25.9	21.1	2.8	2.7	4.2%	4.7%	19%	15%	3%	10%
Simplex Infrastructures Ltd	SINF IN	Indian Rupee	422	NC	415	15.4	12.0	6.6	5.7	2.1	1.8	14%	16%	5%	11%	10%	19%
Hindustan Construction Co	HCC IN	Indian Rupee	130	NC	783	32.9	24.0	14.8	NA	2.6	NA	9%	10%	11%	16%	71%	53%
Nagarjuna Construction Co	NJCC IN	Indian Rupee	157	NC	801	19.4	15.4	13.1	11.1	1.9	1.7	10%	11%	4%	12%	2%	13%
Mcap - weighted Average (Mean)						**29.6**	**21.8**	**16.8**	**12.9**	**3.4**	**2.8**	**12%**	**15%**	**31%**	**29%**	**11%**	**22%**
Median						**23.6**	**16.0**	**13.9**	**10.7**	**2.1**	**1.8**	**9%**	**11%**	**12%**	**20%**	**7%**	**20%**
Asia Infrastructure peers																	
Chiyoda	6366.T	Japanese Yen	797	Sell	2,313	80.1	33.3	16.4	10.1	1.4	1.4	2%	4%	-25%	-22%	-61%	-3%
Doosan Heavy Industries & Construction	034020 KS	South Korean Won	82,500	Neutral	7,402		43.6	21.5	16.8	2.7	2.5	-11%	6%	16%	14%	NM	NA
Hitachi Construction Machinery	6305 JT	Japanese Yen	1,828	Buy	4,220	99.2	15.1	9.4	5.8	1.3	1.1	1%	8%	-21%	-4%	-79%	19%
JGC	1963 T	Japanese Yen	1,658	Buy	4,691	16.9	10.4	5.6	3.5	1.7	1.5	10%	14%	-4%	19%	-21%	13%
Komatsu	6301 JT	Japanese Yen	1,758	Buy	19,040	45.6	18.3	13.3	8.7	2.0	1.9	4%	10%	-29%	-9%	-52%	10%
Mitsubishi Heavy Industries	7011 JT	Japanese Yen	313	Sell	11,756	91.1	91.2	9.3	8.9	0.8	0.8	1%	1%	-11%	-8%	-52%	-31%
Sumitomo Heavy Industries	6302 JT	Japanese Yen	472	Buy*	3,188	40.0	14.4	7.2	5.3	1.2	1.2	3%	8%	-20%	-7%	-48%	21%
China Railway Construction (H)	1186 HK	Hong Kong Dollar	10	Neutral	15,940	16.5	12.2	6.4	5.8	2.1	1.9	13%	15%	48%	34%	67%	50%
China Railway Group (H)	0390 HK	Hong Kong Dollar	6	Buy	15,294	16.0	11.7	7.0	6.2	1.7	1.5	11%	13%	46%	32%	NM	NM
Mcap - weighted Average (Mean)						**38.8**	**28.1**	**10.2**	**7.9**	**1.8**	**1.6**	**5%**	**10%**	**8%**	**10%**	**-15%**	**10%**
Median						**42.8**	**15.1**	**9.3**	**6.2**	**1.7**	**1.5**	**3%**	**8%**	**-11%**	**-4%**	**-52%**	**13%**
North American Infrastructure peers																	
Caterpillar, Inc.	CAT US	U.S. Dollar	52	Neutral	32,887	21.6	13.3	8.0	6.0	4.0	3.4	19%	26%	13%	16%	11%	35%
Deere & Co.	DE US	U.S. Dollar	50	Neutral	21,388	20.0	13.8	6.7	5.2	4.0	3.6	20%	26%	2%	7%	-13%	12%
Eaton Corp.	ETN US	U.S. Dollar	62	Neutral	10,335	15.1	11.8	6.7	6.0	1.4	1.5	10%	13%	9%	8%	58%	42%
Fluor Corp.	FLR US	U.S. Dollar	43	Neutral	7,702	11.2	12.9	4.3	4.1	2.4	2.1	22%	16%	-1%	-4%	5%	-4%
Foster Wheeler Ltd.	FWLT US	U.S. Dollar	26	Buy	3,285	8.9	10.2	4.7	4.4	4.0	2.9	45%	28%	-28%	-17%	-22%	-17%
Jacobs Engineering Group Inc.	JEC US	U.S. Dollar	36	Sell	4,442	16.3	15.3	6.4	5.7	1.5	1.4	9%	9%	-18%	-8%	-31%	-14%
Kennametal Inc.	KMT US	U.S. Dollar	24	Sell	1,960	30.1	15.1	10.1	6.9	1.4	1.3	5%	9%	-7%	3%	0%	41%
Terex Corp.	TEX US	U.S. Dollar	18	Not Rated	1,716			-34.0	11.8	1.0	1.1	-14%	1%	-48%	-26%	NM	NM
Mcap - weighted Average (Mean)						**18.4**	**12.9**	**6.1**	**5.7**	**3.3**	**2.8**	**18%**	**22%**	**4%**	**7%**	**6%**	**21%**
Median						**16.3**	**13.3**	**6.5**	**5.8**	**2.0**	**1.8**	**14%**	**14%**	**-4%**	**0%**	**0%**	**12%**
European & Russian Infrastructure peers																	
MAN AG	MAN EU	Euro	50	Neutral	10,084	43.4	19.4	14.4	11.3	1.4	1.3	3%	7%	-18%	-9%	-85%	-42%
Metso OYJ	ME01V EU	Euro	23	Neutral	4,495	14.7	14.2	7.6	7.5	2.2	1.9	15%	14%	-20%	-11%	-44%	-24%
Saipem	SPMI.MI	Euro	24	Neutral	14,380	14.8	16.8	8.5	8.5	3.3	2.9	22%	17%	1%	2%	-2%	-7%
SBM Offshore	SBMO NA	Euro	13	Sell	2,821	13.1	11.8	8.1	7.5	1.7	1.8	13%	15%	-5%	-1%	-10%	0%
Scania	SCVA SS	Swedish Krona	98	Sell	10,488	72.4	23.9	20.3	12.9	3.7	3.3	5%	14%	-31%	-14%	-88%	-39%
Technip	TECF PA	Euro	50	Buy*	7,201	13.1	16.4	4.5	5.1	1.9	1.8	15%	11%	-13%	-7%	-10%	-15%
Volvo	VOLVA SS	Swedish Krona	66	Sell	17,926		43.2	NM	12.5	2.0	1.9	-20%	4%	-26%	-13%	NM	NM
Keller Group	KLR L	British Pounds/Pence	600	Neutral	602	8.6	7.6	4.1	3.7	1.2	1.1	14%	14%	-8%	-3%	-38%	-16%
Carillion	CLLN L	British Pounds/Pence	284	Neutral	1,768	7.6	7.5	6.3	6.0	1.2	1.1	14%	12%	3%	1%	-5%	-2%
Balfour Beatty	BALF L	British Pounds/Pence	263	Neutral	2,814	7.0	7.7	4.6	5.0	1.8	1.6	20%	20%	13%	14%	-7%	-8%
Skanska	SKAb ST	Swedish Krona	116	Sell	6,496	12.6	12.8	5.2	5.1	2.3	2.2	19%	17%	-4%	0%	-13%	-8%
Vinci	SGEF PA	Euro	38	Neutral	25,299	11.9	10.4	6.7	6.2	2.0	1.8	17%	17%	-5%	1%	-3%	6%
Eiffage	FOUG PA	Euro	36	Sell	4,608	12.9	10.8	8.7	8.1	1.2	1.1	9%	10%	2%	3%	-15%	1%
Bilfinger Berger	GBFG DE	Euro	49	Neutral	2,965	16.2	9.1	8.1	5.3	1.5	1.4	8%	15%	-4%	4%	-30%	12%
Hochtief AG	HOTG DE	Euro	51	Buy*	4,651	18.6	13.1	4.3	3.6	1.6	1.5	9%	12%	-2%	3%	-19%	7%
Strabag	STRV VI	Euro	20	Neutral	3,090	16.6	13.3	3.8	3.3	0.8	0.7	5%	6%	7%	5%	-17%	2%
Mostotrest	MSTT RTS	U.S. Dollar	790	Neutral	980	66.4	31.1	15.4	11.5	6.0	5.0	9%	16%	-5%	13%	-11%	38%
Mostootryad 19	MSOTI RTS	U.S. Dollar	1,700	Neutral	111	7.2	8.8	3.1	2.7	1.2	1.1	17%	12%	-17%	-8%	2%	-9%
Bamtonnelstroy	BTSTI RTS	U.S. Dollar	3,590	Neutral	381	17.3	25.9	6.5	8.3	2.6	2.4	15%	9%	7%	-5%	5%	-16%
Mostostroy-11	MSTSI RTS	U.S. Dollar	1,035	Buy	4,982	18.0	13.8	7.4	5.8	3.3	2.7	18%	19%	-30%	-9%	-73%	-41%
Mcap - weighted Average (Mean)						**19.3**	**18.7**	**7.5**	**8.1**	**2.2**	**2.0**	**9%**	**13%**	**-11%**	**-4%**	**-24%**	**-9%**
Median						**14.7**	**13.2**	**6.7**	**6.1**	**1.9**	**1.8**	**14%**	**14%**	**-5%**	**0%**	**-13%**	**-8%**
Global Average																	
Mcap - weighted Average (Mean)						**25.2**	**20.0**	**9.0**	**8.0**	**2.5**	**2.2**	**11%**	**15%**	**2%**	**6%**	**-10%**	**7%**
Median						**16.8**	**13.8**	**7.6**	**6.2**	**1.9**	**1.7**	**10%**	**12%**	**-1%**	**2%**	**-10%**	**6%**

** - indicates stock is on the GS regional conviction list. For important disclosures, please go to http://www.gs.com/research/hedge.html.*

NC - Not Covered

Source: Datastream, Bloomberg, Goldman Sachs Research estimates.

Exhibit 57: Shareholding pattern – L&T

Shareholding pattern trend over time

L&T (% share-holding)	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Promoters	0	0	0	0	0
Public Institutions excl. FIIs	37.2	36.6	36.6	38.4	37.4
FIIs	16.4	15.7	15.7	11.9	13.7
Others	46.4	47.7	47.7	49.8	49.0
Total	**100**	**100**	**100**	**100**	**100**

Source: BSE.

IRB Infrastructure Developers (IRBI.BO; Buy, 12-m TP: Rs326)

Attractive pipeline and strong execution are key growth drivers

- We maintain our Buy rating on IRB and our SOTP-based 12-month target price of Rs326, implying upside potential of 35% from current levels.
- With 3,404 lane Kms under operation and 1,646 lane Kms under development, the company is one of the biggest road BOT operators in the country. In addition, it currently has about Rs36bn and Rs200bn of projects in the Request for Proposal (RFP) and Request for Qualification (RFQ) stages, respectively.
- We believe the company's execution track – record and high cash generation ability positions it ahead of competition to benefit from the expected uptick in award activity in the roads segment over the next 6-12 months.
- The company reported robust operating performance for Q3FY10, with EBITDA margins improving by 300 bp sequentially. Revenue from the toll segment was up 22% sequentially, on account of incremental revenues from the Surat- Bharuch road project commissioned towards the end of Q2FY10.
- We have revised our FY10E -FY12E EPS estimates by -1% to -2% as we slightly tweak our expected execution and interest cost estimates.
- We expect sales CAGR of 33% over FY10E-12E for the company, and forecast EBIT margins to improve by 200 bps and ROE to increase by 270 bps over the same period.

Valuation

- We derive our 12-month target price of Rs 326 for IRB Infrastructure Developers using sum-of-the-parts valuation of its BOT projects, the E&C division and the real estate division. BOT projects under operation and the E&C division contribute to 67% of our target price.
- IRB currently trades at FY11E P/E of 17.0X and FY11E P/B of 3.1X – slightly above its historical 12-month forward P/E of 17.2X and P/B of 2.7X. We expect EBIT margins to improve by 200 bp over FY10E-FY12E and an improvement in ROE by 280 bp over the same period.

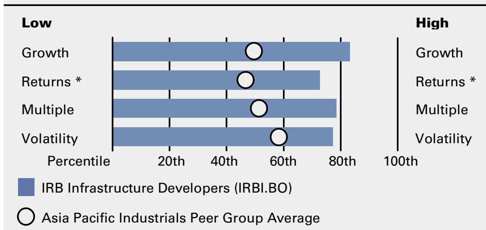
Catalysts

Catalysts include: 1) New project wins; 2) acceleration in traffic growth as the economy picks up; and 3) on-schedule execution on the projects that are currently under construction.

Risks

Key risks to our view and 12-m price target include: 1) Lower-than-expected traffic growth; 2) an increase in interest rates; 3) volatile construction material costs; 4) lower-than-expected spending by the Indian government on core infrastructure projects.

Investment Profile

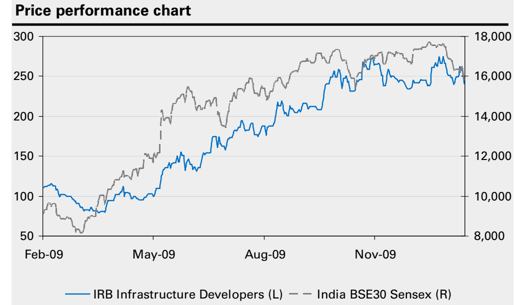


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Rs)	240.70
12 month price target (Rs)	326.00
Market cap (Rs mn / US$ mn)	80,000.0 / 1,712.1
Foreign ownership (%)	10.9

	3/09	3/10E	3/11E	3/12E
EPS (Rs) New	**5.29**	**10.18**	**14.18**	**17.59**
EPS revision (%)	0.0	(1.7)	(0.8)	(0.1)
EPS growth (%)	26.6	92.4	39.3	24.1
EPS (dil) (Rs) New	**5.29**	**10.18**	**14.18**	**17.59**
P/E (X)	45.5	23.6	17.0	13.7
P/B (X)	4.6	3.9	3.1	2.6
EV/EBITDA (X)	14.9	11.7	9.2	8.0
Dividend yield (%)	NM	NM	NM	NM
ROE (%)	10.5	17.8	20.5	20.6

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(1.0)	25.9	117.8
Rel. to India BSE30 Sensex	0.7	26.8	25.4

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2/05/2010 close.

SOTP valuation for IRB

Valuation	Valuation Methodology	Rs/sh	% contribution to SOTP value
BOT projects		**204**	**63%**
Projects under operation	**FCFE at COE = 14%**	**109**	**34%**
MPEW		*54*	*17%*
Bharuch - Surat		*27*	*8%*
Surat - Dahisar	*IRB's 90% stake*	*-4*	*-1%*
IRDP Kolhapur		*10*	*3%*
Other BOT Projects under operation		*22*	*7%*
Projects under construction	**FCFE at COE = 14%**	**55**	**17%**
Projects in the pipeline	**2.2X P/B - 50% of potential value**	**40**	**12%**
E&C		**109**	**33%**
Current portfolio of projects	**10X EV/EBITDA**	**109**	**33%**
Real Estate	**At book value**	**1**	**0%**
Cash in Holding Company		**12**	**4%**
Total		**326**	**100%**

Source: Goldman Sachs Research estimates.

Exhibit 58: Summary financials – IRB

Profit model (Rs mn)	3/09	3/10E	3/11E	3/12E
Total revenue	**9,918.8**	**18,863.1**	**27,465.1**	**33,588.6**
Cost of goods sold	(5,826.3)	(10,568.1)	(15,229.1)	(18,098.3)
SG&A	(862.4)	(1,471.3)	(2,142.3)	(2,619.9)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**4,374.0**	**8,821.9**	**12,707.5**	**16,006.9**
Depreciation & amortization	(1,143.8)	(1,998.2)	(2,613.8)	(5,339.3)
EBIT	**3,230.1**	**6,823.7**	**10,093.7**	**12,870.4**
Interest income	277.6	248.8	442.1	531.2
Interest expense	(1,376.6)	(2,876.2)	(4,678.1)	(5,889.2)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	18.3	50.0	50.0	0.0
Pretax profits	**2,149.4**	**4,246.3**	**5,907.6**	**7,512.3**
Income tax	(377.8)	(849.3)	(1,181.5)	(1,652.7)
Minorities	(13.2)	(13.0)	(13.0)	(13.0)
Net income pre-preferred dividends	**1,758.5**	**3,384.1**	**4,713.1**	**5,846.6**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**1,758.5**	**3,384.1**	**4,713.1**	**5,846.6**
Post-tax exceptionals	0.0	0.0	0.0	0.0
Net income	**1,758.5**	**3,384.1**	**4,713.1**	**5,846.6**
EPS (basic, pre-except) (Rs)	5.29	10.18	14.18	17.59
EPS (basic, post-except) (Rs)	5.29	10.18	14.18	17.59
EPS (diluted, post-except) (Rs)	5.29	10.18	14.18	17.59
DPS (Rs)	0.00	0.00	0.00	0.00
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Free cash flow yield (%)	(14.2)	(2.8)	(16.1)	(11.9)

Growth & margins (%)	3/09	3/10E	3/11E	3/12E
Sales growth	35.4	90.2	45.6	22.3
EBITDA growth	6.2	101.7	44.0	26.0
EBIT growth	4.1	111.3	47.9	27.5
Net income growth	54.4	92.4	39.3	24.1
EPS growth	26.6	92.4	39.3	24.1
Gross margin	41.3	44.0	44.6	46.1
EBITDA margin	44.1	46.8	46.3	47.7
EBIT margin	32.6	36.2	36.8	38.3

Cash flow statement (Rs mn)	3/09	3/10E	3/11E	3/12E
Net income pre-preferred dividends	1,758.5	3,384.1	4,713.1	5,846.6
D&A add-back	1,143.8	1,998.2	2,613.8	5,339.3
Minorities interests add-back	0.0	0.0	0.0	0.0
Net (inc)/dec working capital	(1,090.6)	(1,026.7)	(1,022.9)	(569.9)
Other operating cash flow	803.6	2,640.3	4,249.1	5,371.1
Cash flow from operations	**2,615.3**	**6,995.9**	**10,553.1**	**15,987.1**
Capital expenditures	(8,114.1)	(7,166.1)	(20,080.7)	(21,356.8)
Acquisitions	(283.6)	0.0	0.0	0.0
Divestitures	2,045.1	0.0	0.0	0.0
Others	195.2	248.8	442.1	531.2
Cash flow from investments	**(6,157.5)**	**(6,917.3)**	**(19,638.7)**	**(20,825.7)**
Dividends paid (common & pref)	(132.3)	0.0	0.0	0.0
Inc/(dec) in debt	4,579.4	6,017.7	15,248.9	14,089.0
Common stock issuance (repurchase)	(96.4)	0.0	0.0	0.0
Other financing cash flows	(952.4)	(2,876.2)	(4,678.1)	(5,889.2)
Cash flow from financing	**3,398.2**	**3,141.5**	**10,570.7**	**8,199.7**
Total cash flow	**(144.0)**	**3,220.2**	**1,485.2**	**3,361.2**

Balance sheet (Rs mn)	3/09	3/10E	3/11E	3/12E
Cash & equivalents	4,147.3	7,367.5	8,852.7	12,213.9
Accounts receivable	129.8	246.9	359.5	439.6
Inventory	2,054.0	3,725.7	5,368.9	6,380.4
Other current assets	3,994.9	3,994.9	3,994.9	3,994.9
Total current assets	**10,326.1**	**15,335.0**	**18,576.0**	**23,028.8**
Net PP&E	17,683.8	24,298.1	43,413.9	63,705.3
Net intangibles	17,022.9	15,576.5	13,927.7	9,653.8
Total investments	1,117.9	1,117.9	1,117.9	1,117.9
Other long-term assets	0.0	0.0	0.0	0.0
Total assets	**46,150.7**	**56,327.5**	**77,035.4**	**97,505.7**
Accounts payable	845.1	1,607.2	2,340.1	2,861.9
Short-term debt	163.7	163.7	163.7	163.7
Other current liabilities	457.6	457.6	457.6	457.6
Total current liabilities	**1,466.4**	**2,228.5**	**2,961.4**	**3,483.2**
Long-term debt	24,695.2	30,712.9	45,961.7	60,050.7
Other long-term liabilities	2,089.3	2,089.3	2,089.3	2,089.3
Total long-term liabilities	26,784.4	32,802.1	48,051.0	62,139.9
Total liabilities	**28,250.8**	**35,030.6**	**51,012.4**	**65,623.1**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**17,300.7**	**20,684.7**	**25,397.9**	**31,244.5**
Minority interest	599.2	612.2	625.2	638.2
Total liabilities & equity	**46,150.7**	**56,327.5**	**77,035.4**	**97,505.7**
BVPS (Rs)	**52.05**	**62.24**	**76.42**	**94.01**

Ratios	3/09	3/10E	3/11E	3/12E
ROE (%)	10.5	17.8	20.5	20.6
ROA (%)	4.1	6.6	7.1	6.7
ROACE (%)	7.4	13.2	15.0	14.0
Inventory days	80.1	99.8	109.0	118.5
Receivables days	4.6	3.6	4.0	4.3
Payable days	39.8	42.3	47.3	52.5
Net debt/equity (%)	115.7	110.4	143.2	150.6
Interest cover - EBIT (X)	2.9	2.6	2.4	2.4

Valuation	3/09	3/10E	3/11E	3/12E
P/E (analyst) (X)	45.5	23.6	17.0	13.7
P/B (X)	4.6	3.9	3.1	2.6
EV/EBITDA (X)	14.9	11.7	9.2	8.0
Dividend yield (%)	NM	NM	NM	NM

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Source: Company data, Goldman Sachs Research estimates.

Bharat Heavy Electricals (BHEL.BO; CL-Sell, 12-m TP: 1,761)

Source of opportunity

- We reiterate our Sell rating (on the Conviction list) on BHEL and revise up our 12-month target price by 7% to Rs1,761 (from Rs1651), implying downside potential of 23% from current levels.
- BHEL's order book at the end of 9M FY10 stood at Rs1,340 bn, recording an 18% yoy growth rate. This is significantly below the yoy growth rate of 37% at end-FY09, reflecting increasing competition and unfavorable base effect, in our view. Average burn ratio for 9M FY10 was 21% vs. 22% for 9MFY09.
- Competition is close to reaching critical mass – as indicated by the progress of the capacity proposed to be operationalized by domestic power equipment manufacturers (Exhibits 62 and 63). Surplus equipment supply in the domestic market is likely by FY2012, leading to pressure on pricing, in our view.
- Almost exclusive order booking on super-critical technology projects going forward will put pressure on profitability on three accounts: 1) higher competition controlling pricing, 2) royalty sharing with technology partners, and 3) increased capex requirements (for both central and regional units). We estimate about 350bp lower EBITDA margins on incremental orders compared with similar past orders).
- We estimate BHEL will grow its order book at a CAGR of 18% over FY09-FY12E vs. the 46% CAGR over FY06-09. We raise our FY10E-FY12E EPS estimates by 6%-10% and our new 12-m target price by 7%, as we incorporate the impact of the better-than-expected cost management delivered by the company over 9M FY10E.
- **Consensus FY11 EPS estimates for the company has fallen from about Rs122 in Nov 2009 to Rs110 now. Our FY11E and FY12E EPS estimates are still 11% and 18% below consensus**, respectively.

Catalyst

1) Lower-than-expected profitability FY11 onwards; 2) mkt. share loss in 12th Five–Year Plan orders leading to pricing decline; and 3) rupee appreciation leading to a price advantage for foreign competitors.

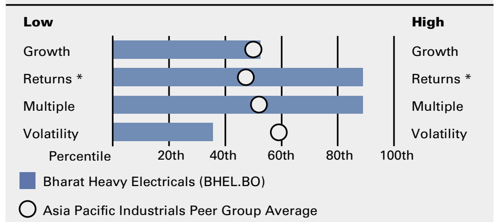
Valuation

- Our 12-month target price of Rs 1,761 for BHEL is based on a 1-year forward P/B-ROE regression-based target P/B of 4.3X (vs. 5.7X 5-year historical median 12-month fwd P/B). We expect the company's ROE to decline by c.370 bp over FY10E-FY12E.
- BHEL currently trades at an FY11E P/E of 23.3X and FY11E P/B of 5.7X, vs. its 5-yr median 12-month fwd P/E of 21.5X and P/B of 5.7X, respectively.

Key risks

1) Favorable policy changes such as import duties on equipment; and 2) volatile steel prices impacting margins favorably.

Investment Profile

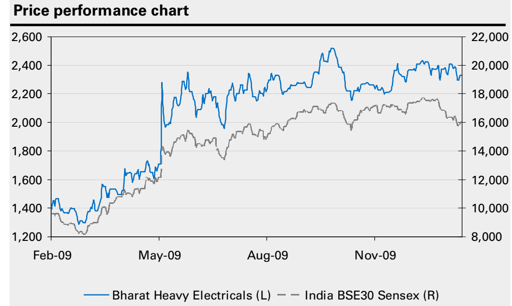


* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Rs)	2,331.75
12 month price target (Rs)	1,761.00
Market cap (Rs mn / US$ mn)	1,141,438.3 / 24,387.1
Foreign ownership (%)	17.0

	3/09	3/10E	3/11E	3/12E
EPS (Rs) New	**64.11**	**84.99**	**100.08**	**113.09**
EPS revision (%)	0.7	5.6	10.2	8.9
EPS growth (%)	9.8	32.6	17.7	13.0
EPS (dil) (Rs) New	**64.11**	**84.99**	**100.08**	**113.09**
P/E (X)	36.4	27.4	23.3	20.6
P/B (X)	8.8	7.0	5.7	4.7
EV/EBITDA (X)	17.5	20.7	16.3	14.2
Dividend yield (%)	0.8	0.9	1.0	1.1
ROE (%)	26.2	28.6	27.0	24.9

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	4.0	7.0	67.4
Rel. to India BSE30 Sensex	6.9	1.1	0.0

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2/09/2010 close.

Exhibit 59: Summary financials – BHEL

Profit model (Rs mn)	3/09	3/10E	3/11E	3/12E
Total revenue	**262,123.3**	**317,631.9**	**395,866.4**	**467,027.3**
Cost of goods sold	(159,217.0)	(181,050.2)	(230,394.2)	(278,348.3)
SG&A	(69,815.0)	(90,773.3)	(109,547.6)	(125,287.7)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**36,434.0**	**50,572.9**	**64,237.7**	**73,198.9**
Depreciation & amortization	(3,430.7)	(4,764.5)	(8,313.2)	(9,807.6)
EBIT	**33,091.3**	**45,808.4**	**55,924.5**	**63,391.3**
Interest income	7,695.3	8,251.7	7,619.4	7,801.9
Interest expense	(307.1)	(145.0)	(145.0)	(145.0)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	8,009.0	9,603.7	11,969.2	14,120.8
Pretax profits	**48,488.5**	**63,518.9**	**75,368.0**	**85,169.0**
Income tax	(17,106.4)	(21,914.0)	(26,378.8)	(29,809.1)
Minorities	0.0	0.0	0.0	0.0
Net income pre-preferred dividends	**31,382.1**	**41,604.9**	**48,989.2**	**55,359.8**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**31,382.1**	**41,604.9**	**48,989.2**	**55,359.8**
Post-tax exceptionals	0.0	0.0	0.0	0.0
Net income	**31,382.1**	**41,604.9**	**48,989.2**	**55,359.8**
EPS (basic, pre-except) (Rs)	64.11	84.99	100.08	113.09
EPS (basic, post-except) (Rs)	64.11	84.99	100.08	113.09
EPS (diluted, post-except) (Rs)	64.11	84.99	100.08	113.09
DPS (Rs)	18.50	21.28	23.40	25.74
Dividend payout ratio (%)	28.9	25.0	23.4	22.8
Free cash flow yield (%)	3.3	(0.1)	0.9	1.2

Growth & margins (%)	3/09	3/10E	3/11E	3/12E
Sales growth	35.8	21.2	24.6	18.0
EBITDA growth	11.1	38.8	27.0	14.0
EBIT growth	10.9	38.4	22.1	13.4
Net income growth	9.8	32.6	17.7	13.0
EPS growth	9.8	32.6	17.7	13.0
Gross margin	39.3	43.0	41.8	40.4
EBITDA margin	13.9	15.9	16.2	15.7
EBIT margin	12.6	14.4	14.1	13.6

Cash flow statement (Rs mn)	3/09	3/10E	3/11E	3/12E
Net income pre-preferred dividends	31,382.1	41,604.9	48,989.2	55,359.8
D&A add-back	3,342.7	4,764.5	8,313.2	9,807.6
Minorities interests add-back	0.0	0.0	0.0	0.0
Net (inc)/dec working capital	11,985.6	(2,723.3)	3,598.0	1,566.3
Other operating cash flow	(13,798.4)	(7,248.9)	(6,573.6)	(6,711.1)
Cash flow from operations	**32,912.0**	**36,397.2**	**54,326.8**	**60,022.6**
Capital expenditures	(13,555.7)	(43,352.6)	(49,104.9)	(50,741.6)
Acquisitions	(440.3)	0.0	0.0	0.0
Divestitures	319.4	0.0	0.0	0.0
Others	8,255.3	8,106.8	7,474.4	7,656.9
Cash flow from investments	**(5,421.3)**	**(35,245.9)**	**(41,630.5)**	**(43,084.7)**
Dividends paid (common & pref)	(8,729.9)	(9,056.1)	(10,414.5)	(11,456.0)
Inc/(dec) in debt	525.7	0.0	0.0	0.0
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0
Other financing cash flows	(293.3)	(145.0)	(145.0)	(145.0)
Cash flow from financing	**(8,497.5)**	**(9,201.1)**	**(10,559.5)**	**(11,601.0)**
Total cash flow	**19,286.5**	**(7,904.8)**	**2,281.7**	**5,481.9**

Balance sheet (Rs mn)	3/09	3/10E	3/11E	3/12E
Cash & equivalents	103,146.7	95,241.9	97,523.6	103,005.6
Accounts receivable	159,755.0	193,585.5	241,266.7	284,636.8
Inventory	78,370.2	100,583.4	127,996.8	154,637.9
Other current assets	27,738.8	27,738.8	27,738.8	27,738.8
Total current assets	**369,010.7**	**417,149.6**	**494,525.9**	**570,019.1**
Net PP&E	25,856.0	64,444.2	105,235.9	146,169.9
Net intangibles	417.7	417.7	417.7	417.7
Total investments	18,926.4	18,926.4	18,926.4	18,926.4
Other long-term assets	0.0	0.0	0.0	0.0
Total assets	**414,210.8**	**500,937.9**	**619,105.9**	**735,533.2**
Accounts payable	58,528.5	67,877.5	84,596.1	99,803.1
Short-term debt	439.9	439.9	439.9	439.9
Other current liabilities	207,642.6	251,614.0	313,588.0	369,958.6
Total current liabilities	**266,611.0**	**319,931.4**	**398,624.0**	**470,201.6**
Long-term debt	1,053.8	1,053.8	1,053.8	1,053.8
Other long-term liabilities	17,157.9	18,015.8	18,916.6	19,862.4
Total long-term liabilities	18,211.7	19,069.6	19,970.4	20,916.2
Total liabilities	**284,822.7**	**339,001.0**	**418,594.4**	**491,117.8**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**129,388.1**	**161,936.9**	**200,511.5**	**244,415.4**
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	**414,210.8**	**500,937.9**	**619,105.9**	**735,533.2**
BVPS (Rs)	**264.32**	**330.81**	**409.61**	**499.30**

Ratios	3/09	3/10E	3/11E	3/12E
ROE (%)	26.2	28.6	27.0	24.9
ROA (%)	8.7	9.1	8.7	8.2
ROACE (%)	97.5	75.7	51.1	40.7
Inventory days	155.6	180.4	181.1	185.3
Receivables days	194.6	203.0	200.5	205.5
Payable days	117.8	127.4	120.8	120.9
Net debt/equity (%)	(78.6)	(57.9)	(47.9)	(41.5)
Interest cover - EBIT (X)	NM	NM	NM	NM

Valuation	3/09	3/10E	3/11E	3/12E
P/E (analyst) (X)	36.4	27.4	23.3	20.6
P/B (X)	8.8	7.0	5.7	4.7
EV/EBITDA (X)	17.5	20.7	16.3	14.2
Dividend yield (%)	0.8	0.9	1.0	1.1

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Note: 1) Prices in this exhibit are as of close on February 9, 2010. 2) Our FY2009 EBITDA number is different from our earlier published number on account of our re-classification of operating and non-operating expenses.

Source: Company data, Goldman Sachs Research estimates.

Exhibit 60: Timely execution of its existing order book is a challenge for BHEL, in our view; even with perfect execution, average delivery period could stay high for at least another two years

Order book and execution time periods for BHEL

Order book growth	2005	2006	2007	2008	2009	2010E	2011E	2012E
Rs mn / MW	*24.0*	*28.0*	*30.5*	*31.0*	*31.0*	*30.0*	*28.8*	*27.9*
Energy- equivalent MW:								
Sales(MW)	4,521	5,344	6,177	7,150	9,153	11,260	14,501	17,820
Orders outstanding (MW)	13,333	13,429	18,033	27,484	35,963	42,407	52,797	63,612
Order received (MW)	7,596	6,764	11,686	16,216	19,254	17,704	24,891	28,635
Order book/Sales:	**2.9**	**2.5**	**2.9**	**3.9**	**4.1**	**3.9**	**3.7**	**3.7**
No. of months on avg. for completion	***26***	***26***	***24***	***30***	***36***	***40***	***37***	***38***

Source: Company data, Goldman Sachs Research estimates.

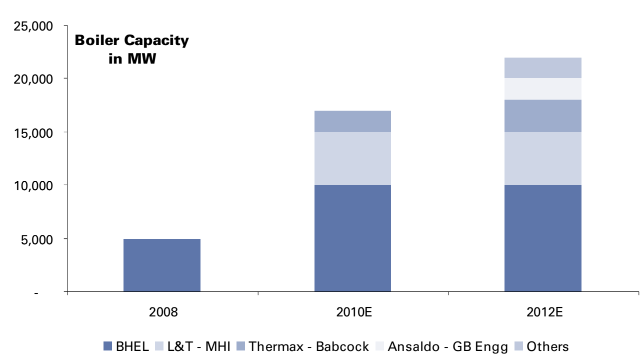
Exhibit 61: We expect a contraction in BHEL's ROE and a slowdown in its EBITDA growth

Valuations and return profile for BHEL over the years

BHEL	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10E	FY11E	FY12E
P/E (yr-avg) (X)	14.37	8.65	7.47	4.85	6.47	6.12	11.50	13.91	18.52	20.94	24.81	17.86	27.00	22.93	20.29
P/B (yr - avg) (X)	3.40	2.14	1.56	0.83	0.84	0.90	1.83	2.55	4.24	6.11	8.42	5.62	6.94	5.60	4.60
ROE	27.7%	17.7%	17.9%	8.7%	11.1%	9.4%	12.4%	15.8%	23.0%	27.5%	26.5%	24.3%	25.7%	24.4%	22.6%
EBITDA growth		-8%	-6%	-52%	87%	12%	42%	-31%	162%	58%	8%	11%	39%	27%	14%
EPS growth		-24%	10%	-48%	50%	-5%	48%	45%	76%	44%	18%	10%	33%	18%	13%

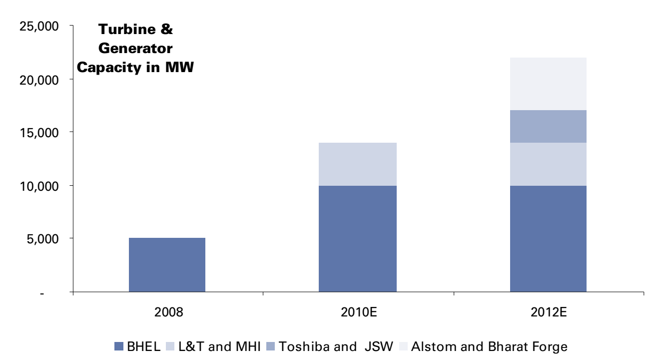
Source: Company data, Bloomberg, Goldman Sachs Research estimates.

Exhibit 62: JVs announced by Indian and foreign players imply capacity of 16 GW–21GW for boilers in 2012E...



Source: Central Electricity Authority, Goldman Sachs Research estimates.

Exhibit 63: ...and 14GW-22GW for super-critical technology turbines



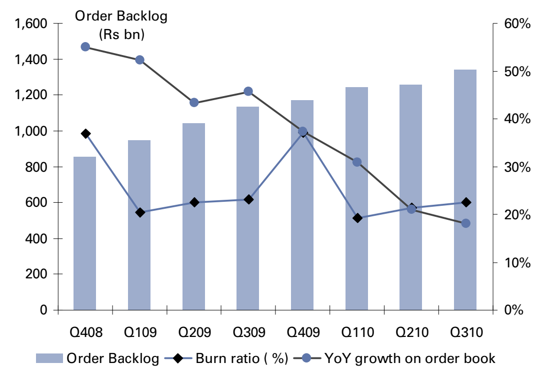
Source: Central Electricity Authority, Goldman Sachs Research estimates.

Exhibit 64: BHEL's incremental share of future orders could be substantially lower and would be at a lower price, matching the lowest bid, in our view
NTPC bulk ordering scheme

	11 X 660MW	Overall share
Total MW	7,260	
Total Value (Rs mn)	181,500	
Lowest bidder	6 units	**55%**
BHEL's expected share	**5 units**	**45%**
in MW	3,300	

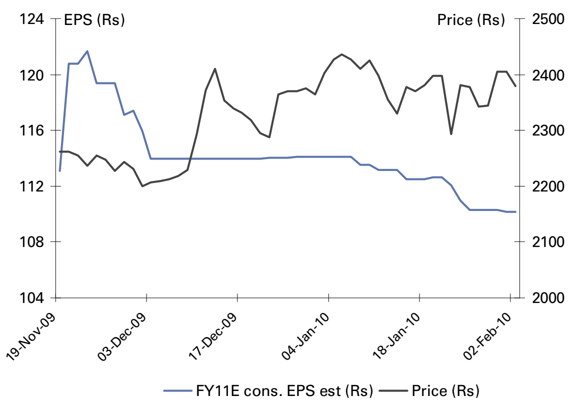
Source: Company data, Goldman Sachs Research estimates.

Exhibit 65: Despite the low execution rates, BHEL's yoy growth in order backlog has declined consistently over the previous eight quarters
BHEL's order backlog and execution trend – previous 8 quarters



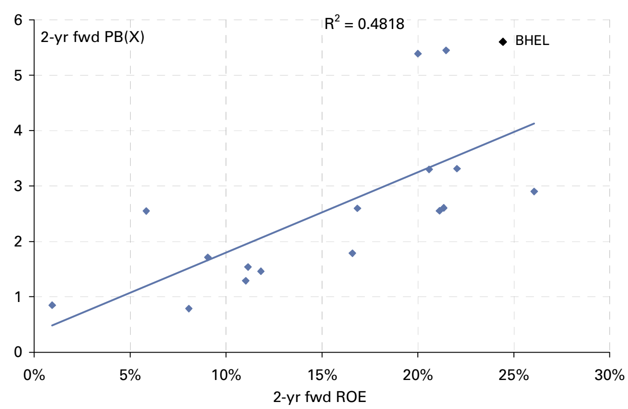
Source: Company data.

Exhibit 66: Consensus FY11 EPS estimates for the company have fallen from about Rs122 in Nov 2009 to Rs110 now



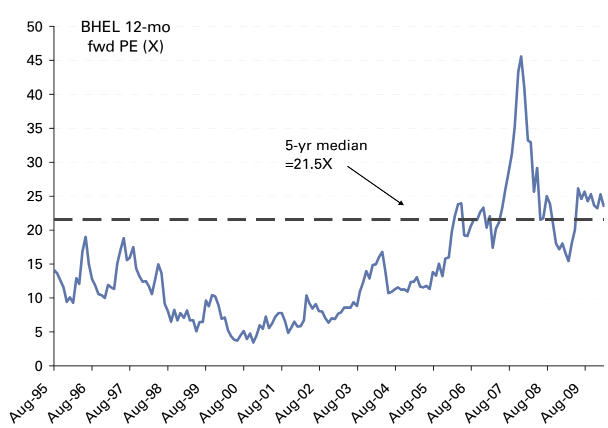
Source: Bloomberg.

Exhibit 67: BHEL currently trades at a significant premium to global peers on a 2-yr fwd P/B vs. ROE basis
P/B vs. ROE for the global power equipment peer group



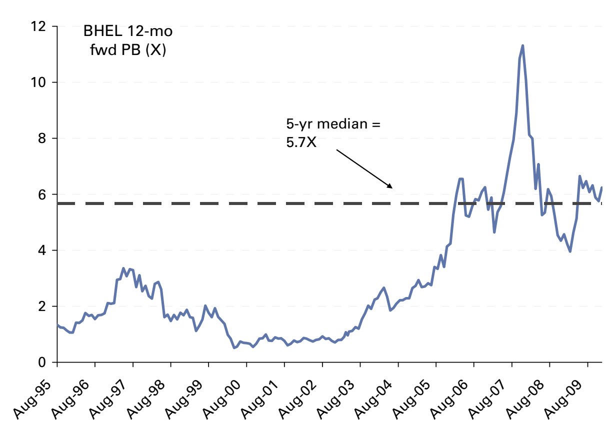
Source: Datastream, Bloomberg, Goldman Sachs Research.

Exhibit 68: BHEL is currently trading at an FY11E P/E of 22.9X vs. its 5-yr median 12-month fwd P/E of 21.5X



Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 69: BHEL is currently trading at an FY11E P/B of 5.6X vs. its 5-yr median 12-month fwd P/B of 5.7X



Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 70: BHEL trades at a 56% premium to the median for global peers on 2-yr fwd P/E and a premium of 120% to the median for global peers on 2-yr forward P/B

Snapshot of global peer valuations

	BB	Currency	Price	GS	Market Cap	P/E (X)		EV/EBITDA (X)		P/B (X)		ROE (%)		Sales CAGR (%)		EPS CAGR (%)	
Companies	**Ticker**	**Symbol**	**2/5/2010**	**Rating**	**US$mn**	**1-yr fwd**	**2-yr fwd**	**1-yr fwd**	**2-yr fwd**	**1-yr fwd**	**2-yr fwd**	**1-yr fwd**	**2-yr fwd**	**1-yr**	**2-yr**	**1-yr**	**2-yr**
India Power Equipment																	
BHEL	BHEL IN	Indian Rupee	2,295	Sell*	24,044	27.0	22.9	20.4	16.0	6.9	5.6	26%	24%	20%	22%	34%	25%
ABB Ltd India	ABB IN	Indian Rupee	756	NC	3,347	36.6	29.5	23.8	18.8	6.4	5.4	18%	20%	**17%**	**17%**	24%	24%
Siemens India Ltd	SIEM IN	Indian Rupee	565	NC	3,967	29.0	27.9	18.1	17.4	6.6	5.5	25%	21%	13%	11%	-31%	-10%
Mcap - weighted Average (Mean)						***28.3***	***24.3***	***20.4***	***16.5***	***6.8***	***5.6***	***25%***	***24%***	***19%***	***20%***	***24%***	***21%***
Median						***29.0***	***27.9***	***20.4***	***17.4***	***6.6***	***5.5***	***25%***	***21%***	***17%***	***17%***	***24%***	***24%***
Asia Power Equipment																	
Dongfang Electrical Corporation (H)	1072 HK	Hong Kong Dollar	34	Sell	3,903	17.9	16.0	5.0	5.4	3.8	3.3	19%	21%	15%	8%	186%	79%
Doosan Heavy Industries & Construction	034020 KS	South Korean Won	82,500	Neutral	7,402		43.6	21.5	16.8	2.7	2.5	-11%	6%	16%	14%	458%	NM
Harbin Power Engg. Company	1133 HK	Hong Kong Dollar	6	Neutral	1,086	10.6	9.8	2.8	0.7	0.8	0.8	8%	8%	-7%	-10%	-33%	-15%
Mitsubishi Electric	6503.T	Japanese Yen	737	Neutral	17,709		18.9	8.4	6.1	1.8	1.7	0%	9%	-9%	-2%	-98%	NM
Mitsubishi Heavy Industries	7011 JT	Japanese Yen	313	Sell	11,756	91.1	91.2	9.3	8.9	0.8	0.8	1%	1%	-11%	-8%	-52%	-31%
Shanghai Electric	2727 HK	Hong Kong Dollar	3	Neutral	5,344	14.8	13.8	6.8	6.1	1.7	1.5	11%	11%	-2%	-1%	-7%	0%
Mcap - weighted Average (Mean)						***26.1***	***39.8***	***10.1***	***8.3***	***1.8***	***1.7***	***1%***	***8%***	***-3%***	***0%***	***36%***	***-2%***
Median						***16.3***	***17.5***	***7.6***	***6.1***	***1.8***	***1.6***	***4%***	***9%***	***-5%***	***-1%***	***-20%***	***-7%***
North American Power Equipment																	
Emerson Electric	EMR US	U.S. Dollar	45	Neutral	33,890	18.0	15.0	9.2	7.7	3.6	3.3	20%	22%	3%	5%	10%	15%
General Electric	GE US	U.S. Dollar	16	Buy	168,258	15.3	11.7	10.7	7.8	1.4	1.3	9%	11%	1%	2%	2%	15%
Honeywell International	HON US	U.S. Dollar	37	Neutral	28,814	14.7	12.3	6.4	5.3	2.9	2.6	20%	21%	3%	5%	-11%	3%
United Technologies	UTX US	U.S. Dollar	67	Buy	60,848	14.3	12.1	6.7	5.7	2.9	2.6	20%	21%	1%	3%	13%	16%
Mcap - weighted Average (Mean)						***15.4***	***12.2***	***9.2***	***7.1***	***2.1***	***1.9***	***14%***	***15%***	***1%***	***3%***	***4%***	***14%***
Median						***15.0***	***12.2***	***7.9***	***6.7***	***2.9***	***2.6***	***20%***	***21%***	***2%***	***4%***	***6%***	***15%***
Europe Power Equipment																	
ABB Ltd	ABBN.VX	U.S. Dollar	19	Neutral	38,286	10.3	16.1	7.5	7.3	2.8	2.6	20%	17%	-10%	-6%	-4%	-22%
Alstom	ALSO.PA	Euro	46	Neutral	18,144	11.2	11.1	5.5	5.1	3.6	2.9	32%	26%	6%	5%	7%	4%
Schneider Electric	SCHN.PA	Euro	72	Neutral	23,897	17.5	12.3	8.6	7.3	1.5	1.5	9%	12%	-14%	-6%	-47%	-13%
Siemens AG	SIEGn.DE	Euro	62	Buy	73,289	15.7	10.7	5.9	4.5	1.9	1.8	12%	17%	-4%	1%	49%	48%
Vestas Wind Systems	VWS.CO	Euro	275	Buy*	10,279	12.9	14.3	6.9	8.0	2.3	2.0	17%	14%	14%	9%	4%	-3%
Mcap - weighted Average (Mean)						***14.0***	***12.5***	***6.7***	***5.9***	***2.3***	***2.1***	***16%***	***17%***	***-5%***	***-1%***	***15%***	***15%***
Median						***12.9***	***12.3***	***6.9***	***7.3***	***2.3***	***2.0***	***17%***	***17%***	***-4%***	***1%***	***4%***	***-3%***
Global Average																	
Mcap - weighted Average (Mean)						***16.7***	***15.4***	***9.2***	***7.4***	***2.4***	***2.2***	***14%***	***16%***	***0%***	***2%***	***11%***	***13%***
Median						***15.5***	***14.7***	***8.0***	***7.3***	***2.7***	***2.6***	***18%***	***17%***	***2%***	***4%***	***3%***	***4%***

* - Stock is on our regional Conviction list; NC – Not Covered

Note – (1) For important disclosures, please go to http://www.gs.com/research/hedge.html

Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 71: Shareholding pattern – Bharat Heavy Electricals Limited

BHEL (% share-holding)	**Dec-09**	**Sep-09**	**Jun-09**	**Mar-09**	**Dec-08**
Promoters	67.72	67.72	67.72	67.7	67.7
- Domestic promoter	67.72	67.72	67.72	67.7	67.7
Public Institutions excl. FIIs	10.81	9.77	9.16	9.2	9.5
FIIs	15.45	16.11	17.07	17.0	16
Others	6.02	6.4	6.05	6.1	6.9
Total	**100**	**100**	**100**	**100**	**100**

Source: Bombay Stock Exchange (BSE).

GMR Infrastructure (GMRI.BO; Neutral, 12-m TP: Rs63)

Stabilization and execution on current projects is key

- We maintain our Neutral rating on GMR Infrastructure and fine-tune our 12-month target price to Rs63 from Rs62.5 earlier, implying upside potential of 20% from current levels.
- Though we believe the company has an attractive infrastructure portfolio, the bulk of its projects will only start contributing meaningfully post FY12. The power assets currently under construction and development are likely to start contributing only in FY2013E.
- We have fine-tuned our FY10E-FY12E EPS estimates by 1%-4% as we moderate our growth assumptions for the power segment. Power segment revenues declined 20% yoy in Q3FY10.
- We expect sales CAGR of 12% over FY10E-FY12E and an EPS CAGR of 25% over the same period. We forecast ROE to improve by c.180 bps, as the company's new capacity – especially in the power segment – stabilize operations.
- The stock has suffered ytd (down about 22%) due to 1) its longer gestation projects getting discounted at higher rates in a risk-averse market, and 2) worries on higher interest rates and ability to raise further capital for continued execution on projects.
- Although these are fair concerns, we highlight the quality and large value-creation potential of existing assets.

Valuation

- Our 12-month target price of Rs63 is derived using sum-of-the-parts valuation of GMR's core airport operations, real estate assets associated with the airport property, roads and power assets.
- GMR currently trades at an FY11E P/B of 2.7X, at a 50% premium to the median P/B multiple of 1.8X for its Indian peers. We continue to remain Neutral on the stock as we believe current expensive valuation reflects the inherently long-term nature of GMR's business – where cash flow and earnings are back-end loaded.

Catalysts

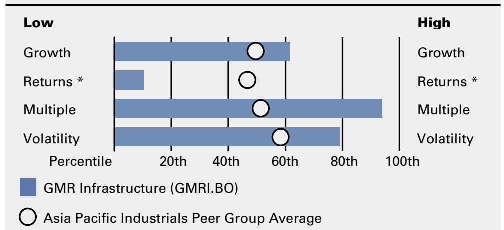
Catalysts include: 1) Monetization of the real estate assets associated with the airport properties at Delhi and Hyderabad; 2) commencement of merchant sale from its power plants in Andhra Pradesh

Risks

Upside risk: 1) Faster-than-expected economic recovery leading to acceleration in traffic growth at the company's road and airport assets.

Downside risks: 1) Prolonged weakness in passenger traffic; 2) inability to enforce an increase in airport charges; 3) delay in the commissioning of power plants.

Investment Profile

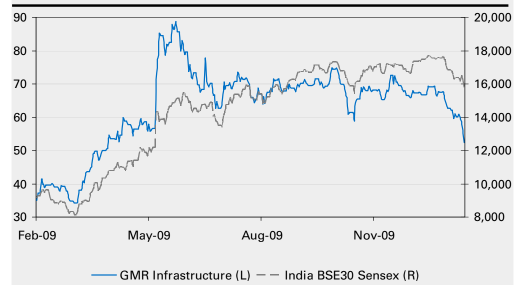


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Rs)	52.40
12 month price target (Rs)	63.00
Market cap (Rs mn / US$ mn)	190,804.1 / 4,083.6
Foreign ownership (%)	8.3

	3/09	3/10E	3/11E	3/12E
EPS (Rs) New	**0.77**	**0.79**	**0.93**	**1.23**
EPS revision (%)	0.0	(0.5)	(2.7)	(3.6)
EPS growth (%)	24.4	3.1	17.3	32.6
EPS (dil) (Rs) New	**0.77**	**0.79**	**0.93**	**1.23**
P/E (X)	68.5	66.4	56.6	42.7
P/B (X)	2.9	2.8	2.7	2.5
EV/EBITDA (X)	29.7	25.9	21.1	18.3
Dividend yield (%)	--	--	--	--
ROE (%)	4.4	4.3	4.9	6.1

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(19.3)	(25.3)	49.9
Rel. to India BSE30 Sensex	(17.9)	(24.8)	(13.7)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2/05/2010 close.

SOTP valuation for GMR Infrastructure

Segment	Valuation Methodology	Rs / share	% of SOTP value
Airports : core	NPV	23.5	30%
: real estate	NAV	24.5	31%
Power	2.2x P/B	26	33%
Roads	NPV	7.5	9%
Net cash		-2.5	-3%
Value per share		**79**	
Less: conglomerate discount @20%			
Equity value per share		**63**	

Source: Goldman Sachs Research estimates.

Exhibit 72: Summary financials – GMR Infrastructure

Profit model (Rs mn)	3/09	3/10E	3/11E	3/12E
Total revenue	**38,436.1**	**45,704.1**	**51,238.8**	**57,113.1**
Cost of goods sold	(20,851.1)	(24,298.2)	(26,472.1)	(28,935.9)
SG&A	(12,571.5)	(14,503.2)	(15,976.5)	(17,787.7)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**8,911.8**	**11,956.6**	**14,968.4**	**17,276.1**
Depreciation & amortization	(3,898.3)	(5,053.8)	(6,178.2)	(6,886.5)
EBIT	**5,013.5**	**6,902.8**	**8,790.2**	**10,389.5**
Interest income	612.2	1,726.6	814.7	1,091.7
Interest expense	(3,682.0)	(5,710.4)	(6,160.4)	(6,610.4)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	1,357.6	1,200.0	1,320.0	1,320.0
Pretax profits	**3,301.3**	**4,118.9**	**4,764.5**	**6,190.9**
Income tax	(530.2)	(947.4)	(1,095.8)	(1,423.9)
Minorities	23.4	(300.0)	(300.0)	(300.0)
Net income pre-preferred dividends	**2,794.5**	**2,871.6**	**3,368.7**	**4,467.0**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**2,794.5**	**2,871.6**	**3,368.7**	**4,467.0**
Post-tax exceptionals	0.0	0.0	0.0	0.0
Net income	**2,794.5**	**2,871.6**	**3,368.7**	**4,467.0**
EPS (basic, pre-except) (Rs)	0.77	0.79	0.93	1.23
EPS (basic, post-except) (Rs)	0.77	0.79	0.93	1.23
EPS (diluted, post-except) (Rs)	0.77	0.79	0.93	1.23
DPS (Rs)	0.00	0.00	0.00	0.00
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Free cash flow yield (%)	(38.2)	(11.6)	(2.5)	0.0

Growth & margins (%)	3/09	3/10E	3/11E	3/12E
Sales growth	75.9	18.9	12.1	11.5
EBITDA growth	82.4	34.2	25.2	15.4
EBIT growth	61.6	37.7	27.3	18.2
Net income growth	33.0	2.8	17.3	32.6
EPS growth	24.4	3.1	17.3	32.6
Gross margin	45.8	46.8	48.3	49.3
EBITDA margin	23.2	26.2	29.2	30.2
EBIT margin	13.0	15.1	17.2	18.2

Cash flow statement (Rs mn)	3/09	3/10E	3/11E	3/12E
Net income pre-preferred dividends	2,794.5	2,871.6	3,368.7	4,467.0
D&A add-back	3,898.3	5,053.8	6,178.2	6,886.5
Minorities interests add-back	0.0	0.0	0.0	0.0
Net (inc)/dec working capital	(5,474.3)	161.7	135.4	133.9
Other operating cash flow	2,526.8	4,283.8	5,645.7	5,818.7
Cash flow from operations	**3,745.3**	**12,370.9**	**15,328.0**	**17,306.0**
Capital expenditures	(65,841.5)	(31,414.1)	(16,024.8)	(13,142.3)
Acquisitions	0.0	0.0	0.0	0.0
Divestitures	34,007.3	0.0	0.0	0.0
Others	493.1	1,726.6	814.7	1,091.7
Cash flow from investments	**(31,341.1)**	**(29,687.5)**	**(15,210.1)**	**(12,050.6)**
Dividends paid (common & pref)	1,089.3	0.0	0.0	0.0
Inc/(dec) in debt	38,663.3	10,000.0	10,000.0	0.0
Common stock issuance (repurchase)	6,980.6	0.0	0.0	0.0
Other financing cash flows	(3,417.1)	(5,710.4)	(6,160.4)	(6,610.4)
Cash flow from financing	**43,316.1**	**4,289.6**	**3,839.6**	**(6,610.4)**
Total cash flow	**15,720.3**	**(13,027.0)**	**3,957.6**	**(1,354.9)**

Balance sheet (Rs mn)	3/09	3/10E	3/11E	3/12E
Cash & equivalents	24,665.2	11,638.2	15,595.8	14,240.9
Accounts receivable	6,609.1	8,389.5	9,405.5	10,483.8
Inventory	1,318.8	1,536.8	1,674.3	1,830.1
Other current assets	12,789.8	12,789.8	12,789.8	12,789.8
Total current assets	**45,382.9**	**34,354.4**	**39,465.3**	**39,344.6**
Net PP&E	120,354.1	147,706.5	158,665.3	166,160.8
Net intangibles	30,801.0	29,808.9	28,696.6	27,456.8
Total investments	26,379.4	26,379.4	26,379.4	26,379.4
Other long-term assets	0.0	0.0	0.0	0.0
Total assets	**222,917.4**	**238,249.1**	**253,206.6**	**259,341.6**
Accounts payable	8,483.3	10,643.4	11,932.3	13,300.3
Short-term debt	11,987.3	11,987.3	11,987.3	11,987.3
Other current liabilities	10,381.4	10,381.4	10,381.4	10,381.4
Total current liabilities	**30,852.0**	**33,012.1**	**34,301.0**	**35,669.0**
Long-term debt	108,250.6	118,250.6	128,250.6	128,250.6
Other long-term liabilities	1,042.4	1,042.4	1,042.4	1,042.4
Total long-term liabilities	109,293.0	119,293.0	129,293.0	129,293.0
Total liabilities	**140,145.0**	**152,305.1**	**163,594.0**	**164,962.0**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**64,711.3**	**67,582.9**	**70,951.5**	**75,418.5**
Minority interest	18,061.1	18,361.1	18,661.1	18,961.1
Total liabilities & equity	**222,917.4**	**238,249.1**	**253,206.6**	**259,341.6**
BVPS (Rs)	**17.77**	**18.56**	**19.49**	**20.71**

Ratios	3/09	3/10E	3/11E	3/12E
ROE (%)	4.4	4.3	4.9	6.1
ROA (%)	1.4	1.2	1.4	1.7
ROACE (%)	3.3	3.3	3.7	4.1
Inventory days	14.9	21.4	22.1	22.1
Receivables days	51.8	59.9	63.4	63.6
Payable days	143.3	143.7	155.6	159.1
Net debt/equity (%)	115.5	138.0	139.1	133.5
Interest cover - EBIT (X)	1.6	1.7	1.6	1.9

Valuation	3/09	3/10E	3/11E	3/12E
P/E (analyst) (X)	68.5	66.4	56.6	42.7
P/B (X)	2.9	2.8	2.7	2.5
EV/EBITDA (X)	29.7	25.9	21.1	18.3
Dividend yield (%)	--	--	--	--

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Source: Company data, Goldman Sachs Research estimates.

GVK Power & Infrastructure Ltd (GVKP.BO; Neutral, 12-m TP: Rs48)

Pick-up in transport segment, key driver of growth

- We maintain our Neutral rating on GVK Power and Infrastructure and revise our 12-month target price slightly to Rs48 from Rs47 earlier, implying upside potential of 13% from current levels.
- The company reported strong Q3FY10 numbers, with net income up 105% on a YoY basis. The key drivers were strong traffic growth at the road BOT and a doubling of contribution from the Mumbai Airport on a sequential basis.
- Passenger traffic at the Mumbai airport was up 8% on a yoy basis for 9MFY10 vs. the 8% decline in traffic seen in FY09. However, a large part of the value of the airport assets will come through real estate – 20 million square feet to be developed starting 2QFY11.
- We have revised our FY11E-FY12E EPS estimates downwards by 13% - 15% as we moderate our margin improvement assumptions, in line with the EBIT margin performance delivered by the company over 9MFY10, which is down by 500 bps from 9MFY09 levels.
- We expect sales CAGR of 16% over FY10E-FY12E and an EPS CAGR of 50% over the same period. We forecast ROE to improve by c.450 bps, on the back of strong growth in the higher-margin roads segment.
- We have revised our 12-month target price slightly to Rs48, as we assign a value of Rs 7 per share to the company's recently bought 29% stake in the Bangalore International Airport (BIAL)

Valuation

- Our 12-month target price of Rs48 is derived using sum-of-the-parts valuation of GVK's core airport operations, real estate assets, associated with the airport property; roads, power assets and SEZ.
- GVK currently trades at FY11E P/B of 1.9X, vs. the median P/B of 1.8X for its Indian peers. We believe valuations are fair – adequately balancing the company's attractive exposure across core infrastructure segments with the risk of delayed execution.

Catalysts

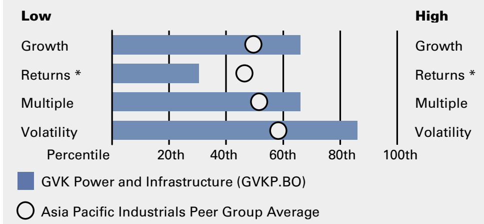
Catalysts include: 1) Monetization of the real estate assets associated with the Mumbai Airport, on schedule; 2) commencement of merchant sale from its power plants in Andhra Pradesh.

Risks

Upside risk: 1) Faster-than-expected economic recovery leading to acceleration in traffic growth at the company's road and airport assets.

Downside risks: 1) Prolonged weakness in passenger traffic; 2) inability to enforce an increase in airport charges; and 3) delay in the commissioning of power plants.

Investment Profile

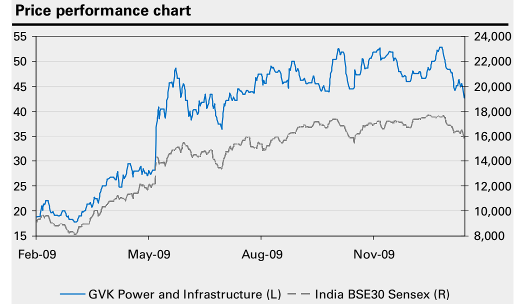


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Rs)	42.65
12 month price target (Rs)	48.00
Market cap (Rs mn / US$ mn)	59,959.5 / 1,283.2
Foreign ownership (%)	17.1

	3/09	3/10E	3/11E	3/12E
EPS (Rs) New	**0.77**	**1.19**	**2.03**	**2.68**
EPS revision (%)	0.0	3.9	(13.4)	(14.7)
EPS growth (%)	(26.0)	54.7	70.6	31.9
EPS (dil) (Rs) New	**0.77**	**1.19**	**2.03**	**2.68**
P/E (X)	55.4	35.8	21.0	15.9
P/B (X)	2.6	2.0	1.9	1.7
EV/EBITDA (X)	39.8	15.8	12.6	10.2
Dividend yield (%)	--	0.1	0.1	0.1
ROE (%)	4.8	6.6	9.3	11.1

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(9.7)	(2.6)	126.9
Rel. to India BSE30 Sensex	(8.2)	(1.9)	30.6

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2/05/2010 close.

SOTP valuation for GVK Power and Infrastructure

Segment	Valuation Methodology	Rs/share	% of SOTP value
Airport: core	1.7x book	8	13%
: real estate	NAV	18	29%
Road	10x EV/EBITDA	9	16%
BIAL			
Power	NPV	16	26%
SEZ	Book value	3	5%
BIAL		7	12%
Value per share		**60**	
Less: Conglomerate discount @20%			
Equity value per share		**48**	

Source: Goldman Sachs Research estimates.

Exhibit 73: Summary financials – GVK

Profit model (Rs mn)	3/09	3/10E	3/11E	3/12E
Total revenue	**5,137.8**	**18,738.0**	**21,765.2**	**25,419.6**
Cost of goods sold	(3,273.4)	(12,093.6)	(13,829.6)	(16,151.7)
SG&A	(880.9)	(3,131.5)	(3,746.3)	(4,299.0)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**1,763.0**	**5,574.1**	**6,801.1**	**8,019.3**
Depreciation & amortization	(779.5)	(2,061.2)	(2,611.8)	(3,050.4)
EBIT	**983.5**	**3,512.9**	**4,189.3**	**4,968.9**
Interest income	41.3	109.3	256.9	259.2
Interest expense	(333.9)	(2,383.8)	(2,095.7)	(1,887.6)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	160.5	300.0	400.0	400.0
Pretax profits	**851.5**	**1,538.4**	**2,750.4**	**3,740.5**
Income tax	(100.4)	(276.9)	(330.1)	(448.9)
Minorities	312.5	567.6	700.7	825.1
Net income pre-preferred dividends	**1,063.6**	**1,829.1**	**3,121.1**	**4,116.7**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**1,063.6**	**1,829.1**	**3,121.1**	**4,116.7**
Post-tax exceptionals	12.1	0.0	0.0	0.0
Net income	**1,075.6**	**1,829.1**	**3,121.1**	**4,116.7**
EPS (basic, pre-except) (Rs)	0.76	1.19	2.03	2.68
EPS (basic, post-except) (Rs)	0.77	1.19	2.03	2.68
EPS (diluted, post-except) (Rs)	0.77	1.19	2.03	2.68
DPS (Rs)	0.00	0.04	0.04	0.04
Dividend payout ratio (%)	0.0	3.1	1.8	1.4
Free cash flow yield (%)	(2.3)	(1.6)	4.3	5.9

Growth & margins (%)	3/09	3/10E	3/11E	3/12E
Sales growth	9.3	264.7	16.2	16.8
EBITDA growth	(6.0)	216.2	22.0	17.9
EBIT growth	(10.5)	257.2	19.3	18.6
Net income growth	(20.6)	70.1	70.6	31.9
EPS growth	(26.0)	54.7	70.6	31.9
Gross margin	36.3	35.5	36.5	36.5
EBITDA margin	34.3	29.7	31.2	31.5
EBIT margin	19.1	18.7	19.2	19.5

Cash flow statement (Rs mn)	3/09	3/10E	3/11E	3/12E
Net income pre-preferred dividends	1,063.6	1,829.1	3,121.1	4,116.7
D&A add-back	779.5	2,061.2	2,611.8	3,050.4
Minorities interests add-back	0.0	0.0	0.0	0.0
Net (inc)/dec working capital	(26.0)	(1,965.1)	(406.7)	(521.6)
Other operating cash flow	(245.7)	1,706.9	1,138.1	803.3
Cash flow from operations	**1,571.5**	**3,632.1**	**6,464.3**	**7,448.9**
Capital expenditures	(2,293.9)	(2,874.8)	(1,935.3)	(2,008.4)
Acquisitions	(9,957.5)	0.0	0.0	0.0
Divestitures	2,665.9	0.0	0.0	0.0
Others	111.7	109.3	256.9	259.2
Cash flow from investments	**(9,473.8)**	**(2,765.4)**	**(1,678.4)**	**(1,749.2)**
Dividends paid (common & pref)	150.3	0.0	(55.9)	(55.9)
Inc/(dec) in debt	6,679.2	(3,601.3)	(2,601.3)	(2,601.3)
Common stock issuance (repurchase)	274.8	7,000.0	0.0	0.0
Other financing cash flows	716.8	(2,157.8)	(2,095.7)	(1,887.6)
Cash flow from financing	**7,821.0**	**1,240.9**	**(4,753.0)**	**(4,544.9)**
Total cash flow	**(81.3)**	**2,107.6**	**32.9**	**1,154.8**

Balance sheet (Rs mn)	3/09	3/10E	3/11E	3/12E
Cash & equivalents	1,562.1	3,669.7	3,702.6	4,857.4
Accounts receivable	642.6	2,343.5	2,722.1	3,179.1
Inventory	441.9	1,632.6	1,867.0	2,180.4
Other current assets	1,579.0	1,579.0	1,579.0	1,579.0
Total current assets	**4,225.6**	**9,224.8**	**9,870.7**	**11,796.0**
Net PP&E	44,543.4	46,387.5	47,016.9	47,500.1
Net intangibles	7,547.9	6,517.3	5,211.4	3,686.2
Total investments	3,219.1	3,219.1	3,219.1	3,219.1
Other long-term assets	0.0	0.0	0.0	0.0
Total assets	**59,536.0**	**65,348.8**	**65,318.1**	**66,201.5**
Accounts payable	350.0	1,276.5	1,482.7	1,731.7
Short-term debt	1,324.6	1,223.3	1,122.0	1,020.7
Other current liabilities	953.0	953.0	953.0	953.0
Total current liabilities	**2,627.6**	**3,452.8**	**3,557.8**	**3,705.4**
Long-term debt	28,473.3	24,973.3	22,473.3	19,973.3
Other long-term liabilities	2,562.1	2,217.5	1,513.7	685.6
Total long-term liabilities	31,035.4	27,190.8	23,987.0	20,658.9
Total liabilities	**33,663.1**	**30,643.7**	**27,544.8**	**24,364.3**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**23,228.8**	**32,058.0**	**35,123.2**	**39,184.0**
Minority interest	2,644.1	2,647.1	2,650.2	2,653.2
Total liabilities & equity	**59,536.0**	**65,348.8**	**65,318.1**	**66,201.5**
BVPS (Rs)	**16.52**	**20.87**	**22.87**	**25.51**

Ratios	3/09	3/10E	3/11E	3/12E
ROE (%)	4.8	6.6	9.3	11.1
ROA (%)	2.2	2.9	4.8	6.3
ROACE (%)	2.3	5.6	7.0	8.2
Inventory days	37.3	31.3	46.2	45.7
Receivables days	46.0	29.1	42.5	42.4
Payable days	30.3	24.5	36.4	36.3
Net debt/equity (%)	109.1	64.9	52.7	38.6
Interest cover - EBIT (X)	3.4	1.5	2.3	3.1

Valuation	3/09	3/10E	3/11E	3/12E
P/E (analyst) (X)	57.2	37.0	21.7	16.4
P/B (X)	2.7	2.1	1.9	1.7
EV/EBITDA (X)	39.8	16.2	12.9	10.4
Dividend yield (%)	--	0.1	0.1	0.1

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Note: Prices in this exhibit are as of close on 8 February 2010

Source: Company data, Goldman Sachs Research estimates.

Punj Lloyd Limited (PUJL.BO; Neutral, 12-m TP: Rs236)

Attractive pipeline and strong execution are key growth drivers

- We maintain our Neutral rating on Punj Lloyd and revise our 12-month target price to Rs236 from Rs256 earlier, implying upside potential of 33% from current levels.
- Punj Lloyd's order book at the end of 9MFY09 stood at Rs234bn, up 7% on a yoy basis. Orders in Africa account for 43% of the current order book. Revenue growth could continue to be tepid, until execution on these large African orders ramps up – in our view.
- We have revised our FY10E-FY12E EPS estimates downwards by 6% - 27%, as we incorporate the impact of slower-than-expected execution as well as margin improvement reported by the company in Q3FY10. We have also revised our 12-month target price downwards by 8% to Rs236.
- We expect sales CAGR of 24% over FY10E-FY12E and an EPS CAGR of 37% over the same period. We forecast ROE to improve by c.330 bp in an environment of stable costs and improving execution from the company in FY11E relative to FY10E.
- The expectations from the company are now much more moderate and the stock has also come down sharply post results, making us more constructive on the name from a risk-reward perspective. We continue with our Neutral recommendation, as we would like to wait to see company's execution pick-up in international projects as well as gain traction in order wins in India (the company has lacked in both areas over the past few quarters).

Valuation

- Our revised 12-month target price of Rs236 for the company is based on 1.8X FY2011E BVPS – in line with global peers. We also build in a value of Rs17, reflecting Punj Lloyd's 19.43% stake in the recently listed Pipavav Shipyard Ltd.
- Punj Lloyd currently trades at FY11E P/E of 12.9X and FY11E P/B of 1.5X, which is about 20% discount to the median P/E of 16.0X and P/B of 1.8X for its Indian peers. We believe this discount is fair – reflecting uncertainties surrounding the company's execution.

Catalysts

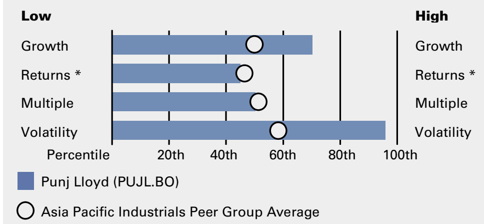
Catalysts include: 1) Rise in oil prices leading to a pick-up in investments in the energy sector in the medium term; and 2) a pick-up in execution on the slow-moving orders and also on the large order book in Africa.

Risks

Upside risks: 1) Faster-than-expected revival in Middle East construction activity and hydrocarbons sector leading to strong order inflows; 2) new order inflows in the Indian Infrastructure segment.

Downside risks: 1) Execution and quality issues similar to the issue with SABIC over withdrawn bank guarantees; 2) further delay in execution ramp-up on the current order book.

Investment Profile

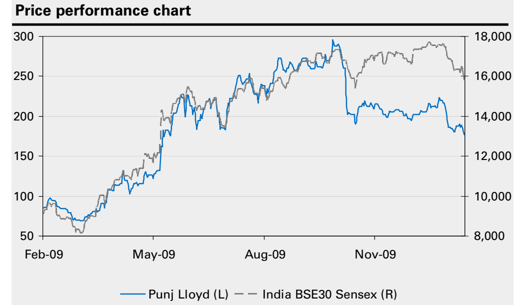


* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current
Price (Rs)	176.80
12 month price target (Rs)	236.00
Market cap (Rs mn / US$ mn)	58,703.4 / 1,256.4
Foreign ownership (%)	15.0

	3/09	3/10E	3/11E	3/12E
EPS (Rs) New	**(7.23)**	**9.21**	**13.73**	**17.39**
EPS revision (%)	0.0	(26.6)	(17.3)	(6.5)
EPS growth (%)	(160.5)	227.4	49.0	26.7
EPS (dil) (Rs) New	**(7.23)**	**9.21**	**13.73**	**17.39**
P/E (X)	NM	19.2	12.9	10.2
P/B (X)	2.2	1.6	1.5	1.3
EV/EBITDA (X)	20.9	9.0	7.3	6.2
Dividend yield (%)	0.2	0.2	0.2	0.3
ROE (%)	(8.6)	10.1	11.9	13.4

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(14.8)	(26.2)	107.0
Rel. to India BSE30 Sensex	(13.4)	(25.7)	19.2

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2/05/2010 close.

Exhibit 74: Summary financials – Punj Lloyd

Profit model (Rs mn)	3/09	3/10E	3/11E	3/12E
Total revenue	**119,120.3**	**118,578.8**	**153,472.2**	**182,478.4**
Cost of goods sold	(39,276.1)	(39,531.7)	(51,778.3)	(61,382.0)
SG&A	(77,211.0)	(71,365.0)	(91,904.7)	(109,274.7)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**4,403.9**	**9,861.5**	**12,609.9**	**15,175.6**
Depreciation & amortization	(1,770.8)	(2,179.4)	(2,820.7)	(3,353.8)
EBIT	**2,633.2**	**7,682.1**	**9,789.2**	**11,821.8**
Interest income	4.2	649.8	422.7	204.2
Interest expense	(3,518.8)	(3,559.2)	(3,559.2)	(3,559.2)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	894.8	0.0	0.0	0.0
Pretax profits	**13.4**	**4,772.6**	**6,652.7**	**8,466.8**
Income tax	(2,260.3)	(1,813.6)	(2,195.4)	(2,794.0)
Minorities	(6.1)	100.0	100.0	100.0
Net income pre-preferred dividends	**(2,253.0)**	**3,059.0**	**4,557.3**	**5,772.7**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**(2,253.0)**	**3,059.0**	**4,557.3**	**5,772.7**
Post-tax exceptionals	0.0	0.0	0.0	0.0
Net income	**(2,253.0)**	**3,059.0**	**4,557.3**	**5,772.7**
EPS (basic, pre-except) (Rs)	(7.42)	9.21	13.73	17.39
EPS (basic, post-except) (Rs)	(7.42)	9.21	13.73	17.39
EPS (diluted, post-except) (Rs)	(7.23)	9.21	13.73	17.39
DPS (Rs)	0.35	0.38	0.42	0.46
Dividend payout ratio (%)	(4.7)	4.2	3.1	2.7
Free cash flow yield (%)	(29.6)	(16.6)	(2.7)	(1.1)

Growth & margins (%)	3/09	3/10E	3/11E	3/12E
Sales growth	53.6	(0.5)	29.4	18.9
EBITDA growth	(36.4)	123.9	27.9	20.3
EBIT growth	(51.8)	191.7	27.4	20.8
Net income growth	(162.9)	235.8	49.0	26.7
EPS growth	(158.7)	224.2	49.0	26.7
Gross margin	67.0	66.7	66.3	66.4
EBITDA margin	3.7	8.3	8.2	8.3
EBIT margin	2.2	6.5	6.4	6.5

Cash flow statement (Rs mn)	3/09	3/10E	3/11E	3/12E
Net income pre-preferred dividends	(2,253.0)	3,059.0	4,557.3	5,772.7
D&A add-back	1,770.8	2,179.4	2,820.7	3,353.8
Minorities interests add-back	(0.7)	(0.7)	(0.7)	(0.7)
Net (inc)/dec working capital	(6,588.4)	(7,342.4)	(429.0)	(4,666.0)
Other operating cash flow	(622.6)	2,810.2	3,037.2	3,255.7
Cash flow from operations	**(7,693.9)**	**705.5**	**9,985.5**	**7,715.6**
Capital expenditures	(7,945.8)	(8,668.0)	(9,453.1)	(6,105.8)
Acquisitions	(1,649.8)	0.0	0.0	0.0
Divestitures	1,785.1	0.0	0.0	0.0
Others	109.9	649.8	422.7	204.2
Cash flow from investments	**(7,700.6)**	**(8,018.3)**	**(9,030.4)**	**(5,901.6)**
Dividends paid (common & pref)	(142.0)	(106.0)	(127.6)	(140.3)
Inc/(dec) in debt	19,520.4	0.0	0.0	0.0
Common stock issuance (repurchase)	7.0	8,140.0	0.0	0.0
Other financing cash flows	(2,767.0)	(3,559.2)	(3,559.2)	(3,559.2)
Cash flow from financing	**16,618.4**	**4,474.8**	**(3,686.8)**	**(3,699.6)**
Total cash flow	**1,223.9**	**(2,838.0)**	**(2,731.7)**	**(1,885.5)**

Balance sheet (Rs mn)	3/09	3/10E	3/11E	3/12E
Cash & equivalents	8,122.0	5,284.1	2,552.4	666.9
Accounts receivable	26,686.4	27,614.2	33,637.7	39,995.3
Inventory	36,685.9	42,969.3	45,821.5	51,151.6
Other current assets	11,460.5	11,460.5	11,460.5	11,460.5
Total current assets	**82,954.8**	**87,328.1**	**93,472.2**	**103,274.4**
Net PP&E	19,437.9	25,971.5	32,662.1	35,483.2
Net intangibles	2,289.6	2,244.6	2,186.4	2,117.2
Total investments	6,868.8	6,868.8	6,868.8	6,868.8
Other long-term assets	0.0	0.0	0.0	0.0
Total assets	**111,551.1**	**122,413.0**	**135,189.5**	**147,743.6**
Accounts payable	28,836.0	28,705.0	37,151.8	44,173.4
Short-term debt	17,263.9	17,263.9	17,263.9	17,263.9
Other current liabilities	18,263.0	18,263.0	18,263.0	18,263.0
Total current liabilities	**64,362.9**	**64,231.8**	**72,678.6**	**79,700.3**
Long-term debt	18,328.3	18,328.3	18,328.3	18,328.3
Other long-term liabilities	3,595.0	3,595.0	3,595.0	3,595.0
Total long-term liabilities	21,923.3	21,923.3	21,923.3	21,923.3
Total liabilities	**86,286.2**	**86,155.1**	**94,601.9**	**101,623.6**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**24,845.0**	**35,938.1**	**40,367.8**	**46,000.1**
Minority interest	419.8	319.8	219.8	119.8
Total liabilities & equity	**111,551.1**	**122,413.0**	**135,189.5**	**147,743.6**
BVPS (Rs)	**81.89**	**108.24**	**121.58**	**138.54**

Ratios	3/09	3/10E	3/11E	3/12E
ROE (%)	(8.6)	10.1	11.9	13.4
ROA (%)	(2.4)	2.6	3.5	4.1
ROACE (%)	2.8	8.0	9.4	10.2
Inventory days	266.1	367.7	313.0	288.3
Receivables days	72.9	83.6	72.8	73.6
Payable days	223.6	265.6	232.1	241.8
Net debt/equity (%)	108.7	83.6	81.4	75.7
Interest cover - EBIT (X)	0.7	2.6	3.1	3.5

Valuation	3/09	3/10E	3/11E	3/12E
P/E (analyst) (X)	NM	19.2	12.9	10.2
P/B (X)	2.2	1.6	1.5	1.3
EV/EBITDA (X)	20.9	9.0	7.3	6.2
Dividend yield (%)	0.2	0.2	0.2	0.3

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

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Reg AC

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