

MEP Infrastructure Developers Ltd.
Sector: Roads & Highways

Fundamental Stock Idea
05-Jul-17



HAM projects giving long term cash flow visibility and short term profitability; InvIT will reduce the debt burden

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Key Positive Points:

- Expect net worth will turn to be positive by FY18E
- Margin will grow a significant rate over the next couple of years.
- Operational efficiency and increasing order book will drive the growth and will secure the return for shareholders.
- Entering into new project model i.e. HAM will secure the future cash flow.
- Around Rs.10000 crore of projects are in pipeline expected to be bided in the next couple of months; which will give a strong growth visibility for the overall sector.
- Expect toll revenue compensation by authority due to demonetization disruption will give some extra boost on financials.

Having diversified project portfolio

MEP is a diversified Infrastructure player having operations in OMT and Toll collections, in recent time MEP in 6 HAM projects, in construction foray. MEP's recent entry into road development / construction business under HAM model will reduce the dependency on short term project revenue.

Strong Cash Flow visibility

Currently MEP has 14 projects in hand including six Hybrid Annuity Model (HAM) projects. With the large amount of HAM projects giving strong long term cash flow visibility. During FY17 MEP generate Rs. 14442 million after tax profit from core operation; we believe currently MEP is in sweet spot in terms of cash flows from core business operation. We see a consistent cash flow generation over the next few years with strong projects under operation.

HAM Projects gives long term steady cash flow guidance.....

With six HAM projects in hand, totaling project costs of Rs. 38367.6 million. Out of these projects MEP targeting EPC revenue around Rs.12000 million during FY18 with a targeting EBITDA margin about 12-14%. On six HAM projects MEP's stake roughly of 74% in each projects with a total equity investment require of Rs. 5755 million which is 15% of total costs with its' JV partner, and debt require of Rs. 17265 million is 45% of total project costs.

From six HAM projects cash flow will occurs in terms of annuity payment by the government roughly from FY20; estimated total annuity received over 15 years is Rs. 47767 million with 10% interest rate calculating as per diminishing balance method.

Expected InvIT issue will reduced the debt burden and help to generate steady cash flow.....

MEP Infra is expected to come with InvIT before September, targeting InvIT size of Rs. 14000 million with asset link of Mumbai Entry point and planning to add other 2-3 assets. So expected debt reduction will be to the extent of Rs.1400 crore largely subject to certain other expenditures that will have to incur so around Rs.1300 crore to Rs.1400 crore will be the debt reduction.

Market Data

Market Price	126.9
Market Cap. (Rs. Cr.)	2063
Avg. Daily Vol. (Qtrly)	0.66Mn.
Book Value per Share	NA
Market Cap/Sales	1.19
52 Week High/Low	122/33
Face Value	10

Codes

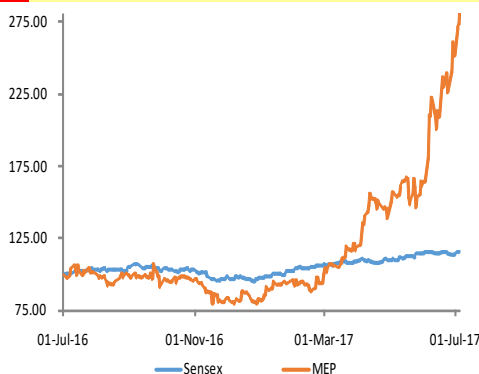
Bloomberg Code	MIDL IN
Reuters Code	NA
BSE Group	B
BSE Code	539126
NSE Symbol	MEP
ISIN No	INE776101010

Key Ratios

EPS (TTM)	6.67
P/E Ratio (Current)	19.04
ROCE (%)	12.18%
RONW (%)	NA
Debt/Equity	NA
Interest Coverage Ratio	0.24

Price Performance

	Absolute	Relative
3 months	113.6%	109.4%
6 months	259.7%	241.2%
12 months	187.7%	172.6%

Last 1 year stock performance**Financial Summary:**

Particulars	Net Sales (` Cr.)	EBITDA (` Cr.)	EBITDA (%)	PAT (` Cr.)	PATM (%)	EPS (Adj.) (`)	PE (x)	P/BV (x)	BVPS (`)	EV/EBITDA (x)
FY16	20068	5548	27.6%	263	1.3%	1.6	24.7	NA	NA	5.4
FY17	17291	12888	74.5%	1083	6.3%	6.7	19.0	NA	NA	3.3
FY18E	24401	16543	67.8%	2526	10.4%	15.5	8.17	NA	NA	2.5
FY19E	24491	16406	67.0%	2966	12.1%	18.2	6.96	NA	NA	2.4

Valuation Highlights

Shareholding Pattern	%
Promoters	65.29%
DII	8.86%
FII	5.73%
Others	15.85%

MEP Infra's top line grew by more than 6% CAGR over last five years with 8% CAGR growth in overall Balance sheet. MEP playing a key role from last couple of years in Indian infrastructure sector (Toll Collection), with a sustainable revenue growth per year from last six years, and having strong order book.

Also there are around Rs.10000 crore worth of work that is expected to be bidded in the next couple of months and MEP have been studying all those projects. We expects MEP's topline will grow by around 41% over FY18 largely on account of six HAM projects; where MEP is targeting a EPC revenue of Rs12000 million with a targeted EBITDA margin of 12-14%. Also we expect debt will reduced by around 50% after InvIT listing.

Currently MEP is available at a 19.04x PE on current year EPS. We have valued the Stock using PE multiple, P/BV multiple and Individual project wise. Currently it is available at 8.17x PE on FY18 estimated EPS of Rs. 15.54, and 6.96x PE on FY19 estimated EPS of Rs. 18.25.

Having strong project portfolio and continuous investment coming in roads and highway projects will enhance the company's growth. Therefore we are giving a buy recommendation at current price with a target of Rs. 188 upside potential of 48%.

Valuation method	Weights	Equity Value
PE	0.40	203
M.Cap/Sales	0.30	180
Project Valuation	0.30	176
Weighted Mean valuation	1	188

About MEP infra

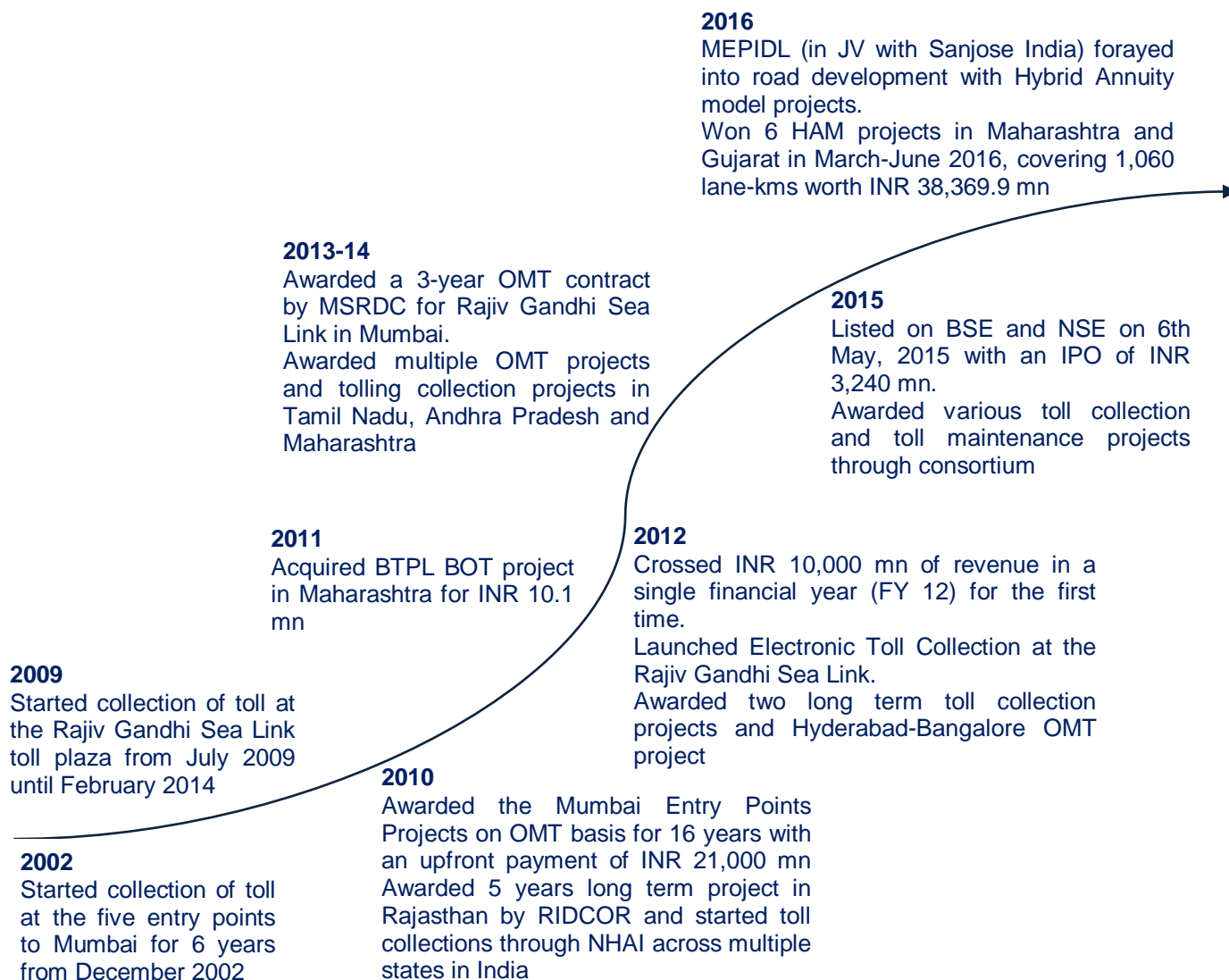
MEP Infra is India's one of the leading infrastructure operator and toll management company. We are a specialist service company, focusing on serving central and state road authorities across the country, for managing, operating and maintaining their road assets.

MEP plays a critical role in the upkeep and monetization of such infrastructure assets, ensuring that all stakeholders, both owners and users, have the best possible yields and utilization from each infrastructure asset. An enterprise founded by the Mhaikar family, MEP Infrastructure Developers Limited is a Mumbai headquartered organization with presence across 12 States in the country.

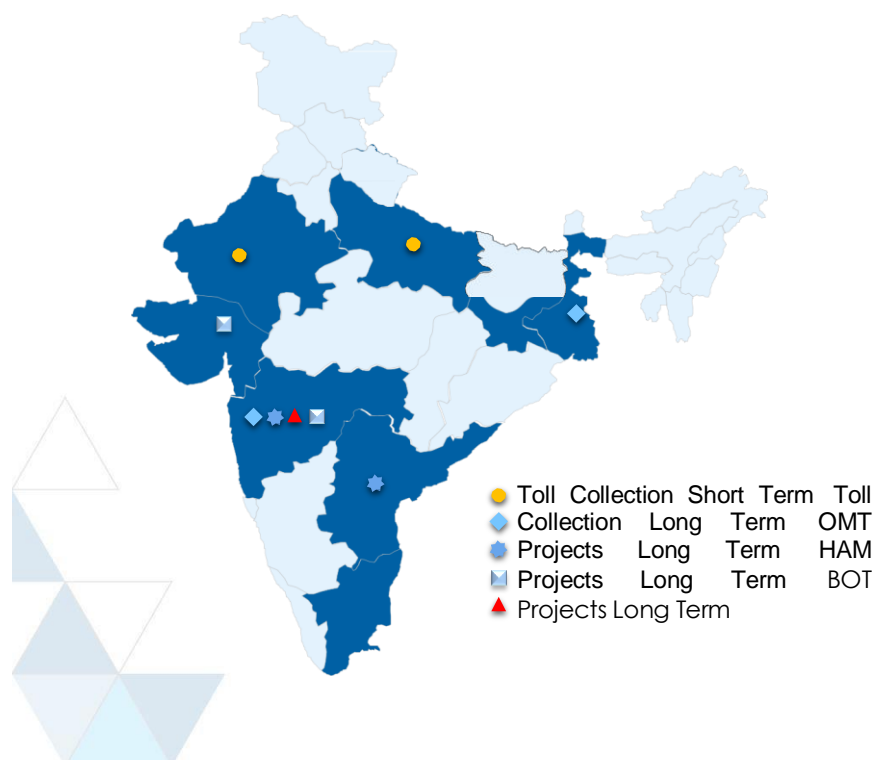
Behind the seamless and fluid operations of many of these systems, lies the experienced hand of MEP. Established in 2002, as a Toll Management Company, today MEP is an end-to-end service provider, covering OMT services, Toll Collection, BOT assets and construction of bridges. MEP leverages their expertise and know-how in delivering the best-in-class service with respect to infrastructure assets. More specifically, maintain and operate roads, highways, flyovers and bridges, and also collect toll on behalf of their clients.

MEP's objective is to maintain and widen position as the largest infrastructure services provider in India, serving a vibrant and growing \$1 trillion economy, supported by 1.2 billion people. Company has a diversified presence in India with a distinct ability to manage quality projects and key operations across different geographies. Together with MEP's strategic partners, also MEP handles landmark projects fostering sustainable progress.

Growth Path over the Years



Current Projects portfolio



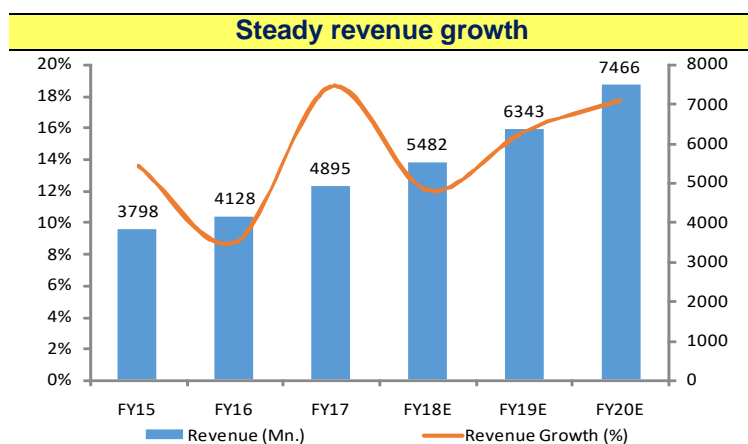
Current Project mix

Location	OMT	Long Term Toll	Short Term Toll	HAM	BOT	Total
Maharashtra	2	1	-	4	1	8
Rajasthan	-	-	1	-	-	1
Gujarat	-	-	-	2	-	2
Uttar Pradesh	-	-	1	-	-	1
West Bengal	-	1	-	-	-	1
Andhra Pradesh	1	-	-	-	-	1
Total	3	2	2	6*	1	14

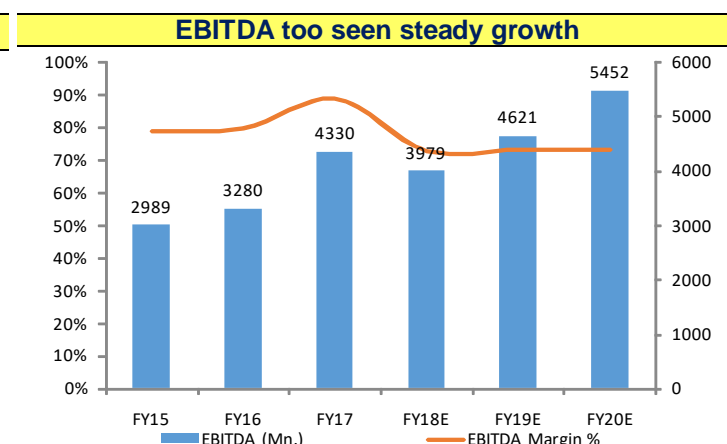
Mumbai Entry point project registered significant growth in FY17

The project was for collection of toll at, the five Mumbai Entry Points on the Sion–Panvel Highway, the Western Express Highway corridor, the Eastern Express Highway corridor, the Lal Bahadur Shastri Marg corridor and the Airoli Bridge corridor. Collection of toll at five entry points into Mumbai consisting of five toll plazas at Airoli, Vashi, Dahisar, Mulund on Lal Bahadur Shastri Marg and Mulund on Eastern Express Highway, with a contract period up to November 2026.

The project has been registered a significant revenue growth of 18.6% Y-o-Y to Rs. 4894 million. Meanwhile the EBITDA was around Rs. 4330 million with EBITDA margin of 88.5%. We expect revenue growth would be around 12% for FY18 and 15.7% for FY19; With EBITDA margin of around 80%.



Source: Company, Peerless Securities



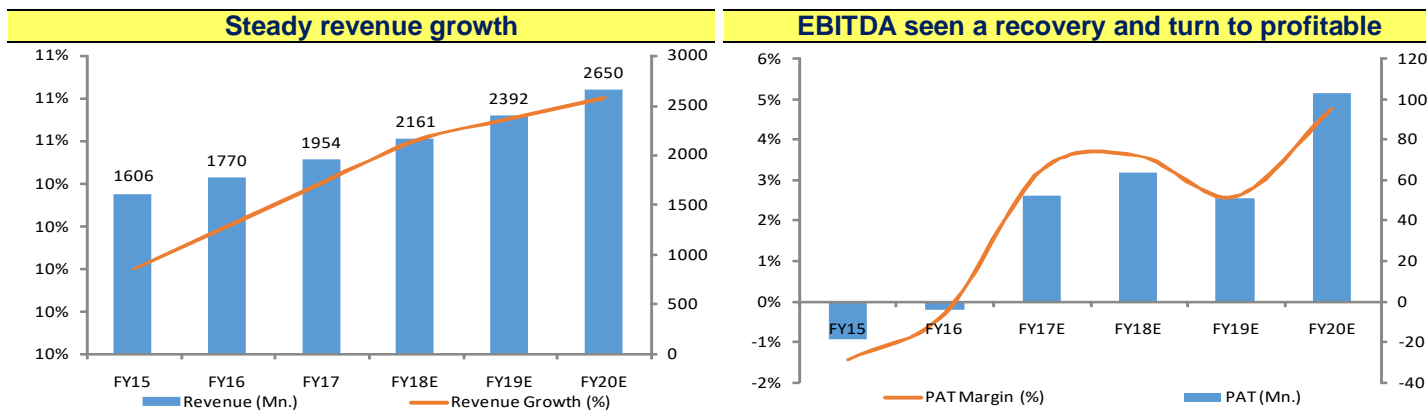
Source: Company, Peerless Securities

Cash Flow (Mumbai Entry Point projects)	FY16	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Net Profit After Tax	-341.29	645.50	451.00	918.40	1,515.17	2,251.79	3,132.31
Operating Cash Flow before WC Changes	3,167.31	4,036.46	3,775.30	4,170.81	4,693.37	5,342.18	6,065.87
Cash Flow from Operating Activities	3,109.07	3,760.92	3,822.60	4,229.92	4,768.34	5,442.54	6,172.25
Cash Flow from Investing Activities	148.46	157.52	126.45	129.46	116.05	116.32	105.97
Cash Flow from Financing Activities	-3,277.77	-3,531.51	-4,166.69	-4,360.75	-4,522.11	(4,833.01)	(5,330.83)
Net Change in Cash & Bank Balance	-20.24	386.94	-217.64	-1.36	362.28	725.85	947.40
Opening Cash & Bank Balance	63.62	43.38	430.32	212.68	211.32	573.59	1,299.44
Closing Cash & Bank Balance	43.38	430.32	212.68	211.32	573.59	1,299.44	2,246.84
FCFE	-147.69	287.94	-316.64	-100.36	263.28	626.85	848.40

Hyderabad OMT project seen a strong growth over forecast period

Maintenance of, and collection of toll at, the Hyderabad–Bangalore section of the National Highway No. 7 Collection of toll at three toll plazas at Amakathadu, Marur and Kasepalli on the Hyderabad–Bangalore section. The Hyderabad–Bangalore section of the National Highway No. 7 is a 251.16 km long four-lane carriageway in Andhra Pradesh.

We expect the revenue will grow by a steady growth of 10-11% over the period, with expected EBITDA margin of more than 85%.



Source: Company, Peerless Securities

Source: Company, Peerless Securities

Cash Flow (Hyderabad OMT project)	FY16	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
Net Profit After Tax	6.65	-30.79	-14.95	-17.46	31.51	45.62	76.01	1,644.97
Operating Cash Flow before WC Changes	186.27	127.68	130.11	143.78	155.69	178.50	180.14	1,748.25
Cash Flow from Operating Activities	114.95	377.48	167.78	186.11	203.32	231.68	239.55	1,748.25
Cash Flow from Investing Activities	88.95	2.57	1.16	0.42	0.07	0.04	0.05	0.05
Cash Flow from Financing Activities	-338.14	81.25	-114.06	-128.44	-134.98	(154.90)	(129.10)	(10.65)
Net Change in Cash & Bank Balance	-134.25	461.31	54.88	58.09	68.41	76.82	110.50	1,737.65
Opening Cash & Bank Balance	56.48	14.30	475.61	530.49	588.58	656.99	733.81	844.30
Closing Cash & Bank Balance	-77.77	475.61	530.49	588.58	656.99	733.81	844.30	2,581.95

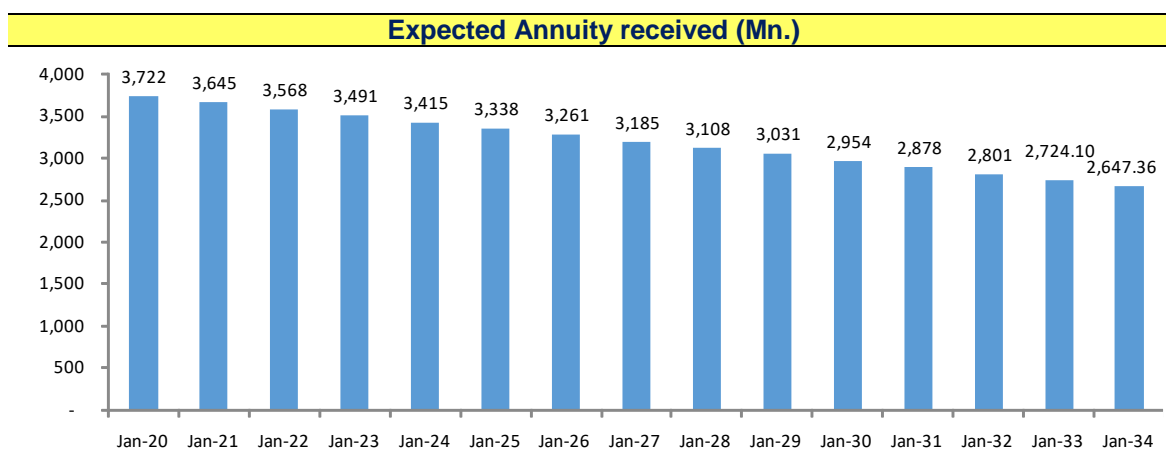
HAM Projects will give cash flow visibility over long term period

Currently MEP has six HAM projects, with a total project value of Rs. 38367 million; total project includes Arawali Kante, Kante Wakad, Nagpur Package I, Nagpur Package II, Talaja Mahuva, Mahuva Kagavadar.

With these six projects we expect EPC revenue for FY18 would be around Rs. 11000 million with EBITDA margin of 14%. The equity investment will be around Rs. 5755 million and debt would be around Rs. 17265 million. After the construction period MEP will get annuity payment over next 15 years with an interest compensation of 10% will be charged as per the diminishing balancing method.

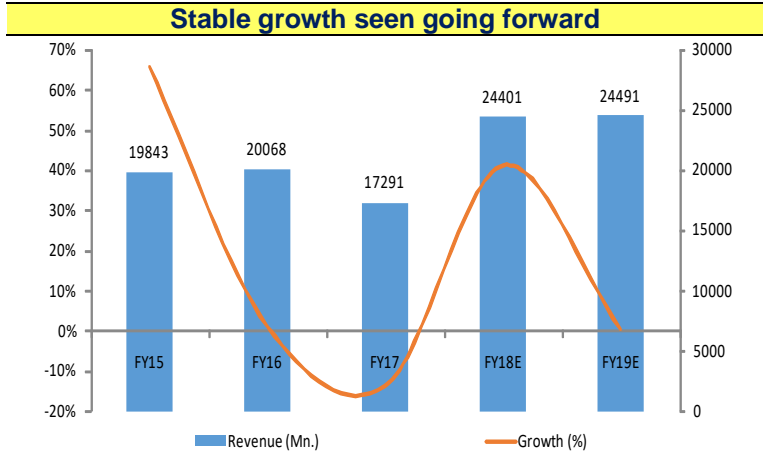
Project Insight						
Project Name	Arawali Kante	Kante Wakad	Nagpur Package I	Nagpur Package II	Talaja Mahuva	Mahuva Kagavadar
Project Cost (Mn)	5,929.80	8,262.80	5,310.00	6,390.00	6,430.00	6,045.00
Govt. Investment (40%)	2,371.92	3,305.12	2,124.00	2,556.00	2,572.00	2,418.00
Construction Period (Yr)	2.00	2.00	2.50	2.50	2.50	2.50
Concession Period (Yr)	15.00	15.00	15.00	15.00	15.00	15.00
Expected Annuity received	3,557.88	4,957.68	3,186.00	3,834.00	3,858.00	3,627.00
Expected Interest compensation	2,579.46	3,594.32	2,309.85	2,779.65	2,797.05	2,629.58
Total expected compensation	6,137.34	8,552.00	5,495.85	6,613.65	6,655.05	6,256.58

Source: Company, Peerless Securities

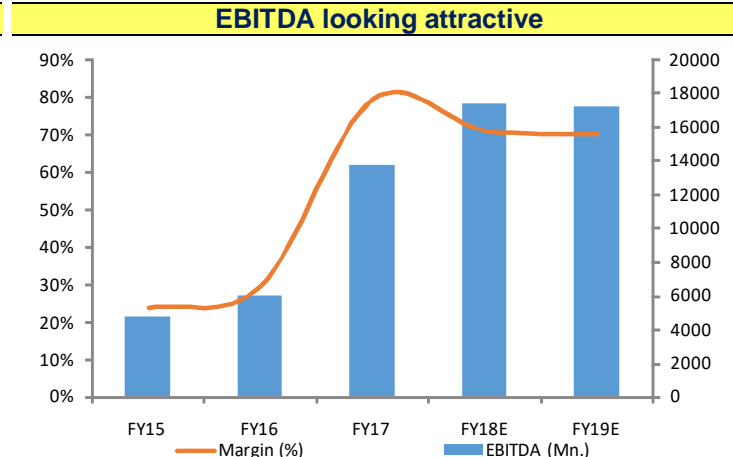


Source: Company, Peerless Securities

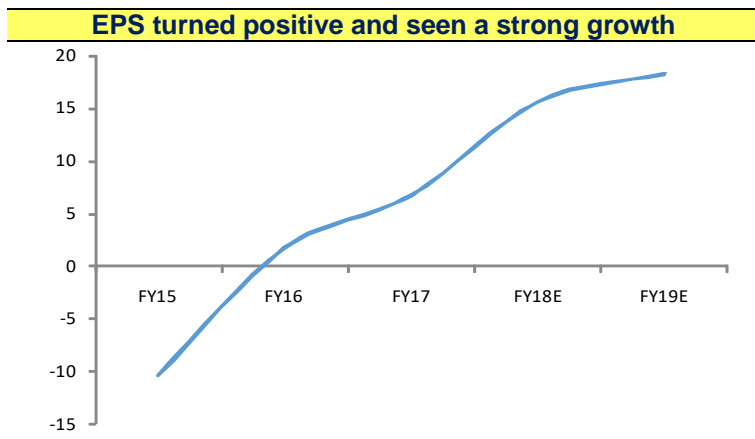
Story on charts



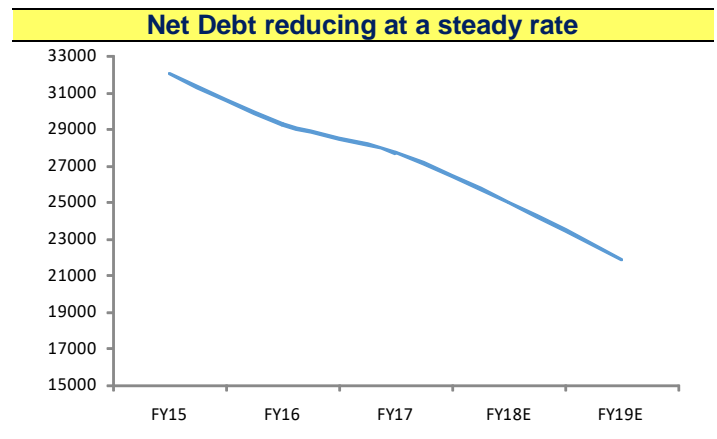
Source: Company, Peerless Securities



Source: Company, Peerless Securities



Source: Company, Peerless Securities



Source: Company, Peerless Securities

Quarterly Result

Quarterly Result				Rs. ` Million	
Particulars	Mar-17	Mar-16	Dec-16	Q-o-Q Growth	Y-o-Y Growth
Net Sales/Income from operations	431.61	516.26	336.52	28.3%	-16.4%
Other Operating Income	-	6.64	52.47	-100.0%	-100.0%
Total Income From Operations	431.61	522.90	388.99	11.0%	-17.5%
Employees Cost	18.01	20.01	17.50	2.9%	-10.0%
Other Expenses	112.00	367.79	70.39	59.1%	-69.5%
Total Expenses	130.01	387.80	87.89	47.9%	-66.5%
EBITDA	301.60	135.10	301.10	0.2%	123.2%
Depreciation	195.81	41.39	192.96	1.5%	373.1%
P/L Before Other Inc. , Int., Excpt. Items & Tax	105.79	93.71	108.14	-2.2%	12.9%
Other Income	29.57	12.45	17.70	67.1%	137.5%
Interest	120.46	96.41	121.27	-0.7%	24.9%
P/L Before Exceptional Items & Tax	14.90	9.75	4.57	226.0%	52.8%
Exceptional Items	-	-	-		
P/L Before Tax	14.90	9.75	4.57	226.0%	52.8%
Tax	5.13	(0.31)	1.68	205.4%	-1754.8%
Net Profit/Loss For the Period	9.77	10.06	2.89	238.1%	-2.9%
Share Of P/L Of Associates	2.27	0	-1.93	-217.6%	
Net P/L After Minority Interest & Share Of Associates	12.04	10.06	0.96	1154.2%	19.7%
Basic EPS (Rs.)	74.00%	63.00%	6.00%		
EBITDA Margin (%)	69.88%	26.17%	89.47%		
PBTE Margin (%)	24.51%	18.15%	32.13%		
PAT Margin (%)	2.79%	1.95%	0.29%		

- ✓ Q4 Revenue has been decline Y-o-Y due to completion of RIDCOR, Kini Tasawade project and hand over of Chennai and MK Projects to the authority.
- ✓ EBIT and EBIT margins have decreased due to corresponding reduction in turnover and higher operating and maintenance costs.
- ✓ For FY17 consequent to adoption of Ind-As, Significant maintenance obligation under OMT projects shall have to be provided in all the financial years from COD to till actual expenditure. Hence, provisions relating to Future maintenance requirements amounting INR 240 Mn for FY17 (Previous year: Rs. 465 Mn) has been recognised in the financial statements in line with Ind-AS 37.

Projected Financial

ESTIMATED REVENUE STATEMENT				Rs. ` Million
Particulars	FY16	FY17	FY18E	FY19E
Total Revenues	20,068.00	17,291.00	24,401.07	24,491.14
Operating Expenses	13,332.87	3,280.00	6,296.39	6,492.46
Employee Cost	775.34	734.00	1,024.85	1,053.12
Gross Profit	5,959.78	13,277.00	17,079.84	16,945.56
Admin & Other Exp.	411.41	389.00	536.82	538.81
EBITDA	5,548.38	12,888.00	16,543.01	16,406.75
EBITDA Margin (%)	27.6%	74.5%	67.8%	67.0%
Depreciation	1,706.22	8,680.92	10,285.51	9,781.65
EBIT	3,842.16	4,207.08	6,257.50	6,625.10
Other Income	407.03	864.00	841.08	831.36
Interest	3,832.31	4,931.00	3,270.69	2,961.38
Exceptional Item	-	1,579.34	-	-
Profit Before Tax	416.88	1,719.42	3,827.89	4,495.07
Tax	153.61	632.54	1,301.48	1,528.32
Profit After Tax	263.27	1,083.95	2,526.41	2,966.75

ESTIMATED BALANCE SHEET				Rs. ` Million
Particulars	FY16	FY17	FY18E	FY19E
Share Capital	1,625.65	1,625.65	1,625.65	1,625.65
Reserves & Surplus	(613.05)	(1,705.00)	776.15	3,649.42
Total Shareholder funds	1,012.60	(79.35)	2,401.80	5,275.07
Deferred Tax Liability (net)	-	-	-	-
Total Loan Funds	30,755.73	29,121.03	27,446.87	26,654.50
Current Liabilities	4,519.52	11,855.00	12,804.70	13,841.32
Provisions	56.97	1,084.00	1,079.99	1,079.51
Total Current Liabilities	4,545.31	12,658.00	13,631.79	14,693.23
TOTAL LIABILITIES	1,720.63	2,817.40	2,728.57	2,880.47
Fixed Assets				
Net Block	20,293.28	24,648.00	24,738.00	24,858.00
Capital WIP	66.67	282.00	310.20	341.22
Other non current Assets	10,681.66	13,328.00	13,956.46	14,617.38
Goodwill on Consolidation	265.20	265.20	265.20	265.20
Inventories	-	-	-	-
Sundry Debtors	1.73	354.00	359.31	364.70
Cash & Bank Balances	1,498.46	1,441.68	2,483.21	4,824.76
Other Current Assets	1,045.77	2,122.00	2,230.22	2,343.96
Loans & Advances	3,279.61	2,345.00	2,464.60	2,590.29
Total Current assets	5,825.57	9,254.68	10,559.26	13,175.85
TOTAL ASSETS	36,867.17	48,957.68	51,008.92	54,437.45

ESTIMATED CASH FLOW STATEMENT				Rs. ` Million
Particulars	FY16	FY17	FY18E	FY19E
Opening Cash	1,348.18	1,498.46	1,441.68	2,483.21
Cash before working capital changes	4,679.74	14,442.05	14,708.53	14,323.79
Cash from operating activities	3,402.41	30,081.84	15,680.27	15,379.83
Cash from investing activities	578.55	794.78	501.33	603.55
Cash from financing activities	(3,421.23)	(8,741.59)	(4,896.63)	(3,753.75)
Net Change in Cash	559.73	22,135.03	11,284.97	12,229.62

RATIO ANALYSIS				Rs. ` Million
Particulars	FY16	FY17	FY18E	FY19E
EV/ Sales	1.61	2.61	1.76	1.65
EV/ EBITDA	5.42	3.28	2.47	2.35
EPS	1.62	6.67	15.54	18.25
P/E	24.70	18.75	8.04	6.85
P/BV	NA	NA	NA	NA
RoE	NA	NA	NA	NA
<u>Growth</u>				
Total Revenue	-0.10%	-13.84%	41.12%	0.37%
Gross profit	5,959.78	13,277.00	17,079.84	16,945.56
EBITDA	5,548.38	12,888.00	16,543.01	16,406.75
PA T	263.27	1,083.95	2,526.41	2,966.75
CEPS	12.11	60.07	78.81	78.42
<u>Profitability</u>				
Gross Margin	29.70%	76.79%	70.00%	69.19%
EBITDA Margin	27.65%	74.54%	67.80%	66.99%
PBIT Margin	3,842.16	4,207.08	6,257.50	6,625.10
PA T Margin	263.27	1,083.95	2,526.41	2,966.75
<u>Stability</u>				
Debt /Equity Ratio	30.37	NA	11.43	5.05
Interest Coverage Ratio	0.15	0.24	0.28	0.33

** We didn't consider the InvIT impact on projected financials.

Peer Group Valuation

MEP Infra's top line grew by more than 6% CAGR over last five years with 8% CAGR growth in overall Balance sheet. MEP playing a key role from last couple of years in Indian infrastructure sector (Toll Collection), with a sustainable revenue growth per year from last six years, and having strong order book.

Currently MEP is available at a 19.04x PE on current year EPS. We have valued the Stock using PE multiple, P/BV multiple and Individual project wise. Currently it is available at 8.17x PE on FY18 estimated EPS of Rs. 15.54, and 6.96x PE on FY19 estimated EPS of Rs. 18.25.

SENSITIVITY ANALYSIS		PE			
Year End		7.04	13.04	19.04	24.04
	FY17	46.94	86.94	126.95	160.29
	FY18E	109.40	202.65	295.89	373.59
	FY19E	128.47	237.97	347.46	438.71
			202.65		
Upside Potential in Rs.			INR 202.65		
Upside Potential in %			59.63%		

Year End	EPS	% Change	Forward PE at CMP
FY16	1.62	-115.41%	78.39
FY17	6.67	311.73%	19.04
FY18E	15.54	133.08%	8.17
FY19E	18.25	17.43%	6.96
CAGR in EPS		83.22%	

Particulars	Revenue	PAT	ROE (X)	P/E	P/BV	EV/EBIDTA	M.Cap/Sales
A shoka Buildcon	2,979.00	(125.00)	(0.01)	NA	100	19.63	1.23
MBL Infracore	615.00	(65.78)	0.13	NA	0.28	25.93	0.08
PNC Infracore	518.92	(22.57)	0.20	25.52	2.07	7.28	1.38
MEP Infracore	1,729.10	108.39	NA	19.04	NA	3.31	0.12

Project wise Valuation

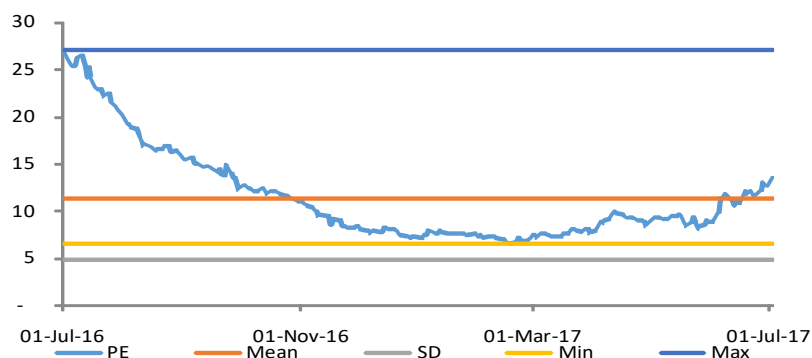
Name of the Project	Authority	Type	Toll / Annuity	Equity (' Cr)	Concession Period (Yrs)*	Concession Ends in	Multiple (x)	O/S Sh (Cr)	Per Share Value (')
MIPL-OMT	MSRDC	OMT	Toll	104668.5	16.0	2026	5	162.57	33.0
HYBG-OMT	NHAI	OMT	Toll	714.6	9.0	2022	3	162.57	0.1
RGSL-OMT	NHAI	OMT	Toll	14570.4	9.0	2022	3	162.57	2.8
Kalyan-BOT	MSRDC	BOT	Toll	100.6	3.0	2020	3	162.57	0.0
Vidyasagar-LT	HRBC	Long Term	Toll	2054.1	5.0	2018	3	162.57	0.4
DEP-LT	-			16534.4	3.0	2018	3	162.57	3.2
Arawali Kante	MoRTH	Long Term	HAM	889.5	15.0	2034	5	162.57	20.6
Kante Wakad	MoRTH	Long Term	HAM	1239.4	15.0	2034	5	162.57	28.8
Nagpur Package I	NHAI	Long Term	HAM	796.5	15.0	2034	5	162.57	18.5
Nagpur Package II	NHAI	Long Term	HAM	958.5	15.0	2034	5	162.57	22.3
Talaja Mahuva	NHAI	Long Term	HAM	964.5	15.0	2034	5	162.57	22.4
Mahuva Kagavadar	NHAI	Long Term	HAM	906.8	15.0	2034	5	162.57	21.0
Kalyan – Shilphata	MSRDC	Short Term	Toll		1.0	2017	2	162.57	2.0
Brijghat	NHAI		Toll		1.0	2018	2	162.57	0.9
Total:				144397.7					176.1

Weighted Mean Valuation

Valuation method	Weights	Equity Value
PE	0.40	203
M.Cap/Sales	0.30	180
Project Valuation	0.30	176
Weighted Mean valuation	1	188
Shares Outstanding (Mn.)		162.6
Estimated Share Price		187.9
Current Share Price		127.0
Upside/Downside Potential		48.0%

Source: Peerless Securities

1 year PE data



Source: Peerless Securities

Key Risks:

- ✓ Estimated in traffic data or traffic growth may disrupt due to unfavorable macro economic data.
- ✓ Delayed in project led to increase the overall project costs and debt burden will stretch further.
- ✓ Environmental issue or political issue can disrupt the top line.
- ✓ Highly dependent on Government policy and investment.

Management Overview:

Uttam Pawar Chief Tolling Officer	Over 25 years of experience in tolling business. Previously associated with Ideal Road Builders Private Limited
Sameer Apte Chief Operating Officer (Corporate)	Over 16 years of experience in tolling operations Previously associated with Ideal Toll & Infrastructure Private Limited and Ideal Road Builders Private Limited
M. Sankaranarayanan Chief Financial Officer	Over 18 years of experience in the field of finance, accounting, audit and taxation Previously associated with SKS Ispat and Power Limited, Hotel Leelaventure Limited and was a partner of M. Srinivasan & Associates, Chartered Accountants, Chennai.
Shridhar Phadke Company Secretary & Compliance Officer	Over 18 years of experience in the field of finance, accounting, audit and taxation Previously associated with SKS Ispat and Power Limited, Hotel Leelaventure Limited and was a partner of M. Srinivasan & Associates, Chartered Accountants, Chennai
Shridhar Phadke Company Secretary & Compliance Officer	Over 16 years of work experience Previously associated with J. H. Ranade & Associates and Kshitij Investment Advisory Company Limited and Ideal Energy Projects Limited
Pandurang Dandawate Chief Technical Officer	Professional experience of 32 years. Worked in Maharashtra state PWD and MSRDC for 19 years with vast experience in roads and bridge constructions, tolls and BOT projects. Prepared @ 2,000Kms of DPR for NHAI/MORT&H/MSRDC for four laning of National Highways. Completed 16 flyovers in Mumbai from 1998 to 2003 as an Executive Engineer of MSRDC and was instrumental in starts of tolls of MEP and Mumbai Pune expressway. Part of Independent Engineer's team for 4 laning of 500 Kms of National Highways namely Solapur-Yedshi-Aurangabad road (NH - 211) and Khed-Sinner road (NH-50). Incharge of OMT of Mumbai Pune Expressway, Satara-Kagal and Thane Ghodbandar road.
Amit Mokashi Deputy Chief Technical officer	18 years of experience in Construction Industry. Previously associated with Gammon Infrastructure Projects Limited, Shapoorji pallonji & Co Ltd, Gammon India Ltd.
Raja Mukherjee Deputy Chief Technical Officer	Around 23 years of experience in Construction Industry. Previously associated with Gammon Infrastructure Projects Limited, Reliance Infrastructure Limited, Hindustan Construction Company Limited, L & T Ramboll / L & T - E CC, Stup Consultants & Span Consultants

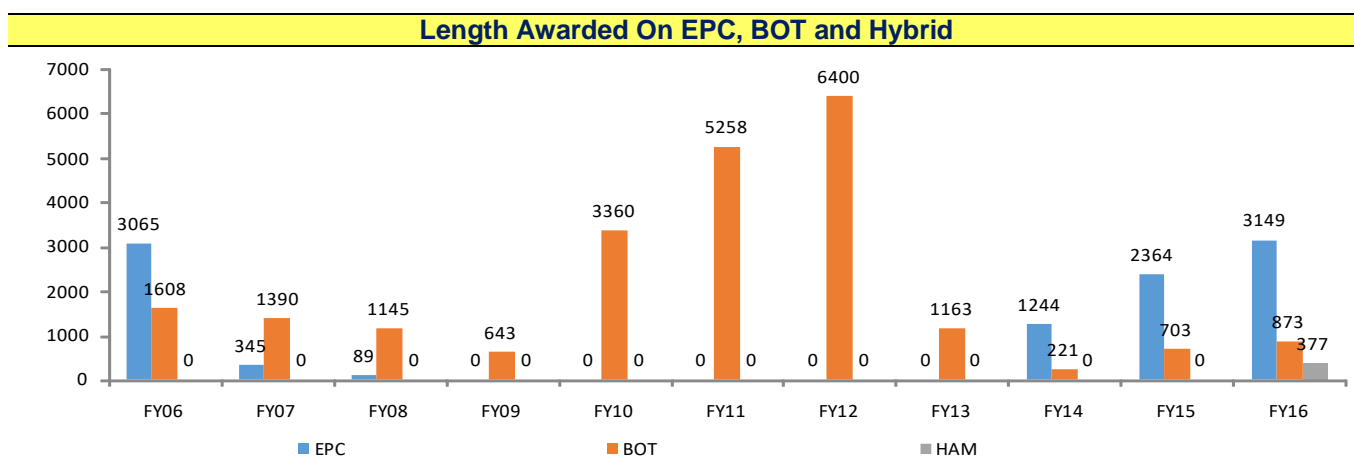
Industry Overview

Infrastructure sector is a key economic growth driver for the economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. The government's target of Rs 25 trillion investment in infrastructure over a period of three years, which will include Rs 8 trillion for developing 27 industrial clusters and an additional Rs 5 trillion for road, railway and port connectivity projects.

Budgetary Support: The Government increased the financial support to NHAI to INR 426.9 billion for 2015-16 as against INR 171.9 billion in 2014-15. The Government has allocated INR 550 billion under the Union Budget 2016-17 for road sector.

Market borrowings by NHAI: In 2015, bonds worth INR 39 billion were issues by NHAI. Further, an issue worth INR 10-100 billion was floated for subscription in December 2015. This issue was subscribed by over two times with INR 210 billion being raised. In the Union Budget 2015-16, NHAI has been allowed to issue tax-free bonds amounting to INR 240 billion and capital gains bonds of INR 40 billion, respectively.

Multilateral funding: The World Bank and ADB's total commitment to state roads currently stands at \$4.5 billion involving 14 projects and \$3.5 billion involving 15 projects respectively. As on date, multilateral organisations have been involved in financing 76 national highway projects with total award cost of INR 182 billion.



Source: Company, Peerless Securities

Outlook on OMT, TOLL, HAM & TOT Models

OMT	According to CRISIL estimates, the total stretch under OMT model is expected to double from 5,600 km in 2014 -15 to 11,600 km by 2018-19. The market opportunity is slated to increase 2X from Rs. 26 bn in 2014-15 to Rs. 51 bn in 2018-19.
Toll Projects	Tolling market is expected to increase 1.5 times from 15,190 km in 2014-15 to 22,200 km by 2018-19 primarily driven by: Number of projects bid out by NHAI and State Highway Authorities on tolling basis are expected to increase from 102-104 and 146 projects respectively in 2014-15 to 128-132 and 230-240 projects respectively in 2018-19.
HAM Projects	Going forward, over 80% of the road projects are proposed to be awarded under EPC and Hybrid Annuity Model (HAM) routes. 41 projects worth Rs. 362.67 billion have been awarded till date entailing a length of 8,773.19 lane kms.
TOT Projects	New Toll-Operate-Transfer (TOT) Model To Be Introduced For Efficient Monetization Of Existing Toll Roads. Around 75 operational projects have been identified; Projected TOT market of INR 80,000 crore to emerge. The first tranche of 10 projects are expected to open up for bidding in Financial Year 2018.

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BUY	We expect the stock to deliver more than 15% returns over the next 12 months
ACCUMULATE	We expect the stock to deliver 6% - 15% returns over the next 12 months
REDUCE	We expect the stock to deliver 0% - 5% returns over the next 12 months
SELL	We expect the stock to deliver negative returns over the next 12 months
NOTE	Target prices are for a period of 12-month perspective. Returns stated in the rating parameter are for our internal benchmark.

TECHNICAL CALL RATING PARAMETER

BUY	A condition that indicates a good time to buy a stock. The exact circumstances of the signal will be determined by the indicator that an analyst is using.
SELL	A condition that indicates a good time to sell a stock. The exact circumstances of the signal will be determined by the indicator that an analyst is using.
STOP LOSS	An instruction to the broker to buy or sell stock when it trades beyond a specified price. They serve to either protect your profits or limit your losses.

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