



19 DECEMBER 2016

DAILY MORNING NOTES

FROM THE RESEARCH DESK

Our Market View

COMPANY UPDATE

MEP Infrastructure Developers Limited

News & Events

- ✓ Fresh merger structure to IRDA by Max Life-HDFC Life
- ✓ Banks to again auction KF House, Villa at lower prices this week
- ✓ Brand Factory eyes Rs 3,500 cr turnover by FY20
- ✓ SBI launches digital wallet 'State Bank MobiCash'
- ✓ Mahindra & Mahindra arm forms JV with state-run MSTC
- ✓ Godrej Appliances cuts turnover target to Rs 3,500 cr for FY17
- ✓ Ceat to invest Rs 2,800 crore to expand capacity over 5 years
- ✓ Zee Learn calls off proposed merger with Treehouse Education
- ✓ JK Lakshmi Cement gets shareholders' nod to raise upto Rs500cr
- ✓ NTPC, NALCO ink pact for 2,400-MW power plant
- ✓ Alembic receives USFDA approval for Itraconazole capsules
- ✓ Expect 15-18% revenue growth in H2: TCI Express
- ✓ Escorts looks to double revenue in the next 3-4 years

Market Snapshot

Global Indices	Closing	%Chg	%YTD
Dow Jones	19843.41	(0.04)	13.88
NASDAQ	5437.16	(0.36)	8.58
FTSE	7011.64	0.18	12.32
CAC	4833.27	0.29	4.23
DAX	11404.01	0.33	6.15
Russia	1135.56	(0.22)	50.00
Bovespa	58389.04	(0.01)	34.69
Nikkei	19401.15	0.66	1.93
Hang Seng	22020.75	(0.18)	0.49
Shanghai	3122.98	0.17	(11.76)

Indian Indices

Indian Indices	Closing	%Chg	%YTD
Sensex	26489.56	(0.11)	1.42
Nifty	8139.45	(0.17)	2.43
MSCI	983.02	(0.06)	1.13
CNX Midcap	14620.20	(0.40)	9.13
BSE Smallcap	12113.52	(0.25)	2.34

Provisional Flows(₹Cr)

FII	(90.36)
DII	30.48

Volumes

	Curr. (₹Cr)	Prev. (₹Cr)	% Chg
Cash (NSE+BSE)	21274	19687	8.06
F&O (net)	246867	667902	(63.04)

FII F&O Stock Fut Index Fut

Net(₹Cr)	(149)	43
----------	-------	----

Stock ADR/GDR Last %Chg

Dr Reddy	ADR	46.6	(0.5)
HDFC Bank	ADR	62.2	(2.2)
ICICI BANK	ADR	7.7	(2.1)
INFOSYS	ADR	14.9	0.1
WIPRO	ADR	9.6	(0.1)

Mr. Avinnash Gorakssakar – Head of Research
Tel: +91 22 66018320
Avinnash.gorakshakar@moneylicious.in

Please refer to disclosures at the end of Research Report

Moneylicious Research

Moneylicious Capital and Advisory Services Pvt. Ltd. Research Analyst SEBI Registration No. INH300003314
CKP Group, 1803-1805, 18th Floor, C Wing, One BKC, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

Mr. Rajesh Satpute.

Head – Technical & Derivatives
Research (Chief Strategist)
Tel: +91 22 66018343
rajesh.satpute@moneylicious.in

Daily Technical and Derivative View

➤ **Nifty (Spot)**
(Close: 8139.45)
(-14.15 Down -0.17%)

Nifty closed negative this week giving up (122) points shading (1.48%). Appreciating dollar due rate hike put heavy pressure on metal stocks which declined by (4.27%). While IT index managed to gain 2.26%. Nifty has crucial support near the 8050 levels of previous swing low. As long as Nifty manages to hold above 8050 levels, it will consolidate within the range of 8060-8270 levels for next 1-2 weeks. But if it closes below above 8050 levels, then some profit booking till 7850 levels can be expected in next 1-2 weeks.

Highest CALL option OI buildup of 58,29,300 seen at 8300 strike indicating strong resistance & Highest PUT option OI built up of 75,57,800 was seen at 8000 strike indicating strong support.

Intraday Pivot Levels:
Support @ 8118, 8097
Resistance @ 8170, 8200

➤ **Bank Nifty (Spot)**
(Close: 18312.8)
(-88.35 Down -0.48%)

Bank Nifty gave negative close for the week shading (2.05%). ICICI Bank and Canara Bank lost (4.79%) and (4.88%) in a week increasing pressure on the index. It has strong support of lower Bollinger band which is near 18260 levels. As long as Bank Nifty manages to retain above 18260 levels, it is likely to trade with a positive bias and will try to test 18700 -18950 levels in an upcoming week.

The highest CALL option OI buildup of 7,32,360 seen at 19000 strike indicating strong resistance & Highest PUT option OI built up of 12,76,360 was seen at 17500 strike indicating strong support.

Intraday Pivot Levels:
Support @ 18245, 18176
Resistance @ 18405, 18497

Mr. Rajesh Satpute.

Head – Technical & Derivatives
Research (Chief Strategist)

Tel: +91 22 66018343

rajesh.satpute@moneylicious.in

➤ **Price & OI Relationship:**

Long buildup :- BIOCON, PCJEWELLER, POWERGRID, UPL and TATAMTRDVR.

Short Buildup :- HAVELLS, APOLLOTYRE, JSWENERGY, CEATLTD and PFC.

Short Covering :- TATAMOTORS, UBL, MINDTREE, INFRATEL and TCS.

Long Unwind :- JUSTDIAL, VEDL, ONGC, ADANIPOWER and CENTURYTEX.

- Sectors which outperformed yesterday were Fertilisers (1.16%), Pharma (0.24%) whereas, Metals (-1.76%) and Cement (-1.40%) closed in red.
- Nifty future closed with 7.05 points (CoC: 2.43) premium against earlier premium of 19.45 points (CoC: 6.22).
- PCR OI of NIFTY FALL to 1.04 levels from earlier 1.05 levels while IV (ATM) FALL to 14.06% against earlier 15.06%.
- FIIs were net SELLERS in index futures to the tune of -504.47 Cr and net BUYERS in Index options to the tune of 42.7 Cr.
- Nifty futures saw decreased in OI to the tune of -2.61% with fall in price by -0.32%.
- FIIs were net SELLERS to the tune of -90.36 Cr and DIIs were net BUYERS to the tune of 30.48 Cr in cash segments.
- Fresh long buildup was seen in NIFTY,29-DEC 8500 CALL which added OI to the tune of 4,53,975 (10.60%) aggregating to 47,38,050 and in 8100 CALL to the tune of 1,88,700 (9.20%) aggregating to 22,38,900.
- While fresh short built up was seen in NIFTY,29-DEC 7900 PUT which added OI to the tune of 3,40,875 (9.70%) aggregating to 38,50,050 and in NIFTY,29-DEC 7800 PUT to the tune of 37,500 (1.20%) aggregating to 32,57,325.
- Securities in Ban Period: - JINDALSTEL, ORIENTBANK and IBREALEST.

MEP Infrastructure Developers Ltd – Flat quarter with poor forward visibility

Current Market Price: Rs 38.5

RECO – Unrated

Market Cap: Rs 625.89 crs

Company overview-

MEP Infrastructure Developers Ltd is a toll management company. The Company operates network of roads, highways, bridges and toll plazas. The Company's services include toll management, which provides infrastructure management and toll collection covering Mumbai entry points, as well as build-operate-transfer (BOT) project at Baramati with Road Infrastructure Development Company of Rajasthan (RIDCOR) in Rajasthan and with National Highways Authority of India (NHAI) across the country, and operation and maintenance, which provides maintenance activities. Its security components include real-time surveillance, automatic vehicle identification based on sensors and laser-based toll audit systems.

The Company's projects include Hyderabad-Bangalore Highway, IRDP Solapur, Kini-Tasawade Toll Plazas and Phalodi-Ramji, among others. The Company operates 47 Toll Plazas across nine states and has completed 73 projects with approximately 131 toll plazas and 825 lanes across 12 states in India.

Financial highlights Q2 FY17-

Total Revenues- INR 447.4 cr; remains flat.

EBIT: INR 121.2 cr;

EBIT Margin: 27.1%; slipped by over 400 basis points y-o-y

PAT: INR 62.4 cr;

PAT Margin: 13.9%.

Discussion by the Company –The company has four business segments namely tolling projects, operate maintain transfer (OMT), hybrid annuity model (HAM) and build operate and transfer (BOT).

OMT Projects	Long Term Toll Collection Projects	HAM Projects	BOT Projects	Other Subsidiaries / Associate
<p>MIPL - MEP Infrastructure Private Limited (99.99%) (Mumbai Entry Points Project)</p> <p>MEP RGSL - MEP RGSL Toll Bridge Private Limited (100%) (Rajiv Gandhi Sea Link Project)</p> <p>MEP HB - MEP Hyderabad Bangalore Toll Road Private Limited (100%) (Hyderabad-Bangalore Project)</p>	<p>RTBPL - Rideema Toll Bridge Private Limited (100%) (Vidyasagar Setu Project)</p>	<p>Arawali Kante MEPIDL – San Jose India JV MEPIDL's stake – 74%</p> <p>Nagpur Package I MEPIDL – San Jose India JV MEPIDL's stake – 74%</p> <p>Nagpur Package II MEPIDL – San Jose India JV MEPIDL's stake – 74%</p> <p>Kante Wakad MEPIDL – San Jose India JV MEPIDL's stake – 74%</p> <p>Talaja Mahuva MEPIDL – San Jose India JV MEPIDL's stake – 60%</p> <p>Mahuva-Kgavadar MEPIDL – San Jose India JV MEPIDL's stake – 60%</p>	<p>RTPL - Rideema Toll Private Limited (100%)</p> <p>BTPL - Baramati Tollways Private Limited (99.99%) (BOT Project) (Baramati Project)</p>	<p>MEP HS - MEP Highway Solutions Private Limited (100%)</p> <p># KVM - KVM Technology Solutions Private Limited (33%) (Toll Management systems, Plaza Surveillance, Weight enforcement system for Public Funded Projects)</p> <p>MTPL - MEP Tarmato Private Limited (100%)</p> <p>MICPL - MEP Infra Constructions Private Limited (100%)</p> <p>MEP Infraprojects - MEP Infraprojects Private Limited (100%)</p> <p>MEP Nagzari - MEP Nagzari Toll Road Private Limited (100%)</p> <p>MEP RBPL - MEP Roads & Bridges Private Limited (100%)</p> <p>MTIPL - MEP Toll & Infrastructure Private Limited (100%)</p> <p>MTRPL - Mhaiskar Toll Road Private Limited (100%)</p>

Mr. Ashish Nainan – Research Analyst

Mr. Avinnash Gorakssakar – Head of Research

- 3 Long Term (LT) and 9 Short Term (ST) Tolling projects under management pan India, 20 Toll Plazas across 7 states
- Managing 3 OMT projects across India ,Covering 1,361 lane km and 9 toll plazas
- One of the largest OMT contracts at the five Mumbai Entry Points for a period of 16 years until 2026
- Recently awarded 6 HAM projects in Maharashtra (4) and Gujarat (2), worth INR 3836.99 cr covering 1,060 lane km
- 1 Long term BOT project with Toll Revenues under management, covering bridge, Ring Road and 5 toll plazas

Current Project Mix						
Location	OMT	Long Term Toll	Short Term Toll	HAM	BOT	Total
Maharashtra	2	1		4	1	8
Tamil Nadu	-	1	1	-	-	2
Rajasthan	-	-	3	-	-	3
Gujarat	-	-	-	2	-	2
Uttar Pradesh	-	-	2	-	-	2
West Bengal	-	1	0	-	-	1
Andhra Pradesh	1	-	-	-	-	1
Jharkhand	-	-	3	-	-	3
Total	3	3	9	6*	1	22#

- Going forward, over 80% of the road projects are proposed to be awarded under EPC and HAM routes.
- For FY17, MoRTH and NHAI have lined up 40% of total road projects to be awarded on HAM requiring an investment of Rs 600 billion.
- 31 projects worth Rs 267.5 Bn, have been awarded till date entailing a length of 6,155 lane km
- The company holds a market share of 15% in the space, has already achieved financial closure for its first two projects and will meet its financial closure targets in time.
- 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 Rs 80,000 crores to emerge
- The company continues to maintain its leadership position in the tolling market and will participate in TOT when it is announced.
- EBIT margin declined by 570 bps due to higher operating cost as a result of larger contribution of short term toll collection projects to revenues
- PAT stood higher at INR 62.3 cr in Q2 FY17 vis-à-vis a loss of INR 11.3 cr in Q2 FY16, as a result of reversal of major road maintenance expenses and concession fees payable to authority net of intangible assets, due to handover of an OMT project.
- As a result of the company adopting Ind-AS, the significant maintenance obligation under the OMT projects shall have to be provided in all the financial years from COD till the actual date of expenditure. Hence, a provision for major maintenance for HB, BTPL and Mumbai Entry point projects totaling to INR 83.9 Mn has been recognized for the current quarter.

Mr. Ashish Nainan – Research Analyst

Mr. Avinnash Gorakssakar – Head of Research

- MIPL project yielded better results vis-a-vis Q2 FY16 as a result of efficient management of costs. IIFCL, has disbursed INR 269.9 cr to MIPL, under a takeout finance scheme, thus reducing the rate of interest to 10.1% (on Rs 269.9 cr along with a ease in repayment obligation).
- MEP Infra has successfully achieved financial closure for two Hybrid Annuity Projects, namely Nagpur Ring Road 1 & 2 and have availed the drawdown in the respective projects. Further it hopes to achieve the financial closure of the remaining projects by end of December 2016.

Our view on MEP Infrastructure Developers Ltd-

The recent demonetization move has had a sizeable impact on the revenue income of toll collection companies and thus the company would see a major fall in toll collections (Nov 8th – Dec 2nd).

The order book of the company is strong, and during the current quarter, the company has been able to reduce its finance costs considerably. We see healthy order book addition due to push by government towards highway development and maintenance. The margins though are a concern and we need to see how they try and keep them consistent at the current levels.

This stock is unrated. We do not have a recommendation on this stock.

Mr. Ashish Nainan – Research Analyst

Mr. Avinnash Gorakssakar – Head of Research

Confidentiality & Disclaimer:

Moneylicious Capital and Advisory Services Private Limited is a SEBI registered Research Analyst entity (Registration no. INH300003314).

General Disclaimers: This Research Report (hereinafter called 'Report') is prepared and distributed by Moneylicious Capital and Advisory Services Private Limited (hereinafter called MC&ASPL) for information purposes only.

The recommendations, if any, made here are expression of views and/or opinions and should not be deemed or construed to be advice for the purpose of purchase or sale of any security or derivative instrument through MC&ASPL or any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security(ies) . These information / opinions / views are not meant to serve as a professional investment guide for the readers.

This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable by MC&ASPL. MC&ASPL or its Research Analysts do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While it is endeavored to update the information herein on a reasonable basis, MC&ASPL is under no obligation to update or keep the information current. There may also be regulatory, compliance or other reasons that may prevent MC&ASPL from doing so. Though this report is disseminated to all the customers simultaneously, everyone may not receive it at the same time

Disclaimer for Risks: Trading and investment in securities are subject to market risks. There are no assurances or guarantees that the objectives of trading / investment in any security(ies) will be achieved. The security(ies) discussed and opinions expressed in this report may not be suitable to all categories of traders/investors. The value of security(ies) referred to herein may be adversely affected by the performance of the respective issuer companies, changes in the market conditions, micro and macro factors and forces affecting capital markets like interest rate risk, credit risk, liquidity risk and reinvestment risk. Derivative products may also be affected by various risks including but not limited to counter party risk, market risk, valuation risk, liquidity risk and other risks. Besides the price of the underlying asset, volatility, tenor and interest rates may affect the pricing of derivatives.

Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Forward-looking statements are not predictions and maybe subject to change without notice.

Disclaimers in respect of jurisdiction: This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MC&ASPL to any registration or licensing requirement within such jurisdiction. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Disclaimer of Interest: MC&ASPL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Compensation of our Research Analysts is not based on any specific brokerage service transactions. MC&ASPL or its Research Analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. MC&ASPL may have received a compensation from the said issuer company(ies) in last 12 months for the brokerage or non-brokerage services. Neither MC&ASPL nor the Research Analysts have been engaged in market making activity for the company(ies) mentioned in the report. The research analysts have not served as an officer, director or employee of the said issuer company(ies)

MC&ASPL or its Research Analysts do not own 1% or more of the equity security(ies) of the company(ies) mentioned in the report as of the last day of the month preceding the publication of the research report. MC&ASPL, its Associates, the research analysts or their relatives might have financial interest in the issuer company(ies) of the said security(ies). During the preparation of this report MC&ASPL or its Research Analysts, or their relatives did not have any known direct /indirect material conflict of interest including any long/short position(s) in any specific security(ies) on which views/opinions have been made. At a different point of time, MC&ASPL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the securities and their respective issuers.

Disclaimer of Exclusivity: This Report shall only be read by those persons to whom it has been delivered. Reprinting, reproduction, copying, distribution of this Report in any manner whatsoever, in whole or in part, is not permitted without the prior express written consent of MC&ASPL.

MC&ASPL's activities were neither suspended nor have defaulted with any stock exchange with whom MC&ASPL is registered. Further, there is no material disciplinary action taken on MC&ASPL by any Regulatory Authority impacting Research Analysis activities. There does not exist any material enquiry of whatsoever nature instituted or pending against MC&ASPL as on the date of this Report.

Important: These disclaimers, risks and other disclosures must be read in conjunction with the information / opinions / views of which they form part of.

Definitions of ratings:

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.
HOLD. We expect this stock to deliver -15% to +15% returns over the next 12 months.
SELL. We expect this stock to deliver <-15% returns over the next 12 months.
Our target prices are on a 12-month horizon basis.

Other definitions:

NR = Not Rated.

CS = Coverage Suspended. MC&ASPL has suspended coverage of this company.

UR=Under Review. Such an investment review happens when any developments have already occurred or likely to occur in target company & MC&ASPL analyst is waiting for some more information to draw conclusion on rating/target.