

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR41
Target Price	: INR60
Potential Return	: 47%

Rahul Modi

+91 22 4031 3418
rahul.modi@antiquelimited.com

Dhaval Patel

+91 22 4031 3316
dhaval.patel@antiquelimited.com

Market data

Sensex	:	25,881
Sector	:	Infrastructure
Market Cap (INRbn)	:	6.7
Market Cap (USDbn)	:	0.098
O/S Shares (m)	:	162.6
52-wk HI/LO (INR)	:	67/34
Avg Daily Vol ('000)	:	410
Bloomberg	:	MIDLIN

Source: Bloomberg

Valuation

	FY16	FY17e	F18e
EPS (INR)	1.6	2.8	3.3
P/E(x)	25.4	14.4	12.5
P/BV(x)	6.6	4.5	3.3
EV/EBITDA(x)	5.7	5.6	5.1
Dividend Yield (%)	0.2	0.2	0.2

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(5)	8	(17)	(31)
Relative	(6)	(4)	(18)	(26)

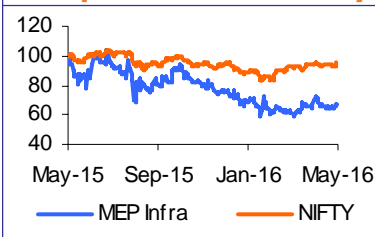
Source: Bloomberg

Shareholding pattern

Promoters	:	69%
Public	:	31%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg Indexed to 100

4QFY16 RESULT REVIEW

MEP Infrastructure Developers Limited

Better than estimated earnings led by tax write back

Over the last quarter, MEP Infrastructure (MEP) has won 5 hybrid annuity projects with a combined size of INR32bn in a JV with Sanjose India. The company has received an in-principle approval for financial closure of 2 packages and is in advanced stages of negotiations for two more. Being the first time for MEP to win such large asset heavy projects; achieving financial closure in a short span would be a positive. MEP, with its JV partner will earn 10-12% margin in construction. Assuming a 10% margin for construction, the company would earn ~INR2.8bn on a order book of ~INR28bn (post deduction of interest during construction at 12% of TPC). This would lead to a equity requirement of INR2bn for the 74% (and 60% in one project) towards equity requirement. Given the equity commitment, capital raising through InVITs is crucial. Ensuring timely completion without any cost overruns remains critical for MEP as it has won such large projects for the first time. We have reduced our revenue estimates by ~11% for FY17/18e to consider the termination of the Chennai bypass project but maintained our target price as we did not factor in any value from the project. We have not considered any value for the claims in the project owing to lack of clarity on the amount approved and the timing; receipt of which could lead to upside to our valuations. The stock is currently trading at 12.5x FY18e P/E. We maintain our Buy rating with a target price of INR60 per share.

Financial performance

MEP reported a revenue of INR5.2bn as against our estimate of INR5.1bn, registering a sequential improvement of 3.8% and 2.1% YoY. The increase has been largely led by an increase in short term toll collection projects. Increase in revenue mix from relatively lower margin short term toll collection projects (margins of ~5-7%) led to a sequential decline of 180bps in EBITDA margins, slightly below estimates. PBT came in-line with our estimates at INR97mn, flat sequentially. PAT however came in much better than our estimates at INR101mn led by a tax write back whereas we had assumed a normal tax rate.

Other Highlights

- As a part of an amicable settlement, MEP has surrendered the Chennai bypass project to the authorities on 9 April 2016.
- Three new short term toll collection projects viz. Brijghat, Arthur and Pundag have been added during the quarter and three more viz. Lalsot Kota, Alwar Sikandra and Paduna were added in 1QFY17.
- As against the six projects added, six projects viz. Bankapur, Manohrabad, Palsit, Delhi Entry point, Phalodi - Ramji and Chennai Bypass have achieved project completion/handover.
- MEP has bagged five hybrid annuity projects till date.

Quarterly financials

INRm	4QFY15	4QFY16	YoY (%)	3QFY16	QoQ (%)	4QFY16e
Net Sales	5,054	5,163	2.1	4,973	3.8	5,050
EBITDA	1,634	1,351	(17.3)	1,389	(2.7)	1,391
EBITDA margin (%)	32.3	26.2	-	27.9	-	27.5
Other Income	92	125	35.6	93	33.7	95
PBT	282	97	(65.5)	100	(3.0)	99
Tax	162	(3)	(101.9)	48	(106.6)	45
PAT	111	101	(9.8)	53	90.5	54

Source: Company, Antique

Hybrid annuity

Particulars	MEP's stake (%)	Lane kms	State	Bid project cost (INRbn)	NPV of cost (INRbn)
Aravali - Kante	74	156.9	Maharashtra	5.92	5.56
Nagpur package I	74	134	Maharashtra	5.31	4.63
Nagpur package II	74	112	Maharashtra	6.39	5.87
Kante - Wakad	74	203.6	Maharashtra	8.26	8.05
Talaja Mahua	60	181.8	Gujarat	6.43	6.24
Total		788.3		32.31	30.35

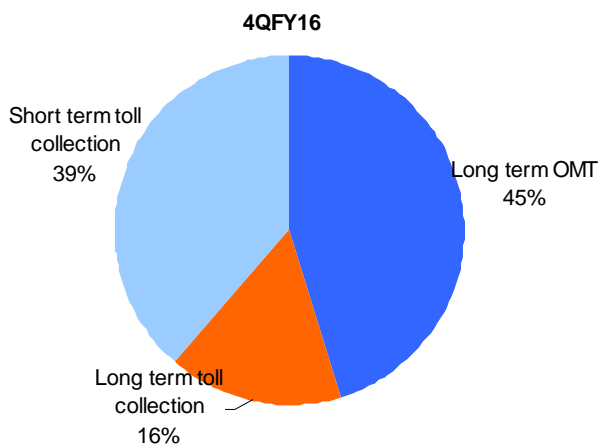
Source: Company, Antique

Toll collection for key projects: flat sequentially owing to seasonality, FY16 shows healthy YoY growth

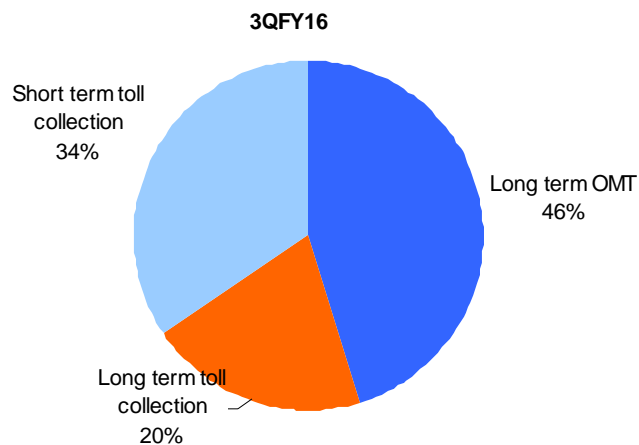
(INRm)	1QFY16	2QFY16	3QFY16	4QFY16	QoQ (%)	FY15	FY16	YoY (%)
MEPIPL	1,010	1,003	1,049	1,048	(0.1)	3,798	4,110	8.2
Kini Tasawade	391	391	435	431	(0.9)	1,226	1,648	34.4
Hyderabad - Bangalore	326	351	369	374	1.4	1,298	1,420	9.4
Rajiv Gandhi Sea link	270	278	291	291	-	897	1,130	26.0

Source: Company, Antique

Revenue break-up: Contribution of short term projects increases



Source: Company, Antique



Source: Company, Antique

Financials

Profit and loss account (INRm)

Year-ended	March 31	FY14	FY15	FY16	FY17e	FY18e
Net Revenue		11,979	19,843	20,068	17,915	18,267
Op. Expenses		(8,874)	(15,652)	(14,515)	(12,427)	(12,586)
EBITDA		3,105	4,190	5,554	5,488	5,681
Depreciation		(1,303)	(1,799)	(1,706)	(1,825)	(2,103)
EBIT		1,802	2,391	3,847	3,663	3,578
Other income		433	570	407	424	462
Interest Exp.		(3,797)	(4,036)	(3,832)	(3,265)	(3,144)
Reported PBT		(1,562)	(1,075)	422	822	897
Tax		236	(79)	(159)	(359)	(363)
Reported PAT		(1,326)	(1,153)	263	463	533
Minority Int./Profit (loss) From Asso.		34	-	(0)	(0)	(0)
Net Profit		(1,292)	(1,153)	263	463	533
Adjusted PAT		(1,292)	(1,153)	263	463	533
Adjusted EPS (INR)		(12.9)	(10.3)	1.6	2.8	3.3

Balance sheet (INRm)

Year-ended	March 31	FY14	FY15	FY16	FY17e	FY18e
Share Capital		1,000	1,115	1,630	1,630	1,630
Reserves & Surplus		(1,878)	(3,379)	(613)	(151)	382
Networth		(878)	(2,264)	1,017	1,479	2,012
Debt		30,049	31,628	26,570	25,737	24,505
Minority Interest		9	9	0	0	1
Net deferred Tax liabilities		(756)	(942)	(1,069)	(1,069)	(1,069)
Capital Employed		28,424	28,431	26,518	26,147	25,449
Net Fixed Assets		23,695	21,722	20,359	19,919	18,781
Investments		6	322	204	204	204
Non Current Investments		6	322	204	204	204
Current Assets, Loans & Adv.		10,886	13,369	15,240	15,505	15,482
Debtors		287	258	1,045	1,468	1,937
Cash & Bank balance		1,623	1,348	1,513	1,944	2,141
Loans & advances and others		8,976	11,763	12,682	12,093	11,405
Current Liabilities & Prov.		6,163	6,982	9,284	9,479	9,017
Liabilities		6,163	6,982	9,284	9,479	9,017
Net Current Assets		4,723	6,387	5,955	6,025	6,465
Miscellaneous expenses						
Application of Funds		28,424	28,431	26,518	26,147	25,449

Per share data

Year-ended	March 31	FY14	FY15	FY16	FY17e	FY18e
No. of shares (m)		100	112	163	163	163
Diluted no. of shares (m)		100	112	163	163	163
BVPS (INR)		-8.78	-20.30	6.24	9.07	12.34
CEPS (INR)		-26.29	-26.48	-8.86	-8.36	-9.63
DPS (INR)				0.10	0.10	0.10

Margins (%)

Year-ended	March 31	FY14	FY15	FY16	FY17e	FY18e
EBITDA Margin(%)		25.9	21.1	27.7	30.6	31.1
EBIT Margin(%)		15.0	12.1	19.2	20.4	19.6
PAT Margin(%)		-10.41	-5.65	1.28	2.52	2.85

Source: Company, Antique

Cash flow statement (INRm)

Year-ended	March 31	FY14	FY15	FY16	FY17e	FY18e
PBT		(1,562)	(1,075)	422	822	897
Depreciation & amortisation		1,303	1,799	1,706	1,825	2,103
Interest expense		3,797	4,036	3,832	3,265	3,144
(Inc)/Dec in working capital		6,208	1,306	3,292	3,386	3,645
Tax paid		(171)	(265)	(286)	(359)	(363)
Less: Interest/Div. Income Received		(433)	(570)	(407)	(424)	(462)
CF from operating activities		9,142	5,232	8,560	8,515	8,963
Inc/(Dec) in investments		24	(316)	118	-	-
Add: Interest/Div. Income Received		433	570	407	424	462
CF from investing activities		457	255	525	424	462
Inc/(Dec) in share capital		-	115	515	-	-
Inc/(Dec) in debt		533	1,579	(5,058)	(834)	(1,231)
Dividend Paid		(275)	(257)	(304)	(304)	(304)
Others		(9,774)	(7,198)	(4,074)	(7,371)	(7,693)
CF from financing activities		(9,516)	(5,761)	(8,921)	(8,508)	(9,229)
Net cash flow		84	(275)	165	431	197
Opening balance		1,539	1,623	1,348	1,513	1,944
Closing balance		1,623	1,348	1,513	1,944	2,141

Growth indicators (%)

Year-ended	March 31	FY14	FY15	FY16	FY17e	FY18e
Revenue(%)		-6.41	65.64	1.14	-10.73	1.96
EBITDA(%)		-14.91	34.95	32.53	-1.18	3.52
Adj PAT(%)		38.77	-10.71	-122.77	76.16	15.22
Adj EPS(%)		38.77	-19.92	-115.58	76.16	15.22

Valuation (x)

Year-ended	March 31	FY14	FY15	FY16	FY17e	FY18e
P/E		(3.2)	(4.0)	25.4	14.4	12.5
P/BV		(4.7)	(2.0)	6.6	4.5	3.3
EV/EBITDA		11.31	8.82	5.72	5.55	5.11
EV/Sales		2.93	1.86	1.58	1.70	1.59
Dividend Yield (%)		-	-	0.2	0.2	0.2

Financial ratios

Year-ended	March 31	FY14	FY15	FY16	FY17e	FY18e
RoE (%)		352.33	73.41	(42.10)	37.07	30.53
RoCE (%)		7.74	10.42	15.48	15.52	15.66
Asset/T.O (x)		0.42	0.70	0.74	0.69	0.71
Net Debt/Equity (x)		-32.37	-13.37	24.65	16.09	11.11
EBIT/Interest (x)		-0.59	-0.73	-1.11	-1.25	-1.29

Source: Company Antique

Important Disclaimer:

This report has been prepared by Antique Stock Broking Limited (hereinafter referred to as ASBL) to provide information about the company(ies) and/or sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies).

ASBL is a Stock Broker and Depository Participant registered with and regulated by Securities & Exchange Board of India.

ASBL and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group.

This report is for personal information of the selected recipient/s and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and ASBL is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur.

We and our affiliates have investment banking and other business relationships with some companies covered by our Research Department. Our research professionals may provide input into our investment banking and other business selection processes. Investors should assume that ASBL and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may educate investors on investments in such business. The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Our research professionals are paid on the profitability of ASBL which may include earnings from investment banking and other business.

ASBL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, ASBL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing among other things, may give rise to real or potential conflicts of interest. ASBL and its affiliated company(ies), their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of ASBL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

Reports based on technical and derivative analysis center on studying charts and company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition ASBL has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc, and therefore may at times have different contrary views on stocks sectors and markets.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt ASBL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold ASBL or any of its affiliates or employees responsible for any such misuse and further agrees to hold ASBL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent ASBL's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, ASBL and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent ASBL and/or its affiliates from doing so. ASBL or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ASBL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

ASBL and its associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

ASBL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.

Subject Company may have been a client of ASBL or its associates during twelve months preceding the date of distribution of the research report

ASBL and/or its affiliates and/or employees may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, ASBL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

There are no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of ASBL research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement Companies where there is interest

- Analyst ownership of the stock - No
- Served as an officer, director or employee - No

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASBL & its group companies to registration or licensing requirements within such jurisdictions.

For U.S. persons only: This research report is a product of Antique Stock Broking Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by Antique Stock Broking Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Antique Stock Broking Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

SEBI Registration Number: INH000001089 as per SEBI (Research Analysts) Regulations, 2014.

CIN: U67120MH1994PLC079444



Antique Stock Broking Limited

20th Floor, A Wing, Naman Midtown
Senapati Bapat Marg, Elphinstone (West)
Mumbai 400013

Tel. : +91 22 4031 3444 • Fax : +91 22 4031 3445
www.antiquelimited.com