

NHAI TO MISS FY12 TARGET

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Vinod Nair +91-22-6618 6379

vinod.nair@pinc.co.in

Subramaniam Yadav +91-22-6618 6371

subramaniam.yadav@pinc.co.in

A tall job at hand

With only one month left to meet its targets of 7300km, NHAI is putting its act together to award the remaining ~3015km of road projects. Considering the awarded projects, current bid stage and execution, we believe NHAI will miss both its target of awarding and completion. Till date (FY12), NHAI has awarded ~4,285km of road projects worth Rs408.9bn. We believe it's difficult for NHAI to award ~7300km this fiscal, as current bid stage of projects suggest possibility of awarding ~1635km by end of March. Though NHAI may stretch and award ~2000-2200km, still it will fall short by ~800-1000km of awarding. The Cabinet Committee on Infrastructure yesterday had approved three projects worth Rs35bn spanning 332km (Exhibit 1, highlighted) and awarding of these projects will start from today. Though we have witnessed very competitive bidding throughout the last year, we believe competition would ease going forward, as already developers are facing challenges regarding financial closures and our channel check suggest ~40 projects are on the block. Our stance get further vindicated by looking at the recent bid of Kiratpur-Ner Chowk in Himachal Pradesh won by ILFS Transportation that witnessed only four bidder.

Exhibit 1 - Project to be awarded / bid

Project	TPC (Rs mn)	Length (km)	NHDP Phase	NH No.	State	Bid opening date	Pre-qualified bidders
Mulbagal-AP/KNT Border	2,310	22	III	4	Karnataka	28th Feb 2012	21
Madurai-Ramnathapuram	11,020	116	III	49	Tamil Nadu	2nd Mar 2012	36
Chandikhole-Dubari-Talchar	12,870	133	III	200	Orrisa	5th Mar 2012	23
Gomati ka Chauraha - Udaipur	11,143	83	IV	8	Rajasthan	6th Mar 2012	39
Kharagpur-Baleswar	4,870	119	V	60	Orrisa	6th Mar 2012	22
Vikravandi-Kumbakonam-Thanjavur	11,720	165	IV	45C	Tamil Nadu	6th Mar 2012	25
Solapur- Bijapur	9,500	111	III	13	Maharashtra / Karnataka	19th Mar 2012	38
Hoskote-Dobespet	8,440	89	IV	207	Karnataka	30th Mar 2012	36
Chandikhole-Paradeep	8,090	77	V	5A	Orrisa	-	33
Kundapur-KNT/Goa Border	19,650	192	IV	17	Karnataka	30th Mar 2012	35
Aurangabad- Barwa Adda	-	220	V	2	Bihar	30th Mar 2012	16
Udhampur - Ramban (Annuity)	-	43	II	1A	J&K	-	26
Ramban-Banihal (Annuity)	-	36	II	1A	J&K	-	28
Walayar-Vadakancherry	6,820	54	II	47	Kerala	Delayed, CCI approved	-
Walahjapet-Poonamalee	9,300	92	V	4	Tamil Nadu	Delayed, RFQ done	37
Rohtak-Hisar	9,500	83	III	10 & 71	Harayana	RFQ done	-
Amravati to Maharashtra / Gujarat border	50,070	485	IV	6	Maharashtra	-	13
Total		2,120					
Other projects							
Eastern Peripheral Highway	2,699	135	Others	NE- II	UP/Haryana	-	4 lane project
Mumbai to JNPT	22,600	44	Others	-	Maharashtra	-	6/8 lane project

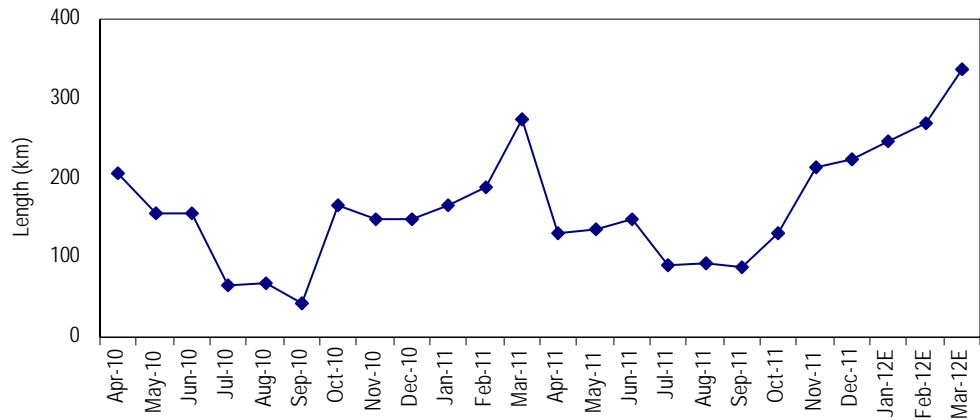
Source: NHAI, Media, PINC Research

Completion marginally higher YoY, NHAI may miss the target

Recent sentiment dampeners like policy paralysis, difficulty in environment clearance, and achieving financial closure had impacted execution of projects. Total length completed has only increased by 8.6% YoY till Dec end, despite record awarding of projects last year. Till Dec'11 NHAI has completed 1,258km of roads and is likely to miss its target of 2,500km. However, we expect NHAI to complete ~2,110km in FY12 an 18.2% YoY growth.

We expect NHAI to complete ~2110km in FY12...

Exhibit 2 - Length Completed / month



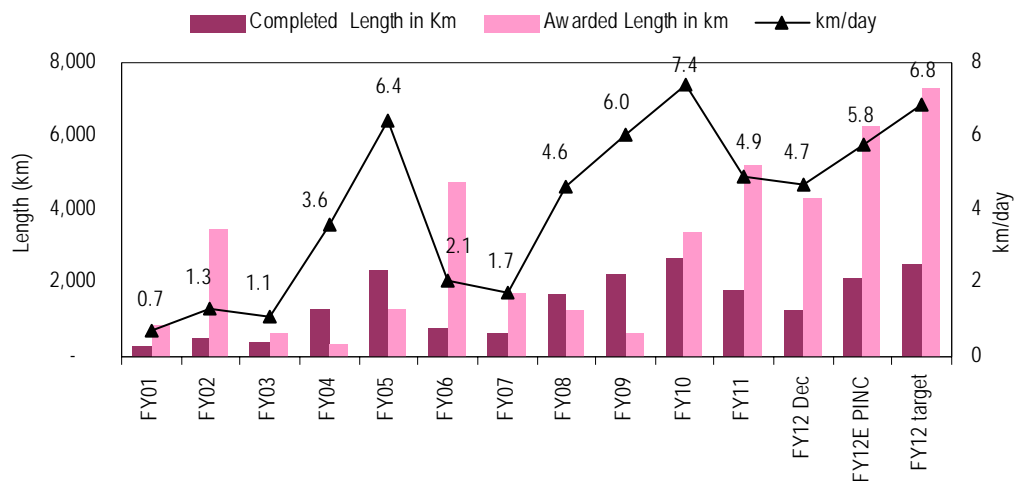
Source: NHAI, PINC Research

20 km/day unlikely in near term...

20km/day target far fetched

With the current run rate NHAI is likely to complete the year with 5.8km/day of execution vs 4.9km/day last year. Execution YoY has been better, but still not enough to meet its target. We have factored in execution of ~2110km and awarding of ~6285km in FY12. To achieve 20km/day of target requires ~22,000km of work in progress, which currently stands at ~13,258km. Hence, we believe it would be an uphill task to achieve 20km/day target.

Exhibit 3 - NHAI project awarding and execution



Source: NHAI, PINC Research

We expect NHAI to complete the year with 5.8km/day of execution...

Exhibit 4 - NHDP status as on Dec'11

Particulars	GQ	NS & EW Ph. I & II	NHDP Phase III	NHDP Phase IV	NHDP Phase V	NHDP Phase VI	NHDP Phase VII	NHDP Total	Port Conn.	Other NHs	SARDP - NE	Total by NHAI
Total Length (km)	5,846	7,300	12,109	14,799	6,500	1,000	700	48,254	380	1,390	388	50,412
2/4/6/8 laned												
By NHAI	5,831	5,914	3,023	-	709	-	7	15,484	341	946	5	16,776
By MORTH (PWD)	-	-	-	-	-	-	-	-	-	-	-	-
- Total till date (km)	5,831	5,914	3,023	-	709	-	7	15,484	341	946	5	16,776
(%) completion	99.7	81.0	25.0		10.9	-	1.0	32.1	89.7	68.1	1.3	33.3
Under implementation (km)	15	565	2,866	-	1,103	-	34	4,583	39	6	107	4,735
Letter of award issued/ agreement signed and work to be started (km)	-	243	3,648	2,549	1,665	-	-	8,105	-	418	-	8,523
Length to be awarded (km)	-	420	2,572	12,250	3,023	1,000	659	19,924	-	20	276	20,220
Length completed during the month	1	28	157	-	26	-	2	214	4	-	5	223
Financials (Rs cr.)												
- Awarded cost of contracts under implementation / BOT grant annuity payment	1,634	13,554	12,064	2,067	4,431	-	561	34,311	717	2,237	97	37,362
Expenditure (Rs cr.)												
- During the Month	22	393	1,509	38	163	-	-	2,126	12		-	2,138
- Current Financial Year	223	3,696	11,477	493	2,389	3	5	18,286	248		-	18,534
- Cumulative till date	30,998	49,353	34,905	530	11,450	7	6	127,248	9,348		-	136,596

Source: PINC Research, NHAI

T E A M

EQUITY DESK

Sadanand Raje	Head - Institutional Sales Technical Analyst	<i>sadanand.raje@pinc.co.in</i>	91-22-6618 6366
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RESEARCH

Vineet Hetamasaria, CFA	Head of Research, Auto, Cement	<i>vineet.hetamasaria@pinc.co.in</i>	91-22-6618 6388
Nikhil Deshpande	<i>Auto, Auto Ancillary, Cement</i>	<i>nikhil.deshpande@pinc.co.in</i>	91-22-6618 6339
Tasmai Merchant	<i>Auto, Auto Ancillary, Cement</i>	<i>tasmai.merchant@pinc.co.in</i>	91-22-6618 6377
Vinod Nair	<i>Construction, Power, Capital Goods</i>	<i>vinod.nair@pinc.co.in</i>	91-22-6618 6379
Ankit Babel	<i>Capital Goods, Engineering</i>	<i>ankit.b@pinc.co.in</i>	91-22-6618 6551
Hitul Gutka	<i>Power</i>	<i>hitul.gutka@pinc.co.in</i>	91-22-6618 6410
Subramaniam Yadav	<i>Construction</i>	<i>subramaniam.yadav@pinc.co.in</i>	91-22-6618 6371
Madhura Joshi	<i>Power</i>	<i>madhura.joshi@pinc.co.in</i>	91-22-6618 6395
Satish Mishra	<i>Fertiliser, Oil & Gas</i>	<i>satish.mishra@pinc.co.in</i>	91-22-6618 6488
Urvashi Biyani	<i>Fertiliser, Oil & Gas</i>	<i>urvashi.biyani@pinc.co.in</i>	91-22-6618 6334
Naveen Trivedi	<i>FMCG</i>	<i>naveent@pinc.co.in</i>	91-22-6618 6384
Rohit Kumar Anand	<i>IT Services</i>	<i>rohit.anand@pinc.co.in</i>	91-22-6618 6372
Niraj Garhyan	<i>IT Services</i>	<i>niraj.garhyan@pinc.co.in</i>	91-22-6618 6382
Namrata Sharma	<i>Media</i>	<i>namrata.sharma@pinc.co.in</i>	91-22-6618 6412
Sakshee Chhabra	<i>Media</i>	<i>sakshee.chhabra@pinc.co.in</i>	91-22-6618 6516
Bikash Bhalotia	<i>Metals, Mining</i>	<i>bikash.bhalotia@pinc.co.in</i>	91-22-6618 6387
Harleen Babber	<i>Metals, Mining</i>	<i>harleen.babber@pinc.co.in</i>	91-22-6618 6389
Dipti Vijaywargi	<i>Metals, Mining</i>	<i>dipti.vijaywargi@pinc.co.in</i>	91-22-6618 6393
Sushant Dalmia, CFA	<i>Pharma</i>	<i>sushant.dalmia@pinc.co.in</i>	91-22-6618 6462
Poonam Sanghavi	<i>Pharma</i>	<i>poonam.sanghavi@pinc.co.in</i>	91-22-6618 6709
Suman Memani	<i>Real Estate, Mid caps</i>	<i>suman.memani@pinc.co.in</i>	91-22-6618 6479
Abhishek Kumar	<i>Real Estate, Mid caps</i>	<i>abhishek.kumar@pinc.co.in</i>	91-22-6618 6398
C Krishnamurthy	<i>Technical Analyst</i>	<i>krishnamurthy.c@pinc.co.in</i>	91-22-6618 6747

SALES

Rajeev Gupta	<i>Equities</i>	<i>rajeev.gupta@pinc.co.in</i>	91-22-6618 6486
Ankur Varman	<i>Equities</i>	<i>ankur.varman@pinc.co.in</i>	91-22-6618 6380
Himanshu Varia	<i>Equities</i>	<i>himanshu.varia@pinc.co.in</i>	91-22-6618 6342
Shailesh Kadam	<i>Derivatives</i>	<i>shaileshk@pinc.co.in</i>	91-22-6618 6349
Ganesh Gokhale	<i>Derivatives</i>	<i>ganeshg@pinc.co.in</i>	91-22-6618 6347

DEALING

Amar Margaje		<i>amar.margaje@pinc.co.in</i>	91-22-6618 6327
Ashok Savla		<i>ashok.savla@pinc.co.in</i>	91-22-6618 6321
Sajjid Lala		<i>sajjid.lala@pinc.co.in</i>	91-22-6618 6337
Rajub Bhavsar		<i>rajub@pinc.co.in</i>	91-22-6618 6322
Hasmukh D. Prajapati		<i>hasmukhp@pinc.co.in</i>	91-22-6618 6325
Dhirenpuri D. Goswami		<i>dhirenpurig@pinc.co.in</i>	91-22-6618 6345
Arjun Prajapati		<i>arjun.prajapati@pinc.co.in</i>	91-22-6618 6346

DIRECTORS

Gaurang Gandhi		<i>gaurangg@pinc.co.in</i>	91-22-6618 6400
Hemang Gandhi		<i>hemangg@pinc.co.in</i>	91-22-6618 6400
Ketan Gandhi		<i>ketang@pinc.co.in</i>	91-22-6618 6400

COMPLIANCE

Rakesh Bhatia	Head Compliance	<i>rakeshb@pinc.co.in</i>	91-22-6618 6400
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Rating Objective		
Rating	Large Caps	Mid Caps
	M.Cap > USD1bn	M.Cap <= USD1bn
Return %		
BUY	More than 15	More than 20
Accumulate	5 to 15	10 to 20
Reduce	(-)5 to +5	0 to 10
Sell	Below (-)5	Less than 0

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