

September 04, 2014

CARE ASSIGNS 'CARE B-' RATING TO THE BANK FACILITIES OF WESTERN UP TOLLWAY LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	421.99	CARE B- (Single B Minus)	Assigned
Total Facilities	421.99		

Rating Rationale

The rating assigned is constrained by the traffic risk associated with a toll-based project owing to the uncertainty in traffic and in turn revenue, interest rate risk, Operations and Maintenance (O&M) risk and absence of fixed-price major maintenance contract. The rating also factors in strain on liquidity in the recent past on account of time and cost overrun in the project (a part of which was not tied up) and lower than envisaged tolling revenue. The rating is, however, underpinned by the experienced promoters, improvement in liquidity position on account of satisfactory operation for three years with increasing traffic and revenue along with successful receipt of operational grant from National Highways Authority of India (NHAI) and commercial importance of the stretch albeit presence of alternate routes.

The ability of the company to achieve the envisaged toll revenue and overall effective cash flow management are the key rating sensitivities.

Background

Western UP Tollway Limited (WUPTL) is a Special Purpose Vehicle (SPV) incorporated on April 20, 2005, to undertake the strengthening and widening of the existing Meerut – Muzaffarnagar section (from km 52.25 to km 131 of NH 58) to a four lane highway with service road along with built-up area in the state of Uttar Pradesh (UP) under the NHDP Phase-3A.

The Concession Agreement (CA) was executed between WUPTL and National Highways Authority of India (NHAI) on September 9, 2005, for a concession period of 20 years. The Scheduled Project Completion Date (SPCD) of the project was March 08, 2009. However, the Commercial Operation Date (COD) for the project was April 25, 2011 (for 57.75 km stretch) and October 22, 2011 (for the balance 21 km stretch). The project cost incurred is Rs.754.55 crore as against original project cost of Rs.535 crore. The final cost includes Rs.3.87 crore with respect to the work which is currently under progress.

The company was initially promoted by Nagarjuna Construction Company Limited (NCC) along with its fully owned subsidiary NCC Infrastructure Holdings Limited, Gayatri Projects Limited [GPL (rated CARE BB+/CARE A4) through its fully owned subsidiary, Gayatri Infra Ventures Limited] and Maytas Infra Private Limited (MIL). In 2010, MIL sold its stake to the other two promoters. Currently, the company's shareholders are NCC Limited (2.23%), NCC Infrastructure Holdings Limited (48.77%) and Gayatri Infra Ventures Limited (49%).

For FY14 (refers to the period April 1 to March 31), WUTPL registered total income of Rs.100 crore with net loss of Rs.22 crore.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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