

Chetak Mitra Tollways Limited

January 27, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	48.45* (reduced from 53.10)	CARE A+ (SO); Stable [Single A Plus (Structured Obligation); Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	3.53*	CARE A1+ (SO) [A One Plus (Structured Obligation)]	Reaffirmed
Total Facilities	51.98 (Rupees Fifty One crore and Ninety Eight lakh only)		

Details of instruments/facilities in Annexure-1

*backed by joint and several, unconditional and irrevocable corporate guarantee extended by Chetak Enterprises Limited (CEL, rated 'CARE A+; Stable/CARE A1+')

Detailed Rationale

The ratings assigned to the bank facilities of Chetak Mitra Tollways Limited (CMTL) are based on the credit enhancement in the form of an unconditional and irrevocable corporate guarantee extended by CEL.

The ratings assigned to the various bank facilities and instruments of CEL continue to take into account its demonstrated track record in the construction and operations of Build-Operate-Transfer (BOT) based road projects, its strong financial flexibility by virtue of its operational BOT projects which have long tail period and relatively low debt levels along with its healthy profitability and comfortable leverage and debt coverage indicators which have further improved in FY16 (refers to the period April 1 to March 31). The ratings also favorably factor the strengthened order book of CEL with award of large sized hybrid annuity projects providing good revenue visibility; albeit there has been moderation in its Total Operating Income (TOI) during FY16.

The ratings, however, continue to remain constrained by inherent risk associated with its exposure to BOT-based road projects along with extension of joint and several corporate guarantees to some of its Special Purpose Vehicle (SPV)s as well as concentration of few projects from roads and highways segment in its order-book. The ratings also continue to be constrained by inherent challenges of the construction industry.

The ability of CEL to maintain healthy debt protection indicators and efficiently manage its working capital requirements while increasing its scale of operations through greater revenue diversity shall be the key rating sensitivities. The pace of addition of BOT projects in its portfolio and its impact on the capital structure of CEL along with extent of exposure to non-core ventures are also the key rating monitorables.

Detailed description of the key rating drivers

CMTL has entered into Concession Agreement (CA) on January 17, 2012 for 15 years, 5 months and 25 days with Government of Rajasthan for widening, strengthening and improvement of the existing 2 lane Rohit - Jalore section of road. The project achieved PCOD on August 29, 2013 and it has an operational track record of over 39 months of toll collection. The ratings factor in the credit enhancement in the form of an unconditional and irrevocable corporate guarantee extended by CEL.

Incorporated in 2000, CEL has a long track record of operations and as on March 31, 2016 it had a portfolio of 12 BOT based road projects, out of which three are structured in its own balance sheet and the remaining nine are owned

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

through SPVs. BOT portfolio constitutes nine operational projects, one under construction toll project and one under hybrid annuity project wherein construction is yet to start.

CEL has been awarded two hybrid annuity projects with aggregate EPC cost of Rs.1,905 crore during H1FY17. This has strengthened its order book from Rs.1,558 crore as on December 31, 2015 to Rs.3,123 crore as on September 30, 2016 which is 4.77 times of contract receipt of FY16.

CEL's TOI had declined by around 18% during FY16 over FY15 as EPC work of two of its major BOT projects are nearing completion during FY15 itself while execution of new project (i.e. Nasik Sinnar Tollways Ltd) commenced from Q3FY16. Despite decline in TOI, GCA had improved over FY15 on the back of exceptional gain of Rs.58.88 crore from the partial stake sale in one of its SPVs and continuation of its healthy profitability. It has comfortable leverage marked by overall gearing of 0.35 times as on March 31, 2016 which had improved with of rationalization of working capital borrowing and reduction of long-term mobilization advances with execution of orders on hand. The debt coverage indicators also improved significantly and remained comfortable.

CEL's had exposure to BOT road projects in the form of investment and loans & advances to various SPVs and had also provided guaranteed debt in some of its SPVs. CEL is required to provide need based support in case of underperformance of SPVs due to various macro-economic factors beyond the control of the company. However, the support requirement in terms of shortfall in SPVs is expected to remain low going forward and increase in focus on hybrid annuity project having lower equity commitment is expected to reduce the exposure to BOT projects to an extent.

CEL is exposed to inherent risk involved in the construction industry including aggressive bidding, traffic risk, interest rate risk, volatile commodity prices and delay in project progress due to resistance towards land acquisition and regulatory clearances which have collectively affected the credit profile of the developers in the past as well.

Analytical approach: Guarantor's assessment - The ratings assigned to the bank facilities of CMTL are backed by unconditional and irrevocable corporate guarantee provided by CEL.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Rating Methodology – Toll Road Projects](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

CMTL, a SPV owned by CEL (51.38% stake) and H S Mehta Infra Private Limited (HSMIPL, 48.60% stake) has entered into Concession Agreement (CA) on January 17, 2012 for 15 years, 5 months and 25 days with Government of Rajasthan for widening, strengthening and improvement of the existing 2 lane Rohit - Jalore section of road comprising SH-64 (0/000 to 82/000) and SH-16 (165/500 to 183/500), total length 100 km. Cost of the project was Rs.88.75 crore which was funded with debt/equity of 2.09 times. Engineering procurement and construction (EPC) contract of the project was given to CEL with fixed price of Rs.82.52 crore. The concession period started from the commencement date, i.e. May 30, 2012 and included construction period of one year. The project achieved provisional commercial operations date (PCOD) on August 29, 2013.

During FY16, based on the audited results, CMTL reported a total operating income of Rs.9.21 crore (FY15: Rs.12.63 crore) with net loss of Rs.2.03 crore (FY15: Net profit of Rs.0.02 crore). As per provisional results for 7MFY17, CMTL reported toll collection of Rs.4.12 crore.

About the Guarantors

Chetak Enterprises Limited

Incorporated in 2000 by Mr Udai Lal Anjana and family, CEL (CIN no. U40104RJ2000PLC016253) is a Nimbahera (Rajasthan) based company engaged in the development and construction of roads. Mr Udai Lal Anjana, *the Promoter Director*, is the former Member of Legislative Assembly (MLA) from Nimbahera constituency in Rajasthan and former Member of Parliament. CEL has an established track record in the construction and operations of road projects. Income by way of contract receipts from road construction, toll collection from the three operational projects and other income constituted 88%, 10% and 2% respectively in total operating income of Rs.744.24 crore during FY16. During FY16, CEL has also divested its 37% stake (of the total 50% owned by it) in Dewas Bhopal Corridor Ltd (DBCL) to an IDFC group entity.

As per the audited results for FY16, CEL reported a PAT of Rs.110.12 crore on a total operating income of Rs.744.24 crore as against a PAT of Rs.73.89 crore on a total operating income of Rs.912.67 crore in FY15. Based on provisional results for H1FY17, CEL reported total operating income of Rs.201.53 crore and profit before tax of Rs.23.55 crore.

H S Mehta Infra Private Limited (HSMIPL)

HSMIPL is a private limited company promoted by Mr Hanuman Singh Mehta and Mr Ajeet Kumar Jain. Established in the year 2013, the company is involved in civil construction, construction of roads and highways, irrigation canals, bridges and laying of telecom cables under trench less process.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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For detailed rationale of CEL, kindly refer www.careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	October, 2023	48.45	CARE A+ (SO); Stable
Non-fund-based - ST-BG/LC	-	-	-	3.53	CARE A1+ (SO)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	48.45	CARE A+ (SO); Stable	-	1)CARE A+ (SO) (07-Mar-16)	1)CARE A- (SO) (02-Dec-14)	1)CARE A- (SO) (18-Nov-13)
2.	Non-fund-based - ST-BG/LC	ST	3.53	CARE A1+ (SO)	-	1)CARE A1+ (SO) (07-Mar-16)	1)CARE A2+ (SO) (02-Dec-14)	1)CARE A2+ (SO) (18-Nov-13)

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