FEBRUARY 02, 2016

CARE REAFFIRMS THE RATINGS TO BANK FACILITIES OF IRB INFRASTRUCTURE DEVELOPERS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term- Rupee Term Loan@	500.00	CARE AA- (SO) [Double A Minus (Structured Obligation)]	Reaffirmed
Total Facilities	**Rs. 500.00(Rupees Five Hundred crore only)**		

@The credit enhancement is in the form of put option wherein the lenders of the above rated facility of IRB Infrastructure Developers Ltd. (IRB) would require Mhaiskar Infrastructure Private Limited (MIPL) to purchase the said facility and/or any interest due to be paid referred to as the put amount, within 15 days of exercise of the Put Option viz T+15 (final legal maturity with T as the due date of debt servicing for IRB) throughout the tenure of the facility. The credit enhancement also factors the Structured Payment Mechanism (SPM) in case of exercise of the above put option

Rating Rationale

The reaffirmation of the rating assigned to the aforementioned bank facility of IRB continues to derive strength from the credit enhancement extended by MIPL to service the rated debt, in case of exercise of put option, from the latter's cash surpluses generated.

Rating Rationale of Credit Enhancement Provider (CEP)- MIPL

The credit profile of MIPL continues to derive strength from favorable location of the stretch translating into stable traffic growth and diversified traffic profile, benefits derived from the assured toll hike policy every three years and established track record of IRB in the Built Operate Transfer (BOT) toll Road Projects, Construction and Operation & Maintenance (O&M). The rating further continues to take into account positively; the weighted average fixed interest rate of 10.60% p.a. and fixed-price O&M contract.

The rating strengths of MIPL, however, are tempered by its toll road nature of business and so also the discontinuation of Major Maintenance Reserve Account (MMRA).

The ability of MIPL to demonstrate persistent growth in the traffic without any disruptions, undertake O&M as planned and adhere to the proposed SPM in the backdrop of new concession agreement executed by MIPL constitute the key rating sensitivities.

Background

IRB

IRB, incorporated in 1998, is an established integrated surface transportation infrastructure company with expertise in development of BOT Toll Road Projects. The company's business segments are toll roads, construction, airport development and real estate. As on September 30, 2015, IRB held a portfolio of 20 BOT projects of which 13 are operational BOT projects, 6 toll roads projects under implementation and 1 recently awarded, with all toll roads structured into separate SPVs.

MIPL

MIPL is a Special Purpose Vehicle promoted by IRB with 74% shareholding and remaining held by IRB's wholly owned subsidiary Ideal Road Builders Pvt Ltd. MIPL entered into concession agreement with Maharashtra State Road Corporation Development Ltd. (MSRDC) in 2004. The scope of MIPL is to carry out four-laning and improvement of

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Mumbai - Pune section of NH-4 (Km 131/200 to Km 20/400) along with Toll Collection and Operation and Maintenance on Mumbai - Pune section of NH-4 and existing Mumbai - Pune Expressway (MPEW) with concession period of 15 years ending on August 10, 2019. The commercial operation date was August 10, 2004, for MPEW and September 1, 2006, for NH-4 section. In October 2014, MIPL executed concession agreement with MSRDC for the O&M of MPEW and Mumbai Pune section of NH-4 along with execution of additional works on Mumbai Pune section of NH-4, on DBFOT basis (toll)(referred as Phase-II). The estimated cost is Rs.1,687 crore. Financial closure for this project was achieved by the company; however Maharashtra government has incorporated a committee to look into the tolling issues of the road projects in Maharashtra. The report from the committee is awaited. In lieu of the above, IRB has not expended any amount towards Phase –II till date. Moreover in case of termination of the project no compensation is expected.

During FY15, MIPL posted a total income of Rs. 569.43 crore (Rs. 441.59 crore previous year) and PAT of Rs. 304.93crore (Rs.196.91 crore previous year).

For the Year FY15 (refers to the period April 1 to March 31), IRB, on a consolidated basis reported a total income of Rs.3,955 crore (Rs.3,851 crore in FY 14) and PAT of Rs 542 crore (Rs.460 crore in FY14).

Analyst Contact
Name: Ms Rajashree Murkute
Contact: 022-6754 3440
Email: rajashree.murkute@careratings.com

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

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CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, HimayatNagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rakesh Jayaraman
304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, NearCollectorateCircle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 7665596136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

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