OCTOBER 14, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	420 [Reduced from Rs.500 crore]	**CARE AA-(SO) [Double A Minus (Structured Obligation)] @**	Reaffirmed
Total Facilities	**420 (Rupees Four Hundred and twenty Crore only)**		

*Outstanding as on August 31, 2016

@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.

Credit perspective of Credit Enhancement Provider (CEP) - MIPL

The credit profile of MIPL continues to derive strength from favorable location of the stretch (Mumbai - Pune section of NH-4 and existing Mumbai - Pune Expressway (MPEW)) 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 also by non-creation 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 June 30, 2016, IRB held a portfolio of 20 BOT projects of which 14 are operational BOT projects and 6 toll roads projects under implementation, with all toll roads structured into separate Special Purpose Vehicles (SPVs). Such SPVs are wholly owned subsidiaries of IRB and the construction and O&M activity is carried out in-house through Modern Road Makers Pvt. Ltd. (MRM, rated CARE A/A1, a wholly owned subsidiary of IRB). As on June 30, 2016, the total road length under portfolio stood at 9,846 lane kms with 5,911 lane kms operational and 3,935 Lane kms under development. The above includes share of 13.17% on the Golden Quadrilateral under NHDP Phase-I of National Highways Authority of India (NHAI, rated CARE AAA).

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

MIPL

MIPL is an SPV promoted by IRB with 74% shareholding and remaining held by IRB's wholly owned subsidiary Ideal Road Builders Pvt Ltd. MIPL entered into a concession agreement with Maharashtra State Road Development Corporation Ltd. (MSRDC) in 2004. The scope of MIPL is to carry out four-laning and improvement of 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 design, build, finance, operate and transfer (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, in October 2016, MSRDC terminated the concession agreement (initially signed in October 2014 for Phase -II).

During FY16 (refers to the period April 1 to March 31), MIPL posted a total income of Rs. 634.94crore (Rs. 569.43 crore previous year) and PAT of Rs. 376.03 crore (Rs. 304.93 crore previous year).

In FY16, IRB, on a consolidated basis reported a total income of Rs. 5,249 crore (Rs.3, 955 crore in FY15) and PAT of Rs 636 crore (Rs.542 crore in FY15).

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

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