

OCTOBER 12, 2015

## CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF KHALGHAT SENDHWA TOLLWAYS PRIVATE LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities (Term Loan) – Senior Debt	502.67	<b>CARE A- [Single A Minus]</b>	<b>Revised from CARE BBB [Triple B]</b>
Long-term Bank Facilities (Term Loan) – Subordinate Debt	15.00	<b>CARE BBB+ [Triple B Plus]</b>	<b>Revised from CARE BBB- [Triple B Minus]</b>
Long-term Bank Facilities (Overdraft)	35.00	<b>CARE A- [Single A Minus]</b>	<b>Assigned</b>
<b>Total</b>	<b>552.67 [Rupees Five Hundred Fifty Two crore and Sixty Seven lakh only]</b>		

### Rating Rationale

The revision in the ratings of Khalghat Sendhwa Tollways Private Limited (KSTPL) takes into account the consistent increase in toll revenue of the company over the past 3 years along with healthy month-on-month increase in traffic volume during H1FY16. The ratings also factor in the reduction in interest rates on account of refinancing of debt coupled with additional sponsor support provided by Uniquet Infra Ventures Pvt. Ltd. (UIPL, rated 'CARE AA-/CARE A1+') in the form of shortfall undertaking up to Rs.20 crore for any cash shortfall during first major maintenance and one year thereafter. This undertaking is in addition to the earlier support in the form of bank guarantees for Debt Service Reserve Account (DSRA) and Major Maintenance Reserve Account (MMRA) provided by the sponsors.

The ratings continue to derive strength from strong and experienced promoters of KSTPL and satisfactory operations of the project for more than 4 years with consistent growth in revenue. The commercial importance of the stretch and favorable traffic mix lends further comfort to the rating.

The ratings continue to remain constrained by the traffic risk associated with toll-based projects and toll rate being linked to wholesale price index, interest rate risk arising on account of interest rate reset stipulations and absence of fixed price major maintenance contract. The ratings are also constrained by the significant dependence on commercial vehicle traffic leading to higher susceptibility of revenues to the economic downturns.

Going forward, the ability of the company to achieve envisaged traffic volume and toll revenue and effective cash flow management with respect to major maintenance activity shall be the key rating sensitivities.

### Background

KSTPL (erstwhile SEW Navayuga Barwani Tollways Pvt. Ltd.), a special purpose vehicle (SPV) was initially promoted by SEW Infrastructure Ltd. (SEW) and Navayuga Engineering Company Limited (NECL; rated 'CARE BBB+/CARE A2') to undertake four-laning of Khalghat to Madhya Pradesh/Maharashtra border section of NH-3 from Km. 84.70 to Km. 167.50 under NHDP Phase IIIA on BOT toll basis.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

In January 2014, Uniquet Infra Ventures Pvt. Ltd [UIPL, rated 'CARE AA-/CARE A1+'] acquired 67% stake in KSTPL. The shareholding of UIPL was subsequently increased to 74% in July 2014. The remaining stake is held by SEW Infrastructure Ltd. (19.24%) and Navayuga Engineering Company Ltd. (6.76%).

The Concession Agreement (CA) was executed between KSTPL and the National Highways Authority of India (NHAI) on April 16, 2008, for a concession period of 18 years. The project had achieved COD on April 4, 2011, and is operating satisfactorily for the past 4 years.

The company reported PBILDT and net loss of Rs.84.68 crore and Rs.20.43 crore, respectively, on a total operating income of Rs.98.09 crore during FY15. During Q1FY16 (refers to the period April 1 to June 30), the company reported PBILDT and net loss of Rs.22.07 crore and Rs.1.21 crore, respectively, on a total operating income of Rs.25.75 crore.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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