

DECEMBER 29, 2014

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
KHALGHAT SENDHWA TOLLWAYS PVT LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities (Senior Debt)	522.04	CARE BBB (Triple B)	Credit watch removed and rating reaffirmed
Long-term Bank Facilities (Subordinate Debt)	28.72	CARE BBB- (Triple B Minus)	Credit watch removed and rating reaffirmed
Total	550.76		

Rating Rationale

The removal of credit watch on the rating takes cognizance of completion of acquisition of majority stake in KSTPL by Uniquet Infra Ventures Pvt. Ltd (UIPL, rated CARE AA-/CAREA1+).

The ratings continue to derive strength from strong and experienced promoters of Khalghat Sendhwa Tollways Private Limited (KSTPL) and satisfactory operations of the project for three years with growth in revenue. The commercial importance of the stretch and favourable traffic mix lends further comfort to the rating. The ratings continue to remain constrained by the traffic risk associated with a toll-based project, interest rate risk and absence of fixed price major maintenance contract.

The ability of the company to achieve envisaged toll revenue and effective cash flow management with respect to major maintenance activity are the key rating sensitivities.

Background

Khalghat Sendhwa Tollways Pvt. Ltd. (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.

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 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 three years.

The company reported PBILDT and net loss of Rs.40.25 crore and Rs.12.12 crore respectively on a total operating income of Rs.46.62 crore during H1FY15 (Provisional).

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

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

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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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