

October 31, 2014

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF KHANDWA AGROH PATHWAYS PVT LTD

Ratings

| Facilities | Amount (Rs. crore) | Ratings ¹ | Remarks |
|------------------------------|-----------------------|---|------------|
| Long term Bank Facilities | 152.41 | CARE BBB (SO) [Triple B (Structured Obligation)] | Reaffirmed |
| Total Facilities# | 152.41 | | |

#backed by unconditional and irrevocable corporate guarantees extended jointly and severally by Agroh Infrastructure Developers Private Limited (AIDPL) and Prakash Asphaltings and Toll Highways (India) Limited (PATH)

Rating Rationale

The above rating is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantees extended jointly and severally by Agroh Infrastructure Developers Private Limited (AIDPL; rated 'CARE BBB / CARE A3') and Prakash Asphaltings and Toll Highways (India) Limited (PATH).

The ratings assigned to the bank facilities of AIDPL continue to take into account its established track record of healthy toll collection from its sole build, operate and transfer (BOT)-based road project (structured in its standalone balance sheet), good revenue visibility in the medium term, experienced promoters and moderate debt protection indicators.

Further, ratings also take into account AIDPL's demonstrated execution capabilities marked by completion of two BOT projects in special purpose vehicles (SPVs) ahead of its schedule which has also resulted in growth in scale of operations during FY14 (refers to the period April 1 to March 31).

The ratings, however, are constrained by AIDPL's increasing exposure to BOT-based road projects elevated by 'with recourse' nature of debt of its SPVs, along with delay in liquidation of the advances/investment extended to various companies and underperformance of its two SPVs. The ratings continue to be constrained by its geographically concentrated operations and challenging business environment faced by the construction industry.

Completion of the ongoing BOT projects within the envisaged time and cost parameters, performance of the entities whose debt has been guaranteed by AIDPL and the extent of exposure to BOT-based road projects impacting the credit profile of the company are the key rating sensitivities. Liquidation of loans/advances to various companies and monetization of investments in immovable property in a time bound manner would also be key rating monitorables.

Background

Incorporated in July 2011, Khandwa Agroh Pathways Pvt Ltd (KAPPL) is a Special Purpose Vehicle (SPV) sponsored by AIDPL (40% stake) and PATH (60% stake) to undertake two-laning of the Khandwa-Dehtalai-Burhanpur section of State Highway 50 in the state of Madhya Pradesh (MP), under concession from Madhya Pradesh Road Development Corporation [MPRDC; a Government of Madhya Pradesh (GoMP) undertaking; rated CARE A (Issuer Rating)] on design, build, finance, operate and transfer (DBFOT) – toll basis.

The concession agreement (CA) between KAPPL (concessionaire) and MPRDC (concessing authority) was executed on July 28, 2011, for a period of 30 years, including two years of construction period. KAPPL achieved provisional COD for section-I of the project from Khandwa to Dehtalai on June 27, 2014 and started toll collection on this section from June

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

28, 2014. Section-II of the project, from Dehtalai to Burhanpur, is likely to commence operations from March 2015, with a delay of around 12 months from its scheduled commercial operations date (SCOD).

The revised project cost now stands at Rs.236.36 crore, including a cost over-run of Rs.4.50 crore, which is likely to be absorbed by the sponsors. Project debt-equity stands at 1.48:1, including viability gap funding (VGF) of Rs.45.40 crore from MPRDC.

Till September 25, 2014, KAPPL had incurred a total cost of Rs.171.03 crore on the project, funded through a term loan of Rs.92.02 crore, equity of Rs.45.40 crore, VGF of Rs.21.90 crore and the balance Rs.11.71 crore through project creditors.

About the Guarantors

Agroh Infrastructure Developers Private Limited

AIDPL was originally incorporated as a SPV promoted by Singhal family of Indore and entered into a Concession Agreement with Madhya Pradesh Road Development Corporation (MPRDC) in November 2001 for the strengthening, widening and rehabilitation of *Ujjain-Agar-Jhalawad* (UJ) road project (SH-27) on BOT basis. The project is debt free and has a track record of generating healthy cash accrual and is scheduled to be handed over in April 2017.

With award of new BOT projects, AIDPL has started executing engineering, procurement and construction (EPC) work for its own BOT based road projects from FY12. Apart from one operational BOT project (UJ) structured in its standalone balance sheet, AIDPL has currently seven BOT-based road projects (five in joint venture SPVs and two in wholly owned SPV) in its portfolio, of which two are operational; two are partly operational while the rest three are at various stages of execution.

During FY14 based on the audited results, AIDPL reported a total operating income of Rs.269.61 crore (FY13: Rs.131.55 crore) with PAT of Rs.38.18 crore (FY13: Rs.27.29 crore).

For a detailed rating rationale of AIDPL, please refer to www.careratings.com

Prakash Asphaltings and Toll Highways (India) Limited (PATH)

PATH is promoted by the Agarwal family of Indore which is engaged in civil infrastructure construction and toll collection business for the last three generations. The company is presently managed by Mr Puneet Agarwal and his brother, Mr Nitin Agarwal. PATH has a presence in road construction and related civil infrastructure work in Central and Western India over more than two decades, including construction of roads on EPC basis and toll collection.

PATH had seven projects (three operational and four under implementation) under build-operate-transfer (BOT) and three projects under operate-maintain-transfer (OMT) route of public-private-partnership (PPP) model as on March 31, 2014.

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