

NOVEMBER 04, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE 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 [Rupees One Hundred Fifty Two crore and Forty One lac only]		

Rating Rationale

The rating assigned to the bank facilities of Khandwa Agroh Pathways Pvt Ltd (KAPPL) continues to factor in the 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; rated 'CARE BBB / CARE A3+').

The ratings assigned to the bank facilities of PATH continue to derive strength from its established presence in construction and operations of road projects, including those on build-operate-transfer (BOT) and operate-maintain-transfer (OMT) basis, healthy revenue visibility with diversification in revenue profile, healthy profitability and moderate overall gearing.

The ratings also continue to be underpinned by tie-up of funding requirement for investment by PATH in its special purpose vehicles (SPVs) in the medium term.

The ratings, however, continue to be constrained by PATH's exposure to the inherent traffic as well as operations and maintenance risks associated with the toll projects, alongwith 'with recourse' nature of debt of its SPVs, its moderate scale with geographical concentration and working capital intensive operations.

PATH's ability to increase its scale and improve its capital structure would continue to be the key rating sensitivities. Furthermore, the nature of the future projects undertaken by PATH and the funding pattern would also continue to be the key rating monitorables.

Background

Incorporated in July 2011, 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; 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 28, 2014. Average toll collection for the first four months of FY16 was Rs.24 lac per month.

Section-II of the project, from Dehtalai to Burhanpur, is likely to commence operations from December 2015, with a delay of around 18 months from its scheduled commercial operations date (SCOD).

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

The revised project cost now stands at Rs.246.36 crore, including a cost over-run of around Rs.15 crore, which is likely to be absorbed by the sponsors. Project debt-equity stands at 1.34:1, including viability gap funding (VGF) of Rs.45.40 crore from MPRDC.

Till August 31, 2015, KAPPL had incurred a total cost of Rs.222.28 crore on the project, funded through a term loan of Rs.126.33 crore, equity of Rs.45.40 crore, VGF of Rs.37.26 crore and the balance through project creditors.

As per the audited results of FY15, KAPPL registered a total operating income of Rs.2.59 crore with a net loss of Rs.5.24 crore.

About the Guarantors

PATH

Promoted by the Agrawal family of Indore in 1983, PATH is engaged in construction of roads and toll collection business for past three decades. The company is presently managed by Mr Puneet Agrawal and his brother, Mr Nitin Agarwal. PATH has presence in road construction and related civil infrastructure work in Central and Western India on engineering, procurement and construction (EPC) basis. It mainly executes EPC activities for its own special purpose vehicles (SPVs), which are promoted on public private partnership (PPP) basis through BOT and OMT routes. PATH has 12 SPVs as on June 30, 2015, of which ten are fully operational and two are partly operational. Together they are referred to as 'PATH group'.

As per the provisional results for FY15, PATH registered a total operating income of Rs.276.13 crore with a profit after tax of Rs.25.40 crore, as against a total operating income of Rs.226.60 crore and a profit after tax of Rs.13.42 crore as per FY14 audited results.

AIDPL

AIDPL is a special purpose vehicle (SPV) promoted by Singhal family of Indore. AIDPL entered into a CA with MPRDC in November 2001 for the strengthening, widening and rehabilitation of *Ujjain-Agar-Jhalawad* (UJA) 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 EPC work for its own BOT based road projects from FY12 (refers to the period April 1 to March 31).

Currently, AIDPL has 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, AIDPL infused equity to the tune of Rs.90.64 crore for its various SPVs.

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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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