

December 13, 2013

**CARE ASSIGNS 'CARE BBB (SO)' RATING TO THE BANK FACILITIES OF
KHANDWA AGROH PATHWAYS PVT. LTD.**

Rating

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

backed by unconditional and irrevocable corporate guarantees extended jointly and severally by Agroh Infrastructure Developers Pvt. Ltd. (AIDPL) and Prakash Asphaltings and Toll Highways (India) Ltd (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 Pvt. Ltd. (rated CARE BBB/ CARE A3) and Prakash Asphaltings and Toll Highways (India) Ltd. (PATH).

The ratings of the bank facilities of Agroh Infrastructure Developers Private Limited (AIDPL) continue to take into consideration the established track record of healthy toll collection from its Build, Operate and Transfer (BOT)-based road project, low leverage and comfortable debt coverage indicators. The ratings continue to take into account the experience of the promoters and the growing order-book of its Engineering Procurement and Construction (EPC) business leading to good medium-term revenue visibility.

The ratings, however, continue to be constrained on account of the company's increasing exposure to BOT-based road projects elevated by 'with recourse' nature of debt of its Special Purpose Vehicles (SPVs), its geographically concentrated operations along with its limited experience in EPC business and challenging business environment faced by the construction industry. The ratings continue to be constrained by the higher quantum of advances extended to various companies and non-core business activity.

Completion of the ongoing BOT projects within the envisaged time and cost parameters, higher than expected increase in debt levels towards investment in machinery and working capital requirements, performance of the entities whose debt has been guaranteed by AIDPL and extent of exposure to BOT-based road projects impacting the credit profile of the company are the key rating sensitivities. More than envisaged delay in liquidation of loans/advances and monetization of investments in immovable property would also be a key rating sensitivity.

Background

Incorporated in July 2011, KAPPL is a Special Purpose Vehicle (SPV) established to undertake two-laning of the Khandwa-Dedtalai-Burhanpur section of SH-50 under a concession from Madhya Pradesh Road Development Corporation (MPRDC; undertaking of Government of Madhya Pradesh) on Design, Build, Finance, Operate and Transfer (DBFOT) – Toll basis. KAPPL is jointly sponsored by AIDPL (40% share) and PATH (60% share). The Concession Agreement (CA) between KAPPL and MPRDC was executed on July 28, 2011. On April 20, 2012, KAPPL achieved financial closure and received Letter of Appointed date from MPRDC for a concession period of 30 years (including two years of construction period). The total project cost of Rs.231.86 crore is financed through debt and equity in the ratio of 1.55:1, including viability gap funding of Rs.45.40

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

crore from MPRDC. Till September 30, 2013, KAPPL had already incurred a cost of Rs.91.56 crore on the project, funded through a term loan of Rs.51.05 crore, equity from the promoters of Rs.39.07 crore and the balance Rs.1.45 crore through project creditors.

Analyst Contact

Name: Naresh M. Golani

Tel: 079-4026 5618

Mobile: 9825139613

Email: naresh.golani@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President –Bank Loan &

Instrument Rating

Mobile: +91-9819009839

mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial

Services

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-41150445 | 41654529 E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD | **Mr. Saikat Roy** | Tel: +91-40-40102030 |

E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 |

E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.