

April 04, 2014

CARE ASSIGNS 'CARE BBB (SO)/CARE A3+ (SO)' RATINGS TO THE BANK FACILITIES OF MADHAV (PHOOLSAGAR NIWAS SHAHPURA CORRIDOR) HIGHWAYS PRIVATE LIMITED

RATING

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	103	CARE BBB (SO) [Triple B (Structured Obligation)]	Assigned
Long/Short-term Bank Facilities	7.75	CARE BBB (SO) / CARE A3+ (SO) [Triple B (Structured Obligation) / A Three Plus (Structured Obligation)]	Assigned
Total @	110.75		

@backed by joint and several, unconditional and irrevocable corporate guarantee extended by WAA Solar Private Limited (WSPL, rated CARE BBB/CARE A3+) and MSK Infrastructure Private Limited (MSKIPL).

Rating Rationale

The ratings assigned to the bank facilities of Madhav (Phoolsagar Niwas Shahpura Corridor) Highways Private Limited (MPHPL) are based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by WAA Solar Private Limited (WSPL, CARE BBB/CARE A3+)

The ratings of WSPL take into account satisfactory track record of operations of solar power plant of WSPL for more than two years along with regular receipt of payment from its sole off-taker, Gujarat Urja Vikas Nigam Limited (GUVNL; rated CARE A/CARE A1).

The ratings continue to take into account the vast experience of the promoters of WSPL in the construction industry, low off-take and credit risk on account of long-term Power Purchase Agreement (PPA) with GUVNL.

The ratings, however, continue to be constrained by the technological risk associated with thin film technology in the absence of its adequate performance track record in Indian conditions, susceptibility of its revenue to the vagaries of the climate at the site location, The ratings are also constrained on account of its increasing exposure towards Build-Operate-Transfer (BOT) based road projects and solar power projects along with 'with recourse' nature of debt.

The ability of WSPL to operate the power plant at the envisaged capacity utilization factor (CUF) with control over operations and maintenance expenses is the key rating sensitivity. Furthermore, higher than envisaged exposure of WSPL towards the group's ongoing/proposed special purpose vehicles (SPVs) undertaking road and power projects impacting the debt protections indicators would also be a rating sensitivity.

Background

MPHPL, a SPV incorporated on March 1, 2013 and jointly owned by WSPL (49% stake), M.S. Khurana Engineering Limited (MSKEL; 26% stake) and MSKIPL (ultimate holding company of WSPL, 25% stake). on March 7, 2013, MPHPL has entered into a 15-year Concession Agreement with Madhya Pradesh Road Development Corporation [MPRDC, an undertaking of Government of Madhya Pradesh (GoMP; rated CARE BBB+)] for the Design, Build, Finance, Operate and Transfer (DBFOT) of 83.70 km road project in Madhya Pradesh on *Annuity* basis. The concession period of

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

15 years (including two years of construction period) has started from the project appointed date of September 3, 2013.

The scope of the project consists of intermediate-laning/two-laning of Phoolsagar-Niwas-Shahpura, Major District Road (MDR) under the MDR's Package-VII in the state of Madhya Pradesh. The total cost of project is Rs.139.64 crore being funded through a term loan of Rs.98 crore and the promoters' contribution of Rs.41.64 crore. The project execution is being undertaken by Madhav Infra Project Limited (rated CARE BBB- / CARE A3) and as on February 10, 2014, the company has deployed Rs.61.17 crore funded through term loan of Rs.25 crore and the balance promoters contribution.

About the Guarantors

WAA Solar Private Limited

Incorporated in November 2009, WSPL is a wholly owned subsidiary of Madhav Power Private Limited (MPPL), promoted by Mr Ashok Khurana and Mr Amit Khurana. WSPL signed PPA for the sale of power for 25 years with GUVNL in May 2010 under the Gujarat Solar Policy 2009 and had set-up a 10.25 mega watt (MW) grid interactive solar photovoltaic (PV) power project at Surendranagar district in Gujarat. The plant has an operational track record of more than two years since commencement of its operations in January 2012. Apart from this, during FY13 and FY14 (refers to the period April 01 to March 31), WSPL has sponsored Madhav group's projects specific SPVs in the areas of road and solar power.

WSPL reported a loss of Rs.1.84 crore on a Total Operating Income (TOI) of Rs.27.72 crore in FY13 as against a PAT of Rs.0.12 crore on a TOI of Rs.7.33 crore in FY12. As per the provisional results for 11MFY14, WSPL has earned a TOI of Rs.23.73 crore.

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