

OCTOBER 12, 2016

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
MADHAV (PHOOLSAGAR NIWAS SHAHPURA CORRIDOR) HIGHWAYS PRIVATE LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	105.28 (enhanced from Rs.99.08 crore)	CARE A- (Single A Minus)	Reaffirmed
Long-term / Short-term Bank Facilities	7.75	CARE A-/CARE A2+ (Single A Minus / A Two Plus)	Reaffirmed
Total Facilities	113.03 (Rupees One Hundred Thirteen crore and Three lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Madhav (Phoolsagar Niwas Shahpura Corridor) Highways Private Limited continues to factor in the assured cash flow from annuity receivable from Madhya Pradesh Road Development Corporation [MPRDC; an undertaking of Government of Madhya Pradesh (GoMP); rated 'CARE A-' which in turn result in adequate debt coverage indicators and added comfort from creation of debt service reserve (DSR, in the form of bank guarantee). The rating also takes cognizance of operational track record of 19 months coupled with receipt of three annuities along with eligible bonus for early completion of the project as on August 31, 2016, and established track record of the sponsor mitigating the operations & maintenance (O&M) risk to an extent.

The ratings are, however, constrained on account of inherent O&M and interest rate risks associated with the road project.

Change in the credit profile of the annuity provider – MPRDC, deviation in the O&M cost, thereby adversely affecting the debt coverage indicators and occurrence of force majeure events are the key rating sensitivities.

Background

Incorporated in March 2013, MPHPL is a special purpose vehicle (SPV) owned jointly by WAA Solar Private Limited (WSPL; rated 'CARE BBB+ / CARE A2', 49% equity stake), M.S. Khurana Engineering Limited (MSKEL, 26% equity stake) and MSK Infrastructure Private Limited (MSKIPL, 25% equity stake).

MPHPL has entered into a 15-year Concession Agreement with MPRDC for the Design, Build, Finance, Operate and Transfer (DBFOT) of 83.70 km road project in Madhya Pradesh on Annuity basis. The scope of the project consisted 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 project was completed within envisaged cost parameters and well ahead of schedule. MPHPL's appointed date was September 3, 2013, and the scheduled commercial operation date (SCOD) was September 4, 2015. However, the project was completed on February 18, 2015, more than 6-months ahead of schedule. The total cost incurred towards the project till COD was Rs.140 crore and it was funded in debt:equity ratio of 2.33 times. As on September 20, 2016, MPHPL had received three bi-annual annuities along with bonus amount for early completion.

Analyst Contact

Name: Mr Kalpesh Patel

Tel: 079-40265611

Cell: +91-99090 26322

Email: kalpesh.patel@careratings.com

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

¹ Complete 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.

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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