

DECEMBER 08, 2014

CARE REAFFIRMS THE RATING 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 [^]	103.00	CARE BBB (SO) Triple B (Structured Obligation)	Reaffirmed
Long-term / Short-term Bank Facilities [^]	7.75	CARE BBB (SO) / CARE A3+ (SO) Triple B (Structured Obligation) / A Three Plus (Structured Obligation)	Reaffirmed
Total Facilities	110.75		

[^]backed by joint and several, unconditional and irrevocable corporate guarantee extended by WAA Solar Private Limited (WSPL, rated CARE BBB/CARE A3+).

Rating Rationale

The rating is 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 continue to take into account the vast experience of the promoters of Waa Solar Private Limited (WSPL) in the construction industry, satisfactory track record of operations of its solar power plant, low off-take and credit risk on account of long-term Power Purchase Agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL; rated CARE A/CARE A1) and favourable outlook for solar power generation business on the back of various government-led reforms and incentives to encourage investments in this segment.

The ratings, however, continue to be constrained by its moderate debt coverage indicators, technological risk associated with thin film technology in the absence of its adequate performance track record in Indian conditions and dependence on favourable climatic conditions at the site for solar power generation. 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 in those projects.

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

Background

Incorporated in March 2013, MPHPL is a Special Purpose Vehicle (SPV) owned jointly by WSPL (49% stake), M.S. Khurana Engineering Limited (MSKEL, 26% stake) and MSK Infrastructure Private Limited (MSKIPL, 25% stake).

MPHPL has entered into a 15-year Concession Agreement with Madhya Pradesh Road Development Corporation [MPRDC, rated CARE A (Is), an undertaking of the Government of Madhya Pradesh (GoMP; rated CARE A-)] for the Design, Build, Finance, Operate and Transfer (DBFOT) of 83.70 km road project in Madhya Pradesh on an annuity basis.

The scope of the project consists of intermediate-laning/two-laning of Phoolsagar-Niwashahpura, Major District Road (MDR) under the MDR's Package-VII in the state of Madhya Pradesh. The concession agreement includes construction

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

period of two years (730 days) from the appointed date, i.e. September 4, 2013. The total cost of the 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. Upto October 09, 2014, MPHPL had deployed Rs.111.72 crore, which was funded through a term loan of Rs.70 crore and the balance by the promoters.

About the Guarantor

Incorporated in November 2009, WSPL is a wholly owned subsidiary of Madhav Power Pvt Ltd. (MPPL), promoted by Mr Ashok Khurana and Mr Amit Khurana; erstwhile promoters of MSK Projects India Ltd (MSK).

WSPL has set-up a 10.25 MW grid interactive solar photovoltaic (PV) power project and signed power purchase agreement (PPA) for the power production for 25 years with GUVNL in May 2010 under the Gujarat Solar Policy 2009 framework. The project is located at Surendranagar District in Gujarat and the plant has an operational track record of almost three years since commencement of its operations in January 2012. WSPL has also commissioned a 0.10 MW grid interactive solar photovoltaic (PV) power project at Rajabhoj Airport, Bhopal which started operations in July 2013. Apart from this, WSPL has sponsored Madhav group's various project specific SPVs in the road construction and solar power segment.

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

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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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