

OCTOBER 09, 2015

## CARE REVISES THE RATING ASSIGNED TO BANK FACILITIES OF MADHAV (SEHORA SILODI CORRIDOR) HIGHWAYS PRIVATE LIMITED

**Rating**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long-term Bank Facilities	58.27	CARE A- (Single A Minus)	Revised from CARE BBB (SO)* [Triple B (Structured Obligation)]
<b>Total</b>	<b>58.27</b> <b>(Rupees Fifty Eight crore and Twenty Seven Lakh only)</b>		

\*backed by joint and several, unconditional and irrevocable corporate guarantee extended by WAA Solar Pvt Ltd.

**Rating Rationale**

The revision in the rating takes into account the standalone credit strength of Madhav (Sehora Silodi Corridor) Highways Private Limited characterized by completion of the project and achievement of provisional commercial operation date (COD) more than seven months ahead of scheduled COD, assured cash flow from annuity receivable from Madhya Pradesh Road Development Corporation [MPRDC; undertaking of Government of Madhya Pradesh (GoMP); rated 'CARE A (Is)'] and operational track record of toll collection of 12 months coupled with receipt of two annuities along with eligible bonus for early completion of the project.

The rating also consider low leverage, healthy debt coverage indicators, creation of debt service reserve account (DSRA) as per sanction terms of project debt and established track record of the sponsor in the construction sector.

The rating, however, is constrained on account of inherent traffic risk associated with a toll-based project, operations & maintenance (O&M) and interest rate risks associated with the road project.

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

**Background**

Incorporated in October 2012, Madhav (Sehora Silodi Corridor) Highways Private Limited (MSHPL), is a Special Purpose Vehicle (SPV) owned jointly by WAA Solar Private Limited (WSPL; rated CARE BBB+ / CARE A2, revised from CARE BBB/ CARE A3+; 70% stake), M.S. Khurana Engineering Limited (MSKEL; 30% stake).

MSHPL has entered into a 15-year Concession Agreement with MPRDC for the Design, Build, Finance, Operate and Transfer (DBFOT) of 39.852 km road project in Madhya Pradesh on Toll + Annuity basis.

The scope of the project consists of intermediate-laning / two-laning of Sehora-Majhgawan-Silodi, a Major District Road (MDR) from a T-Junction with NH-7 in Sehora to T-Junction at Silodi in the state of Madhya Pradesh. The total cost of the project was Rs.90.59 crore; being funded through term loan of Rs.63 crore and equity commitment of Rs.27.59 crore.

The project was completed within envisaged cost parameters well ahead of schedule. MSHPL's appointed date was April 9, 2013 and the SCOD was April 9, 2015. Whereas the project was completed more than seven months ahead of its SCOD and provisional completion certificate was received on August 30, 2014. Consequent to COD, the toll collection has commenced from September 11, 2014.

As on September 30, 2015, MSHPL had received two bi-annual annuities along with bonus amount for early completion and established a track record of 12 months of toll collection.

**Analyst Contact**

Name: Mr Kalpesh Patel

Tel: 079-40265611

Cell: +919909026322

Email: kalpesh.patel@careratings.com

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://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

**Ms. Meenal Sikchi**

Vice President - Bank Loan & Instrument Rating  
 Mobile: +91-9819009839  
 E-mail: meenal.sikchi@careratings.com

**Mr. Ankur Sachdeva**

Vice President - Bank Loan & Financial Services  
 Mobile: +91-9819698985  
 E-mail: ankur.sachdeva@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

*Other Office:*

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069  
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

**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

**JAIPUR**
**Mr. Rakesh Jayaraman**

304, Pashupati Akshat Heights, Plot No. D-91,  
 Madho Singh Road, Near Collectorate Circle,  
 Bani Park, Jaipur - 302 016.  
 Cell: +91 – 76655 96136  
 Tel: +91-141-402 0213 / 14  
 E-mail: rakesh.jayaraman@careratings.com

**BENGALURU**
**Mr. Dinesh Sharma**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
 No. 30, M.G. Road, Bangalore - 560 001.  
 Cell: +91-99000 41975  
 Tel: +91-80-4115 0445, 4165 4529  
 E-mail: dinesh.sharma@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

**CHANDIGARH**
**Mr. Sajan Goyal**

2nd Floor, S.C.O. 196-197, Sector 34-A,  
 Chandigarh - 160 022.  
 Cell: +91 99888 05650  
 Tel: +91-172-5171 100 / 09  
 Email: sajan.goyal@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

**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

**PUNE**
**Mr. Rahul Patni**

9th Floor, Pride Kumar Senate,  
 Plot No. 970, Bhamburda, Senapati Bapat Road,  
 Shivaji Nagar, Pune - 411 015.  
 Cell: +91-78754 33355  
 Tel: +91-20- 4000 9000  
 E-mail: rahul.patni@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

**CIN - L67190MH1993PLC071691**
**HYDERABAD**
**Mr. Saikat Roy**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
 Hyderabad - 500 029.  
 Cell : + 91 9820998779  
 Tel: +91-40-4010 2030  
 E-mail: saikat.roy@careratings.com