

OCTOBER 12, 2016

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

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	54.93 (reduced from Rs.58.27 crore)	CARE A- (Single A Minus)	Reaffirmed
Total	54.93 (Rupees Fifty Four crore and Ninety Three Lakh only)		

Rating Rationale

The rating assigned to the bank facilities of Madhav (Sehora Silodi Corridor) Highways Private Limited (MSHPL) 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-'] apart from toll collection rights 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 toll collection of 24 months coupled with receipt of four annuities along with eligible bonus for early completion of the project as on August 31, 2016, provision for creation of major maintenance reserve account (MMRA) from annual cash flows as well as established track record of the sponsor mitigating the operations & maintenance (O&M) risk to an extent.

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, 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 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; 70% equity stake), M.S. Khurana Engineering Limited (MSKEL; 30% equity 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 till COD 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 scheduled commercial operation date (SCOD) was April 9, 2015. 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 20, 2016, MSHPL had received four bi-annual annuities along with bonus amount for early completion and established a track record of 24 months of toll collection.

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**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.

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