

DECEMBER 08, 2014

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

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities <sup>^</sup>	63	CARE BBB (SO) (Triple B [Structured Obligation])	Reaffirmed
<b>Total Facilities</b>	<b>63</b>		

<sup>^</sup>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 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 UrjaVikas 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 rating, however, continues 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 October 2012, MSHPL, is an SPV owned jointly by WSPL (70% stake) and M.S. Khurana Engineering Limited (30% stake).

MSHPL has entered into a 15-year concession agreement with Madhya Pradesh Road Development Corporation [MPRDC, rated 'CARE A (Is)', an undertaking of Government of Madhya Pradesh (GoMP; rated 'CARE A-')] 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 concession agreement includes construction period of two years (730 days) from the appointed date. The total cost of the project

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

was envisaged at 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 in August 2014; the provisional completion certificate was received on August 30, 2014. The project was completed in more than seven months ahead of its scheduled commercial operation date (SCOD) (SCOD was April 2015). Consequent to COD, the toll collection has been commenced from September 11, 2014. The first annuity payment will be due in the month of March 2015 and MSHPL is also eligible for bonus for completion before SCOD. As per the terms of concession agreement it will be received in March 2015; along with first annuity payment.

#### **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.

During FY14 (refers to the period April 1 to March 31), WSPL incurred a loss of Rs.2.22 crore on a total operating income (TOI) of Rs.27.71 crore as against net loss of Rs.1.84 crore on a TOI of Rs.27.72 crore during FY13.

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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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