January 20, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF MEP INFRASTRUCTURE DEVELOPERS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term /Short-term Bank Limits	175.00	**CARE BBB-/CARE A3 [Triple B Minus/A Three]**	Reaffirmed
Total Facilities	**175.00 (Rupees One hundred and seventy five crore only)**		

Rating Rationale

The reaffirmation of ratings assigned to bank facilities of MEP Infrastructure Developers Limited (MEP) continues to derive strength from well established & experienced promoters having proven track in execution of toll collection projects, geographical diversification in toll collection projects and successful completion of Initial Public Offer (IPO) issue resulting in improvement in financial risk profile in H1FY16 (refers to period April 01, to September 30,).

The ratings strength continues to be tempered by inherent risk associated with toll-based revenue model, substantially high borrowing levels and working capital intensity associated with operations.

Ability of MEP to deleverage its capital structure, improve operational cash flows and variation in regulatory guidelines/policies are key rating sensitivities.

Background

Incorporated in 2002, MEP principally undertakes contracts for toll collection on OMT (Operate, Maintain & Transfer) basis. Many of these contracts are transferred to various Special Purpose Vehicles (SPVs) formed by the company or its subsidiaries after being acquired. The financing of these SPVs is actively managed by MEP, which has substantial exposure in the form of investments as well as advances. Additionally, the company also undertakes, repair and maintenance work of roads as a part of some of the contracts.

At consolidated level, the company reported loss of Rs. 115.33 crore on Total Operating Income (TOI) of Rs. 2,039.81 crore in FY15 (refers to period April 01, to March 31,) as compared to loss of Rs. 129.18 crore on TOI of Rs. 1,239.72 crore in FY14. Further, the company reported Profit After Tax of Rs. 10.99 crore on TOI of Rs. 968.22 crore in H1FY16 (refers to April 01, to September 30,).

At standalone level, the company reported PAT of Rs. 16.15 crore on TOI of Rs. 932.66 crore in FY15 as compared to PAT of Rs. 1.47 crore on TOI of Rs. 496.12 crore in FY14. Further, the company reported PAT of Rs. 10.21 crore on TOI of Rs. 335.06 crore in H1FY16.

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

Analyst Contact

Name: Mr Divyesh Shah
Tel: 022-6754 3441
Cell: + 91 9890934167
Email: divyesh.shah@careratings.com

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@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. 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

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

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. 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

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

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. 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

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