MARCH 16, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term fund-based bank limits	400.00	**CARE BBB- [Triple B Minus]**	**Assigned**
Long-term /Short-term bank limits	375.00 (enhanced from 175.00)	**CARE BBB-/CARE A3 [Triple B Minus/A Three]**	**Reaffirmed**
Total	**775.00 (Rupees Seven hundred and seventy five crore only)**		

Rating Rationale

The ratings assigned to bank facilities of MEP Infrastructure Developers Limited (MEP) continue 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 9MFY16 (refers to period April 01, to December 31,).

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. 16.26 crore on TOI of Rs. 1,483.89 crore in 9MFY16 (refers to April 01, to December 31,) as compared to Loss of Rs. 127.33 crore on TOI of Rs. 1,487.18 crore in 9MFY15.

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

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

Rs. 15.98 crore on TOI of Rs. 512.22 crore in 9MFY16 as compared to PAT of Rs. 7.11 crore on TOI of Rs. 690.27 crore in 9MFY15.

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****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.

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