

APRIL 29, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF MEP INFRASTRUCTURE DEVELOPERS LTD.

Ratings

Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	-	-	Withdrawn*
Long term/Short term Bank Facilities	175.00	CARE BBB-/CARE A3	Reaffirmed

* Long term rating assigned to the term loan of MEP Infrastructure Developers Ltd is withdrawn, with immediate effect, as the company has fully repaid the amounts under the said facilities and there is no amount outstanding under the said facilities as on date.

Rating Rationale

The ratings continue to derive strength from experience of MEP's promoters, strong geographical diversification, improved consolidated performance during 9MFY15 and expected deleveraging of capital structure with Initial Public Offer (IPO) proceeds during Q1FY16.

The rating strengths are, however, tempered by negative consolidated network, its substantially high borrowing levels, stretched liquidity position and risks inherent to toll-based revenue model of MEP.

Ability of MEP to substantially deleverage its capital structure and improve its operational cash flows constitutes the 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 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.

MEP registered total income of Rs.1240 crore and net loss of Rs.117 crore in FY14 (refer to period April 01 to March 31) as against total income of Rs.1301 crore and net loss of Rs.62 crore in FY13 on consolidated basis.

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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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

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

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