

MEP Infrastructure Developers Limited

August 13, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	19.24	CARE D; ISSUER NOT COOPERATING* (SINGLE D; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE BB+; Negative (Double B Plus; Outlook:Negative) on basis of best available information
Total Facilities	19.24 (Rupees Nineteen crore and twenty four lakh only)		

*Issuer did not cooperate; Based on best available information

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had vide its press release dated November 26, 2019 placed the rating of MEP Infrastructure Developers Limited under the 'Issuer Non-cooperating' category as the company has failed to provide No Default Statement (NDS) since the month of August 2019 despite repeated requests and telephonic conversations. As per the information available in public domain regarding annual financial results and lenders interaction with CARE regarding delays in debt servicing, the rating on **MEP Infrastructure Developers Limited's** bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING**. In line with the extant SEBI guidelines. CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

Key Rating Weaknesses

Delay in debt servicing obligations: As per the lenders interaction with CARE, there are ongoing delays in the debt servicing. The company has availed moratorium in both the terms during Covid-19 period. Further, CARE has not received NDS since the month of August, 2019.

Decline in revenues as well as profitability: As per information available in public domain, the company has reported a decline in revenue in both the toll collection as well as construction segments due to which total operating income has declined by more than 20% from FY19 to FY20 in the consolidated financials. The drop in revenues has resulted in losses of Rs. 86 crore for FY20 as against Profit after Tax of Rs. 56 crore reported in FY19. CARE believes the performance under both the segments- toll as well as construction will continue to remain subdued in FY21 following the outbreak of Covid-19 pandemic.

Liquidity : Stretched

The company has reported losses at PAT level as compared to previous year. There has been a substantial decline in both the toll collection and construction segments. There have been delays in making debt repayments as per lender interaction. As per the lender interaction, the company has availed moratorium in both the terms during Covid-19 period. The current ratio of MEPIDL at consolidated level is below unity. The Gross Cash Accruals(GCA) stood lower at Rs. 351.33 crore for FY2020 as compared to Rs.570 crore for FY2019 (decline of 38% Y-0-Y).

Analytical approach: Consolidated

MEPIDL has given unconditional & irrevocable corporate guarantee to lenders of SPVs towards timely debt servicing. The operations of MEPIDL and its subsidiaries are closely linked and same is underpinned by the centralized management and common treasury functions among various entities through which it operates in toll collection business.

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

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Factoring Linkages in Ratings](#)

[Financial ratios –Non-Financial Sector](#)

[CARE's criteria on assigning Outlook to Credit Ratings](#)

About the Company

MEP Infrastructure Developers Limited (MEPIDL)

Incorporated in 2002, MEP Infrastructure Developers Limited (MEPIDL) started out with road project contracts for toll collection and OMT (Operate, Maintain & Transfer). However, it has now evolved into an integrated road infrastructure developer with 17 current ongoing projects: 3 long term tolling projects, 10 HAM (Hybrid annuity model) projects, 3 OMT projects and 1 BOT project as on 31st March 2019. The toll collection and OMT projects are for a period of one year to sixteen years. The company at standalone level executes toll collection projects with tenure of upto one to three years. In case of projects beyond one to three years are executed through Special Purpose Vehicles (SPVs). The financing of these SPVs is actively managed by MEPIDL, which has substantial exposure in the form of investments as well as advances. Additionally, the company is undertaking road BOT project through its subsidiary (Baramati Tollway Private Limited) in Maharashtra. Also, the group through its subsidiary MEP Highway Solutions Private Limited does in-house Engineering Procurement Construction (EPC) towards repair and maintenance work of roads as a part of some of the contracts awarded to few SPVs.

- MEPIDL in JV (74: 26 & 60:40) with Sanjose India Infrastructure & Construction Private Limited (SIIL), Indian subsidiary of Group San Jose, Spain; won 6 HAM projects in March 2016.
- In March 2018, MEPIDL in JV with (51:49) Long Jian (a Chinese road infrastructure Company); won 4 HAM projects in Maharashtra worth Rs. 4100 crores covering 1084 lane kms.

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

MEP Infrastructure Developers Limited (Consolidated key financials)

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	2877.84	2236.11
PBILDT	1022.84	537.26
PAT	55.98	-86.12
Overall gearing (times)	11.57x	-1.56x
Interest coverage (times)	2.20x	1.30x

A: Audited; Financials have been classified as per CARE's internal standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Facilities	-	-	-	19.24	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Negative; ISSUER NOT COOPERATING* on the basis of best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	-	-	-	1)Withdrawn (26-Nov-19) 2)CARE BB+; Negative / CARE A4+ (07-Oct-19)	1)CARE BBB-; Stable / CARE A3 (27-Mar-19) 2)CARE BBB-; Stable / CARE A3 (06-Apr-18)	1)CARE BBB-; Stable / CARE A3 (18-Jul-17) 2)CARE BBB-; Stable / CARE A3 (24-Apr-17)
2.	Fund-based - LT-Working Capital Facilities	LT	19.24	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Negative; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; Negative; ISSUER NOT COOPERATING* (26-Nov-19) 2)CARE BB+; Negative (07-Oct-19)	1)CARE BBB-; Stable (27-Mar-19) 2)CARE BBB-; Stable (06-Apr-18)	1)CARE BBB-; Stable (18-Jul-17) 2)CARE BBB-; Stable (24-Apr-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Non financial covenants	
I Regularly furnish stock statement and book debts	Regularly furnish statement of stocks and book debts on monthly basis every 25th of subsequent month
II Timelines to submit audited financials	Furnish not later than 180 days after the close of each financial year an original signed or certified true copy of complete audited financials

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Working Capital Facilities	Simple

Note on complexity levels of the rated instrument: 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 us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Ms. Rajashree Murkute

Group Head Contact no.- 022 6837 4474

Group Head Email ID- rajashree.murkute@careratings.com

Relationship Contact

Name: Saikat Roy

Contact no. : +91-22-6754 3404

Email ID : saikat.roy@careratings.com

About CARE Ratings:

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