

May 10, 2013

CARE ASSIGNS 'CARE BBB' AND 'CARE BBB-' RATINGS TO THE BANK FACILITIES OF SEW NAVAYUGA BARWANI TOLLWAYS P LTD

Ratings

Facilities	Amount (Rs. crore)	Rating¹	Remarks
Long-term Bank Facilities (Senior Debt)	528.95	CARE BBB (Triple B)	Assigned
Long-term Bank Facilities (Subordinate Debt)	29.16	CARE BBB- (Triple B Minus)	Assigned
Total	558.11		

Rating Rationale

The ratings assigned to the bank facilities of SEW Navayuga Barwani Tollways Private Limited (SNB) derive strength primarily from strong and experienced promoters, satisfactory operations for two years with growth in traffic and favourable traffic mix, commercial importance of stretch albeit presence of alternate routes, fixed-price Operation & Maintenance (O&M) contract with sponsor till March 2014, with satisfactory debt service indicators. The ratings also take cognizance of support provided from its main sponsor; SEW Infrastructure Ltd (SEW). The ratings are, however, constrained by the traffic risk associated with a toll-based project owing to the uncertainty of revenue, interest rate risk and absence of fixed-price Major Maintenance contract.

The ability of the company to achieve envisaged toll revenue and effective cash flow management with respect to major maintenance activity are the key rating sensitivities.

Background

SEW Navayuga Barwani Tollways Pvt Ltd (SNB) is a Special Purpose Vehicle (SPV) promoted by SEW Infrastructure Ltd (SEW) and Navayuga Engineering Company Limited (NECL) – [rated CARE BBB/CARE A2] to undertake 82.8 km long project road for four-laning of Khalghat to Madhya Pradesh/Maharashtra border section of NH-3 from Km 84.70 to Km 167.50 under NHDP Phase IIIA on BOT Toll basis.

The Concession Agreement (CA) was executed between SNB and National Highways Authority of India (NHAI) on April 16, 2008, for a concession period of 18 years. The project was implemented and completed ahead of schedule (by around 44 days) as per the terms of the concession agreement. The Project COD was April 4, 2011. SNB has completed two years of successful tolling operations.

For FY12, SNB registered tolling income of Rs.77.23 crore with loss of Rs.30.92 crore. Furthermore, for 9MFY13, SNB has recorded, tolling income of Rs.66.41 crore with loss of Rs.15.12 crore (un-audited) and earned cash profits of Rs.8.45 crore.

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¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publication.

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