

Rating Rationale

Guna Infrastructure Limited

September 2017

Brickwork Ratings assigns 'BWR BBB- (SO) (Outlook: Stable)' ratings for the Bank Loan Facilities of Rs. 43.36 Cr of Guna Infrastructure Limited

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
Term Loan	43.36	Long Term	BWR BBB- (SO) (Pronounced BWR Triple B Minus Structured Obligations) [Outlook: Stable]
Total	43.36	Rupees Forty Three Crores and Thirty Six Lakhs Only.	

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Audited financials from FY14 to FY16, Provisional financials for FY17 and Projected Cashflows of Guna Infrastructure Private Limited (GIPL) upto FY21, publicly available information and information / clarifications provided by the Company's management.

The suffix "SO" indicates the credit enhancement derived from unconditional and irrevocable corporate guarantee extended by Kalyan Toll Infrastructure Limited (KTIP: BWR BBB+/A3+) and maintenance of "Debt Service Reserve Account" equivalent to one quarter of principal and interest obligations.

The rating draws strength from the established track record of the sponsor "Kalyan Toll Infrastructure Limited"- the flagship company of the Kalyan Group which is engaged in infrastructure construction mainly roads, pipelines and buildings on Engineering, procurement and Construction (EPC) basis and its financial flexibility to support SPVs.

The rating also factors in maintenance of DSRA to the extent of one quarter of principal and interest obligations. The rating is however constrained on account of inherent regulatory risk like termination of the toll roads project and operational & maintenance risk.

Analytical Approach: KTIL, as the sponsor and parent entity, has provided unconditional and irrevocable corporate guarantee for the debt availed by its various SPVs engaged in development and operations of road projects on BOT basis. Hence, a combined assessment of cash flows of all the entities (incl. KTIL) has been considered for analysis



Key Rating Strengths:

Sponsors established presence in infrastructure segment and support extended to SPVs Kalyan Toll Infrastructure Limited (KTIL) is the flagship company of “Kalyan Group” which is engaged in infrastructure construction, mainly roads, pipelines, buildings, etc. on EPC and BOT basis. KTIL has an established track record of operations and has executed various projects in a timely manner in Maharashtra and Madhya Pradesh.

Maintenance of Debt Service Reserve Account (DSRA): The Company’s maintains DSRA equivalent to one quarter of principal and interest obligations

Operational track record and importance of project stretch: GIL has an operational track record of seven years after start of toll collection in August 2009. GIL operates the Guna bypass toll road on NH-3, connecting Mumbai to Agra which is also a central road for connecting the western region of the country to Northern region and passes through major industrial/urban centers incl. Nashik, Indore and Gwalior.

Key Rating Weaknesses:

Revenue risks associated with toll projects: GIL is exposed to inherent risk associated with the sustainability and growth of traffic. As the revenue depends upon the traffic that plies on the stretch, the company is exposed to the uncertainties with respect to revenue.

O & M and MM Risk: GIL is mandated to operate and maintain the road as per the specifications set out in the concession agreement (CA), non-compliance of which could resulting in penalties being levied by project awarding authority.

Rating Outlook: Stable

BWR believes the **Guna Infrastructure Private Limited** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. KTIL’s ability to maintain the funding requirement of its SPV would be the key rating sensitivities.

About the Company

Incorporated in April 2005, GIL is a Special Purpose Vehicle (SPV) promoted for construction operations and maintenance of Guna bypass road on National Highway 3 (Mumbai – Agra road) under concession from National Highways Authority of India (NHAI).

Financial Performance

As per the provisional financials of FY17, Operating Income Stood at Rs.17.89 Cr compared to Rs. 14.86 Cr in FY16. PAT stood at Rs. 3.38 Cr in FY17 compared to loss of Rs. 3.39 Cr in FY16.

Sponsor and Guarantor: Kalyan Toll Infrastructure Limited

Incorporated in 2002 by the Garg family, KTIL is the flagship company of the Indore, Madhya Pradesh based “Kalyan” Group which is engaged in infrastructure construction, mainly roads, pipelines, buildings, etc. on Engineering, Procurement and Construction (EPC) basis. Promoters have established rich experience in the road construction industry and have executed various projects in Central India.

Mr Tikamchand Garg, the promoter of KTIL, is a civil engineer and has an experience of more than three decades. KTIL is registered as an ‘A’ category contractor with Government of Maharashtra (GoM) and Government of Madhya Pradesh (GoMP).

Key Financial: Guna Infrastructure Limited

Particulars (Amt in Rs. Crs)	2016 (Audited)	2017 (Provisional)
Operating Income	14.86	17.89
EBITDA	4.82	16.91
PAT	-3.39	3.38
Tangible Net worth	2.60	5.98

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument / Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs in Cr)	Rating	2016	2015	2014
1	Term Loan	Long Term	43.36	BWR BBB-(SO) (Outlook: Stable)	NA	NA	NA

Total 43.46 Cr Rupees Forty Three Crores and Thirty Six Lakhs Only.

Status of non-cooperation with previous CRA: The company has been moved to issuer not cooperating category by CARE on 24th March 2017.

Any Other information: NA

Hyperlink/Reference to Applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Infrastructure Company](#)

[Structured Obligation \(SO\) Instruments](#)

Analytical Contacts	Media
Mr. Vipula Sharma Deputy General Manager - Ratings	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media



The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.