

Rating Rationale

Kalyan Toll Highways Private Limited

13 September 2017

Brickwork Ratings assigns 'BWR BBB- (SO) (Outlook: Stable)' ratings for the Bank Loan Facilities of Rs. 128.94 Cr of Kalyan Toll Highways Private Limited

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
Term Loan	128.94	Long Term	BWR BBB- (SO) (Pronounced BWR Triple B Minus Structured Obligations) [Outlook: Stable]
Total	128.94	Rupees One Hundred Twenty Eight Crores and Ninety Four 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 Kalyan Toll Highways Private Limited (KTHPL) 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 (KTIL: BWR BBB+/A3+ dt 10th May 2017) 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 equivalent to one quarter of principal and interest obligations.

The rating is however constrained on account of exemption in toll for certain category of vehicles by Government of Maharashtra, 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 analysis of cash flows of all the entities (incl. KTIL) has been considered for analysis.

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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 DSRAs equivalent to one quarter of principal and interest obligations

Key Rating Weaknesses

Exemption in toll for certain category of vehicles: Government of Maharashtra (GoM) vide its notification dated May 26, 2015 has exempted light motor vehicles, car/jeep and the buses of Maharashtra State Road Transport Corporation (MSRTC) from the levy of toll w.e.f. June 1, 2015. However, Government has assured compensation for the the loss of revenue per vehicle (i.e. toll price) exempted under the notification provided. The quantum and timing of compensation would be crucial for the cash flows of the company.

Revenue risks associated with toll projects: KTHPL 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: KKTPL 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 **Kalyan Toll Highways 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 SPVs and quantum and timeliness of the receipt of claims lodged amount towards termination payments will be the key rating sensitivities.

Kalyan Toll Highways Private Limited (KTHPL)

KTHPL is an SPV incorporated and owned by KTIL (99.99% stake), flagship company of Kalyan group. KTHPL has entered into 25 years of Concession Agreement (CA) on July 7, 2012 with Public Work Department, Government of Maharashtra (MPWD) for the Design, Build, Finance, Operate and Transfer (DBFOT) of 105.20 Km road project. KTHPL ‘s commercial operation date (COD) was on June 18, 2014 which was marginally ahead of its scheduled commercial operation date (SCOD) of July 7, 2014.

Government of Maharashtra (GoM) vide its notification dated May 26, 2015 has exempted light motor vehicles, car/jeep and the buses of Maharashtra State Road Transport Corporation (MSRTC) from the levy of toll w.e.f. June 1, 2015. 2015. However, Government will compensate the loss of revenue per vehicle (i.e. toll price) exempted under the notification provided.

Financial Performance

As per provisional financials for FY17, Operating Income stood at Rs. 13.54 Cr in FY17 as compared to Rs. 9.24 Cr in FY16. The Company has reported net loss of Rs. 12.25 Cr in FY17 compared to loss of Rs. 17.75 Cr in FY16.

Kalyan Toll Infrastructure Limited: Sponsor and Guarantor 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).

Kalyan Toll Highways Private Limited:

Particulars (Amt in Rs. Crs)	2016 (Audited)	2017 (Provisional)
Operating Income	9.24	13.54
EBITDA	8.43	12.36
PAT	-17.75	-12.25
Tangible Net worth	79.42	67.17

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	128.94	BWR BBB-(SO) (Outlook: Stable)	NA	NA	NA
Total		128.94					
Rupees One Hundred Twenty Eight Crores and Ninety Four 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](#)

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Note on complexity levels of the rated instrument:

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About Brickwork Ratings

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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.

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