



## Rating Rationale

Ujjayani Highways Private Limited

13 September 2017

**Brickwork Ratings assigns to 'BWR BBB- (SO) (Outlook: Stable)' ratings for the Bank Loan Facilities of Rs. 86.94 Cr of Ujjayani Highways Private Limited**

### Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
<b>Fund Based</b>			
Term Loan	<b>86.94</b>	<b>Long Term</b>	<b>BWR BBB- (SO)</b> (Pronounced BWR Triple B Minus Structured Obligations) <b>[Outlook: Stable]</b>
<b>Total</b>	<b>86.94</b>	<b>Rupees Eighty Six Crores and Ninety Four Lakhs Only.</b>	

\* Please refer to BWR website [www.brickworkratings.com/](http://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 cash flows of Ujjayani Highways Private Limited 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+) and maintenance of "Debt Service Reserve Account" equivalent to half yearly 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 half yearly principal and interest obligations.

The rating is however constrained on account of inherent event risk and interest rate risk given the floating interest for the entire project loans during the loan term.

**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



### **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 established track record of operations and has executed various project in 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

### **Key Rating Weaknesses:**

**Revenue risks associated with toll projects:** IUHPL 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:** UHPL 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 Ujjayani 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. KTIL’s ability to maintain the funding requirement of its SPV would be the key rating sensitivities.

### **Ujjayini Highways Private Limited**

Ujjayini Highways Private Limited (UHPL) is a special purpose vehicle (SPV) incorporated and owned by KTIL (99.96% stake), flagship company of Kalyan Group.

UHPL entered into a concession agreement (CA) for 15 years (incl. 2 years of construction period) on June 12, 2013 with Madhya Pradesh Road Development Corporation for the Design, Build, Finance, Operate and Transfer (DBFOT) of 14.29 Km road project on toll plus annuity based revenue model.. The project was for development of two lane of Ujjain-Simhastha bypass road from Indore-Ujjain to Ujjain-Unhel-Jaora road with a total length of 14.29 km. The construction for the road was complete and the Independent Engineer for the project announced the provisional COD for the project on October 21, 2015, more than six months ahead of schedule (March 2016) making it eligible for early completion bonus of from MPRDC.

### **Financial Performance**

The Company's Total Operating Income increased to Rs. 20.70 Cr in FY17 as per provisional financials as compared to Rs. 1.11 Cr in FY16. The Company has reported PAT of Rs. 2.45 Cr in FY17 as compared to Negative Rs. 6.81 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).

### Ujjayini Highways Private Limited: Key Financials

Particulars (Amt in Rs. Crs)	2016 (Audited)	2017 (Provisional)
Operating Income	1.11	20.70
EBITDA	0.93	20.03
PAT	-6.81	2.45
Tangible Net worth	49.31	51.75

### 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	86.94	BWR BBB-(SO) (Outlook: Stable)	NA	NA	NA
<b>Total</b>		<b>86.94 Rupees Eighty Six Crores and Ninety Four Lakhs Only.</b>					

**Status of non-cooperation with previous CRA: The company has been moved to issuer not Cooperating category by CARE on 24<sup>th</sup> 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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