

Rating Rationale

Brickwork Ratings assigns 'BWR BBB' for the Long term Bank Credit Facilities of AAP Infrastructure Ltd.

Brickwork Ratings (BWR) has assigned following **Ratings**¹ for Bank Loan Facilities of AAP Infrastructure Ltd. ('AAP Infra' or 'the Company').

Facility	Tenure	Rating	Sanctioned Amount (₹ Cr)	Outstanding Amount (₹ Cr)
Term Loan	Long Term	BWR BBB (BWR Triple B) (Outlook – Stable)	34.59	30.10
Total			34.59	30.10
(INR Thirty Crores and Ten Lakhs only)				

The rating has, inter alia, factored AAP Infrastructure Ltd.'s development and operation of the Seoni – Balaghat - Gondia road in MP on BOT basis (Build, Operate and Transfer) under Madhya Pradesh Road Development Corporation Ltd., with a total length of 114.00 Km, Concession agreement with Madhya Pradesh Rajya Setu Nirman Nigam Ltd (MPRSNN) for a period of 15 years, fixed subsidy of ₹ 34.80 Crs from MPRSNN, escrow mechanism towards toll collection, DSRA equivalent to the debt servicing for three months' interest at all times, management and operational support from its parent i.e. MBL Infrastructures Ltd. (rated by Brickwork BWR A- (Outlook: Stable)) and it's the completed stage of the project as both the phases become operational in 2008. The rating is however constrained by high maintenance and operating costs, one time increase in renewal cost in in 2013 which may affect in future as well, toll collection as per estimates and renewal of Concession Agreement with MPRSNN as it will end on 14th Nov, 2017.

BWR has essentially relied upon the audited financial results of AAP Infrastructure Ltd. up to FY14, projected financials, concession agreement with MPRSNN and clarifications/ information provided by the Company.

AAP Infrastructure Ltd. is a 100% Subsidiary of MBL Infrastructures Ltd. The project comes under MPRSNN involving Development and operation of Seoni – Balaghat - Gondia road situated in MP state having total length of 114 km. The Company has successfully completed the execution of the BOT project on SH – 26 and SH – 11 which are important constituents of the main trunk route network of Madhya Pradesh. The Project Road falls in two districts of Madhya Pradesh viz. Seoni (about 45 kms) & Balaghat (about 69 kms) and provides a very important link road connecting NH – 7 at Seoni (Madhya Pradesh) and NH – 6 at Duggipur (near Gondia, Maharashtra). Phase – I of the project of 28.118 km between Garra–Balaghat-Rajegaon was completed in October 2005 and commercial operations started in April 2006. Phase – II, rest of the project, was completed in February 2008. As per concession agreement, the Concession

¹ Please refer to www.brickworkratings.com for definition of the Ratings

period started from Mar'2002 and will end in Nov'17. Toll Rate – Concession agreement allows for a fixed escalation in toll fees of 7% per annum. A Subsidy of ₹ 34.80 Crs had already been provided towards the project from MPRSNN (Madhya Pradesh Rajya Setu Nirman Nigam Ltd.).

MBL Infrastructures Ltd. was originally incorporated as Maheshwari Brothers Ltd. in 1995, and renamed in July 2006. It has its corporate office in Delhi and registered office in Kolkata. Initially, MBL was engaged in the business of recycling ferrous scrap and slag at steel plants and in steel trading, but subsequently diversified into infrastructure development (primarily road projects), serving Government clients like the Public Works Department and the National Highways Authority of India (NHAI). The Company provides integrated engineering, procurement and construction (EPC) services for civil construction and infrastructure sector projects. MBL has executed and commenced a number of projects in the 12 states where it has a presence, in all sorts of terrains. It is also pre-qualified by NHAI for some projects for OMT (Operate Maintain Transfer) contracts.

During FY14, on a consolidated basis, MBL's operating revenue has witnessed a growth of ~30% to ₹ 1766.29 Crs in FY14 from ₹ 1355.43 Crs in FY13. EBIDTA increased by ~29% to ₹ 188.15 Crs in FY14 from ₹ 145.97 Crs in FY13. During the same period PAT also increased by ~36% to ₹ 77.00 Crs in FY14 from ₹ 56.65 Crs in FY13 mainly due to high operating revenue and better realization. Operating margins stood at 10.65% in FY14 as compared to 10.77% in FY13. During Q1 FY15, on a standalone basis, it has achieved operating income of ₹ 509.39 Crs with a profit after tax of ₹ 23.26 Crs.

AAP Infra is having dependence on parent to fund in case on shortfall in toll collection or increase in operating and maintenance cost. However, as per past trend of toll collection, it is going to be very minimal. Going forward, achieving expected toll collection, renewal of concession period, improvement in operating & Toll collection efficiency, improvement in road connectivity in and around places, maintaining profitability margins, and maintenance & operation of the road with optimal cost and maximum availability would be key rating sensitivities.

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