

Rating Rationale

Brickwork Ratings has reaffirmed the rating at “BWR BBB” for the Bank Loan Facilities aggregating ₹ 16.20 Cr of AAP Infrastructures Limited.

Brickwork Ratings (BWR) has reaffirmed the following **Rating¹** for Bank Loan Facilities of AAP Infrastructures Limited (‘AAP Infra’ or the ‘Company’):

Facility	Previous Amt. (₹ Cr)	Present Amt. (₹ Cr)	Tenure	Ratings History (Oct 2014)	Ratings ¹
Fund Based Term Loan	30.10	16.20	Long Term	BWR BBB (Pronounced BWR Triple B) Outlook – Stable	BWR BBB (Pronounced BWR Triple B) Outlook – Stable (Reaffirmed)
Total	30.10	16.20	INR Sixteen Crores and Twenty lakhs Only		

BWR has essentially relied upon the audited financial results of AAP Infra up to FY16, projected financials up to FY17, publicly available information and information/clarifications provided by the Company.

The ratings continue to draw comfort from the concession agreement with Madhya Pradesh Road Development Corporation Ltd. (MPRDC) for a period of 15 years (2002 – 2018), adequate cash accruals to meet its debt obligations, successful completion and execution of BOT project of 114 km Seoni-Balaghat-Rajegaon, escrow mechanism towards toll collection, DSRA equivalent to the debt servicing for next quarter and shortfall undertaking from MBL Infrastructure Ltd, of which AAP Infra is a subsidiary. The ratings are, however, constrained by probability of actual toll revenue being lower than the estimations and volatility associated with the traffic volumes.

Company Background:

AAP Infrastructure Ltd. is a 100% Subsidiary of MBL Infrastructures Ltd [rated BWR A+/A1 (Reaffirmed) with Outlook Stable]. 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) & provides a very important link road connecting NH – 7 at Seoni (Madhya Pradesh) & 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 & commercial operations started in April 2006. Phase–II, rest of the project, was completed in February 2008.

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

As per concession agreement, the Concession period started from Mar'2002 and will end in Feb'18. Toll Rate – Concession agreement allows for a fixed escalation in toll fees of 7% per annum. A Subsidy of ₹ 34.80 Cr had already been provided towards the project from MPRSNN (Madhya Pradesh Rajya Setu Nirman Nigam Ltd.).

MBL Infrastructures Ltd (MBL) was originally incorporated as Maheshwari Brothers Ltd. in 1995, and renamed in July 2006. It has its corporate office at Delhi and registered office at 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.

Financials:

During FY16, on a consolidated basis, MBL's operating revenue has improved by ~ 20% from ₹ 1964.92 Cr in FY15 to ₹ 2348.62 Cr in FY16. Subsequently, PAT improved from ₹ 81.59 Cr to ₹ 88.30 Cr during FY16. The total tangible networth of the group stood at ₹ 737.29 Cr in FY16.

During FY16, on a standalone basis, AAP Infra has achieved operating income of ₹ 22.92 Cr with a profit after tax of ₹ 1.76 Cr. Total TNW & Total Debt/TNW of AAP Infra stood at ₹ 23.67 Cr & 0.87 times, respectively in FY16.

Rating Outlook:

AAP Infra has recourse on its parent company for funds in case of a shortfall in toll collection or an increase in operating and maintenance costs. However, as per past trend, the Company has been able to generate adequate cash surplus from its toll collection revenues.

The ability of the Company to achieve toll receipts as projected, maintain operating and profitability margins, achieving renewal of concession period and maintenance & operation of the road with optimal cost and maximum availability would be key rating sensitivities.

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