

Rating Rationale

Aryavrat Tollways Pvt Ltd

28 Aug 2019

Brickwork Ratings revises rating for the Bank Loan Facilities aggregating Rs. 67.99 Crs of Aryavrat Tollways Pvt Ltd (ATPL or the Company)

Particulars:

Facilities Rated [#]	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Tenure	Previous Rating	Present Rating *
Fund Based	74.35	67.99	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable	BWR B (Pronounced BWR B) Outlook: Stable
Total	74.35	67.99	INR Sixty Seven Crores and Ninety Nine Lakhs Only		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the Company up to FY18, provisional financials for FY19, projected financial statements, publicly available information and information/clarifications provided by the Company.

The rating revision is on account of liquidity issues due to delayed realization of viability gap funding from GoMP (Government of Madhya Pradesh) which may impact the overall debt servicing ability of the company.

The rating continues to remain constrained on account of revenue related risks being a toll road project as the income will remain volatile due to fluctuations in the traffic on the road, moderate financial risk profile and increasing debt servicing requirements due to ballooning amortization schedule. These constraints are partially offset by 100% toll collection from the road, support from the promoters by way of unsecured loans and maintenance of DSRA equivalent to 3 months of principal and interest available as a cushion to the lenders.

Going forward the ability of the company to improve its liquidity position by generating additional funds from the promoters, recovering any balance receivable from GoMP and improving profitability as well as cash generation in the company to ensure timely debt servicing to the lenders shall remain key rating sensitivities.

Key Rating Drivers:

Weak Liquidity Position: The company is entitled to receive grant/viability gap funding from the Government of Madhya Pradesh (GoMP) as part of the project cost. ATPL has been receiving this amount with a delay which has resulted in constrained liquidity position of the company. The company has been relying on unsecured loans from promoters to ensure debt servicing.

Moderate Financial Risk Profile: ATPL has reported a net profit of Rs. 1 Cr in the provisional financial statements for FY19 as against net losses in the past financial year. While, the company was able to meet its debt obligations with existing cash generation and support from promoters, going forward the repayment obligations will increase considerably in line with the debt amortization schedule and the current level of cash generation is not sufficient to meet the same.

Risks associated with Toll Roads Projects: The company is operating a toll road which generates its revenue by charging toll amount on all the vehicles that pass through the road. Thus, these projects remain susceptible to any fluctuations in the traffic on the road which in turn will impact the revenue as well as cash generation in the company. The toll charges are also decided by the concerned authority and in the event of any negative revision in these charges, the performance of the project operating company gets adversely impacted.

Maintenance of DSRA: The company has created a Debt Service Reserve Account (DSRA) in Dec 2018, with the Lead Bank equivalent to instalment and interest which falls due over a period of 3 months, available as a cushion to the consortium members. In the event of shortfall or mismatch in the cash flows, the same can be liquidated to ensure timely debt servicing to the lenders.

Analytical Approach: BWR has assessed the Company on a standalone basis. Please refer to the applicable criteria at the end.

Rating Outlook: Stable

BWR believes that Aryavrat Tollways Pvt Ltd's 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 'Negative' if the liquidity position of the company worsens any further leading to delay in debt servicing.

About the Company:

Incorporated in 2012, Aryavrat Tollways Private Limited, is a SPV of Aryavrat Project Developers Pvt Ltd & Valecha Engineering Ltd. The SPV was incorporated for Execution and development of Guna-Ashoknagar-Ishagarh road on Build, Operate and Transfer (BOT) on toll plus grant basis allotted by the Madhya Pradesh Road Development Corporation Limited, Government of Madhya Pradesh. The project is operational and the company is collecting 100% toll from the vehicles

Company's Financial Performance:

The audited financial statements for FY19 are not available yet, however, the Company has submitted provisional financial statements for the period. As per provisional financials, the company has earned revenues of Rs. 16.53 Crs and a net profit of Rs. 1 Cr in FY19 as against revenues of Rs. 17.44 Crs and a net loss of Rs. 4.16 Crs in FY18.

Key Financial Indicators are given in the table below:

Key Financial Indicators			
Particulars	Unit	FY17 (A)	FY18 (A)
Operating Income	Rs. Crores	10.65	17.44
EBITDA	Rs. Crores	7.39	11.43
PAT	Rs. Crores	0.48	-4.16
Tangible Networth (Analyzed)	Rs. Crores	29.69	43.71
Total Debt (Analyzed)	Rs. Crores	73.94	76.66
Total Debt : Equity (Analyzed)	Times	2.49	1.75

Note: The analyzed ratios have been calculated after adjusting unsecured loans as quasi equity to the extent of 50%.

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Aug 2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	2018	2017	2016
1.	TL	Long Term	67.99	BWR B (Pronounced BWR B) (Stable)	BWR BB- (Pronounced BWR Double B Minus) (Stable)	No Rating Change	BWR B+ (Pronounced BWR B Plus) (Stable)
Total			67.99	INR Sixty Seven Crores and Ninety Nine Lakhs Only			

Status of Non-Cooperation with Other CRAs: NA

Any Other Information: NA

Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)



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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

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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