



Rating Rationale

Khalghat Sendhwa Tollways Pvt. Ltd.

20 June 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹447.01 Crores of Khalghat Sendhwa Tollways Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May, 2018)	Present
Fund based: Senior Term Loan Overdraft	451.12 32.25	416.51 30.50	Long Term	BWR A- (Pronounced as BWR A Minus) Outlook: Stable	BWR A- (Pronounced as BWR A Minus) Outlook: Stable [Reaffirmed]
Total	483.37	447.01	INR Four Hundred and Forty Seven Crores and One Lakh Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, provisional financials for FY19, publicly available information and information/ clarifications provided by the Company's management.

The rating reaffirmation takes into consideration the strong profile & experience of current promoters, operational track record of the project for more than 8 years, structure of the bank loan facility, healthy growth in traffic volumes over the years, arrangement in place for Operations & Maintenance, maintenance of escrow account, MMRA (Major Maintenance Reserve Account) & DSRA (Debt Service Reserve Account) and support from the parent company [Uniquet Infra Ventures Pvt Ltd (UIPL)] in the form of Bank Guarantee. The rating



strengths continue to be constrained by volatility associated with the traffic volumes and significant dependence on commercial vehicle traffic making revenues susceptible to economic downturns.

Going forward, the ability of the Company to achieve the projected growth in traffic volume, revenue & profitability and effective management of cash surplus to ensure timely debt servicing shall remain key rating monitorables.

Description of Key Rating Drivers

Experience of the management and established track record - The promoter Group is highly experienced in the construction industry. The Company has been collecting toll for more than 8 years and has been reporting adequate toll revenues since it got completed in 2011.

Support of the parent Company- The Company also derives strength from its parentage of the Uniquet Infra Ventures Pvt Ltd (UIPL) group, being a wholly-owned subsidiary. UIPL is a joint venture of UEM Group Berhad (a 100% subsidiary of Khazanah Nasional Berhad) through its subsidiary and IDFC Ltd to develop road projects in India. Khazanah is a strategic investment arm of Government of Malaysia. UIPL has issued a Bank Guarantee for MMRA and DSRA that if in any particular year if the cash surplus is not sufficient, obligations towards MMRA & DSRA will be met by the parent to ensure timely & regular debt servicing.

Satisfactory Financial performance- The financial performance of the Company has been satisfactory as seen in improving toll revenues with healthy EBITDA Margins. The Company had reported toll revenues of Rs.115.39 Crs in FY18 with an EBITDA margin of ~ 80%. The toll revenues are sufficient to take care of the loan repayment obligations.

Geographical Location:

The project stretch is a part of NH-3 from 84.70 Km near Khalghat to 167.50 km Barwani district in Madhya Pradesh (MP). The NH-3 originates at Mumbai and traverses a distance of approximately 1,100 Kms through the states of Maharashtra, Madhya Pradesh, Rajasthan, and Uttar Pradesh and ends at Agra. The project stretch has a good catchment of commercial units and is one of the important roads connecting West and North India.

Dependence of revenues on traffic volumes- The Company's revenues from toll collections are exposed to volatility associated with the traffic volumes and significant dependence on commercial vehicle traffic makes revenues susceptible to economic downturns.



Update on Major Maintenance

Company had initiated major maintenance activities in April'18 but the actual work of overlaying commenced in September 2018 post monsoon. The Major Maintenance work was fully complete in the first week of May 19. The unutilised amount of the major maintenance reserve was written back after completion of the major maintenance

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Khalghat Sendhwa Tollways Pvt. Ltd.** 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. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Khalghat Sendhwa Tollways Private Limited (KSTPL) is a 100% subsidiary of Uniquet Infra Ventures Private Limited (UIPL). KSTPL (erstwhile SEW Navayuga Barwani Tollways Pvt Ltd) is a SPV incorporated for the execution of the project viz. Design, Engineering, Finance, Construction, Operation and Maintenance of Khalghat-MP/ Maharashtra border section on NH-3 from km 84.700 to km 167.500 in the state of Madhya Pradesh under NHDP Phase IIIA through concession on Built Operate Transfer (BOT basis).

KSTPL was initially incorporated as a joint venture between SEW Infrastructure Ltd (SIL) and Navayuga Engineering Company Ltd (NECL) to undertake four-laning of Khalghat to Madhya Pradesh/Maharashtra border section of NH-3 from Km. 84.70 to Km. 167.50 under NHDP Phase IIIA on BOT toll basis. The company was taken over by UIPL in 2014.

The concession Agreement was signed between NHAI and the Company on April 16, 2008 for a concession period of 18 years from the Appointed Date (November 19, 2008). The project achieved commercial operations from 4th April 2011 and has traffic and tolling history of more than 8 years. The Company is maintaining escrow account with HDFC Bank (lead bank) for routing the receivables.

UIPL is a joint venture of UEM group, Berhad, through its holding companies (80.10%) and IDFC Limited (19.90%) to develop road projects in India. Ghir Investment (Mauritius) Ltd holds



80.10% and IDFC Ltd holds the balance 19.90% equity stake in UIPL. Ghir Investment is entirely held by PLUS Expressways International Berhad (PEIB), (held entirely by the UEM group and has a presence in India and Indonesia). UEM group is a wholly owned subsidiary of Khazanah Nasional Berhad, the investment arm of the Government of Malaysia and is Malaysia's leading engineering-based infrastructure and services group.

The Board of Directors includes Mr. Zaiviji Ismail Bin Abdullah, Ms. Nik Airina Binti Nik Jaffar, Mr. Philip Anak Kevin Akeu and Mr. Ramesh Babu. All the directors are well qualified & experienced and are assisted by a team of qualified professionals.

Company Financial Performance

Total operating income increased to Rs.115.39 Crs in FY18 from Rs.108.32 Crs in FY17. The company reported a net profit of Rs.6.69 Cr in FY18 compared to net loss of Rs 12.41 Crs in FY17. Tangible net worth stood at Rs.78.18 Cr as on March 31, 2018 compared to Rs 71.54 Crs as on March 31, 2017. Total debt stood at Rs 448.60 Crs as on March 31, 2018 compared to Rs.472.88 Cr on March 31, 2017. ISCR (2.04) and DSCR (1.38 times) were at satisfactory levels in FY18. On a provisional basis, the Company has reported total operating income of Rs 117.24 Crs and PAT of Rs 1.35 Crs for FY19 respectively. The key financial indicators are summarized in Annexure II.



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (June 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	May 2018 [^]	March 2017 ^{^^}	2016
	Fund Based	Long Term	447.01	BWR A- (Pronounced as BWR A Minus) Outlook: Stable	BWR A- (Pronounced as BWR A Minus) Outlook: Stable	BWR A- (Pronounced as BWR A Minus) Outlook: Stable	-
	Total		447.01	₹ Four Hundred and Forty Seven Crores and One Lakh Only			

[^]Amount rated: Rs 483.37

^{^^} Amount rated: Rs 527.24 Crs



Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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Khalghat Sendhwa Tollways Pvt Ltd (KSTPL)

Annexure I: Details of the bank facilities rated

Lender-wise details (Consortium Banking) –Rs. Crs				
Bank	Overdraft	Senior Term Loan –Limit	Senior TL –O/s	Total (Rs Crs)
HDFC Bank, Lead Bank of the Consortium	30.50	100.90	86.31	116.81
State Bank of India (earlier State Bank of Mysore)		85.00	74.07	74.07
IIFCL (takeout financing)	-	108.63	73.13	73.13
Punjab National Bank	-	105.00	91.50	91.50
State Bank of India	-	105.00	91.50	91.50
Total	30.50	504.53	416.51	447.01

Khalghat Sendhwa Tollways Pvt Ltd (KSTPL)

Annexure II

Key Financial Parameters

Particulars	31/Mar/2017	31/Mar/2018
Result Type	Audited	Audited
Total Operating Income (Rs Crs)	108.32	115.39
EBITDA (Rs Crs)	80.30	92.64
PAT (Rs Crs)	-12.41	6.69
Tangible Net Worth (Rs Crs)	71.54	78.18
Total Debt/TNW (Times)	6.61	5.74
EBITDA Margin (%)	74.13	80.28



For print and digital media

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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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