Rating Rationale

MEP Infrastructure Private Limited

5 Mar 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 2339.60 Cr of MEP Infrastructure Private Limited.

Particulars

Facility	Amount (₹ Cr)	Tenure	Rating*
Fund based	2339.60	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable
Total	2339.60	INR Two Thousand Three Hundred Thirty Nine Crores and Sixty Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon MEP Infrastructure Private Limited's Audited financial results from FY15 to FY17 and projected financials of MEP Infrastructure Private Limited ('MEPIPL' or 'the Company'), publicly available information and information/clarification provided by company's management.

The rating factors strong & resourceful promoter group in the form of MEP Infrastructure Developers Limited (MEPIDL), extensive experience of promoter group in managing toll-based road projects, a good traffic potential and fixed periodic toll rate revision, healthy profitability and coverage indicators and claims receivable from government which can improve overall liquidity position of the company. However, the rating is also constrained by large debt, and high exposure to group companies, vulnerability of cash flows to volatility in traffic and changes in government policies, high leverage and any further delay in receivables of claim can stretch overall liquidity position.

Description of Key Rating Drivers

Credit Strengths:

Experienced & Resourceful promoter group in the form of MEPIDL:

MEP Infrastructure Private Limited (MEPIPL), is a 100% subsidiary of MEP Infrastructure Developers Limited (Listed Public Company).The promoter group of MEP Infra has extensive experience in managing toll-based road projects. MEPIDL has completed 116 projects, with an aggregate of 218 toll plazas and 1,349 lanes, and has experience of over 14 years in this business in 12 states in India.

Good traffic potential and fixed periodic toll rate revision:
The Company has been awarded toll collection rights by Maharashtra State Road Development Corporation Limited (MSRDC) for a period of 16 years, commencing from 20th Nov 2010 as per the Concession Agreement. During the Concession Agreement, the company has the right to collect toll at various toll plazas, viz., Dahisar, Airoli, LBS Road, Mulund and Vashi and also has an obligation to maintain the specified flyovers.Mumbai, being the financial and commercial hub of the country, attracts a steady stream of traffic. Traffic mainly consists of passenger vehicles as over 60% of the revenue comes from passenger cars, which largely comprises commuters staying on the outskirts of Mumbai and travelling to and fro for work. Furthermore, toll rates are pre-defined in concession agreement, thus MEP Infra faces limited risk of unexpected variation in toll rates.

Claims Receivable from Government:
The company has raised claims from MSRDC towards demonetization and capex expenditure incurred towards change in scope. As per the recent reports the compensation for the demonetization has been approved by the State Cabinet. The company has confirmed that they are expected to receive the raised claims and capex compensation by March-2018 which is expected to ease the liquidity position.

Credit Risks:
Vulnerability of cash flows to volatility in traffic and changes in government policies:
MEP Infra is exposed to the risk of volatility in traffic volumes because of a slowdown in economic activity. Furthermore, as road infrastructure sector is heavily influenced by changes in government policies like exemption of toll announced recent past, it could severely impact cash flows. Any such adverse traffic movement or policy changes remain a key rating sensitivity factor.

Large debt, and high exposure to group companies:
MEP Infra had debt of Rs 2,411.58 crore as on March 31, 2018, of which, Rs 2,100 crore was raised for making upfront payment to Maharashtra State Roads Development Corporation Ltd (MSRDC) for the grant of concession. Furthermore, the exposure to group companies remained high at Rs 421 crore as on March 31, 2017.

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 **MEP Infrastructure 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. 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

MEP Infrastructure Private Limited (MEPIPL), is a 100% subsidiary of MEP Infrastructure Developers Limited (Listed Public Company).MEPIPL is engaged in the business of collection of Toll along with road repairs and maintenance of structures, flyovers, etc. The Company has been awarded toll collection rights by Maharashtra State Road Development Corporation Limited (MSRDC) for a period of 16 years, commencing from 20th Nov 2010 as per the Concession Agreement. During the Concession Agreement, the company has the right to collect toll at various toll plazas, viz., Dahisar, Airoli, LBS Road, Mulund and Vashi and also has an obligation to maintain the specified flyovers. MEP Infrastructures Developers Limited (MEPIDL), incorporated in 2002, is the flagship entity of the MEP Group and an established player in toll collection and Operate Maintain and Transfer (OMT) business for roads and highways. The MEP Group engages in either short or long term contracts ranging from one to sixteen years to undertake such business. MEPIDL also undertakes Engineering, Procurement and Construction (EPC) contracts for the road sector. The day-to-day operations are led by the Chairman, Mr. Dattatray P. Mhaiskar and Managing Director, Mr. Jayant D. Mhaiskar.

Company Financial Performance

The company reported an increase in Operating Revenue to Rs.489.46 crores in FY17 from Rs.412.80 Cr. in FY16.The Company's EBITDA for FY17 increased to Rs.359.23 Cr compared to Rs.322.64 Cr in FY16. The Net Worth of the company for the FY17 stood at Rs.55.93 Cr. compared to Rs.44.05 Cr. in FY16. In FY17, the total debt stood at Rs.2411.58 Cr. in FY17. The management has confirmed that servicing of debt is happening on time.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1.	**Fund Based**	Long Term	2339.60	**BWR BB- Outlook:Stable**	**NA**	**NA**	**NA**
	Total		**2339.60**	**₹ Two Thousand Three Hundred Thirty Nine Crores and Sixty Lakhs Only**			

Status of non cooperation with Previous CRA : Non Applicable
Any other information: Non Applicable

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type			
Operating Revenue	₹ Cr	489.46	412.80
EBITDA	₹ Cr	359.23	322.64
PAT	₹ Cr	11.97	(16.11)
Tangible Net worth(excluding intangibles)	₹ Cr	55.93	44.05
Total Debt/Tangible Net worth (excluding intangibles)	Times	43.05	56.15
Current Ratio	Times	0.82	1.06

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector

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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, has also been 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 Nationalized 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, 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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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