

Rating Report

Brickwork Ratings Upgrades the rating to 'BWR BBB-' from 'BWR BB+' for Bank Loan Facilities amounting to ₹ 222.12 Cr of Atlanta Infra Assets Limited

Brickwork Ratings (BWR) upgrades the **Rating**¹ to 'BWR BBB-' from 'BWR BB+' to the below mentioned outstanding bank loan facilities.

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based Term Loan	222.12	Long Term	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable
Total	222.12	(INR Two Hundred Twenty Two Crore and Twelve Lakhs only)	

BWR has principally relied upon the audited financial results up to FY 14 and further projected financials of Atlanta Infra Assets Ltd, publicly available information and information/clarification provided by the Company management.

BWR has analyzed AIAL's financials on a standalone basis. However, BWR has factored in the support envisaged to be extended by AIAL towards its subsidiaries under-construction projects in case of cost overruns, cash gaps in operational toll-based projects due to lower-than-anticipated traffic volumes, funding of major-maintenance and payment of premiums to various authorities in case of cash-flow shortfalls in SPVs.

The rating continues to factor in the location of the project i.e. Nagpur Kondhali stretch on National highway no -6, operational status of the road, extensive industry experience and expertise of AIAL's promoters in build, operate and transfer (BOT) road projects. The rating also factors in AIAL's strong parentage by virtue of being held 99.99 % by the promoter group and the presence of Atlanta Ltd's key management personnel on AIAL's board, fulfilment of 100% capital commitment towards the subsidiaries, revision in toll rates and replacement of high cost debt by way of takeout finance.

However the rating strengths are partially mitigated by the execution risk associated with its subsidiaries on-going projects, inherent risk associated with the toll-based project, operational & maintenance risk, significant off-balance-sheet exposure in the form of corporate guarantee and other financial support extended towards its subsidiaries from time to time.

Background

The company was originally incorporated in 2005 with the name of Balaji Tollways Ltd. Later on in March 2011, the name of the company was converted and assumed its current name AIAL.

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

AIAL is a special purpose vehicle (SPV) promoted by Atlanta Limited for the improvement, operation and maintenance including the strengthening and widening of the existing two-lane roads to four-lane dual carriageway of Nagpur-Kondhali section from 9.2 kilometers to 50 kilometers of National Highway-6 (NH-6) in the State of Maharashtra on a BOT-Toll basis. The project was awarded by NHAI in 2005. AIAL, under its two subsidiaries, has been awarded two toll-based road projects from Bihar State Road Development Corp Ltd (BSRDC) and Public Works department (PWD) of Government of Punjab and the same are under construction

Operation

The construction for the project started in June 2006 with a total estimated outlay of Rs.226.24 crore and expected to complete by December 2008, but due to the delay in handing over of land by NHAI, the project construction period got extended by about 2 years with a revised project cost Rs.316.47 crore. AIAL completed the project as per the revised schedule, however, on account of the dispute between NHAI and AIAL related to scope of work. Provisional Completion Certificate (PCC) was delayed and awarded on September 22, 2011. Concurrently AIAL commenced toll operations on October 4, 2011. Due to the delay, there was a cost overrun aggregating Rs.60.64 crore which was funded by the sponsor (Atlanta Ltd) partly in the form of unsecured loans and partly as payables towards creditors (Atlanta Ltd). The actual cost incurred for the project was Rs.380.88 crore funded in the debt equity ratio of 1.92:1 and equity includes government grant receipt of Rs.53.68 crore. The project has a total concession period of 20 years which includes the construction period and will end by June 2026. AIAL has recently been awarded an OMT project in Assam with 9 years of concession period under the SPV North East Tollways Pvt. Ltd

Management

Company's management team is led by Mr. Rajhoo Ambalal Bbarot, promoter and MD of Atlanta group. He has vast experience in execution and management of wide variety of construction projects in the field of BOT and real estate development. The Company is professionally managed and has qualified personnel from the field of engineering; finance and administration to assist the top-level management

Financial Performance

In FY 14, AIAL recorded total operating Income (TOI) of Rs.42.43 Cr representing ~62% growth on Y-o-Y basis attributable to claim received from NHAI to the tune of Rs.16.71 Cr which is integral to the operations. Company generated toll revenue of Rs. 25.72 Cr during FY 14 compared to Rs 26.11 Cr in FY 13 on account of lower average daily traffic of heavy vehicle than the estimated average daily traffic. Operating margin of the company improved to 79% in FY 14 against 67.27% in FY 13. Further AIAL posted net profit of Rs.10.66 Cr in FY 14 compared to net loss of Rs. (21.98) Cr. In FY 13

The solvency position of the company improved marginally as indicated by an overall gearing of 1.26x as on March 31, 2014, compared with 1.38x as on March 31, 2013. Interest coverage marginally improved to 1.15 times in FY 14 from 0.59 times in FY 13 on account of higher proportionate EBITDA

Liquidity profile of AIAL has improved on account of takeout finance (TOF) with extended moratorium period for repayment with lower rate of interest .As per 7MFY14 ending Oct,14 AIAL generated toll revenue of Rs 17.17 Cr against Rs. 14.16 Cr in the same period for the previous year

AIAL has received sanction (dated Dec 10, 2013) of Rs.56.13 Cr from IIFCL under takeout finance scheme and sub debt facility of Rs. 53.00 Cr for Mora Toll ways Ltd. Further company has informed that they have approached IIFCL to take over certain portion of existing debt of Dena Bank to the tune of Rs.24.02 Cr under TOF scheme which IIFCL is actively considering.

Rating Outlook

Going forward, sustainability of growth in the traffic of vehicles especially from the Commercial Vehicles segment and receipt of proposed claims from the concessionaire i.e. National Highway Authority of India (NHAI) constitute the key rating sensitivities.

The ratings may be downgraded in case AIAL's accruals are muted with delay in the on-going projects of its subsidiaries thus impacting its timely debt servicing ability or in case AIAL extends more-than-expected support to its subsidiaries, most likely by way of extending financial support for any new projects. On the contrary in case there is more-than-expected realisation of value from its subsidiaries, thereby supporting its liquidity may result in positive rating action

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Annexure I - Key Financials – Atlanta Infra Assets Ltd.

Particulars (Rs. In Crores)	FY 2011	FY 2012	FY 2013	FY 2014
	A	A	A	A
Operating Income	5.29	18.70	26.18	42.43
EBITDA	(0.46)	9.98	17.61	33.53
PAT	(0.38)	(12.54)	(21.98)	10.66
Long term borrowings	158.77	248.00	294.03	300.33
Short term borrowings	24.24	28.34	21.32	-
Total Debt	183.01	276.34	315.34	300.33
Paid Up Equity Capital	23.00	42.01	42.01	42.01
Reserves & Surplus	144.45	207.96	185.98	196.64
Tangible Net worth (Rs. Cr)	-178.61	-126.62	-140.72	238.66
Debt to Equity (x)	-1.02	-2.18	-2.24	1.26
Interest Coverage (x)	0.00	0.53	0.59	1.15
Debt Service Coverage (x)	0.00	0.39	0.40	1.03
EBITDA Margin (%)	-8.64%	53.36%	67.27%	79.01%
PAT Margin (%)	-7.23%	-67.06%	-83.94%	25.13%
Net Cash Accruals / Total Debt (x)	0.00	-0.03	-0.04	0.01