

Rating Report

Brickwork Ratings assigns BWR BB+ for the Bank Credit Facilities amounting to ₹ 232.29 Cr of Atlanta Infra Assets Limited

Brickwork Ratings (BWR) has assigned the **Rating¹** of ‘BWR BB+’ (Pronounced BWR Double B Plus) for the long term Bank Credit Facilities of ₹ 232.29 Crore of Atlanta Infra Assets Ltd (“AIAL” or “the Company”).

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based Term Loan	232.29	Long Term	BWR BB+ (BWR Double B Plus) Outlook: Stable
Total	232.29 (INR Two Hundred Thirty Two Crore and Twenty Nine Lakhs only)		

BWR has principally relied upon the audited financial results up to FY 13 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. However the rating strengths are partially mitigated by the execution risk associated with its subsidiaries on-going projects, deteriorated credit profile of the promoter whose funding support is critical for timely debt servicing obligations and equity investment in the subsidiaries of AIAL, non-creation of debt service reserve account & major maintenance reserve account ,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

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

name AIAL. 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.

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

Company generated toll revenue of Rs 26.11 Cr during FY 13 compared to Rs 18.70 Cr in FY 12. Total operating income (TOI) in FY 13 is marginally lower than envisaged which is attributable to lower average daily traffic of heavy vehicle than the estimated average daily traffic. Operating margin of the company increased to 67.27% in FY 13 from 53.36% in FY 12 on account of lower increment in operating expenditure. However AIAL posted net loss of Rs. (21.98) Cr in FY 13 compared to Rs (12.54) Cr in FY 12 due to higher interest outgo and increased amortization. Interest coverage ratio of the firm has marginally improved to 0.59 times in FY 13 from 0.53 times in FY 12 on account of higher proportionate EBITDA. Major portion of company's income are being wiped out due to the burden of servicing interest.

AIAL's liquidity will be under pressure over the medium term because of debt repayments. AIAL is expected to generate tightly matched cash flows from project revenues to honor company's financial obligations. Further in addition to its own sizeable debt servicing requirements, AIAL has a substantial funding commitment of Rs. 75.00 Cr as of end Dec 2013 towards promoter's contribution (including equity and subordinate debt) for two of its

subsidiaries under construction projects over the next 1-2 years. Though the debt service reserve account (DSRA) has not yet opened, the lender will continue to have first right on the project receivables, through an escrow mechanism, post which operational expenses will be taken care of. Non creation of DSRA coupled with short fall in toll collection during FY 13 has compelled AIAL to depend on its promoter for funding support to honor its financial obligations on time. In FY 12 company raised Rs. 100.00 Cr by way securitization of tolls in Nagpur –Kondhali toll road project .6MFY14 AIAL generated toll revenue of Rs 11.94 Cr against estimated Rs. 28.36 Cr for the entire year

AIAL has received sanction (dated Dec 10, 2013) of Rs.56.13 Cr from IIFCL under takeout finance scheme, which AIAL expects to avail in Jan 2014. The amount raised will be utilized for repayment of existing high cost debt. Further company has informed that they have approached IIFCL to extend sub debt facility of Rs. 53.00 Cr for Mora Toll ways Ltd which IIFCL is actively considering.

Rating Outlook

Going forward, sustainability of growth in the traffic of vehicles especially from the Commercial Vehicles segment ,timely availability of funds from the promoters for the committed investments and servicing debt obligations and receipt of proposed claims from the concessionaire i.e. National Highway Authority Of India(NHAI) constitute the key rating sensitivities.

AIAL’s financial risk profile will remain under pressure over the medium term, as the company is likely fund substantial debt to support its subsidiaries’ funding requirements. 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

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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Annexure I - Key Financials – Atlanta Infra Assets Ltd.

Particulars (Rs. In Crores)	2011	2012	2013
	A	A	A
Operating Income	5.29	18.70	26.18
EBITDA	(0.46)	9.98	17.61
PAT	(0.38)	(12.54)	(21.98)
Long term borrowings	158.77	248.00	294.03
Short term borrowings	24.24	28.34	21.32
Total Debt	183.01	276.34	315.34
Paid Up Equity Capital	23.00	42.01	42.01
Reserves & Surplus	144.45	207.96	185.98
Tangible Net worth (Rs. Cr)	-178.61	-126.62	-140.72
Debt to Equity (x)	-1.02	-2.18	-2.24
Adjusted Gearing (x)	-1.03	-2.42	-2.42
Interest Coverage (x)	0.00	0.53	0.59
Debt Service Coverage (x)	0.00	0.39	0.40
EBITDA Margin (%)	-8.64%	53.36%	67.27%
PAT Margin (%)	-7.23%	-67.06%	-83.94%
Net Cash Accruals / Total Debt (x)	0.00	-0.03	-0.04
Current Ratio (x)	0.05	0.56	0.10