

Rating Report

Brickwork Ratings assigns 'BWR BBB- (SO)' for the Bank Credit Facilities amounting to ₹ 134 Cr of Atlanta Ropar Tollways Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Credit Facilities of Atlanta Ropar Tollways Pvt. Ltd (*"ARTPL" or "the Company"*).

Facility	Limits (₹ Cr)	Tenure	Rating
Term Loans	134.00	Long Term	BWR BBB- (SO) [BWR Triple B Minus (Structured Obligation)] Outlook: Stable
Total	134.00	(INR One Hundred & Thirty Four Crores only)	

BWR has principally relied upon the audited financial results up to FY 13 and further projected financials of Atlanta Ropar Tollways Pvt. Ltd, publicly available information and information/clarification provided by the Company management.

The assigned rating factor in the long standing experience and expertise of Atlanta Ltd 's senior management personnel in the surface transportation sector, strong project management and implementation abilities evidenced by its demonstrated experience in developing road projects with an experience of over three decade, presence of escrow mechanism for toll collection which provides ring-fencing of cash flows , provision of proposed Debt Service Reserve Account (DSRA) post COD with three months of debt servicing obligation, financial flexibility due to moderate tail period of close to three years (remaining concession period after complete scheduled repayment of term loan) and revenue shortfall loan from the concession authority . The rating also takes comfort from location of the project i.e. Ropar -Chamkur Sahib –Neelon stretch connecting 3 national highways namely NH-1, NH-21 & NH-95, advanced stage of project completion ,fixed price nature of contract and steady progress in project execution. The ratings however constrained by the revenue risk associated with toll collection, annual premium payment to concession authority and residual implementation risk associated with the project

Background

Atlanta Ropar Tollways Pvt. Ltd (ARTPL) incorporated in 10th Aug, 2011, as a special purpose vehicle for up gradation and Rehabilitation by way of two laning of Ropar -Chamkur Sahib –Neelon stretch (from 0 km to 45.175 km) and four laning of Neelon- Doraha stretch

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

(from 0 km to 9.625 km) in the state of Punjab on Built-Operate –Transfer (BOT) basis. ARTPL was promoted by Atlanta Infra Assets Limited (AIAL, rated BWR BB+) which was a subsidiary of Atlanta Limited. In order to consolidate Atlanta Ltd.'s existing road infrastructure projects and to pursue various new project initiatives in the area of surface transportation infrastructure ARTPL was established. The project was awarded by Punjab Infrastructure Development Board. The project was awarded to ARTPL on the basis of highest premium quote of Rs.5.11 crore payable annually with escalation of 5%. The premium is payable in the first year of achievement of COD.

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

Operation

The project involves a planned capital outlay of Rs.200.00 Cr which is funded by term loans of Rs.134.00 Cr and the remaining Rs.65.92 Cr through promoter contribution by way of equity. As on March 31, 2014, ARTPL had invested a total of Rs.143.99 Cr, of which Rs.90.93 Cr was debt funded and promoters had contributed Rs.53.06 Cr. Balance equity of Rs.12.86Cr will be infused by May 2014 which would be met through internal accruals of Atlanta Ltd and AIAL . The appointed date of the project was April-2013. The total concession period for the project is 16.5 years including the construction period of 1.5 years. The Commercial Operation Date (COD) of the project is scheduled for October 2014. Development contract has been awarded to Atlanta Ltd on Fixed cost/Fixed Time (FPC) of Rs180.00 Cr. wherein all risk of cost and time over run would be borne by Atlanta Limited. Against Rs.144.14 Cr capital deployment, ARTPL has achieved ~59% in terms of EPC progress till 31st Mar, 2014.

Traffic Risk

The traffic estimates is based on an independent traffic study done by Louis Berger Consulting Pvt Ltd. indicates that traffic is likely to be dominated by commercial vehicles, subjecting revenue to economic cycles. The project's coverage ratios are resilient to downside traffic scenarios, only a Y-o-Y reduction in traffic growth rate to as low as 20% may result in a minimum debt service coverage ratio (DSCR) dropping to the level of 1.5 x.

Initial years' revenue targets would be crucial to achieving the expected coverage levels. BWR believes revenue (price) risk is limited as toll rates are pre-set in the concession agreement for the entire term and are subject to increase every year by 3% on base rate

without compounding along with further addition by 40% of inflation (Wholesale Price Index). The elasticity of traffic demand to the increase in toll rates shall be clear only when the project is operational.

Rating Outlook

Going forward, toll collections on the stretch and company's ability to maintain the project stretch as per the terms of the concession agreement and within the budgeted costs will be the key rating sensitivities

BWR believes that ARTPL will complete work on its project within the budgeted time, given the fixed time and cost nature of its EPC contract with Atlanta Ltd, and the ongoing progress in project execution. The outlook may be revised to 'Positive' if traffic on the project road is more than expected, resulting in high debt-service-coverage ratio. Conversely, the outlook may be revised to 'Negative' in case of time or cost overrun in the project, or in case lower-than-expected traffic on the project road adversely affects ARTPL's financial risk profile.

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