

September 17, 2010

**CARE ASSIGNS 'CARE BBB' RATING TO THE BANK FACILITIES OF
DHULE PALESNER TOLLWAY LTD.****Rating**

Facilities/Instruments	Amount (Rs. Crore)	Ratings¹	Remarks
Long-term Bank Facilities	1,065	'CARE BBB' (Triple B Minus)	Assigned
Total Facilities	1,065		

Rating Rationale

The rating takes into account operational track record and financial strength of the sponsors, well-experienced Engineering, Procurement and Construction (EPC) contractors, fixed-price nature of the EPC contract and undertaking from sponsors to fund cost overrun. The rating also takes into account the long-term economic potential of the stretch emanating from being a part of National Highway (NH)-3 with heavy traffic density, favourable traffic mix and no significant alternate route risk. Further, additional comfort is drawn from liquidity support by way of the proposed creation of Debt Service Reserve Account (DSRA) and Major Maintenance Reserve Account (MMRA).

However, the rating is constrained by project execution risk, nascent stage of construction, inherent revenue risk associated with toll-based road projects, relatively high project gearing and Operations and Maintenance (O&M) risk.

Timely receipt of the pending Right of Way (RoW) along with various approvals and clearances and ability to achieve the envisaged traffic and toll revenue constitute the key rating sensitivities.

¹Complete definition of the ratings assigned are available at www.careratings.com and in various CARE publications

Company Profile

Incorporated in March 25, 2009, DPTL is a Special Purpose Vehicle (SPV) promoted by Hindustan Construction Company (*HCC, rated 'CARE AA-' and 'CARE PRI+'*), John Laing Investments Ltd (JLI) and Sadbhav Engineering Limited (*SEL rated 'CARE A+' and 'CARE PRI+'*) to undertake the four-laning of the Maharashtra Border – Dhule section of NH-3 in the State of Maharashtra under National Highway Development Program (NHDP) Phase III on Design, Build, Finance, Operate and Transfer (DBFOT) – Toll basis. The Concession Agreement (CA) was executed between DPTL and National Highways Authority of India (NHAI) on June 24, 2009 for a concession period of 18 years from the Appointed Date i.e. December 18, 2009 inclusive of a Construction period of 2.50 years. The construction of the entire stretch of 89 km is divided as Phase I (75.7 km) and Phase II (13.3 km) with different project timelines. The Scheduled Project Completion Date (SPCD) for Phase I and Phase II is June 15, 2012 and October 1, 2014 respectively.

The project cost estimated at Rs.1,420 crore is to be funded from a combination of promoters' equity (Rs.71 crore), subordinate debt from the promoters (Rs.284 crore) and term loan (Rs.1,065 crore) at a debt-equity ratio of 19x (3x if subordinate debt is considered as quasi equity). As at end-June 2010, the cumulative physical progress achieved was 19.44% as against the targeted progress of 11.81% for Phase I.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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