
June 7, 2010

CARE REAFFIRMS THE RATING ASSIGNED TO THE LONG-TERM BANK FACILITIES OF EAST HYDERABAD EXPRESSWAY LTD.

CARE has reaffirmed the '**CARE BBB**' (Triple B) rating assigned to the Long-term Bank Facilities of Rs.320.87 crore of East Hyderabad Expressway Limited (EHEL). This rating is applicable for facilities having tenure of more than one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk.

Instrument	Amount (Rs. crore)	Rating
Long-term Bank Facilities	320.87	' CARE BBB '
Total	320.87	

Rating Rationale

The rating factors in the promoters' long experience in road infrastructure development, annuity nature of the project, receipt of entire RoW length and steady pace in project execution.

The rating is however, constrained by inherent project completion risk, revenue risk arising due to uncertainty about the credit profile of the annuity provider -Hyderabad Metropolitan Development Authority (HMDA) and Operation and Maintenance (O&M) risk. Also, the rating takes into account non-creation of debt service reserve account and major maintenance reserve account in escrow mechanism.

Besides, completion of the project within the stipulated time estimates, timely receipt of extension in SPCD and annuity constitutes key rating sensitivities.

Company Profile

EHEL is an Special Purpose Vehicle (SPV) incorporated by IL&FS Transportation Networks Ltd (ITNL) (74%) and KMC Constructions Ltd (KMC) (26%) in 2007 to undertake design, construction, development, finance, O&M of eight-lane access controlled expressway under Phase II A program in the Hyderabad city for a 13-km stretch in the section from Pedda Amberpet to Bongalur under Build, Operate & Transfer (BOT) Annuity Basis with fixed annuity amounts of Rs.33.30 crore semi-annually after project commissioning. The project was initially awarded to EHEL by Hyderabad Urban Development Authority (HUDA) which is presently merged with HMDA, an entity promoted by the Government of Andhra Pradesh (GoAP). The impact of the GoAP's action on the merged entity's credit profile is yet to be ascertained and has a potential to impact the revenue profile of EHEL as the SPV is scheduled to receive annuities from HMDA. As on November 30, 2009, EHEL had achieved physical progress of 67.31% of the total work as against the planned 71.03%, with the shortfall in progress mainly attributed to non-availability of 0.22 kms of Right of Way (RoW) which has been reportedly handed over subsequently.

The expenditure incurred as on November 30, 2009 was to the extent of 63.40% of the total project cost of Rs.427.82 crore (Equity Rs.29.30 crore, Government grant Rs.46.43 crore and Debt Rs.200.00 crore). EHEL has applied for an extension of 383 days in SPCD to HMDA mainly towards delays due to non-handing over of the requisite RoW on which the approval is still awaited. The revised SPCD has to be finalised by HMDA while the expected Commercial Operations Date of the project is June 9, 2010.

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CARE 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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