

July 22, 2010

CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF HAZARIBAGH RANCHI EXPRESSWAY LTD**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	688.18	'CARE BBB-' (Triple B Minus)	Assigned

Rating Rationale

The rating takes into cognizance promoters' expertise in Build, Operate & Transfer (BOT) projects, annuity nature of the contract, development contract entered with IL&FS Transportation Networks Limited (ITNL), sponsor undertakings towards funding of the project cost overrun and any shortfall towards major maintenance activity.

The rating is however constrained by the nascent stage of project construction and consequent implementation risk, pending approvals and clearances for project execution, Right of Way (RoW) issues and local political risk.

The timely completion of the proposed stretch and scheduled receipt of annuity installments constitute key rating sensitivities.

Company Profile

Incorporated on March 19, 2009, Hazaribagh-Ranchi Expressway Limited (HREL) is a Special Purpose Vehicle promoted by IL&FS Transportation Networks Limited and Punj Lloyd Limited for the purpose of 4-laning of the Hazaribagh – Ranchi section of NH-33 from 40.50 km to 114.00 km in Jharkand on Build, Operate and Transfer (BOT) - Annuity basis awarded through competitive bidding by National Highways Authority of India (NHAI). The Concession Agreement (CA) was executed on October 8, 2009 for a concession period of 18 years from the Appointed Date inclusive of a Construction period of 2.5 years. HREL would be compensated by NHAI through a fixed annuity payment of Rs.128.16 crore, i.e. Rs.64.08 crore payable semi-annually.

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

The total project cost of Rs.869.18 crore is proposed to be financed at a debt-equity ratio of 5.25x (3.8x on treating subordinate debt as quasi-equity) through senior debt of Rs.688.18 crore, sponsor equity of Rs.131.00 crore and subordinate debt of Rs.50.00 crore. As on May 26, 2010 HREL had achieved a physical progress of 0.20% as against the targeted progress of 0.24% and is in a nascent stage of construction.

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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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