

August 26, 2010

**CARE ASSIGNS 'CARE BBB-' RATING TO THE LONG-TERM BANK FACILITIES OF  
MAHAKALESHWAR TOLLWAYS PVT LTD.**

**Rating**

Facilities/Instruments	Amount (Rs. Crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	238.57	'CARE BBB' (Triple B Minus)	Assigned
<b>Total Facilities</b>	<b>238.57</b>		

**Rating Rationale**

The rating takes into account availability of substantial Right of Way (RoW), fixed-price nature of Engineering, Procurement and Construction (EPC) contract and sponsor undertakings to fund cost overrun. Further, the rating also favourably factors in the significant progress achieved in the project, proposed creation of Debt Service Reserve Account (DSRA) and Major Maintenance Reserve Account (MMRA) and also the complete provisioning for routine maintenance expenditure to be incurred during the first five years of operations, within the EPC cost.

However, the rating is constrained by project execution risk, inherent revenue risk associated with toll-based road projects especially with higher proportion of lower revenue-generating vehicles in the traffic mix and Operations and Maintenance (O&M) risk.

Besides, timely receipt of pending RoW and ability to achieve projected revenue together with its dependence on movement in Wholesale Price Index constitute the key rating sensitivities.

**Company Profile**

Incorporated in September 2008, MTPL is a Special Purpose Vehicle (SPV) promoted by a consortium of SREI Infrastructure Finance Company Limited (48%), Galfar Engineering and Contracting SAOG (26%) and Varaha Construction Company [Merged with Varaha Infra Limited w.e.f. March 31, 2010] (26%) to undertake construction (i.e strengthening and up-gradation of existing two lanes to four lanes) and O&M of Indore-Ujjain Section on SH-31 in the state of Madhya Pradesh, totalling 49 kms section on Build, Operate and Transfer (BOT) - toll basis. As per the Concession Agreement signed on September 17, 2008 between MTPL and Madhya Pradesh Road Development Corporation Limited (MPRDCL) the concession period is for 25 years from the Appointed Date (including a construction period of two years). The project was awarded to MTPL on the basis of its highest quote of 'premium' – i.e., MTPL is to pay a premium of 26.38% of the total realisable fee to MPRDCL during the first year of operations and an additional 1% for each subsequent year.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in various CARE publications

The project cost estimated at Rs.340.81 crore is to be funded from a combination of promoters' equity contribution (Rs.102.24 crore) and term loan (Rs.238.57 crore) at a debt-equity ratio of 2.33x. As on May 31, 2010, the cumulative physical progress achieved was 64.71% as against the targeted progress of 75.13% (assuming commencement of operations from October 31, 2010) at a total cost of Rs.190.34 crore.

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

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