

July 20, 2010

**CARE REVISES THE RATING TO THE BANK FACILITIES OF
PATEL KNR INFRASTRUCTURE LTD.**

Rating

Facilities/Instruments	Amount (Rs. Crore)	Ratings¹	Remarks
Long-term Bank Facilities	415.00	'CARE BBB+' (Triple B Plus)	Revised from 'CARE BBB'
Total Facilities	415.00		

Rating Rationale

The rating revision reflects the operating status of the stretch and timely receipt of the first annuity. The rating also takes into consideration the annuity-based nature of the project, status of National Highway Authority of India (NHAI - the annuity provider), significant experience of the promoters in road infrastructure development and financial support extended to finance the cost overrun in the project. The rating is however constrained by Operations and Maintenance (O&M) risk and interest rate risk. Timely servicing of debt in the event of reduction in annuity receivables due to non-performance of O&M contractor in carrying out routine and Major Maintenance Activity (MMA) remains a key rating sensitivity.

Company Profile

PKIL is a Special Purpose Vehicle (SPV) incorporated on June 26, 2006 as a private limited company to undertake 4-laning of the AP/Karnataka Border-Avathi village section from Km 463/0 to Km 524/0 on NH-7 under North-South Corridor (NHDP Phase-II) on BOT basis with semi-annual annuity of Rs.32.94 crore receivable from NHAI. PKIL was initially promoted by PEL and KNRCL initially in the ratio 60:40. There was a change in the shareholding pattern during FY09 and the present shareholders of PKIL are Patel Engineering Limited (42%), KNRCL (40%) and Enpro Limited (18%).

PKIL has achieved overall progress of 99.25% as on December 31, 2009. PKIL has received the provisional COD on December 12, 2009 (Original Scheduled completion date of March 28, 2009). The project cost was initially estimated at Rs.496.56 crore to be financed in a Debt/Equity ratio of 3:1. However, the delay in handing over of Right of Way (RoW) resulted in cost overrun to the tune of Rs.26.90 crore, mainly attributed to increase in Engineering, Procurement & Construction (EPC) cost and the incremental cost was funded by the promoters by way of unsecured loans.

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

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