

April 15, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan I	46.24	SMERA BBB-/Stable (Assigned)
Term Loan II	30.00	SMERA BBB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.76.24 crore fund based bank facilities of GVR Panna Amanganj Tollway Private Limited (GPATPL). The outlook is '**Stable**'. GPATPL is a special purpose vehicle promoted by GVR Infraprojects Limited (GIL). The rating is supported by GIL's established track record of operations in the infrastructure sector. The rating draws comfort from the early completion of the project undertaken by the company. The rating also draws comfort from the presence of annuity plus toll-based model and debt service reserve account (DSRA). However, the rating is constrained by the company's exposure to operational risks related to road maintenance and traffic movement. The rating also notes that the company is dependent on timely receipt of annuities from its principal i.e. Madhya Pradesh Road Development Corporation.

GPATPL, incorporated in 2011, is a special purpose vehicle (SPV) promoted by GVR Infraprojects Limited (GIL). GPATPL was established to undertake a road development project on design, build, finance, operate and transfer (DBFOT) basis. The scope of the project includes strengthening, widening, operation and maintenance of a 58.18 km two-lane road of State Highway 47 in Madhya Pradesh.

GIL has established track record of over 10 years in the infrastructure sector. The company has executed 13 BOT road projects till date. GIL's extensive experience has resulted in early completion of GPATPL's project. The company achieved the commercial operation date (COD) for the project on March 31, 2014 (34 days before the scheduled COD of May 04, 2014).

GPATPL's project is based on the annuity plus toll collection model. The company is entitled to receive semiannual payments of Rs.5.39 crore, which partially offsets revenue risk. GPATPL has to maintain balance equivalent to three-month average of instalment and interest dues in the debt service reserve account (DSRA), which partially safeguards debt serviceability in the event of lower-than-expected toll revenues.

GPATPL is exposed to traffic risk inherent in toll-based projects. The company registered toll collection of Rs.1.55 crore (provisional) during June 2014 to February 2015, against projected collection of Rs.5.71 crore. GPATPL is also exposed to delays in receipt of annuities from its principal i.e. Madhya Pradesh Road Development Corporation. GPATPL has to undertake major maintenance work of the road. The sponsor is expected to fund maintenance expenses in the event of shortfall in annuity and toll collections. However, timely receipt of financial support from sponsor is a key rating sensitivity.

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Outlook: Stable

SMERA believes GPATPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash flows on the back of increase in traffic movement. The outlook may be revised to 'Negative' in case the company registers lower-than-expected revenue on account of decline in traffic movement, or in case of deterioration in the company's financial risk profile on account of delays in receipt of annuities from principal and financial support from sponsors.

About the company

GPATPL is a special purpose vehicle (SPV) created by GVR Infraprojects Limited (GIL). GPATPL was established to undertake a road development project on design, built, finance, operate and transfer (DBFOT) basis. The scope of the project includes strengthening, widening, operation and maintenance of a 58.18 km two-lane road of State Highway 47 in Madhya Pradesh. The project is awarded by Madhya Pradesh Road Development Corporation on annuity plus toll collection basis, with a concession period of 15 years (including construction period of 730 days). The company achieved the commercial operation date (COD) for the project on March 31, 2014.

GPATPL reported net loss of Rs.0.16 crore (provisional) on operating income of Rs.9.43 crore (provisional) for the period April 2014 to December 2014.

About GIL

GVR Infraprojects Limited (GIL), incorporated in 2001, is a Chennai-based company promoted by Mr. G. Venkateshwara Rao and Mr. K. Ganga Prasad. GIL is engaged in construction of roads, bridges, buildings and industrial structures. The company also undertakes irrigation projects and railway works.

For FY2013-14, GIL (on standalone basis) reported profit after tax (PAT) of Rs.66.40 crore on operating income of Rs.1,273.78 crore, as compared with PAT of Rs.76.48 crore on operating income of Rs.1,254.52 crore in FY2012-13.

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