

June 03, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loan	584.06	SMERA BB-/Stable (Assigned)

SMERA has assigned a long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.584.06 crore fund based bank facilities of Sidhi Singrauli Road Project Limited (SSRPL). The outlook is '**Stable**'. SSRPL is a special purpose vehicle promoted by Gammon Infrastructure Projects Limited (GIPL). The rating is constrained by project implementation risk and company's exposure to inherent traffic apart from revenue risks associated with toll-based projects. The rating also takes into account road maintenance risk. However, the rating draws comfort from GIPL's established track record as an EPC (Engineering Procurement and Commissioning) contractor and the presence of debt service reserve account (DSRA).

SSRPL, incorporated in 2012, is a special purpose vehicle (SPV) promoted by Gammon Infrastructure Projects Limited (GIPL). SSRPL was established to undertake four-laning of the stretch from Sidhi to Singrauli section (km 83/4 to km 195/8) on National Highway 75E (NH 75E) in Madhya Pradesh covering a length of ~ 102.60 km. The project was awarded by Madhya Pradesh Road Development Corporation Ltd (MPRDCL) to GIPL on Build, Operate and Transfer (BOT) basis for a concession period of 30 years including a construction period of two years. The total project cost of around Rs.1094.16 crore is expected to be funded through a term loan of Rs.584.06 crore, promoters equity of Rs.170.41 crore and grant received of Rs.339.69 crore.

The project which was to begin in November, 2012 got postponed to September, 2013 due to the delay in securing the Right of Way (RoW) from MPRDCL. Further, subsequent delay in revalidation of the sanction from banks and delays in forest clearances also affected the commencement. The expected schedule for completion of the project has now been extended to December, 2016. The company has so far incurred cost of around Rs.245.87 crore out of the total project cost of Rs.1094.16 crore as on April 30, 2015 and has given advances to the value of Rs.131.78 crore to EPC contractor (GIPL).

While promoters' equity of Rs.170.41 crore has been pumped in, grant from MPRDCL is still awaited. Besides, the RoW for around six per cent of the total road stretch is still pending.

Subsequent to completion, the company may be exposed to inherent traffic and revenue risk associated with toll based projects. Further, SSRPL will need to undertake major maintenance work of the road. The sponsor is expected to fund maintenance expenses in the event of shortfall in toll collections. However, timely receipt of financial support from the sponsor is a key rating sensitivity.

GIPL has an established track record of over 13 years in the infrastructure sector and as an EPC contractor. The rating also factors in the requirement of maintaining a balance equivalent to three-month average of instalment and interest dues in the debt service reserve account (DSRA), which

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partially safeguards debt serviceability in the event of lower-than-expected toll revenues. Moreover, prolonged delay in project completion, cost and time overrun and timely support from the sponsor are the key rating sensitivity factors.

### Outlook: Stable

SMERA believes SSRPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from GIPL proven track record of around 13 years in executing large sized BOT road projects. The outlook may be revised to 'Positive' in case the company successfully implements the project before the expected commercial operations date (COD). However, the outlook may be revised to 'Negative' in case of further delay in project implementation.

### About the Company

SSRPL is a special purpose vehicle (SPV) created by sponsor, Gammon Infrastructure Projects Limited (GIPL). The company was established to upgrade the existing Sidhi-Singrauli highway from Km 83/4 to Km 195/8 on NH-75-E stretch to four lane dual configuration in Madhya Pradesh, India. The project has been awarded on toll collection basis by Madhya Pradesh Road Development Corporation Ltd (MPRDCL) to GIPL on Build, Operate and Transfer (BOT) basis for a concession period of 30 years including a construction period of two years. The company expects the commercial operation date (COD) for the project on December 31, 2016.

### About GIPL

Gammon Infrastructure Projects Limited (GIPL), incorporated in 2001, is a Mumbai-based company and part of the Gammon Group. GIPL was formed to participate in the development of infrastructure projects on a public private partnership (PPP) basis. GIPL focuses on roads, bridges, ports, and renewable energy projects (hydroelectric power and biomass power projects) on PPP/BOT basis.

GIPL (on consolidated basis) incurred net loss of Rs.40.25 crore on operating income of Rs.542.01 crore for FY2014 (January, 2014 to September, 2014), as compared with net loss of Rs.56.44 crore on operating income of Rs.454.18 crore in FY2013 (April, 2013 to December, 2013).

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