

Sidhi Singrauli Road Project Limited: Reaffirmed

Facility	Amount (Rs Crore)	Rating/Outlook
Term Loan	584.06	SMERA BB-/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.584.06 crore bank facility of Sidhi Singrauli Road Project Limited (SSRPL). The outlook is **Stable**.

The rating continues to draw comfort from the established track record of Gammon Infrastructure Projects Limited (GIPL) as an EPC (Engineering Procurement and Commissioning) contractor and the presence of debt service reserve account (DSRA). However, the rating remains constrained by project implementation risk, inherent risks associated with toll road projects with regard to traffic density and toll rates.

Update

As on June 30, 2016, SSRPL incurred expenditure of Rs.572 crore out of the total project cost of Rs.1,094.16 crore. Delays in securing the Right of Way (RoW) from Madhya Pradesh Road Development Corporation Ltd (MPRDCL) and forest clearances led to the original COD (Commercial Operation Date) of September, 2015 being shifted to December, 2016. However, the COD has been further extended to March, 2017.

As per the original sanction terms of the term loan (where COD was expected in September 2015) the principal repayments were to begin by April 2017. Now, with revision in the COD to March, 2017, the company plans to approach its banker to change the repayment schedule accordingly. Timely receipt of approvals from the bank for revision in the schedule is a key requisite to avoid misalignment between project cash flows and debt servicing commitments.

Rating Sensitivity Factors

- Timely receipt of financial support from the sponsor
- Timely receipt of approvals from banks to revised repayment schedules
- Delays causing cost and time overrun in project execution
- Lower than expected toll revenues

Outlook – Stable

SMERA believes SSRPL will continue to benefit from GIPL's 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 as per the expected commercial operations date (COD) and generates cash flows through toll collections which will be adequate to service the debt obligations of the company. However, the outlook may be revised to 'Negative' in case of further delay in project implementation and/or delays in receipt of approvals for revision in repayment schedule thereby impacting SSRPL's debt servicing ability.

About the Company

SSRPL is a special purpose vehicle (SPV) promoted by sponsor, 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 a 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 now expects the COD for the project to be March, 2017.

About GIPL

GIPL, incorporated in 2001, is a Mumbai-based company and part of the Gammon Group. The company is engaged in the development of infrastructure projects on a public private partnership (PPP) basis. The focus is 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.16.94 crore on operating income of Rs.1358.71 crore for 18 months period ended on March 31, 2016, as compared with net loss of Rs.40.25 crore on operating income of Rs.542.01 crore for 9 months period ended on September, 2014.

Rating History

Date	Facilities	Size of the Issue (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
03 Jun, 2015	Term Loan	584.06	SMERA BB- (Assigned)	-	Stable

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ABOUT SMERA

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