

Press Release

Sidhi Singrauli Road Project Limited (SSRPL)

02 January, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 584.06 Cr.
Long Term Rating	SMERA BB-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

SSRPL is a special purpose vehicle (SPV) promoted by sponsor, Gammon Infrastructure Private Limited. The company was established to upgrade the existing Sidhi-Singrauli highway in Madhya Pradesh, India from Km 83/4 to Km 195/8 on NH-75-E stretch to a four lane dual configuration. The project road runs on the Sidhi Singrauli section thereby covering a length of ~ 102.60 km. The toll collection project has been awarded by Madhya Pradesh Road Development Corporation Ltd (MPRDCL) on Build, Operate and Transfer (BOT) basis for a concessional period of 30 years including a construction period of two years. The company expects the revised COD for the project to be September, 2018.

Key rating drivers

Strengths

Experienced promoters: SSRPL is a Special Purpose Vehicle promoted by Gammon Infrastructure Projects Limited (GIPL). GIPL has a proven track record of executing large sized BOT road projects, ports and power projects. GIPL has a portfolio of 14 projects of which four are operational, six are under development and four pre-development projects. GIPL executes EPC contracts for all such projects and is also responsible for its Operations and Maintenance (O&M). The promoters in the past have demonstrated support operationally as well as financially by to their projects.

SMERA believes that SSRPL will continue to benefit from its promoters established position in the EPC and roads segment. GIPL's ability to support these projects in future will be a key rating sensitivity.

Weaknesses

Moderate project implementation risk: As per the original schedule, the Commencement of Operations Date (COD) for the project was September 2015. However the project has been delayed due to various reasons such as delay in environmental clearances, right of way, forest clearance, grants among others. The delay in project completion has resulted in an

increase in the project cost to Rs.1160 crore from around Rs.1094.00 crore (increase of around 6 per cent funded through promoter's contribution). The increase in project cost is mainly on account of increased interest costs.

As on June 2017, the company completed around ~70 per cent of the total highway and structures (as per the LIE Report). However, as on September, 2017, the company incurred expenditure of Rs.1009.72 crore from the total revised project cost of Rs.1160.00 crore (~87 per cent of total cost). Land acquisition of ~5 km (~5 per cent of the total road length) is pending as on November 30, 2017. The project's revised COD is expected by September, 2018.

Due to delays in commencement of operations, the company has received revised repayment schedule from banks which is expected to begin from September, 2019 (original repayment commencement date was from April 2017). This will provide a buffer period between the revised COD and repayment due date (gap of 12 months) for debt servicing, in a timely manner.

SMERA believes that the completion of major portion of the project is likely to keep the implementation risk at moderate levels. However, timely completion of the remaining road stretch and commencement of operations in a timely manner without further cost overruns will remain the key rating sensitivity.

Susceptibility of revenues to volatility in the traffic movements: The cash flows of toll based projects depend on traffic volumes which in turn are largely influenced by the level of economic activity in and around the area of operation. SSRPL's toll collection margins will be linked to the growth in traffic volume in the respective road corridors. Additionally, lower than expected traffic volumes arising from adverse events such as demonetisation and public agitations may also impact cash flows causing cash flow mismatches.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16(Actual)	FY15(Actual)
Operating Income*	Rs. Cr.	180.53	286.08	1.88
EBITDA	Rs. Cr.	1.72	2.81	-0.71
PAT	Rs. Cr.	1.05	2.73	-0.72
EBITDA Margin	(%)	0.95	0.98	-37.71
PAT Margin	(%)	0.58	0.95	-38.26
ROCE	(%)	0	0	0
Total Debt/Tangible Net Worth	Times	1.9	1.23	0.47
PBDIT/Interest	Times	12.54	54.13	0
Total Debt/PBDIT	Times	0	0	0
Gross Current Assets (Days)	Days	18	7	0

*Operating income earned is on account of utility shifting/change of scope in the project.

About Gammon Infrastructure Private Limited

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.104.02 crore on operating income of Rs.685.85 crore for FY2017, compared with net loss of Rs.205.21 crore on operating income of Rs.1618.12 crore for 18 months period ended on March, 2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SSRPL to arrive at the rating.

Any other information: Not Applicable

Outlook – Stable

SMERA believes that SSRPL will continue to benefit from GIPL's track record of 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.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years): Not Applicable

Date	Name of Instruments	Term	Amount (Rs. Crore)	Ratings/Outlook
22 Sep , 2016	Term Loan	Long Term	584.06	SMERA BB-/Stable (Reaffirmed)
03 June, 2016	Term Loan	Long Term	584.06	SMERA BB-/Stable (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	NA	NA	NA	584.06	SMERA BB-/Stable (Reaffirmed)

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ABOUT SMERA

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