

Press Release

Fekari Infrastructure Private Limited

11 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.50 Cr
Long Term Rating	SMERA BBB-/Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs. 15.50 crore bank facilities of Fekari Infrastructure Private Limited (FIPL). The outlook is '**Stable**'.

FIPL is a special purpose vehicle (SPV) promoted by Vishvaraj Infrastructure Limited, ADCC Infracon Limited and Saptrang Commondeal Private Limited. The company is part of the Vishvaraj Infrastructure Limited (VIL) group of companies which is engaged as EPC and civil contractor. FIPL has been set-up with the purpose of construction of Railway over Bridge (ROB) of 34.196 meters in length with diversion road of 2.66 km over a railway crossing near village Fekari on National Highway – 6 (NH6) in Surat-Dhule-Nagpur section in BOT basis. The construction of the project completed in June, 2009 and toll collection commenced from July, 2009.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track record of operations

FIPL was incorporated in the year 2006 as a special purpose vehicle (SPV) promoted by Vishvaraj Infrastructure Limited, ADCC Infracon Limited and Saptrang Commondeal Private Limited. The company is part of the Vishvaraj Infrastructure Limited (VIL) group of companies which is engaged as EPC and civil contractor. FIPL has been set-up with the purpose of construction of Railway over Bridge (ROB) of 34.196 meters in length with diversion road of 2.66 km over a railway crossing near village Fekari on National Highway – 6 (NH6) in Surat-Dhule-Nagpur section in BOT basis.

The management of the company includes Mr. Suresh Agiwal and Mr. Satyajeet Raut who also part of the management in Vishvaraj Infrastructure Limited. The management has over two decades of experience in the industry.

Improvement in Toll Collections

The company reported improvement in the toll collections as same stood at Rs. 6.94 crore for FY 2018 as against Rs. 6.52 crore in FY 2016 and Rs. 5.89 crore for FY 2015. The increase in the toll collection is mainly on account of improvement in the traffic volume and toll rates. The Kolkata – Raipur – Nagpur – Dhule, is one of the most important National Highway of the India, running from East to West and connecting important commercial and industrial cities. This route passes through major cities in Maharashtra like Nagpur, Amravati, Akola, Jalgaon and Dhule, which carries traffic in the order of 16000 passenger car units (PCU) per day. Further, FIPL is expected to report positive tangible networth as on 31st March, 2018 on account of the improvement in profit after tax (PAT) for FY 2018.

The company had experienced slowdown in toll collection during the demonetization period for which company is expected to receive Rs. 0.50 crore as claim against loss of revenue. The same is expected to be received during the next financial year. Further, as per the information provided by the management, the company has reported toll collections of Rs. 6.73 crore during April, 2017 to January, 2018.

Waterfall Mechanism in ESCROW account and Debt-service reserve account (DSRA)

FIPL has escrow mechanism through which cash flows from toll collection is routed and used for payment as per the defined payment waterfall. Only surplus cash flow after meeting operating expense, debt servicing obligation, and provision for major maintenance expense, can be utilised for any other purpose.

Furthermore, a debt-service reserve account equivalent to three months of debt servicing obligation, is maintained in the form of fixed deposit of Rs. 1.24 crore with the bank. Further, the parent company Vishvaraj Infrastructure Limited (VIL) has provided corporate guarantee against the facility availed by FIPL. Any mismatch in cash flows arising out of lower toll collections is expected to be met through support from VIL.

Weaknesses:

Susceptibility of toll revenues to volatility in traffic volume - inherent traffic risk

The project faces traffic risk that is inherent to any toll road project and same can be aggravated by the presence of an alternate route which could lead to traffic diversion (traffic leakage). The traffic movement is linked to level of economic activity in and around the operational area. Any events or regulatory interventions likely to affect traffic movement may create pressure on toll revenues thereby affecting the cash flows of the company. In such situations, the company is dependent on the parent company for funding support.

Analytical approach:

SMERA has consolidated the business and financial risk profile of Fekari Infrastructure Private Limited for arriving at the rating.

Outlook: Stable

SMERA believes the outlook on FIPL's rated facilities will remain stable over the medium term on account of steady flow of toll revenues from the project coupled with strong support of the parent company. The outlook may be revised to 'Positive' in case of significant improvement in toll revenues and improvement in cash flows from operations. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in toll revenues or cash flow and/or lack of timely support from the parent company.

Applicable Criteria

- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Default Recognition - <https://www.smerra.in/criteria-deafult.htm>
- Application of Financial Ratios and Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

About the Rated Entity -Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	6.94	6.52	5.89
EBITDA	Rs. Cr.	5.78	4.17	4.74
PAT	Rs. Cr.	0.11	(1.83)	(0.73)
EBITDA Margin	(%)	83.19	64.03	80.45
PAT Margin	(%)	1.58	(28.02)	(11.50)
ROCE	(%)	12.30	3.56	11.24
Total Debt/Tangible Net Worth	Times	(36.53)	(34.10)	22.91
PBDIT/Interest	Times	2.36	1.55	2.12
Total Debt/PBDIT	Times	3.50	5.44	5.47
Gross Current Assets (Days)	Days	47	49	133

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***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	N.A.	N.A	N.A.	13.63	SMERA BBB-/Stable
Proposed Term Loan	N.A.	N.A	N.A.	1.87	SMERA BBB-/Stable

Note on complexity levels of the rated instrument:

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

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 Email: suman.chowdhury@smera.in	Varsha Bist Manager- Rating Desk Tel: 022-67141160 Email: varsha.bist@smera.in
Shashikala Hegde, Senior Rating Analyst, Tel: 022-67141321 Email: shashikala.hegde@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smerra.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smerra.in) for the latest information on any instrument rated by SMERA.