



SMERA RATINGS LIMITED

Bijapur Hungund Tollway Private Limited (BHTPL)

*Rating
Rationale*

May 25, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loans	846.50*	SMERA BBB/Stable (Upgraded from SMERA BBB-/ Stable)

**Includes External Commercial Borrowing of USD 50.00 million as a sublimit of Rupee Term loan of Rs. 225 crore*

SMERA has upgraded the long-term rating on the Rs.846.50 crore bank facility of Bijapur Hungund Tollway Private Limited (BHTPL) to '**SMERA BBB**' (read as **SMERA triple B**) from 'SMERA BBB-' (read as SMERA triple B minus). The outlook is '**Stable**'. The upgrade is in view of the improvement in traffic movement and toll collection at the project stretch; i.e., Bijapur-Hungund section in the state of Karnataka on National Highway 13 (NH 13), thereby augmenting the cash flows of the company. The rating continues to derive strength from the established track record of the promoter of BHTPL - Sadbhav Engineering Limited (SEL) in executing BOT (Build-operate-transfer) projects. The rating also factors in the presence of Debt Service Reserve Account (DSRA). However, the rating is constrained by the inherent traffic risk associated with toll-based projects and road maintenance risk. The rating also takes into account the revenue dependence on commercial vehicle traffic movement and growth in automobile sector and iron ore mining activity in the State of Karnataka.

Update

BHTPL's toll collection has improved to Rs.104.33 crore in FY2014-15 as compared with Rs.94.85 crore in the previous year. The company had registered a net loss of Rs.7.46 crore on revenue of Rs.94.95 crore in FY2013-14, as against a net loss of Rs.75.69 crore on revenue of Rs.86.22 crore in the previous year. Besides, the company also suffered a loss of Rs.34.47 crore (provisional), on operating income of Rs.76.95 crore for the period April 2013 to December 2014. The company's net worth stood at Rs.282.03 crore as on March 31, 2014.

Outlook: Stable

SMERA believes the outlook on BHTPL's rated facilities will remain stable over the medium term, given the early commencement of tolling on the BOT project, track record of the promoters and healthy DSRA balance. The outlook may be revised to 'Positive' in case of higher-than-expected increase in traffic movement.

Conversely, the outlook may be revised to 'Negative' in case of decline in traffic movement, deterioration in the financial risk profile or lack of timely support from sponsors.

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Bijapur Hungund Tollway Private Limited (BHTPL)

About the company

BHTPL is a Special Purpose Vehicle (SPV), promoted by Sadbhav Engineering Ltd (SEL) through its step down subsidiary Sadbhav Infrastructure Project Limited (SIPL) (77 per cent stake) and Monte Carlo Construction Limited (MCL) (23 per cent stake) for implementing a 97.22 km four-laning road project under Build, Operate and Transfer (BOT) basis. The project envisaged four-laning of the Bijapur-Hungund section in the state of Karnataka on National Highway 13 (NH 13). The project highway starts from Bijapur (Km 102.00 of NH 13) and ends at Hungund (Km 202.00 of NH 13). The project was awarded by National Highways Authority of India (NHAI) on Toll collection basis, with a concession period of 20 years including the construction period of 910 days. The project achieved its COD in April 2012.

About SEL

Sadbhav Engineering Limited (SEL), promoted by Shri Vishnubhai M. Patel, was incorporated in October 1988 as a private company in the State of Gujarat. The company is listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). It is one of the prominent developers and Engineering, Procurement and Construction (EPC) contractors in India and it undertakes road construction, irrigation and mining. It has a portfolio of 13 BOT projects (which includes 9 completed projects). It has a track record of 2 decades in the road construction sector and has successfully completed more than 4000 lane kilometers.

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