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ICRA upgrades rating assigned to bank facilities of Madhucon Projects Limited from LA to LA+; also assign short term rating of A1 for its CP/STD programme

ICRA has revised the rating assigned to the Rs. 772.8 million long-term debt programme and Rs. 10.35 billion non-fund based limits of Madhucon Projects Limited (MPL) from LA (pronounced as L A) to LA+ (pronounced as L A plus)[†]. ICRA has also upgraded the rating assigned to Rs. 1 billion long-term debt programme of MPL from LA (pronounced as L A) to LA+ (pronounced as L A plus)[†]. The outlook on the rating is stable. Further, ICRA has assigned an A1 (pronounced as A one) rating to Rs. 750 million Commercial Paper/Short-term debt programme of MPL[†].

The rating upgrade reflects an improvement in MPL's business risk profile on account of completion of two of its four road Build Operate Transfer (BOT) projects, which reduces the execution and cost overrun risks for the company. The rating upgrade also factors in MPL's fund raising plans through dilution of its stake in various BOT projects in order to meet the incremental funding requirements in its on-going and future BOT projects. Moreover, MPL's continuing low gearing level coupled with improvement in the operating environment provides significant financial flexibility to the company. The ratings continue to derive strength from MPL's long track record in executing infrastructure projects, and its strong order book position which gives visibility to revenues over the medium term. The ratings are however constrained by highly competitive nature of the industry, and its significant investments in BOT projects which exposes the company to operational and traffic risks. The ratings also take into account the challenges involved in scaling up its resources for the successful execution of the current large order book. Going forward, ICRA expects an increase in the funding requirement of the company, both on account of increased investments in BOT projects as well as the capital expenditure requirements to execute its growing order book; however with sufficient cash generation expected from operations and its fund raising plans, the gearing and debt coverage indicators are expected to remain adequate over the long term.

Company Profile

Originally incorporated in 1990 as Madhu Continental Constructions Private Limited and subsequently converted into a listed public limited company in March 1995, Madhucon Projects Limited (MPL) is primarily engaged in the road construction and irrigation projects business. In the past, MPL has executed projects involving high complexity like the tunneling work done for Konkon Railway Corporation for which the company has also received the quality construction award in 1994 for the early completion and high quality construction. During 1997-98, the company got its first big road construction contract from NHAI for strengthening of NH-5 from Vijaywada to Eluru, the project was completed before time by MPL and it received early completion bonus from NHAI. Over the past few years, the company has been awarded a number of road construction contracts by NHAI, the most significant ones being the Tada-Nellore stretch in Andhra Pradesh, Mangalwar-Chittoorgarh stretch in Rajasthan and Tambaram-Tindivanam stretch in Tamil Nadu. Currently MPL is also developing four BOT toll road projects, three in the state of Tamil Nadu and one in Rajasthan. MPL has also demonstrated its operating capabilities and project management skills in the Irrigation sector by executing complex irrigation projects and tunneling work. Some of the projects completed by MPL include the Madikheda Dam construction and Kaliasote Dam construction in Madhya Pradesh. For the year FY2009, the company registered net sales of Rs. 9.95 billion on which, it earned a PAT of Rs. 0.47 billion.

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in