



GVK Jaipur Expressway Private Limited

Instrument	Amount in Rs. crore	Rating Action
Long term unallocated limits	1000.00	[ICRA]AA- (Stable); Assigned

ICRA has assigned an [ICRA]AA- (pronounced ICRA double A minus) rating to the Rs.1000.00 crore* long term unallocated limits of GVK Jaipur Expressway Private Limited (GVKJE)†. The outlook on the long term rating is Stable.

The assigned rating reflects the long operational track record of the toll road for more than nine years with healthy growth in traffic at a CAGR of 6% during FY 06-FY 14 in terms of Passenger Car Units (PCUs). When most of the toll road projects registered drop in traffic volumes during FY 14, GVKJE continued to report growth of 3% in terms of PCUs. The project corridor falls along the busy Delhi-Mumbai corridor wherein the movement of commercial traffic is high. Commercial traffic accounts for around 60% of which Multi-Axle vehicles is the major segment. The rating also factors in importance of the project stretch, low alternate route risk with minimal toll leakages and established willingness of users to pay toll. Further, surplus cash of Rs. 112.52 crore (net of NHAI revenue share and major maintenance provisioning) as on Dec 31, 2014 provides additional comfort for debt servicing. ICRA assumes this surplus cash to remain in the system along with additional excesses generated till complete repayment of debt.

The rating is however constrained by the increased leverage of GVKJE on account of additional debt of Rs. 950 crore raised through toll securitization route during FY 12 to support group companies. As against the estimated major maintenance (MM) expenditure of around Rs. 150 crore for the MM cycle falling due in FY 15/16, the company has created reserve of Rs. 53.82 crore as on Dec 31, 2014. Therefore, around Rs. 96 crore is expected to be the cash outgo towards MM in next year which could exert pressure on cash flows during FY 16. Ability of the company to manage O&M and periodic maintenance costs within budgeted costs remains critical. Given the WPI linked escalation in toll rates, the recent fall in WPI will result in lower hike in toll rates during FY 16. This will also have a cascading affect on future toll rates.

Going forward, trends in traffic growth rates and movement in WPI (for toll rate hike) will remain key rating sensitivities. Any reduction in either of them will have an adverse impact on toll collections. Further, any leakages of surplus cash and any additional debt taken affecting the financial profile of GVKJE would have adverse impact on the rating.

Company Profile

GVKJE is a special purpose vehicle promoted by GVK Transportation Pvt Ltd (GVKTPL) (100%) for widening the existing two lane section of NH 8 between Jaipur and Kishangarh (from km 273.500 to 363.885) to six lane in the state of Rajasthan through DBFOT (Toll). Concession period is 18 years (including a construction period of 2 years). The total project cost incurred was Rs. 622.30 crore which was funded through Rs. 121.17 crore equity, Rs. 211 crore of grant from NHAI, Rs. 7.8 crore of internal accruals and Rs.282.33 crore of debt.

Recent Results (Provisional)

During (9M) FY15, GVKJE has recorded an operating income of Rs. 220.99 crore and an operating profit of Rs. 157.97 crore.

February 2015

* 100 lakh = 1 crore = 10 million

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



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