August 26, 2019

**MEP Sanjose Arawali Kante Road Private Limited: Ratings downgraded**

**Summary of rating action**

<table>
<thead>
<tr>
<th>Instrument*</th>
<th>Previous Rated Amount (Rs. crore)</th>
<th>Current Rated Amount (Rs. crore)</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term loan</td>
<td>266.84</td>
<td>266.84</td>
<td>[ICRA]BB+(SO) (Stable); downgraded from [ICRA]BBB-(SO) (Stable)</td>
</tr>
<tr>
<td>Non-fund based limit (sub-limit of term loan)</td>
<td>(26.36)</td>
<td>(26.36)</td>
<td>[ICRA]BB+(SO) (Stable); downgraded from [ICRA]BBB-(SO) (Stable)</td>
</tr>
<tr>
<td>Working Capital</td>
<td>20.00</td>
<td>20.00</td>
<td>[ICRA]BB+(SO) (Stable); downgraded from [ICRA]BBB-(SO) (Stable)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>286.84</strong></td>
<td><strong>286.84</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Instrument Details are provided in Annexure-1

**Rationale**

The rating is principally based on a corporate guarantee from MEP Infrastructure Developers Private Limited (MEPIDL/Guarantor) and an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date. The revision in the rating follows the revision in the short-term rating of MEPIDL to [ICRA]A4+ from [ICRA]A3. An SO rating is specific to the rated issue, its terms, and its structure. Such SO ratings do not represent ICRA’s opinion on the general credit quality of the issuers concerned.

**Outlook: Stable**

ICRA’s rating has taken comfort from the irrevocable and unconditional corporate guarantee provided by MEPIDL for the credit facility availed by the company and hence the rating outlook will depend on the outlook and financial performance of the Guarantor.

**Key rating drivers**

**Credit strengths**

Corporate Guarantee provided by MEPIDL to the rated bank facilities of the Company: The rating address that the servicing of the loan to happen as per the terms of the underlying loan and the guarantee arrangements. The rating assumes that the guarantee will be duly invoked by the lender (if required) and the guarantor would ensure that the related debt obligations are serviced on or prior to the due date. The rated instrument does not involve a structured payment mechanism. The guarantee from MEPIDL would cover all obligations that may arise on the rated instruments.

**Liquidity Position:**

The liquidity profile of MSAKRPL is governed by the liquidity profile of the guarantor MEPIDL. MEPIDL’s cash and bank balance stood at ~Rs. 69.7 crore as on March 31, 2019 of which Rs. 62.6 crore is encumbered. The company has debt repayment obligations of Rs. 89 crore due in FY2020.

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Analytical approach:

<table>
<thead>
<tr>
<th>Analytical Approach</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable Rating Methodologies</td>
<td>Approach for rating debt instruments backed by third-party explicit support Rating Methodology for BOT (Hybrid Annuity Model) Roads</td>
</tr>
<tr>
<td>Parent/Group Support</td>
<td>Parent/Group Company: MEP Infrastructure Developers Limited For arriving at the rating, ICRA has taken into account, inter alia, the explicit support provided by MEPIDL to the company in the form of a corporate guarantee.</td>
</tr>
<tr>
<td>Consolidation/Standalone</td>
<td>Standalone</td>
</tr>
</tbody>
</table>

About the company:

MEP Sanjose Arawali Kante Road Private Limited (MSAKRPL) is a Special Purpose Vehicle (SPV) promoted by MEP Infrastructure Developers Ltd (MEPIDL) in joint venture with Sanjose India Infrastructure & Construction Pvt. Ltd. (SIICPL) for implementing a road project involving upgradation from two-lane to four-lane of Arawali Kante road in the state of Maharashtra from Km 241.30 to Km 281.30 (total length 39.24 Km) and construction of additional 2 lanes. The project is awarded under the National Highway Development Project - IV (NHDP-IV) on Hybrid Annuity mode (HAM). The bid project cost is Rs. 592.98 crore and has a concession period of 17 years (including 2 years of construction period). The project has achieved financial progress of 10.72% as against planned completion of 35.88% as on April 2019.

Key financial indicators of MSAKRPL

Key financial indicators are not applicable as MSAKRPL is a project stage company.

About the Guarantor

Incorporated in 2002 by Mr Dattatray Mhaiskar and Jayant Mhaiskar, MEP Infrastructure Developers Limited (MEPIDL) is one of the leading Operate Maintenance & Transfer (OMT) and Toll collection companies in India. MEPIDL commenced operations with toll collection at five entry points to Mumbai for 6 years. MEPIDL has recently forayed into BOT(HAM) road projects.

For detailed rating rationale on MEP Infrastructure Developers Limited, [click here](#) referring to the latest release published on ICRA website.

Key financial indicators of MEPIDL (Standalone & Audited)

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Rs. crore)</td>
<td>1,477</td>
<td>1,882</td>
</tr>
<tr>
<td>PAT (Rs. crore)</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>OPBDIT/OI (%)</td>
<td>14.8%</td>
<td>12.2%</td>
</tr>
<tr>
<td>RoCE (%)</td>
<td>11.7%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Total Debt/TNW (times)</td>
<td>0.57</td>
<td>0.38</td>
</tr>
<tr>
<td>Total Debt/OPBDIT (times)</td>
<td>1.66</td>
<td>1.35</td>
</tr>
<tr>
<td>Interest coverage (times)</td>
<td>4.36</td>
<td>3.81</td>
</tr>
</tbody>
</table>
Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Type</th>
<th>Amount Rated (Rs. crore)</th>
<th>Amount Outstanding (Rs. crore)</th>
<th>Current Rating (FY2020)</th>
<th>Date &amp; Rating August 2019</th>
<th>Date &amp; Rating April 2019</th>
<th>Chronology of Rating History for the past 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Term Loan</td>
<td>Long Term</td>
<td>266.84</td>
<td>30.00</td>
<td>[ICRA]BB+ (SO) (Stable)</td>
<td>[ICRA]BBB- (SO) (Stable)</td>
<td>[ICRA]BBB (SO) (Stable)</td>
<td>[ICRA]BBB (SO) (Stable)</td>
</tr>
<tr>
<td>2 Fund based Working Capital</td>
<td>Long Term</td>
<td>20.00</td>
<td>-</td>
<td>[ICRA]BB+ (SO) (Stable)</td>
<td>[ICRA]BBB- (SO) (Stable)</td>
<td>[ICRA]BBB (SO) (Stable)</td>
<td>[ICRA]BBB (SO) (Stable)</td>
</tr>
<tr>
<td>3 Non-fund based limit</td>
<td>Long Term</td>
<td>26.36</td>
<td>-</td>
<td>[ICRA]BB+ (SO) (Stable)</td>
<td>[ICRA]BBB- (SO) (Stable)</td>
<td>[ICRA]BBB (SO) (Stable)</td>
<td>[ICRA]BBB (SO) (Stable)</td>
</tr>
</tbody>
</table>

Complexity level of the rated instrument:

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](http://www.icra.in)
Annexure-1: Instrument Details

<table>
<thead>
<tr>
<th>ISIN No</th>
<th>Instrument Name</th>
<th>Date of Issuance / Sanction</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Amount Rated (Rs. crore)</th>
<th>Current Rating and Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>Term Loan</td>
<td>FY2018</td>
<td>-</td>
<td>FY2035</td>
<td>266.84</td>
<td>[ICRA]BB+(SO) (Stable)</td>
</tr>
<tr>
<td>NA</td>
<td>Working Capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20.00</td>
<td>[ICRA]BB+(SO) (Stable)</td>
</tr>
<tr>
<td>NA</td>
<td>Non-fund based limit (sub-limit of term loan)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>26.36</td>
<td>[ICRA]BB+(SO) (Stable)</td>
</tr>
</tbody>
</table>

Source: MSAKRPL
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For more information, visit www.icra.in
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