



## Press Release

### Rewa Pathways Private Limited (RPPL)

September 22<sup>nd</sup>, 2020

Sl. No.	Instrument/Facility	Amount (INR Crore)	Supported Rating*
1.	Long Term Bank Facility – Term Loan	6.33	IVR BBB (CE)/Stable Outlook {IVR Triple B (Credit Enhancement) with Stable Outlook}
	<b>Total</b>	<b>6.33</b>	

*\*CE Rating based on corporate guarantee extended by Udit Infracore Private Limited.*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the above bank facilities of Rewa Pathways Private Limited derives strength from corporate guarantee extended by Udit Infracore Private Limited to the bank facilities of RPPL. This corporate guarantee results in an enhancement in the rating of the said instrument to IVR BBB (CE)/ Stable; IVR A3+ (CE) (IVR Triple B [Credit Enhancement] with Stable Outlook; IVR A Three Plus [Credit Enhancement]) against the unsupported rating of IVR BB+/Stable (IVR Double B Plus with Stable Outlook)

Further, the rating derives strength from benefits derived from long track record of the group in road infrastructure segment, low counter-party credit risk and waterfall mechanism in Escrow account. However, the rating strengths are partially offset by significant exposure to traffic risk and major maintenance of the road.

#### Key Rating Sensitivities:

- **Upward Factor**
  - Significant improvement in toll revenues leading to further improvement in the cash flows
  - Improvement in the credit risk profile of the corporate guarantor
- **Downward Factor**
  - Deterioration in cash flow
  - Deterioration in the credit risk profile of the corporate guarantor.



## Press Release

### Key Rating Drivers with detailed description

#### Key Rating Strengths

- **Long track record of the Group in road infrastructure segment:**

RPPL is likely to benefit from the experience and track record of Udit Group in the road infrastructure sector. In the last one decade, the Group has executed an overall order value of INR703.56 Crore of various departments like PWD, NHAI, MPRDC, etc. It is led by Mr. Abhay Mishra (over 25 years of experience) and Mr. Umakant Sharma (more than 10 years of experience), which shall help the Company in establishing and maintaining healthy relations with the clients and sanctioning authorities. The promoter's strong entrepreneurial experience and long track of operations will support its business risk profile over the medium term.

- **Low counter-party credit risk:**

The Company has low counter party credit risk considering that is to receive its fixed annuities from MPRDC, which is a government entity. By virtue of being a quasi-government body with an established & long track record, the counterparty risk on MPRDC appears to be minimal. It is expected to receive an amount of INR2.57 Crore bi-annually from MPRDC. Given the stage of project, it has already passed the construction phase, which constitutes to a major part of risk execution for the project.

- **Waterfall mechanism in Escrow account:**

RPPL has escrow mechanism through which cash flows from toll collection and annuity 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 utilized for other expenses. The Company maintains a DSRA FDR amounting to INR1.96 Crore as on March 31<sup>st</sup>, 2020

#### Key Rating Weaknesses

- **Significant exposure to traffic risk major maintenance of the road:**

RPPL undertook BOT plus annuity based project on account of which the Company books revenue from toll and annuity. Since a fraction of its income is toll based, hence its revenue potential is dependent on traffic volumes which in turn are largely influenced by the level of economic activity in and around the area of operation. Lower than expected traffic volumes



## Press Release

arising from adverse events can impact cash flows causing cash flow mismatches. Also, RPPL has to ensure maintenance of the road for the entire concession period so as to be eligible for the annuities.

### **Analytical Approach & Applicable Criteria:**

Unsupported Rating: Standalone

Credit Enhancement (CE) rating: Assessment of the credit profile of Udit Infracore Private Limited, provider of corporate guarantee to the bank facilities of RPPL.

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity: Adequate**

The liquidity is expected to be adequate backed by consistent support from Group and authority in the form of annuity. The waterfall mechanism ensures that annuity receivables will be escrowed to meet the principal repayment and interest payments.

### **About the Company**

Incorporated in the year 2011, Rewa Pathways Private Limited (RPPL) is a Special Purpose Vehicle (SPV) sponsored by Udit Infracore Private Limited (UIPL) which is engaged in executing a two-lane toll-road construction project in Rewa, Madhya Pradesh. The project involves re-construction, strengthening, widening, operation & maintenance of a 16.36 km Semariya – Manikpur road section on State Highway – 9. The said project is on Build, Operate & Transfer (BOT) on Toll cum Annuity basis. Forming a part of its means of finance, the Company availed a term loan amounting to INR23.00 Crore, of which the outstanding term debt amounts to INR6.33 Crore as on July 2020. The concession agreement between Rewa Pathways Private Limited (RPPL) and Madhya Pradesh Road Development Corporation (MPRDC) was executed on March 22nd, 2011 for a concession period of 15 years. The project has already achieved its COD and RPPL has started toll collections since January 03rd, 2014.

### **Financials:**

#### **Financials: RPPL (Standalone)**

**(INR Crore)**

<b>For the year ended/ As On*</b>	<b>31-03-2018 (Audited)</b>	<b>31-03-2019 (Audited)</b>	<b>31-03-2020 (Provisional)</b>



## Press Release

Total Operating Income	7.27	7.93	7.56
EBITDA	5.97	5.74	5.19
PAT	0.51	0.62	0.83
Total Debt	14.65	12.30	7.21
Tangible Net-worth	12.98	13.59	14.43
EBITDA Margin (%)	82.07	72.43	68.65
PAT Margin (%)	7.01	7.77	10.98
Overall Gearing Ratio (x)	1.13	0.91	0.50

\* Classification as per Infomerics' standards

### About the Guarantor

Incorporated as 'Abhay Contractors Private Limited' in the year 2003, it was reconstituted into a private limited company as Udit Infracore Private Limited in 2009. Currently it is engaged in construction, repairs and maintenance of roads and bridges in Madhya Pradesh. The company specializes in State & National Highways, City Roads, Transport Corridors, Culverts and Bridges. Apart from UIPL & UKHPL, the promoters have extended presence in the similar industry via 6 SPVs which are into execution/OMT (Operate-Maintain-Transfer) of different road projects and have already achieved COD and are revenue generating.

### Financials: UIPL (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	148.00	126.62	190.31
EBITDA	18.54	20.57	28.63
PAT	7.22	7.56	12.37
Total Debt	13.16	18.66	15.50
Tangible Net-worth	34.14	41.51	53.88
EBITDA Margin (%)	12.53	16.25	15.04
PAT Margin (%)	4.88	5.97	6.50
Overall Gearing Ratio (x)	0.39	0.45	0.29

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** CRISIL has moved the rating of Rewa Pathways Private Limited into the Issuer Non-Cooperating category as the company did not



## Press Release

co-operate in the rating procedure despite repeated follow ups as per the Press Release dated September 16<sup>th</sup>, 2020.

**Any other information: N.A**

**Rating History for last three years:**

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Term Loan	Long Term	6.33	IVR BBB (CE) /Stable	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

**Name and Contact Details of the Rating Team:**

Name: Parth Dattani

Tel: (022) 62396023

Email: [pdattani@infomerics.com](mailto:pdattani@infomerics.com)

Name: Amit Bhuwania

Tel: (022) 62396023

Email: [abhuaniania@infomerics.com](mailto:abhuaniania@infomerics.com)

**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary



## Press Release

concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loan	6.33	NA	NA	FY 2024-25	IVR BBB (CE) /Stable