



Press Release

Ayodhya Gorakhpur SMS Tolls Private Limited

March 12, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	65.05	IVR A+/Stable (IVR Single A Plus with stable outlook)	Assigned
	Total	65.05		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Ayodhya Gorakhpur SMS Tolls Private Limited comfort from its experienced management team. The rating also factors in its continuous increase in toll collections during last 3 years, strong profile of the sponsor and presence of Escrow and DSRA mechanism. These rating strengths are partially offset by revenue risk associated with toll projects and Operation & Maintenance Risk.

Key Rating Sensitivities:

Upward Factor:

- ✓ Sustained growth in toll revenue on annual basis
- ✓ Lower than expected operating cost resulting in further improvement of DSCR

Downward factor:

- ✓ Consistent decline in revenues on annual basis
- ✓ Higher than expected O&M cost or additional debt contracted impacting the DSCR



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management

AGSTPL has four directors namely Mr. Dilip Bhawarlal Surana, Mr. Dattatraya Laxmanrao Kinage, Mr. Vijay Kisanlal Sancheti and Mr. Sushant Mukherjee. Mr. Dilip Bhawarlal Surana has vast experience of 35 years into planning and execution of all types of construction projects like Dams, Canals, Pipelines, Bridges, Roads, Tunnels, operation and maintenance of toll ways. Mr. Dattatraya Laxmanrao Kinage has an experience of almost 39 years across different projects and has been looking after toll and road maintenance vertical of the group. Mr. Vijay Kisanlal Sancheti has an experience of 36 years and has handled toll and road maintenance work, mechanical works and civil works as well. Mr. Sushant Mukherjee has an experience of almost 15 years into accounting, finance and taxation.

Continuous increase in toll collections during last 3 years

The toll collections has been increasing over the last 3 years from Rs.175.22 Crores in FY18 to Rs.203.21 Crores in FY19. In FY20, it further increased to Rs.206.58 Crores. This was due to hike in toll rates and continuous growth in traffic. The increase in traffic is driven by increased traffic from handloom cotton industry in Ayodhya, connectivity of industrial town of Barauni in Bihar with the capital city of Uttar Pradesh via Gorakhpur and increase in the economic activity in and around Northeast India to which the stretch link towards. Further the Company has reported TOI of Rs.163.30 Crores (Provisional) for the period April- December, 2020.

Strong profile of the sponsor

AGSTPL is a wholly owned subsidiary of SMS Limited which is involved in catering to diversified sectors, such as mining, toll management, irrigations, road and O&M, EPC, and urban development, with reputed clientele, including government agencies, such as the NHAI, PWD, Uranium Corporation of India (UCIL), South Eastern Coalfields Limited (SECL) and Indian Railways Construction Company. AGSTPL receives support from the parent company through infusion of capital in the form of unsecured loan as and when required.



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Maintenance of Escrow and DSRA Account

The toll collections are routed through an escrow account maintained with the bank. The proceeds of the Escrow account are appropriated in standard water-fall arrangement as per the concession agreement. AGSTPL also maintains a DSRA equivalent to three months interest and principal.

Key Rating Weaknesses

Revenue risks associated with toll projects

AGSTPL is exposed to the inherent risks associated with the sustainability and growth of traffic. As the revenue depends upon the traffic that plies on the stretch, the company is exposed to the uncertainties with respect to revenue.

O&M Risk

AGSTPL is mandated to operate and maintain the road as per the specifications set out in the concession agreement (CA), non-compliance of which could result in penalties being levied by project awarding authority. Also given that the stretch has been operational for many years now, any major damage can result in higher than anticipated maintenance cost.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Entities

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The liquidity profile of AGSTPL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.190.00-240.00 Crores for the next two years as against debt repayment obligation in the range of ~Rs.30.00-60.00 Crores. The Company's loan repayments will end by March, 2022. Company has cash balance and liquid investment of Rs.117.24 Crores as on March 31, 2020. The Company's strong liquidity will be supporting in case of any cash flow mismatches. Infomerics believes that liquidity is likely to improve on account of healthy cash accruals which is backed by continuous improvement in traffic.



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About the Company

Ayodhya Gorakhpur SMS Tolls Private Limited was incorporated in February, 2013 as a Special Purpose Vehicle (SPV). Company is promoted by SMS Limited for undertaking operation and maintenance of Ayodhya Gorakhpur Section of total length of 116.10 Km (137.970 Km to 252.860 km) on NH-28 in the state of Uttar Pradesh (UP) on Operate Maintain and Transfer (OMT) basis. The project was awarded by NHAI on March 5, 2013 based on the highest premium payable to the authority. The company was the L1 bidder quoting the highest premium of Rs.79.02 crore payable to NHAI in the first year with an annual escalation of 10% till the end of the concession period.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	203.21	206.58
EBITDA	181.38	181.32
PAT	9.46	-0.98
Total Debt	188.08	189.45
Tangible Net worth	55.30	53.63
EBITDA Margin (%)	89.26	87.78
PAT Margin (%)	4.59	-0.47
Overall Gearing Ratio (x) on Book TNW	3.40	3.53

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. 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.	Term Loan	Long Term	65.05	IVR A+/Stable (IVR Single A Plus with stable outlook)	-	-	-

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.

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	65.05	IVR A+/Stable (IVR Single A Plus with stable outlook)