

## Hazaribagh Ranchi Expressway Limited

March 11, 2019

### Ratings

| Instruments*   | Amount<br>(Rs. crore)  | Rating <sup>1</sup>  | Rating Action  |
|--|--|--|--|
| Senior Non-Convertible Debenture issue (NCD) - Series A      | 458.00   | <b>CARE C (Single C)<br/>(Credit Watch with<br/>Negative Implications)</b> | <b>Revised from CARE BB (SO);<br/>(Double B [Structured<br/>Obligation][Credit Watch with<br/>Negative Implications]</b> |
| Subordinate Non-Convertible Debenture issue (NCD) - Series B | 143.00   |  |  |
| <b>Total</b>   | <b>Rs.601.00 crore<br/>(Rupees Six Hundred and one Crore Only)</b> |  |  |

\*Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the non-convertible debentures of Hazaribagh Ranchi Expressway Limited (HREL) factors in the group's stated stance in recent National Company Law Appellate Tribunal's (NCLAT) order, that entities in 'Amber' would make payments to only the operational creditors for being going concern. Owing to this, CARE believes there is high probability that HREL may not make payment towards the repayment obligation that would be due on April 12, 2019.

HREL has Rs.53 crore in Debt Service Reserve Account which are sufficient to cover the half yearly repayment obligation of senior secured lenders. However, HREL may desist upcoming repayments citing the NCLAT order as done by other group companies in past.

As per the recent NCLAT order dated Feb. 11, 2019, entities classified into the 'Amber' category, indicate that the entities do not have ability to meet all the obligations (financial and operational). The 'Amber' classified entities can make payment to operational creditors and senior secured financial creditors. However, the appeal was made that entities in 'Amber' make payment only to be going concern (i.e. operational creditors).

The ratings continue to remain on 'Credit Watch with Negative Implications' for following reasons

- Based on uncertainty that the HREL's management could possibly cease and desist upcoming further repayments citing the NCLAT order as done by other group companies.
- Due to increased Operations & Maintenance (O&M) risks based on the weakening of the credit profile of the sponsor & contractor, i.e. IL&FS Transportation Networks Limited (ITNL).

**Structured Obligation (SO)** ratings assigned to NCD's in past factored in various credit enhancement measures, presence of a structured payment mechanism for servicing of the Senior (Series A) issue and Subordinate (Series B) issue. However, in CARE's view given the management's stance of non adherence to the SPM as seen in other group companies, existence of the above mentioned measures do not provide any credit enhancement.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### High probability of default in debt servicing obligation

Group's stance of making payments only to operational creditors to remain a going concern and not making payments to senior secured financial creditors sighting the NCLAT order has led to high probability of default which is due on April 12, 2019 despite the availability of sufficient liquidity to service the obligation.

#### Weakened Credit profile of the sponsor and O&M contractor

HREL is promoted by ITNL (CARE D) and PLL (CARE D). ITNL has entered into a sponsor support agreement with HREL in regards to management control, cover any shortfall between the termination payments and total debt outstanding in respect of the debentures in case of a termination event, fund any increase in the O&M costs (for both regular and major maintenance works including admin) over and above the base case business plan and funding any shortfall in annuity due to non-availability of lane as stipulated in the concession. As ITNL overall credit profile has significantly deteriorated, it leads to higher risk in meeting any of these obligations arising from the project on account of sponsor undertaking. Any impairment with regards to performing O&M contract may lead to a deduction in annuity

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Analytical Approach:** Standalone. Previously the assigned ratings factored in the standalone approach and the credit enhancement derived from the Structured Payment Mechanism (SPM) adopted for the NCD's repayments. However, given the stance taken by group in past for non-adherence to the SPM and recent appeal made to NCLAT dated Feb. 11, 2019 for payment to only operational creditors (in Amber category; to keep entities going concern) indicates that there is no credit enhancement left to be derived from the SPM, hence, the approach is shifted to standalone only.

**Liquidity Analysis:**

HREL has maintained Rs. 53 Crore in DSRA which is in line with the stipulated requirement to repay its senior secured lenders

**Applicable Criteria:**

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

**About the Company**

Hazaribagh-Ranchi Expressway Limited was incorporated on March 19, 2009, as a Special Purpose Vehicle promoted by ITNL; holding 99.99% and Punj Lloyd Limited holding the balance.

The company entered into a Concession Agreement (CA) with National Highway Authority of India - NHAI (rated 'CARE AAA Stable') on October 8, 2009 for the purpose of designing, constructing and maintaining the 4-laning of the Hazaribagh - Ranchi section of NH-33 from 40.50 km to 114.00 km in Jharkhand on a Build Operate Transfer (BOT) - Annuity basis. The concession period is for 18 years commencing from the appointed date, including construction period of 910 days. HREL achieved provisional completion on September 15, 2012 and received first annuity of Rs.64.08 crore (semi-annual) in July 2013. The project was completed ahead of time and Commercial Operation Date (COD) was achieved 134 days ahead of scheduled project completion which entitled HREL to receive the early completion bonus of Rs.47.00 crore which was received in FY14. HREL completed the construction of project stretch in August 2014 and received the project completion certificate in April 2015.

**Financial Performance -**

| Particulars                       | (Rs. Crore)     |                 |
|-----------------------------------|-----------------|-----------------|
|                                   | FY17<br>Audited | FY18<br>Audited |
| Income from Continuing Operations | 92.78           | 72.01           |
| PBILDT                            | 66.49           | 64.53           |
| PAT                               | -40.30          | -22.23          |
| PBILDT Interest Coverage          | 0.62            | 0.74            |

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Analyst Contact:**

Name: Mr. Kunal Shah

Tel: 022- 6754 3451

Email: [kunalb.shah@careratings.com](mailto:kunalb.shah@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also

recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

#### Annexure-1: Details of Instruments/Facilities

| Name of the Instrument                | Date of Issuance  | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook              |
|---------------------------------------|-------------------|-------------|---------------|-------------------------------|--|
| Debentures-Non Convertible Debentures | February 14, 2017 | 8.75        | Apr-14-2027   | 458.00                        | CARE C (Under Credit watch with Negative Implications) |
| Debentures-Non Convertible Debentures | October 13, 2017  | 8.50        | Apr-14-2027   | 143.00                        | CARE C (Under Credit watch with Negative Implications) |

## Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |  | Rating history   |  |   |   |
|---------|--|-----------------|--------------------------------|--|--|--|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating   | Date(s) & Rating(s) assigned in 2018-2019  | Date(s) & Rating(s) assigned in 2017-2018                                  | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 |
| 1.      | Fund-based - LT-Term Loan              | LT              | -                              | -  | -  | 1)Withdrawn (26-May-17)  | 1)CARE AA (21-Jul-16)                     | 1)CARE AA (20-Oct-15)                     |
| 2.      | Bonds-Infrastructure Bonds             | LT              | -                              | -  | -  | 1)Withdrawn (26-May-17)  | 1)CARE AA (21-Jul-16)                     | 1)CARE AA (20-Oct-15)                     |
| 3.      | Debentures-Non Convertible Debentures  | LT              | 458.00                         | CARE C (Under Credit watch with Negative Implications) | 1)CARE BB (SO) (Under Credit watch with Negative Implications) (30-Jan-19)<br>2)CARE AAA (SO) (Under Credit watch with Negative Implications) (24-Oct-18)<br>3)CARE AAA (SO) (Under Credit watch with Negative Implications) (05-Oct-18) | 1)CARE AAA (SO); Stable (28-Feb-18)<br>2)CARE AAA (SO); Stable (26-May-17) | 1)Provisional CARE AAA (SO) (02-Feb-17)   | -   |
| 4.      | Debentures-Non Convertible Debentures  | LT              | 143.00                         | CARE C (Under Credit watch with Negative Implications) | 1)CARE BB (SO) (Under Credit watch with Negative Implications) (30-Jan-19)<br>2)CARE AAA (SO) (Under Credit watch with Negative Implications) (24-Oct-18)<br>3)CARE AAA (SO) (Under Credit watch with Negative Implications) (05-Oct-18) | 1)CARE AAA (SO); Stable (28-Feb-18)<br>2)CARE AAA (SO); Stable (26-May-17) | 1)Provisional CARE AAA (SO) (02-Feb-17)   | -   |

**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
 Cell: + 9198190 09839  
 E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Mr. Ankur Sachdeva**  
 Cell: + 9198196 98985  
 E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Ms. Rashmi Narvankar**  
 Cell: + 9199675 70636  
 E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Saikat Roy**  
 Cell: + 9198209 98779  
 E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD**

**Mr. Deepak Prajapati**  
 32, Titanium, Prahaladnagar Corporate Road,  
 Satellite, Ahmedabad - 380 015  
 Cell: +91-9099028864  
 Tel: +91-79-4026 5656  
 E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
 304, Pashupati Akshat Heights, Plot No. D-91,  
 Madho Singh Road, Near Collectorate Circle,  
 Bani Park, Jaipur - 302 016.  
 Cell: +91 – 95490 33222  
 Tel: +91-141-402 0213 / 14  
 E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
 No. 30, M.G. Road, Bangalore - 560 001.  
 Cell: +91 98407 54521;9  
 Tel: +91-80-4115 0445, 4165 4529  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**KOLKATA**

**Ms. Priti Agarwal**  
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
 10A, Shakespeare Sarani, Kolkata - 700 071.  
 Cell: +91-98319 67110  
 Tel: +91-33- 4018 1600  
 E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
 SCF No. 54-55,  
 First Floor, Phase 11,  
 Sector 65, Mohali - 160062  
 Chandigarh  
 Cell: +91 85111-53511/99251-42264  
 Tel: +91-0172-490-4000/01  
 Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

**NEW DELHI**

**Ms. Swati Agrawal**  
 13th Floor, E-1 Block, Videocon Tower,  
 Jhandewalan Extension, New Delhi - 110 055.  
 Cell: +91-98117 45677  
 Tel: +91-11-4533 3200  
 E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

**CHENNAI**

**Mr. V Pradeep Kumar**  
 Unit No. O-509/C, Spencer Plaza, 5th Floor,  
 No. 769, Anna Salai, Chennai - 600 002.  
 Cell: +91 98407 54521  
 Tel: +91-44-2849 7812 / 0811  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
 9th Floor, Pride Kumar Senate,  
 Plot No. 970, Bhamburda, Senapati Bapat Road,  
 Shivaji Nagar, Pune - 411 015.  
 Cell: +91-98361 07331  
 Tel: +91-20- 4000 9000  
 E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

**COIMBATORE**

**Mr. V Pradeep Kumar**  
 T-3, 3rd Floor, Manchester Square  
 Puliakulam Road, Coimbatore - 641 037.  
 Tel: +91-422-4332399 / 4502399  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

CIN - L67190MH1993PLC071691

**HYDERABAD**

**Mr. Ramesh Bob**  
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
 Hyderabad - 500 029.  
 Cell : + 91 90520 00521  
 Tel: +91-40-4010 2030  
 E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)