

## Hazaribagh Ranchi Expressway Limited

April 16, 2019

### Ratings

Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Senior Non-Convertible Debenture issue (NCD) - Series A	458.00	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING)	Revised from CARE C (Under Credit Watch with Negative Implications); ISSUER NOT COOPERATING; Issuer not cooperating based on best available information
Subordinate Non-Convertible Debenture issue (NCD) - Series B	143.00		
<b>Total</b>	<b>Rs.601 crore (Rupees Six hundred and one crore only)</b>		

*Details of instruments in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the Non-Convertible Debentures of Hazaribagh Ranchi Expressway Limited (HREL) factors in the default in debt servicing obligation (interest and principal) that was due on April 12, 2019.

CARE vide its press release dated April 4, 2019 had indicated about the heightened risk of default by HREL in debt obligation due on April 12, 2019, owing to the IL&FS Transportation Networks Limited (ITNL) 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'.

HREL has Rs.53 crore in Debt Service Reserve Account which are sufficient to cover the half yearly repayment obligation of senior secured lenders.

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' can make payment only to remain a going concern (i.e. operational creditors).

Previously, the ratings were 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. ITNL [rated CARE D; Issuer Not Co-operating]
- Because of 'Expression of Interest' for sale of its ownership stake in various road projects including HREL.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### **Default in debt servicing obligation**

As intimated by the debenture trustee, HREL has defaulted on its debt obligation. This indicates management's stance of making payments only to operational creditors to remain a going concern and not making payments to senior secured financial creditors, 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; Issuer Not Cooperating) and Punj Lloyd Limited (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's 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.

**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, and hence the symbol of Structured Obligation (SO) was suffixed. 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

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

\*Issuer did not cooperate; Based on best available information

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

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Rating Methodology – Infrastructure Sector Ratings](#)

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

[Criteria for Factoring Linkages](#)

#### 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.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
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.

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#### About CARE Ratings:

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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**

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 D; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE C (Under Credit watch with Negative Implications); ISSUER NOT COOPERATING* on the basis of best available information
Debentures-Non Convertible Debentures	October 13, 2017	8.50	Apr-14-2027	143.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE C (Under Credit watch with Negative Implications); ISSUER NOT COOPERATING* on the basis of best available information

\*Issuer did not cooperate; based on best available information

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (26-May-17)	1)CARE AA (21-Jul-16)
2.	Bonds-Infrastructure Bonds	LT	-	-	-	-	1)Withdrawn (26-May-17)	1)CARE AA (21-Jul-16)
3.	Debentures-Non Convertible Debentures	LT	458.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE C (Under Credit watch with Negative Implications); ISSUER NOT COOPERATING* on the basis of best available information	1)CARE C (Under Credit watch with Negative Implications); ISSUER NOT COOPERATING* (04-Apr-19)	1)CARE C (Under Credit watch with Negative Implications) (11-Mar-19) 2)CARE BB (SO) (Under Credit watch with Negative Implications) (30-Jan-19) 3)CARE AAA (SO) (Under Credit watch with Negative	1)CARE AAA (SO); Stable (28-Feb-18) 2)CARE AAA (SO); Stable (26-May-17)	1)Provisional CARE AAA (SO) (02-Feb-17)

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						Implications) (24-Oct-18) 4)CARE AAA (SO) (Under Credit watch with Negative Implications) (05-Oct-18)		
4.	Debentures-Non Convertible Debentures	LT	143.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE C (Under Credit watch with Negative Implications); ISSUER NOT COOPERATING* on the basis of best available information	1)CARE C (Under Credit watch with Negative Implications); ISSUER NOT COOPERATING* (04-Apr-19)	1)CARE C (Under Credit watch with Negative Implications) (11-Mar-19) 2)CARE BB (SO) (Under Credit watch with Negative Implications) (30-Jan-19) 3)CARE AAA (SO) (Under Credit watch with Negative Implications) (24-Oct-18) 4)CARE AAA (SO) (Under Credit watch with Negative Implications) (05-Oct-18)	1)CARE AAA (SO); Stable (28-Feb-18) 2)CARE AAA (SO); Stable (26-May-17)	1)Provisional CARE AAA (SO) (02-Feb-17)

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