

Essel Lucknow Raebareli Toll Roads Limited

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non Convertible Debentures	288.90	CARE D	Downgraded from CARE BB+ and removed from Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to long term non-convertible debentures (NCD) of Essel Lucknow Raebareli Toll Roads Limited (ELTRL) have been revised following debenture trustee's (DT) intimation on delay in debt servicing obligations towards redemption of NCD having ISIN no. 'INE465N07181'. The company in its disclosure to stock exchange dated October 1, 2024 cited stretched liquidity position leading to non-payment of the obligations on the due date September 30, 2024, for the aforementioned ISIN. CARE Ratings Limited (CARE Ratings) notes that ELTRL has serviced interest obligation on the outstanding NCDs while NCD's of ₹ 26.70 crore due for redemption on September 30, 2024 were remained unpaid. About 73.24% of the NCDs are held by 'Agra Gwalior Pathways Private Limited (AGPPL)' and the same is presently controlling the operations of ELTRL. The ISIN which faced payment default is held by AGPPL. CARE Ratings also notes that ELTRL has had adequate Debt service reserve account (DSRA) of ₹ 40 crore as on the payment due date, as against the repayment obligation of ₹ 26.70 crore on the defaulted ISIN. However, the DSRA has not been dipped into for the aforesaid redemption.

The company has certain project maintenance commitment with National Highways Authority of India (NHAI; rated 'CARE AAA; Stable'). In contrast to the NHAI's requirement on road quality standards, ELTRL underperformed on maintenance of the project stretch, thus leading to multiple instances of annuity deductions by the concessioning authority. The company also does not have any funded maintenance reserves which further aggravates its ability to fund the maintenance activity as and when required. Despite receiving the last annuity (due in August 2024) without deductions, the cashflows remains stretched due to the ongoing fund requirements to meet the significantly higher than expected major maintenance outgo.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in liquidity position with regularisation of debt servicing for continuous period of 90 days.
- Receipt of annuities in a timely manner without any deduction and completion of major maintenance activity in satisfaction to NHAI.

Negative factors:

Not applicable

Analytical approach:

Standalone

Outlook: Not applicable

Detailed description of key rating drivers:

Key weaknesses

Delays in debt servicing

There has been a default in debt servicing (principal) for one ISIN held by AGPPL while the interest servicing was met on time. The project had been subjected to performance related deductions imposed by NHAI due to subpar condition of the road. Due to weak credit profile of the sponsor, Essel Infraprojects Limited (rated CARE D; INC) and operations and maintenance contractor (O&M), a Essel group company, the first major maintenance of the project was delayed. While the company completed the major maintenance with a delay in FY23 and receipt of full annuity in August 2024, the quality of the maintenance was poor as articulated

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

by company which in turn led to higher than estimated major maintenance expenses adversely impacting the liquidity profile of the company.

Key strengths

Low credit risk associated with the annuity provider

Incorporated by the Government of India (GoI) under an act of the Parliament as a statutory body, NHAI functions as the nodal agency for development, maintenance and management of the National Highways in the country. NHAI's credit rating factors in high level of support received by NHAI from GoI due to its strategic importance for implementing various road sector projects including various phases of NHDP. By virtue of being a quasi-government body, the risk arising from NHAI defaulting on the annuity payments is minimal.

Liquidity: Poor

The poor liquidity is marked by tightly matched cashflows to cover the requirement of project maintenance as well as debt servicing. The company has DSRA balance of ₹ 40.0 crore as on September 30, 2024; however the company did not utilise it for debt servicing obligation.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Road Assets-Annuity](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

Incorporated on December 29, 2011, ELRTRL is an SPV promoted by EIL (rated 'CARE D; Issuer not cooperating') for 'Four laning of Lucknow-Raebareli section from km 12.700 to km 82.700 (70 km length) of NH-24B in the state of Uttar Pradesh under NHDP Phase IVA on design, built, finance, operate and transfer (DBFOT)-Annuity Basis' as per the tender awarded by NHAI, (rated 'CARE AAA; Stable'). As per the CA, the concession period of the project is 17 years (including construction period of 912 days). The SPV attained provisional commissioning certificate on January 16, 2015, and final commercial operation date (COD) on April 14, 2015.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	82.99	42.78	9.72
PBILDT	60.49	33.21	7.77
PAT	27.55	7.40	8.12
Overall gearing (times)	2.51	2.04	NA
Interest coverage (times)	1.84	1.16	1.26

A: Audited, UA: Unaudited; NA: Not available; Note: these are latest available financial results, also, being an annuity based road project, the financials as per Ind-AS are less meaningful.

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	INE465N07173*	27-Nov-2015	9.30	31-Mar-2024	25.80	CARE D
	INE465N07181	27-Nov-2015	9.30	30-Sep-2024	26.70	CARE D
	INE465N07199	27-Nov-2015	9.30	31-Mar-2025	27.60	CARE D
	INE465N07207	27-Nov-2015	9.30	30-Sep-2025	27.00	CARE D
	INE465N07215	27-Nov-2015	9.30	31-Mar-2026	27.90	CARE D
	INE465N07223	27-Nov-2015	9.30	30-Sep-2026	28.80	CARE D
	INE465N07231	27-Nov-2015	9.30	31-Mar-2027	30.00	CARE D
	INE465N07249	27-Nov-2015	9.30	30-Sep-2027	31.20	CARE D
	INE465N07256	27-Nov-2015	9.30	31-Mar-2028	32.40	CARE D
	INE465N07264	27-Nov-2015	9.30	30-Sep-2024	31.50	CARE D

*Fully redeemed as per schedule, pending withdrawal formalities.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	288.90	CARE D	-	1)CARE BB+ (RWN) (21-Dec-23)	1)CARE BBB; Positive (26-Dec-22)	1)CARE BBB-; Negative (27-Dec-21)

LT: Long term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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