

India Ratings Downgrades Essel Lucknow Raebareli Toll Roads' NCDs to 'IND D'

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India Ratings and Research (Ind-Ra) has downgraded Essel Lucknow Raebareli Toll Roads Limited's (ELRTRL) non-convertible debentures (NCDs) to 'IND D' from 'IND BB+'. The Outlook was Negative. The detailed rating action is as follows:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Non-convertible debentures *	-	-	-	INR2,631 (reduced from INR2,889)	IND D	Downgraded

* Details in annexure

Analytical Approach

Ind-Ra continues to take a standalone view of ELRTRL to arrive at the rating.

Detailed Rationale of the Rating Action

The downgrade reflects ELRTRL's delays in the payment of principal on NCD, specifically ISIN INE465N07181, which was due on 30 September 2024.

List of Key Rating Drivers

Weaknesses

- Delay in debt servicing

Strengths

- None

Detailed Description of Key Rating Drivers

Delay in Debt Servicing: The downgrade reflects ELRTRL's delay in the repayment of principal amount due on 30 September 2024 for the rated NCDs, because of project maintenance requirement. The rating action is consistent with Ind-Ra's Default Recognition and Post-Default Curing Period Policy.

Liquidity

Poor: ELRTRL's liquidity position is poor, as reflected by the delay in the repayment of principal on NCDs due to requirement of funds for maintenance requirement. As per management, a debt service reserve of INR420 million and cash and fixed deposits of INR400 million were available on 30 September 2024. The company received INR482.3 million annuity on 14 August 2024 without any deduction. Annuities have been received in a timely manner from National

Highways Authority of India (NHAI; [‘IND AAA/Stable’](#)) since commissioning. Interest on all NCDs has been paid on the due date of 30 September 2024.

Rating Sensitivities

Negative: Not applicable

Positive: Timely debt servicing for at least three consecutive months could result in a positive rating action.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on ELRTRL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra’s ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

ELRTRL is a special purpose vehicle formed by Essel Infraprojects Limited to expand the 70km Lucknow-Raebareli section of National Highway 24B to four lanes. The project was awarded to the company by NHAI under a competitive bidding process on a design, build, finance, operate and transfer basis. The project commenced provisional commercial operations on 16 January 2015 and the final commercial operations on 14 April 2015.

Key Financial Indicators

Particulars (INR million)	FY24	FY23
Revenue from operations	427.77	807.67
Total revenue	454.14	829.86
EBITDA	210.04	207.94
EBITDA margin (%)	46	25
Finance cost	284.41	329.42
Interest coverage (EBITDA/Interest, x)	0.74	0.63
Gross Debt/EBITDA (x)	14.68	17.25
Cash and cash equivalents including deposits with banks	437.6	472.94
Source: ELRTRL; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings	Historical Rating/Outlook		
				24 January 2024	1 February 2023	3 February 2022
Non-convertible debenture	Long-term	INR2,631	IND D	IND BB+/Negative	IND BBB-/Stable	IND BBB-/Negative

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate (%) [^]	Maturity Date	Size of Issue (million)	Rating
NCD	INE465N07173	27 November 2015	9.05	31 March 2024	INR258	WD (paid in full)
NCD	INE465N07181	27 November 2015	9.05	30 September 2024	INR267	IND D
NCD	INE465N07199	27 November 2015	9.05	31 March 2025	INR276	IND D
NCD	INE465N07207	27 November 2015	9.05	30 September 2025	INR270	IND D
NCD	INE465N07215	27 November 2015	9.05	31 March 2026	INR279	IND D
NCD	INE465N07223	27 November 2015	9.05	30 September 2026	INR288	IND D
NCD	INE465N07231	27 November 2015	9.05	31 March 2027	INR300	IND D
NCD	INE465N07249	27 November 2015	9.05	30 September 2027	INR312	IND D
NCD	INE465N07256	27 November 2015	9.05	31 March 2028	INR324	IND D
NCD	INE465N07264	27 November 2015	9.05	30 September 2028	INR315	IND D
Total					INR2,631	

Source: ELRTRL, NSDL
[^]Current applicable coupon rate is 9.3% according to ELRTRL, based on financing documents

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APPLICABLE CRITERIA AND POLICIES

Rating Criteria for Availability-Based Projects

Evaluating Corporate Governance

Rating Criteria for Infrastructure and Project Finance

Default Recognition and Post-Default Curing Period

The Rating Process

DETAILED FINANCIAL SUMMARY

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