

India Ratings Affirms Hazaribagh Ranchi Expressway's NCDs at 'IND D'

17

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By Vineeta Jha

India Ratings and Research (Ind-Ra) has affirmed the ratings of Hazaribagh Ranchi Expressway Limited's (HREL) non-convertible debentures (NCDs) at 'IND D' as follows:

Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Senior NCDs* (Long term)	-	-	-	INR5,380 (outstanding INR4,580 as on 15 April 2020)	IND D	Affirmed
Subordinate NCDs* (Long term)	-	-	-	INR1,770 (outstanding INR1,430 as on 15 April 2020)	IND D	Affirmed

* Details in annexure

KEY RATING DRIVERS

The affirmation reflects HREL's continued non-payment of debt service obligations since the past one year to the debenture holders, as per the filings on the National Stock Exchange and the confirmation from the debenture trustee.

HREL, an IL&FS group company, had been classified under the Amber category, according to the National Company Law Appellate Tribunal order dated 12 February 2019, which defines amber entities as domestic group entities, which are not able to meet all their obligations (financial and operational), but can meet only operational payment obligations and payment obligations to senior secured financial creditors.

As on 31 March 2020, HREL had a cash balance of INR2,514.6 million in the form of fixed deposits (INR400 million); mutual fund investments (INR1,476.7 million) and escrow cash balance of INR638 million. Despite having the sufficient liquidity to meet the senior NCD obligations, HREL defaulted due to the restrictions imposed by the National Company Law Appellate

Tribunal on IL&FS and its groups companies towards making any payment to financial creditors. Moreover, if the subordinated, unsecured debt provided by the sponsor is considered at par with the senior secured debt, HREL's liquidity would be insufficient to meet both the financial and operational obligations.

HREL had, as of 15 April 2020, received 15 annuity payments from the National Highways Authority of India (NHAI; 'IND AAA/Stable'). The 15th annuity was received on 31 March 2020 after a slight delay of 17 days with the NHAI withholding a minor amount (INR18.1 million) for maintenance-related deficiencies. Although there was no deduction from the 14th annuity of September 2019, it was delayed by five months and received in February 2020.

HREL delayed submitting the invoice for the 14th annuity, as it awaited the receipt of the previously-withheld amount (of INR81 million from the 13th annuity), resulting in the inordinate delay. According to the independent engineer and management, HREL is likely to receive the withheld amounts after the damages are rectified as the overlay work is ongoing. The management expects the major maintenance works (about 25% completed until March 2020) to be finished by November 2020.

RATING SENSITIVITIES

Positive: Timely debt servicing for three consecutive months will result in an upgrade.

COMPANY PROFILE

HREL is a special purpose vehicle created by IL&FS Transportation Networks Limited ('IND D') for designing, constructing and maintaining the 73.799km four-lane Hazaribagh–Ranchi section of National Highway-33 in Jharkhand on a build-operate-transfer-annuity basis.

NHAI awarded the project to HREL under a competitive bidding process. The company received the final completion certificate, effective 1 April 2015, and the semi-annual annuities of INR640.8 million each are scheduled in March and September.

FINANCIAL SUMMARY

Particulars	FY18	FY17
Revenue from operations (INR million)	678.97	917.56
Total income (INR million)	720.10	927.79
EBITDA (INR million)	645.11	664.86
EBITDA margin (%)	89.58	71.66
Debt/EBITDA (x)	10.66	11.116
EBITDA interest coverage (x)	0.74	0.62
Source: HREL, Ind-Ra		

Project Summary Data		Financial Summary Data	
Project location	Jharkhand	Amortisation profile	20 unequal, structured, semi-annual repayments
Status (construction/operation/handover)	Operational	Last repayment date	14 April 2027
Revenue basis (availability/volume/actual/shadow)	Annuity	Reserves	Debt service reserve equivalent to two quarters' debt service
Concession maturity	July 2018	-	-
Concession granting authority	NHAI	-	-

Contractor	IL&FS Transportation Networks	-	-
Source: Hazaribagh Ranchi Expressway			

RATING HISTORY

Instrument Type	Current Rating			Historical Rating/Rating Watch/Outlook				
	Rating Type	Rated Limits (million)	Rating	16 September 2019	15 April 2019	29 March 2019	24 January 2019	31 August 2017
NCDs	Long-term	INR7,150	IND D	IND D	IND D(SO)	IND C(SO)	IND BB(SO)/RWE	IND AAA(SO)/Stable

ANNEXURE

Instrument	ISIN	Date of Issue	Coupon Rate (%)	Maturity date	Size of Issue (INR million)	Rating
NCDs	INE526S07056	14 February 2017	8.50	12 April 2019	INR200	IND D
NCDs	INE526S07064	14 February 2017	8.50	14 October 2019	INR200	IND D
NCDs	INE526S07072	14 February 2017	8.50	14 April 2020	INR200	IND D
NCDs	INE526S07080	14 February 2017	8.50	14 October 2020	INR250	IND D
NCDs	INE526S07098	14 February 2017	8.50	14 April 2021	INR260	IND D
NCDs	INE526S07106	14 February 2017	8.50	14 October 2021	INR250	IND D
NCDs	INE526S07114	14 February 2017	8.50	14 April 2022	INR240	IND D
NCDs	INE526S07122	14 February 2017	8.50	14 October 2022	INR250	IND D
NCDs	INE526S07130	14 February 2017	8.50	14 April 2023	INR250	IND D
NCDs	INE526S07148	14 February 2017	8.50	13 October 2023	INR290	IND D
NCDs	INE526S07155	14 February 2017	8.50	12 April 2024	INR260	IND D
NCDs	INE526S07163	14 February 2017	8.50	14 October 2024	INR300	IND D
NCDs	INE526S07171	14 February 2017	8.50	14 April 2025	INR300	IND D
NCDs	INE526S07189	14 February 2017	8.50	14 October 2025	INR300	IND D
NCDs	INE526S07197	14 February 2017	8.50	14 April 2026	INR310	IND D
NCDs	INE526S07205	14 February 2017	8.50	14 October 2026	INR350	IND D
NCDs	INE526S07213	14 February 2017	8.50	14 April 2027	INR370	IND D
NCDs	INE526S07254	14 February 2017	8.75	12 April 2019	INR70	IND D
NCDs	INE526S07262	14 February 2017	8.75	14 October 2019	INR80	IND D
NCDs	INE526S07270	14 February 2017	8.75	14 April 2020	INR90	IND D
NCDs	INE526S07288	14 February 2017	8.75	14 October 2020	INR55	IND D
NCDs	INE526S07296	14 February 2017	8.75	14 April 2021	INR55	IND D
NCDs	INE526S07304	14 February 2017	8.75	14 October 2021	INR75	IND D
NCDs	INE526S07312	14 February 2017	8.75	14 April 2022	INR95	IND D
NCDs	INE526S07320	14 February 2017	8.75	14 October 2022	INR100	IND D
NCDs	INE526S07338	14 February 2017	8.75	14 April 2023	INR110	IND D
NCDs	INE526S07346	14 February 2017	8.75	13 October 2023	INR80	IND D
NCDs	INE526S07353	14 February 2017	8.75	12 April 2024	INR100	IND D
NCDs	INE526S07361	14 February 2017	8.75	14 October 2024	INR70	IND D

Instrument	ISIN	Date of Issue	Coupon Rate (%)	Maturity date	Size of Issue (INR million)	Rating
NCDs	INE526S07379	14 February 2017	8.75	14 April 2025	INR85	IND D
NCDs	INE526S07387	14 February 2017	8.75	14 October 2025	INR100	IND D
NCDs	INE526S07395	14 February 2017	8.75	14 April 2026	INR105	IND D
NCDs	INE526S07403	14 February 2017	8.75	14 October 2026	INR85	IND D
NCDs	INE526S07411	14 February 2017	8.75	14 April 2027	INR75	IND D
Total					INR6,010	

COMPLEXITY LEVEL OF INSTRUMENTS

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

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Applicable Criteria

[Rating Criteria for Infrastructure and Project Finance](#)

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