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

Mar 17, 2023 | Road Assets–Toll | Annuity | Hybrid-Annuity

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*	-	-	-	INR5,380 (outstanding INR2,267 as on date)	IND D	Affirmed
Subordinate NCDs*	-	-	-	INR1,770 (outstanding INR673 as on date)	IND D	Affirmed

* Details in annexure

Key Rating Drivers

The affirmation reflects the delay in debt service till 14 February 2023. While the pending dues were cleared by 14 February 2023, three months of continuous timely debt servicing is required for a positive rating action.

The National Company Law Appellate Tribunal order dated 12 February 2019 had classified HREL as 'Amber Entity'. 'Amber Entities' are defined 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'.

On 16 December 2022, HREL was transferred to the Roadstar Infra Investment Trust (InvIT) and as part of the overall scheme of resolution of the debt of HREL, there was a repayment of over dues (principal and interest) along with a prepayment of partial debt of INR600 million on 14 February 2023.

As on 14 March 2023, HREL had maintained a cash balance of INR1,040 million including a debt service reserve account of INR530 million equivalent to the next six months' interest and principal obligations.

HREL has received 20 annuities from National Highways Authority of India (NHAI, 'IND AAA'/Stable) as on 10 March 2023. HREL received the 20th annuity on 26 October 2022 with delay of about 42 days, post deduction towards damages for maintenance-related deficiencies of around 1.4% of gross annuity amount and a statutory deduction (TDS) of 2%. The company received its 19th annuity on 5 May 2022 with some delay (about 51 days), withholding of INR63.5 million (10% of gross annuity amount) due to interruptions in the major maintenance works and damages of INR5.3 million (0.8% of gross

annuity amount) on account of deficiencies in regular maintenance. However, as per management, the withheld amount is expected to be released considering 90% of major maintenance works has now been completed.

Rating Sensitivities

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

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 HREL due to either their nature or the way in which they are being managed by the entity and sponsor. 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.

Company Profile

HREL is a special purpose vehicle created by IL&FS Transportation Networks Limited ('IND D') for designing, constructing and maintaining the four-lane Hazaribagh–Ranchi section of NH 33 in Jharkhand to 114km from 40.5km on a build-operate-transfer-annuity basis.

The National Highways Authority of India had awarded the project to HREL under a competitive bidding process. The company received the final completion certificate on 1 April 2015.

FINANCIAL SUMMMARY:

Particulars (INR million)	FY21	FY22
Operating revenue	941	736
Total income	1,027	858
EBITDA	422	687
Cash and cash equivalents	818	2,252
Long-term external debt	5,836	5,836
Source: HREL Audited Financials		

Non-Cooperation with previous rating agency

HREL has been classified under the non-cooperation by issuer category by CARE Limited due to inadequate information provided by the company.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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Rating History

Instrument Type	Current Rating			Historical Rating				
	Rating Type	Rated Limits (million)	Rating	21 March 2022	16 April 2021	17 April 2020	16 September 2019	15 April 2019
NCDs	Long-term	INR7,150	IND D	IND D	IND D	IND D	IND D	IND D(SO)

Annexure

Instrument	ISIN	Date of Issue	Coupon Rate (%)	Maturity date	Issue Size	Rating
NCDs	INE526S07452	14 February 2017	7.50	14 April 2023	INR207.63	IND D
NCDs	INE526S07510	14 February 2017	7.50	13 October 2023	INR240.85	IND D
NCDs	INE526S07502	14 February 2017	7.50	12 April 2024	INR215.93	IND D
NCDs	INE526S07486	14 February 2017	7.50	14 October 2024	INR249.15	IND D
NCDs	INE526S07494	14 February 2017	7.50	14 April 2025	INR249.15	IND D
NCDs	INE526S07437	14 February 2017	7.50	14 October 2025	INR249.15	IND D
NCDs	INE526S07429	14 February 2017	7.50	14 April 2026	INR257.46	IND D
NCDs	INE526S07460	14 February 2017	7.50	14 October 2026	INR290.68	IND D
NCDs	INE526S07478	14 February 2017	7.50	14 April 2027	INR307.29	IND D
NCDs	INE526S07445	14 February 2017	7.50	14 April 2023	INR91.36	IND D
NCDs	INE526S07528	14 February 2017	7.50	13 October 2023	INR66.44	IND D
NCDs	INE526S07536	14 February 2017	7.50	12 April 2024	INR83.05	IND D
NCDs	INE526S07544	14 February 2017	7.50	14 October 2024	INR58.14	IND D
NCDs	INE526S07551	14 February 2017	7.50	14 April 2025	INR70.59	IND D
NCDs	INE526S07569	14 February 2017	7.50	14 October 2025	INR83.05	IND D
NCDs	INE526S07577	14 February 2017	7.50	14 April 2026	INR87.20	IND D
NCDs	INE526S07593	14 February 2017	7.50	14 Oct 2026	INR70.59	IND D
NCDs	INE526S07585	14 February 2017	7.50	14 April 2027	INR62.29	IND D
Total					**INR2,940**	

Complexity Level of Instruments

Instrument Type	Complexity Indicator
NCDs	Low

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

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APPLICABLE CRITERIA

Rating Criteria for Infrastructure and Project Finance

Rating Criteria for Availability-Based Projects

Evaluating Corporate Governance

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