

June 03, 2022

TCIL Lakhnadone Toll Road Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term Loan	41.20	41.20	[ICRA]BBB-(Stable); reaffirmed
Total	41.20	41.20	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation for TCIL Lakhnadone Toll Road Limited (TLTRL) reflects its strong operational and financial linkages with its parent company – Telecommunication Consultants India Limited (TCIL). TCIL has a healthy financial profile with adequate liquidity buffer and a demonstrated track record of extending timely financial support to TLTRL’s project in the past. The rating draws support from the operational status of the project and its long concession period of 30 years, which provides some financial flexibility.

The rating, however, continues to be constrained by the project’s weak toll collections, which is inadequate to meet the operational expenses and debt servicing obligations, and makes the company dependent on timely financial support from its parent. Further, the rating is constrained by the absence of any liquidity cushion (like debt service reserve), which makes it even more critical to receive timely financial assistance from its parent. The risks associated with a typical toll-based road project including traffic growth, leakage of toll-paying traffic, diversion of traffic to alternate routes, and user resistance to pay/accept increase in toll rates are other credit weaknesses.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA’s opinion that TLTRL will continue to benefit from its strong and reputed sponsor – TCIL, and its continued financial support to the project.

Key rating drivers and their description

Credit strengths

Strong parent providing continuous support – TLTRL is a wholly-owned subsidiary of TCIL, which is a Schedule-A Miniratna public sector enterprise with 100% shareholding by the Government of India. TCIL has a healthy financial profile with adequate liquidity buffer and a track record of extending timely financial support to TLTRL in the past.

Operational status of project – The project achieved provisional completion in July 2016 and final completion in January 2017. Therefore, the project implementation risks have been phased out, and the company only faces operational risks pertaining to regular operations and maintenance of the project.

Long concession period of project – The project has a long concession period of 30 years, which provides financial flexibility in debt refinancing.

Credit challenges

Weak toll collections – The toll collection in the project, which started from April 2014, have been modest with an average of ~Rs. 0.35 crore per month (15-months moving average till January 2022). Given the project’s operational and maintenance

requirement and debt servicing obligations, the toll collection is expected to be insufficient in the short term. This would necessitate timely financial support from the parent over the medium term.

Absence of liquidity cushion – The project does not have any liquidity cushion (like debt service reserve) that can be helpful in case of short-term liquidity mismatch.

Risks associated with toll road projects – TLTRL, like a typical toll-based road project, is exposed to revenue risks associated with traffic growth, leakage of toll-paying traffic, diversion of traffic to alternate routes and user resistance to pay/accept increase in the toll rates.

Liquidity position: Stretched

TLTRL’s liquidity position is stretched with cash flow from operations being inadequate to meet the debt servicing obligations. It does not maintain reserves for debt servicing or liquidity buffer. Hence, timely support in the form of fund infusion by the parent company, i.e. TCIL, for meeting the shortfall in fixed cost is crucial for its liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade TLTRL’s rating if the company demonstrates self-sustenance in debt servicing, backed by growth in revenues and profitability and improved liquidity profile.

Negative factors – ICRA could downgrade TLTRL’s rating if there is a delay in timely financial support from the parent company, or if deterioration in the operational performance impacts its liquidity position. Any adverse change in the credit profile of the parent would also be a rating sensitivity.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology BOT Toll Road Projects in India
Parent/Group Support	Parent Company: TCIL The rating factors in the very high likelihood of its parent, TCIL, extending financial support given the strategic importance of TLTRL. ICRA expects TCIL to be willing to extend financial support to TLTRL out of its need to protect its reputation from the consequences of a Group entity’s distress. There also exists a consistent track record of TCIL extending timely financial support to TLTRL, whenever needed.
Consolidation/Standalone	Standalone

About the company

TLTRL is a special purpose vehicle (SPV) formed for developing the two-lane Lakhnadone-Ghansore road project in Madhya Pradesh on a build-operate-transfer (BOT) toll basis. The project was awarded by the Madhya Pradesh Road Development Corporation (MPRDC). The concession agreement for the project was signed in August 2012 and the concession period is of 30 years, including the construction period.

Key financial indicators (audited)

	FY2020	FY2021
Operating Income (Rs. crore)	7.6	6.1
PAT (Rs. crore)	-7.6	-3.0
OPBDIT/OI (%)	71.0%	65.7%
PAT/OI (%)	-100.0%	-49.2%
Total Outside Liabilities/Tangible Net Worth (times)	8.7	13.3
Total Debt/OPBDIT (times)	14.6	19.9
Interest Coverage (times)	0.5	0.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)			Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 2022 (Rs. crore)	Date & Rating in 2023	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
					June 03, 2022	–	Mar 4, 2021	Jun 5, 2020	–
1	Fund-based – Term Loan	Long Term	41.20	17.00	[ICRA]BBB- (Stable)	–	[ICRA]BBB- (Stable)	[ICRA]BBB- (Negative)	–

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	March 2012	-	March 2024	41.20	[ICRA]BBB- (Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Rajeshwar Burla
+91 40 40676527
rajeshwar.burla@icraindia.com

Ashish Modani
+91 20 6606 9912
ashish.modani@icraindia.com

Abhishek Gupta
+91 124 4545 863
abhishek.gupta@icraindia.com

Mrinal Jain
+91 124 4545 845
mrinal.jain@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.