

August 04, 2023

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-I

Rationale

The rating reaffirmation for TCIL Lakhnadone Toll Road Limited (TLTRL) reflects its strong linkages with its parent company – Telecommunication Consultants India Limited (TCIL) with a demonstrated track record of providing operational and timely financial support to TLTRL in the past, and guidance of continuing the same in future. TCIL is a Government of India enterprise and has a comfortable financial profile. 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, thereby necessitating timely financial support from its parent towards operational expenses and debt servicing requirement. 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 rating also factors in the risks associated with a typical toll-based road project including traffic growth, leakage of toll-paying traffic, diversion of traffic to alternative routes, and user resistance to pay/accept increase in toll rates.

The Stable outlook 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

Timely financial support from the parent expected to continue going forward – 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. The rating favourably factors in the timely financial support from the parent group.

Operational status and long concession period of the 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. The project has a long concession period of 30 years, which provides it financial flexibility.

Credit challenges

Weak toll collections – The toll collection in the project have been modest with an average of ~Rs. 0.27 crore per month (15-months moving average till June 2023). 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 alternative routes and user resistance to pay/accept increase in the toll rates.

Liquidity position: Stretched

TLTRL's liquidity position is stretched with modest cash flow from operations, thereby necessitating timely financial support from the parent entity to support timely debt servicing. Moreover, the special purpose vehicle (SPV) does not maintain reserves for debt servicing or liquidity buffer.

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 an 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: Telecommunication Consultants India Limited (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

TCIL Lakhnadone Toll Road Limited (TLTRL) is an SPV formed for development of the two-lane Lakhnadone-Ghansore road project in Madhya Pradesh on build, operate and transfer (BOT) toll basis. The project was awarded by Madhya Pradesh Road Development Corporation (MPRDC).

The concession agreement for the project was signed in August 2012 and the concession period is 30 years, including the construction period. The project achieved completion certificate in January 2017. The toll collections for the project was commenced in July 2016.

Key financial indicators (audited)

TLTRL	FY2022	FY2023
Operating income	3.4	3.2
PAT	-5.2	-1.1
OPBDIT/OI	45.8%	39.4%
PAT/OI	-152.3%	-33.8%
Total outside liabilities/Tangible net worth (times)	103.2	-335.9
Total debt/OPBDIT (times)	53.9	67.4
Interest coverage (times)	0.3	1.1

Source: ICRA Research, Company; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on Jun 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & Rating in 2023	Date & Rating in FY2022	Date & Rating in FY2021	
				Aug 04, 2023	Jun 03, 2022	-	Mar 4, 2021	Jun 5, 2020
1 Fund-based – Term loan	Long term	41.20	6.50	[ICRA]BBB-(Stable)	[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: [Click Here](#)

Annexure I: 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 II: List of entities considered for consolidated analysis – Not applicable

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Branches



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