

January 19, 2024

Chhapra Hajipur Expressways 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	857.0	857.0	[ICRA]D; reaffirmed
Total	857.0	857.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation considers the continued delays in debt repayment by Chhapra Hajipur Expressways Limited's (CHEL) and its classification as a non-performing asset by the lenders. Owing to delay in securing right of way (RoW) by the authority and equity infusion, the project has been delayed extensively. The project work is still ongoing and is expected to be completed by June 2024. As of October 2023, the entire RoW had been made available and CHEL had achieved cumulative physical progress of 77.9% and cumulative financial progress of 80.1%. In FY2023, a new investor – Dhanalakshmi Srinivasan Builders & Housing Pvt Ltd – acquired 48.6% equity stake in the company (Rs. 60.76 crore of unsecured loans converted to equity) and also infused unsecured loans of Rs. 38.8 crore. The rating continues to note the residual execution risks and susceptibility of its debt coverage metrics to adverse movement in interest rates.

Key rating drivers and their description

Credit strengths – Not Applicable

Credit challenges

Delays in debt servicing – The company has been delaying on its debt obligations and the rated loan has been classified as a non-performing loan by the lenders.

Delays in project execution – The project execution is deferred by more than 123 months on account of delays in providing RoW by the authority, along with slow pace of execution due to inadequate equity mobilisation. While the entire RoW had been made available by the authority by October 2023 and the new investor had provided some funding support, the company continues to be exposed to residual project execution risks.

Liquidity position: Poor

The liquidity position is poor, as reflected in delays in debt servicing.

Rating sensitivities

Positive factors – The rating could be upgraded if the company demonstrates track record of timely debt servicing.

Negative factors – Not Applicable.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – BOT (Annuity) Roads Policy on Default Recognition
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financial statements.

About the company

Chhapra-Hajipur Expressways Limited (CHEL) has been incorporated as a special purpose vehicle by Madhucon Infra Limited (MIL) and Madhucon Projects Limited (MPL) to undertake four-laning of Chhapra to Hajipur section of NH-19 from km 143.200 to km 207.200 in Bihar under NHDP Phase III on Design, Build, Finance, Operate, Transfer (DBFOT) Annuity basis. The total concession period is 15 years including the construction period of 2.5 years. The appointed date for the project was January 27, 2011 and the scheduled completion date was July 27, 2013, which has been delayed. The project continues to remain under-construction. The management expects the same to be completed by June 2024.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	43.3	27.4
PAT	-14.6	-20.6
OPBDIT/OI	0.0%	0.0%
PAT/OI	-33.7%	-75.3%
Total outside liabilities/Tangible net worth (times)	-2.5	-2.8
Total debt/OPBDIT (times)	NM	NM
Interest coverage (times)	-0.0	0.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, NM: Not meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Jan 19, 2024	Dec 13, 2022	Sep 24, 2021	Jun 11, 2020
1	Term loans	Long term	857.0	857.0	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D
2	Unallocated	Long term	-	-	-	-	[ICRA]D	[ICRA]D

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	January 2011	~12.75%	December 2025	857.0	[ICRA]D

Source: Company

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

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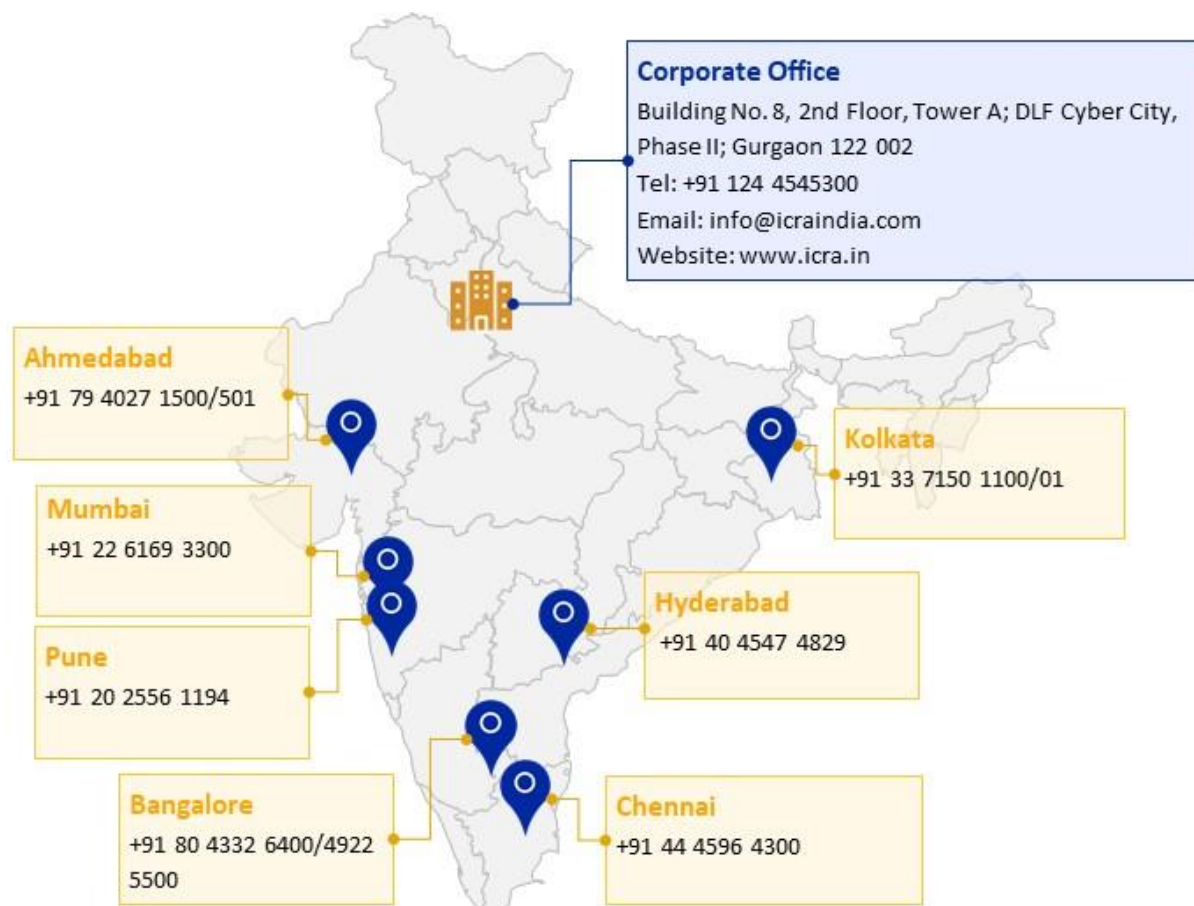


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