



L&T Halol Shamlaji Tollway Limited

Instrument	Amount	Rating Action
	Rs Crore	September 2015
Term Loans	1014.93	[ICRA]D; downgraded

ICRA has revised the rating outstanding on the Rs. 1014.93 crore* long term loan programme of L&T Halol Shamlaji Tollway Limited (HSTL / "the company") from [ICRA]BB+ (pronounced as ICRA double B plus) with a Stable outlook to [ICRA]D (pronounced ICRA D)†.

The rating revision takes note of the recent delay in servicing part of the debt for the month of August 2015 following the low toll collections resulting in cash shortfalls. Since the beginning of tolling operations, the traffic volume witnessed in this stretch (in three of the four Toll Plazas) has been significantly lower than the initial estimates, due to presence of a significant alternate route, resulting in lower than anticipated cash accruals. The alternate route was substantially improved by GOG into a competing road subsequent to award of this bid leading to considerable diversion of traffic from the Project stretch. The company was actively pursuing various avenues to increase toll revenues and to minimize the cash shortfall. In addition to deferment of revenue share payments to GSRDC, the company had also requested for a revenue shortfall loan from the Authority (which is under active consideration). Further, the company was looking at refinancing the existing borrowings, which would have resulted in reduction of repayment commitments in the near to medium term.

Sizeable external funding support was required by HSTL for servicing its debt obligations which was being provided by the promoter, L&T IDPL, in the form of unsecured loans till recently, although not required under the loan documents, to ensure timely servicing of debt obligations. However, in view of the delay in materialization of any of the above mentioned relief measures, there has been a delay in infusion of funds from the Sponsor for the month of August 2015 resulting in partial debt servicing by the SPV for the month. After a round of discussion with the Authority and the lenders, L&T IDPL has since infused the requisite funds to service the debt obligations and currently there are no dues outstanding to the lenders. Speedy resolution of the issue with GSRDC will be crucial for the improvement in the credit profile of the company.

Company Profile

L&T-HSTL is a Special Purpose Vehicle (SPV) incorporated in September 2008 and is a 100% subsidiary of L&T Infrastructure Development Projects Ltd. (L&T IDPL). The SPV has carried out the four-laning of 173.06 Kms of SH 5 from Halol to Shamlaji in Gujarat. The project was awarded by GSRDC (Gujarat State Road Development Corporation) on BOT basis with a concession period of 20 years commencing from May 2009. The COD of the project, achieved in April 2012, was delayed by three months vis-à-vis the Scheduled COD (December 2011).

The project road is a part of State Highway-5 (SH-5 in State of Gujarat), which starts at Vapi (border of Maharashtra) and runs through eastern part of Gujarat and finally ends at Shamlaji (border of Gujarat with Rajasthan). Therefore this road is called Eastern State Highway. The Vadodara-Halol toll road, four lane divided, developed by IL&FS is a connecting link between project road and NH-8. The total project cost is Rs. 1305.0 crore, which was funded by equity of Rs. 261 crore and debt of Rs. 1044 crore, i.e. in a debt equity ratio of 4:1.

September 2015

* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications



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