

June 03, 2022

TCIL Bina 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	62.00	62.00	[ICRA]BBB-(Stable); reaffirmed
Total	62.00	62.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation for TCIL Bina Toll Road Limited (TBTRL) reflects its strong operational and financial linkages with the 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 TBTRL's project in the past. The rating draws support from the operational status of the project and its long concession period of 25 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, premium payable to MPRDC 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 TBTRL 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 – TBTRL 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 has a track record of extending timely financial support to TBTRL in the past.

Operational status of project – The project achieved provisional completion in April 2014 and final completion in July 2014. 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 25 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. 0.31 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 – TBTRL, 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

TBTRL'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 costs is crucial for its liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade TBTRL'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 TBTRL's rating if there is a delay in timely financial support from the parent company, or if deterioration in the operational performance further 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 TBTRL. ICRA expects TCIL to extend financial support to TBTRL 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 TBTRL, whenever needed.
Consolidation/Standalone	Standalone

About the company

TBTRL is a special purpose vehicle (SPV) formed for developing the two-lane Bina-Kurwai-Sironj road project in Madhya Pradesh on a build, operate and 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 November 2010 and the concession period is of 25 years, including the construction period.

Key financial indicators (audited)

	FY2020	FY2021
Operating Income (Rs. crore)	4.9	4.1
PAT (Rs. crore)	-21.0	1.4
OPBDIT/OI (%)	37.3%	22.9%
PAT/OI (%)	-427.9%	33.8%
Total Outside Liabilities/Tangible Net Worth (times)	-2.8	-2.8
Total Debt/OPBDIT (times)	59.8	107.3
Interest Coverage (times)	0.1	0.1

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	62.00	14.45	[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	April 2011	-	FY2023	62.00	[ICRA]BBB- (Stable)

Source: Company

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

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Branches



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