

November 01, 2017

TCIL Lakhnadone Toll Road Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Term Loan	41.2	[ICRA]BBB-(Stable) Assigned
Total Bank Lines	41.2	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus)¹ to the Rs. 41.2-crore² bank lines of TCIL Lakhnadone Toll Road Ltd. (TLTRL). The outlook on the long-term rating is Stable.

Rationale

The rating derives strength from TLTRL's strong and reputed sponsor – Telecommunication Consultants India Ltd. (TCIL) – that has made sizeable investment in the project and has a track record of extending financial support to the project in the past. The rating also takes support from the operational status of the project and its long concession period of 30 years which provides some financial flexibility.

The rating, however, is constrained by modest toll collections in the project thus far, which has resulted in shortfall in cash flows and dependence on the promoter. At the current pace of toll collections, TLTRL's cash flows will not be sufficient to meet the operational expenses and financial obligations, thereby making it dependent on timely financial support from its parent. The rating is also constrained by the absence of any liquidity cushion like debt service reserve, which makes it even more critical to receive financial assistance from its parent in a timely manner in case of shortfall in cash flows. 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.

Key rating drivers

Credit strengths

- **Strong parent that provides continuous support** – TLTRL is a wholly-owned subsidiary of TCIL, which is a Schedule-A Miniratna Central Public Sector Enterprise with 100% shareholding by the Government of India. TCIL is also financially strong with net worth of Rs. 589 crore at standalone level as of March 31, 2017. In the past, TCIL has provided unsecured loans to TLTRL for bridging the cash flow shortfall.
- **Operational status of the project** – The project achieved provisional completion in July 2016 and final January 2017. As the project has achieved completion certification, project implementation risks are phased out and only operational risks pertaining to regular operations and maintenance of the project remain.
- **Long concession period of the project** – The project has a long concession period of 30 years which provides it financial flexibility in the form of debt-refinancing capacity.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

Credit weaknesses

- **Weak toll collections in the project** – The partial toll collection in the project started from July 2016, while full toll collection started in January 2017. The toll collection in the initial months was modest but has picked up to Rs. 0.45 crore per month in the recent months. However, given the project’s operational and maintenance requirement and debt-servicing obligations, the toll collection is not expected to be sufficient in the short term. This would necessitate additional financial support from the parent.
- **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 toll rates.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria

[Corporate Credit Rating Methodology](#)
[Rating Methodology for BOT \(Toll\) Roads](#)

About the company

TLTRL is a special purpose vehicle (SPV) formed for development of the two-laned Lakhnadone-Ghansore road project in Madhya Pradesh on 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 August 2012 and the concession period is of 30 years, including the construction period. The project achieved completion certificate in January 2017.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	-	1.9
PAT (Rs. crore)	-0.04	-4.6
OPBDIT/ OI (%)	-	31%
RoCE (%)	-	0.1%
Total Debt/ TNW (times)	2.37	3.83
Total Debt/ OPBDIT (times)	-	117
Interest Coverage (times)	-	0.13
NWC/ OI (%)	-	-11.9%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years
Table

Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
	Type	Rated amount (Rs. crore)	Month-year & Rating	Month-year & Rating in FY2017	Month- year & Rating in FY2016	Month- year & Rating in FY2015
			October 2017	-	-	-
Term Loan	Long Term	41.2	[ICRA]BBB-Stable	-	-	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook
Term Loan	-	-	FY2024	41.2	[ICRA]BBB- (Stable)

Source: TLTRL

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