



Rating Rationale

Cyberabad Expressways Limited (CEL)

11th August 2017

Brickwork Ratings reaffirms 'BWR B+' for the bank loan facilities of Rs 178.64 Crs of Cyberabad Expressways Limited ('CEL' or the 'Company')

Particulars:

| Facilities # | Amount (Rs Crs) | Amount (Rs Crs) | Tenure | Rating ¹ | |
|----------------------------------|--------------------|--------------------|---|-----------------------------|---|
| | Previous | Present # | | Previous | Present |
| Fund based: Term Loans | 217.22 | 178.64* | Long term | BWR B+ (Outlook: Stable) | BWR B+ [Pronounced BWR B Plus] (Outlook: Stable) Reaffirmed |
| Total | 217.22 | 178.64 | INR One Hundred and Seventy Eight Crores and Sixty Four Lakhs Only | | |

#Annexure I shows details of bank loan facilities

¹For definitions of the rating symbol please visit our website www.brickworkratings.com

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY16, provisional financials for FY17, publicly available information and information / clarifications provided by the Firm's management.

The rating reaffirmation continues to factor the delayed annuities from Hyderabad Growth Corridor Ltd (HGCL), the concessioning Authority leading to stretched receivables, non-receipt of annuity arrears of around Rs 140.88 Crs from HGCL (the annuity arrears were earlier expected to be received by June 2015), uncertainty with respect to timely receipt of future annuities and continued losses resulting in overall strained liquidity position of the Company. The annuity payments from HGCL are yet to be secured by an irrevocable LC from a scheduled commercial bank for future annuity payments. However, the rating factors the promoters' experience in execution and Maintenance of infrastructure projects and annuity nature of its Build, Operate and Transfer (BOT) project.

Going forward, the early resolution of the legal proceedings with respect to receipt of the annuity arrears from HGCL and timely receipt of future annuities is crucial for strengthening the liquidity position of the company shall be key rating sensitivities. Any delays in receipt of future annuities, consequently impacting the company's ability to service its debt obligations in time shall be negative for the rating.



Rating Outlook: Stable

BWR believes **Cyberabad Expressways Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Key rating drivers & Detailed Description

Credit Strengths

- **Strong parentage-** The Company enjoys strong synergies derived from the sponsors IL&FS Engineering & Construction Co Ltd, Terra Projects Ltd and Gayatri Projects Ltd, which are engaged in the similar line of activity.
- **Extensive experience of promoters & management-** The Promoters are well experienced in execution and maintenance of infrastructure projects.
- **BOT project being operational-** CEL is an annuity based Build, Operate and Transfer (BOT) project receiving semi-annual annuities from the Govt.

Credit weaknesses

- **Delayed annuities from HGCL since Andhra Pradesh and Telangana bifurcation**
The Company's liquidity profile has been constrained due to delayed annuity receipts and annuity arrears from HGCL. The Company has received 13th annuity due on 19th Dec 2016 partly on 30th June 2017 and 25th July 2017 and an amount of Rs 2.62 Crs is still pending. The Company has not received the 14th annuity due on 19th June 2017 till date. The annuities received have been utilized by the Company for servicing the debt availed from the lenders, for O&M works at the project site and completion of balance works at the site.
- **Non receipt of pending Annuities arrears**
An Amount of Rs 140.88 Crores is to be received from HGCL on account of 1st, 2nd, 3rd and the part of 4th Annuities which is pending since long. This issue has been referred by the principal secretary of Telangana State for obtaining legal opinion for settling it amicably, however, it has not been received till now and the matter is pending with Hon'ble High Court of AP & Telangana.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)

About the Company

Cyberabad Expressways Ltd (CEL), Hyderabad, is a special-purpose vehicle (SPV), set up to design, construct, develop, and maintain an 11.7-kilometre stretch of the Kollur-Patancheru section of the eight-lane Hyderabad (Andhra Pradesh) Outer Ring Road on Built Operate and Transfer (BOT) annuity basis.



The company has received provisional completion certificate on March 2012. As per the concession agreement, CEL receives a semi-annual annuity of Rs 39.50 Crores from Hyderabad Growth Corridor Ltd until December 2022. Gayatri Projects Ltd and Gayatri Infra Ventures Ltd hold 13.26% and 6.73% equity stake in CEL respectively, while IL&FS Engineering & Construction Co Ltd, Terra Projects Ltd and AMP Capital Finance Mauritius Ltd holds 17.99%, 31.99% and 29.99% respectively. There have been delays in receipt of annuities from the Concessing Authority during FY16 & FY17.

Mr. T. Rajiv Reddy is the Managing Director. Mr Murli Dhar Khattar, Mr. Susanta Kumar Shambhu Nath Moitra, Mr. Sharat Goyal, Mr. Ch. Harivithalrao and Mr. M.V. Narasimha Rao are the other Directors.

Financial Performance

CEL has completed the project in March 2012 as against the scheduled Commercial Operation Date (COD) in April 2010 and annuity receipts commenced from July 2012 (part of 4th Annuity). Therefore the revenue generation from the project started from FY13 as against the estimated year of FY11. The revenue from operations mainly comprise of the annuity income. As per audited financials of FY16, the Company has reported net loss of Rs 13.16 Crores on revenue from operations of Rs 79.00 Crores in FY16.

The Company has adopted IndAS reporting standards from FY17 onwards, as per which the carriageways have been converted into financial asset and the annuities received every year are adjusted against interest on financial asset & O&M expenses and the balance annuity is adjusted against the carrying value of the financial asset. Hence, on a provisional basis, the Company has reported revenue from operations and net losses of Rs 49.46 Crores and Rs (4.03) Crores respectively for FY17, when compared to the restated revenue from operations and net losses of Rs 57.65 Crs and Rs (2.46) Crs respectively for FY16.

Borrowings from Banks & FIs stood at Rs 197.93 Crs as on March 31, 2017 (Provisional). As per IndAS accounting standards, as on March 31, 2017 (Provisional), the Company has reported tangible net worth of Rs (74.69) Crs due to accumulated losses. ISCR and DSCR stood at 0.90 times and 0.81 times respectively for FY17. The Company's receivables are highly stretched (289 days) due to delayed annuities and annuity arrears from HGCL.

The key financial indicators are summarized in Annexure II.

Status of non-cooperation with other CRA: CRISIL had suspended its rating on the bank loan facility of Cyberabad Expressways Limited (CEL) vide press release dated 22nd July 2016 on account of non-cooperation by CEL with CRISIL's efforts to undertake a review of the outstanding ratings. The company, vide its letter dated 11th August 2017, has requested CRISIL to withdraw the said press release.

Any other information: Not applicable



Rating History for the last three years:

| Sl. No. | Instrument/ Facility | Current Rating (2017) | | | Rating History | | |
|---------|-------------------------|-----------------------|--------------------|--|--|---|------|
| | | Tenure | Amount (Rs Crs) | Rating | 13 th June 2016* | 13 th April 2015** | 2014 |
| 1 | Fund based Limits | Long term | 178.64 | BWR B+ Outlook: Stable Reaffirmed | BWR B+ (Outlook: Stable) Downgraded | BWR BB- (Outlook : Stable) Assigned | - |

* Amount rated: Rs 217.22 Crs

**Amount rated: Rs 269.66 Crs

Hyperlink/Reference to applicable Rating Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)

| Analytical Contacts | Media |
|---|---|
| Rajee R <i>General Manager- Ratings</i> analyst@brickworkratings.com | media@brickworkratings.com |
| | Relationship Contact bd@brickworkratings.com |
| Phone: 1-860-425-2742 | |



Cyberabad Expressways Limited (CEL)

Annexure I: Details of the bank facilities rated

| Details of Bank Facilities- Consortium of 8 banks | | | |
|--|-----------------|--|--|
| Bank Name | Facility | Amount Sanctioned (Rs Crores) | Amount Outstanding as on 31st July 2017 (Rs Crs) |
| Allahabad Bank | Term Loan | 37.00 | 17.62 |
| Dena Bank | Term Loan | 41.00 | 19.32 |
| Indian Bank | Term Loan | 56.00 | 26.36 |
| ICICI Bank | Term Loan | 37.00 | 17.65 |
| Vijaya Bank | Term Loan | 37.00 | 17.59 |
| United Bank of India | Term Loan | 57.31 | 27.36 |
| Central Bank of India | Term Loan | 56.00 | 26.52 |
| IIFCL | Term Loan | 55.00 | 26.19 |
| Total | | 376.31 | 178.64 |



Cyberabad Expressways Limited (CEL)

Annexure II

Key Financial Ratios

| Particulars | 31/Mar/2015 | 31/Mar/2016 |
|-----------------------------------|--------------------|--------------------|
| Result Type | Audited | Audited # |
| Revenue from operations* (Rs Crs) | 79.00 | 79.00 |
| EBITDA (Rs Crs) | 69.44 | 71.38 |
| PAT (Rs Crs) | -18.02 | -13.16 |
| Tangible Net Worth (Rs Crs) | -55.37 | -68.54 |
| Total Debt/TNW (Times) | -0.97 | -0.84 |
| Current Ratio (Times) | 0.24 | 0.34 |

*Other income is excluded

Audited financials as per Annual Report 2015-16 (Not restated)

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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