

Rating Rationale

Hyderabad Expressways Limited (HEL)

11th August 2017

Brickwork Ratings reaffirms 'BWR BB-' for the bank loan facilities of Rs 121.60 Crs of Hyderabad Expressways Limited ('HEL' or the 'Company')

Particulars:

Facilities#	Amount (Rs Crs)	Amount (Rs Crs)	Tenure	Rating ¹	
	Previous	Present #		Previous	Present
Fund based: Term Loans	167.78	121.60*	Long term	BWR BB- (Outlook: Stable)	BWR BB- [Pronounced BWR Double B Minus] (Outlook: Stable) Reaffirmed
Total	167.78	121.60	INR One Hundred and Twenty One Crores and Sixty 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, uncertainty with respect to timely receipt of future annuities and delay in recovery of loans and advances extended to its group entity, Cyberabad Expressways Ltd (CEL) (rated BWR B+), leading to overall strained liquidity position of the Company. The loans and advances extended to CEL were earlier estimated to be recovered during 2015, however, as on March 31 2017, there is an increase in the loans and advances extended to CEL.

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 recovery of loans & advances from its group entity, Cyberabad Expressways Ltd and timely receipt of future annuities which 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 **Hyderabad 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 1.27 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.
- **Support extended to group entity (Cyberabad Expressways Ltd)-** The short term loans and advances extended to group concern CEL stood at Rs 47.22 Crs as on March 31, 2017. These loans are interest bearing and extended for the purpose of meeting CEL's debt obligations. CEL has not received the annuity arrears amounting to Rs 140.88 Crs from HGCL till now, which has further strained its liquidity position and hence, these loans and advances have still not been repaid by them to HEL.

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

Hyderabad Expressways Ltd (HEL), Hyderabad, is a special-purpose vehicle, promoted to build and maintain the 13-kilometre Bongalur to Tukuguda section of the eight-lane outer ring road in Hyderabad (Telangana) on Built Operate and Transfer (BOT) annuity basis. HEL completed the project in August 2010. Gayatri Projects Ltd and Gayatri Infra Ventures Ltd hold 13.26% and 36.73% equity stake respectively in HEL, while IL&FS Engineering & Construction Co Ltd and Terra Projects Pvt Ltd owns 42.7 per cent and 7.3 per cent stake, respectively.

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

Financial Performance

The project was completed in April 2010 and annuity receipts started from July 2011. The revenue from operations mainly comprise of the annuity income. As per audited financials of FY16, the Company has reported net profits of Rs 5.02 Crores on revenue from operations of Rs 60.98 Crores in FY16. The Company's liquidity is strained due to delayed receipts of annuity from HGCL.

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 profits of Rs 44.40 Crores and Rs 2.69 Crores respectively for FY17, when compared to the restated revenue from operations and net profits of Rs 41.40 Crs and Rs 3.24 Crs respectively for FY16.

Total borrowings from Banks & FIs stood at Rs 137.98 Crs as on March 31, 2017 (Provisional). As per IndAS accounting standards, the Company has reported tangible net worth at Rs 26.18 Crs [Includes equity component of unsecured loans]. ISCR and DSCR were below average with ISCR being negative and DSCR at 0.45 times respectively for FY17. The Company's liquidity profile is strained due to delayed annuity receipts from HGCL and financial assistance extended to its group concern Cyberabad Expressways Ltd.

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 Hyderabad Expressways Limited (HEL) vide press release dated 22nd July 2016 on account of non-cooperation by HEL 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	121.60	BWR BB- Outlook: Stable Reaffirmed	BWR BB- (Outlook: Stable) Downgraded	BWR BB (Outlook: Stable) Assigned	-

* Amount rated: Rs 167.78 Crs

**Amount rated: Rs 195.42 Crs

Hyperlink/Reference to applicable Rating Criteria

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

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Hyderabad Expressways Limited (HEL)

Annexure I: Details of the bank facilities rated

Details of Bank Facilities- Consortium of 7 banks; United Bank of India being the Lead bank			
Bank Name	Facility	Amount Sanctioned (Rs Crores)	Amount Outstanding as on 31st July 2017 (Rs Crs)
Allahabad Bank	Term Loan	34.70	14.50
Dena Bank	Term Loan	31.20	13.06
Indian Bank	Term Loan	52.10	21.82
ICICI Bank	Term Loan	34.70	14.54
Vijaya Bank	Term Loan	34.70	14.45
United Bank of India	Term Loan	52.10	21.70
IIFCL	Term Loan	51.40	21.53
Total		290.90	121.60

Hyderabad Expressways Limited (HEL)

Annexure II

Key Financial Ratios

Particulars	31/Mar/2015	31/Mar/2016
Result Type	Audited	Audited #
Revenue from operations* (Rs Crs)	60.98	60.98
EBITDA (Rs Crs)	49.06	49.89
PAT (Rs Crs)	1.24	5.02
Total Debt (Rs Crs)	261.64	246.19
Tangible Net Worth (Rs Crs)	-11.36	-6.34
Total Debt/TNW (Times)	-1.20	-1.32
Current Ratio (Times)	1.98	1.70

*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.

DISCLAIMER

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