



## RATING RATIONALE

10 Feb 2020

### Angul Sukinda Railway Limited

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹1600.00 crores of Angul Sukinda Railway Limited (ASRL or ‘the Company’)**

#### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec,2018)	Present
Fund based	1600.00	1600.00	Long Term	BWR BBB Stable	BWR BBB Stable Reaffirmed
<b>Total</b>	<b>1600.00</b>	<b>1600.00</b>	<b>INR One Thousand Six Hundred Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

#### RATING ACTION / OUTLOOK

The rating of Angul Sukinda Railway Limited has been reaffirmed. The rating has, inter alia, factored the promoter of the Company by the Rail Vikas Nigam Limited, Odisha state government and entities promoted by Government of Odisha (GoO) (Odisha Mining Corporation Ltd, Orissa Industrial Infrastructure Development Corporation and Container Corporation of India Ltd) who put together have a 90% stake in the Company and the rail line being a dedicated freight line from the Odisha's mineral rich region (Angul) to the industrial belt (Sukinda) to facilitate easier movement of ores and coal to the manufacturing units, as well as of finished products to the rest of the country. The Project has been identified as an important infrastructure Project for the state of Odisha and is now monitored by the Project Monitoring Group of Union Cabinet Secretariat. Further it is supported by committed equity of ₹ 600 Crs from promoters, 98.5% of land has been acquired and tenders have been floated to execute the track laying work. Presently, ~47 % of work has been completed as of Feb 2020, including construction of major and minor bridges, culverts, etc. This line is expected to be a dedicated freight corridor between

the two stations, although, a passenger service may be introduced later depending on the local demand. Moreover, the new line between Angul & Sukinda would reduce 52 KM distance and so, the saving in time and cost would be substantial. Further, since the traffic density in Angul and Sukinda line is known, as the trains are moving in a longer route transporting materials and finished products, this partially offsets revenue risk post execution. In addition to that the bank facilities also carry a credit enhancement by way of escrow for the operating along with a DSRA account. However, the rating is constrained by the fact that the project is still to take-off, and the project completion is expected to be in July 2021, which implies a degree of possibility of cost and time over-run.

The Stable outlook on the rating reflects BWR's opinion that Angul Sukinda Railway Ltd.'s business risk profile will be maintained over the medium term.

## KEY RATING DRIVERS

### Credit Strengths:

- **Promoters strength and Support :** The promoters are Ministry of Railways and Odisha state government and entities promoted by GoO including Rail Vikas Nigam Ltd, Government of Odisha, Odisha Mining Corporation Ltd, Orissa Industrial Infrastructure Development Corporation and Container Corporation of India Ltd who collectively control 90%. The remaining stake is held by Jindal Steel and Power Ltd.
- **Progress of the project:** Promoters have infused the entire committed equity contribution up front of ₹ 600 Crs . Already, ASRL has acquired more than 98.5% of land (~1833 acres out of 1861 acres) with the help of Rail Vikas Nigam Limited (RVNL). Construction agreement has been executed with RVNL, who has implemented similar projects in the past . Tenders for some major works amounting to ₹ 1180.00 Crs have already been floated and issued and tenders for balance works are in progress.

Being the shortest route between iron ore rich Joda-Barbil area with many steel industries in Sukinda region on one side and Talcher coalfields and consumer industries in Angul region, the line is expected to be mainly used by Mahanadi Coalfields, Tata and other major established industries in the vicinity. The bank loans are all tied up and hence funding is not an issue.

### Credit Risks:

- **Project execution Risk:** Any policy changes will have an impact on project by way of cost and time overrun, which will impact the project metrics. However, partially this is offset by the fact that the Project has been identified as an important infrastructure Project for the state of Odisha and is now monitored by the Project Monitoring Group of Union Cabinet Secretariat.



## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR has principally relied upon the audited financials up to FY19, projections and publicly available information and information/clarifications provided by the management.

### **RATING SENSITIVITIES**

Going forward, the Company's ability to complete the project as scheduled without any cost overrun and further delay will be the key rating sensitivities.

**Positive:** Completion of the project on time without cost overrun; long term tie-ups for the carriage of goods would be credit positive

**Negative:** Any delay in completion of the project leading to cost overrun, and/ or regulatory or political exigencies that can hamper the project completion on time is credit negative.

### **LIQUIDITY POSITION**

The liquidity position of ASRL is adequate. The total project cost of Rs 2200.00 crore is proposed to be funded by equity of Rs 600.00 and term loan of Rs. 1600.00 crore which is already tied up with various banks. As on date, promoters have brought in their entire equity contribution of Rs.600.00 crores. The Banks have disbursed Rs.445.61 crores as on date.

The debt repayment is expected to commence from July 2022, which is one year post COD in July 21. Further, the Company's average daily operating expenses for FY19 are at Rs0.66 crores compared to Cash Balances of Rs.136.86 Crores as on 31 March 2019.

### **COMPANY PROFILE**

Angul Sukinda Railway Limited (ASRL) was incorporated in 2009 as a public limited company under Public Private Partnership. It is a joint venture of Rail Vikas Nigam Ltd (RVNL), State Government of Odisha, Odisha Mining Corporation Ltd, Orissa Industrial Infrastructure Development Corporation, Container Corporation of India Ltd and Jindal Steel and Power Ltd.

It is an SPV incorporated to construct and operate 113.39 KM broad gauge single railway line between Budhapankh station, Angul to Baganpal station (Sukinda) in the state of Odisha, with an objective to establish direct link between iron-ore rich areas of Odisha viz. Joda-Barbil (Sukinda Region) to steel and sponge iron industries in Angul region and between coal mining region in Talcher (Angul region) to industries in Jakhapura, Joda-Barbil and areas in Kendujhar district. In the long term, the Project is expected to reduce distance between industrial areas such as Rourkela and Dhamra/Paradip ports. The Project has been identified as an important infrastructure Project for the state of Odisha and is now monitored by the Project Monitoring Group of Union Cabinet Secretariat.

**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	₹ Cr	238.22	142.94
EBITDA	₹ Cr	(1.04)	(0.82)
PAT	₹ Cr	2.25	11.84
Tangible Net worth	₹ Cr	681.81	679.57
Total Debt/Tangible Net worth	Times	0.41	0.00
Current Ratio	Times	5.11	4.59

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED**

Debt-Service Reserve Account (DSRA)	From the COD or SCOD whichever is earlier, the Borrower shall maintain Debt Service Reserve Account (“DSRA”) equivalent to an amount of ensuing 2 quarter principal and interest obligation towards the Project RTL.
Escrow Account/TRA	The Borrower to open an Escrow Account/TRA and agree to deposit all the cash inflows from the proposed project in the said Escrow account/TRA and the proceeds shall be utilized in a manner and priority as per the Escrow Agreement. All cash flows from the project shall be routed through an Escrow Account/TRA.
Cash Sweep Facility	Out of the surplus received every year from COD, 100% of the excess cash balance over and above ₹ 75 Crs and after meeting all reserve requirements (including DSRA, etc), lenders dues and other commitments / obligations other than restrictive payments under financing agreements would be swept towards prepayment of installments in the inverse order of maturity.

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :NONE**

## RATING HISTORY

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based	Long Term	1600.00	BWR BBB Stable	BWR BBB Stable	-	-
	<b>Total</b>		<b>1600.00</b>	<b>₹ One Thousand Six Hundred Crores Only</b>			

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

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

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Angul Sukinda Railway Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1.	Canara Bank	Term Loan	400.00	-	400.00
2.	Bank of Baroda	Term Loan	200.00	-	200.00
3.	Union Bank	Term Loan	300.00	-	300.00
4.	Allahabad Bank	Term Loan	200.00	-	200.00
5.	Indian Bank	Term Loan	100.00	-	100.00
6.	Corporation Bank	Term Loan	160.00	-	160.00
7.	Punjab National Bank	Term Loan	240.00	-	240.00
<b>TOTAL</b>					1600.00

**Total Rupees One Thousand Six Hundred Crores Only .**

**For print and digital media**

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