



RATING RATIONALE

12 May 2021

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 (Feb,2020)	Present
Fund based	1600.00	1600.00	Long Term	BWR BBB Stable	BWR BBB Stable Reaffirmed
Total	1600.00	1600.00	INR One Thousand Six Hundred Crores Only		

*Please refer to BWR website 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 the Union Cabinet Secretariat. Further it is supported by committed equity of ₹ 600 Crs from promoters (As per the CA certificate dated 31.12.2020, total equity infused in the project is Rs. 778.60 Crs), around 98% of land has been acquired and tenders have been floated to execute the track laying work. Presently, around 58 % of work has been completed as of April 2021, 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.

The bank facilities also carry a credit enhancement by way of escrow for the operation along with a DSRA account.

However, the rating is constrained by the fact that the project is still to take-off, and the schedule COD was in July 2021 but due to Covid pandemic, the work is behind schedule and company expects to complete the project and achieve COD by Dec 2021, which implies a degree of possibility of cost and time over-run. The Management has informed us that the Board of Directors of the company has approved for the extension of COD of the project from June 2021 to December, 2021. The formal application for the revision of COD to the lenders is pending and will be finalised in the next consortium meeting of lenders.

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 (As per the CA certificate dated 31.12.2020, total equity infused in the project is Rs. 778.60 Crs). Already, ASRL has acquired more than around 98% of land 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 the 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 the Union Cabinet Secretariat.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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



RATING SENSITIVITIES

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

Upward: Completion of the project as scheduled without any further delay; long term tie-ups for the carriage of goods would be credit positive

Downward: Any further delay in completion of the project 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 (As per the CA certificate dated 31.12.2020, total equity infused in the project is Rs. 778.60 Crs). The Banks have disbursed Rs.857.36 crores as on date. Liquidity support is provided through DSRA equivalent to an amount of ensuing 2 quarter principal and interest obligation towards the Project, Escrow mechanism and sweep in arrangement.

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 an operate 113.39 KM broad gauge single railway line between from Budhapankh station, Angul to Baguapal 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 regions 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 the Union Cabinet Secretariat.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Operating Revenue	₹ Cr	238.22	303.08
EBITDA	₹ Cr	(1.04)	(0.88)
PAT	₹ Cr	2.25	0.27
Tangible Net worth	₹ Cr	681.81	724.69
Total Debt/Tangible Net worth	Times	0.41	0.61
Current Ratio	Times	5.11	2.92

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 [including withdrawal and suspended]

S.No	Instrument /Facility	Current Rating (2021)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2020	2019	2018
1	Fund Based	Long Term	1600.00	BWR BBB Stable	BWR BBB Stable	-	BWR BBB Stable
Total			1600.00	₹ One Thousand Six Hundred Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit 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.	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1.	Term Loan	400.00	-	400.00
2.	Term Loan	200.00	-	200.00
3.	Term Loan	300.00	-	300.00
4.	Term Loan	200.00	-	200.00
5.	Term Loan	100.00	-	100.00
6.	Term Loan	160.00	-	160.00
7.	Term Loan	240.00	-	240.00
TOTAL				1600.00

Total Rupees One Thousand Six Hundred Crores Only .

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