



Rating Rationale

Angul Sukinda Railway Ltd

04 Dec 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 1600.00 Crores of Angul Sukinda Railway Ltd (ASRL or 'The Company').

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based (Term Loan)	1600.00**	Long Term	BWR BBB (Pronounced as BWR Triple B) (Outlook:Stable)
Total	1600.00	₹ One Thousand Six Hundred Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** ₹ 1,100 Crs has tied up with three banks and the balance is expected to be finalised by the month-end.

Ratings : Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18, projections and publicly available information and information/clarifications provided by the management.

The rating has, inter alia, factored the promotion of the Company by the Rail Vikas Nigam Limited, Odisha state government and its entities (Government of Odisha, Odisha Mining Corporation Ltd, Orissa Industrial Infrastructure Development Corporation and Container Corporation of India Ltd) who all together have 90% stake in the Company, to construct a dedicated freight line from the Odisha's mineral rich region (Angul) and 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, almost 95% of land has been acquired and tenders have been floated to execute the track laying work. Presently, ~40 % of work has been completed as of October 2018, including construction of major and minor bridges, culverts, etc. This line is expected to a dedicated freight corridor between the two stations, although, a passenger service may be introduced later owing to the local demands. 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 project execution risk. The Company is in advanced stage of bringing in Tata Steel Limited as a one of the shareholders, with equity contribution to the extent of ₹ 100 Crs. In addition to that the bank facilities are supported by credit enhancement by way of maintaining DSRA and Escrow account. However, the rating is constrained by the fact that the project is still to take-off, financial closure is yet to happen and the project completion is expected to be in July 2021, which implies a degree of possibility of cost and time over-run. 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.

Credit Strengths:

- **Promoters strength and Support :** The promoters are Ministry of Railways and Odisha state government entities (Rail Vikas Nigam Ltd, Government of Odisha, Odisha Mining Corporation Ltd, Orissa Industrial Infrastructure Development Corporation and Container Corporation of India Ltd) who is controlling 90% and remaining by Jindal Steel and Power Ltd. Hence, it has strong support to execute the project.
- **Progress of the project:** Promoters have infused the entire committed equity contribution up front of ₹ 600 Crs and already spent an amount of ₹ 572.49 Crs towards project execution. Already, ASRL has acquired more than 95% of land (~1775 acres out of 1858 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 ₹ 731.80 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 also almost tied up and hence funding is not an issue.

Credit Risks:

- **Project execution Risk:** Any policy changes will impact on escalation of project cost and time overrun, will impact the project. However, partially it is offset support from 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

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).

Rating Outlook: Stable

BWR believes the **Angul Sukinda Railway Ltd** 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' based on progress of the project without delay. The rating outlook may be revised to 'Negative' if there is any delay in executing the project as per schedule and if any adverse in the policy by the government.



About the Company

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, the last holding 10% of equity. The share holding pattern will undergo slight changes, if and when Tata Steel contributes towards equity.

It is an SPV to construct 113.39 KM broad gauge single railway line between from Budhapankh station, Angul to Bagupal 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.

Status of Project

During September 2017, ASRL revised the Information Memorandum, taking some additional factors into account. Accordingly, the revised project debt of ₹ 1162.86 Crs was fully tied up. Subsequently, Ministry of Railways vide their orders dated 18.05.2018 have directed for “Elimination of Unmanned Level Crossings on railway lines with construction of Rail Over Bridges (ROB) / Rail Under Bridges (RUB)”. Accordingly, ASRL will have to add 39 number of ROB/RUBs in lieu of Unmanned Level Crossings over this new rail-line. ASRL has revised the project designs and scope of work to comply with the above guidelines of Ministry of Railways. Besides, additional land of ~83 acres has to be acquired for these RoB/RUBs. This has also resulted in shifting of the COD to July 2021, from 2019 as earlier.

RVNL (Construction Contractor) has revised/updated the cost of project (revised estimates based on data provided on 21.06.2018) duly considering the changes in scope of project as explained above and also based on the tenders allotted as on date and the balance work to be allotted on the standard rates of Indian Railways. Accordingly, revised cost of the project works out to ₹ 2,200 Crore (Equity of ₹ 600 Crs and debt of ₹ 1,600 Crs).

Company Financial Performance

For the year ended 31-Mar-2018, the Company has recognized revenue of ₹ 142.94 Crs (₹ 118.76 Crs for the year ended 31-Mar-2017) consisting of expenses of ₹ 142.94 Crs (₹ 118.76 Crs 31-Mar-2017) on construction of intangible assets under service concession arrangement. The Company has not recognised any revenue from operation of railway line since the construction of line is in process. The revenue shall be booked once the operation of line is commenced.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	1600.00	BWR BBB (Outlook:Stable)	-	-	-
2	Non Fund Based	Short Term	-	-	-	-	-
Total			1600.00	₹ One Thousand Six Hundred Crores Only			

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

Angul Sukinda Railway Ltd
Key Financial Indicators
Annexure - I

Key Parameters	Units	2017 (A)	2018 (A)
Operating Revenue	₹ Cr	118.76	142.94
EBITDA	₹ Cr	(0.54)	(0.82)
PAT	₹ Cr	21.85	11.84
Tangible Net worth	₹ Cr	667.73	679.57
Total Debt/Tangible Net worth	Times	NA	NA
Current Ratio	Times	High*	High*



**Due to very low current liabilities*

Analytical Contacts	Media
Vidya Shankar Chief General Manager - Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.