Rating Rationale

Khed Sinnar Expressway Limited

24 July 2018

Brickwork Ratings downgrades the ratings for the Bank Loan Facilities amounting to Rs. 1100.00 Crs of Khed Sinnar Expressway Limited.

Particulars

Facility	Previous Amount (In Rs. Crs.)	Present Amounts (In Rs. Crs.)	Tenure	Previous Rating	Present Rating*
Fund Based					
Term Loan	**1100.00**	**1100.00**	**Long Term**	**BWR BBB (SO)** (Pronounced as BWR Triple B (Structured Obligation)) **(Outlook: Stable)**	**BWR D (Pronounced as BWR D)**
Total Limits	**1100.00**	**1100.00 (INR Eleven Hundred Crores Only)**			

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

Rationale:

The rating revision has taken into account recent irregularities in debt servicing by the company. BWR has been informed that the company has delayed the payment of interest and principal due on June 30, 2018. As per the management, the non-payment of debt obligation was on account of the initiation of project termination process with NHAI as they have not received ROW (Right of Way) for remaining 20% of the project. The management has informed that through the process of arbitration, they are entitled to receive compensation from NHAI in accordance with the guidelines, and they will use the same to repay bank loan over a period of time.

IL&FS Transportation Networks Limited (ITNL) had a past track record of supporting KSEL in repaying debt obligations, however the same was not extended for debt repayment due on 30th June 2018 as the company is in process of initiating termination of project with NHAI, as also in similar other road projects sponsored by ITNL, where the ROW (Right of Way) is not received.

Rating Outlook: Not Applicable

About the Company and Project:

Khed Sinnar Expressway Limited (KSEL) is a Special Purpose Vehicle (SPV) incorporated on 19th April 2013, promoted by IL&FS Transportation Networks Limited (ITNL), for execution of a project envisaging Four Laning of Khed-Sinnar Section of NH-50 from km 42.00 Km to 177 Km with total length of 137.946 Km in the State of Maharashtra, on DBFOT (Design, Build, Finance, Operate & Transfer) basis under NHDP Phase – IV B for a concession period of 20 years from the appointed date 12-02-2014 to 12-02-2034. Scheduled COD Date was on 10th Aug'17 and the company has applied for extension of time up to 30th June 2019 due to non-availability of encumbrance free ROW with the Company. However the company had received the Provisional Completion Certificate (PCOD) on 31st January 2017 for the length of 104.636 Km out of 137.946 Km. There has been cost escalation in the project, which has been funded by the promoters, thus stressing their ability to support the company. Out of the total term loan of Rs. 1100 Crs, the drawdown amount was Rs. 885 Crs till the end of Jun' 18. The o/s amount as on 30th Jun 2018 was Rs. 867.13 Crs.

The project is part of National Highway - 50 (NH-50) which is 192 kms long corridor connecting Pune and Nashik, two prominent cities of Maharashtra. Mumbai, Pune and Nashik are together referred as Golden Triangle of Maharashtra. KSEL is implementing the project through a EPC Contract with the parent company IL&FS Transportation Networks Limited (ITNL) for the design, engineering, procurement of materials & equipment, construction and completion of the four laning of the project highway from Khed to Sinnar. The parent ITNL has necessary experience and expertise in construction industry including implementation of road projects. Since getting the Provisional Completion Certificate (PCOD) on 31st January 2017, the traffic has started moving and toll revenue has started coming in, however the collections have been lower than projection.

Key Financials:

Amounts in Rs. Cr.	FY 15-16 (Audited)	FY 16-17 (Audited)
Revenue	681.86	777.74
EBITDA	44.35	56.59
PAT	44.35	44.51
Equity	346.41	389.31
Total Debt	364.66	1130.76

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History			
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	8th Jan 2018	1st Aug 2016	2015	2014
1	Bank Loans – Fund Based	Long Term	1100.00	BWR D Downgraded	BWR BBB (SO) (Stable) Reaffirmed	BWR BBB (SO) (Stable) Assigned	-	-
Total		**1100.00 (INR Eleven Hundred Crores Only)**						

Status of Non-cooperation with other CRA: NA

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Infrastructure Sector**

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Note on complexity levels of the rated instrument:
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About Brickwork Ratings

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

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