

Trichy Tollway Private Limited

December 02, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-convertible debentures	-	CARE AA; Stable and Withdrawn (Double A; Outlook: Stable and Withdrawn)	Revised from CARE AA-; Stable (Double A minus; Outlook: Stable) and Withdrawn
Total long-term instruments	0.00 (₹ only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has revised and withdrawn the ratings assigned to the debt instrument of Trichy Tollway Private Limited (TTPL) with immediate effect. The above action has been taken at the request of TTPL. It might be noted that CARE Ratings has rated the above-mentioned instrument continuously for five years as well as for more than 50% of the tenure of the instrument. Furthermore, TTPL has given an undertaking to CARE Ratings that a rating is available on the aforementioned instrument.

The revision in the rating assigned to the non-convertible debenture (NCD) issue of TTPL factors in higher-than-expected recovery in revenue and traffic during FY22 (refers to the period April 1 to March 31) post the impact of COVID-19 pandemic, continued robust performance during the current fiscal with average daily toll collection (ADTC) improving to ₹47 lakh per day during Q1FY23 (compared with ₹37 lakh per day in Q1FY22 and ₹40 lakh per day in FY22) and comfortable debt coverage metrics and liquidity position.

The rating continues to derive strength from strong credit profile of the sponsor, Abertis India S.L, and its established global presence in the toll road segment, and commercial importance of the stretch with stable toll road operations for more than a decade with sustained traffic growth. The rating also derives strength from completion of two major maintenance (MM) cycles, maintenance of funded debt service reserve account (DSRA) and major maintenance reserve account (MMRA), presence of fixed-price operation and maintenance (O&M) contract mitigating the O&M risk to an extent and tail period of two years imparting refinancing ability.

The rating strengths are, however, tempered by the inherent traffic risk associated with toll projects, toll rates being linked to WPI and interest rate risk.

Detailed description of the key rating drivers

Key rating strengths

Strong sponsor with established presence in construction and operation of road project globally: TTPL is a wholly-owned subsidiary of Abertis India, S.L (Abertis), a subsidiary of Abertis Infraestructuras S.A., a Spanish infrastructure company. Abertis Infraestructuras S.A, incorporated in 2003, is engaged in the construction, management and operation of toll roads in Spain, and over the years, it has expanded its operation domestically as well as overseas. Abertis, currently, has about 8,700 km of toll roads under management in 16 countries in Europe, America and Asia. Given the strong credit profile and operational track record of Abertis, TTPL's operational and financial efficiency continues to be supported by the strong sponsor company.

Favourable location of the project: The project highway starts at Ulundurpet (km 192.25) and ends at Padalur (km 285.00), having a length of about 93.90 kms, which is a part of NH-45 that starts from Kathipara junction in Guindy (Chennai) and extends up to Theni stretching 472.00 km long, connecting Chennai and Dindigul, the major southern parts of Tamil Nadu. The project road acts as a major conduit for the movement of traffic from Chennai and connects the fairly well-developed industrial areas, i.e., Trichy, Madurai and Tuticorin (Port). Tourist/pilgrimage locations like Sabarimala, Madurai, Srirangam, Trichy, etc., attract significant passenger traffic. The corridor also has some captive passenger traffic travelling to some of India's major tourists places located in southern Tamil Nadu (Trichy, Madurai, Coimbatore, Kanyakumari) and those in Kerala.

Toll operations for more than a decade with established traffic growth and improved performance in current fiscal: TTPL commenced tolling from September 05, 2009, and has more than a decade of operational existence and performance. Toll traffic and revenue has been on an increasing trend since commencement of operation barring the periods

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

affected by sporadic events, such as Chennai floods in FY16, demonetisation in FY17 and COVID-19 pandemic in FY21. The collection grew at a compounded annual growth rate (CAGR) of 5.49% between FY11 and FY22. Despite a reduction in the toll collection witnessed during initial few months of FY21 due to the restrictions imposed to curb the spread of COVID-19, the toll collections have rebounded sharply to pre-COVID-19 levels from September 2020. In FY22, the daily PCU count witnessed a growth of 15.84%, which mainly translated into a strong revenue growth of 18% during the year. The performance further improved in the current fiscal with ADTT breaching pre-COVID-19 levels (around 80000 PCUs in Q1FY23 vis-à-vis around 65000 in Q1FY20) and toll revenue registering growth of 59% in Q1FY23.

Comfortable debt coverage metrics and maintenance of DSRA: The cash flows and debt coverage metrics are expected to remain comfortable in the projected period with improved toll collection driven by increasing traffic as well as revision in the toll rates (around 14%). The maintenance of DSRA for an amount equivalent to three months of debt servicing obligations also provides cushion to the cash flows. As on June 30, 2022, the company had DSRA balance of ₹23.65 crore invested in fixed deposits (against requirement of ₹21.17 crore).

Creation of MMRA and satisfactory road quality: TTPL completed its first MM cycle in FY16 at a cost of ₹82 crore and second MM in FY20 and FY21 with a cost of ₹95 crore. The company has been apportioning funds and has been creating MM reserves by deploying funds in mutual fund investments. The company is creating MM reserves to fund the last MM due in FY25. MM balance was ₹43.45 crore as on June 30, 2022.

Reasonable tail period imparting refinancing ability: The project has a concession period of 20 years ending in December 2026. The entire debt is due to be repaid by December 2024. This results in a tail period of two years, which imparts adequate refinancing ability.

Key rating weaknesses

Inherent revenue and traffic risks associated with toll-based projects: For any toll project, there is an inherent risk associated with the sustainability and growth of traffic. As the revenue depends upon the traffic that plies on the stretch, the company is exposed to the uncertainties with respect to traffic fluctuations. As the revenue also depends on yearly toll rate revision, the company is exposed to the uncertainties with respect to the revenue.

Inherent interest rate risk: The company is exposed to any adverse movement in the interest rates as infrastructure projects have long gestation period; however, it is partially hedged against such fluctuations with fixed rate of interest on the long-term instruments (NCDs). As on March 31, 2022, 38% of the borrowings have a fixed rate.

Liquidity: Adequate

The company's liquidity profile is adequate with presence of DSRA in the form of fixed deposit equivalent to the three months' debts servicing. As on June 30, 2022, TTPL has a DSRA of ₹23.65 crore as against the requirement of ₹21.17 crore. Apart from DSRA, the liquid investments/free cash stood at ₹56.45 crore as on June 30, 2022.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Infrastructure Sector Ratings](#)

[Toll Road Projects](#)

[Policy on Withdrawal of Ratings](#)

About the company

Trichy Tollway Private Limited is entirely held by Abertis India, S.L. (Abertis) and Abertis Infraestructuras S.A, a Spanish infrastructure firm, which took over the company from Macquarie SBI Infrastructure Investments Pte. Limited (MSIL) and SBI Macquarie Infrastructure Trustee Pvt. Limited (SMIT), Funds managed by Macquarie Group Limited and State Bank of India. TTPL operates a road stretch in the state of Tamil Nadu (TN) on a build-operate-transfer (BOT) basis. The project highway, having a length of about 93.90 kms, is a part of NH-45 connecting Chennai and Dindigul in the state of Tamil Nadu. The company commenced tolling operations from September 05, 2009, and received Final Completion Certificate dated September 04, 2012.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	122.72	148.58	NA
PBILDT	73.61	89.93	NA
PAT	-10.87	17.20	NA
Overall gearing (times)	10.17	5.08	NA
Interest coverage (times)	2.75	3.41	NA

A: Audited; UA: Unaudited; NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non-convertible debentures	INE053007019	June 20, 2016	9.40	December 15, 2024	0.00	CARE AA; Stable and withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Debentures-Non-convertible debentures	LT	-	-	-	1)CARE AA-; Stable (06-Sep-21)	1)CARE AA-; Stable (07-Oct-20)	1)CARE AA-; Stable (07-Oct-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	
Debt	3 months debt service reserve account servicing obligation
Financial Covenants	DSCR greater than 1.10 for each financial year beginning from FY17

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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