

Chetak Tollways Limited

April 05, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	266.77 (Enhanced from 200.77)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	171.87	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Reaffirmed
Total Bank Facilities	438.64 (Rs. Four Hundred Thirty-Eight Crore and Sixty-Four Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Chetak Tollways Limited (CTL) continue to derive strength from the operational status of its road project with track record of 77 months of toll collection, strategic location of the project stretch, its sponsor i.e., CEL's track record in construction and operations of large sized build-operate-transfer (BOT) road projects along with creation of stipulated debt service reserve account (DSRA) mainly through fund infusion by CEL and its moderate tail period of about six years. The ratings also take cognizance of satisfactory progress on claims raised by CTL through the conciliation committee and expected respite in cash flow post amicable resolution of the matter.

The above rating strengths, however, continue to be tempered by cash flow deficit caused by under performance in toll collection accentuated by change in axle norms and slowdown in economic activities due to Covid-19 pandemic. Lower toll collection and higher premium payment liabilities are expected to deteriorate debt coverage indicators and increase in financial support required from the sponsor Chetak Enterprises Limited (CEL; rated CARE A; Negative/ CARE A1) over and above utilization of existing debt service reserve account (DSRA). Further, the ratings continue to take into account inherent risks associated with toll road projects, susceptibility to variations in operations & maintenance (O&M) cost and interest rate risk.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Ramp up in traffic by 25% to 30% thereby leading the stretch to be self-sustainable.
- Deferment of premium by NHAI leading to self sustainable operations.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Delay in receipt of need based support from the promoter or exhaustion of funded DSRA affecting the debt coverage indicators.
- Significant decline on toll revenue of the company on a sustained basis.
- Significant adverse movement in the interest rate and O&M expenses leading to increase in support requirement from sponsor.

Detailed description of the key rating drivers

Key Rating Strengths

Operational status of the toll road project: CTL had received provisional commercial operations date (PCOD) after completion of 92.66% of work as per concession agreement and has an operational track record of 77 months till January 2022. The balance work on 8.38 km land has been de-scoped by NHAI, thereby entitling CTL to receive final commercial Operations Date (COD).

Strategic location of the road stretch: The project road stretch consists of sections of two National Highways, i.e., sections of NH-79 and NH-113. The NH-79 part of the project connects traffic from Jaipur to Indore and is part of high-density corridor. The project road stretch, forming part of NH-79, (which is 500 km long) links Ajmer in Rajasthan to Dhar in Madhya Pradesh. NH-79 has its strategic importance as the section between Ajmer and Chittorgarh is a part of the Golden Quadrilateral. The section also passes through an important industrial centre which is home for cement plants of the Birla Group, J.K. Group, Lafarge India Cement and Wonder Cement with other ancillary industries.

Established track record of the sponsor (CEL) in road sector: CEL has experience of successfully operating and maintaining build-operate and transfer (BOT) road projects for more than two decades. CEL has demonstrated its project execution capabilities in these projects with commencement of toll revenue in line with the original schedule. During FY21, CEL had infused need-based funds in CTL for maintaining requisite funded DSRA. Tail period of the project also offers economic incentive to CEL to support the project.

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

Satisfactory progress on claims raised by CTL The company is in the process of settling a ongoing claims with NHAI through its conciliation committee. The same may be adjusted against premium unpaid and due in the future and therefore it can offer some respite to cash flow once settled amicably.

Key Rating Weaknesses:

Underperformance in toll collections of CTL: The average daily toll collections (ADTC) of CTL witnessing de-growth since the last two years. The ADTC de-grew by around 5% during FY21 and stood at Rs.18.30 lakh as against Rs.19.23 lakh during FY20. Decline in toll collection was majorly due to decline in traffic on account of covid induced lockdowns, change in axle norms with raised load capacity for heavy vehicles by around 20% by Ministry of Roads Transport and Highways (MORTH) which has adversely impacted traffic of Multi Axle Vehicle (MAV) apart from reducing overloading charges. MAV is the major contributor in the toll collection of CTL. However, relief in premium payment till traffic reached to 90% of pre-covid level has provided some cash flow cushion to CTL. Furthermore, CTL has moderate tail period of about six years which provides financial flexibility. The ADTC, however, improved to Rs.19.43 lakh during 9MFY22 on account of gradual recovery in economic activity; however it continued to remain lower as compared to original toll collection estimates based on traffic study.

Further, project stretch has two alternate routes; however, the same are partly proposed to be six laned which reduces the risk of traffic diversion to an extent and not expected to be economically viable. Any significant diversion of traffic from CTL's project stretch to alternate routes shall be a key rating sensitivity.

Inherent O&M and interest rate risk: CTL is exposed to inherent O&M risk in light of heavy traffic of commercial vehicles and interest rate risk in light of presence of annual reset clause. Moreover, provision for major maintenance reserve (MMR) is not stipulated which also increases O&M risk.

Liquidity Analysis: Stretched- CTL has created DSRA equivalent to ensuing three months of debt servicing obligations in the form of fixed deposit receipts which is expected to provide some cushion in case of exigencies. However, CTL is expected to rely on timely support from CEL especially in the years of major maintenance due to lower than expected toll collection and absence of major maintenance reserve account. However, CEL has a track record of infusing need based funds to support its projects in case of cash flow mismatch.

Analytical approach: Standalone while factoring support from CEL for its uninterrupted operations

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Financial Ratios – Non Financial Sector](#)

[Short term instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology: Toll Road Projects](#)

About the Company

CTL, a special purpose vehicle (SPV), incorporated and owned by CEL had entered into a 19-year concession agreement (CA) on September 5, 2012 with National Highways Authority of India (NHAI; rated 'CARE AAA; Stable') with annual premium to be paid for the design, build, finance, operate and transfer (DBFOT) road project in Rajasthan. The concession period includes construction period of 730 days from the appointed date (i.e., October 1, 2013).

The project was for development and operation of Chittorgarh - Neemuch (Madhya Pradesh border) section (K.m.183 to 221.40) of NH-79 by four laning (effective length of 44.082 km) and Nimbahera – Pratapgarh section (K.m.5.40 to k.m.80.00) of NH-113 in Rajasthan by two laning (effective length of 72.915 km) of the existing stretches.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	74.24	69.75	NA
PBILDT	36.56	35.17	NA
PAT	-20.88	-19.94	NA
Overall gearing (times)	7.71	12.68	NA
Interest coverage (times)	0.86	0.85	NA

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: 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 (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Term loan		-	-	August 2027	171.87	CARE BBB-; Stable / CARE A3
Term Loan-Long Term		-	-	August 2027	266.77	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT/ ST-Term loan	LT/ST*	171.87	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (25-Feb-22)	1)CARE BBB-; Stable / CARE A3 (03-Feb-21) 2)CARE BBB-; Stable / CARE A3 (08-May-20)	1)CARE BBB; Stable / CARE A3 (19-Feb-20)	1)CARE BBB; Stable / CARE A3 (27-Mar-19)
2	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	1)Withdrawn (19-Feb-20)	1)CARE A3 (27-Mar-19)
3	Term Loan-Long Term	LT	266.77	CARE BBB-; Stable	1)CARE BBB-; Stable (25-Feb-22)	1)CARE BBB-; Stable (03-Feb-21) 2)CARE BBB-; Stable (08-May-20)	1)CARE BBB; Stable (19-Feb-20)	1)CARE BBB; Stable (27-Mar-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-Term loan	Simple
2	Term Loan-Long Term	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 instrument: CARE Ratings Ltd. 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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