

## Ahmedabad Ring Road Infrastructure Limited

December 13, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	48.81	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>48.81</b> <b>(₹ Forty-Eight Crore and Eighty-One Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Ahmedabad Ring Road Infrastructure Limited (ARRIL) to monitor the rating(s) vide e-mail communications dated August 23, 2022, November 30, 2022, December 01, 2022, and December 02, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, ARRIL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on ARRIL's bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING\***.

### Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the ratings assigned to the bank facilities of ARRIL takes into account inordinate delay in the receipt of compensation payment towards toll exemption of cars from authority and weakened credit profile of the sponsor cum O&M contractor i.e. Sadbhav Infrastructure Project Limited [SIPL; rated CARE B / CARE A4 (CWN); Issuer Not Cooperating]. Rating also take cognizance of no further update related to stake sale of ARRIL. Inordinate delay in the release of compensation payment and higher repayment obligations in FY22 (refers to the period April 1 to March 31) has increased reliance on weak sponsor.

The rating continues to favourably take into account operational track record of ARRIL for more than a decade along with regular hike in toll rates. The rating also continues to factor in favourable location of the road stretch leading to stable toll collection despite exemption of toll collection for passenger vehicles and availability of tail period of around 5 years. The rating also positively factors renewal of debt service reserve account (DSRA) in the form of BG of Rs. 25 crores till December 2022.

The rating, however, continues to remain constrained on account of regulatory risk as it is a state highway, inherent traffic risk associated with toll-based road projects, interest rate risk and operations & maintenance (O&M) risk elevated by upcoming major maintenance requirement and history of toll suspension due to slippages in maintenance work.

### Detailed description of the key rating drivers

At the time of last rating on April 01, 2022, the following were the rating strengths and weaknesses:

#### Key rating weaknesses

**O&M risk elevated by upcoming major maintenance (MM) requirement and deterioration in the credit profile of the sponsor cum O&M contractor:** ARRIL is also exposed to inherent O&M risk attached to any BOT road project which is elevated by major maintenance outlay expected in FY23. Toll collection of the stretch had been suspended by AUDA from December 11, 2019 on account of poor road quality, delay in resurfacing of the road, cleaning of central panel and repairing of central verge, despite various reminders and notices. The toll suspension was subsequently revoked on December 24, 2019 with commencement of major maintenance on the stretch whereby ARRIL undertook part MM amounting to Rs. 29 crore in FY20 while the balance major portion of MM was envisaged to be incurred in FY22. However, it has been deferred in FY23. SIPL, as a sponsor has extended undertaking to fund shortfall in the years of MM. However, credit profile of SIPL, who is also an O&M contractor of the company, has been deteriorated on account of delay in project execution as well as realization of stretched receivables and delay in materialization of various fund-raising plans.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; Based on best available information

**Non-Receipt of Compensation from AUDA post July 2020:** Reimbursement policy has been framed by AUDA whereby ARRIL shall receive compensation of toll suspension on passenger vehicles at the rate of Rs. 59.72 lakh per month from October 2017 onwards. As per the above policy, ARRIL had already received compensation of Rs. 19.89 crore in September 2020 for the period from October 2017 to July 2020. Though AUDA has approved compensation till January 2021, ARRIL has received compensation till July 2020 only. Furthermore, no compensation has been received from AUDA post July 2020. Pending receipt of compensation from AUDA exposes company to rely on timely funds infusion from weak sponsor.

**Update on Stake Sale:** There has not been any progress in stake sale deal of ARRIL with Indinfravit Trust. This has increased reliance of ARRIL on weaker sponsor.

**Inherent interest rate risk:** ARRIL is exposed to inherent interest rate risk on account of floating rate nature of interest on the term loan and hence its cash flow shall be susceptible to changes in interest rate in the economy over the long tenor of the loan.

**Inherent traffic risk:** ARRIL continues to be exposed to inherent traffic risk associated with toll-based road projects on the back of various macroeconomic factors beyond the control of the company.

### **Key rating strengths**

**Established operational track record of more than a decade and regular hike in toll rates:** ARRIL has an established track record of operations of more than thirteen years. The concession agreement has provision for increase in toll rates every year in the month of September based on the average wholesale price index (WPI) of last one year ended in March as compared with that of preceding financial year. ARRIL has a demonstrated track record of regular hike in the toll rates without any public protest

**Favourable location of the project stretch:** The project stretch connects various National Highways (i.e. NH-8, NH-8A, NH-C and NH-59) and State Highways (SH-3, SH-4, SH-43, SH-17, SH-68, SH-71, SH-142) and other urban roads of Ahmedabad. Radiating from the Ahmedabad city, there are 19 major roads of various categories either connecting or crossing this road. Expansion of industrial and commercial activity around Ahmedabad, overall economic development and importance of project stretch for connecting key cities of Gujarat has aided traffic growth in the past. The project stretch forms an important link between National Highways which provides interstate connectivity between Gujarat and Maharashtra, Rajasthan and Madhya Pradesh. The traffic on the stretch comes from Kandla and Mundra port, key industrial areas of Ahmedabad and other major cities of Gujarat.

Increasing population, industrial activity and city traffic, favourable policies of the state government for industrial growth, proposed completion of construction of major connecting roads by NHAI and plans to construct connecting road to the ring road by AMC are favourable factors for the future growth in traffic. Also, with increase in floor space index (FSI) for real estate around ring road area is expected to increase the traffic of commercial vehicles at ARRIL in the medium term.

**Stable Toll Collection:** ARRIL's toll collections stood stable at Rs. 98.54 crore during FY21 as compared to Rs. 95.94 crore during FY20. The average daily toll collections (ADTC) remained stable at Rs.27.00 lakh during FY21 as compared to Rs. 26.29 lakh during FY20. For 11M FY22, the company has received toll collection of Rs. 92.86 crores basis which average daily toll collections (ADTC) remains at Rs. 27.89 lakh for FY22.

**Renewal of DSRA:** ARRIL has to maintain DSRA equivalent to one quarter of debt servicing in funded or non-funded form complying to which ARRIL had maintained DSRA in the form of BG which was valid till December 31, 2020. DSRA BG equivalent to Rs. 25 crore had been renewed till June 30, 2021 and further as per banker interaction, DSRA has been renewed till June 30, 2022 thereby strengthening liquidity back up of the company.

### **Liquidity: Stretched**

Liquidity of ARRIL is stretched on account of higher repayment obligations in Q4FY22. Further major portion of the MM outlay was also envisaged in FY22. However, the same is deferred to FY23. Nonetheless, it has DSRA BG equivalent to Rs. 25 crore which has been renewed till December 31, 2022.

### **Analytical approach:**

Standalone

## Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Toll Road Projects](#)

[Policy on Withdrawal of Ratings](#)

## About the company

Ahmedabad Ring Road Infrastructure Ltd (ARRIL) is a SPV promoted by Sadbav Engineering Limited [SEL; rated CARE C; Negative; INC] through its step-down subsidiary, Sadbhav Infrastructure Project Limited [SIPL; rated CARE B / CARE A4 (Under Credit watch with Negative Implications)], for implementing the ring road project around the municipal limits of Ahmedabad city. The project was awarded by Ahmedabad Urban Development Authority (AUDA) and required broadening of the existing two-lane 76 km ring road around Ahmedabad to four-lane along with operations and maintenance (O&M) of the same up to November 2027 on build-operate and transfer (BOT) basis. Being a city road (post significant expansion of Ahmedabad city), having various feeder routes and toll plazas and catering to diversified traffic (which cater to various other industries) further add to the various advantages of the project stretch for ARRIL.

The project was completed at a total cost of Rs. 514.96 crore and was financed through term loan of Rs. 405 crore and balance through equity/grant. ARRIL achieved commercial operations date (COD) on May 30, 2008. There is a toll exemption for cars since October 2017. Clarity on compensation of toll exemption on cars is awaited.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	100.68	NA	NA
PBILDT	82.19	NA	NA
PAT	28.81	NA	NA
Overall gearing (times)	1.15	NA	NA
Interest coverage (times)	5.88	NA	NA

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

**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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Term Loan-Long Term		-	-	May 2024	48.81	CARE BB; Stable; ISSUER NOT COOPERATING*

**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	Term Loan-Long Term	LT	48.81	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (01-Apr-22)	-	1)CARE BBB+ (CWN) (30-Mar-21) 2)CARE A- (CWD) (12-May-20)	1)CARE A (CWD) (27-Jan-20) 2)CARE A (CWN) (19-Dec-19) 3)CARE A+ (CWD) (26-Jul-19)

\*Long term/Short term.

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

Not Applicable

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

Sr. No.	Name of Instrument	Complexity Level
1	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 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:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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