

## Essel Lucknow Raebareli Toll Roads Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Non-convertible debentures	263.10 (Reduced from 288.90)	CARE D	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of the rating assigned to long-term non-convertible debentures (NCDs) of Essel Lucknow Raebareli Toll Roads Limited (ELTRL) reflects the default status due to non-payment of ₹26.70 crore redemption (ISIN no. 'INE465N07181'), which was due on September 30, 2024. The continuation of the default status is due to the company's poor liquidity position. CARE Ratings Limited (CARE Ratings) acknowledges while ELTRL has serviced the interest obligation on the outstanding NCDs, the redemption remains unpaid. Despite having debt service reserve account (DSRA) balance of ₹41.47 crore as on October 31, 2024, which partially covers ensuing six months interest and one half-yearly principal payment, the DSRA balance was not utilised.

Rating takes cognisance that Agra Gwalior Pathways Private Limited (AGPPL) holds 73.24% outstanding NCDs as on November 30, 2024, and controls ELTRL's operations. The company has certain project maintenance commitments with the National Highways Authority of India (NHAI; rated 'CARE AAA; Stable'). However, ELTRL has underperformed in maintaining the project stretch according to NHAI's road quality standards, leading to significant delays and multiple instances of annuity deductions by the concessioning authority. The absence of funded maintenance reserves further exacerbates the company's ability to finance ongoing maintenance activities. Additionally, cash flows remain strained due to the ongoing funding requirements to cover the significantly higher-than-expected major maintenance expenses.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in liquidity position along with regularisation of debt servicing for continuous period of at least 90 days
- Timely receipt of annuities without any deduction and completion of major maintenance activity in satisfaction to NHAI.

#### Negative factors:

Not applicable

#### Analytical approach: Standalone

#### Outlook: Not applicable

### Detailed description of key rating drivers:

#### Key weaknesses

##### Ongoing delays in debt servicing

ELTRL continues to be in default due to the non-payment of ₹26.70 crore redemption (ISIN no. 'INE465N07181'), which was due on September 30, 2024. ELTRL has serviced the interest obligation on outstanding NCDs, while the principal redemption remains unpaid. The continuation of the default status is due to the company's poor liquidity position. Despite having DSRA balance of ₹41.47 crore as on October 31, 2024, which partially covers ensuing six months interest and one half-yearly principal payment, the DSRA balance was not utilised. The strain in liquidity is primarily due to underperformance in maintaining the project stretch according to NHAI's road quality standards, leading to significant delays and multiple instances of deductions from the annuities. Absence of funded maintenance reserves further exacerbates the company's ability to finance the ongoing maintenance activities.

#### Key strengths

##### Low credit risk associated with the annuity provider

Incorporated by the Government of India (GoI) under act of the Parliament as a statutory body, NHAI functions as the nodal agency for development, maintenance and management of national highways in the country. NHAI's credit rating factors in high level of support received by NHAI from GoI due to its strategic importance for implementing road sector projects including phases of NHDP. Being a quasi-government body, the risk arising from NHAI defaulting on the annuity payments is minimal.

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

**Liquidity:** Poor

Poor liquidity is marked by stretched cashflows to cover the requirement of project maintenance and debt servicing. The company reportedly had free cash balance of ₹ 38.19 crore and partial DSRA balance of ₹ 41.47 crore as on October 31, 2024.

**Assumptions/Covenants**

Not applicable

**Environment, social, and governance (ESG) risks**

Not applicable

**Applicable criteria**

[Definition of Default](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Rating Watch](#)

[Road Assets-Annuity](#)

[Infrastructure Sector Ratings](#)

**About the company and industry****Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

Incorporated on December 29, 2011, ELRTRL is an SPV promoted by Essel Infraprojects Limited (EIL; rated 'CARE D; Issuer not cooperating') for 'Four laning of Lucknow-Raebareli section from km 12.700 to km 82.700 (70 km length) of NH-24B in Uttar Pradesh under NHDP Phase IVA on design, built, finance, operate and transfer (DBFOT)-Annuity Basis' per the tender awarded by NHAI, (rated 'CARE AAA; Stable'). Per the CA, concession period of the project is 17 years (including construction period of 912 days). The SPV attained provisional commissioning certificate on January 16, 2015, and final commercial operation date (COD) on April 14, 2015.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	80.77	42.78	17.71
PBILDT	58.27	33.21	14.79
PAT	27.55	7.40	3.57
Overall gearing (times)	2.51	2.04	NA
Interest coverage (times)	1.77	1.17	1.19

A: Audited, UA: Unaudited; NA: Not available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures	INE465N07181	27-Nov-2015	9.30	30-Sep-2024	26.70	CARE D
Debentures-Non-convertible debentures	INE465N07199	27-Nov-2015	9.30	31-Mar-2025	27.60	CARE D
Debentures-Non-convertible debentures	INE465N07207	27-Nov-2015	9.30	30-Sep-2025	27.00	CARE D
Debentures-Non-convertible debentures	INE465N07215	27-Nov-2015	9.30	31-Mar-2026	27.90	CARE D
Debentures-Non-convertible debentures	INE465N07223	27-Nov-2015	9.30	30-Sep-2026	28.80	CARE D
Debentures-Non-convertible debentures	INE465N07231	27-Nov-2015	9.30	31-Mar-2027	30.00	CARE D
Debentures-Non-convertible debentures	INE465N07249	27-Nov-2015	9.30	30-Sep-2027	31.20	CARE D
Debentures-Non-convertible debentures	INE465N07256	27-Nov-2015	9.30	31-Mar-2028	32.40	CARE D
Debentures-Non-convertible debentures	INE465N07264	27-Nov-2015	9.30	30-Sep-2024	31.50	CARE D

**Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non-convertible debentures	LT	263.10	CARE D	1)CARE D (03-Oct-24)	1)CARE BB+ (RWN) (21-Dec-23)	1)CARE BBB; Positive (26-Dec-22)	1)CARE BBB-; Negative (27-Dec-21)

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

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

**Annexure-5: Lender details**

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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