

Navayuga Bengalooru Tollway Private Limited

January 27, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|---------------------|---------------------------------|--|
| Long Term Bank Facilities | 444.96 | CARE D; ISSUER NOT COOPERATING* | Rating continues to remain under ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has been seeking information from Navayuga Bengalooru Tollway Private Limited to monitor the rating(s) vide e-mail communications dated December 26, 2022, December 30, 2022, January 02, 2023, January 06, 2023, January 13, 2023, 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 has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

Analytical approach: Standalone

At the time of last rating on November 03, 2022 the following were the rating strengths and weaknesses.

Key weaknesses

Delays in debt servicing albeit improvement in toll revenue: The auditor in his report has mentioned that there are delays in repayment of loans ranging from 1 to 89 days. In addition, the bankers have confirmed the delays in debt servicing. The toll revenue has marginally improved by 3.83% from Rs 71.43 crore (@Rs 19.57 lac/day) in FY18 to Rs 74.17 crore (@ Rs 20.32 lac/day) due to subdued growth in traffic and WPI escalations. In spite of having growth in toll revenue, the continuous delay in debt servicing is primarily due to the actual toll revenue is Rs 74.17 crore for FY19 (@ Rs 20.32 lac/day), which is 40% lower than the initial envisaged toll revenue of Rs 104.05 crore (@ Rs 28.51 lac/day). Further, the debt obligations for the FY19 including principal and interest obligations works out to Rs 90.11 crore, which is more than the net cash generated from the toll operations. Hence, the short-fall in debt obligation is being met from infusion of unsecured loans from promoters with delay.

O&M risk with non-creation of Major Maintenance Reserve Account (MMRA): NBTPL is mandated to operate and maintain the road as per specifications set out in the CA, non-compliance of which could result in penalties being levied by NHAI, thereby exposing NBTPL to O&M risk. The routine maintenance and operations is being carried out by the SPV itself. The SPV has engaged a dedicated team for O&M activities. Further, the company is not maintaining any Major Maintenance Reserve Account (MMRA) to meet the 2nd cycle of major maintenance estimated in year FY2022 and FY2023.

Inherent revenue risk being a toll based road project: Unlike an annuity based project where the credit risk is mitigated largely as the future cash flows are guaranteed by the respective annuity provider, a toll-based project poses greater credit risk due to the uncertainty associated with the traffic flow and in turn, revenue collection. Revenue in a toll based road project is simultaneously dependent on rate of traffic growth, traffic-mix and growth in toll rates subject WPI escalation. Being a toll based project, NBTPL is associated with the inherent revenue risks arising out of such projects and various macro-economic factors beyond the control of the company.

Key strengths

Promoter's experience in executing and maintaining road projects: NBTPL is a Special Purpose Vehicle (SPV) promoted by Navayuga Engineering Company Limited (NECL), through Navayuga Road Projects Private Limited (NRPPL), for undertaking project awarded by National Highways Authority of India (NHAI) in the state of Karnataka on Built, Operate and Transfer (BOT) Toll basis. NECL is into all types of core infrastructure development with focus on foundation technology. The promoters have been extending support towards the project and have infused funds to support cost overrun. Further, the sponsors have also infused funds to support debt servicing as well as Major Maintenance in the past. NECL'S order book as on December 20, 2018 stood at Rs.30,355.50 crore (as against Rs.21,769.27 crore as on October 10, 2017) which provides revenue visibility for the next 5.76 years at gross billing level for FY18.

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

Liquidity: Poor

Liquidity position of the company is poor on account low toll revenue and high debt servicing obligations. Further the company has been in cash losses since its inception on account of low toll revenue due to significant portion of the traffic moving through service roads thereby escaping toll road.

Applicable criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Toll Road Projects](#)

About the company

Navayuga Bengaluru Tollway Private Limited (NBTP) is an SPV promoted by Navayuga Engineering Company Limited, for undertaking project awarded by National Highways Authority of India (NHAI) in the state of Karnataka on Built, Operate and Transfer (BOT) Toll basis. The concession agreement (CA) was signed on May 09, 2007 for a period of 20 years from appointed date i.e. November 04, 2007 which also includes construction period of 2 years. The project involves capacity improvement of the existing carriageways from km 10.00 to km 29.50 on the Bangalore-Nelamangala section, of National Highway no. 4 (NH-4) in the state of Karnataka on Design, Engineering, Finance, Construction, Operation and Maintenance of elevated highway (4.5 km) and six laning of highway (15 km along with service roads) on BOT basis. The scheduled commercial operation date (SCOD) of the project was in November 30, 2009 however, owing to the delays on account of non-availability of land for part of the project stretch, provisional commercial operation was achieved on November 30, 2010 and subsequently tolling operations started from December 01, 2010, the final completion certificate was received on December 12, 2010. Since then, the tollable traffic on the project stretch has been lower than initial estimates primarily on account of traffic diversion over service roads. However, the traffic on the stretch has been gradually picking up y-o-y. There are six toll plazas located on the project road and the toll rates are linked to the annual WPI movement with annual revision every year in the month of July.

| Brief Financials (₹ crore) | March 31, 2020 (A) | March 31, 2020 (A) | March 31, 2020 (A) | 9MFY23 (UA) |
|----------------------------|--------------------|--------------------|--------------------|-------------|
| Total operating income | 75.51 | NA | NA | NA |
| PBILDT | 50.70 | NA | NA | NA |
| PAT | -49.50 | NA | NA | NA |
| Overall gearing (times) | -0.97 | NA | NA | NA |
| Interest coverage (times) | 0.93 | NA | NA | NA |

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

Status of non-cooperation with previous CRA: Nil

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 the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

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 |
|---------------------------|------|------------------|-----------------|-------------------|-----------------------------|---|
| Fund-based - LT-Term Loan | | - | - | September 30,2024 | 444.96 | CARE D; 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 | Fund-based - LT-Term Loan | LT | 444.96 | CARE D; ISSUER NOT COOPERATING* | - | 1)CARE D; ISSUER NOT COOPERATING* (01-Dec-21) | 1)CARE D; ISSUER NOT COOPERATING* (03-Nov-20) | 1)CARE D (15-Nov-19) |

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|---------------------------|------------------|
| 1 | Fund-based - LT-Term Loan | Simple |

Annexure-5: Lender details

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

Note on the 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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