

Kochi Aroor Tollways Private Limited (Revised)
July 29, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE A+; Stable (Single A Plus; Outlook: Stable)	Assigned
Total Bank Facilities	5.00 (₹ Five Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers:

The rating assigned to the bank facilities of Kochi Aroor Tollways Private Limited derives strength from long-standing experience of the sponsors in the infrastructure and toll collection business, established operational track record of over seven years, healthy growth in toll collection over the years, aided by favourable location of the project stretch with absence of major alternate route, limited impact of covid 19 pandemic on the toll collections and comfortable debt coverage indicators with absence of debt and adequate liquidity position. The rating strengths are, however, tempered by the inherent traffic risk associated with toll-based road projects in light of fixed payment of concession fees to National Highway Authority of India (NHAI; rated CARE AAA; Stable), operation and maintenance (O&M) and Major Maintenance (MM) risk associated with OMT project and large exposure in group entities by way of advances/investments.

Rating Sensitivities**Positive factors - Factors that could lead to positive rating action/upgrade:**

- Significant and sustainable increase in traffic on the project stretch by 10%.
- Maintenance of liquid funds to meet any exigency

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

- Significant increase in MM expenses in FY23 and/or delay in execution of MM works resulting in penalty from NHAI
- Lower than envisaged growth in traffic on the project stretch
- Availing of unenvisaged debt in order to fund group companies leading to deterioration in debt metrics.

Detailed description of the key rating drivers**Key Rating Strengths****Established track record of promoters in the infrastructure industry**

KATPL has been promoted by Ayushajay Constructions Private Limited (ACPL; CARE BBB+; Stable/CARE A2) and Agroh Infrastructure Developers Pvt. Ltd. (CARE BBB-; Stable/CARE A3). The promoters have long standing track record in the infrastructure development including road & bridge construction and toll collection activities with pan India presence. ACPL has more than two decades of experience in toll collection for various stretches of national highways and state roads.

Favourable location of project stretch: The project stretch lies on National Highway 66 which stretches from north to south along western coast of India, parallel to western ghats which starts from Panvel, Maharashtra and terminates in Kanyakumari, Tamil Nadu.

The project stretch of 16.75 kms is in the state of Kerala and links Northern Part of Kochi (Edapally) to its Southern part (Aroor) over Vembanad lake while passing through Ernakulam (central part of Kochi). The stretch is primarily dominated by local passenger vehicles commuting between Kochi (one of the major cities in Kerala) and its surrounding suburbs. There is no major alternate route along the project highway which connects Edapally to south part of Kochi due to presence of lake in the southern part.

Healthy toll collection with established operational track record: KATPL has an operational track record of around 80 months during which it has registered healthy revenue growth backed by increase in toll rates and traffic on the project. Since the Commercial Operations Date (COD) on September 06, 2015 till FY22, Average Daily Toll Collection (ADTC) of the project has achieved CAGR of around 16%.

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

Although, the company witnessed decline in traffic levels during FY19 and FY21 on account of floods and covid induced lockdowns respectively, the same improved during FY22 with the increase in the passenger traffic levels post second wave of covid. KATPL reported healthy toll collection during FY22 marked by Average Daily Toll Collection (ADTC) of Rs.13.28 lakh as against ADTC of Rs.12.02 lakh during FY21, thereby registering a y-o-y growth of 10.5% over previous year.

Annual revision in toll rates linked to change in WPI: KATPL's toll model incorporates 3% fixed increase every year plus an annual increase in the toll rates over 2008 toll rates and is linked to 40% change in wholesale price index (WPI) over previous year. The latest toll rate revision has happened on March 26, 2022. Fixed increase in toll rates reduces the risk associated with any declining trend of WPI.

Liquidity: Adequate

Liquidity position of KATPL is adequate marked by healthy cash accruals against no debt service obligations. Company does not have any debt on its books as on March 31, 2022. The company is not stipulated to maintain any maintenance reserves. The cash accruals are therefore, deployed as investment in group entities or given as loans & advances. As on March 31, 2022, the company had free cash and liquid investments to the tune of ~Rs.1.60 crore.

Key Rating Weaknesses

Inherent revenue risk associated with toll-based road projects with fixed payments to NHAI:

KATPL, having toll collection as its only source of revenue, remains exposed to inherent risks associated with the decline in traffic volume on the project stretch due to any unforeseen circumstances. The traffic on project stretch is dependent upon the movement of local people and tourists. Thus, toll revenue of the project continues to be subjected to inherent risks associated with natural disasters, disposal income of people and epidemics.

Given passenger vehicles form a major portion of the traffic (over 70%) and fixed concession fee payable to NHAI irrespective of traffic levels during the year, any slowdown in the passenger traffic in the region will impact toll revenue and profitability of the company to a large extent.

Inherent O&M risk:

KATPL is mandated to operate and maintain the road as per specifications set out in the concession agreement (CA) for the entire concession period, non-compliance of which could result in penalties by the authority and thereby company is exposed to inherent maintenance risk. The maintenance period is fraught with risk of higher than anticipated maintenance costs due to volatility in prices of key raw materials, thus exposing the company to risks associated with O&M of the project stretch within envisaged cost parameters.

The total overlay expenditure envisaged over the concession period (September 06, 2015 to September 05, 2024) was Rs.37.46 crore. The company incurred expenditure of Rs.14.91 crore towards first cycle of MM in FY16 while the next MM works are due in FY23. The company expects to incur an amount of Rs.22.56 crore towards 2nd cycle of MM works and the same are expected to be completed by March 2023. The company proposes to handle the said works in house, similar to first cycle of MM and there is no fixed price contract with any third party.

High group exposure:

KATPL does not have any term loan obligation and the surplus fund are being utilized to support group entities, most of which are engaged in business of toll collection/EPC works etc. KATPL's investment in various group entities by way of subscription to preference shares and other loans and advances stood at Rs.32.95 crore as on March 31, 2021 (Rs.29.20 crore as on March 31, 2020). Further during FY22, approx. Rs.72 crore additional funds have been deployed in group entities. Any additional exposure funded by way of borrowings impacting the debt coverage metrics would be a key monitorable.

Analytical approach: Standalone

Applicable Criteria

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

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

[Rating Methodology - Infrastructure Sector Ratings](#)

[Rating Methodology for Toll Road Projects](#)

[Financial ratios – Non-Financial Sector](#)

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

About the Company

Kochi Aroor Tollways Private Limited (KATPL) is a Special Purpose Vehicle (SPV), incorporated in March 2015 to undertake Operations, Maintenance and transfer (OMT) for a total length of 16.75 Km on Edapally-Vytilla-Aroor Section of National Highway-66 (NH-66) in the state of Kerala. The project stretch connects northern part of Kochi to its southern part over Vembanad lake. The Concession Agreement (CA) was entered with National Highways Authority of India (NHAI) for a tenure of 9 years ending on September 05, 2024.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022	Q1FY23
Total operating income	50.97	41.23	NA	NA
PBILDT	39.41	26.78		
PAT	12.70	12.18		
Overall gearing (times)	0.00	0.00		
Interest coverage (times)	19.97	12.69		

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: NA

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 (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	5.00	CARE A+; Stable

Annexure-2: Rating History of 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-Bank Overdraft	LT	5.00	CARE A+; Stable				

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

Annexure 4: Complexity Level of various facilities rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	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 has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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