

## Moradabad Bareilly Expressway Limited (Revised)

December 9, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities (i)	93.91	CARE D (Single D)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
Long Term Bank Facilities (ii)	1,104.91	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
<b>Total Bank Facilities</b>	<b>1,198.82</b> <b>(₹ One Thousand One Hundred Ninety-Eight Crore and Eighty-Two Lakhs Only)</b>		
Non Convertible Debentures (ii)	354.01	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
<b>Total Long Term Instruments</b>	<b>354.01</b> <b>(₹ Three Hundred Fifty-Four Crore and One Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

#### Detailed rationale and key rating drivers

The revision in the rating assigned to the long-term bank facilities (i) as stated above factors in ongoing delays in servicing of part interest as reported by one of the lenders due to dispute on rate of interest between company and the lender.

The revision in the rating for the long-term bank facilities (ii) as stated above and debt instrument are based on CARE Ratings default recognition policy wherein ratings of other bank facilities/instruments shall also revise closer to default category.

The rating for the bank facilities (ii) and debt instruments also derives strength from long operational track record, and presence of funded debt service reserve account (DSRA). The ratings continue to factor notable growth in toll collections during FY22(refers to the period April 1 to March 31). Toll revenue in FY23 is expected to be robust due to toll hike supported by favourable whole-sale price index and subsides of Covid-19.

The rating strengths are however tempered by the inherent revenue risk associated with toll-based road projects, presence of alternate route and Operation and Maintenance (O&M) related risks.

#### Rating sensitivities

##### Positive factors – Factors that could lead to positive rating action/upgrade:

- Resolution of dispute w.r.t interest charged by one of the lenders and regularization of debt servicing
- Growth of 15%-20% in toll revenue leading to sustained improvement in DSCR level
- Completion of major maintenance within envisaged cost and time

##### Negative rating sensitivities - Factors that could lead to negative rating action/upgrade

- Significant decline in toll revenue or increase in O&M cost leading to DSCR levels for senior debt below unity.

#### Detailed description of the key rating drivers

##### Key rating weaknesses

##### *Delays reported by one lender w.r.t interest payment*

<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

One of the lenders has communicated that there are ongoing delays in servicing interest due to dispute on rate of interest between company and the lender.

For the other term lenders and debt instruments, there are no irregularities in debt servicing. However, given the same seniority of all the facilities/instruments, the ratings for such facilities/instruments have also been revised closer to default category in line with CARE Ratings default recognition policy.

***Inherent revenue and traffic risks associated with toll-based projects:***

For any toll project, there is an inherent risk associated with the sustainability and growth of traffic. As the revenue depends upon the traffic that plies on the stretch, the company is exposed to the uncertainties with respect to traffic fluctuations. As the revenue also depends on yearly toll rate revision, the company is exposed to the uncertainties with respect to revenue. However, toll collection reported 2.83% growth during FY22. Favourable WPI and subsides of Covid -19 are also expected to augur well for the toll collection.

***Exposure to O&M and Major Maintenance risk:***

Moradabad Bareilly Expressway Ltd is exposed to inherent O&M risk elevated by weak credit profile of O&M contractor being group company of IL&FS Transportation Network Ltd (ITNL, rated CARE D Issuer Not Cooperating).

The company has started undertaking Major Maintenance in FY20 and the progress has been relatively slower. The MM activity is expected to be completed by FY23. The MM activity is being funded through internal cash generation from the project currently. The company has undrawn limits to fund the MM which however would be released by lenders in case of insufficient cash generation from the project cash flows. Any delay in disbursement of funds towards major maintenance, if required, would impact the major maintenance activity. This along with continued poor Major Maintenance activity may attract penalty if the project stretch is not maintained as per the terms of Concession Agreement.

***Weak credit profile of Sponsor group:***

The shareholding has been transferred to InvIT and with the transfer ITNL directly ceases to be the project sponsor. The role of ITNL has reduced from being sponsor of MBEL to unitholder of InvIT with no role in operations of InvIT as the same would be managed by independent board of investment manager thereby improving corporate governance and better control. While transfer to InvIT has resulted in the company out of various restrictions placed on the IL&FS group entities, the benefits are yet to accrue and remain to be seen. As of now, there has been no liquidity infusion in the entity in any form and manner.

**Key rating strengths**

***Favourable location of project***

The toll-based nature of the four-lane stretch makes the company susceptible to the uncertain traffic flow and consequent revenue fluctuations. However, the project has witnessed growth in traffic on a y-o-y basis with traffic at stretch almost in line with the initial estimates. The section of project road passes through the Moradabad, Rampur and Bareilly. These districts have very strong interaction with the other parts of UP. Besides intra state traffic of UP, the project road also serves interstate traffic originated from Delhi, Haryana, Uttarakhand and other parts of India.

***Reclassified as Green Entity with no change in repayment schedule of Secured Lenders***

The company had restructured its debt with all the lenders on August 31, 2019 (without modifying repayment schedule of secured external debt). Pursuant to this, NCLAT vide its order dated September 19, 2019 classified the Company under "Green Category" which means that the company is able to meet financial obligations towards all lenders and operational creditors.

**Liquidity: Adequate**

MBEL is generating adequate toll collections and accruals as against principal and interest repayment obligation. The company has DSRA equivalent to 1 quarter debt servicing. The delays reported with one of the lender is due to dispute over interest rate.

**Analytical approach: Standalone**

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Infrastructure Sector Ratings](#)

[Toll Road Projects](#)

### About the company

Incorporated on January 11, 2011 by ITNL, MBEL is engaged in development & operations of widening of the existing two-lane to four-lane on the Moradabad-Bareilly Section of NH-24 from km 148 to km 262 for a total project length of 121 km in the State of Uttar Pradesh under NHDP Phase III on Design, Build, Finance, Operate and Transfer basis for a concession period of 25 years. The project also involved toll collection on the existing two-lane road stretch. Scheduled 4 laning date as per Concession Agreement was 1st June 2013 (appointed date being 4th December 2010). Subsequently, PCOD-I was achieved on January 06, 2015 (for 103.52 Km out of 121 km) and PCOD- II was achieved on November 04, 2015 (for additional 15.3Km). Completion certificate has been issued on August 02, 2019 with COD w.e.f. July 30, 2019 (for complete 121km).

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23
Total operating income	260.93	276.10	NA
PBILDT	221.39	236.32	NA
PAT	403.42	(92.48)	NA
Overall gearing (times)	NM	NM	NA
Interest coverage (times)	0.88	0.94	NA

A: Audited

**Status of non-cooperation with previous CRA: NA**

**Any other information: NA**

**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 (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 31, 2034	1104.91	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	March 31, 2034	93.91	CARE D
Non Convertible Debentures	INE447T07012	31-Mar-2017	8.75%	30-Sep-2033	354.01	CARE B+; Stable

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank	Current Ratings	Rating History
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	Facilities	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	Debentures-Non Convertible Debentures	LT	354.01	CARE B+; Stable	-	1)CARE BB+; Stable (06-Jan-22) 2)CARE B+; ISSUER NOT COOPERATING* (30-Aug-21)	1)CARE B+; ISSUER NOT COOPERATING* (25-Jun-20)	1)CARE D; ISSUER NOT COOPERATING* (04-Apr-19)
2	Fund-based - LT-Term Loan	LT	1104.91	CARE B+; Stable	-	1)CARE BB+; Stable (06-Jan-22) 2)CARE B+; ISSUER NOT COOPERATING* (30-Aug-21)	1)CARE B+; ISSUER NOT COOPERATING* (25-Jun-20)	1)CARE D; ISSUER NOT COOPERATING* (04-Apr-19)
3	Fund-based - LT-Term Loan	LT	93.91	CARE D				

\*Long term

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

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

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	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:

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