

Pink City Expressway Private Limited

April 27, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	1790.55	CARE D (Single D)	Reaffirmed
Total Facilities	1790.55 [Rupees One thousand seven hundred ninety crore and fifty five lakh only]		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Pink City Expressway Pvt. Ltd (PCEPL) continues to take into account the ongoing delays in the servicing of debt obligations by the company due to its stretched liquidity position. The rating also factor in the consistent delay in the completion of the project on account of issues related to land acquisition, shifting of utilities and delay in mobilization of resources. However, the rating takes cognizance of the strategic location of the project and issuance of provisional completion certificate by the National Highway Authority of India.

Going forward, the company's ability to improve its debt servicing track record would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weakness

Ongoing delays in debt servicing: PCEPL is facing stretched liquidity position due to prolonged delay in the completion of the project and resultant increase in the project costs. As a result, there has been consistent delay in the payment of interest on the term loan availed by the company for the funding of the project. Previously, the company had to submit a restructuring proposal to its consortium bankers for revision in project cost (from Rs.3,009 crore to Rs. 3,269 crore) and COD (from August 2013 to October 2014). The restructuring proposal was approved by all the lenders in Q1FY15 (refers to the period April 1 to June 30) and was further amended on March 19, 2015. However, owing to further delays in handing over of the land by NHA and on the request of the company, the Banks had approved further extension of COD by one year.

Persistent delays in project completion: The company has still not received the entire land required for completion of 57 structures and entire six-laning of the project highway. Out of the 57 structures, only 54 have been completed. The service road of 410.4 km had to be built, out of which 73.8 km is pending and 29.1 km of stretch is facing certain hindrances. NHA is required to provide land free from all encumbrances and there are still encroachments on certain portions of the land handed over to PCEPL. As against the original date of commencement of commercial operation (DCCO) of October 2011, the commercial operation date (COD) has been revised multiple times with last revised estimated date of completion of the project being September 2017.

Toll based nature of the project: Revenue in a toll based road project is simultaneously dependent on rate of traffic growth and growth in toll rates. Thus, PCEPL is exposed to unpredictable cash flows arising out of traffic fluctuation. Moreover, PCEPL will have to share 48.06% of toll revenue with NHA and the same will increase 1% every year starting FY10 (refers to the period April 1 to March 31).

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Strengths

Strategic location of the stretch: The project is on existing Delhi-Mumbai section of NH- 8 that passes through 2 states connecting Haryana & Rajasthan traversing through towns of Manesar, Dharuhera and Bawal industrial hubs of the state of Haryana and through Behror, Kotputli, Shahpura and Manoharpura in Rajasthan. After the rapid development of Gurgaon (one of the most prominent outsourcing & offshoring hubs in South Asia), the highway has attained strategic importance. Besides this, the policies of the Haryana government to develop various industrial hubs and expanding the existing industrial area has led to increased use of the said highway.

Issuance of provisional completion of certificate: NHAI has issued a provisional completion certificate (PCC) for completion of 88% of the physical work on the project. There are 57 identified structures along with entire six laning which are required to be completed. Out of these, PCEPL had already completed 54 structures while another 2 structures were under various stages of construction. The structure work is expected to be completed by September 2017.

Analytical approach:

Standalone

Applicable Criteria

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

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

[CARE's rating methodology infrastructure sector](#)

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

About the Company

PCEPL is an SPV formed by ETA Group of Dubai (51% stake) and KMC Group of Hyderabad (49% stake) in the year 2008. IKSHU Infrastructure Pvt Ltd was inducted in FY13 with 13% stake dilution by each of the sponsors. The company was incorporated on April 2, 2008 to undertake the improvement, operation and maintenance including strengthening and widening of the existing 4-lane road to 6-lane highway with service lane on either side from 42.7 km to 273 km (a length of 225.6 km) in the states of Haryana and Rajasthan on NH-8 (Gurgaon-Kotputli-Jaipur Section) on BOT basis. The project was awarded to a consortium led by ETA group of Dubai and KMC Constructions Ltd. of Hyderabad on a competitive bidding process, wherein the ETA-KMC consortium quoted the highest revenue share (from toll collections) of 48.06% with NHAI to be increased by 1% every year. The concession period is for 12 years till April 2, 2021 (including original construction period of 30 months).

During FY16, the company has reported total operating income of Rs.871.46 crore with net losses of Rs.37.59 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	June 2023	1760.55	CARE D
Non-fund-based - LT-Bank Guarantees	-	-	-	30.00	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	1760.55	CARE D	-	1)CARE D (26-Apr-16)	1)CARE BB+ (13-Apr-15)	1)CARE BB+ (18-Apr-14)
2.	Non-fund-based - LT-Bank Guarantees	LT	30.00	CARE D	-	1)CARE D (26-Apr-16)	1)CARE BB+ (13-Apr-15)	1)CARE BB+ (18-Apr-14)

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CIN - L67190MH1993PLC071691