

Ramky Elsamex Hyderabad Ring Road Limited

April 04, 2019

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	93.02 (reduced from 196.99)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Revised from CARE D (Single D)
Total Facilities	93.02 (Rupees Ninety Three Crore and Two Lakh only)		

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the Ramky Elsamex Hyderabad Ring Road Limited (REL) is on account of regularization of delays in debt servicing, Hon'ble Arbitral Tribunal awarding arbitration in favor of the company. The ratings derive strength from comfortable liquidity position, annuity based nature of the project. However the ratings are tempered by O&M risk and interest risk.

Detailed description of the key rating drivers

Key Rating Strengths

Regularization of debt dues and Crystallization of claims: The Hon'ble Arbitral Tribunal in their order dated June 18, 2018 has conveyed that the HMDA has to pay the company a total claim of Rs 168.37 crore within three months from the date of the award. Post that, the company has received its 16th annuity during August 2018 against due date of May 26, 2018 and 17th annuity in December 2018 against its due date of November 26, 2018 without any deductions. Further, the company has received pending annuity dues pertaining to FY2018 from HMDA of Rs 15.12 crore in November 2018. Having improvement in liquidity, the company was able to clear outstanding debt dues and thereafter regularly servicing the debt without any delay. In this regard, Lenders have confirmed that there are no delays in debt servicing since October 01, 2018 for ICICI Bank term loans, December 03, 2018 for IDBI and India Infrastructure Finance Corporation (IIFCL).

Comfortable liquidity position: Post award of the claims by the Hon'ble Arbitral Tribunal dated June 18, 2018, the HMDA has started paying the annuities without deduction with a delay of less than 30 days. Further they have paid pending annuity dues to the company thereby the liquidity of the company has improved significantly. As on December 31, 2018, the company had cash and bank balances of Rs 29.31 crore.

Annuity based nature of the project: The project being an annuity based, the revenue risk is mitigated to a large extent. The ability of the company to maintain lane availability during the operation period will be critical in determining the quantum of annuity being disbursed by HMDA (Hyderabad Metropolitan Development Authority).

Key Rating Weaknesses

O&M (Operation and Maintenance) Risk: The Company 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 Authority and thereby exposing REL to O&M risk. In-house team of the company is undertaking routine maintenance works, which works out to 1.78lakh/km/lane for FY18. Further, the company has undertaken major maintenance expenditure during FY19 at an estimated cost of Rs 30.30 crore (Rs 30 lakh/km/lane) and has incurred Rs 22.13 crore as on December 31, 2018 and the balance cost of Rs 8 crore is expected to be incurred in FY20.

Interest rate risk: The company shall remain exposed to variations in interest rate on the project debt availed during the concession period, owing to interest rate resets which will be carried out by the lenders periodically. As a result, steep increases in the interest rate will subject the SPV to cash flow risk. Currently, the company is paying around 11.50% towards their outstanding term loan facilities.

Analytical Approach: Standalone

Applicable Criteria:

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

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

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

[Ratings Methodology- Infrastructure Sector Ratings](#)

About the Company

Ramky Elsamex Hyderabad Ring Road Ltd (REL) is a Special Purpose Vehicle (SPV) incorporated on July 18, 2007, to design, construct, develop, finance, operate and maintain eight-lane access-controlled expressway under Phase II -A program in the Hyderabad city for a stretch of 12.63 km from Tukuguda (Km 121) to Shamshabad (Km 133.63), under the Build,

² Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Operate & Transfer (BOT) Annuity Basis. The project has been awarded under annuity scheme by HMDA (erstwhile Hyderabad Urban Development Authority – HUDA). REL is promoted by the Hyderabad-based Ramky Infrastructure Ltd (Ramky) and Elsamex SA, a Spanish engineering and Construction Company and a subsidiary of IL&FS Transportation Networks Limited.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	34.80	39.94
PBILDT	22.79	36.86
PAT	-4.09	12.68
Overall gearing (times)	5.28	3.49
Interest coverage (times)	0.82	1.57

A: Audited

Status of non-cooperation with previous CRA: Non-cooperation with other CRA(s): ICRA Ltd has suspended rating assigned to the bank facilities of Ramky Elsamex Hyderabad Ring Road Limited vide its press release dated June 26, 2015 on account of lack requisite information to carry out rating surveillance.

Rating History (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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
Fund-based - LT-Term Loan	-	-	April 2021	93.02	CARE BB-; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	93.02	CARE BB-; Stable	-	1)CARE D (28-Mar-18)	1)CARE D (28-Sep-16)	1)CARE D (30-Jun-15)

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