

Thrissur Expressway Limited
October 26, 2017
Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	505.18	CARE D (Single D)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
Total facilities	505.18 (Rs. Five Hundred Five Crore and Eighteen lakhs Only)		

Details of facilities in Annexure

Detailed rationale and key rating drivers

The revision in ratings is on account of delays in interest servicing.

Detailed description of the key rating drivers
Key rating weakness
Delays in meeting the debt obligations, due to delay in the project execution

There have been delays in meeting interest payments, primarily due to further delay in the execution of project and also delay from the lenders in disbursing the term loan amount to meet IDC expand obligations as requisite promoter contribution is fully already infused.

Project execution risk considering delay in progress with respect to initial COD, however NHAH has approved for EOT-2 up to December 31, 2017

TEL is exposed to construction risk considering the project has already been delayed. However, some comfort is derived from NHAH having approved for EOT-2 upto December 31, 2017 due to protest from local people against blasting operations and change of scope.

Inherent traffic and revenue risk associated with toll based nature of the project coupled with presence of alternate route

Revenue in a toll based road project is primarily dependent on the extent of tollable traffic and rate of traffic growth, which is an estimate based on surveys carried out at the time of bidding and thereafter adjusted for seasonal factors. Being a toll based project, TEL is associated with the inherent revenue risks arising out of such projects and various macro-economic factors beyond the control of the company. Further, the project is also exposed to risk of traffic diversion on account of presence of an alternative route.

Interest rate risk

TEL shall remain exposed to variations in interest rate on the project debt availed during the concession period, owing to floating interest rates.

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

Operation & Maintenance and Major Maintenance risk

TEL is mandated to operate and maintain the road as per the specification set out in the CA, non-compliance of which could result in penalties being levied by NHAI, thereby exposing TEL to O&M and MM risk. With absence of fixed price O&M and major maintenance contract, the project is exposed to risks arising from price variation with respect to key raw materials.

Key rating strengths***Established track record of the group and sponsors as a developer of various BOT-based roads***

KMC Constructions Limited (KMCCL) of the KMC group is an integrated construction, infrastructure development and management company headquartered in Hyderabad, India. The company is engaged in the business of construction and development of road projects. The group has more than four decades of track record in building large infrastructure projects in road sector and execution track record of more than 15,000 km of road. China Railway 18th Bureau (Group) Co., Ltd (CR18G) is one the largest enterprises in the construction industry globally. It has executed EPC contracts and managed infrastructure assets across the world. For TEL, CR18G is a technical partner to KMC and is not involved in obtaining sponsor undertakings. KMCCL and KMCIL together are the sponsors for TEL.

Favourable location of the stretch with moderate traffic potential

NH 47 is an inter-state highway that serves as a link between Kerala and Tamil Nadu stretching from Salem to Kanyakumari. NH-47 is one of the important highways for both Kerala and Tamil Nadu. With a total length of 659 km, the highway starts from Salem (Tamil Nadu) and ends at Kanyakumari and passes through important cities/districts. Airport traffic is also driver of traffic growth on the project road as it leads to two major international airports namely Cochin and Coimbatore.

Advanced project progress with presence of all requisite approvals

As per monthly report of September 2017, financial progress was 89.69% till the end of September 2017 as against targeted progress of 100% (considering EOT-1 till March 31, 2017) thus lagging behind by 10.31%. Physical progress achieved at the end of September 2017 is 87.64% as against targeted progress of 100%. The project is in its advanced stage of progress and has all the requisite approvals in place.

Successful receipt of grant

The company has received grant of Rs. 231.21 crore (out of total grant of Rs. 243.99 crore) as on October 18, 2017.

Analytical approach: Standalone

Applicable Criteria

- **Criteria on assigning Outlook to Credit Ratings**
- **CARE's Policy on Default Recognition**
- **Rating methodology-Toll Road Projects**
- **Financial ratios – Non-Financial Sector**

About the company

Incorporated on April 08, 2009, Thrissur Expressway Ltd (TEL) is an Special Purpose Vehicle [SPV, (incorporated as Thrissur Expressway Private Limited and subsequently changed to public limited company)] for the purpose of 6-laning of the Vadakancherry-Thrissur section of NH-47 design chainage from km 236.135 to km 264.490 km (28.355 km length) in the state of Kerala on Design-Build-Finance-Operate (DBFO) basis, under the Concession Agreement (CA) from NHAI.

NHAI has selected the consortium of KMC Constructions Limited and China Railway 18th Bureau Group Corporation Limited (CR18G) based on their bid for a positive grant of Rs.243.99 crore to execute the project in the shareholding ratio of 74:26 as the SPV for implementing the project. Subsequently, KMC Group increased its stake in the project and also transferred its share to its wholly owned subsidiary and road holding company viz. KMC Infratech Limited (KMCIL). Currently, KMCIL hold around 90% equity stake in TEL and CR18G holds the balance 10%.

At the end of September 2017, TEL has achieved financial progress of 89.69% (against 100% targeted by end of September 2017) and cumulative physical progress achieved at the end of September is 87.64% (against 100% targeted at the end of September 2017).

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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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.

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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	-	-	March 2029	505.18	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.	Fund-based - LT-Term Loan	LT	505.18	CARE D	1)CARE BB-; Stable (03-May-17)	-	-	-

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