

Farmers' agitation – Toll road projects worth Rs.4800 cr at the brink of termination

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Ongoing farmers' agitation in Punjab and Haryana has led to toll suspension in thirteen build-operate-transfer (BOT) national highways projects and eleven BOT state highways projects causing estimated aggregate revenue loss of ~Rs.4.80 crore per day and a total revenue loss of Rs.1060 crore till July 31, 2021.

The disruption of toll collections for state projects since October 2020 accentuated with no fees collection at toll plazas since December 2020. National Highways Authority of India (NHAI, rated CARE AAA/Stable) came out with the circular in July 2021 acknowledging farmers' agitation as an indirect political force majeure event. Consequently, it reiterated clauses of concession agreement allowing i) extension of concession period and ii) reimbursement up to fifty percentage of actual cost (O&M and interest) beyond insurance. Remedial measures upon force majeure event under major state highway concessions are similar to those of NHAI, but for Punjab Infrastructure Development Board (PIDB, rated CARE BBB(CE) /Negative; unsupported CARE BB+); where clarity is still awaited.

In CARE Ratings' view, estimated compensation from NHAI for thirteen BOT toll projects shall be ~Rs.1.60 crore per day thereby covering ~37% of loss of revenue. Nine out of thirteen NHAI BOT projects in Punjab and Haryana were facing liquidity constraints even prior to FM event due to significant underperformance in toll collection. CARE Ratings foresees these stressed NHAI BOT projects opting for termination of concession due to sustained force majeure (FM) as event has exceeded 180 days. This is likely to comprise projects worth Rs.4800 crore opting for termination. According to CARE Ratings extent of counter claims by NHAI including deferred premium obligations shall influence decision making of developers of these projects.

In CARE Ratings' view, PIDB may offer only extension of concession period without reimbursement of FM cost. Project termination risk is perceived lower for 11 PIDB BOT projects with aggregate cost of Rs.740 crore, due to relatively lower outstanding debt and self-sustainable nature of these projects even prior to FM event.

CARE Ratings has rating coverage for thirteen BOT NHAI and state roads projects in Punjab and Haryana with aggregate rated debt of Rs.2242 crore. Out of this i) debt of Rs.2038 crore is rated in default grade due to their continued under-performance, ii) ratings of debt of Rs.100 crore was revised from CARE BBB+/ Stable to CARE BBB/Credit Watch with Negative Implications considering uncertainty in toll resumption while ratings of balance project debt of Rs.104 crore were unchanged as these projects are division of the parent's balance sheet.

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