

January 13, 2023

TRIL Roads Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund-based - Term Loan	133.00	120.00	[ICRA]A+(Stable); Reaffirmed
Long-term - Unallocated	0.00	13.00	[ICRA]A+(Stable); Reaffirmed
Total	133.00	133.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the strong operational performance of TRIL Roads Private Limited (TRPL's) project portfolio. The company has four operational toll road projects viz. Durg Shivnath Expressways Private Limited (DSEPL, rated [ICRA]AA under Watch with Developing Implications), Pune Solapur Expressways Private Limited (PSEPL, rated [ICRA]AA- (Stable), [ICRA]AA+ (CE) (Stable), [ICRA]AAA (CE) (Stable)), Uchit Expressways Private Limited (UEPL) and Hampi Expressways Private Limited (HEPL) spread across four states. Of them, UEPL received commercial operation date (COD) and HEPL has received provisional commercial operation date (PCOD) in Q1 FY2022, while the balance two road projects (DSEPL and PSEPL) have a long operational track record with an established traffic density. The four road assets have a combined annual toll collection of Rs. 515 crore in FY2022, against a gross debt of Rs. 3,098 crore as on March 31, 2022. The rating derives comfort from TRPL's strong parentage by virtue of being a wholly-owned subsidiary of Tata Realty and Infrastructure Limited (TRIL, rated [ICRA]AA+(Stable)/[ICRA]A1+). ICRA expects the Group's demonstrated track record of timely funding support to TRPL to continue going forward. Moreover, liquidity support such as creation of Interest Service Reserve Account (ISRA), equivalent to three months of interest obligation, which, at present, is maintained in the form of undisbursed amount of Rs. 3 crore from the sanctioned term loan, provides credit support to the term loan.

The rating is, however, constrained by the pending equity commitment/support towards the two road projects – UEPL and HEPL, which have recently commenced operations and may require financial support. The overall equity commitments towards these two projects over the next two years (FY2023-FY2024) are estimated at Rs. 42 crore, which will be funded through a mix of fund infusion by TRIL and proceeds from asset monetisation. Any significantly higher-than-expected cash flow support for these two projects would remain a rating sensitivity. The rating is constrained by TRPL's business risk profile of being a holding company with limited revenue sources and exposure to debt refinancing risk over the medium term. ICRA takes comfort from the demonstrated track record of the Group's refinancing ability and the timely financial support in the past in the form of equity, optionally convertible debentures (OCDs) and inter corporate deposits (ICDs) from its parent TRIL and expects the same to continue going forward.

ICRA takes note of the term loan of Rs. 133 crore from Axis Finance Limited being refinanced with a longer maturity term loan of Rs. 120 crore from Aditya Birla Finance Limited. The balance Rs. 13 crore were paid off by the company through fund support from the parent.

Key rating drivers and their description

Credit strengths

Strong parentage by virtue of being a wholly-owned subsidiary of TRIL - TRPL is a wholly-owned subsidiary of TRIL (rated [ICRA]AA+ (Stable)/[ICRA]A1+) and strategically important to the Tata Group, given that TRPL is the flagship entity for investment in the road asset vertical. TRIL has provided timely financial support in the past and has infused Rs. 104 crore in the form of equity and Rs. 759 crore in the form of OCDs and ICDs till March 31, 2022, with Rs. 26 crore infused in FY2022. ICRA believes TRPL will continue to receive adequate and timely financial support from the parent.

Strong operational performance of two of the four investee companies - The company has four operational road projects viz. Durg Shivnath Expressways Private Limited (DSEPL, rated [ICRA]AA &), Pune Solapur Expressways Private Limited (PSEPL, rated [ICRA]AA- (Stable), [ICRA]AA+ (CE) (Stable), [ICRA]AAA (CE) (Stable)), Uchit Expressways Private Limited (UEPL) and Hampi Expressways Private Limited (HEPL) spread across four states. Of them, two projects – UEPL and HEPL – have received PCOD in Q1 FY2022 and the balance two road projects in Maharashtra and Chhattisgarh, have a long operational track record with established traffic density. DSEPL and PSEPL are expected to continue to perform well in the near to medium term.

Presence of ISRA provides credit support - The presence of ISRA equivalent to three months of interest obligation, which, at present, is maintained in the form of undisbursed amount of Rs. 3 crore from the sanctioned term loan, provides credit support to the term loan.

Credit challenges

Modest scale of operation resulting in high refinancing risk; supported by committed fund infusion from strong parent - TRPL being a pure holding company has limited revenue sources, which exposes the company to refinancing risk over the medium term. ICRA takes comfort from the demonstrated track record of refinancing ability of the Group and timely financial support in the past in the form of equity, OCDs and ICDs from its parent TRIL and expects the same to continue going forward.

Equity requirement towards pending liability of two projects - There is an equity commitment towards the pending liability of two road projects – Uchit and Hampi. Due to its initial stages of operation, the two projects may need support for operational expenses. The overall equity commitments towards these two projects over FY2023-FY2024 is estimated at Rs. 42 crore, which will be funded through a mix of fund infusion by TRIL and proceeds from asset monetisation. Any higher-than-expected cash flow support for operational expenses of these two projects or towards cost overrun for these two projects would remain a rating sensitivity.

Liquidity position: Adequate

The company has an adequate liquidity position, supported by healthy financial flexibility that arises from being a wholly-owned subsidiary of TRIL. TRIL has provided timely financial support in the past and is committed to provide support as and when required. The company has an unencumbered cash balance of Rs. 7.6 crore as on September 30, 2022. Further, it has an ISRA, equivalent to three months of interest obligation, which, at present, is maintained in the form of undisbursed amount of Rs.3 crore from the sanctioned term loan. The company has nil debt repayment obligation till March 31, 2024. The equity support by TRPL towards its portfolio in FY2023 stand at Rs. 42 crore. However, the actual amount will be dependent on progress and requirements in the ongoing projects.

Rating sensitivities

Positive factors – The rating may be upgraded if there is a significant improvement in the risk profile of the investee companies.

Negative factors – Negative pressure on TRPL’s rating could arise if there is an increase in leverage due to any significant deterioration in the performance of its operational assets. Further, deterioration in the credit profile of the parent or any weakening of linkages with the parent will also remain a key rating sensitivity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Ratings: A Note on Methodology Impact of Parent or Group Support on an Issuer’s Credit Rating Consolidation and Rating approach Rating Methodology for Holding Companies
Parent/Group support	Ultimate holding company: Tata Realty and Infrastructure Limited (TRIL) ICRA expects TRPL’s parent, TRIL [rated [ICRA]AA+ (Stable)/[ICRA]A1+], to be willing to extend financial support to TRPL, should there be a need, given the strategic importance that TRPL holds for TRIL for meeting its diversification objectives and out of its need to protect its reputation from the consequences of a Group entity’s distress.
Consolidation/Standalone	For arriving at the rating, ICRA has used the limited consolidation approach, under which the proposed equity investments for under construction projects and the funding support required for various subsidiaries towards debt servicing and operational shortfall have been considered. The list of companies that are consolidated to arrive at the rating are given in Annexure II below.

About the company

Incorporated in September 27, 2007, TRIL Roads Private Limited (TRPL) acts as a holding company for all the road assets of Tata Realty and Infrastructure Limited (TRIL). At present, TRPL has four operational road projects – Pune Solapur Expressways Private Limited (PSEPL), Durg Shivnath Expressways Private Limited, Hampi Expressways Private Limited and Uchit Expressways Private Limited. With effect from April 01, 2020, TRPL Roadways Private Limited (earlier a wholly-owned subsidiary of TRPL) was merged with TRIL Roads Private Limited (TRPL).

Key financial indicators (audited)

TRPL Standalone	FY2021	FY2022	H1 FY2023
Operating income	4.9	2.6	1.6
PAT	-40.5	-34.7	-12.2
OPBDIT/OI	-99.7%	-180.1%	-66.7%
PAT/OI	-827.3%	-1349.4%	-749.6%
Total outside liabilities/Tangible net worth (times)	3.1	3.0	3.1
Total debt/OPBDIT (times)	-176.7	-191.6	-405.8
Interest coverage (times)	-0.1	-0.1	-0.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)				Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2022 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020	
				Jan 13, 2023	Sep 16, 2022				
1	Term loans	Long term	120.0	120.0	[ICRA]A+(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)	-	-
2	Unallocated	Long term	13.0	-	[ICRA]A+(Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	Nov 2022	8.90%	Nov 2027	120.00	[ICRA]A+ (Stable)
NA	Unallocated	NA	NA	NA	13.00	[ICRA]A+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Hampi Expressways Private Limited	100.00%	Limited Consolidation
Uchit Expressways Pvt. Ltd.	100.00%	Limited Consolidation
Pune Solapur Expressways Private Limited	50.00%	Limited Consolidation
Durg Shivnath Expressways Pvt. Ltd	100.00%	Limited Consolidation

Source: Company

ANALYST CONTACTS

Rajeshwar Burla

+91 40 4067 6527

rajeshwar.burla@icraindia.com

Ashish Modani

+91 22 6114 3414

ashish.modani@icraindia.com

Chintan Dilip Lakhani

+91 22 6169 3345

chintan.lakhani@icraindia.com

Rohit Agarwal

+91 022 6169 3329

rohit.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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