

September 24, 2021 ^(Revised)

Chhapra Hajipur Expressways Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based TL	933.82	933.82	[ICRA]D; Reaffirmed
Unallocated Limits	0.17	0.17	[ICRA]D; Reaffirmed
Total	933.99	933.99	

*Instrument details are provided in Annexure-1

Rationale

The rating remains constrained by the continued delays in repayment of Chhapra Hajipur Expressways Limited's (CHEL) debt obligations. CHEL was granted extension of timeline for completion of the project till December 2017 as against scheduled commercial operations date (COD) of July 2013 due to delays in securing Right of Way (RoW) by the authority. As of June 2021, 64.89 km (97.2%) of land has been acquired and 1.85 km is yet to be handed over to CHEL. The company is targeting to achieve provisional completion of the project stretch by March 2022. Further, there has been cost escalation of Rs. 369 crores (45% of initial project cost) which was funded by additional term loans of ~Rs 177 crore from existing lenders and NHA approved one-time fund infusion of Rs. 175 crores. As on June 2021, CHEL achieved cumulative physical progress of 75.3% and cumulative financial progress of 87.47%. The rating continues to consider the residual execution risks, pending land acquisition and susceptibility to adverse movement of the interest rates.

Key rating drivers and their description

Credit challenges

Delays in debt servicing: CHEL is delaying on its debt obligations and has been classified as nonperforming asset by the lenders.

Delays in project execution: There are running delays in project execution by over 96 months on account of delays in securing RoW by authority along with slow pace of execution due to insufficient funds.

Ensuring O&M and periodic maintenance expense within budgeted levels post COD: Ability to maintain the operation and maintenance expenses within budgeted levels post COD and ensure availability of lane as stipulated.

Liquidity position: Poor

The liquidity position is poor. Owing to significant time and cost overruns and the inability of the promoter to infuse funds in a timely manner, the delays in debt servicing are likely to continue.

Rating sensitivities

Positive factors – The rating could be upgraded if the company demonstrates timely debt servicing on a sustained basis.

Negative factors – Not Applicable

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for BOT (Annuity) Roads Policy on Default Recognition
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company.

About the company

Chhapra-Hajipur Expressways Limited (CHEL) has been incorporated as a special purpose vehicle promoted by Madhucon Infra Limited (MIL) and Madhucon Projects Limited (MPL) to undertake the implementation of four-laning of Chhapra to Hajipur section of NH-19 from km 143.200 to km 207.200 in the state of Bihar under NHDP Phase III on Design, Build, Finance, Operate, Transfer (DBFOT) Annuity basis. The total project cost has been revised to Rs. 1181.50 crore as against initial estimates of Rs 812.50 crore. The total concession period is 15 years including the construction period of 2.5 years. CHEL will receive a fixed annuity payment of Rs 65.43 crores semi-annually for a period of 12.5 years. As on March 31, 2020 around Rs. 822.0 crore of debt has been drawn and promoters' have infused Rs. 272.73 crore.

Key financial indicators

Not applicable as CHEL is a project stage company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years				
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019		
				September 24, 2021	June 11, 2020	-	March 25, 2019	April 03, 2018	
1	Term Loan	Long-term	933.82	933.82	[ICRA]D	[ICRA]D	-	[ICRA]D	[ICRA]D
2	Unallocated limits	Long-term	0.17	-	[ICRA]D	[ICRA]D	-	[ICRA]D	[ICRA]D

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Unallocated limits	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 analyzing 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, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan	January 2011	-	December 2025	933.82	[ICRA]D
NA	Unallocated limits	-	-	-	0.17	[ICRA]D

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not applicable

Corrigendum

Rationale dated September 24, 2021 has been revised with the below mentioned change:

- The applicable Rating methodology under Analytical approach section is corrected and link is updated.

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