

Press Release

Chhattisgarh East Railway Limited

November 29, 2021



Rating Reaffirmed

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2443.00	2443.00	ACUITE A- Stable Reaffirmed	
Total	2443.00	2443.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.2443.00 crore of bank facilities of Chhattisgarh East Railway Limited (CERL). The outlook is '**Stable**'.

The ratings continue to reflect strong linkages with leading PSUs such as South Eastern Coalfields Limited (SECL), Ircon International Limited (IRCON) and Chhattisgarh State Industrial Development Corporation Limited (CSIDCL). The ratings also factor significant progress in the project as reflected from 83 percent of financial progress and 82 percent of physical progress till March 2021. In addition, the project has been partially operational since October 2019 as the train movement is restricted to 74 KM out of proposed railway track of 103 KM. However the rating strengths are partially offset by time overrun in Phase I due to the second wave of covid.

About the Company

Chhattisgarh East Railway Limited is a Special Purpose Vehicle (SPV) promoted jointly by South Eastern Coalfields Limited (SECL), Ircon International Limited (IRCON) and Government of Chhattisgarh (GoCG) holding 72.56 per cent, 21.23 per cent and 6.21 per cent stake, respectively. The company was incorporated in 2013. The stake of GoCG, however, is indirectly held through Chhattisgarh State Industrial Development Corporation Limited (CSIDCL). CERL has been established with the specific purpose of setting up an East Rail Corridor from Kharsia to Dharamjaygarh up to Korba in the state of Chhattisgarh with a total length covering approximately 180 Kms. The East rail corridor will facilitate the expansion of coal excavation activities of SECL to meet the planned target of Coal India Limited to produce 1 billion tonne of coal. The total cost of the project is estimated at Rs.3054 Cr. and is to be funded in debt to equity ratio of 4:1 by way of debt of Rs.2443 Cr. and equity of Rs.611.24 Cr.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of CERL and notched up the standalone rating by factoring in the strong operational and financial support extended on account of their shareholding of SECL ~72.56 per cent, Ircon Ltd (Ministry of Railways) ~ 21.23 per cent and Government of Chhattisgarh (CSIDCL) ~6.21 per cent. The notch up in the rating of CERL is based on the nature of the relationship between the government entities and CERL and the strategic importance of CERL for implementation of the East Rail Corridor.

Key Rating Drivers

Strengths

Strong linkages with leading PSUs

Chhattisgarh East Railway Limited (CERL) was established in 2013 by SECL, Ircon and GoCG for developing the East Railway Corridor and enhancing the coal production of SECL. The board of CERL has 3 nominees from SECL and 2 nominees from Ircon and 1 nominee from GOCG. SECL, the parent of CERL, is the largest coal producer in India and is part of Coal India Ltd (CIL). The company has 113 mines spread over Chhattisgarh and Madhya Pradesh, including 80 underground and 33 opencast mines. Ircon (formerly Indian Railway Construction Company Limited), responsible for the implementation of the project, is an engineering and construction company specialized in transport infrastructure. The public sector undertaking was established in 1976, by the Government of India and is a wholly owned entity of the Ministry of Railways. Ircon has completed over 300 major infrastructure projects in India and over 100 major projects across the world in more than 21 countries. IRCON is responsible for construction of rail infrastructure in Phase I. The rating derives strength from the strong parentage of CERL, the significant experience of such promoters in project execution, their strong financial flexibility and also their sovereign ownership. Acuité believes that such promoter linkages and execution capabilities will offset the project risks to a considerable extent in CERL.

Strategic importance of East Railway corridor to stakeholders

CERL was incorporated with the specific purpose of setting up the East Rail Corridor from Kharsia to Dharamjaygarh up to Korba with a spur line from Ghargoda to Donga Mahua, approximately 180 km in length. In the first phase, CERL will implement the railway line from Kharsia to Dharamjaygarh along with the spur line, total 103.9 km in length, and three feeder lines of total length 29.20 km. The rail line will facilitate the movement of coal traffic from the mines in the Mand Raigarh coalfields of Chhattisgarh. The project is strategically important for coal excavation for SECL. The corridor will primarily carry originating traffic from the mines in the Mand Raigarh coalfields. The proposed rail infrastructure will help the coal movement and increase coal production in the region.

Significant progress in project

The project was started from April'2014 and since inception, it has been accorded very high priority and its progress is being closely monitored by the Ministry of Railway (MOR). It is a strategic project which will provide key rail infrastructure for enabling coal movement and hence increase in coal production in the region and alleviate the coal shortage in the country. The total project cost is estimated at Rs 3,054 Cr. of which ~ Rs 2067 Cr. is incurred till September 2021. The movement of goods train has commenced since October 2019. The company has registered revenue of Rs 33.76 crore in FY21 as against Rs 13.95 Cr in FY20. The project is around 82 percent complete till March 2021. To fund this capex, company has availed term loan of Rs 2019 crore and raise equity share capital of Rs 671.46 crore (including Rs 106.00 crore earmarked towards Phase II). Acuité believes the company will continue to improve its operation over the medium term as CERL has already started generating cash flow.

Weaknesses

Time overrun

The commercial operation date (COD) has been revised from September 2021 to September 2022 because of disruption in construction activities during Q1FY22 as there was a shortage of manpower due to the pandemic situation. Acuité draws comfort from the fact that though there has been a delay in project completion timelines, there have been no corresponding cost escalations.

Liquidity profile :Adequate

Liquidity profile of CERL stood at an adequate level due to the promoter's ability to mobilise

resources in the business. The SPV has received Rs. 671.46 crore ((including Rs 106.00 crore earmarked towards Phase II) in the form of equity capital infusion by SECL, IRCON and CSIDCL. Further, there is no repayment obligation in FY2022 and FY2023 due to revision in CoD. Acuité believes that the liquidity of the company will remain adequate over near to medium term on account of strong parentage and resource mobilisation ability to service current debt obligations.

Rating Sensitivities

- Any further time overrun
- Improvement in the revenue

Material covenants

Not Applicable

Outlook : Stable

Acuité believes that the outlook on CERL will remain 'Stable' over the medium term backed by its strong parentage and the project's strategic importance to the stakeholders. The outlook may be revised to 'Positive' in case of its ability to complete the project at its current schedule and ramp up operations faster than expected. The outlook may be revised to 'Negative' in case of significant cost overruns in the project.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	33.77	13.95
PAT	Rs. Cr.	7.76	(22.49)
PAT Margin	(%)	22.98	(161.20)
Total Debt/Tangible Net Worth	Times	3.08	3.26
PBDIT/Interest	Times	0.49	0.45

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Sep 2020	Term Loan	Long Term	187.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	282.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	658.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	235.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	376.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	235.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	235.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	235.00	ACUITE A- Stable (Reaffirmed)
19 Sep 2019	Term Loan	Long Term	376.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	235.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	235.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	282.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	187.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	658.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	235.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	235.00	ACUITE A- Stable (Reaffirmed)
04 Jul 2018	Term Loan	Long Term	2443.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Bank of Baroda	Term Loan	Not Applicable	30-12-2016	Not available	30-09-2027	0.00	187.00	ACUITE A- Stable Reaffirmed
Bank of Baroda	Term Loan	Not Applicable	30-12-2016	Not available	30-09-2027	0.00	235.00	ACUITE A- Stable Reaffirmed
Canara Bank	Term Loan	Not Applicable	30-12-2016	Not available	30-09-2027	0.00	235.00	ACUITE A- Stable Reaffirmed
Indian Bank	Term Loan	Not Applicable	30-12-2016	Not available	30-09-2027	0.00	658.00	ACUITE A- Stable Reaffirmed
Indian Overseas Bank	Term Loan	Not Applicable	30-12-2016	Not available	30-09-2027	0.00	235.00	ACUITE A- Stable Reaffirmed
Oriental Bank of Commerce	Term Loan	Not Applicable	30-12-2016	Not available	30-09-2027	0.00	235.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Term Loan	Not Applicable	30-12-2016	Not available	30-09-2027	0.00	282.00	ACUITE A- Stable Reaffirmed
Union Bank of India	Term Loan	Not Applicable	30-12-2016	Not available	30-09-2027	0.00	376.00	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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