

## Press Release

### Chhattisgarh East Railway Limited

February 27, 2023

### Rating Reaffirmed



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

#### Rating Rationale

The rating continues to reflect strong linkages with leading PSUs, namely, South Eastern Coalfields Limited (SECL), Ircon International Limited (IRCON) and Chhattisgarh State Industrial Development Corporation Limited (CSIDCL). The rating also factors significant progress in the project as reflected from 99 percent of physical progress till 30th September 2022.

#### 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 64.71 per cent, 25.60 per cent and 9.69 per cent stake, respectively. The company was incorporated in 2013. 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. The stake of GoCG (Government of Chhattisgarh), 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.

#### Standalone (Unsupported) Rating

ACUITE BB+/Stable

#### 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 South Eastern Coalfields Limited (SECL) ~64 per

cent, Ircon International Ltd. (Ministry of Railways) ~ 26 per cent and Government of Chhattisgarh (CSIDCL) ~ 10 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 Parentage**

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. 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. 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.

##### **Project in an advanced stages**

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 3038 Cr. is incurred till September 2022. The movement of goods train has commenced since October 2019. The company has registered revenue of Rs 37.59 crore in FY22 as against Rs 33.77 Cr in FY21. The project is almost complete till September 2022. To fund this capex, company has availed term loan of Rs 2399 crore and raise equity share capital of Rs 605.27 crore. Acuité believes the company will continue to improve its operation over the medium term as CERL has already started generating cash flow.

#### **Weaknesses**

##### **Time and cost overrun**

The time overrun is due to the re-routing and realignment of railways line to the extent it was falling within the boundaries of coal blocks awarded to Maharashtra State Power Generation Co. Ltd (MAHAGENCO) and Chhattisgarh State Power Generation Company (CSPGCL) on the envisaged route which in turn led to the cost overrun for the said projects.

The tentative balance cost to be incurred for the project completion as estimated is Rs.475.00 crore. To fund this, CERL has requested all three promoter companies namely South Eastern Coalfields Limited, Ircon International Limited & Chhattisgarh State Industrial Development Corporation for providing financial support for servicing of debt obligations.

## ESG Factors Relevant for Rating

Not Applicable

## Rating Sensitivities

- Any further time overrun
- Improvement in the revenue

## Material covenants

None

## Liquidity Position

### 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. 605.27 crore in the form of equity capital infusion by SECL, IRCON and CSIDCL. Further, there is no repayment obligation till October, 2024 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.

## 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 time and cost overruns in the project.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	37.59	33.77
PAT	Rs. Cr.	62.33	7.76
PAT Margin	(%)	165.80	22.98
Total Debt/Tangible Net Worth	Times	2.63	3.08
PBDIT/Interest	Times	0.61	0.49

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

None

## Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of

the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Nov 2021	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	235.00	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	376.00	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)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Term Loan	30 Dec 2016	9.75	30 Sep 2027	Simple	658.00	ACUITE A-   Stable   Reaffirmed
Canara Bank	Not Applicable	Term Loan	30 Dec 2016	9.75	30 Sep 2027	Simple	235.00	ACUITE A-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	30 Dec 2016	9.75	30 Sep 2027	Simple	376.00	ACUITE A-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	30 Dec 2016	9.75	30 Sep 2027	Simple	235.00	ACUITE A-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	30 Dec 2016	9.75	30 Sep 2027	Simple	235.00	ACUITE A-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	30 Dec 2016	9.75	30 Sep 2027	Simple	235.00	ACUITE A-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	30 Dec 2016	9.750	30 Sep 2027	Simple	282.00	ACUITE A-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	30 Dec 2016	9.750	30 Sep 2027	Simple	187.00	ACUITE A-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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