



**Press Release**  
**Chhattisgarh East Railway Limited**  
**November 07, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1349.00	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	2443.00	ACUITE A-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	3792.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**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 remains ‘**Stable**’.

Further, Acuite has assigned the long term rating of ‘**ACUITE A-**’ (read as **ACUITE A minus**) on the Rs. 1349.00 crore bank facilities of Chhattisgarh East Railway Limited (CERL). The outlook is ‘**Stable**’.

**Rationale for Rating**

The rating reaffirmation reflects strong promoters with leading PSUs, namely, South Eastern Coalfields Limited (SECL), Ircon International Limited (IRCON) and Chhattisgarh State Industrial Development Corporation Limited (CSIDCL) being the shareholders of the company. The rating factors the significant progress in the phase I project as reflected from 93.78 percent of physical progress till 31st March 2024 and the project is expected to be completed by June 2025. Though there have been delays on account of the rerouting which has also resulted in lower revenues compared to the projections mainly on account of the initial operational challenges. With the additional rerouting and time overruns, there has been cost overruns as well for which the company is yet to achieve the financial closure for the additional Rs. 350 Cr for the phase I project. The additional debt tie-up and the equity infusion would remain a key monitorable for the project going ahead.

The construction for phase II is also expected to begin in Q3 FY2025. The total cost of the phase II project is estimated at Rs. 1686.22 Cr. and COD is expected from April 2026 onwards. The phase II project will provide a critical link between the CERL phase I line and the CEWRL (Chhattisgarh East West Railway Limited). The phase II line will provide an alternate rail route for transportation of coal to the northern parts of the country. The timely completion of the phase II project without any cost over runs would be a key monitorable.

However, the shortfalls and the cashflow mismatches if encountered in any of the phases, will be borne by the promoters as evident in the past as well.

**About the Company**

Raipur based Chhattisgarh East Railway Limited was incorporated in 2013 it is a Special Purpose Vehicle (SPV) jointly promoted by Southeastern Coalfields Limited. (“SECL”), Ircon International Limited. (“IRCON”) and Chhattisgarh State Industrial Development Corporation Limited. (“CSIDCL”) who will hold 64%, 26.00% and 10% stake in the company respectively. Going forward, the shareholding of CSIDCL will be the value of land or 10%, whichever is higher, and the shareholding of SECL will be modified accordingly for following corridor i.e. Corridor – I - East Corridor – Korba – Gharghoda – Dharamjaygarh upto Korba approximately 180 km in length.

The JVCs formed are: • Chhattisgarh East Railway Limited for Corridor - I • Chhattisgarh East West Railway Limited for Corridor – III Chhattisgarh East Railway Limited (CERL) was established 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 (hereinafter referred to as “the Phase I Project”). The rail line will facilitate movement of coal traffic from the mines in the Mand Raigarh coalfields of Chhattisgarh.

In the second phase, CERL will implement a New BG electrified single line rail corridor from Korba (Urga) to Dharamjaygarh in Chhattisgarh state over South East central railway, approximately 62 .5 km in length (hereinafter

referred to as "the Phase II Project"). The phase II project is a critical link between the CERL phase I and CEWRL (Chhattisgarh East West Railway Limited). This will provide an alternate rail route for transportation of coal to the northern parts of the country. This will provide a link from Kharsia to Pendra which will facilitate surplus Coal movement of Mand-Raigarh Coalfields and Basundra Coalfields to the northern and western power house of the country.

The directors of the company are Mr. Arun Prasad Palanisamy, Ms. Ragini Advani, Mr. Priyaranjan Parhi, Mr. Biranchi Das, Mr. Sunil Kumar Darla, Mr. Franklin Jayakumar Natarajan and Mr. Anand Kumar Singh.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité 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, Ircn 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 65 mines spread over Chhattisgarh and Madhya Pradesh, including 46 underground and 19 opencast mines. Ircn (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. Ircn 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 both the phases. 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 evacuation 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 (Phase I) in an advanced stage

The phase I project 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 Coal ( MOC) and 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 cost erstwhile was Rs. 3055.15 Cr. which has been revised to Rs. 3407.09 Cr. considering the rerouting and the time overruns. The project is significantly completed as reflected from 93.78 percent of physical progress till 31st March 2024. The movement of goods train has commenced since October 2019. The company has registered revenue of Rs 51.21 crore in FY24 as against Rs 62.23 Cr. in FY23. The project is expected to be completed by June 2025. Acuité believes the company will continue to improve its operation over the medium term as CERL has already started generating cash flow. The timely completion of phase II project will help the company to further augment their business risk profile.

## Weaknesses

### Time and cost overrun

There has been a 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. Limited (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 revised cost for the project completion as estimated is Rs. 3407.09 crore from earlier Rs.3055.15 Cr. The said cost is the net cost after deducting the reimbursement of the rerouting and Infructuous cost. The revised cost is expected to be funded at a debt: equity ratio of 80:20. The company is yet to complete the debt syndication process. The financial closure of the same would remain a key monitorable for the project going ahead. Further shortfalls and cashflow mismatches will be borne by the promoters. The construction for phase two is expected to begin in Q3 FY2025 and the ability of the company to complete the projected successfully without any time and cost over runs will be a key rating sensitivity.

### **Rating Sensitivities**

- Any further time and cost over-run
- Completion of the project on time with an improvement in the project cashflows

### **Liquidity Position Adequate**

Liquidity profile of CERL stood at an adequate level due to the promoter's ability to mobilize resources in the business. The SPV has received Rs. 608.76 crore in the form of equity capital infusion by SECL, IRCON and CSIDCL for CERL Phase 1 and Rs. 172.81 crore for CERL Phase 2. The repayment obligation for phase 1 will start from October 2024. Acuité believes that the liquidity of the company will remain adequate over near to medium term on account of strong parentage and resource mobilization ability to service current debt obligations. Acuite, also takes note of the support to be extended by CERL's promoters to fund the shortfalls and cashflow mismatches as evident in the past as well.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	51.21	62.23
PAT	Rs. Cr.	(94.88)	(118.59)
PAT Margin	(%)	(185.27)	(190.55)
Total Debt/Tangible Net Worth	Times	3.82	3.38
PBDIT/Interest	Times	0.03	0.21

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

Not Applicable

### 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	
27 May 2024	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)
	Term Loan	Long Term	282.00	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	187.00	ACUITE A-	Stable (Reaffirmed)
27 Feb 2023	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)
	Term Loan	Long Term	282.00	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	187.00	ACUITE A-	Stable (Reaffirmed)
29 Nov 2021	Term Loan	Long Term	187.00	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	235.00	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	658.00	ACUITE A-	Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Term Loan	30 Dec 2016	Not avl. / Not appl.	30 Sep 2027	658.00	Simple	ACUITE A-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	30 Dec 2016	Not avl. / Not appl.	30 Sep 2027	235.00	Simple	ACUITE A-   Stable   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	30 Dec 2016	Not avl. / Not appl.	30 Sep 2027	376.00	Simple	ACUITE A-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	30 Dec 2016	Not avl. / Not appl.	30 Sep 2027	235.00	Simple	ACUITE A-   Stable   Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	30 Dec 2016	Not avl. / Not appl.	30 Sep 2027	235.00	Simple	ACUITE A-   Stable   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	30 Dec 2016	Not avl. / Not appl.	30 Sep 2027	235.00	Simple	ACUITE A-   Stable   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	30 Dec 2016	Not avl. / Not appl.	30 Sep 2027	282.00	Simple	ACUITE A-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	30 Dec 2016	Not avl. / Not appl.	30 Sep 2027	187.00	Simple	ACUITE A-   Stable   Reaffirmed
Central Bank of India	Not avl. / Not appl.	Term Loan	28 Aug 2023	Not avl. / Not appl.	31 Mar 2042	1349.00	Simple	ACUITE A-   Stable   Assigned

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No	Name of the companies
1	Chhattisgarh State Industrial Development Corporation Limited
2	Ircon International Limited
3	South Eastern Coalfields Limited
4	Chhattisgarh East Railway Limited

## Contacts

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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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