



Press Release
HK Toll Road Private Limited
January 15, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.61	ACUITE C Downgraded	-
Bank Loan Ratings	502.39	ACUITE D Downgraded	-
Total Outstanding Quantum (Rs. Cr)	518.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE D**' (read as **ACUITE D**) from **Acuite B (read as Acuite B)** on the Rs.502.39 Cr bank facilities of HK Toll Road Private Limited.

Acuite has also downgraded the long term rating to '**ACUITE C**' (read as **ACUITE C**) from **Acuite B (read as Acuite B)** on the Rs.15.61 Cr bank facilities of HK Toll Road Private Limited.

Rationale for rating downgrade

The company has defaulted on principal repayment on the term loans of Punjab National Bank, State Bank of India, Union Bank of India and Canara bank. The team has also received a default statement from the company and verbal confirmation from Union Bank of India confirming the delay in the repayment of principal in the month of December 2023. However, there are no instances of delay in the repayment of interest. The default was on account of the stretched liquidity position of the company.

About the Company

HK Toll Road Private Limited (HKTRPL) was incorporated in 2010 as a Special Purpose Vehicle (SPV) by Reliance Infrastructure Limited (RInfra) to implement strengthening and widening of 59.87 km stretch road of Hosur-Krishnagiri on NH-7 located in the state of Tamil Nadu from existing 4 lanes to 6 lanes under Design-Build-Finance-Operate-Transfer (DBFOT) model. The company is 100 percent owned by RInfra. The project was a part of the National Highway Development Project (NHDP) being developed by National Highways Authority of India (NHAI). NHAI undertook development of the road and invited bids from parties interested in Design, Engineering, Finance, Construction, Operation and Maintenance of the Hosur - Krishnagiri section of NH-7 through the international competitive bidding route. The Project is to be executed on a Build-Operate-Transfer (BOT) - toll basis on Design Build Finance Operate and Transfer (DBFOT) pattern under NHDP-Phase V.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered standalone business and financial risk profile of HK Toll Road Private

Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Management

HK Toll Road Private Limited (HKTRPL) was incorporated in 2010 as a Special Purpose Vehicle (SPV) by Reliance Infrastructure Limited (RInfra) to implement strengthening and widening of 59.87 km stretch road of Hosur-Krishnagiri on NH-7 located in the state of Tamil Nadu from existing 4 lanes to 6 lanes under Design-Build-Finance-Operate-Transfer (DBFOT) model. The project road is a section of the NH-7 between Hosur and Krishnagiri and is a part of the Golden Quadrilateral which connects Bengaluru and Chennai.

Weaknesses

Delay in repayment of principal

The company has defaulted in debt servicing in the month of December 2023. The company is required to carry out the major maintenance work which coupled the absence of MMR account resulted in stretched liquidity impeding its ability to meet its principal repayment in a timely manner.

ESG Factors Relevant for Rating

Environment

For the civil engineering industry, considerations for low carbon processes are becoming increasingly important making GHG emissions and energy efficiency material key issues. The costs incurred by the industry for material inputs are very high, therefore, material efficiency is also a significant issue, similarly establishing a green supply chain is crucial as well. Further, overall environmental management practices including water efficiency and waste are important for the companies in the industry.

Social

The civil engineering industry has employees working in high risk settings, therefore, the safety of the employees and employment quality is a key material issue. Further, because of the working conditions, it is important that human rights of the employees is given due importance. The support and development that the companies render to the community is crucial in determining their societal impact. To avoid defects and safety concerns, the product quality is another parameter of crucial importance.

Governance

The civil engineering industry has witnessed cases of bribery, corruption and anti-competitive behavior globally. It is in this context that upholding fundamental business ethics is a key material issue for the industry. Other significant issues include compensation of the board and management personnel. Independence and diversity of the board, rights of the shareholders, financial audit and control, audit committee functioning and takeover defense mechanisms are key material issues as well.

Rating Sensitivities

Timely repayment of all debt obligations

Liquidity Position Stretched

The liquidity position of the company is stretched as the company has defaulted on the timely servicing of its debt obligations.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	235.28	181.23
PAT	Rs. Cr.	(51.50)	(77.36)
PAT Margin	(%)	(21.89)	(42.68)
Total Debt/Tangible Net Worth	Times	(0.23)	(0.33)
PBDIT/Interest	Times	1.04	0.82

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>
- 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, Acuite 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Apr 2023	Term Loan	Long Term	132.17	ACUITE B Stable (Assigned)
	Term Loan	Long Term	280.29	ACUITE B Stable (Assigned)
	Term Loan	Long Term	45.51	ACUITE B Stable (Assigned)
	Term Loan	Long Term	44.42	ACUITE B Stable (Assigned)
	Proposed Bank Facility	Long Term	15.61	ACUITE B Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	15.61	ACUITE C Downgraded
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	280.29	ACUITE D Downgraded
Punjab National Bank	Not Applicable	Term Loan	05 Oct 2020	Not available	05 Sep 2026	Simple	132.17	ACUITE D Downgraded
Union Bank of India	Not Applicable	Term Loan	01 Sep 2021	Not available	01 Sep 2026	Simple	45.51	ACUITE D Downgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	44.42	ACUITE D Downgraded

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Khushi Shah Analyst-Rating Operations Tel: 022-49294065 khushi.shah@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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