

**Press Release**  
**AHMEDABAD RING ROAD INFRASTRUCTURE LIMITED**  
**June 04, 2024**  
**Rating Assigned**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Non Convertible Debentures (NCD)</b>	367.00	ACUITE BB   Stable   Assigned	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	367.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) on the Rs 367.00 Cr. proposed Non-Convertible Debentures of Ahmedabad Ring Road Infrastructure Limited (ARRIL). The outlook is '**Stable**'

**Rationale for rating assigned**

The rating assigned factors in the established operational track record of the SPV as seen by successfully maintaining the road asset from last 15 years. The rating also factors in the favourable location of project with steady increase in toll collections done by the SPV year on year. However, these strengths are offset by the timely O&M which needs to be done by the SPV for continuous collection of toll. The rating also factors in the timely debt serviceability of the SPV which is to be done with the help of toll collection and car compensation receipt from AUDA. Further it has also factored in the proceeds from the stake sale in MBCPNL and recovery of GST receivables to the company which will act as an additional security for the debt serviceability.

**About the Company**

ARRIL is a special purpose vehicle (SPV) promoted by Sadbhav Engineering Limited (SEL) through its step-down subsidiary, Sadbhav Infrastructure Project Limited (SIPL), for implementing the ring road project around the municipal limits of Ahmedabad city. The project was awarded by AUDA for broadening the then existing 76 km two-lane ring road around Ahmedabad to four lanes along with O&M of the same on BOT basis. The project was completed at a total cost of Rs.514.96 crore and was financed through term loan of Rs.405 crore and balance through equity/grant. ARRIL achieved commercial operations date (COD) on June 30, 2008. The current directors of the company are Mr. Jignasu Yogendrabhai Dixit, Mr. Dwigesh Bharatbhai Joshi, Mr. Jatin Thakkar, Mr. Arunbhai Shankerlal Patel and Mr. Mahendrasinh Rajusinh Chavada.

**Unsupported Rating**

Not Applicable

## **Analytical Approach**

Acuité has considered the standalone business and financial risk profile of ARRIL to arrive at the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Established operational track record and regular hike in toll rates**

ARRIL is a SPV promoted by Sadbhav Engineering Ltd. through its step-down subsidiary, Sadbhav Infrastructure Project Limited (SIPL). ARRIL has an established track record of operations of more than fifteen years. The Concessionnaire Agreement (CA) was signed between Ahmedabad Urban Development Authority (AUDA) and the SIPL, wherein the SPV will collect toll from the vehicles after the construction of road till December 2026. The COD for the same was achieved on 30<sup>th</sup> June 2008. Further, the CA also has provision for increase in toll rates every year in the month of September based on the average wholesale price index (WPI) of last one year ended in March as compared with that of preceding financial year.

#### **Favourable location of project with steady increase in toll revenue**

The project stretch connects various National Highways, State Highways and other urban roads of Ahmedabad. There are 19 major roads of various categories either connecting or crossing this road. Expansion of industrial and commercial activity around Ahmedabad, overall economic development and importance of project stretch for connecting key cities of Gujarat has aided traffic growth in the past. Increasing population, industrial activity and city traffic will be favourable for ARRIL. The total income of the company was marked at Rs.244.2 crore (Prov.) in FY24 as against Rs.187.8 crores in FY23. This was due to increased traffic as well as the toll rates during the year. ARRIL has also demonstrated track record of regular hike in the toll rates. The revenue also includes the compensation, this SPV receives from the AUDA for the passenger vehicles which are free to travel on road currently.

Acuite expects the toll income for the SPV to increase further considering the favourable location of the project.

## Weaknesses

### Timely O&M and Major maintenance

The SPV needs to perform the timely O&M expenses for the maintenance of the road, failing to which the authority can delay the car compensation release to the SPV as mentioned by the management. In Past there has been an instance where escrow account control of the SPV was taken over by the Authority for few days for not incurring the maintenance as planned. Further along with this there is Major Maintenance pending, which needs to be performed by the SPV before the completion of the Concessionaire Agreement in December 2026. The SPV in the present value terms have provisioned Rs.63 crores as on 31st December 2023 for last Major Maintenance Cycle.

Acuite believes that failing to perform the timely maintenance will affect the cashflows, leading to affect the debt serviceability for the SPV.

### Timely Servicing of debt.

ARRIL in FY24 had availed a loan of Rs. 150 crore which were used for the repayment of loans in SEL and SIPL. Further, the SPV now proposes to raise Rs.367 crore which will be used to refinance the existing loans of ARRIL along with certain loan repayments in SEL and SIPL. Debt servicing of this proposed facility will be done with the cashflows from toll collections and the receipt of car compensation assets from AUDA till June 2026. Further, the company has an additional cash flows receivables from the stake sale in MBCPNL and GST receivables from NHAI which will act as an additional security for debt serviceability.

Acuite believes any mismatch in the cashflows generated by the company as projected or any delay in receipt of cashflows from the stake sale in MBCPNL and GST receivables will lead to affect the debt serviceability of the SPV.

## Rating Sensitivities

- Any reduction in traffic leading to lower than estimated toll collection.
- Timely servicing of debt.

## Liquidity Position

### Adequate

The liquidity of the SPV is marked adequate by generating sufficient cashflows to meet the current repayment obligations. Further, it is projected that the cashflows from toll collection and car compensation assets will be sufficient to repay the debt obligations till June 2026. Further the proceeds from the stake sale in MBCPNL and recovery of GST receivables from NHAI will act as an additional security for debt servicing.

## Outlook: Stable

Acuite believes that the outlook on ARRIL's rated facilities will remain 'Stable' over the medium term on account of steady toll collections from the project. The outlook may be revised to 'Positive' in case of significant increase in traffic, leading to higher cash collections and timely debt serviceability. Conversely, the outlook may be revised to 'Negative' in case of unable to do timely O&M and M&M expenses, there by affecting the toll collections for the SPV.

**Other Factors affecting Rating** None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	187.79	115.36
PAT	Rs. Cr.	80.87	8.68
PAT Margin	(%)	43.06	7.52
Total Debt/Tangible Net Worth	Times	0.20	(0.40)
PBDIT/Interest	Times	24.80	6.27

### 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. Acuité'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 :

Not Applicable

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	367.00	ACUITE BB   Stable   Assigned

## 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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