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Farmers' agitation sees nearly Rs 600-crore loss in toll collections in states of Punjab, Haryana and Delhi-NCR; Rs. 9300-crore of debt at risk

JANUARY 2021

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THE TOLL THE FARMERS' AGITATION TOOK ON ROAD PROJECTS

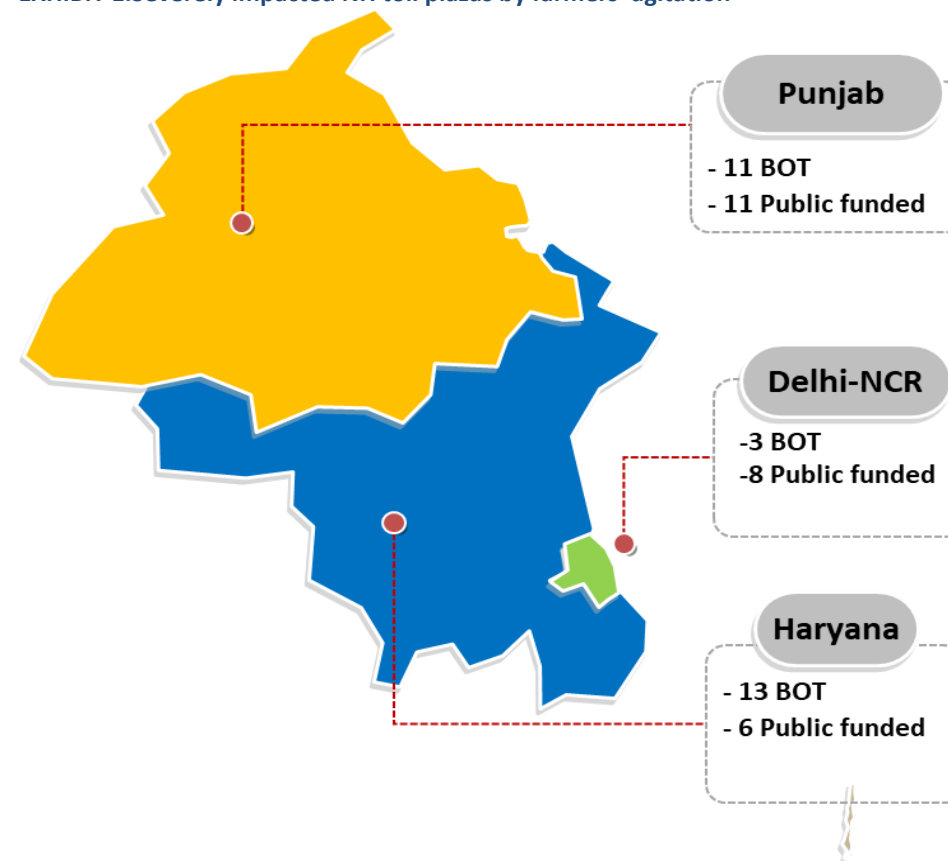
BACKGROUND

On June 5, 2020, three ordinances pertaining to farm laws [The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020; The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020; The Essential Commodities (Amendment) Ordinance, 2020] has been passed by the Government of India. These ordinances have faced strong protests from the farmers of Haryana and Punjab since June 2020. On September 27, 2020, the three Farm Acts¹ were passed in Parliament; post which the farmers' agitation intensified. Farmer unions have started local protests across the country, which were also supported by various transport unions.

From October 1, 2020, the rail and road network were obstructed in the states of Punjab, Haryana and Delhi-NCR. While the impact on fee collection at some of the toll plazas began from October 2020 onwards, it intensified to no fee collection (free movement of vehicles) at all toll plazas in Haryana, Punjab and Delhi-NCR since December 12, 2020.

Several talks have taken place between the Central Government and the farmers represented by the farm unions since October 2020; however, all talks were inconclusive. On January 12, 2021, the Hon'ble Supreme Court of India, suspended the Acts - [The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020; The Essential Commodities (Amendment) Act, 2020] and formed a committee to look into the grievances of the protesting farmers. However, this has not resulted in any resolution so far and the toll plazas continue to remain impacted.

EXHIBIT 1. Severely impacted NH toll plazas by farmers' agitation



Source: ICRA research, NHTIS

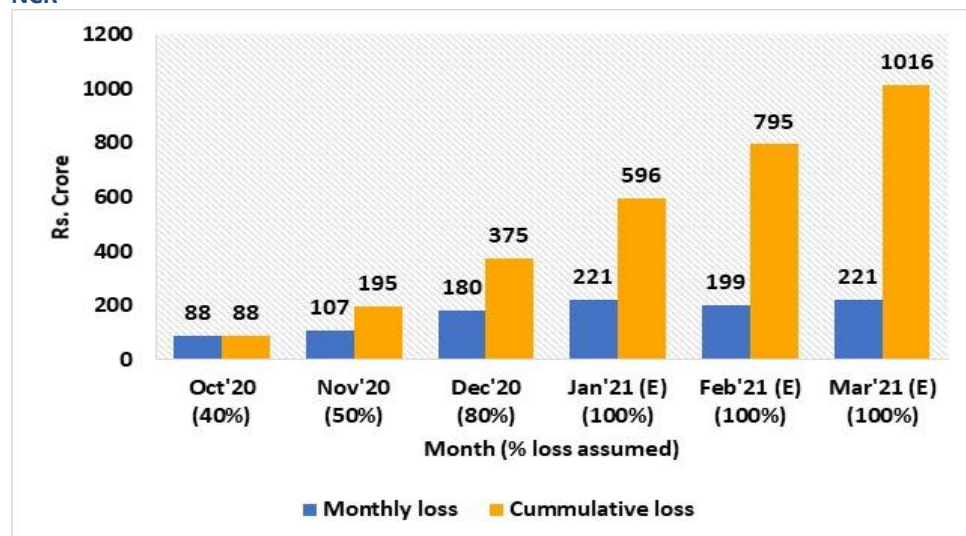
¹ Three farms acts include The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020; The Essential Commodities (Amendment) Act, 2020.

IMPACT

~ Rs. 600-crore of loss in toll collections by end of January 2021

Around 52 toll plazas [includes both public funded and BOT (built, operate and transfer)] for national highways (NHs) are operated in Punjab, Haryana and Delhi-NCR which are directly or indirectly affected due to these protests. The average toll collection per day at these plazas is estimated at Rs. 7 crore. Although privately-operated BOT toll plazas constitute nearly 50% of the total toll plazas in Punjab, Haryana and Delhi-NCR region, however, their contribution in terms of toll collections is much higher at around 73%. Until January 26, 2021, these national highway toll plazas would have incurred an estimated revenue loss of around Rs. 560 crore; out of which ~Rs. 410 crore is estimated for BOT Concessionaires. Apart from this, the revenue loss in State Highway Projects in these regions would be additional. Any possible damages to the toll plazas due to the protests would be an added cost burden for the Concessionaires.

EXHIBIT 2. Cumulative toll revenue loss for NH toll plazas in Punjab, Haryana and Delhi-NCR



Source: ICRA research, NHTIS

REMEDIAL MEASURES AVAILABLE

Compensation for ~25% revenue loss expected under Force Majeure (Indirect Political) in case of NHAI toll road projects

The inability to collect toll for a continuous period of 24 hours and exceeding an aggregate period of seven days in an accounting year due to agitations/ strikes would be considered as indirect political event under force majeure (As per Concession agreement of the NHAI – Force Majeure due to indirect political event is considered if any civil commotion, boycott or political agitation prevents collection of fee by the Concessionaire for an aggregate period of seven days in an accounting year). In such cases, the costs attributable to such events beyond the insurance cover, one half of such excess amount shall be reimbursed by the National Highways Authority of India (NHA). This would cover around 25% of loss of revenue incurred by the affected projects. Assuming estimated toll collection per day of Rs. 5.2 crore for BOT Concessionaires, the NHAI would have to reimburse Rs. 1.3 crore per day for the revenue loss under force majeure (indirect political) event.

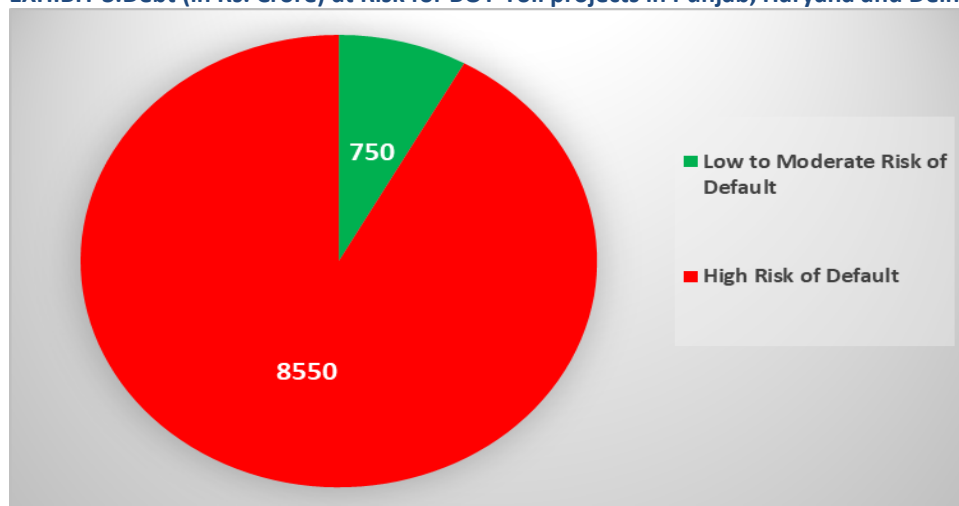
Until January 26, 2021, this would amount to around Rs.100 crore. Further, the concession period shall be extended by a period equal in length to the period during which the concessionaire was prevented from collection of fee on account thereof. This is provided that in the event of a partial collection of the fee, where the daily collection is less than 90% of the average daily fee, the NHAI shall extend the concession period in proportion to the loss of Fee on daily basis.

IMPACT ON CREDIT PROFILE OF BOT-TOLL AND OMT PROJECTS: DEBT AT RISK

~Rs. 9300 crore of debt at risk

Almost 50% of the NH toll plazas (26 out of 52 toll plazas) in Punjab, Haryana and Delhi-NCR constitute the BOT projects. The debt outstanding for these 11 projects is estimated at Rs.9300 crore. Of these, three are rated by ICRA. Out of the Rs. 9,300-crore of impacted rated debt, ~Rs. 8550-crore of debt is at high risk of default while Rs. 750-crore is rated at investment grade and have a low to moderate risk of default. Some of these entities also have debt service reserves (DSRAs) of around three months in place to use for such exigencies; however, this would have been completely used up by now. Out of ICRA's rated toll road portfolio, three of these have been impacted by the farmer protests, out of which two are already rated in the default category even before the farm protests, while the third (rated [ICRA]BBB-(Stable)) has support from a stronger parent.

EXHIBIT 3. Debt (in Rs. Crore) at Risk for BOT-Toll projects in Punjab, Haryana and Delhi-NCR



Source: ICRA research, NHTIS

DOUBLE WHAMMY FOR TOLL ROAD PROJECTS IN PUNJAB, HARYANA AND DELHI-NCR REGION

Toll collections of NH road projects in Punjab, Haryana and Delhi-NCR expected to decline by ~30-35% in FY2021

Due to the impact of the Covid-19 pandemic, the performance of toll road projects has remained sub-par in Q1 FY2021. While the toll collections witnessed marked improvements starting Q2 FY2021; following the farmers' agitation, the toll road projects in Punjab, Haryana and Delhi-NCR region are expected to be impacted severely, resulting in a steep decline of around 30-35% in toll collections in FY2021 (when compared to 5-7% decline for rest of India), assuming that the protests would subside by February 2021.

ANNEXURE: BOT NHs IN PUNJAB, HARYANA AND DELHI NCR

Project Stretch	NH-No.	Toll Plaza Name	State	Sponsor	Estimated Toll collection (FY2020) (in Rs. Crore)
Khanna-Jalandhar	1	Ladowal	Punjab	Soma Enterprises Limited and Roadis	208
Ambala-Khanna	1	Sambhu	Punjab		131
Panipat-Ambala	1	Karnal	Haryana		289
Jalandhar-Amritsar	1	Dhilwan	Punjab	IVRCL Infrastructures and Projects Limited	38
	1	Nijjanpura	Punjab		
Amritsar-Pathankot	15	Waryam Nangal	Punjab	IRB Infrastructure Developers Limited	129
	15	Ladpalwan	Punjab		
Zirakpur -Parwanoo	22	Chandi Mandir	Punjab	Jaiprakash Associates Limited	45
Ambala - Zirakpur	1	Dappar	Punjab	GMR Highways Ltd, GMR Energy Ltd, GMR Infrastructure Ltd	60
Kurali - Kiratpur	21	Behrampur (Solakhian)	Punjab	BSCPL Infrastructure Limited and C&C Constructions Limited	51
Jalandhar-Pathankot	1A	Chollang	Punjab	Prakash Asphaltings & Toll Highways (India) Ltd	77
	1A	Harsamansar	Punjab		
Panipat Elevated	1	Sonepat	Haryana	L&T Infrastructure Development Projects Limited	82
Delhi-Agra	2	Km 72 Srinagar	Delhi NCR	Reliance Infrastructure Limited	126
Delhi-Gurgaon	8	Gurgaon	Delhi NCR	IDFC First Bank	160
Rohtak - Bawal	71	Dighal	Haryana	JMC Projects (India) Limited, Bharat Road Network Limited	96
	71	Gangyacha	Haryana		
Rohtak-Panipat	71A	Makrauli	Haryana	Sadbhav Infrastructure Project Limited	112
	71A	Dahar	Haryana		
Delhi / Haryana Border - Rohtak	10	Rohad	Haryana	Era Infra Engineering Limited; Karan Chand Thapar and Bros	40
Rohtak-Hissar	10	Madina Korsan	Haryana	Sadbhav Infrastructure Project Limited	24
	10	Ramayana	Haryana		44
Kaithal-Haryana/Rajasthan Border	65	Narwana	Haryana	IRB Infrastructure Developers Limited	22
	65	Badopatti	Haryana		28
	65	Chaudhrivyas	Haryana		35

Source: ICRA research, NHTIS

ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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