

# INDIAN ROAD SECTOR

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**Only one-fourth of the road assets moved out of rough patch, post default**

**SEPTEMBER 2022**



*ICRA analysis of stressed BOT Road assets highlights that only one-fourth of the road projects could come out of default; almost 16% of the projects witnessed termination.*

*Around Rs. 42,000 crore of debt is outstanding for the projects which are still in default or terminated for which settlement is yet to happen.*



- ICRA has conducted a study of 120 BOT (toll, annuity, hybrid annuity) road projects, which have defaulted during the period FY2011 – FY2022. The sample set for the default study includes SPVs/issuers rated by various domestic credit rating agencies. Of these, 86 projects defaulted during the operational phase while 34 defaulted during the construction phase.



- Out of the total projects which defaulted during the operational phase, around 57% of the defaults are on account of lower-than-estimated traffic, 24% of the defaults are attributable to authority and 19% of the defaults are attributable to sponsors. Five sponsor group projects namely ITNL, Essel Group, Soma Enterprise, Supreme Infrastructure and Reliance Infrastructure accounted for 35% of the defaults.



- Around 41% of the projects defaulted during the construction phase owing to a delay in equity infusion by the sponsors, 21% of the defaults are attributable to authority (delay in handing over right of way (RoW), multiple changes in designs and ensuing cost over-runs) and the remaining 38% is on account of both authority and sponsor-related issues.



- Analysing the post default status of these road projects, around 58% of the projects continue to remain in default and 16% are terminated. Around 26% of the projects came out of default through various routes like monetisation (13%), improved cash flow position (8%), debt restructuring (3%), and substitution (3%).



- ICRA has positive outlook on the toll road segment in the backdrop of improved toll collection, supported by strong pickup in economic activity and consequent impact on traffic movement along with healthy toll rate hike. This is also evident from the improved credit ratio of the road sector in the last 6-8 quarters. However, credit profile of some SPVs have come under stress due to SPV specific issues or inadequate maintenance and consequent action by authorities.



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