

June 14, 2024

DP Jain Datia Bhandar Toll Road Projects Pvt Ltd: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	21.52	14.28	[ICRA]BBB- (Stable); reaffirmed
Total	21.52	14.28	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation favourably factors in DP Jain Datia Bhandar Toll Road Projects Private Limited's (DPDBPL) established record of receiving 20 semi-annual annuities (out of a total of 26) without any significant delays (received, on an average, within seven days), except for the April 2024 annuity, which was delayed by 38 days on account of administrative reasons. The same was received without any deductions. The rating considers the stable revenue profile in the form of fixed semi-annual annuities from the project authority and annuity provider, Madhya Pradesh Road Development Corporation Ltd (MPRDC). In addition to annuity income, DPDBPL had toll income of Rs. 1.5 crore in FY2024 (FY2023: Rs. 1.3 crore). The rating factors in the presence of structural features such as a well-defined cash flow escrow waterfall mechanism and debt service reserve account (DSRA) of Rs. 2.7 crore (equivalent to five months of debt obligations). Further, there is an adequate gap of about 40 days between the scheduled annuity receipt date (April 22 and October 22 each year) and the principal repayment date (May 31 and November 30 each year) in case of any delay in annuity payments. The rating considers the established track record of DP Jain & Co. Infrastructure Pvt. Ltd. (DPJIPL, sponsor, rated [ICRA] BBB (Negative)/ [ICRA] A3+) in the roads segment. DPJIPL is the operations and maintenance (O&M) contractor for routine and major maintenance (MM) activities for the entire concession period with a fixed-price contract, thus mitigating O&M cost overrun risk.

The rating is, however, constrained by DPDBPL's weak financial flexibility owing to the absence of a tail period and vulnerability of the cash flows to any significant delay in annuity receipt, though this is largely mitigated by the adequate cushion between the annuity receipt date and the scheduled principal repayment date and the presence of DSRA. However, any substantial deterioration in the counterparty's profile and/or inadequate budgetary allocations from the Government of Madhya Pradesh would remain the key rating sensitivities. Further, the O&M contractor's ability to ensure proper maintenance of roads will be critical to avoid any deduction in annuity receipts for DPDBPL going forward. The sanctioned terms don't stipulate formation of a dedicated major maintenance (MM) reserve, which is a credit negative. While the concession agreement does not stipulate any frequency of MM, the project's cash flows are expected to be adequate to meet the next Major maintenance cost. The rating is constrained by the exposure of the company's cash flows to interest rate risk, given the floating nature of interest rates for the project loan. Although toll income constitutes a lower share of the company's revenues (16% in FY2024), the project is exposed to risks inherent in toll-based projects, including uncertainties involved in regulatory changes, estimating future traffic growth rates, acceptability of annual toll rate hikes and the WPI-linked escalation in toll rates. , which could limit the growth in toll collections during periods of low WPI rate as seen in the past. Any significant decline in toll collections may adversely impact its cash flows.

ICRA further notes that, in December 2022, surplus investments worth Rs 4.1 crore were liquidated, and an equivalent amount was given as interest-bearing inter corporate deposits (ICD) to DPJIPL, with the amount repayable by FY2028. In FY2024, DPDBPL had earned interest income of Rs 0.4 crore from this ICD. Any incremental support to Group companies, which could pressurise liquidity position of DPDBPL will be a credit negative.

The Stable outlook reflects DPDBPL's expected sustenance of annuities' receipts without any significant deduction and stable toll collections, which support the project's coverage metrics.

Key rating drivers and their description

Credit strengths

Established track record of annuities – DPDBPL has a record of 20 semi-annuities (out of the total 26), of Rs. 3.80 crore each, without any significant delay except for the April 2024 annuity, which was delayed by 38 days on account of administrative reasons. The same was received without any deductions.

Established record of DPJIPL in maintaining road segment– DPDBPL's parent company, DPJIPL, has an established track record in the execution of road projects. DPJIPL is the O&M contractor for undertaking routine and MM activities for the entire concession period with a fixed-price contract, thus mitigating the O&M cost overrun risk.

Credit challenges

Exposure to counterparty risk – The company's cash flows are vulnerable to delays in annuity receipts, though this is largely mitigated by ~40 days' cushion between the scheduled annuity receipt date & the principal repayment date and the presence of funded DSRA. However, any significant deterioration in the counterparty's profile and/or inadequate budgetary allocations from the Government of Madhya Pradesh could delay the annuities and, hence, would remain the key rating sensitivities.

Risks inherent in toll road projects – Although toll income constitutes a lower share of the company's revenues (16% in FY2024), the project is exposed to risks inherent in toll-based projects, including uncertainties involved in regulatory changes, estimating future traffic growth rates, acceptability of annual toll hikes and the WPI-linked escalation in toll rates. These risks could limit the growth in toll collections during periods of low WPI rate as seen in the past. Any significant decline in toll collections may adversely impact DPDBPL's cash flows.

Project returns exposed to interest rate risk – DPDBPL's cash flows and returns are exposed to interest rate risk, given the floating nature of interest rates for the project loan as was seen in the recent hike of 20 bps in February 2024. Further, the project has weak financial flexibility with no tail period.

O&M and MM-related risks – The company is exposed to O&M-related risks as inadequate maintenance could result in annuity deductions from the authority. However, the established track record of the O&M contractor in maintaining BOT projects provides comfort. The sanctioned terms don't stipulate formation of a dedicated major maintenance (MM) reserve, which is a credit negative. While the concession agreement does not stipulate any frequency of major maintenance, the project cash flows are expected to be adequate to meet the maintenance costs.

Liquidity position: Adequate

DPDBPL's liquidity position is adequate, supported by DSRA of Rs. 2.7 crore as on March 31, 2024 and a 40-day buffer between the scheduled annuity receipt date and the repayment due date of the term loan. The company has debt obligation of Rs. 6.50 crore in FY2025, which can be comfortably met through its estimated cash flow from operations.

Rating sensitivities

Positive factors – A rating upgrade is unlikely in the near term given the attributes of the debt structure.

Negative factors – Pressure on the rating could arise if there are substantial delays or deductions in annuity payments or significant decline in toll collections, or if there is a significant increase in O&M costs resulting in weakened liquidity or material reduction in coverage metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads - Annuity Roads - BOT Toll
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

DPDBPL, incorporated in 2011, is a special purpose vehicle (SPV) formed to widen and upgrade the existing 29.167-km road starting from Datia to Bhandar on a design, build, finance, operate and transfer (toll plus annuity) basis. The concession period is 15 years, including two years of construction. The project was completed on April 22, 2014 and is entitled to annuity payments of Rs. 3.80 crore from MPRDC on a semi-annual basis till April 2027 with the loan maturing in May 2027. The SPV has received 20 annuity instalments (out of the total 26) till date, on an average, within seven days from the scheduled date of receipt.

Key financial indicators (audited)

DPDBPL – Standalone	FY2022	FY2023
Operating income (Rs. crore)	3.70	3.91
PAT (Rs. crore)	-1.00	-0.37
OPBDIT/OI (%)	76.4%	63.5%
PAT/OI (%)	-27.4%	-9.6%
Total outside liabilities/Tangible net worth (times)	2.0	2.1
Total debt/OPBDIT (times)	11.3	11.2
Interest coverage (times)	1.0	1.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Note: DPDBPL follows Ind AS and key financial ratios are not representative of actual cash flows

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2025)		Chronology of rating history for the past 3 years			
			Amount outstanding as on May 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
				June 14, 2024	May 12, 2023	April 29, 2022	-	
1 Term loan	Long Term	14.28	14.28	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	Jun 01,2012	9.45%	May 31,2027	14.28	[ICRA]BBB-(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicab

ANALYST CONTACTS

Rajeshwar Burla
+91 40 6939 6443
rajeshwar.burla@icraindia.com

Chintan Dilip Lakhani
+91 22 6169 3345
chintan.lakhani@icraindia.com

Ashish Modani
+91 20 6606 9912
ashish.modani@icraindia.com

Ayush Dilipkumar Porwal
+91 22 6169 3352
ayush.porwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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