

April 29, 2022

## Dinara Datia DPJ Pathways Pvt Ltd: Rating assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	10.92	[ICRA]BBB- (Stable); Assigned
<b>Total</b>	<b>10.92</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The assigned rating favourably factors in Dinara Datia DPJ Pathways Pvt Ltd's (DDDPJ) established operational track record with receipt of 14 semi-annuities (out of a total of 26) till date without any significant delays or deductions. The rating also considers the stable revenue profile in the form of fixed semi-annuities from the project authority and annuity provider, Madhya Pradesh Road Development Corporation Ltd (MPRDC). The rating derives comfort from the presence of structural features such as a well-defined cashflow escrow waterfall mechanism and debt service reserve account (DSRA) of Rs. 1.21 crore (equivalent to about five months of debt obligation), wherein the lender can utilise the DSRA for debt servicing on/before the due date (without any approval from the borrower or any other third party) in case of any delays in annuity receipts from the authority (MPRDC). Further, there is an adequate gap of three months between the annuity receipt date and the scheduled principal repayment date (the maximum delay witnessed in annuity payments in the past is not more than 10 days) in case of any delays in annuity payments. The rating also considers the established track record of DP Jain & Co Infrastructure Pvt Ltd (DPJIPL/Sponsor) in the road segment. DPJIPL is appointed as the O&M contractor for taking up routine and major maintenance activities for the entire concession period with a fixed-price contract, mitigating O&M cost overrun risks.

The rating is however, constrained by the vulnerability of the company's cash flow to any significant delays 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 as defined above. That said, any significant deterioration in the counterparty's profile and/or inadequate budgetary allocations from the Government of Madhya Pradesh would remain key rating sensitivities. Further, the ability of the O&M contractor in ensuring proper maintenance of roads will be critical to avoid any deductions in annuity receipts for DDDPJ going forward. While the company is required to create major maintenance reserve (MMR), in ICRA's opinion the reserve amount will not be adequate to meet the handover requirements. DDDPJ would have a minimal surplus from the unencumbered annuity post the debt tenure – the period during which the handover maintenance is required to be carried out. The rating is also 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.

The Stable outlook on the rating reflects the receipt of annuity in a timely manner without any material deductions, which supports the project's coverage metrics.

### Key rating drivers and their description

#### Credit strengths

**Established operational track record of annuities:** DDDPJ has an established operational track record with receipt of 14 semi-annuities (out of a total of 26) till date without any significant delays or deductions. The SPV receives semi-annuity payments of Rs. 1.62 crore on a semi-annual basis and the recent semi-annuity from the authority was received on the scheduled date of January 27, 2022 without any deductions.

**Annuity nature of the project eliminates market risks** – The project has a stable revenue profile in the form of fixed semi-annuities from the project authority and annuity provider, MPRDC. The project has a residual concession period of 6 years ending in January 2028.

**Presence of structural features provide comfort** – The presence of structural features such as a DSRA of Rs. 1.21 crore, wherein the lender can utilise the DSRA for debt servicing on/before the due date (without any approval from the borrower or any other third party) in case of any delays in annuity receipts from the authority (MPRDC), provide comfort. Further, there is an adequate gap of three months between the annuity receipt date and the scheduled principal repayment date (the maximum delay witnessed in annuity payments in the past was 10 days) in case of any delays in annuity payments.

**Established track record of DPJIL in the road segment** – DDDPJ's parent company, DPJIL, has an established track record in the execution of road projects. DPJIL is the O&M contractor for undertaking routine and major maintenance activities for the entire concession period with a fixed-price contract, mitigating O&M cost overrun risks.

## Credit challenges

**Exposure to counterparty risk** – The company's cash flows are vulnerable to significant delays in annuity receipts though this is largely mitigated by the ample cushion between the annuity receipt date and the scheduled principal repayment date and the presence of DSRA. That said, any significant deterioration in the counterparty's profile and/or inadequate budgetary allocations from Government of Madhya Pradesh would remain key rating sensitivities.

**Project returns exposed to interest rate risk** – DDDPJ's cash flows and returns are exposed to interest rate risk, given the floating nature of interest rate for the project loan. Further, the project has a modest financial flexibility with a limited tail period of 0.75 years.

**O&M and major maintenance-related risk** – 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 the maintenance of BOT projects provides comfort. While the company is required to create a major maintenance reserve (MMR), in ICRA's opinion the reserve amount will not be adequate to meet the handover requirements. However, DDDPJ would have adequate surplus from the unencumbered annuity post the debt tenure – the period during which the handover maintenance is required to be carried out.

## Liquidity position: Adequate

DDPJ's liquidity position is adequate. The company has principal repayment obligation of Rs. 1.84 crore in FY2023, which can be comfortably met through the estimated cash flow from operations. The liquidity is supported by the presence of a DSRA of Rs. 1.21 crore as on February 28, 2022 and a buffer of three months between the annuity receipt date and the repayment due date of the term loan.

## Rating sensitivities

**Positive factors** – An upgrade in the ratings is unlikely in the near term given the attributes of the debt structure.

**Negative factors** – Pressure could arise if there are significant delays or deductions in annuity payments or if there is significant increase in O&M costs leading to weakened liquidity or material reduction in coverage metrics.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for BOT (Annuity) Roads</a>
Parent/Group Support	Not Applicable

Consolidation/Standalone	Standalone
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## About the company

Incorporated in 2012, DDDPJ is a special purpose vehicle (SPV) for the development and operation/maintenance of the two Laning with paved shoulder of the Datia to Dinara road (9 km) on BOT (Annuity) basis. The project was awarded by MPRDC on a BOT-Annuity basis with a concession period of 15 years, including a construction period of two years. The project achieved completion on January 27, 2015 and is entitled to annuity payments of Rs. 1.62 crore from MPRDC on a semi-annual basis till January 2028. The SPV has received 14 annuity instalments (out of total 26) till date in a timely manner.

## Key financial indicators

	FY2020	FY2021
Operating Income (Rs. crore)	3.24	3.24
PAT (Rs. crore)	0.02	0.14
OPBDIT/OI (%)	89.71%	92.17%
PAT/OI (%)	0.73%	4.27%
Total Outside Liabilities/Tangible Net Worth (times)	-	-
Total Debt/OPBDIT (times)	5.09	4.30
Interest Coverage (times)	1.84	1.99

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Feb 28, 2022 (Rs. crore)	Date & Rating on April 29, 2022	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
1	Term loan	Long-term	10.92	10.92	[ICRA]BBB-(Stable)	-	-	-

## Complexity level of the rated instrument

Instrument	Complexity Indicator
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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	December 2013	8.85%	April 2027	10.92	[ICRA]BBB- (Stable)

*Source: Company*

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

### Annexure-2: List of entities considered for consolidated analysis

*Not applicable*

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