

May 07, 2024

## Jharkhand Infrastructure Implementation Company Limited: 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	443.20	382.67	[ICRA]D; Reaffirmed
Long-term – Unallocated limits	0.00	60.53	[ICRA]D; Reaffirmed
<b>Total</b>	<b>443.20</b>	<b>443.20</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation factors in the continued irregularities in debt servicing by Jharkhand Infrastructure Implementation Company Limited (JIICL) due to the company's stretched liquidity position arising from delays in receipt of annuities. The last debt servicing was done in May 2023.

The company's cash flows have been constrained on account of significant delays in annuity payments from the Government of Jharkhand (GoJ). JIICL has not received the third, fourth, ninth and tenth semi-annual annuities for the project (cumulating to around Rs. 223 crore), which were due in May 2020, November 2020, May 2023 and November 2023, respectively. The free cash balance post receipt of seventh and eighth semi-annuity in March 2023 was appropriated by lenders in May 2023 towards past dues. Consequently, JIICL has filed a contempt petition before NCLAT against the lenders, and the matter is sub-judice.

Timely receipt of annuities, on a sustained basis, is critical and would remain the key from a debt servicing perspective. The company is unable to maintain DSRA and MMR as per the sanctioned terms owing to prevailing delays in receipt of the annuities. Consequently, JIICL's ability to ensure satisfactory maintenance of the road is constrained. The project's first major maintenance cycle was due in FY2023-FY2024 at an estimated cost of Rs. 34.3 crore. However, JIICL has requested for deferral from project authority in absence of funding. The profitability and cash flows of the project remain exposed to interest rate risk owing to the floating nature of the interest rates.

### Key rating drivers and their description

#### Credit strengths

Not Applicable

#### Credit challenges

**Delay in debt servicing** – The company has been unable to service its debt obligations since May 2023 due to its stretched liquidity position on account of delays in annuity receipts and has been classified as a non-performing asset by the lenders.

**Non-maintenance of DSRA and MMR account** – As per the sanctioned terms, JIICL is required to maintain DSRA equivalent to ensuing six months of debt servicing obligations. The rating remains constrained on account of non-maintenance of DSRA and MMR as per the sanctioned terms owing to the prevailing delays in receipt of the annuities.

**Exposure to annuity deduction in case of delay in O&M activity** – The company is exposed to operations and maintenance (O&M) related risks as inadequate maintenance could result in lane closures leading to potential deductions from annuity by GoJ. Its ability to undertake routine and periodic maintenance expenditure within the budgeted costs remains important.

**Exposed to interest rate risk** – The project’s cash flows and profitability remain exposed to interest rate risk given the floating nature of interest rates.

### Liquidity position: Poor

JIICL’s liquidity profile is poor as reflected by delays in debt servicing. The company has a free cash balance of ~Rs. 2 crore as on April 26, 2024. Its debt repayment obligation remains significantly high against a backdrop of weak cash accruals.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the rating on successful demonstration of timely debt repayment on a sustained basis, following an improvement in the company’s liquidity profile.

**Negative factors** – Not applicable.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">BOT (Annuity) Roads</a> <a href="#">Policy on Default Recognition</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

### About the company

Jharkhand Infrastructure Implementation Company Limited (JIICL), a wholly-owned subsidiary of IL&FS Transportation Networks Limited (ITNL), was incorporated in 2015, to develop a six-lane divided carriageway with paved shoulders on Ranchi Ring Road (section VII) on Build, Operate and Transfer (BOT) annuity basis. The project stretch starts from design chainage Km 0.000 near Kathitar Junction on NH-75 via Sukurhuttu Pithorato design chainage Km. 23.575 at Vikas on NH-33, in Jharkhand, having a length of 23.575 km. The total project cost of Rs. 636 crore was funded by way of equity infusion of Rs. 80 crore, promoter sub-debt of Rs. 80 crore and Rs. 476 crore of bank debt. The project achieved provisional completion certificate on November 21, 2018 and received the final completion certificate on May 16, 2019.

### Key financial indicators (audited)

JIICL Standalone	FY2022	FY2023
Operating income (OI) (Rs. crore)	94.7	92.5
PAT (Rs. crore)	9.8	2.4
OPBDIT/OI (%)	94.2%	86.6%
PAT/OI (%)	10.4%	2.5%
Total outside liabilities/Tangible net worth (times)	2.4	2.7
Total debt/OPBDIT (times)	6.3	7.8
Interest coverage (times)	1.3	1.2

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Note: The company follows Ind AS and the 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	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 07, 2024	May 02, 2023	April 04, 2022	-
1 Fund-based – Term loan	Long term	382.67	382.67	[ICRA]D	[ICRA]D	[ICRA]D	-
2 Unallocated limits	Long term	60.53	-	[ICRA]D	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Unallocated limits	Not Applicable

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	<b>Fund-based – Term loan</b>	FY2017	10.95%	FY2031	382.67	[ICRA]D
NA	<b>Unallocated limits</b>	NA	NA	NA	60.53	[ICRA]D

Source: Company

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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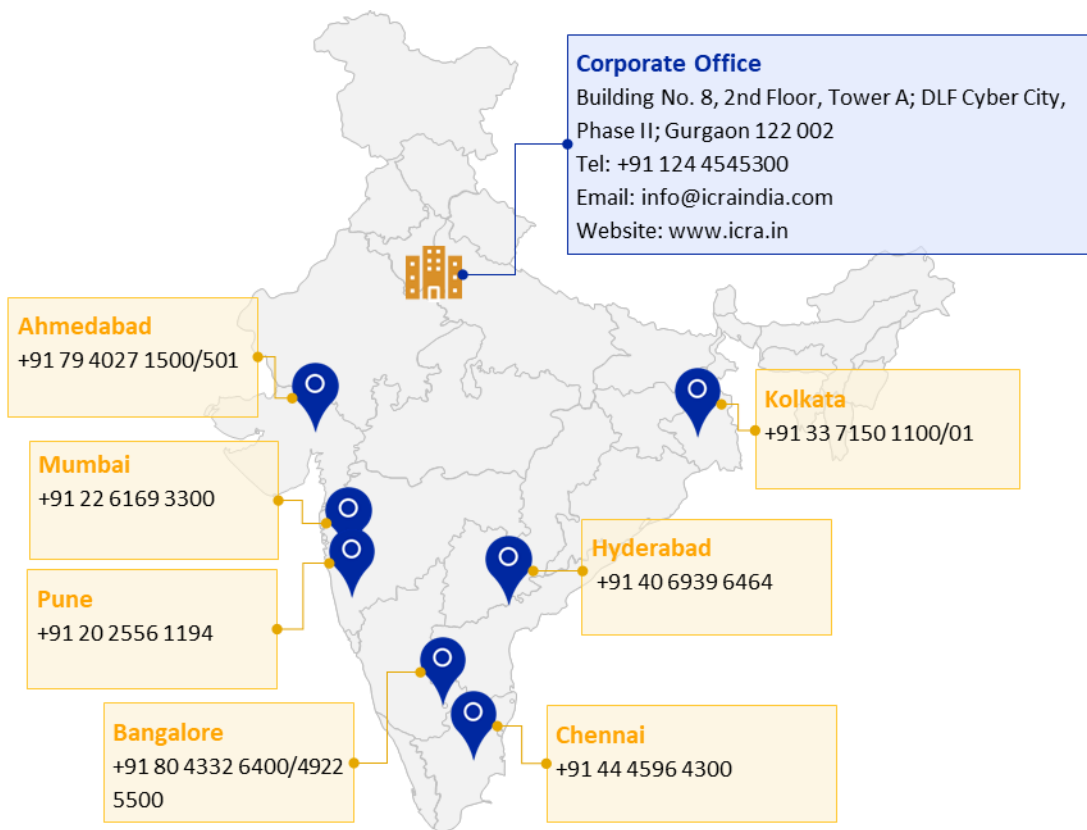
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