

May 31, 2024

## Dinara Datia DPJ Pathways 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	9.00	6.88	[ICRA]BBB- (Stable); reaffirmed
<b>Total</b>	<b>9.00</b>	<b>6.88</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation favourably factors in Dinara Datia DPJ Pathways Pvt Ltd's (DDDPJ) established operational track record and stable revenue profile with receipt of 18 semi-annual annuities (out of a total of 26) till date, received, on an average, within six days of the scheduled annuity due date without any material deduction. The rating notes the presence of structural features such as a well-defined cash flow escrow waterfall mechanism and debt service reserve account (DSRA) of Rs. 1.21 crore. Further, there is an adequate gap of three months between the scheduled annuity receipt date and the principal repayment date in case of any delays in annuity payments. The rating considers the established track record of the sponsor, DP Jain & Co. Infrastructure Pvt Ltd (DPJIPL, rated [ICRA]BBB (Negative)/A3+) in the road segment. DPJIPL is appointed as 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 the O&M cost overrun risk to an extent.

The rating is, however, constrained by the modest coverage metrics with cumulative DSCR below 1.1 times and the vulnerability of the company's cash flows to any significant delays in annuity receipt, though this is largely mitigated by the adequate cushion between the scheduled annuity receipt date and the principal repayment date and the presence of DSRA. That said, any substantial deterioration in the counterparty's profile and/or inadequate budgetary allocations from the Government of Madhya Pradesh could result in delays in annuity receipts and hence would remain the key rating monitorable. ICRA notes that Rs. 0.1 crore was withheld from each the last two annuities (July 2023 and January 2024) by the counterparty, Madhya Pradesh Road Development Corporation Limited (MPRDC). The management expects the aforesaid withheld amount to be received along with July 2024 annuity.

The ability of the O&M contractor to ensure proper maintenance of roads will be critical to avoid any deductions in annuity receipts for DDDPJ going forward. In ICRA's opinion, the reserve amount may not be adequate to meet the handover requirements, which along with the absence of an MM reserve is a credit constraint. 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. Consequently, the special purpose vehicle (SPV) may have to rely on funding support from the sponsor group to comply with MM requirement, which is expected post the debt maturity in April 2027. The rating is also constrained by the exposure of the company's cash flows to the 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

**Track record of annuities and adequate cushion in case of delay in receipt of annuities** – The rating reaffirmation favourably factors in DDDPJ's established operational track record and stable revenue profile with receipt of 18 semi-annual annuities (out of a total of 26) till date, received, on an average, within six days of the scheduled annuity due date without any material deduction.

**Established track record of DPJIPL in road segment** – DDDPJ’s parent company, DPJIPL, has an established track record in 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 to an extent.

### Credit challenges

**Exposure to counterparty risk** – The company’s cash flows are vulnerable to delays in annuity receipts, though this is largely mitigated by the adequate cushion (90 days) between the scheduled annuity receipt date and the principal repayment date and the presence of DSRA. That said, any significant deterioration in the counterparty’s profile and/or inadequate budgetary allocations from the Government of Madhya Pradesh could result in delays in annuity receipts and hence would remain the key rating sensitivities. ICRA notes that Rs. 0.1 crore was withheld from each the last two annuities (July 2023 and January 2024) by the counterparty, MPRDC. The management expects the aforesaid withheld amount to be received along with July 2024 annuity.

**Project returns exposed to interest rate risk** – DDDPJ’s cash flows and returns are exposed to the interest rate risk, given the floating nature of interest rate for the project loan as was seen in the recent hike of 25bps in March 2024. Further, the project has a modest financial flexibility with a limited tail period of nine months (two annuities).

**O&M and MM-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 DPJIPL in maintaining BOT projects provides comfort. The company is required to create MMR. However, the reserve amount, in ICRA’s opinion, may not be adequate to meet the handover requirements. The second MM exercise is expected be carried at the time of handover in FY2027-FY2028, post the debt repayment period.

### Liquidity position: Adequate

DDDPJ’s liquidity position is adequate. The company has debt obligation of Rs. 2.80 crore each in FY2025 and FY2026, which can be met through its estimated cash flow from operations. The liquidity is supported by the presence of a DSRA of Rs. 1.21 crore as on March 31, 2024 and a buffer of three months between the scheduled annuity receipt date and the repayment due date of the term loan. It had a cash balance of Rs. 0.21 crore as on April 30, 2024.

### 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 significant delays or deductions in annuity payments, or if there is a substantial 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="#">BOT (Annuity) Roads</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

Incorporated in 2012, DDDPJ is an 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 construction was completed 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 18 instalments (out of total 26) till date.

MPRDC invited bids towards this project vide its RFQ dated August 11, 2011. As per the bids submitted, it identified M/s Prakash Asphaltings and Toll Highways (India) Ltd. (PATH) as the successful bidder. PATH subsequently entered into a joint venture with DPJIL and constituted DDDPJ with the sole objective of undertaking this project. PATH and DPJIL hold 51% and 49% stake, respectively, in the SPV. The entire responsibility for project execution and O&M are solely vested with DPJ, while PATH would be a dormant partner in the SPV. The concession agreement was executed between MPRDC and the SPV on May 09, 2012 for tenor of 15 years including construction period that allows DDDPJ to receive annuity payments of Rs. 1.62 crore every six months, i.e., in July and January each year.

#### Key financial indicators (audited)

	FY2022	FY2023
Operating income (Rs. crore)	0.2	0.2
PAT (Rs. crore)	-0.3	-0.1
OPBDIT/OI (%)	-160.0%	-184.5%
PAT/OI (%)	-148.0%	-54.4%
Total outside liabilities/Tangible net worth (times)	32.4	36.0
Total debt/OPBDIT (times)	-39.1	-29.5
Interest coverage (times)	-0.2	-0.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Apr 30, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 31, 2024	May 12, 2023	April 29, 2022	-
1 Term loans	Long term	6.88	6.88	[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	December 2013	9.30%	April 2027	6.88	[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 applicable

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