

October 07, 2021

## Jaipur-Mahua Tollway Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	253.57	247.04	[ICRA]AAA(Stable); reaffirmed
<b>Total</b>	<b>253.57</b>	<b>247.04</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating reaffirmation for Jaipur-Mahua Tollway Limited (JMTL) factors in the healthy toll collections in FY2021 (toll collections stood at Rs. 143.5 crore in FY2021 vs Rs. 143.5 crore in FY2020 despite lockdown) and 5M FY2022 (43% growth over 5M FY2021 and 6% over 5M FY2020) in spite of the impact of Covid-19 pandemic, supported by healthy recovery in traffic. The completion of construction of one of the feeder routes (Dausa-Lalsot route), increased movement in construction material supply vehicles to cater to under-construction projects in the region, and user preference for personal vehicles over public transport, were the key factors which supported the traffic growth. Moreover, ~8-9% hike in toll rates from July 2021 onwards is expected to support its growth in the current financial year. The projected debt coverage indicators remain robust with cumulative DSCR at over 2.8 times, providing ample cushion for debt servicing in the event of fluctuations in toll collections. The rating continues to draw comfort from the favourable location, low alternate route risk and long operational toll collection track record of around 13 years. ICRA draws comfort from the importance of the stretch, as it is a part of the Agra-Jaipur National Highway (NH-21), which are popular tourist destinations and commercially important cities. Rajasthan is a key source of construction material (stones, marbles, granite, ceramics, etc) and generates sizeable commercial traffic for the project. ICRA positively considers the financial flexibility arising from low leverage, availability of tail period of around three years and strong liquidity position. The rating also notes its reputed sponsor—Cube Highways and Infrastructure Pte. Limited (promoted by I-Squared and IFC)—which has one of the largest road asset portfolios, with an established track record of asset management in the infrastructure space in India. The presence of structural features like escrow and cashflow waterfall mechanism, presence of debt service reserve (DSR) equivalent to three months of debt servicing, presence of O&M reserve of six months (which can be used for meeting any shortfall in debt servicing) offers comfort. Moreover, the provision for major maintenance reserve (MMR), capping of external senior debt at existing levels, and restricted payments allowed only when DSCR is more than 1.2 times provides credit support.

These strengths apart, the project is exposed to the risks inherent in toll-based road projects, which include traffic growth, acceptability of annual toll rate hikes, development/improvement of alternate routes and likelihood of toll leakages, though the existing alternate route risk is low. Further, the wholesale price index (WPI)-linked escalation in toll rates could limit the growth in toll collections during periods of low WPI. The rating also factors in the interest rate risk as the interest rates on the debt are floating in nature. The company's ability to undertake routine and future periodic maintenance within the budgeted levels would also remain important.

The Stable outlook on the rating reflects ICRA's opinion that JMTL will continue to benefit from the importance of the project stretch, having established traffic density, robust cash flows and low leverage.

## Key rating drivers and their description

### Credit strengths

**Importance of project stretch, and long operational track record** – The rating factors in the favourable location and the operational nature of JMTL’s project stretch with a toll collection track record of around 13 years. ICRA draws comfort from the importance of the stretch as it is a part of the Agra-Jaipur National Highway (NH-21), both of which are popular tourist destinations as well as commercially important cities. Rajasthan is a key source of construction material (stones, marbles, granite, ceramics, etc) and generates sizeable commercial traffic for the project. The project witnessed healthy traffic (in PCU terms) at a CAGR of 8.0% during FY2011 to FY2018. However, the traffic movement and consequently the toll collections on both the stretches were impacted in FY2019 and FY2020 due to multiple reasons, including ban on sand mining, revised axle norms, construction work on one of the feeder routes (Dausa-Lalsot route), etc. However, the company has generated healthy toll collections in FY2021 (toll collections stood at Rs. 143.5 crore in FY2021 vs Rs. 143.5 crore in FY2020 despite lockdown) and 5M FY2022 (43% growth over 5M FY2021 and 6% over 5M FY2020) in spite of the impact of Covid-19 pandemic. The growth was supported by healthy recovery and ramp-up in traffic, facilitated by completion of construction of one of the feeder routes (Dausa-Lalsot route), increased movement in construction material supply vehicles to cater to under-construction projects in the region, and user preference for personal vehicles over public transport, etc. The toll rate hikes of ~8-9% hike in toll rates from July 2021 onwards is expected to support the growth in the current financial year.

**Robust debt coverage indicators** – Given the current level of external borrowings and no plans of raising additional borrowings, the coverage indicators are expected to remain strong with cumulative debt service coverage ratio (DSCR) of over 2.8 times. The strong DSCR provides ample cushion to absorb fluctuations in toll collections. ICRA also draws comfort from the financial flexibility arising from the availability of tail period of around three years and JMTL’s strong liquidity position.

**Presence of structural features provides credit support** – The presence of structural features like escrow mechanism, cashflow waterfall, along with presence of debt service reserve (DSR) equivalent to three months of debt servicing, presence of O&M reserve of six months (which can be used for meeting any shortfall in debt servicing and is equivalent to three to four months of debt servicing obligations) support its credit profile. Moreover, capping of external senior debt at the existing levels, and provision for creation of major maintenance reserve provide comfort. The debt structure includes financial covenants to maintain minimum DSCR of 1.1 times and restricted payments are allowed only when DSCR is more than 1.2 times. Additionally, DSR, MMR and O&M reserves are maintained as stipulated, which provides credit support.

### Credit challenges

**Exposed to risk inherent in BOT toll road projects** – Given that JMTL is an SPV, its revenue streams are concentrated on a single project. Like any toll road project, JMTL is exposed to risks inherent in toll-based project, which includes future traffic growth, acceptability of annual toll rate hikes, and development/improvement of alternate routes and likelihood of toll leakages, though the existing alternate route risk is low. Further, the WPI-linked escalation in toll rates could limit the growth in toll collections during periods of low WPI rate. The rating is exposed to interest rate risk as the interest rates are flexible in nature.

**Ensuring routine and major maintenance expense within budgeted levels** – For any road project, undertaking routine and periodic maintenance expenditure as per the concession agreement is crucial. Hence, the timely and within budgeted cost completion of these activities remains a key monitorable. ICRA draws comfort from the successful completion of JMTL’s second major maintenance cycle in FY2020 within the budgeted costs of around Rs. 130 crore, which was funded through major maintenance reserve created from FY2018 to FY2020. ICRA has also taken comfort from JMTL’s sponsor—Cube Highways and Infrastructure Pte. Limited (promoted by I-Squared and IFC)—which has one of the largest road asset portfolios, with an established track record of asset management in the infrastructure space in India.

## Liquidity position: Strong

JMTL's liquidity position is **strong**. The scheduled debt repayments of Rs. 44 crore in FY2022 can be comfortably serviced through cash flow from operations. This apart, the project has DSRA of Rs. 12.83 crore equivalent to three months of P+I obligation, and O&M reserve of six months (which can also be used to service any shortfall in debt servicing) as on August 31, 2021 provides further liquidity cushion.

## Rating sensitivities

**Positive factors** – Not Applicable

**Negative factors** – Downward pressure on the rating could emerge if there is significant decline in traffic, leading to reduction in toll collections and impacting the coverage indicators, or if the regular O&M and major maintenance expenditure is significantly above the budgeted costs, or non-adherence to escrow and cash waterfall mechanism.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">BOT Toll Road Projects in India</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

JMTL is a special purpose vehicle (SPV) formed for the improvement, rehabilitation, and strengthening and widening of the existing two-lane road to four-lane divided carriageway and O&M of km 120/000 to km 228/000 Mahua–Jaipur section of NH-21 in Rajasthan, on a BOT basis, under NHDP Phase IIIA. The SPV was initially promoted by the Malaysia-based IJM Corporation Berhad (IJM). On May 12, 2015, Cube Highways and Infrastructure Pte. Ltd (formerly known as ISQ Asia Infrastructure I-A Pte Ltd) acquired 74% of the equity stake of JMTL, while the remaining 26% was acquired on June 24, 2016.

The concession agreement (CA) was entered between National Highways Authority of India (NHAI) and JMTL on September 23, 2005. The appointed date for the project was March 20, 2006. The company received provisional completion in two parts— for the first part on March 30, 2008 and the remaining part on September 25, 2009. The final completion certificate was received on March 9, 2015. The concession period for the project is 25 years.

## Key financial indicators (audited)

JMTL Standalone	FY2020	FY2021
Operating Income (Rs. crore)	145.4	149.6
PAT (Rs. crore)	20.6	37.4
OPBDIT/OI (%)	64.4%	66.5%
PAT/OI (%)	14.2%	25.0%
Total Outside Liabilities/Tangible Net Worth (times)	4.36	5.46
Total Debt/OPBDIT (times)	4.01	3.57
Interest Coverage (times)	2.04	2.36

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 (FY2022)				Chronology of Rating History for the past 3 years						
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 1, 2021 (Rs. crore)	Date & Rating	Date & Rating in FY2021			Date & Rating in FY2020	Date & Rating in FY2019		
					Oct-07-2021	Jan-14-2021	Dec-3-2020		-	Nov-26-2018	Aug-1-2018
1 Term Loan	Long Term	247.04	247.04	[ICRA]AAA(Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	
2 Proposed NCD/Bonds Programme	Long Term	-	-				-	Provisional [ICRA]AAA(SO)(Stable); withdrawn	Provisional [ICRA]AAA(SO)(Stable); validity extended	Provisional [ICRA]AAA(SO)(Stable); validity extended	
3 Proposed Sub-debt/NCD/Bonds Programme	Long Term	-	-				-	Provisional [ICRA]AAA(SO)(Stable); withdrawn	Provisional [ICRA]AAA(SO)(Stable); validity extended	Provisional [ICRA]AAA(SO)(Stable); validity extended	

## 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: [Click Here](#)

### Annexure-1: Instrument details

ISIN No. /Lender Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
ICICI Bank	Term Loan	Dec 2020	-	Mar 2028	247.04	[ICRA]AAA(Stable)

Source: JMTL

Annexure-2: List of entities considered for consolidated analysis : Not Applicable

## ANALYST CONTACTS

### Rajeshwar Burla

+91 40 4067 6527

[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

### Abhishek Gupta

+91 124 4545 863

[abhishek.gupta@icraindia.com](mailto:abhishek.gupta@icraindia.com)

### Shiffali Garg

+91 124 4545 868

[shiffali.garg@icraindia.com](mailto:shiffali.garg@icraindia.com)

## RELATIONSHIP CONTACT

### Jayanta Chatterjee

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

### Ms. Naznin Prodhani

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

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

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

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

Tel: +91 11 23357940-45



### Branches



© Copyright, 2021 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.