

Dedicated Freight Corridor Corporation of India Limited

ICRA has reaffirmed "[ICRA]AAA" (pronounced ICRA triple A) Credit Opinion to the future borrowing programme of Dedicated Freight Corridor Corporation of India Limited (DFCCIL), a wholly-owned special purpose vehicle (SPV) of the Ministry of Railways. (MoR) The outlook on the long term rating is stable. Instruments with "[ICRA]AAA" rating are considered to have the highest degree of safety regarding timely servicing of financial obligations.

Going forward reaffirmation of the aforesaid credit opinion or translation of the same into the instrument specific long-term rating will be subject to ICRA's evaluation of the final terms of the debt instrument.

The credit opinion continues to factor in the established relationship as per the Concession Agreement (CA) and Track Access Charges (TAC) agreement between MoR and DFCCIL. As per the agreements the Indian Railways (IR), being the only authorised rail service provider in the country, will be the sole customer of the dedicated freight lines and will pay TAC to DFCCIL so as to cover all variable and fixed costs, including debt repayment commitments of DFCCIL, thereby mitigating debt servicing risk for DFCCIL. The credit opinion also takes into account the support from MoR in case the dedicated freight corridors are not operational by the time debt repayment becomes due. Further the credit opinion continues to draw comfort from the strong technical, managerial and financial support available to DFCCIL from the MoR, given the strategic importance of the project for infrastructure growth and expansion of railway network in the country. In order to achieve timely completion of the project, the MoR has put in place the required administrative structure. Further, comfort is drawn from the fact that the project is being closely monitored by the Government of India, given its strategic importance. The dedicated freight corridors (DFCs), connected with existing rail network of Indian Railways (IR) through feeder routes would provide the IR with a more efficient freight transportation infrastructure, enable it to increase its domestic freight-transportation share from the current around 29%, and ease congestion of the existing rail network. This will also help reduce load on the existing rail network and increase its passenger revenue potential.

ICRA also takes note of the execution, time overrun, cost overrun and related funding risks associated with the project, given its scale and complexity, although healthy progress has been made in the last one year. DFCCIL has awarded contracts to the tune of around Rs. 40,000 crore by June 2016 and is expected to award more large contracts shortly. Further, there has been significant progress on land acquisition with around 91% (9,624 hectares u/s 20F) of the total required land being acquired by MoR by June 2016. The significant portion of the funding for the project has been tied up from multilateral agencies and the same is being sanctioned progressively. Apart from this the project also envisages development of a section of the freight corridor on Private Partnership (PPP) model. The current funding plan does not foresee any commercial borrowings, however in case it is required the same is expected to be guaranteed by the Government of India (GoI) through MoR.

Company Profile

DFCCIL is an SPV promoted by the Government of India (GoI), through the MoR, to build, operate, and maintain dedicated freight railway lines along the rail routes on the Golden Quadrilateral and diagonals¹. The dedicated freight network would ease the congestion on the existing rail network, thereby allowing the IR to run additional passenger trains. Further, the proposed design features of the project would allow the IR to run high-speed and high axle load trains and thus improve its operating efficiency.

In the first phase, DFCCIL plans to construct two dedicated freight corridors (DFCs)—the Eastern DFC (Ludhiana to Dankuni) and the Western DFC (Dadri to Mumbai)—covering a length of 3,300 km. Both the corridors are scheduled to be fully operational by 2019-2020. The completion cost for these two corridors is estimated at Rs. 81,459 crore (including land cost of Rs. 8,067 crore which is to be borne by MoR – cost excluding the land cost stands at Rs. 73,392 crore which is to be borne by DFCCIL). The cost is proposed to be funded by the MoR via equity of around Rs. 16,000 crore, externally aided gross budgetary support (GBS) of approximately Rs. 52,000 crore and balance through internal accruals. A part of the freight corridor (not included in project cost of Rs. 81,459 crore) is proposed to be funded through PPP mode. The current funding plan does not foresee any commercial borrowings, however in case there is any shortfall the same may be met

¹ Golden Quadrilateral links Delhi, Mumbai, Chennai and Kolkata, and its diagonals link Delhi-Chennai and Mumbai-Kolkata

through market borrowings. For the GBS, the funds are being sourced by the Ministry of Finance as loans from the Japanese International Cooperation Agency (JICA) and the World Bank. As on date, loan of 334.3 billion Yen has been sanctioned by JICA and 2.725 million USD by World Bank.

Guarantor Profile

The Ministry of Railways (MoR), Government of India, is headed by the Union Minister for Railways, who in turn is assisted by two Ministers of State for Railways. The MoR owns and operates most of the railway infrastructure in the country through its department, the Indian Railways (IR). The IR is administered by the Railway Board, which consists of a Chairman, a Financial Commissioner, and five Members. The MoR has its own budget, separate from the Union Budget, which is drawn up by the Ministry of Finance, Government of India. The Railway Budget deals with the planned infrastructure expenditure on the railways as well as with the operating revenues and expenditures for the forthcoming fiscal year.

August 2016

For further details please contact:

Analyst Contacts:

Mr. Sabyasachi Majumdar (Tel. No. +91 124 4545304)
sabyasachi@icraindia.com

Sachin Sachdeva (Tel. No. +91 124 4545 307)
sachin.sachdeva@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2016, 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 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.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500