

January 06, 2017

## Rajendra Singh Bamboo Tollways Private Limited

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Term Loan	41.5 (earlier 45.0)	Re-affirmed at [ICRA]BB+ (Stable)
Non-Fund Based Limits	1.5 (earlier 3.27)	Re-affirmed at [ICRA]BB+ (Stable)
Unallocated	0 (earlier 0.08)	–
<b>Total</b>	<b>43.0</b>	

\*Instrument Details are provided in Annexure-1

### Rating Action

ICRA has re-affirmed the long-term rating for the Rs. 43.0-crore<sup>1</sup> (earlier Rs. 48.35 crore) bank facilities of Rajendra Singh Bamboo Tollways Pvt. Ltd. (RSBTPL) at [ICRA]BB+ (pronounced as ICRA double B plus)<sup>2</sup>. The outlook on the long-term rating is 'Stable'.

### Rationale

The re-affirmation of the rating takes comfort from the operational status of the project with a track record of over three years of toll collection, and healthy growth in toll collection during FY2016, contributed mainly by the increase in toll rates. The rating continues to take comfort from the importance of the project stretch, which is the shortest route between Jhunjhunu and Jaipur (in Rajasthan) and is also a part of the road connectivity to Khatu Shyam Ji via Reengus. The healthy track record of promoters in the road sector in Rajasthan was considered as well. The rating also takes support from structural mechanisms, such as the presence of an escrow mechanism for toll collection that provides a ring-fencing of cash flows and provision of Debt Servicing Reserve Account (DSRA) with three months of debt-servicing obligation and liquidity available with the company. The rating also takes comfort from the healthy track record of the promoters in the road sector in Rajasthan.

The rating is, however, constrained by weak toll collection during the current financial year, which along with loss of revenues due to temporary toll suspension (between November 9, 2016, and December 2, 2016, post demonetisation of specified currency notes) would result in lower overall toll collections and consequently lower cash flows from operations available for debt servicing during FY2017. However, the presence of debt-servicing reserve and additional liquidity are expected to help the company in meeting the debt servicing obligations during FY2017. Nevertheless, due to the ballooning nature of debt repayments, the DSCR is expected to remain modest during the next two to three years, unless supported by high growth in toll collections. The rating is also constrained by the absence of any provision for major maintenance, which is to be incurred after seven years of operations. As a result, major maintenance activities remain uncertain and would depend on promoter's support or raising additional debt. In this regard, a long tail period (remaining concession period after complete scheduled repayment of term loan) available with the project adds to its refinancing flexibility. The rating is also constrained by the revenue risk, which is typical in a toll-based road project including traffic growth, leakage of toll-paying traffic, diversion of traffic to alternate routes, and user resistance to pay/accept increase in toll rates.

Going forward, growth in toll collection, and the company's ability to keep the operation and maintenance expense under control, while maintaining the project stretch as per the terms of the concession agreement will be the key rating sensitivities.

### Key rating drivers

#### Credit Strengths

- Operational status of the project with track record of toll collections;
- Toll collections thus far have been sufficient to meet debt servicing;

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

- Presence of structural mechanism such as escrow of project cash flows with lender, and maintenance of funds equivalent to three months of debt servicing requirement in the DSRA;
- Long concession tail period (~7 years) with concession period being over 17.1 years and door-to-door tenure of term loan being 10.2 years;
- Promoter's experience in the road construction business in Rajasthan.

**Credit Weakness**

- Toll collection witnessed decline during the current financial year;
- Increasing debt servicing requirement due to ballooning debt amortisation schedule;
- Being a toll-based project, it is exposed to traffic risks, primarily those of leakage of traffic, diversion to alternative routes, and user unwillingness to accept hikes in toll rates;
- The company has not yet built any reserve for major maintenance, which is to be incurred after seven years of operations;
- In the event of toll collections getting impacted due to force majeure events, as per the concession agreement, the company will be compensated in the form of increase in concession period alone, and could result in liquidity mismatches or refinancing requirements.

**Description of key rating drivers highlighted above:**

RSBTPL is a Special Purpose Vehicle (SPV) promoted by Shri Rajendra Singh Bhamboo, Shri Rajendra Singh Danghi, Shri Suresh Kumar Meel, Shri Rajendra Singh, and Shri Rajesh Kumar for implementing a Build-Operate-Transfer (BOT) toll road project along the Jhunjhunu–Udaipurwati–Khandela stretch on State Highway - 37 (SH-37) in Rajasthan.

RSBTPL is promoted by the Rajasthan-based Shri Rajendra, Singh Bhamboo, Shri Rajendra Singh Danghi, Shri Suresh Kumar Meel, Shri Rajendra Singh, and Shri Rajesh Kumar. The main promoters have been involved with road construction since 1995 through a partnership firm, M/s. Rajendra Singh Bhamboo (now Rajendra Singh Bhamboo Infra Pvt. Ltd., RSB IPL). RSB IPL is the flagship firm of the group and has completed multiple road projects in Rajasthan. The group entered the BOT project segment in 2012, with the award of two BOT projects (including that under RSBTPL); both the projects have commenced operations.

The project scope involves strengthening of the Jhunjhunu–Udaipurwati–Khandela stretch along SH-37 in Rajasthan, from the 83/450 km point to the 158/00 km point (Khandella at 83/450 km and Jhunjhunu at 158/00 km) on a BOT basis, with the concessionaire having rights to collect toll/user fees as per State Government rules from the commuters. The bid parameter was the concession period and the company had quoted 17 years 1 month and 28 days. The total length of the stretch under this project is about 71.25 km at a cost of Rs. 64.07 crore. The company had received provisional completion certificate and tolling began on the stretch has from July 12, 2013.

The project road connects Jhunjhunu with Khandela in Rajasthan, and is the shortest connecting route between Jhunjhunu and Jaipur, so the traffic density is moderate. While there is no alternate route connecting Jhunjhunu with Khandela, over a wider perspective, there does exist a connecting route between Jhunjhunu and Jaipur through an alternative route via Sikar through National Highways 11 and 65 (NH-11 and NH-65). However, this route is longer by about 42 km. However, this being a state highway, there are many arterial roads, due to which the risk of traffic leakage remains.

The project stretch from Jhunjhunu to Khandela links to Khatu Shyam Ji in Rajasthan, which holds regional significance as the home of the famous Shyam Baba temple, which attracts heavy traffic during the period of March to June. In addition, the stretch is the shortest route connecting to Jaipur, which attracts heavy flow of commercial and passenger vehicles on it.

The project has been operational since July 2013 and has a track record of more than three years. The toll collections on the project have been adequate to service the debt availed by the company. In FY2016, the DSCR of the company stood at 1.07 times. The DSCR is sensitive to the growth in toll collections as the debt amortisation structure is ballooning during the tenure. ICRA has also noted that as per the concession agreement, the major maintenance of the project stretch would be required after seven years of initial operations. However, the company has not yet started building reserves for major maintenance, and depending on the quantum of the requirement, may opt for refinancing or support from its promoters.



Being a toll road project, RSBTPL's cash flows are susceptible to traffic related risks including traffic leakage, diversion, and elasticity to toll rate increase. During the current financial year, based on provisional estimates, there has been a decline in average toll collection. Furthermore, the toll collection was suspended for 24 days that resulted in loss of revenues; and will result in lower toll collections during FY2017, thereby adversely impacting its DSCR. While ICRA believes that RSBTPL will be compensated by the Government, this will be in the form of increase in concession period due to which the cash flows will be back-ended, thereby impacting liquidity. Nevertheless, ICRA has taken comfort from the structural cushion with the presence of funds in DSRA equivalent to three month of debt servicing. Regular escrow mechanism and ring fencing of cash flows are other structural features supporting the rating.

**Analytical approach:** Not applicable

**Links to applicable Criteria:**

Corporate Credit Rating –A Note on Methodology

[ICRA's approach to rating Toll Road projects](#)

**About the Company:**

Incorporated in May 2012, Rajendra Singh Bhamboo Tollways Private Limited is a Special Purpose Vehicle promoted by Shri Rajendra Singh Bhamboo, Shri Rajendra Singh Danghi, Shri Suresh Kumar Meel, Shri Rajendra Singh, and Shri Rajesh Kumar for implementing a BOT toll road project along the Jhunjhunu–Udaipurwati–Khandela stretch on SH-37 in Rajasthan.

The project involved a capital outlay of Rs. 64.07 crore, which was funded by a term loan of Rs. 45.0 crore, and promoter's contribution of Rs. 19.07 crore. The project was awarded in March 2012, and it received a provisional completion certificate on July 12, 2013. The tolling on the stretch has started. The total concession period for the project is 17 years, 1 month and 28 days, including the construction period.

In FY2016, RSBTPL registered an operating income (OI) of Rs. 9.5 crore, and a profit after tax (PAT) of Rs. 0.1 crore, over an OI of Rs. 8.4 crore and PAT of -Rs. 0.2 crore during FY2015.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**
**Table: Rating History**

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. crore)	Month-year & Rating	Month-year & Rating in FY2016	Month- year & Rating in FY2015	Month- year & Rating in FY2014	Month- year & Rating in FY2013
				January 2017	October 2015	September 2014	September 2013	
1	Term Loans	Long Term	41.50	[ICRA]BB+ Stable	[ICRA]BB+ Stable	[ICRA]BB+ Stable	[ICRA]BB Stable	
2	Non-Fund Based Limits - Bank Guarantee	Long Term	1.50	[ICRA]BB+ (stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	
3	Unallocated	Long Term	0		[ICRA]BB+ Stable	[ICRA]BB+ Stable	[ICRA]BB Stable	

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Details of Instrument**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. crore)</b>	<b>Current Rating and Outlook</b>
Term Loans	2013	–	2023	o/s 41.5 (sanctioned 45.0)	[ICRA]BB+ (Stable)
Bank Guarantee	2013	–	-	o/s 1.5 (sanctioned 3.27)	[ICRA]BB+ (Stable)

Source: RSBTPL



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About ICRA Limited:

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