



## Delhi Airport Metro Express Private Limited

### RATING HISTORY

	Total Amount	Rating Assigned
Fund Based		August 2009
Rupee Term Loan	Rs. 17.55 billion	LA+ (SO)
External Commercial Borrowing	US\$ 54 million	LA+ (SO)

ICRA assigns LA+ (SO) (pronounced L A plus (Structured Obligation)) rating to bank facilities of Delhi Airport Metro Express Private Limited (DAMEPL)†. The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure for repayment. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

Delhi Airport Metro Express Private Limited (DAMEPL) is a special purpose vehicle promoted by Reliance Infrastructure Limited (Rel Infra), the flagship company of Reliance ADA group and Construcciones Y Auxiliar De Ferrocarriles, S.A, Spain (CAF), a reputed rolling stock manufacturer to implement Airport Express Link (AEL) project in the city of New Delhi.

The rating draws support from the strength of the promoters, the ADAG group, which is also reflected in the undertaking provided to lenders till such time that real estate agreement in respect of development of land at Dwarka depot is finalised. It also reflects the low funding risk as the financial closure for the project has been achieved, long tenure of the debt with ballooning repayments and the debt service reserve amount (DSRA) of Rs. 1.29 billion included in the project cost to meet interest payments of the first two quarters

† For complete rating scale and definitions please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

post Commercial Operation Date (COD). ICRA draws comfort from the fact that most vendors selected for the critical systems such as rolling stock, automatic fare systems, signalling and baggage handling are experienced and reputed. The cost escalation risk for the project is low as over 85% of the agreements for supply and services of equipment have been entered into and these constitute around 80% of the total project cost

The rating is constrained by the fact that the success of the project crucially hinges on DAMEPL's ability to execute the real estate development as planned. The real estate related revenue would account for almost 70% of total revenues in the initial years and more than 50% of total revenues during the entire concession period and hence exposes the project to variation in real estate lease rentals in the New Delhi region. The project is also exposed to the market/traffic risks that are typical to transportation projects and to interest rate risk given that the interest on the loans would be reset at regular intervals.

As per the Concession Agreement (CA) all the civil works for the line as well as the stations shall be completed by DMRC (Delhi Metro Rail Corporation Limited) and handed over to DAMEPL who will then complete all other system works and run the system for a period of 30 years. The total project cost (excluding the civil works) has been estimated at Rs. 28.85 billion translating into Rs. 1.27 billion per km. The costs are to be funded in a

debt-equity ratio of 2.34. Rel Infra and CAF would bring 95% and 5% of the total equity of Rs. 8.65 billion. Almost 27% of the total equity has been brought in by the promoters. The debt comprises of Rupee Term Loan (RTL) of Rs.17.55 billion and External Commercial Borrowing (ECB) of US\$ 54 million. The repayment of the loan would start from April, 2012 after a moratorium period of 20 months from scheduled COD of July 31, 2010. The repayment of term loans is back-ended and less than 8% of the principal (Rs.1.61 billion) needs to be repaid in first 5 years post moratorium (FY13-FY17) thereby reducing the risk arising from weak cash flows during the initial years. However, the interest rates for the RTL and ECB are linked to BPLR and LIBOR respectively and hence the project remains exposed to interest rate risk. DAMEPL would be required to make payments to various contractors in foreign currency in excess of the ECB loan sanctioned which exposes it to foreign exchange fluctuation risk. The Company is in the process of tying up some ECA funds to minimise the exchange fluctuations.

DAMEPL would pay a concession fee of Rs. 0.51 billion during first year of operation i.e. FY11. Thereafter the concession fee would be escalated by 5% p.a. DAMEPL would also share revenue with DMRC at 1% p.a. during the first five years of operation, 2% for next 5 years, 3% in next five years and 5% thereafter till end of concession period.



AEL system comprises a complex combination of various system elements and needs expertise related to system integration and interface coordination activities. Moreover, the project needs to be executed at a very fast pace as it is proposed to be completed before the commonwealth games scheduled in September 2010. Though most of the contracts have been awarded within the scheduled timing the time for testing and commissioning of the various systems appear to be challenging and could result in unforeseen problems during initial start-up of the project. This risk is reduced by the fact that all the contracts have been awarded to reputed manufactures (Siemens, Alcatel, Schindler, Faiveley, Kalindee, Indra) through competitive bidding who have the requisite experience and technical skills to execute the project as per schedule. DAMEPL is working closely with EPM (Engineering and Project Management) consultants for the project MTR Corporation (Mass Transit Railway, HongKong) who have the experience of executing and operating HongKong Metro on similar lines.

The business model of the company is based on earning revenues from the development of depot area for commercial real estate activities, retail and service outlets at the stations, advertisement revenue (generated from the use of rolling stock, stations, depot, rail tickets and project corridor for advertisement activities) and fare revenue generated from passengers travelling in the AEL. The share of passenger traffic revenue is just 11% of the total

revenues during the initial years of operation. In addition, the project is exposed to typical market/traffic risks that are experienced by a transportation project. Given the dependence on real estate and advertising revenues, and the market risks inherent in transportation projects, ICRA draws rating comfort from the project structure.

The real estate revenues constitute around 70% of the expected total revenues in the initial years. Revenues from development of depot at Dwarka will account for 42% of total revenues whereas revenues from development of retail spaces at the 3 stations (New Delhi, Shivaji Stadium and Dhaula Kuan) are projected to account for 27% of total revenue. Advertisement (at stations, corridor and rolling stock) is projected to account for around 20% of total revenue in the initial years. The management has decided to delay the leasing of Dwarka Depot land owing to the current real estate slowdown. One of the pre-disbursement conditions for the debt was that DAMEPL should enter into contract relating to real estate development at Dwarka Depot since it accounts for 42% of the total revenue. As mentioned above, DAMEPL also plans to generate around 27% of its total revenues from the retail shops at New Delhi, Shivaji Stadium and Dhaula Kuan Station and therefore the project continues to be vulnerable to the fall in lease rentals of retail space in these areas. A key rating sensitivity, going forward, would be DAMEPL's ability to execute long term commercial agreement at favourable rates for the depot land at Dwarka

and its ability to generate adequate revenues from retail shops at the three stations.

### Company Profile

Delhi Airport Metro Express Private Limited (DAMEPL) is a special purpose vehicle promoted by Reliance Infrastructure Limited (Rel Infra), the flagship company of Reliance ADA group and Construcciones Y Auxiliars De Ferrocarriles, S.A, Spain (CAF), a reputed rolling stock manufacturer to implement Airport Express Link (AEL) project in the city of New Delhi. The project envisages setting up of a dedicated 22.69 Km long express metro line connecting Indira Gandhi International airport (IGI) to the city center. The said line shall run from New Delhi AEL station to upcoming residential hub of Dwarka via IGI with a total of six stations. AEL shall cover distance of 15.081 km underground, 0.893 km at grade and 6.720 km elevated. The operational speed of the trains would be 120 Km/hr and it would be operational for 20 hours with a head-way (time between two trains) of 10 minutes. The line will help passengers travelling by air to check in at stations within city and would reduce the travel time to airport from city centre to about 25 min as against 60-90-minutes by road. Two of the stations (called 'in-town stations') i.e. New Delhi and Shivaji stadium shall have check-in and baggage facility. Dhaula Kuan station is the only elevated station and it would have check-in facility.

November 2009

### Key Dates

Date of Signing Concession Agreement (CA)	August 25, 2008
Commercial Operation Date (COD)	July 31, 2010
Concession End Date	April 30, 2039
Concession Period	30 years



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