

## Khatu Shyam Ji Tollways Private Limited

January 25, 2018

### Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	15.50	10.50	[ICRA]BBB- (Stable); Reaffirmed
Non-fund Based Limits	1.00	1.00	[ICRA]BBB- (Stable); Reaffirmed
<b>Total</b>	<b>16.50</b>	<b>11.50</b>	

### Rating action:

ICRA has reaffirmed the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs. 11.50-crore<sup>1</sup> (earlier Rs. 16.50-crore) term loans and non-fund based limits of Khatu Shyam Ji Tollways Private Limited. (KSJTPL).<sup>2</sup> The outlook on the long-term rating is Stable.

### Rationale:

The rating reaffirmation takes comfort from the adequate toll collections in the project which, along with reducing debt servicing obligations (flat debt repayment), are expected to strengthen the debt-coverage ratio going forward. The rating continues to take comfort from the operational status of the project with a track record of about five years of toll collection, increase in toll rates not linked to inflation (fixed increase by 10% after every two years), and importance of the project stretch. The rating also continues to take 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 adequate liquidity. The rating also takes comfort from the healthy track record of the promoters in the road sector in Rajasthan.

The rating, however, is constrained by volatility in toll-collection growth in the past. While toll collections in FY2017 were lower (partly due to toll suspension during the demonetisation phase), the company was able to maintain debt service coverage ratio (DSCR) of 1 times due to reduction in debt-servicing obligations. The rating is also constrained by increased expenditure in FY2017 and the absence of any provision for major maintenance, which is to be incurred towards the end of the project. The rating continues to be constrained by the revenue risks that are inherent 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 toll/accept increase in toll rates. The rating also continues to be constrained by the limited flexibility due to the short tail period of about nine months (the remaining concession period after complete scheduled repayment of term loan).

<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

## Outlook: Stable

ICRA believes KSJTPL's cash flows will remain adequate to service its debt obligations. The outlook may be revised to Positive if there is healthy growth in revenue and profitability, which strengthens its debt-coverage metrics. The outlook may be revised to Negative if toll collections are lower than expected, or if the operating and maintenance expenditure is significantly higher than envisaged, resulting in lower-than-anticipated cash flows available for debt servicing.

## Key rating drivers:

### Credit strengths

**Operational status of the project with track record of toll collections** - KSJTPL is a special purpose vehicle (SPV) promoted for implementing a build-operate-transfer (BOT) toll road project between Khandela-Sri Madhopur-Ringas-Khatu Shyamji of SH-37 and MDR-46 in Rajasthan. The tolling on the stretch started from March 28, 2013. The project has a track record of about five years of toll collection.

**Adequate toll collections for meeting debt-servicing obligations** - The toll collections on the project have been adequate to service the debt availed by the company. In FY2017, the toll collections declined due to loss of toll revenue during the demonetisation period. However, the DSCR of the company stood at 1.0 times. Going forward, with the increase in toll collections and the reduction debt servicing obligations, the DSCR is expected to improve.

**Support from structural features** - ICRA has taken comfort from the structural features in the projects, including the escrow of toll collections with the lenders, ring-fencing of cash flows and waterfall mechanism, and presence of funded DSRA equivalent to three month of debt-servicing requirement.

### Credit challenges

**Volatility in toll collection and operating expenditure** - The toll collection in the project witnessed muted growth in FY2017 despite adjusting for the toll suspension period revenue loss. Furthermore, the operating expenses in the project increased in FY2017, which reduced cushion in the debt service coverage ratio during the year.

**Revenue risk associated with a toll road project** - Being a toll road project, KSJTPL's cash flows are susceptible to traffic-related risks including traffic leakage, diversion, and elasticity to toll rate increase. Further, as per the concession agreement, the loss of revenue due to temporary toll suspension is to be compensated by the Government through an increase in concession period due to which the cash flows will be back-ended and can have an impact on liquidity. However, ICRA takes comfort from the presence of DSRA, which provides cushion to tide over short-term cash flow mismatches.

**Lack of major maintenance provision** - The major maintenance of the project stretch would be required after approximately seven years of initial operations. However, the major maintenance reserve is not built yet. In the absence of major maintenance reserve, sizeable cash outflow will be required at the time of major maintenance.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

#### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[BOT Toll Road Projects in India](#)

### About the company:

Incorporated in May 2012, KSJTPL is an SPV promoted by Shri Rajendra Singh Bamboo, and Shri Rajendra Singh Danghi (each with 50% shareholding) for implementing a BOT toll road project among Khandela-Sri Madhopur-Ringas-Khatu Shyamji on SH-37 and MDR-46 in Rajasthan.

The project involved capital outlay of Rs. 36.74 crore, which was funded by debt of Rs. 27.5 crore and promoters' contribution of Rs. 9.24 crore. The project site was handed over to the company in June 2012, the construction work for the project is complete and toll collection on the stretch started on March 28, 2013. The total concession period for the project is eight years, nine months and 11 days, including the construction period.

In FY2017, KSJTPL registered an operating income (OI) of Rs. 8.36 crore, and profit after tax (PAT) of Rs. 0.07 crore compared to OI of Rs. 9.11 crore and PAT of Rs. 0.15 crore during FY2016.

### Key financial indicators (audited)

	FY2016	FY2017
Operating Income (Rs. crore)	9.11	8.36
PAT (Rs. crore)	0.15	0.07
OPBDIT/OI (%)	79.0%	67.2%
RoCE (%)	9.0%	7.7%
Total Debt/TNW (times)	1.67	1.28
Total Debt/OPBDIT (times)	2.38	2.35
Interest Coverage (times)	2.94	3.00
NWC/OI (%)	-	-

Source: KSJTPL, ICRA research

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

**Any other information: None**

### Rating history for last three years:

Current Rating (FY2018)					Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating January 2018	Date & Rating in FY2017@	Date & Rating in FY2016	Date & Rating in FY2015	
					January 2017	October 2015	September 2014	
1 Term Loan	Long Term	10.50	10.31	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	
2 Non-Fund Based Limits	Long Term	1.00	NA	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	2012	NA	2020	10.50	[ICRA]BBB-(Stable)
NA	Non fund Based Limit	2012	NA	NA	1.00	[ICRA]BBB-(Stable)

Source: KSJTPL

## ANALYST CONTACTS

**Shubham Jain**

+91 124 4545 306

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

**Abhishek Gupta**

+91 124 4545 863

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

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

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

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[naznin.prodhani@icraindia.com](mailto:naznin.prodhani@icraindia.com)

### Helpline for business queries:

+91-124-2866928 (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

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

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

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 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