

Dewas Bypass Tollway Private Limited

March 22, 2018

Summary of Rated Instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	225.0	225.0	Provisional rating of [ICRA]A+(S) (Stable) Confirmed as final
Total	225.0	225.0	

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has confirmed the provisional rating assigned to Rs. 225.0 crore¹ term loans (TL) facility of Dewas Bypass Tollway Private Limited (DBTPL)² as final. The rating carries a stable outlook. The letter S in parenthesis suffixed to a rating symbol denotes that the rating is supported by a Letter of Comfort or any similar form of support. An (S) rating does not represent ICRA's opinion on the general credit quality of the issuer concerned.

Rationale

In November 2017, ICRA had assigned Provisional [ICRA]A+(S) rating to Rs.225 crore term loan (TL) facility of DBTPL. Since DBTPL has now shared the executed documents and they are in line with the initial rating conditions, the rating has now been confirmed as final.

The assigned rating draws comfort from the Letter of Comfort (LoC) extended by DBTPL's sponsor i.e. IJM Corporation Berhad (IJM). As per the terms of LoA, IJM has confirmed that it shall be supportive of DBTPL's operations and shall further ensure that DBTPL meets its debt service obligations on the rated term loan on time. The rating is based on the strength of support from IJM and its track record in executing road projects. The project faces low regulatory risk with majority of the approvals in place. The project is, however, exposed to execution risks since it is in initial stages of construction with estimated COD (Commercial Operation Date) in October 2019. Post-commissioning, the project cash flows would be sensitive to the traffic growth rates and Wholesale Price Index (WPI)-linked escalation in toll rates.

Outlook: Stable

The outlook on the Rs. 225 crore TL may be revised if there is a change in outlook of IJM.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications

Key rating drivers

Credit Strengths

- **Extensive experience of promoter in road construction business** - The company is held by IJM Corporation Berhad (Malaysia's leading construction group) and IJM Dewas (Mauritius) Limited (wholly-owned subsidiary of IJM Investments (M) Limited, which in turn is a wholly-owned subsidiary of IJM Corporation Berhad). IJM is a Malaysian conglomerate and its core business activities encompass construction, property development, manufacturing and quarrying, infrastructure concessions and plantations. The extensive experience of promoter is expected to benefit the company over the medium-to-long term.
- **Support from IJM in form of LoC** - The rating addresses that the servicing of the bank lines to happen as per the terms and assume that it would be supported by LoC extended by IJM. As per the terms of LoC, IJM confirms to be supportive of DBTPL's operations and ensure that DBTPL will meet its debt service obligations on the rated term loan on time. IJM will be providing a corporate guarantee to the lenders that would be valid till end of the second-year post achievement of COD (Commercial Operation Date), post which the LoC would be valid till the entire tenure of the term loan facility.

Credit Weaknesses

- **Project exposed to execution risks** - The project is in a nascent stage of construction and thus is exposed to execution risk. DBTPL has entered into a fixed-time fixed-price EPC Agreement with IJM India with contract cost of Rs. 248.7 crore towards implementation of the project which mitigates risk of cost overrun to some extent. As on date, equipment's have been mobilized at project site, and about 10% of the project work is already completed. The company expects to complete the construction work within time and achieve COD by October 2019.
- **Project cash flows sensitive to traffic growth rates** - DBTPL's cash flows will be exposed to volatility in toll collections due to future traffic growth rate. Any moderation in traffic growth from anticipated levels may lead to weakened project metrics.
- **Toll rate hike linked to Wholesale Price Index (WPI)** - The toll rates are 100% linked to WPI (as on December of the preceding year). The toll rates thus remain exposed to the WPI rates and would be negatively impacted in years of low or negative WPI.

Analytical approach: For arriving at the ratings, ICRA has taken into account; inter alia, the explicit support provided by IJM to the company in the form of a LoC.

Links to applicable criteria:

[Approach for rating debt instruments backed by third-party explicit support](#)

About the Issuer

Incorporated on February 2017, Dewas Bypass Tollway Private Limited (DBTPL) is a special purpose vehicle (SPV) promoted by the Malaysian construction firm IJM Corporation Berhad and its investment companies to undertake the project of widening & up-gradation of Dewas Bypass Road from KM 0.00 at Ujjain Dewas Junction and ending at KM 19.80 at Indore Junction from two-lane to a four/six-lane highway in Madhya Pradesh on a Design, Build, Operate and Transfer (DBOT) basis. The project was awarded by Madhya Pradesh Road Development Corporation Limited (MPRDCL) based on competitive bidding on February 27, 2017, with a concession period of 25 years commencing from October 10, 2017 including the two year construction period.

Key Financial Indicators: Not Applicable (Project Company)

About the Sponsor

IJM Corporation Berhad (IJM) is a leading Malaysian conglomerate and is listed on Bursa Malaysia Securities Berhad. Its core business activities encompass construction, property development, manufacturing and quarrying, infrastructure concessions and plantations. Headquartered in Selangor, Malaysia, IJM has established its presence in 10 countries, with primary focus in Malaysia, India, China and Indonesia. For FY2017, on a consolidated basis, IJM reported net profit of RM (Malaysian Ringgit) 766.8 million on net revenues of RM 6,065.3 million.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating March 2018	Date & Rating in FY2018 November 2017	Date & Rating in FY2017	Date & Rating in FY2016
1 Term Loan	Long term	225.0	225.0	[ICRA]A+(S) (Stable)	Provisional [ICRA]A+(S) (Stable)	NA	NA

Complexity level of the rated instrument: Complex

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

Annexure-1 Details of Instrument

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Current Rating and Outlook
Term Loan	FY2018	NA	FY2035	225.0	[ICRA]A+(S) (Stable)

Source: DBTPL

Contact Details

Analyst Contacts

Anjan Ghosh

+91 22 6114 3407
aghosh@icraindia.com

Shubham Jain

+91-124-4545 306
shubhamj@icraindia.com

Vibhor Mittal

+91 22 6114 3440
vibhorm@icraindia.com

Rajeshwar Burla

+91 40 4067 6527
rajeshwar.burla@icraindia.com

Rohit Agarwal

+91 22 6169 3329
rohit.agarwal@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shivakumar

+91 22 61143406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860
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

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

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

Website: 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 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