

September 04, 2020^(Revised)

JITF Urban Waste Management (Bathinda) Limited: Rating downgraded to [ICRA]B+; outlook remains Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based - term loans	26.83	26.83	[ICRA]B+ (Negative); Downgraded from [ICRA]BB (Negative)
Total	26.83	26.83	

*Instrument details are provided in Annexure-1

Rationale

The rating revision factors in the prolonged uncertainty of the future cash flow generation for JITF Urban Waste Management Bathinda Limited (JITF-B), given its ongoing dispute with the Municipal Corporation of Bathinda (MCB) for its municipal solid waste (MSW) management project in the region. The management claims that there has been non-fulfilment of certain conditions/obligations under the concession agreement (CA) by the MCB, which has resulted in the subsequent termination of the CA. The matter is currently under arbitration. Earlier, JITF-B faced significant delays in commissioning of its waste processing and disposal (P&D) facilities, which led to lower-than-anticipated revenue generation and operating losses.

Nevertheless, the rating factors in JITF-B's parentage (the PR Jindal Group) and consistent support from the promoter entities by way of equity infusion and unsecured loans (Rs. 94.3 crore as on March 31, 2020) to fund its operating losses and debt servicing obligations.

Key rating drivers and their description

Credit strength

Consistent funding support from promoters: JITF-B's promoters (the PR Jindal Group) have consistently infused funds to support against losses and to meet debt servicing obligations. As of March 31, 2020, the promoters infused around Rs. 94.3 crore in the entity in the form of equity capital, preference shares, unsecured loans and compulsorily convertible debentures (CCDs). Going forward as well, additional promoter support is envisaged for meeting cash flow shortfalls.

Credit challenges

Uncertainty on future operations: JITF-B has terminated the CA with the concessioning authority (the MCB) and the matter is under arbitration. The arbitration process has been prolonged and there remains a high degree of uncertainty regarding the future operations and cash flows of the company.

Losses at operating level: Waste collection activities entail high operating costs. This, coupled with JITF-B's low scale of operations and delays in commencement of P&D facilities, has led to continuous operating losses since the commencement of operations. Further, over the last two years the losses have continued in the absence of any operations. This has necessitated additional promoter support for funding losses and meeting debt obligations.

Liquidity position: Stretched

The company's liquidity position is **stretched** as it continues to report losses and its business operations remain suspended post the termination of the CA and the ongoing arbitration against the MCB. JITF applied for the moratorium on its debt servicing and the same would commence from September 2020. The repayments and interest servicing for the project capex as well as operating losses have been funded by promoters thus far. Going forward as well, the company is likely to require additional promoter support.

Rating sensitivities

Positive triggers: The upgrade in rating is unlikely, given the Negative outlook. The outlook may be revised to Stable upon resolution of the arbitration and/or the project becoming operational, leading to improvement in its financial risk profile.

Negative triggers: Given the project is not progressing, the ratings may be further downgraded if the quantum of support from promoters is inadequate to meet operational expenses as well as debt servicing, or if the necessary financial support is not received in a timely manner.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group Support	The rating derives support from the parent group (PR Jindal Group) which has extended financial support to this entity
Consolidation/Standalone	Standalone

About the company

JITF Urban Waste Management (Bathinda) Limited (JITF-B) is a special purpose vehicle (SPV) promoted by JITF Urban Infrastructure Limited (JUIL) to develop and implement MSW management system in Bathinda. JITF-B entered into a 25-year CA with the MCB in 2011, which allowed it to develop and implement a sustainable MSW management system to scientifically manage MSW and utilise it to produce compost, refuse derived fuel (RDF) and dispose the residual matter in an environment-friendly manner. However, due to the ongoing dispute, the CA has been terminated and operations have been suspended. JITF-B is part of the infrastructure vertical of the PR Jindal Group, which is housed in the listed company—JITF Infralogistics Ltd (JIL). For FY2020 (provisional), JITF-B reported net loss of Rs. 12.9 crore on an operating income (OI) of Rs. 0.4 crore against net loss of Rs. 13.7 crore on an OI of Rs. 0.7 crore in FY2019.

Key financial indicators

	FY2019	FY2020*
Operating Income (Rs. crore)	0.74	0.39
PAT (Rs. crore)	-13.7	-12.9
OPBDIT/OI (%)	-680.6%	-920.8%
PAT/OI (%)	-1855.6%	-3320.3%
Total Outside Liabilities/Tangible Net Worth (times)	-1.9	-1.6
Total Debt/OPBDIT (times)	-11.7	-20.0
Interest Coverage (times)	-0.9	-0.5

*Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current Rating (FY2021)				Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding* (Rs. crore)	Date & Rating	FY2020	FY2019	FY2018
	Instrument				04-Sep-2020	30-Aug-2019	29-Jun-2018	10-Apr-2017
1	Term Loans	Long Term	26.83	12.45	[ICRA]B+ (Negative)	[ICRA]BB (Negative)	[ICRA]BB (Negative)	[ICRA]BB (Stable)

* - As on March 31, 2020

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

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 Loans	May 2012	-	June 2023	26.83	[ICRA]B+ (Negative)

Source: JITF-B

Corrigendum

Document dated September 04, 2020 has been corrected with revisions as detailed below:

- Page 6 – Relationship contact has been changed from Jayanta Chatterjee to L Shivakumar, along with the contact details

Analyst Contacts

Sabyasachi Majumdar

+91-124-4545304

sabyasachi@icraindia.com

Anupama Arora

+91 124-4545 303

anupama@icraindia.com

Ankit Jain

+91-124-4545 865

ankit.jain@icraindia.com

Sundeep Yadav

+91 124-4545 817

sundeep.yadav@icraindia.com

Relationship Contact

L Shivakumar

+91 22 61143406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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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
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Pune + (91 20) 2556 0194/ 6606 9999

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