Rating Rationale

Brickwork Ratings revises the rating of Adityapur – Kandra Road Project of Jharkhand Road Projects Implementation Company Limited for the Long Term Bank Loan Facility of ₹ 179.69 Cr on its Annual Surveillance

Brickwork Ratings (BWR) revises the **Ratings**[1] of Adityapur–Kandra Road Project of Jharkhand Road Projects Implementation Company Limited (JRPICL-AK) sanctioned by Allahabad Bank and Dena Bank to BWR BBB [Pronounced BWR Triple B] (Outlook: Stable) for the Long Term Bank Loan Facility of ₹ 179.69 Crores on Annual Surveillance from BWR BBB- [Pronounced BWR Triple B Minus] (Outlook: Stable) rated by BWR on June 11, 2012.

		as on June 30, 2013 (₹ Crores)			
Bank/ Term Loan	Sanctioned	Drawn	Outstanding	Undrawn	Rating Amount
Allahabad Bank	100.00	90.89	89.89	9.11	**99.00**
Dena Bank	81.50	74.07	73.26	7.43	**80.69**
Total Term Loan	**181.50**	**164.96**	**163.15**	**16.54**	**179.69**

Facility	Limits (Rs Crores)	Tenure	Revised Rating	Rating History
Term Loan	**179.69**	**Long Term**	**BWR BBB** (Pronounced BWR Triple B) **(Outlook: Stable)**	**BWR BBB-** (Pronounced BWR Triple B minus) **(Outlook: Stable)**

Jharkhand Road Projects Implementation Company Limited (JRPICL) is a joint venture promoted by IL&FS (Infrastructure Leasing & Financial Services Limited) & its subsidiary ITNL (IL&FS Transportation Networks Limited), incorporated on Aug 04, 2009, for 15.1 KMs four laning of Adityapur-Kandra section in the state of Jharkhand under JARDP (Jharkhand Accelerated Road Development Programme). JRPICL is supported by Government of Jharkhand (GOJ). It was formed to undertake the design, engineering, financing, procurement, construction, operation and maintenance of the road projects on BOT Annuity Basis.

BWR has principally relied upon the Chartered Accountants Certificate dated July 01, 2013, Provisional Completion Certificate dated Jan 31, 2013, and initiation of the Annuity payments from Government of Jharkhand, publicly available information and information/clarification provided by the Company management. The rating has factored, inter-alia, IL&FS and ITNL, strength in implementing infrastructure road projects and the Government of Jharkhand (GoJ), initiatives for the project and the support it will provide to JRPICL in obtaining the requisite statutory approvals.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Background

GoJ conceptualized a comprehensive programme titled the 'Jharkhand Accelerated Road Development Programme' (JARDP) to improve road infrastructure (about 1500 lane KMs) in the state in the Public Private Partnership (PPP) framework. A Programme Development Agreement (PDA) was signed between GoJ and, ITNL (IL&FS Transportation Networks Limited) for the improvement of 1500 lane km of selected project road corridors. The programme is being implemented under an SPV named 'Jharkhand Accelerated Road Development Company Limited' (JARDCL), a joint venture between IL&FS group and GoJ with shareholding pattern in ratio of 74:26 respectively.

The Adityapur - Kandra (AK) Road Project

The Adityapur-Kandra (AK) road project traverses through the area connecting Jamshedpur-Chaibasa State Highway, connecting important cities viz. Jamshedpur, Adityapur, Saraikela, Kharsawan & Chaibasaof the state and the Adityapur Industrial belt to Jamshedpur.

AK Road in Jharkhand state is proposed to be improved to a proper four lane facility with service road to meet the substantial increase in the traffic caused by the on-going socio-economic and industrial development. Total length of the project road is 15.1 KMs (30.2 linear KMs). The road starts from Adityapur near Kharkhai Bridge on Jamshedpur-Chaibasa road and ends at Kandra junction of Adityapur-Kandra-Chaibasa road.

Towards execution of the project, a tripartite concession agreement has been entered into by GoJ, JARDCL (Jharkhand Accelerated Development Company Ltd) and JRPICL on August 6, 2011. The Concession period is 15 years and nine months from the Commencement date. GoJ will make a payment of Rs.22.91 Crores semi-annually towards Annuity payment and further provide to the Concessionaire a Letter of Credit from a Scheduled Bank for the said Annuity.

Description	Period	Date
Concession Agreement Date	-	August 06, 2011
Financial Closure Date and Commencement Date	Within 180 days from the date of Concession Agreement	Financial Closure Date: Dec 05, 2011 Commencement Date: Feb 02, 2012
Scheduled Project Completion Date (SPCD)	9 months from the Commencement date	SPCD: Nov 02, 2012, The Company got extension for SPCD till Jan 31, 2013 from RcD of GoJ
Annuity Payment Date		July 31, 2013

The Company has received DD of Rs 22.9092 Crores on July 31, 2013 from GoJ towards 1st Annuity payment for Adityapur-Kandra Road Project (AK). The Scheduled date of Annuity is July 31, 2013.

Project Cost and Means of Finance

The project cost estimated at Rs.242 Crores is to be met from a combination of promoters' equity contribution of Rs. 30.25 Crores, subordinated debt from IL&FS Group of Rs.30.25 Crores and Term loan of Rs.181.50 Crores from Banks.

As per the Chartered Accountants certificate dated July 01st, 2013 about the status of funds received and utilised for the AK road project, the Company has received Rs. 222.46 Crs (against the projected Rs. 242 Crs). It has so far utilised Rs. 221.73 Crs.

Project Implementation Status

The Lenders Independent Engineer's report dated June 15th, 2013 states:

- Work is completed on main carriageway, with minor work in progress at service Roads
- Progress of the project upto May 2013 is 94.2% against 96.4%
- The work has been done as per IRC guidelines and quality has been achieved as per standard norms. Production of aggregate is in progress and sufficient stock has been stored at the camp site. Contractor has mobilized all major plant & machineries on Site to achieve the target as per Construction program and milestones
- Major Structural Works has been completed; Utility Shifting are in progress in service road area; Tree cutting is in progress in service road areas on obtaining permission from Forest department as and when required.

Rating Outlook

The rating revision derives strength from the initiation of the Annuity payments of Rs.22.91 Crores from Government of Jharkhand, Chartered Accountants Certificate dated July 01, 2013, Lenders' Independent Engineer's report on the latest status of the project, Provisional Completion Certificate dated Jan 31, 2013. The Project being an Annuity based project is subject to low revenue risk as the revenues are provided by GoJ in the form of semi-annual payments and factors in the usual coherent timely execution risks arising from obtaining the requisite statutory approvals. The rating also factors in ITNL's expertise in implementing similar road projects, the financial support of the promoter- ITNL's undertaking to fund any major maintenance expenditure shortfalls, the Banker's confirmation on the account being standard with no overdue / delay in servicing of the debt / interest and Government of Jharkhand (GoJ)'s support to the project.

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