

Rating Report

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 ₹ 171.93 Cr on its Annual Surveillance

Brickwork Ratings (BWR) revises the **Rating**¹ of Adityapur–Kandra Road Project of Jharkhand Road Projects Implementation Company Limited (JRPICL-AK) availed from Allahabad Bank and Dena Bank to BWR BBB+ [Pronounced BWR Triple B Plus] (Outlook: Stable) for the Long Term Bank Loan Facility of ₹ 171.93 Cr on Annual Surveillance from BWR BBB [Pronounced BWR Triple B] (Outlook: Stable) reviewed on August 01, 2013.

		As on 15-Jul-2014 (₹ Cr)		
Consortium Banks/Rs Cr	Limit	Draw Down	Outstanding	Rating Amount
Allahabad Bank (Lead Bank)	100.00	100.00	94.73	94.73
Dena Bank	81.50	81.50	77.20	77.20
Total Term Loans	181.50	181.50	171.93	171.93

Facility	Limits (₹ Cr)	Tenure	Revised Rating	Previous Rating
Term Loan	171.93	Long Term	BWR BBB+ (Pronounced BWR Triple B Plus) (Outlook: Stable)	BWR BBB (Pronounced BWR Triple B) (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 four laning of 15.1 kms each on Adityapur-Kandra section in the state of Jharkhand under JARDP (Jharkhand Accelerated Road Development Programme). JRPICL is supported by Government of Jharkhand (GOJ). It is 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 Completion of the AK-JRPICL and regular receipt of Annuity payments from Government of Jharkhand receivable on semi-annual basis since July 2013, 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 final completion certificate.

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' (JARDCCL), 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 & Chaibasa of 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.

The project cost estimated at ₹ 242 Cr is to be met from a combination of promoters' equity contribution of ₹ 30.25 Cr, subordinated debt from IL&FS Group of ₹ 30.25 Cr and Term loan of ₹ 181.50 Cr from Banks. Project financials briefed in Annexure

The Lenders Independent Engineer's report dated July 12th, 2014 states:

- Independent Consultants has issued the Provisional Completion Certificate for the completed main carriage way section with effect from January 31, 2013, with the consent of Department of Road Construction of Government of Jharkhand (RcD, GoJ)
- Work is completed except for some minor work of ~0.03Lkm lane in progress at service Roads
- The work has been progressing in lines with the IRC guidelines and quality maintained as per standard norms.
- Concessionaire has started the regular Operations & Maintenance works at site as per O&M Manual and Concessionaire Agreement (CA)
- Change of Scope (CoS) related to RCC Retaining and Toll Plaza amounting to ₹ 5.63 Cr was placed to the authority, RcD, GoJ for their consideration and payment. A Committee to this effect was constituted by RcD, GoJ who reviewed the submitted CoS and recommended to RcD, GoJ for their consideration and approval

- Major Structural Works and Utility Shifting has been completed; Tree cutting is in line with the permission received for non-forest areas

The Company has since informed that:

- It has received the approval from RCD, GOJ for Change of Scope
- Balance work in available length of service road has been complete and has applied for final completion certificate.
- Annuity payment of ₹ 22.91 Cr from RCD of GoJ is being received on semi-annual basis since July 2013

Rating Outlook

The rating revision derives strength from the receipts of the Annuity payment of ₹ 22.91 Cr from Government of Jharkhand, completion of the project with application made for receipt of final completion certificate, 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 risks arising from obtaining the requisite statutory approvals / certificate. 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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AK-JRPICL-BLR- ₹ 171.93 Cr - ANNEXURE

Profit & Loss	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Year Ending March																	
Annuity	-	22.91	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	22.91
Total Revenue	-	22.91	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	45.82	22.91
EBITDA	-	22.01	43.92	43.82	43.72	43.62	43.51	43.39	43.27	43.14	43.01	42.87	42.72	42.57	42.41	42.23	21.03
Interest- Senior	-	11.01	21.58	20.59	19.38	17.95	16.30	14.42	12.33	10.02	7.49	4.73	1.65	-	-	-	-
Interest- Sub	-	2.14	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.04	3.21	1.93	0.24
Depreciation	-	7.83	15.71	15.71	15.71	17.13	17.13	17.13	17.13	17.13	20.35	20.35	20.35	20.35	20.35	38.14	19.07
PBT	-	0.64	0.63	0.52	2.15	2.56	5.64	7.40	9.37	11.56	10.75	13.35	16.44	18.18	18.85	2.17	1.72
Net Profit	-	0.64	0.62	2.51	4.18	4.85	6.70	8.64	10.16	10.86	8.91	9.35	11.42	12.52	14.21	0.85	4.31
Balance Sheet																	
Equity	15.12	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25
Reserves & Surplus	-	0.64	0.02	2.49	6.67	11.52	18.22	26.86	37.03	47.89	56.80	66.15	77.57	90.09	104.30	103.45	107.76
Sub Debt from Promoters	15.12	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	25.71	19.66	7.56	0.00
Networth	30.25	59.86	60.48	62.99	67.17	72.02	78.72	87.36	97.53	108.39	117.30	126.65	138.07	146.06	154.21	141.26	138.01
Senior Debt	83.14	181.50	174.24	165.16	154.27	141.57	127.05	110.71	92.56	72.60	50.82	27.22	0.00	0.00	-	-	-
Total	113.39	254.51	252.15	241.47	230.46	218.94	211.12	203.43	195.44	186.34	173.47	159.23	143.42	151.40	159.56	146.61	143.36
Net Fixed Assets	111.46	227.76	212.05	196.34	180.64	179.89	162.75	145.62	128.49	111.36	111.92	91.57	71.22	50.87	30.52	19.07	-
MMIR	-	16.22	27.19	31.92	36.41	23.62	30.60	37.68	40.00	40.00	19.09	23.67	27.08	40.00	40.00	13.32	25.18
Cash	-	5.41	9.06	10.64	12.14	15.44	17.77	20.13	26.95	34.98	42.46	43.99	45.12	60.53	89.04	114.23	118.18
Total	113.39	254.51	252.15	241.47	230.46	218.94	211.12	203.43	195.44	186.34	173.47	159.23	143.42	151.40	159.56	146.61	143.36