

Rating Rationale

Brickwork Ratings assigns 'BWR BBB-' (BWR Triple B Minus) rating for the Long Term Bank Loan Facility of INR 181.50 Crores for Adityapur – Kandra Road Project of Jharkhand Road Projects Implementation Company Ltd.

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Facility	Limits INR Cr	Tenure	Rating
Term Loan	181.50	Long Term	<p>BWR BBB- (BWR Triple B minus) (Outlook: Stable)</p> <p>Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.</p>

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 Adityapur - Kandra section in the state of Jharkhand under JARDP (Jharkhand Road Development Programme). JRPICL is supported by Government of Jharkhand (GOJ). JRPICL was formed to undertake the design, engineering, financing, procurement, construction, operation and maintenance of the road projects on BOT Annuity Basis.

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.

BWR has principally relied upon the audited financial results of Jharkhand Road Projects Implementation Company Ltd, IL&FS and ITNL upto FY11, projected financials of Adityapur - Kandra Road Project, publicly available information and information/clarification provided by the Company management. The company has informed that on taking up with the concerned authority regarding environmental clearance, they have been advised that such a clearance is not required for this project.

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 IL&FS Group 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 & Chaibasa of the state and the Adityapur Industrial belt to Jamshedpur.

AK Road in Jharkhand state is proposed to be improved to a proper 4 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.22.81 crores semi-annually towards Annuity payment and further provide to the Concessionaire a Letter of Credit from a Scheduled Bank for the said Annuity.

Project Cost and Means of Finance

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

The Company has submitted the Chartered Accountants certificate as on 25th May 2012 about the status of funds received and utilised for the AK road project as under:

RPICL-AK Road Project	Rs in crores		
	Projected	Actual Received /Paid	
Sources			
Equity Shares	30.25		27.23
Term Loans			77.5
- Allahabad Bank	100	42.7	
- Dena Bank	81.5	34.8	
Sub-ordinated debt from ITNL	30.25		2.75
Total	242		107.48
Application			
Development Cost	210.5	89.9	
Administrative / Supervision Cost	14	5.41	
Preliminary and pre-operative cost	6.42	4.23	
Interest during construction	11.08	1.59	101.13
Total	242		101.13
Net cash & Bank balance			6.35

GoJ Profile

Government of Jharkhand is the 28th state of the Indian Union. The state generates revenues from its rich mineral resources that account for almost 40% of country's mineral wealth. Proximity to the nearby ports of Kolkata, Haldia and Paradip has locational advantage to the state. The state's forest cover is about 29% of the state's total land area which is amongst the highest in the Country. Government of Jharkhand has a planned expenditure of Rs.16500 crores for 2012-13, of which the state has allocated Rs.2150 crores to Transportation & Road Services. The allocation towards Roads is Rs.1700 crores.

Sponsor's Profile

IL&FS is a premier financial services institution, promoted with the objective, inter-alia, of developing projects in the infrastructure sector on a commercial format. It was incorporated in 1987 and commenced operations in 1988. IL&FS was promoted by the Central Bank of India (CBI), Housing Development Finance Corporation Limited (HDFC) and Unit Trust of India (UTI). Over the years, IL&FS has broad-based its shareholding and inducted

Institutional shareholders including State Bank of India, Life Insurance Corporation of India, ORIX Corporation - Japan and Abu Dhabi Investment Authority ITNL, the subsidiary of IL&FS, is a developer, operator and facilitator of surface transportation infrastructure projects, taking projects from conceptualization through commissioning to operations and maintenance. ITNL was incorporated in the year 2000 by IL&FS to consolidate its existing road infrastructure projects and to pursue various new project initiatives in the area of surface transportation infrastructure. Key financials of the sponsors are given in the Annexure.

Technical expertise of the promoter and the sponsor

JRPICL's major promoter ITNL renders specialised services in the areas of construction, operation and maintenance, toll management and other services relating to surface transport sector. ITNL has sponsored and is also implementing several projects in the road sector through SPVs, both under National Highways Authority of India (NHAI) and various state concessions.

ITNL – Major Projects Commissioned

- 2001-Vadodara Halol - Rs.465crores – 190 lane kms
- 2002- Noida Toll Bridge-Rs.588crores – 60 lane kms
- 2004-Ahmedabad - Mehsana Highway -Rs.465 crores– 333 lane kms
- 2005 - North Karnataka Expressway - Rs.599 crores -472 lane kms
- 2007 Thiruvananthapuram City Roads Improvement -I- Rs.109 crores – 51 lane kms
- 2008 - West Gujarat Expressway - Rs.275 crores– 389 lane kms
- 2009- Rajasthan Mega Highways - Rs.1618 crores -2106 lane kms
- 2010 - Andhra Pradesh Expressway - Rs.862 crores– 328 lane kms
- 2010- RamkyElsamex Hyderabad Ring Road - Rs.399 crores - 152 lane kms

ITNL – Major Projects under Development/Implementation

- 2012 - A-1 Autovia, Spain - Rs.659 crores - 255 lane kms
- 2012- Thiruvananthapuram City Roads -Improvement II- Rs.262 crores - 107 lane kms
- 2012- Hazaribagh Ranchi Expressway - Rs.869 crores- 319 lane kms
- 2012-Pune Solapur - Rs.1402 crores - 571 lane kms
- 2012- Moradabad Bareilly - Rs.1983 cores -522 lane kms
- 2012- Jharkhand Road Development -I- Rs.1407.8 crores- 466 lane kms
- 2013-Rajasthan Mega Highways - II - Rs.750 crores - 698 lane kms
- 2013- Jharkhand Road Development -II- Rs.2317.2 crores- 536 lane kms
- 2013- Chhatisgarh Road Development-Rs.2346crores-1368 lane kms

Annuity nature of the project and undertaking from the sponsor

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. Further the concession agreement stipulates a Letter of Credit to be issued by a scheduled Bank on behalf of the GOJ in favour of the concessionaire for a sum equivalent to one annuity payment and such letter of credit would be established within 30 days of the expected date of COD.

Project implementation status

The length of the project of 15.1 kms has been handed over by the GoJ to the Concessionaire for execution of the project. Upto Mar 31, 2012 the Concessionaire has achieved cumulative physical progress of 51.2% against planned 46.3% and cumulative financial progress of 49.5% against 43.5% planned. Work is in progress in 23 culverts and 3 culverts are completed of the total 39 culverts.

Rating Outlook

The rating derives strength from the current status of the project, ITNL's expertise in implementing similar road projects, the financial support of the promoter- ITNL's undertaking to fund any major maintenance expenditure shortfalls and Government of Jharkhand (GoJ)'s support to the project. Notwithstanding the above, the AK Road project is exposed to the usual project implementation risk and timely completion of the project without exceeding the estimated cost is a key rating sensitivity

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Annexure- Financials

IL & FS Ltd

₹ in crores

FY Ending March 31	2009	2010	2011
Total Income	924	684	1149
Gross Profit	473	263	591
Profit after taxes	315	194	240
Share Capital	111	113	114
Reserves & Surplus	2240	2376	2053
Net Worth	2351	2489	2167
Secured Loans	2007	2432	3253
Unsecured Loans	1425	1438	1784
Fixed Assets	964	964	379
Investments	2904	3266	5038
Current Assets	2709	2939	2745
Current Liabilities	763	791	918

ITNL

₹ in crores

Particulars	FY 2009	FY 2010	FY 2011
Total Income	228	942	1701
Profit after tax	40	325	288
Equity Share capital	171	194	194
Reserves and Surplus	595	1,382	1591
Advance towards Capital	45	-	-
Net Worth	811	1,576	1785
Total Loans	719	1,525	1894
Net Fixed assets	39	39	37
Investments	861	1,395	2108
Current Assets	726	2,133	2707
Current Liabilities	95	466	1171