

## Dondaicha Betawad Annuity Infrastructure Private Limited

January 04, 2023

### Rating

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	49.00	CARE BBB-; Stable; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total bank facilities</b>	<b>49.00</b> <b>(Rupees Forty-nine crore only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Dondaicha Betawad Annuity Infrastructure Private Limited (DBAIPL) to monitor the rating vide e-mail communications dated November 29, 2022, December 12, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on DBAIPL's bank facilities will now be denoted as **CARE BBB-; Stable; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Detailed description of the key rating drivers

At the time of last rating on November 05, 2021, the following were the rating strengths and weaknesses (updated for the limited information sourced from DBAIPL):

#### Key Rating Strengths

**Experienced sponsors:** DBAIPL is a Special Purpose (SPV) promoted by joint venture (JV) between Kalyan Toll Infrastructure Limited (KTIL) and partners of M/s Dream Construction (DC) with shareholding of 26% and 74% respectively. During FY22, KTIL has taken an exit and the partners of DC, have taken over entire stake in DBAIPL. The partnership firm, DC having experience of more than 16 years in infrastructure construction, undertook the Engineering, Procurement, and Construction (EPC) work of the project undertaken in DBAIPL and achieved Commercial Operation Date (COD) on September 07, 2020. KTIL was part of the JV to meet the technical qualification required for bidding of the HAM project.

**Absence of project execution risk with successful completion of the project and receipt of annuity:** DBAIL executed the project through DC as EPC contractor. The state HAM project was funded by the authority and concessionaire in the ratio of 3:2, with the entire contribution from the concessionaire in the form of equity and unsecured loans and no external debt from any bank/financial institution. The project was completed at an adjusted bid project cost of ₹158.49crore against the initial bid project cost of ₹129.05 crore and the COD was achieved on September 07, 2020 two months prior to the scheduled COD of November 15, 2020. The company is eligible for 20 semi annul annuities throughout the concession period, of which it has received 4 annuities as on December 30, 2022 (last annuity was due in September 2022).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**In-built features of HAM road projects offering risk mitigation to a considerable extent:** The model is equipped with several favourable clauses which provides inherent strength to the road projects such as lower sponsor contribution during construction period considering 60% construction support from the authority, indexation of the Bid Project Cost (BPC) and O&M cost to inflation (through a Price Index Multiple [PIM]) to protect the developers against price escalation to an extent and annuity payments from the authority on a semi-annual basis covering 40% of the completion cost along with interest at bank rate plus 3.00% on the reducing balance.

**Low counter party credit risk, assured cash flow due to annuity nature of the revenue stream in the operational phase:** The Concession authority, PWD, is a State Government body, governed and funded by the State Government. It acts as the technical advisor to the State Government of Maharashtra and has been entrusted with the construction and maintenance of roads, bridges, and government buildings. The credit profile of PWD continues to derive strength from the ownership and support of the Government of Maharashtra. During operational phase, cash flow is assured in the form of annuity payments from PWD, GoM on semi-annual basis covering 40% of the project completion cost along with interest annuity at 'bank rate plus 3%' on reducing balance and inflation indexed O&M annuity (through a Price Index Multiple [PIM], which is the weighted average of Wholesale Price Index (WPI) and Consumer Price Index (CPI) in the ratio of 70:30.)

**Presence of Debt service reserve account (DSRA) and escrow:** The company has created DSRA covering debt obligation of 6 months. The annuities are routed through escrow account maintained with the lender. Adequate gap of three months between the annuity due date and debt repayment due date is an add-on feature of the structure which safely absorbs the risk of any delay up to three months from the authority in release of annuity. Presence of such structural features provides additional comfort to the rating. However, CARE Ratings Ltd. has no information about the creation of major maintenance reserve account (MMRA) which would ensure availability of funds for MM falling due in FY24, the first cycle of MM for DBAIPL.

### **Key Rating Weaknesses**

**Inherent O&M risk:** The project stretch has largely flexible structure which is prone to more wear and tear and has higher maintenance cost as compared to rigid structure. As per the concession agreement, DBAIPL is required to provide micro sealing on the project stretch in 3rd year post COD and renew the entire length with bituminous concrete in 7th year post COD. O&M risk is partially offset due to fixed payment in the form of annuity, indexed to inflation movements with the base year considered as the year of bidding and proposed creation of MMRA in form of provisions for MM activities. Increase in O&M cost other than inflation indexation during operational period and consequent breach of performance obligations by developers in light of their lower contribution can result in deduction of annuity payments.

**Inherent Interest rate risk partly offset by floating rate interest annuity:** DBAIPL is exposed to inherent interest rate risk on account of floating rate of interest rate from the lenders. Reimbursement of the interest cost in the form of interest annuity payable by PWD, GoM biannually at bank rate plus three per cent mitigates the risk only to an extent, since there could be a lag between movement in bank rates and in lenders' benchmark rates (depends on final sanction terms). Thus, any adverse movement in the interest rate of the company without commensurate alignment in the interest annuities shall impact the debt coverage indicators of the company.

**Short tail period of ten months:** DBAIPL has short tail period given full repayment of debt scheduled by December 2029 and concession period getting over by October 2030. Hence, the short tail period of 10 months provides limited opportunity for the project to build surplus closing cash/ return from the project by end of the operation tenor.

**Liquidity:** Adequate.

DBAIPL's liquidity is characterized by sufficient cashflow in the form of annuities of ₹10.70crore p.a. for interest and repayment of ₹2.40crore during FY24. Further, the presence of structural features like DSRA and escrow provides an additional comfort. The company does not have any capex requirements however has planned MM of ₹4.97crore in FY24.

**Analytical approach:** Standalone**Applicable criteria**

[Policy in respect of Non-cooperation by issuer](#)  
[Policy on default recognition](#)  
[Financial Ratios – Non financial Sector](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Credit Watch](#)  
[Hybrid Annuity Model based road projects](#)  
[Policy on Withdrawal of Ratings](#)  
[Factoring Linkages Parent Sub JV Group](#)

**About the Company**

DBAIPL is a SPV promoted by partners of M/s. Dream Construction (DC) and Kalyan Toll Infrastructure Limited (KTIL) with a shareholding of 74% and 26% respectively as on March 31, 2021. At present, DBAIPL is wholly owned by partners of DC. DBAIPL was incorporated in May 2018 to enter into a 12-year concession agreement (CA) (including construction period of 730 days from appointed date) with Public Works Department, Government of Maharashtra (GoM) for the 49.65 km road project under Hybrid Annuity Model. The project scope of work involved improvement of two laning of Paldhi Amalner Betawad Sindkheda Dondaicha SH-6 KM 60/200 to 121/200 (Betawad to Dhavade) in the Dhule district of Maharashtra. DBAIPL completed the said project and achieved the commercial operations on September 07, 2020, almost two months prior to scheduled COD of November 16, 2020. The company has received 4 semi-annual annuities as on December 30, 2022.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	H1FY23
Total operating income	41.14	7.57	Not available
PBILDT	4.27	4.64	
PAT	0.82	0.15	
Overall gearing (times)	9.27	5.56	
Interest coverage (times)	0.82	1.06	

A: Audited

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated facilities:** Detailed explanation of covenants of the rated facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	December 2029	49.00	CARE BBB-; Stable; ISSUER NOT COOPERATING*

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	49.00	CARE BBB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (05-Nov-21)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated facilities:**

Name of the Bank facility	Detailed Explanation
<b>A. Financial covenants</b>	
I. DSCR	Minimum DSCR at 1.20x
II. Debt to equity ratio	Shall not exceed 4:1x.
III. TOL/ TNW	Required to maintain at 4:1x
<b>B. Non-financial covenants</b>	Nil

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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**About CARE Ratings Limited:**

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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