

Bharuch Dahej Railway Company Limited (Revised)

February, 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.67 (Reduced from 63.97)	CARE A-; Stable	Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Bharuch Dahej Railway Company Limited (BDRCL) factors in improvement in the scale of operations and profitability margins in FY22 (refers to the period from April 01 to March 31) and 9MFY23 (refers to the period from April 01 to December 31), comfortable financial risk profile marked by debt reduction including prepayment of term loans during FY22 and 9MFY23 and adequate liquidity position. The rating continues to derive strength from the concession agreement with the Ministry of Railways (MoR) and its strong parentage, experienced and professional management team, and strong operational synergies with the promoters' business. However, the rating is constrained by high collection period, small albeit growing scale of operations, and high proportion of revenue dependence from transport of coal which remains exposed to regulatory changes with respect to imports.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to increase its scale of operations and achieve growth of 40%- 50% from current levels and diversify the revenue mix to reduce the dependence on coal cargo on a sustained basis going forward.
- Improvement in collection period resulting in improvement in operating cycle and operational cash flows on a sustained basis.

Negative factors

- Any change in the ownership of the company or any change in the concession agreement which may have an impact on its operations.
- Further elongation in the collection period from current level adversely impacting the liquidity of the company.
- Any sizeable capex undertaken by the company adversely impacting the capital structure with the overall gearing exceeding 0.75x on a sustained basis.

Analytical approach: Standalone along with factoring the strong parentage with RVNL holding 35% ownership and concession agreement with Ministry of Railways (MoR) in place.

Key strengths

Improvement in operational performance in FY22 and 9MFY23: The scale of operations of the company although small, grew by ~56% to Rs.51.19 crore in FY22 driven by ~40% increase in total loading to 2.33 million tonne (PY: 1.66 million tonne). The PBILDT margin of the company grew substantially to 41.50% (PY: 4.96%) in FY22 driven by reduction in operational and maintenance expense as a percentage of total operating income due to increase in scale of operations in FY22. Further, the company reported PAT margin of 56.78% due to improvement in the PBILDT margin and extraordinary income to the tune of Rs.22.39 crore in FY22 (pertaining to refund and reversal of excess billing of operation and maintenance cost and overhead cost). During 9MFY23, the total operating income of the company more than doubled to Rs.91.19 crore (PY: Rs.40.01 crore) owing to substantial increase in rakes pertaining to coal. The PBILDT margin of the company improved to 73.03% (PY: 41.26%) on account of substantial improvement in scale of operations leading to reduction in fixed overheads primarily operational and maintenance expenses. Consequently, the company reported PAT margin of 44.52% (PY: 3.42%) in 9MFY23. Going forward, CARE expects the PBILDT margin to remain in the range of ~68%.

Comfortable financial risk profile marked by prepayment of term loan: The overall gearing of the company improved to 0.30x (PY: 0.42x) as on March 31, 2022 on account of prepayment of term loan and accretion of profits to net-worth. The company has prepaid term loan to the tune of Rs.62.39 crore during FY22 and FY23 against nil scheduled repayment as a result of moratorium being granted on principal repayment of term loan from April 01, 2021 to March 31, 2023. Debt coverage indicators

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

of the company also improved as reflected by PBILDT interest coverage of 2.81x (PY: 0.12x) and total debt/GCA of 1.65x (PY: 6.82x) in FY22.

Strong parentage and concession agreement with MoR in place: BDRCL is a Special Purpose Vehicle (SPV) set up with an objective of the broad gauge (BG) conversion of the rail link which connects Dahej port to inland parts of Gujarat and other parts of the country. The SPV has been sponsored by Rail Vikas Nigam Limited (RVNL) (CARE AAA; Stable), which is a 100% GoI (Government of India) owned company. The other major promoters include Gujarat Maritime Board, Gujarat Industrial Development Corporation (GIDC), Adani Petronet (Dahej) Port Private Limited (APDDPL), Gujarat Narmada Valley Fertilizers & Chemicals Ltd. and Hindalco Industries Limited (CARE AA+; Stable/CARE A1+). BDRCL, in June 2008, had entered into a concession agreement for 30 years with the MoR for the development of the project. As per the concession agreement, Indian Railways (IR) is responsible for collecting the freight tariff from the users and subsequently apportions the same to BDRCL.

Experienced and professional management team: BDRCL is being managed by a professional management team led by Mr Sanjay Dungrakoti, the coordinating director of the company. He has been associated with the Indian Railways (IR) for more than three decades and has served in various capacities in the past. The company's Board of Directors has seven members including the Chairman, being nominated by MoR, three nominee directors of RVNL, two nominee directors of Government of Gujarat and one nominee director of Adani Petronet Dahej Port Private Limited (APDPPL).

Strong operational synergies with the promoters' business: RVNL has executed various similar rail line projects through various SPVs and has extensive experience in rail line development. From railway capacity augmentation through track doubling, new railway lines, gauge conversion, railway electrification, RVNL has moved onto working on metro railways, multimodal transport system, port connectivity, river and road bridges, vertical lift bridge, mountain Railways and tunnels. Furthermore, BDRCL is also handling imported coal at APDPPL.

Key weaknesses

High collection period: Although the collection period of the company improved to 297 days in FY22 (PY: 511 days), it still remained high. The high collection period is primarily on account of debtors pertaining to terminal charges (constituting ~75% of the total debtors as on December 31, 2022) wherein the payment is collected with a delay. The same has been funded through unpaid creditors as a result of which creditor days stood at 354 days in FY22 (PY: 506 days) in FY22.

Focus on improving traffic mix albeit higher concentration of coal in 9MFY23: The company has started diversifying the traffic from coal to gypsum and fertilizer. Till FY19, the company was relying majorly on coal traffic, however with Government of India (GoI) focus on renewable source of energy and decline in coal traffic, the company looked at other minerals for revenue generation. Consequently, no. of rakes of coal came down from ~70% of total rakes in FY19 (refers to the period from April 01 to March 31) to ~15% of total rakes in FY20-FY21 (refers to the period from April 01, 2019 to March 31, 2021) with increase in rakes of fertilizer (~50% of total rakes in FY20 and ~20% of total rakes in FY21). However, during 9MFY23, the no. of rakes of coal increased substantially and contributed ~64% of the total rakes.

Industry Prospects: The logistics industry is cyclical in nature therefore the company remains exposed to general economic slowdown and other exogenous events as can be seen by impact of COVID-19. Efficient logistic infrastructure and logistics management system is critical component as it secures better market access for goods and services, and boosts consumption growth. Acknowledging the need to strengthen logistics infrastructure, the sector has attracted attention of government and even private participants. Favourable regulatory policies, sector dedication mega infrastructure projects, multimodal logistics park and rising investment are likely to push growth of logistics industry.

Liquidity: Adequate: The liquidity position of the company is adequate as reflected by projected gross cash accruals to the tune of Rs.57.75 crore in FY23 against nil term loan repayment obligation as a result of substantial principal being prepaid during the current year. The company had free cash and bank balance to the tune of ~Rs.25.00 crore as on December 31, 2022. The company is not projected to incur any major capex in FY23.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)
[Service Sector Companies](#)
[Policy on Withdrawal of Ratings](#)

About the company

Bharuch Dahej Railway Company Limited (BDRCL) incorporated in November 2006, is promoted by Rail Vikas Nigam Limited (RVNL 35%), Gujarat Maritime Board (12%), Gujarat Industrial Development Corporation (GIDC 12%), Adani Petronet (Dahej) Port Private Limited (11%), Gujarat Narmada Valley Fertilizers Company Ltd (9%) and Hindalco Industries Limited (9%). RVNL is a GoI-owned company created to undertake project development, mobilization of financial resources and the implementation of projects pertaining to the strengthening of the Golden Quadrilateral and Port connectivity programmes. BDRCL is the operator of the 62.36-km BG rail link between Bharuch and Dahej (near Dahej port) located in the state of Gujarat. The company was formed as a SPV to complete the BG conversion of the rail link (from narrow gauge) which connects the Petroleum, Chemicals and Petrochemical Investment Region (PCPIR) located in the Dahej and other inland parts of Gujarat and other parts of the country. BDRCL has developed 5.52 Kms from Bharuch to Chavaj effective from February 2014. BDRCL has entered into a concession agreement with MoR in June 2008 for the development and maintenance of the rail line. The concession period is for 30 years of operations ending in May 2038. Upon expiry, the project assets are to be handed over by BDRCL to MoR, until MoR renews the concession agreement.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	9MFY23 (P)
Total operating income	32.77	51.19	91.19
PBILDT	1.62	21.24	66.60
PAT	-1.57	29.07	40.60
Overall gearing (times)	0.42	0.30	0.09
Interest coverage (times)	0.12	2.81	17.62

A: Audited, P: Provisional

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 instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	July, 2026	15.67	CARE A-; Stable

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	15.67	CARE A-; Stable	-	1)CARE BBB+; Stable (16-Feb-22)	1)CARE BBB+; Negative (01-Dec-20)	1)CARE BBB+; Negative (18-Feb-20)
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*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities- Not applicable

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

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

Note on the 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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