Brij Bhoomi Expressway Private Limited

December 16, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	74.44 (Reduced from 100.00)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**74.44** **(₹ Seventy-Four Crore and Forty-Four Lakhs Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Brij Bhoomi Expressway Private Limited (BEPL) continues to derive strength from its strong parentage, being a wholly owned subsidiary of JMC Projects (India) Limited (JMC; rated CARE AA-; under credit watch with positive implications / CARE A1+) and a step-down subsidiary of Kalpataru Power Transmission Limited (KPTL; rated CARE AA; Stable / CARE A1+). The rating also continues to factor strategic importance of the project stretch for intra-state transportation; track record of more than eight years of toll collection, diversified traffic mix along with stable toll collection during FY22 (refers to the period April 01 to March 31).

The rating also favourably factors the support extended by JMC for uninterrupted operations of BEPL along with JMC management's articulation that they would continue to extend such need-based support to BEPL going forward. The project is largely self-sufficient, however, owing to scheduled major maintenance over next two years, support is required from the sponsor.

The above rating strengths, however, continues to be tempered by the inherent traffic risk associated with toll-based road projects, non-creation of major maintenance reserve (MMR), inherent operations and maintenance (O&M) risk, absence of debt service reserve account (DSRA), interest rate risk and envisaged sponsor support in light of lower toll collection resulting in modest debt coverage indicators.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Significant improvement in its toll collection and thereby leading to self-sustainable operations of the company

Negative factors – Factors that could lead to negative rating action/downgrade:

- Delay in infusion of envisaged funds from sponsors in BEPL for the uninterrupted operations.
- Significantly lower toll collection as compared to current estimates further increasing reliance on sponsor

Detailed description of the key rating drivers

Key rating strengths

Strong parentage of JMC and KTPL: JMC promoted BEPL as an SPV to benefit from its core competency in civil construction and enhance its position as an asset developer. The parentage of JMC provides strong financial flexibility to BEPL and expertise for the execution and operations of the project. Also, JMC has infused additional unsecured loans to fund the cost overrun to complete the construction of the project highway along with need-based support for meeting operational and debt servicing requirement. JMC is a 67% subsidiary of KPTL, which is a major player in the domestic transmission and distribution infrastructure (TDI) sector with strong financial risk profile. Furthermore, KPTL has announced its merger with JMC, which is envisaged to be completed by March 2023.

Important Location of the Project Highway: BEPL's project highway is at an important location connecting Agra to Aligarh in the state of Uttar Pradesh and it links two major National Highways, viz., NH-3 (Mumbai – Agra) and NH-91 (Ghaziabad – Kanpur). It witnesses considerable commercial traffic movement between Northern U.P./Uttarakhand and Central and Western India through the highway with a favourable and diversified traffic mix consisting of both commercial vehicles as well as passenger vehicles. It has more than eight years of track record of toll collections.

Continued demonstrated support of the sponsors: Due to lower than envisaged toll collection, JMC as a sponsor has infused funds in BEPL and provided support to its SPV for operations & maintenance and debt servicing along with ensuring uninterrupted operations in BEPL. Even though no major support was required during FY22 owing to stable toll collection, JMC has provided

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

need-based support in the past and its unsecured loans extended to BEPL as at FY22 end stood at Rs. 53.35 crore, underlining its commitment towards BEPL. Continued timely need-based support of the sponsors considering the inadequate toll revenue would be crucial from the credit perspective.

Key rating weaknesses

Lower than expected traffic on the toll road resulting in modest debt coverage indicators: BEPL is exposed to traffic risk as toll collections are its only source of revenue. During FY22, BEPL reported a toll collection of Rs. 33.92 crore as against toll collection of Rs. 32.30 crore during FY21. Average Daily Toll Collection (ADTC) during FY22 remained stable at Rs. 9.29 lac per day. During 7MFY23 (refers to the period April 1 to October 30), BEPL reported a toll collection of Rs. 21.95 crore (7MFY22: Rs. 19.71 crore) with an ADTC of Rs. 10.26 lac (7MFY22: Rs. 9.25 lac per day). Despite slight growth in FY22, the actual traffic on the traffic stretch is much lesser than envisaged, and BEPL would require support from JMC during FY23-FY24 for undertaking Major Maintenance along with ensuring timely repayment of its debt obligations.
Further, to compensate for the shortfall in traffic, the concession agreement provides for extension in the concession period in case of shortfall in the traffic as compared to the estimated traffic calculated based on target date. In such cases the concession period can be extended by maximum up to 20% of the concession period.

Inherent O&M risk and major maintenance: Earlier, BEPL had entered into fixed price contract with third party for O&M activity, however, from FY21, the O&M activity is being carried out by in-house team of BEPL and JMC. During FY22, O&M expenses were considerably lower owing to this arrangement and in-house O&M is envisaged to result in savings going forward. Furthermore, BEPL is yet to create any MMR due to inadequate surplus; albeit JMC, the sponsor, has articulated its support to meet the requirement in case of any shortfall. As articulated by the management, its first major maintenance falls due in FY23-FY24, which was earlier envisaged in FY20-FY21 but has been delayed on account of good riding quality of the stretch due to higher mix of passenger traffic along with management's articulation of maintenance of requisite roughness index.

Inherent interest rate risk: BEPL's project cost is structured with debt-equity (incl. grant of Rs. 49.50 crore from NHAI) ratio of 1.56:1 exposing the BEPL to adverse movement in the interest rates due to the floating nature of loans with yearly reset clause which may impact the debt coverage indicators of the company along with absence of any considerable tail period.

Liquidity: Stretched

BEPL's liquidity remained stretched, being reliant on timely cash flow support from sponsor for meeting the shortfall in its operational and debt servicing obligations and low tail period. JMC has continued to demonstrate its timely commitment to BEPL over the years which underpins its liquidity. As on March 31, 2022, BEPL had a free cash and bank balance of Rs. 0.98 crore.

Analytical approach: Standalone along with cash flow support from the sponsor

The debt taken by BEPL for the construction of its road project does not have any recourse to its sponsor, JMC. The construction for the toll road is complete and JMC, being the sponsor, has also infused the entire amount committed towards its project. Hence, a standalone approach has been considered for analysis. However, JMC has continued to provide BEPL with need-based funds in a timely manner to meet part of its operational and debt servicing requirements, the same is assumed to continue in the medium-term, which has also been factored in the analysis of the sponsor.

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
Toll Road Projects
Policy on Withdrawal of Ratings

About the company

Incorporated in December 2010, Brij Bhoomi Expressway Private Limited is a Special Purpose Vehicle (SPV) sponsored by JMC Projects (India) Limited to undertake two laning of Agra to Aligarh section of NH-93 under National Highways Development Programme Phase IV-A on Design, Build, Finance, Operate and Transfer – Toll basis. JMC, a 67% subsidiary of Kalpataru Power Transmission Limited, is engaged in various types of civil and mechanical construction activities like infrastructure, real estate, industrial and institutional buildings as well as power plants.

The Concession Agreement was executed between BEPL and National Highways Authority of India (NHAI) on December 23, 2010 for a concession period of 15 years (incl. two years construction period), starting from the appointed date of October 9, 2012. The final commercial operations date (COD) for the project was declared on December 29, 2015. The total cost on the project was Rs. 266.46 crore, financed through debt and equity (incl. grant of Rs. 49.50 crore from NHAI) in the ratio of 1.56:1.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	32.76	42.20	NA
PBILDT*	21.37	23.70	NA
PAT	(3.69)	10.50	NA
Overall gearing (times)	NM	NM	NA
Interest coverage (times)#	1.87	2.35	NA

A: Audited; UA: Unaudited; NA: Not available; NM: Not Meaningful; *Excluding reversal of non-cash reserve created for major maintenance, #interest cost does not include non-cash interest cost for interest charge on major maintenance reserve

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

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

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
Term Loan-Long Term	-	-	-	31-03-2026	74.44	CARE BBB-; 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	Term Loan-Long Term	LT	74.44	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Nov-21)	1)CARE BBB-; Stable (30-Sep-20) 2)CARE BBB-; Stable (08-May-20)	1)CARE BBB; Stable (27-Sep-19)

*Long term/Short term.

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

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

Sr. No.	Name of Instrument	Complexity Level
1	Term Loan-Long Term	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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