

## D S Toll Road Limited

July 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	19.61 (Reduced from 48.47)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The long-term rating on the bank facilities of D S Toll Road Limited (DSTRL) continues to be constrained by the weak credit profile of the promoter Reliance Infrastructure Limited (R Infra) and revenue risk associated with inherent nature of toll-based projects. The ratings are further constrained due to exposure in the form of inter corporate deposit (ICDs) extended to promoter Reliance Infrastructure Limited and other group company.

The rating continues to derive strength from favourable location stretch with no significant competing route, operational project with improving toll collection. Additional comfort can be drawn from the presence of DSRA and long tail period. The ratings further take a note of release of entire arbitration claim amount by National Highways Authority of India (NHAI) during FY24 (refers to period April 1 to March 31).

The rating on the short-term bank facilities has been withdrawn based on No Dues Certificate from the lender that had extended the facilities.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in the total operating income above Rs.125 crore on sustained basis

#### Negative factors

- Failure to maintain the road stretch as per the required specifications leading to penalty
- Materialization of any claim/ penalty charged by NHAI impacting the credit profile
- Any un-envisaged disruption in tolling activity impacting the cashflows

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects expectation of gradual improvement in scale of operation supported by improvement in average daily toll collection.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Weak credit profile of the promoter R-Infra

DSTRL is a project specific special purpose vehicle promoted by R-Infra. R-Infra's credit profile continues to remain weak, leading to ongoing delays by R-Infra in servicing its debt obligations.

<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

**Revenue risk associated with inherent nature of toll-based projects**

DSTRL, having toll collection as its only revenue source, is exposed to inherent risks of fluctuating traffic volumes on the project stretch due to unforeseen circumstances. The traffic on the project roads depends on economic activities in the surrounding region. However, absence of major alternative route mitigates the risk to some extent.

**Exposure to group entities**

DSTRL has extended ICD amounting to Rs.64 crore to R Infra which continue to remain outstanding as on March 31, 2024 and the poor credit profile of R Infra leads to risks associated with recoverability of the same. Also, this ICD has no fixed repayment schedule. Further, DSTRL has extended another ICD to a group company amounting to Rs.80 crore at an interest rate of 10.50% for a period of 365 days.

R Infra, the sponsor of the project, has extended subordinate debt of Rs.46.80 crore (towards project funding - treated as quasi-equity). Until FY23, DSTRL had not provided interest on subordinated debt from R Infra and had also not accrued interest on ICD extended to R Infra. However, during FY24 the company has provided interest on the subordinated debt and accrued interest on ICD from the original date of transaction at a rate of 12.50% p.a. As on March 31, 2024, the net interest payable is Rs.47.80 crore which along with the principal is expected to be repaid based on available cash flow after the repayment of the entire project debt.

**Key strengths****Favourable location stretch with no significant competing route**

DSTRL operates toll road covering stretch of 53 km from Dindigul to Samyanallore section on National Highway (NH-7) in the state of Tamil Nadu. The district primarily has agro based, textile spinning and leather tanning industries. This district is bound by Erode, Tirupur, Karur and Trichy districts on the North, by Sivaganga and Tiruchi District on the East, by Madurai district on the South and by Theni and Coimbatore Districts and Kerala State on the West. NH -7 is one of the prime arterials of the country, connecting the extreme south end of the country, with central and northern parts of the country. The location of the stretch is favorable as the alternate route is a village road with relatively poor riding quality.

**Operational project with growing scale of operation**

The company started collecting toll from September 29, 2009. It has an operational track record of more than fourteen years. The toll revenue increased by 10.54% to Rs.99.78 crore in FY24 as compared with Rs.90.17 crore in FY23. Growth was on account of an increase in annual average daily traffic and revision in average toll rates for some vehicle categories in September 2023. During 2MFY25 (refers to April 1 to May 31), the toll revenue stood at Rs.16.28 crore.

**Presence of Debt Service Reserve Account (DSRA) and long tail period**

The presence of financial flexibility in the form of funded DSRA generally equivalent to one quarter debt obligations (interest and principal) and repayments through escrow account are additional features to the structure. The project has a long tail period close to twenty-two months which provides adequate cushion to cashflow.

**Claim from NHAI**

The company had invoked arbitration against NHAI on account of claims towards prolongation, damages for delay etc. which was earlier rejected by NHAI. However, it was referred to Arbitration and the Arbitration Tribunal pronounced an award in favour of DSTRL for an amount of Rs.101.73 crore along with 12% interest till the date of realization. During FY24, the company received Rs.181.68 crore. Furthermore, there was difference of Rs.12.60 crore in the claim amount released by NHAI and the claim calculations done by DSTRL, for which DSTRL has filed interim application (IA) for deviation amount.

**Liquidity:** Adequate

The liquidity position is adequate marked by sufficient cash accruals against repayment obligations. DSTRL has principal repayment obligations of Rs.19.61 crore for FY25 against which the company is expected to generate cash from operations in the range of Rs.50-55 crore. Further, the company has available cash and bank balance of Rs.55.09 crore as on March 31, 2024 (including lien marked fixed deposit of Rs.50.00 crore, which has been released during Q1FY25) which provides sufficient cushion.

**Assumptions/Covenants:** Not applicable**Environment, social, and governance (ESG) risks:** Not applicable**Applicable criteria**
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)
[Infrastructure Sector Ratings](#)
[Road Assets-Toll](#)
[Short Term Instruments](#)
**About the company and industry****Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

DS Toll Road Limited (DSTRL) is a Special Purpose Vehicle (SPV) promoted by Reliance Infrastructure Limited for construction of the toll road covering stretch of 53 km from Dindigul to Samyanallore section on National Highway (NH-7) in state of Tamil Nadu on Build-Operate-Transfer (BOT) basis. The project involved widening of two lanes into four laning dual carriageway facility. The company entered into the Concession Agreement (CA) on January 30, 2006 with National Highway Authority of India for a period of 20 years ending July 29, 2026. The total cost of the project was Rs.428 crore which was funded by sponsor equity of Rs.65 crore; grant paid by NHAI Rs.31 crore and balance debt. The road became operational from September 29, 2009.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	91.08	99.78	Not available
PBILDT	65.26	61.07	
PAT	7.53	69.85	
Overall gearing (times)	1.36	0.17	
Interest coverage (times)	3.13	4.93	

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** ICRA and Brickwork ratings has continued the ratings assigned to the bank facilities of DSTRL to the 'issuer not-cooperating' category vide press release dated May 02, 2024 and May 21, 2024 respectively on account of inability to carry out review in the absence of requisite information from the company.

**Any other information:** Not available

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

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

**Complexity level of 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		-	-	30/09/2024	19.61	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn

#### 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	19.61	CARE BB+; Stable	-	1)CARE BB+; Stable (05-Oct-23)	1)CARE BB; Stable (04-Oct-22) 2)CARE D (04-Apr-22)	1)CARE B; Stable (06-Apr-21)
2	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)CARE A4+ (05-Oct-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of 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
2	Non-fund-based - ST-Bank Guarantee	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](mailto:care@careedge.in) for any clarifications.

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