DPJ Pollachi Ham Project Private Limited

March 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	298.11 (Reduced from 310.63)	CARE BBB (RWP)	Placed on Rating Watch with Positive Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the long-term bank facilities of DPJ Pollachi Ham Project Private Limited (DPJ-PHPPL) has been placed on rating watch with positive implications consequent to the share purchase agreement entered by D P Jain & Co. Infrastructure Private Limited (DPJ-IPL) with Alpha Alternatives Holdings Pvt Ltd (Alpha Alternatives) for divestment of 100% equity interest and management control of DPJ-PHPPL. The transaction is subject to certain regulatory and other customary conditions standard to a transaction of this nature. The asset will be transferred after receipt of final commercial operations date (COD). CARE Ratings Limited (CARE Ratings) shall take a view on the rating once the transaction is completed and/or more clarity is available for the same.

Alpha Alternatives is a multi-asset class asset management firm that creates sophisticated investment solutions for proprietary and client capital. It is a private company that typically operates in the investment or financial services sector, focusing on alternative investments, such as private equity, venture capital, or real estate. It manages over ₹20,000 crore in assets under management (AUM). Alpha Alternatives invests in Infra assets in India including standard, under construction, and operating road assets. Alpha Alternatives have partnered with Dilip Buildcon Limited (DBL) as operations and maintenance (O&M) contractor for assets managed by the fund. Post transfer of the asset (DPJ-PHPPL), O&M contractor will be DBL.

The rating also factors receipt of provisional COD (PCOD) on October 5, 2023, and receipt of two annuities in proportion to the completed stretch as on January 31, 2025. The rating takes cognisance of substantial physical progress of 93% on the project stretch as of January 2025. It also factors adequacy of funding availability by way of undrawn debt and promoter contribution for completing balance works in the project stretch.

The rating factors in inherent strengths of the hybrid annuity model (HAM)-based road projects, lowering the post implementation risk by way of inflation-indexed annuities to be received towards construction, O&M, and bank rate-linked interest annuities. Low project leverage leading to comfortable debt coverage indicators, minimal counterparty credit risk associated with NHAI as an annuity provider, and presence of tail period of three annuities are other credit strengths. The rating also takes cognisance of the adequate cushion of 86 days between the annuity due date and repayment due date, which accommodates short timing mismatches.

The rating strengths are partially offset by the cross-default clause with the sponsor and inherent O&M risk, including major maintenance (MM), and interest rate fluctuation risks associated with project debt.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely receipt of annuity for entire stretch without deductions and delays.
- Creation of DSRA/MMRA as per the base case financial plan.
- Waiver of cross default.

Negative factors

- Deterioration in the credit profile of the authority (i.e. NHAI).
- Significant delays or deduction in annuities resulting in moderation in debt coverage indicators.
- Increase in O&M cost and interest rates and inadequate compensation for inflation and rate increase in the annuity payments, thereby adversely impacting the DSCR levels below 1.10x.

Analytical approach: Standalone

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

Outlook: Not applicable

Detailed description of key rating drivers

Key strengths

Receipt of PCOD with track record of receipt of annuities
The project received PCOD on October 05, 2023, on completing 36.502 km of the total 50.078 km of the project highway (based on 72.89% of physical progress). DPJ-PHPPL has received two annuities on time without deductions. Both the annuities were received on proportionate basis in line with the settlement agreement entered with NHAI.

Per management discussion and IE interaction, the project is progressing at a satisfactory pace and the balance works will be completed within the grace period allowed as per the settlement agreement. As on January 31, 2025, while the physical progress was 93%, the undrawn portion of debt was ₹17.32 crore, thus indicating adequate funds for the balance works to be undertaken.

Cashflow visibility in the form of annuities
Per concession terms, cashflow in the operational phase is assured in the form of annuity payments from the NHAI on a semi-annual basis covering 60% of the project completion cost with interest at bank rate plus 3% on reducing balance and inflation-indexed O&M annuity.

Low counterparty credit risk
Incorporated by the Government of India (GoI) under an Act of Parliament as a statutory body, the NHAI functions as the nodal agency for developing, maintaining, and managing National Highways (NHs) in the country. The outlook on the NHAI reflects the outlook on the sovereign, whose direct and indirect support continues to be the key rating driver.

Comfortable debt coverage pending creation of liquidity support mechanisms
The company shall create debt service reserve account (DSRA) covering six months of interest and one half-yearly principal instalment from future annuities. This apart, the company will create major maintenance reserve (MMR) per the base case business plan. The company exhibits comfortable debt coverage indicators. The debt is relatively low at 43% of the bid project cost (BPC), leading to comfortable debt coverage indicators. CARE Ratings notes that the project also has a tail period of ~1.5 years leaving three semi-annual annuities, which imparts modest financial flexibility.

Impact of change in law account of introduction of GST Act 2017
With annuity payments being brought under the GST regime, in line with the NHAI policy circulars, operational HAM projects will be eligible to receive a change in law (CIL) payment on the construction annuity and O&M annuity per the rate approved by the authority and will receive the entire GST on interest annuity. The concessionaire will be responsible for depositing the entire GST levy at applicable rates on all the three components, construction, O&M, and interest annuity. Currently, DPJ-PHPPL is receiving GST at the rate of 5.36% on its construction and O&M annuity from 1st annuity onwards.

Key weaknesses

Inherent project O&M risk associated
While the inflation-indexed O&M annuity partly mitigates O&M risk, the disparate movement in inflation index (70% WPI; 30% CPI) and O&M cost-heads poses a risk. This apart, the company can also face the risk of sharp increases in O&M cost in case the wear and tear on the road is more-than-envisaged in bidding and aggressive bidding in O&M cost. In the base case, CARE Ratings has assumed O&M and MM outgo in line with the industry aggregates for similar projects rated by CARE Ratings and expects the coverage indicators to be comfortable.

Inherent interest rate risk
DPJ-PHPPL is exposed to inherent interest rate risk considering the floating rate of interest. Reimbursing of interest cost by NHAI's interest annuity biannually at bank rate plus 3% mitigates the risk only to an extent, as there can be disparity between movements in bank rates and in lenders' benchmark rates.

Liquidity: Adequate
DPJ-PHPPL is envisaged to generate healthy cash flows backed by a steady revenue stream in the form of annuity payments throughout the tenor of the term loan. As per the financing structure, there is a gap of ~86 days between the annuity payment date and the debt repayment date, which provides an adequate cushion in case of a delay in receipt of the annuity.

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
Road Assets-Hybrid Annuity
Infrastructure Sector Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

DPJ-PHPPL, a special purpose vehicle (SPV) sponsored by DPJ-IPL, had entered into 15 years CA on December 05, 2019 (excluding construction period of 730 days from the appointed date of December 04, 2020), with the NHAI for the 'four-laning of the Madathukulam to Pollachi section of NH-209 (New NH- 83) from design km 74.380 to km 116.950 (total length: 50.078 km) under Bharatmala Pariyojana Phase-I under the category of residual works of the National Highway Development Programme on HAM basis in Tamil Nadu'. The total project cost was estimated at ₹721.89 crore, funded by term loan of ₹310.63 crore, construction grant from the NHAI of ₹289.60 crore, and the balance through promoter's contribution by equity or unsecured loans of ₹121.66 crore. The project received PCOD for completing works on 36.502 km of the total 50.078 km of the project highway (based on 72.89% work completed) on October 05, 2023.

Brief financials: Not applicable, as the company received annuities during the current fiscal year (FY25).

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-06-2037	298.11	CARE BBB (RWP)

Annexure-2: Rating history for 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	298.11	CARE BBB (RWP)	-	1)CARE BBB; Positive (12-Mar-24)	1)CARE BBB; Stable (14-Dec-22)	-

LT: Long term

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

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-4026 5656 E-mail: maulesh.desai@careedge.in Prasanna Krishnan Lakshmi Kumar Associate Director **CARE Ratings Limited** Phone: +91-120-4452014 E-mail: prasanna.krishnan@careedge.in Apoorv Agrawal Analyst **CARE Ratings Limited** E-mail: Apoorv.agrawal@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information, please visit www.careedge.in