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# CARE ASSIGNS "IPO GRADE 3" TO JAS TOLL ROAD CO. LTD.

CARE has assigned a 'CARE IPO Grade 3' to the proposed offer for sale of JAS Toll Road Company Ltd (JTRCL). CARE IPO Grade 3 indicates 'average fundamentals'. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor Fundamentals. JTRCL proposes an offer for sale of its 75.96 lakh equity shares.

The grading reflects the SPV nature of the company operating a BOT road project on high traffic density stretch of NH-4, robust growth in traffic since inception of toll collection in Feb.2004, high proportion of heavy vehicles in traffic mix, efficient toll collection system, refinancing of the project through low cost debt and experienced management to overlook the operations of the company. The grading is, however, constrained by limited experience of project sponsors in BOT projects, relatively short track record of performance, confined sources of revenues through tolls, moderate financial position and moderate level of corporate governance practices in the company. In addition, the company carries revenue risk due to possible change in macro-economic factors. The grading is also constrained by the ability of the company to generate adequate returns from the investments to be made of out of additional debt borrowed from institutions based on the strength of its future receivables.

JTRCL is a SPV promoted in June 2001, by consortium lead by Jayaswal Neco along with SREI Infrastructure Finance Ltd and Jayaswal Ashoka Infrastructure Private Limited. Later on, Abhijeet Infrastructure Ltd a group company of Abhijeet Group acquired 33.40% of stake in JTRCL and became the main promoters of the company. The company (JTRCL) is currently operating BOT road project on Nelmangala-Tumkur stretch of NH-4 which connect Chenai with Mumbai via Pune and Bangalore.

JTRCL has signed a concession agreement on June 28, 2001 with NHAI which granted the company a concession period of 19 years comprising construction period of 24 months. The project was to widen the existing two lane stretch of 32.5 Km between Nelamangala-Tumkur to a four lane divided carriage way with provisioning for 6 lanning. The construction of the project was completed on February 09, 2004 about five months ahead of the scheduled completion date. The company commenced tolling of the project highway from Feb 2004. During last two years of operation the traffic on the stretch has grown by about 15% Y-o-Y. The traffic mix consists of about 86% of trucks, 6% of light commercial vehicles and 8% of cars.

Mr. Manoj Jayaswal, Chairman of JTRCL has three decades of experience in the iron and steel sector as well as eight years of experience in infrastructure projects. He is assisted by Mr. Abhishek Jayaswal, a post graduate in management from University of Sheffield, who looks after day to day operations and financial matters of the company and Mr. Anand Jayaswal, a post graduate in commerce who looks after the technical aspects of the project.

Income from toll collection has increased by 27% Y-o-Y for FY'06 (Rs 2531 Lakh) as compared to FY'05(Rs 1988 lakh). The increase in the income is due increase in traffic and revision in the fees as per concession agreement. JTRCL has declared profit of Rs 0.85 Cr in FY'06 as compared to Rs 0.02 Cr in FY'05 which was its first full year of toll collection. Return ratios for the company have been showing increasing trend since it started collecting toll. ROCE & RONW has increased from 5.79% and 0.02% for FY'05 to 7.84% and 1.75% for FY'06 respectively.

The company has refinanced its high cost (13%) Rs 116 Cr debt with low cost (8.5%) Rs. 180 Cr debt. The institutions have increased the amount of debt on the strength of future receivables. Rs 64 Cr of additional debt has been given as unsecured loan at the rate of 8.5% to Abhijeet Infrastructure Ltd. As per ESCROW agreement signed by the company with new lenders the company deposits all its collection in the escrow account created at Nagpur from where it is distributes in various accounts as per the waterfall mechanism in the agreement. The company is also creating the Debt Service Reserves and Major Maintenance reserve to meet the short fall in future, if any, as per the new lending terms.

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