

Jharkhand Road Projects Implementation Company Limited

January 27, 2017

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|--|---|---|-------------------|
| Long-term Bank Facilities –Term Loan – Ranchi Patratu Dam Road (RPR-I) | 175.40 (reduced from Rs.191.07) | CARE BBB+; Stable (Triple B Plus; Outlook: Stable) | Reaffirmed |
| Long-term Bank Facilities –Term Loan – Patratu Dam Ramgarh Road (RPR-II) | 224.48 (reduced from Rs.245.67) | CARE BBB+; Stable (Triple B Plus; Outlook: Stable) | |
| Long-term Bank Facilities –Term Loan – Ranchi Ring Road (RRR) | 419.86 (reduced from Rs.455.82) | CARE BBB+; Stable (Triple B Plus; Outlook: Stable) | |
| Total bank Facilities | 819.74 (Rupees Eight Hundred Nineteen crore and Seventy Four lakhs only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of three distinct project stretches of Jharkhand Road Projects Implementation Company Limited (JRPICL) factors in successful implementation of all road stretches under JRPICL and timely receipt of annuity payments. The ratings continue to draw strength from strong parentage and established track of IL&FS Transportation Networks Ltd. (ITNL, rated 'CARE A/CARE A1') in road infrastructure development and financial support of the promoter, sponsor's undertaking to meet any project cost overrun and shortfall towards major maintenance activity and Operations and Maintenance (O&M) contract entered with ITNL.

The aforementioned rating strengths, however, continue to be tempered by exposure to moderate counter-party credit risk of annuity provider, exposure to interest rate risk as the project debt is subject to annual interest reset and moderate debt coverage indicators.

Timely completion of the remaining road stretch (Chaibasa-Kandra-Chowka Road (CKC) without any cost overrun, combined with timely receipt of annuities and need-based support from parent, ITNL, are the key rating sensitivities.

JRPICL's major promoter, ITNL (IL&FS Transportation Networks Ltd.) has significant experience in implementing road projects on BOT basis with 31 road projects at various stages of development covering about ~14,699 lane kilometres (as on December 31, 2016). ITNL also renders specialized services in the areas of development, implementation, Operations & Maintenance (O&M), toll management and other services relating to the surface transport sector. The sponsor has also been appointed for the O&M of the project at a fixed price contract with an undertaking to fund any shortfall in the major maintenance expenses and routine maintenance expenses. ITNL has also provided an undertaking to arrange for funds in case of any cost overrun on the project and has accordingly funded the cost-overrun incurred in all the five stretches.

JRPICL completed the construction of all three stretches namely RPR-I, RPR-II and RRR. The company received COD for RRR on January 17, 2014 and for RPR-II on August 01, 2014. Of the total stretch of road of 36.2 km in RRR, the company had received approvals and clearance for 34.2km stretch until December 2012 and the balance land was provided only later. Hence, there was deduction in first two annuities. JRPICL completed RRR in January 2013. Now, all the three stretches are operational and are receiving the annuities in entirety in timely manner. Further, since each of the three stretches has a separate Concession Agreement with 2 semi-annual annuities each leading to minimization of cash flow mismatch risk for debt repayment.

JRPICL's project stretches are annuity-based, under which the company will get semi-annual annuity payments from Government of Jharkhand (GoJ). The company is exposed to counter party credit risk as Dept. of Road Construction, GoJ is the sole party. As per the PDA Article VIII of Concession Agreement, GoJ assures annuity payment (semi-annual) either through its own budgetary provisions or through any other appropriate fund mechanism. The revenue risk of JRPICL is considered moderate on account of the above factors coupled with a comfort derived from the assurance from GoJ

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

towards annuity payments for all the five projects of JRPICL. Timely repayment of the debt obligations by the company would depend on timely receipt of annuity from the annuity provider. The company is receiving annuities for all the three stretches in entirety in timely manner.

Analytical approach: *Standalone*

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Government of Jharkhand (GoJ) has conceptualized a comprehensive programme titled 'Jharkhand Accelerated Road Development Programme (JARDP)' to improve the road infrastructure in the state of Jharkhand through Public Private Partnership model. IL&FS won the bid and a Programme Development Agreement (PDA) was signed between GoJ and IL&FS Group for the improvement of 1500 lane km of selected project road corridors. At present, certain road stretches have been selected for development under this programme.

The programme is being implemented under a special purpose vehicle (SPV) named Jharkhand Accelerated Road Development Company Limited (JARDCL), a joint venture (JV) between IL&FS group and GoJ with shareholding pattern in ratio of 74:26 respectively. In terms of the PDA, the GoJ and IL&FS group may take up financing, construction, operation and maintenance of roads either through JARDCL or through separate SPVs incorporated by GoJ and/or IL&FS.

Accordingly, IL&FS group has incorporated JRPICL for undertaking the design, engineering, financing, procurement, construction, operation and maintenance of the Programme, on Build, Operate & Transfer (BOT) Annuity basis. JRPICL is promoted by ITNL & IL&FS having a shareholding of 93.43% and 6.57%, respectively, to develop this programme in a phased manner. Separate concession agreements (CA) have been signed between the GoJ (annuity provider), JARDCL (JV partner of GoJ for road development) and JRPICL (concessionaire) for implementation of the projects in phases. JRPICL is presently implementing five different stretches of roads under JARDP namely; Ranchi Patratu - Dam Road (RPR-I), Patratu Dam - Ramgarh Road (RPR-II), Ranchi Ring Road (RRR), Chaibasa Kandra-Chowka Road (CKC) and Adityapur-Kandra Road (AK), which are operational.

JRPICL incurred a net loss of Rs.114.51 crore on total operating income of Rs.355.13 crore in FY16 [refers to the period April 01 to March 31] as against Rs.113.36 crore on a total operating income of Rs.297.77 crore in FY15.

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Annexure-1: Details of Instruments/Facilities**Details of bank Facilities for Ranchi Patratu Dam Road (RPR-I):-**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund Based - LT-Term Loan | - | - | 30 June 2024 | 175.40 | CARE BBB+; Stable |

Details of bank Facilities for Patratu Dam Ramgarh Road (RPR-II):-

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund Based - LT-Term Loan | - | - | 30 June 2024 | 224.48 | CARE BBB+; Stable |

Details of bank Facilities for Ranchi Ring Road (RRR):-

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund Based - LT-Term Loan | - | - | 31 March 2024 | 419.86 | CARE BBB+; Stable |

Annexure-2: Rating History of last three years**Ranchi Patratu Dam Road (RPR-I):-**

| Sr. No. | Name of the Instrument/Bank Facilities | Type | Current Ratings | | Chronology of Rating history | | |
|---------|--|------|--------------------------------|-------------------|---|---|---|
| | | | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Fund Based - LT-Term Loan- RPR-I | LT | 175.40 | CARE BBB+; Stable | 1)CARE BBB+ (20-11-2015) | 1)CARE BBB+ (14-11-2014) | 1)CARE BBB (13-08-2013) |

Patratu Dam Ramgarh Road (RPR-II):-

| Sr. No. | Name of the Instrument/Bank Facilities | Type | Current Ratings | | Chronology of Rating history | | |
|---------|--|------|--------------------------------|-------------------|---|---|---|
| | | | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Fund Based - LT-Term Loan -RPR-II | LT | 224.48 | CARE BBB+; Stable | 1)CARE BBB+ (20-11-2015) | 1)CARE BBB+ (14-11-2014) | 1)CARE BBB (13-08-2013) |

Ranchi Ring Road (RRR):-

| Sr. No. | Name of the Instrument/Bank Facilities | Type | Current Ratings | | Chronology of Rating history | | |
|---------|--|------|--------------------------------|-------------------|---|---|---|
| | | | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Fund Based - LT-Term Loan- RRR | LT | 419.86 | CARE BBB+; Stable | 1)CARE BBB+ (20-11-2015) | 1)CARE BBB+ (14-11-2014) | 1)CARE BBB (13-08-2013) |

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