

JHARKHAND ROAD PROJECTS IMPLEMENTATION COMPANY LIMITED

Regd Office: 443/A, Road No. 5, Ashok Nagar, Ranchi - 834002

Tel. + 91 651 2247410 Fax : + 91 651 2240952

CIN: U45200JH2009PLC013693

Email : JRPICL.ITNL@gmail.com

www.itnlindia.com/JRPICL-SPV.aspx

Date: October 09, 2018

To
IDBI Trusteeship Services Limited,
Asian Building, Ground Floor,
17, R Kamani Marg,
Ballard Estate, Mumbai-400001

Re.: Revised Ratings by CARE Ratings Limited

Dear Sirs,

In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we give below the revised rating assigned by CARE Ratings Limited for the following instruments;

Facilities	Amount (In Crores)	Revised Rating	Previous ratings
Non Convertible Debentures (NCDs)	1571.13 (Outstanding)	CARE A+ (SO); Stable	CARE AA (SO); Stable as on March 27, 2018. CARE AA (SO); Stable as on August 04, 2017 Provisional CARE AA (SO); Stable (May 03, 2017)

Also attached the rating rationale issued by Rating Agency.

This is for your information and doing the needful at your end.

Thanking you

Yours Sincerely,

For Jharkhand Road Projects Implementation Company Limited



Kumar Gaurav
Compliance Officer

Jharkhand Road Projects Implementation Company Ltd

October 08, 2018

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Debenture (NCDs) [^]	1571.13 (reduced from 1632.5)	CARE A+(SO);Stable (CARE Single A Plus [Structured Obligation] Outlook:Stable)	Revised from CARE AA(SO);Stable[CARE Double A (Structured Obligation) Outlook: Stable]
Total Facilities	1571.13 (Rs. One thousand five hundred seventy one crore and thirteen lakhs only)		

Details of instruments/facilities in Annexure-1

[^] NCDs backed by discounting of future annuity receivables of the project

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to non-convertible debentures (NCDs) issue of Jharkhand Road Projects Implementation Company Limited (JRPICL) factors in significant deterioration in the credit profile of the sponsor and the operations and maintenance (O&M) operator, IL&FS Transportation Networks Ltd (ITNL, rated CARE D) and its ultimate promoter, Infrastructure and Leasing Financial Services (IL&FS, rated CARE D). ITNL has provided an undertaking to provide for funds in case of any shortfall in major maintenance expense and routine maintenance expense, however given weak sponsor profile further support from sponsor may be limited. Earlier, the ratings derived comfort by IL&FS being the major and resourceful partner in Jharkhand Accelerated Road Development Company Limited (JARDCL) and JRPICL (through ITNL).

Further JRPICL receiving annuity from state government, it is exposed to counterparty risk of the state government's credit profile.

However, the rating continues to factor in the track record of timely receipt of annuity payments from Road Construction Department of GOJ, cash flow being spread out in eight months lowering the cash flow mismatch risk. This is supplemented by a Trustee monitored Structured Payment Mechanism (SPM) having stipulated Waterfall Mechanism for servicing of the NCDs. Further, the creation of adequate Major Maintenance Reserve Account (MMRA), Construction Reserve and Debt Service Reserve Account (DSRA) lends comfort on the liquidity reserves in the aspect to the credit structure.

Non-adherence to the SPM and Force Majeure events constitute key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Timely annuity receipts from all the five stretches which minimizes cash flow mismatch risk

JRPICL has achieved COD for all the five stretches; with COD for the last stretch being achieved on 30th November 2014. However, for balance 7.6 kms stretch in Chaibasa Kandra Chowka (CKC) project, COD was achieved on January 31, 2017. All the 5 stretches receive semiannual annuity payments which are spread over 8 months in a year. Also all the annuities are transferred to master escrow account and thus there is pooling of funds in master escrow account reducing the risk of cash flow mismatch for debt repayment obligation. As on October 2018, JRPICL has received 49 annuities.

Structured Payment Mechanism (SPM) with adequate liquidity reserves adds to comfort

JRPICL has opened an Escrow account in relation to each of the five projects for the NCDs. The tenure for NCD repayments is 12 years, which is to be made on quarterly basis till January 20, 2027 and thereafter in half yearly installments till January 20, 2029. JRPICL formed a Trustee monitored Structured Payment Mechanism (SPM) to service debt obligations of the non-convertible debenture holders. Further, as required by SPM, the company is maintaining balance in MMRA account for meeting major maintenance expenses, balance in construction reserve for paying off outstanding capital creditors, if any and balance in Debt Service Reserve Account (DSRA) for meeting peak interest and principal of nine months of debt service obligation throughout the tenure of NCDs.

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

Annuity nature of the project, albeit with moderate credit profile of annuity provider

JRPICL's project stretches are annuity-based, under which the company will get semi-annual annuity payments from GoJ. The company is exposed to counter party credit risk as Dept. of Road Construction, GoJ is the sole party. Timely repayment of the debt obligations by JRPICL would depend on timely receipt of annuity from the annuity provider. The company has been receiving annuities for all the five stretches in entirety in a timely manner. Although JRPICL has received annuities in a timely manner, going forward any deduction or delay in annuity is a rating sensitivity.

Key Rating Weaknesses
Weak credit profile of sponsor

ITNL 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. Additionally, as per the sponsor's undertaking, ITNL will have to financially support the project through infusion of funds for meeting the repayment obligations. On account of the delay in debt servicing obligation of ITNL, its rating has been revised from CARE BB; Negative to CARE D. Thus the weakening of the credit profile of the sponsor, would restrict its ability to support the project in times of need and will also remain a key rating sensitivity.

Analytical approach: Standalone. CARE has analyzed JRPICL's credit profile by considering the structured payment mechanism [annuity is received in an escrow account for servicing of the NCDs] and adequate built-in liquidity cushions with favorable credit protection mechanisms.

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

The Government of Jharkhand (GoJ) has conceptualized a comprehensive programme titled the Jharkhand Accelerated Road Development Programme (JARDP) to improve road infrastructure in the state through Public Private Partnership framework. IL&FS won the bid and a Programme Development Agreement (PDA) was signed between GoJ and IL&FS Group for the improvement of 1500 km lane of selected project road corridors. At present, certain road stretches have been selected for development under this programme. The programme is being implemented under an SPV named Jharkhand Accelerated Road Development Company Limited (JARDCCL), a 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 the financing, construction, operation and maintenance of the roads either through JARDCCL or through separate SPV's 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. The promoters of JRPICL are ITNL (93.43%) and IL&FS (6.57%). Separate Concession Agreements (CAs) as have been signed between the GoJ (annuity provider), JARDCCL (JV partner of GoJ for road development) and JRPICL (as concessionaire) for implementation of the projects in phases. JRPICL is presently implementing five different stretches of roads under JARDP details are provided above. All the projects are implemented in one balance-sheet though have separate escrow arrangement and concession agreement for individual project lenders.

Brief Financials (Rs. crore)	FY17(A)	FY18 (A)
Total operating income	246.91	275.55
PBILDT	194.43	232.30
PAT	(80.74)	(28.69)
Overall gearing (times)	6.42	7.49
Interest coverage (times)	0.71	0.89

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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.

Analyst Contact:

Name: Viren Shah

Tel- Board: 22-67543456

Tel-Direct: 22-67543656

Email: viren.shah@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	May 05, 2017	Series A: 9.3119% Series B: 9.5119%	January 20 2029	1571.13	CARE A+ (SO); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Debentures-Non Convertible Debentures	LT	1571.13	CARE A+ (SO); Stable	-	1)CARE AA (SO); Stable (27-Mar-18) 2)CARE AA (SO); Stable (04-Aug-17) 3)Provisional CARE AA (SO); Stable (03-May-17)	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com