

Jharkhand Road Projects Implementation Company Limited

April 4, 2019

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Debentures (NCDs) [^]	1,545.81	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating; based on best available information
Total	1,545.81 (Rupees One thousand five hundred and forty five crore and eighty one lakh only)		

Details of instruments in Annexure-1

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

Detailed Rationale & Key Rating Drivers

Jharkhand Road Projects Implementation Company Limited (JRPICL) has not paid the annual surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on JRPICL's non-convertible debentures will now be denoted as **CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on January 22, 2019, the following were the rating weaknesses and strengths:

Key Rating Weaknesses

Delay in servicing of debt obligation: JRPICL has delayed on its debt servicing obligation repayable on January 20, 2019. The same has been confirmed by the debenture trustee as part of CARE's due diligence exercise. The next repayment is due in April 2019.

Impinging the ring-fenced structured payment mechanism: The management's action seeking to prevent further debits to the SPV's escrow account by citing the National Company Law Appellate Tribunal (NCLAT) order leads to creation of unknown legal risks for the stipulated waterfall mechanism of JRPICL. The change in management's stance to protect the integrity of the stipulated waterfall mechanism has led to increased risk of servicing debt obligations in timely manner. Previously, CARE received an email from the debenture trustee (IDBI Trusteeship Services Ltd) that JRPICL'S management had written a letter to the debenture trustee to reverse debt repayment of Rs. 62.50 crore which had been paid towards debt servicing on October 20, 2018. The management also sought to cease and desist from making further debt repayments from JRPICL'S escrow account highlighting the interim order passed by National Company Law Appellate Tribunal's (NCLAT) on October 15, 2018 for ceasing the payments of debt servicing obligations. However, as per trustee's interpretation, interim order does not apply for regular debt servicing. The escrow bank account holder however has put on hold the payments, until the clarity is received on this order.

Weak credit profile of sponsor: The weakening of the credit profile of the sponsor and management's recent actions restrict its ability to support the project in times of need and perform operations & maintenance, as required. ITNL [rated CARE D, Issuer Not Cooperating] has also been appointed for the Operation & Maintenance of the project at a fixed price contract with an undertaking to fund any shortfall in the major maintenance expenses and routine maintenance expenses.

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

*Issuer not cooperating; Based on best available information

Key Rating Strengths

Timely annuity receipts from all the five stretches: JRPICL has achieved Commercial Operations Date (COD) for all the five stretches; with COD for the last stretch being achieved on November 30, 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 semi-annual annuity payments which are spread over eight months in a year. As on January 2019, JRPICL has received 52 annuities. The last annuity of Rs.41.13 crore was received without any deductions.

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 Government of Jharkhand (GoJ). The company is exposed to counter party credit risk as Dept. of Road Construction, GoJ is the sole counter-party.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Rating Methodology – Infrastructure Sector Ratings](#)

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 [rated CARE D] 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. Certain road stretches had been selected for development under this programme. The programme was being implemented under an SPV named Jharkhand Accelerated Road Development Company Limited (JARDCL), 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 JARDCL or through separate SPV's incorporated by GoJ and/or IL&FS. Accordingly, IL&FS group 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 (rated CARE D; Issuer Not Cooperating, 93.43%) and IL&FS (rated CARE D, 6.57%). Separate Concession Agreements (CAs) have been signed between the GoJ (annuity provider), JARDCL (JV partner of GoJ for road development) and JRPICL (as concessionaire) for implementation of the projects in phases. JRPICL has implemented five different stretches of roads under JARDP details are provided above. All the projects are implemented in one balance-sheet though they 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.

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

About CARE Ratings:

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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	9.3119%	January 2029	1545.81	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument	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	1545.81	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (22-Jan-19) 2)CARE BB- (SO) (Under Credit watch with Negative Implications) (19-Jan-19) 3)CARE A+ (SO) (Under Credit watch with Negative Implications) (18-Jan-19) 4)CARE A+ (SO); Stable (08-Oct-18)	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)	-	-

**Issuer did not cooperate; Based on best available information*

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