

Jharkhand Road Projects Implementation Company limited

October 27, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Debentures (NCD)*	1,275.51 (Reduced from 1,344.91)	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE C; ISSUER NOT COOPERATING* (Single C)
Total	1275.51 (Rs. One thousand two hundred seventy five crore and fifty one lakh only)		

*Details of instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to the Non-Convertible Debentures (NCDs) of Jharkhand Road Projects Implementation Company Limited (JRPICL) is on account of delay in servicing of debt obligation by one day. As against the due date of debt servicing being October 20, 2020, the Company repaid the dues on October 21, 2020. Confirmation regarding the receipt of payment has been received from all the NCD holders as well as debenture trustee. The Company has informed that the delay was purely administrative due to people working from different locations as a result of the pandemic. However, sufficient funds were available with the company to service the debt on due date.

With annuity receipts being the major source of income, timely receipt thereof is of paramount importance and requires close monitoring. The Company continues to be impacted with delay in receipt of Annuity with last annuity being received in February 2020. Further, the Company has redeemed the investments parked under Mutual Funds maintained as DSRA entirely in order to part service the present obligations thereby shrinking the cushion available to meet the debt obligations going forward. Any further delay in receipt of annuity will increase the cash flow mismatch for timely debt servicing going forward.

The Rating continues to be affected by weak credit profile of sponsor and O&M contractor. With downward revision in budget estimates for O&M and Major Maintenance as against previous estimates, any increase in the actual expenditure may not be fulfilled by the contractor. Thus, ensuring the quality of maintenance activity within the limited budget continues to be key rating monitorable.

The rating continues to be placed under the 'issuer non-cooperating' category as JRPICL had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. Although JRPICL has submitted partial information for rating review, it continues to be non-cooperative despite repeated requests for adherence to Rating Agreement clauses. Resultantly it continues to be under "Issuer non-cooperating" category in line with CARE's extant policy in respect of non-cooperation by Issuer. CARE has reviewed the rating on the basis of the information as submitted by the Company.

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

Rating Sensitivities

Positive Factors

1. Timely servicing of debt obligations without any deviation to structure payment mechanism.
2. Receipt of pending annuity and timely receipt of annuities without deductions for all the project stretches going forward without any deduction.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delay in servicing of debt obligations

JRPICL has delayed on servicing its debt obligations by one day i.e, serviced on October 21, 2020 as against due on October 20, 2020 inspite of funds available with the Company citing administrative issues owing to Covid pandemic.

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

*Issuer did not cooperate; Based on best available information

Dilution of DSRA and MMRA requirement

As per the modified terms, the requirement for DSRA has been diluted. The Company is now required to maintain a DSRA equivalent to aggregate of principal and interest of ensuing 3 months due and payable in relation to both debenture holders and unsecured loan. The Company has redeemed the investments parked in Mutual Funds as DSRA for part servicing of the present debt obligations (redemption value being Rs 27.29 crore on October 18, 2020). The same is proposed to be replenished on receipt of annuities as due. However, considering the ongoing delay in receipt of annuity, cushion as available to lenders have eroded till then.

As per the terms of Debentures, the Company was required to maintain major maintenance reserve as per the Base Case Business Model for the purpose of meeting major maintenance expenses in relation to each of the projects. Major Maintenance Expenses in succeeding 6 months to be withdrawn from the Escrow Account and be deposited in MMR Sub Account. As on December 31, 2019, the outstanding balance in MMRA was Rs 133.30 crore. However, the latest position of the account has not been submitted by the Company so far. With reduction in Major Maintenance cost the reserve requirement will also reduce and thus erode the cushion available.

Weakened credit profile of Sponsor i.e. ITNL:

Rating of main sponsor ITNL continues to be CARE D, INC on account of continuing delays and defaults as confirmed by lenders and disclosures by ITNL on stock exchanges in its debt servicing. ITNL is also the O&M contractor for undertaking the routine as well as major maintenance activity for the project. Considering current credit profile of ITNL, its ability to support the project in times of need as sponsor and O&M contractor is restricted. Though, as per MTA, all other existing sponsor undertakings such as cost overrun or additional funding requirement will stand suspended for ITNL and IL&FS group.

IL&FS on December 18, 2018 invited expression of interest for potential acquisition of IL&FS group's equity stake/interest in certain road assets and businesses including JPRICL.

CARE understands that based on the information as submitted by the Company, the bid received for JPRICL were lower than the Fair Market Value as determined by two independent valuers appointed by IL&FS Board for the valuation. Since the bid received was lower, the IL&FS Board has rejected the bid. Subsequently, the IL&FS Board has proposed the setting up of an Infrastructure Investment Trust (InvIT) for resolution of ITNL SPVs where either no bid was received or the bid was rejected due to it being lower than the FMV. JPRICL is also included in the list of ITNL SPVs being considered for inclusion in the InvIT. It is currently in the process of registration of the InvIT with SEBI.

Exposure to O&M and Major Maintenance risk:

Fixed price contract for O&M and Major Maintenance continues to be with ITNL, through one of its group company, Elsamex Maintenance Services Ltd (EMSL). As per the terms of MTA, an amendment in O&M agreement was agreed. As per the amended contract for all 5 projects, the contract price for O&M and Major Maintenance has been revised downwards. The price as per the amended contract is fixed (inclusive of applicable taxes) and agreed by the debenture holders as part of MTA. The revised contracted price is almost in line with the CARE's benchmark considering the projects being state highways and annuity based. Further, keeping in view the weak credit profile of ITNL (CARE D, INC), no comfort from the fixed price contract can be drawn as in case of any shortfall in routine and well as periodic maintenance arise, ITNL may not be in a position to meet the same. Thus, ability of undertaking O&M within agreed budget in a timely manner as per the prescribed standard would remain a key rating sensitivity.

Delayed Major Maintenance

As per the LIE report for the month of March 2020, Major Maintenance work is behind the schedule and considering the COD achieved, Major Maintenance work should have been completed till now. However, work on 3 project stretches are still in progress and work on the remaining 2 stretches are yet to begin till June 2020. Further, Issues with respect to slippages, cracks, potholes etc have been observed across all locations. Continued poor Major Maintenance activity leading to levying of any damages in the form of reduced annuity from the Authority would be a key rating monitorable.

Delays in receipt of Annuity

All the 5 stretches have been receiving annuity for atleast 4-5 years in the past with slight delays. However, in FY 2020, annuity payment for 2 of its projects (RRR and AK) due on 22-03-2020 and 31-01-2020 for RRR and AK respectively has not been received so far. In addition, no annuities have been received in FY 21 so far out of the annuities due till now (pertaining to 3 road stretches). Based on CARE Ratings' discussion with one of the investor, CARE understands that the non-receipt of annuity was on account of delay in site visit initially which was further delayed due to Covid. However, the site visit has since been conducted and recommendation for release has been made to the relevant department and the annuity was expected to be received by July 2020. However, there have not been any annuity receipts since February 2020.

With annuity receipts being the major source of income, timely receipt thereof is of paramount importance and requires close monitoring. Delay in receipt of Annuity will increase the cash flow mismatch for timely debt servicing. Thus, receipt of pending annuity and timely receipt of annuities without any deductions for all the project stretches going forward remains a key rating sensitivity.

Moderate credit profile of annuity provider (counter party credit risk)

JRPICL's project stretches are annuity-based, under which JRPICL will get semi-annual annuity payments from GoJ. It is exposed to counter party credit risk as Dept. of Road Construction, GoJ is the sole party. The rating gets constrained by the higher dependence of the state on contributions and allocations from the Centre in the form of grants and share in central taxes.

Liquidity (Poor):

Latest cash and bank position is not available. The entire DSRA balance has been utilized for part servicing of debt obligations as due on October 20, 2020.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[CARE's Policy on Curing Period](#)

[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 [rated CARE D, INC] 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; Financials classified as per CARE's internal standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments

ISIN	Issuance Date	Coupon Rate	Maturity Date	Amount	Rating assigned along with Rating outlook
				(Rs in Cr)	
INE746N07176	05-05-2017	8.40%	20-01-2021	6.84	CARE D; ISSUER NOT COOPERATING*
INE746N07184	05-05-2017		20-04-2021	6.38	
INE746N07192	05-05-2017		20-07-2021	7.38	
INE746N07200	05-05-2017		20-10-2021	7.28	
INE746N07218	05-05-2017		20-01-2022	7.11	
INE746N07226	05-05-2017		20-04-2022	6.99	
INE746N07234	05-05-2017		20-07-2022	7.79	
INE746N07242	05-05-2017		20-10-2022	8.12	
INE746N07259	05-05-2017		20-01-2023	8.71	
INE746N07267	05-05-2017		20-04-2023	8.36	
INE746N07275	05-05-2017		20-07-2023	8.11	
INE746N07283	05-05-2017		20-10-2023	7.58	
INE746N07291	05-05-2017		20-01-2024	7.65	
INE746N07309	05-05-2017		20-04-2024	7.69	
INE746N07317	05-05-2017		20-07-2024	6.95	
INE746N07325	05-05-2017		20-10-2024	6.37	
INE746N07333	05-05-2017		20-01-2025	7.48	
INE746N07341	05-05-2017		20-04-2025	7.68	
INE746N07358	05-05-2017		20-07-2025	8.16	
INE746N07366	05-05-2017		20-10-2025	7.34	
INE746N07374	05-05-2017		20-01-2026	7.97	
INE746N07382	05-05-2017		20-04-2026	5.06	
INE746N07390	05-05-2017		20-07-2026	9.86	
INE746N07408	05-05-2017		20-10-2026	9.72	
INE746N07416	05-05-2017		20-01-2027	9.5	
INE746N07424	05-05-2017		20-07-2027	10.57	
INE746N07432	05-05-2017		20-01-2028	11.52	
INE746N07440	05-05-2017		20-07-2028	11.52	
INE746N07457	05-05-2017		20-01-2029	6.89	
INE746N07598	05-05-2017		20-01-2021	19.61	
INE746N07606	05-05-2017		20-04-2021	18.31	
INE746N07614	05-05-2017		20-07-2021	21.19	
INE746N07622	05-05-2017		20-10-2021	20.89	
INE746N07630	05-05-2017	20-01-2022	20.4		
INE746N07648	05-05-2017	20-04-2022	20.05		
INE746N07655	05-05-2017	20-07-2022	22.34		
INE746N07663	05-05-2017	20-10-2022	23.29		
INE746N07671	05-05-2017	20-01-2023	24.97		
INE746N07689	05-05-2017	20-04-2023	23.98		
INE746N07697	05-05-2017	20-07-2023	23.24		

ISIN	Issuance Date	Coupon Rate	Maturity Date	Amount	Rating assigned along with Rating outlook
				(Rs in Cr)	
INE746N07705	05-05-2017		20-10-2023	21.74	
INE746N07713	05-05-2017		20-01-2024	21.94	
INE746N07721	05-05-2017		20-04-2024	22.03	
INE746N07739	05-05-2017		20-07-2024	19.91	
INE746N07747	05-05-2017		20-10-2024	18.27	
INE746N07754	05-05-2017		20-01-2025	21.44	
INE746N07762	05-05-2017		20-04-2025	22.02	
INE746N07770	05-05-2017		20-07-2025	23.42	
INE746N07788	05-05-2017		20-10-2025	21.06	
INE746N07796	05-05-2017		20-01-2026	22.85	
INE746N07804	05-05-2017		20-04-2026	14.51	
INE746N07812	05-05-2017		20-07-2026	28.29	
INE746N07820	05-05-2017		20-10-2026	27.87	
INE746N07838	05-05-2017		20-01-2027	27.26	
INE746N07846	05-05-2017		20-07-2027	30.34	
INE746N07853	05-05-2017		20-01-2028	33.04	
INE746N07861	05-05-2017		20-07-2028	33.04	
INE746N07879	05-05-2017		20-01-2029	19.71	
INE746N07010	05-05-2017		20-07-2027	97.21	
INE746N07028	05-05-2017		20-07-2027	278.71	
Total				1275.51	

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Banking Facilities	Current Ratings Type	Current Ratings		Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	L T	1275.51	CARE D; ISSUER NOT COOPERATING *	1)CARE C; ISSUER NOT COOPERATING * (30-Jun-20)	1)CARE D; ISSUER NOT COOPERATING * (04-Apr-19)	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

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA
Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple

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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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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