

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

January 25, 2022 | Mumbai

Jharkhand Road Projects Implementation Company Limited

Rating downgraded to 'CRISIL D'

Rating Action

Rs.410.74 Crore Non Convertible Debentures	CRISIL D (Downgraded from 'CRISIL C')
---	--

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has downgraded its rating on the non-convertible debentures (NCDs) of Jharkhand Road Projects Implementation Company Ltd (JRPICL) to '**CRISIL D**' from '**CRISIL C**'.

The downgrade reflects the heightened risk of default due to sustained delays in receipt of annuities from the Government of Jharkhand (GoJ), with no payments received since January 2020 leading to build up of overdue receivables of Rs 716 crore as of Jan-2022.

Persistent delay in receipt of annuities from GoJ has led to a severe liquidity crunch, owing to which lenders approved a second one-time restructuring on 29th June, 2021, under the Covid-19 resolution framework. As per the revised package, JRPICL has been granted another 6 months of moratorium for the instalments falling due on Jan-2022 and April-2022. The deferred principal would be serviced over the remaining maturity period starting from April-2023 as per the original deed while the accumulated interest would be due in July-2022.

As on January 2022, liquidity remained poor with cash & equivalents of about Rs 9.5 crore, which would be significantly inadequate to meet the principal and interest servicing (including accrued portion) of Rs 45.9 crore and Rs 291.2 crore, respectively due in July 2022. Additionally, the debt service reserve account (DSRA) and major maintenance reserve account (MMRA) continues to remain drained led by non-receipt of annuities. This has delayed major maintenance works on two out of five road stretches. The timelines for reinstatement of the DSRA and MMRA continues to be March 2024. Regular operation & maintenance expenses is being managed through short term bank lines.

The rating continues to reflect JRPICL's weak financial risk profile, exposure to risks related to operations and maintenance (O&M) and major maintenance and to legal risks. A stable revenue profile, given the annuity-based model, partially mitigates these weaknesses.

Key Rating Drivers & Detailed Description

Weaknesses

- **Weak financial risk profile:** JRPICL's financial risk profile has further weakened after debt was restructured to include repayment of unsecured loans. The average yearly debt obligation increased to around Rs 300 crore (from Rs 224 crore on senior-secured NCDs) and average debt service coverage ratio (DSCR; including unsecured and subordinated loans) is expected to remain below 1 time.
- **Exposure to O&M risk:** If JRPICL does not meet the prescribed O&M standards, it faces the risk of reduction in annuity payments from the government of Jharkhand (GoJ). Frequent material breaches in the O&M may also lead to termination of the contract by the state government. Both the O&M and major maintenance are being carried out by ITNL, which is undergoing resolution under NCLAT, being a part of the IL&FS group. Therefore, ITNL's ability to adequately perform its obligations under the fixed price contract is a key risk. Presently, Major Maintenance (MM) works for 3 road stretches (out of 5) are completed, while for the other 2 projects, MM works are delayed led by shortage of funds.

Timely completion of the major maintenance remains a key monitorable.

- **Continued susceptibility to legal risks:** In a letter to the trustee, JRPICL stated that the NCLAT stay order given to the IL&FS group encompasses normal debt servicing as well. As a result, despite having adequate funds, the company

defaulted on payments to senior secured NCD holders. Though the debt has been restructured and JRPICL reclassified 'Green' by NCLAT, legal risk persists given the ongoing resolution at the IL&FS group.

Strength

- **Stable revenue profile, given annuity-based model:** JRPICL benefits from the annuity nature of its ongoing build-operate-transfer project. Dependence on any single annuity payment is low as the company is to receive 10 semi-annual annuities for 5 projects across 8 months. While annuity receipts were timely in the past, JRPICL has not received annuities since January 2020.

Liquidity: Poor

The liquidity position is poor in the absence of annuity receipts from GoJ since January 2020 and depletion of DSRA and MMRA towards debt servicing. As on January, 2022, the cash & equivalents stood at about Rs 9.5 crore. Expected net cash accruals in fiscal 2023 will not be enough to service debt obligations of ~Rs 170 crore in fiscal 2023, owing to high accumulated scheduled interest payouts of ~Rs 291 Crores in July 2022.

Rating Sensitivity Factors

Upward Factors

- Timely receipt of overdue as well as future annuities leading to a build-up of required DSRA and MMRA
- Reduction in debt leading to increase in DSCR above 1 time on NCDs

About the Company

JRPICL is a special purpose vehicle set up to develop five road stretches under Jharkhand Accelerated Road Development Programme (JARDP). These are the Ranchi Patratu-Dam Road, the Patratu Dam-Ramgarh Road, the Ranchi ring road, the Chaibasa Kandra-Chowka Road, and the Adityapur Kandra Road. All the projects have begun commercial operations, and have been receiving annuity payments. ITNL and IL&FS hold 93.43% and 6.57%, respectively, in JRPICL

About ITNL

ITNL was incorporated in 2000 by IL&FS to consolidate its road infrastructure projects and pursue new ones in surface transportation infrastructure through public-private partnership. ITNL is primarily engaged in development, operation and maintenance of national and state highways. ITNL has diversified into other segments such as mass rapid transport system, urban transportation infra system, car parking and border check-post.

About IL&FS

IL&FS is one of India's leading infrastructure development and finance companies. It was promoted by the Central Bank of India ('CRISIL A+/CRISIL A/Stable'), Housing Development Finance Corporation Ltd ('CRISIL AAA/FAAA/Stable/CRISIL A1+') and Unit Trust of India. Over the years, IL&FS has broad-based its shareholding and inducted institutional shareholders, including State Bank of India ('CRISIL AAA/CRISIL AA+/FAAA/Stable/CRISIL A1+'), Life Insurance Corporation of India, ORIX Corporation – Japan, and Abu Dhabi Investment Authority.

IL&FS and its group companies (including ITNL) are going through severe financial stress and have defaulted on some debt since August 2018. The Government of India had, on October 1, 2018, replaced the board of directors at IL&FS to turn around the group and restore the confidence of financial markets after its default.

Key features of the NCD

- * Tenure of up to 9 years
- * Quarterly payment of interest
- * Quarterly repayment of principal till January 2027, and semi-annual subsequently
- * Backed by an escrow mechanism with payment waterfall clearly defining priority
- * Quarterly appropriation to the reserve for each major maintenance expenditure

Key Financial Indicators (Reported)

Particulars	Unit	2021	2020
Revenue	Rs.Cr	307.6	305.3
Profit After Tax (PAT)	Rs.Cr	42.2	53.75
PAT Margin	%	13.7%	17.6%
Adjusted debt/Adjusted networkth	Times	1.8	-12.4
Interest coverage	Times	0.8	1.3

Status of noncooperation with previous CRA

JRPICL has not cooperated with Credit Analysis & Research Ltd. which has classified it as issuer not cooperative vide release dated April 04, 2019. The reason provided by Credit Analysis & Research Ltd. is non-payment of the surveillance fees for the rating exercise as agreed to in its Rating Agreement.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity

levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
INE746N07010	Debenture	05-May-2017	NA	20-Jul-2027	159.17	Simple	CRISIL D
INE746N07929	Debenture	05-May-2017	NA	20-Jan-2029	6.84	Simple	CRISIL D
INE746N07945	Debenture	05-May-2017	NA	20-Jan-2029	6.38	Simple	CRISIL D
INE746N07960	Debenture	05-May-2017	NA	20-Jan-2029	7.38	Simple	CRISIL D
INE746N07994	Debenture	05-May-2017	NA	20-Jan-2029	7.28	Simple	CRISIL D
INE746N07218	Debenture	05-May-2017	NA	20-Jan-2029	7.11	Simple	CRISIL D
INE746N07226	Debenture	05-May-2017	NA	20-Jan-2029	6.99	Simple	CRISIL D
INE746N07234	Debenture	05-May-2017	NA	20-Jul-2022	7.79	Simple	CRISIL D
INE746N07242	Debenture	05-May-2017	NA	20-Oct-2022	8.12	Simple	CRISIL D
INE746N07259	Debenture	05-May-2017	NA	20-Jan-2023	8.71	Simple	CRISIL D
INE746N07267	Debenture	05-May-2017	NA	20-Apr-2023	8.36	Simple	CRISIL D
INE746N07275	Debenture	05-May-2017	NA	20-Jul-2023	8.11	Simple	CRISIL D
INE746N07283	Debenture	05-May-2017	NA	20-Oct-2023	7.58	Simple	CRISIL D
INE746N07291	Debenture	05-May-2017	NA	20-Jan-2024	7.65	Simple	CRISIL D
INE746N07309	Debenture	05-May-2017	NA	20-Apr-2024	7.69	Simple	CRISIL D
INE746N07317	Debenture	05-May-2017	NA	20-Jul-2024	6.95	Simple	CRISIL D
INE746N07325	Debenture	05-May-2017	NA	20-Oct-2024	6.37	Simple	CRISIL D
INE746N07333	Debenture	05-May-2017	NA	20-Jan-2025	7.48	Simple	CRISIL D
INE746N07341	Debenture	05-May-2017	NA	20-Apr-2025	7.68	Simple	CRISIL D
INE746N07358	Debenture	05-May-2017	NA	20-Jul-2025	8.16	Simple	CRISIL D
INE746N07366	Debenture	05-May-2017	NA	20-Oct-2025	7.34	Simple	CRISIL D
INE746N07374	Debenture	05-May-2017	NA	20-Jan-2026	7.97	Simple	CRISIL D
INE746N07382	Debenture	05-May-2017	NA	20-Apr-2026	5.06	Simple	CRISIL D
INE746N07390	Debenture	05-May-2017	NA	20-Jul-2026	9.86	Simple	CRISIL D
INE746N07408	Debenture	05-May-2017	NA	20-Oct-2026	9.72	Simple	CRISIL D
INE746N07416	Debenture	05-May-2017	NA	20-Jan-2027	9.5	Simple	CRISIL D
INE746N07424	Debenture	05-May-2017	NA	20-Jul-2027	10.57	Simple	CRISIL D
INE746N07432	Debenture	05-May-2017	NA	20-Jan-2028	11.52	Simple	CRISIL D

INE746N07440	Debenture	05-May-2017	NA	20-Jul-2028	11.52	Simple	CRISIL D
INE746N07457	Debenture	05-May-2017	NA	20-Jan-2029	6.89	Simple	CRISIL D

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	410.74	CRISIL D		--	25-01-21	CRISIL C	28-10-20	CRISIL C	22-01-19	CRISIL D	CRISIL AA (SO) /Watch Negative
			--		--		--	29-01-20	CRISIL C	18-01-19	CRISIL BB (SO) /Watch Negative	--
			--		--		--		--	15-01-19	CRISIL AA (SO) /Watch Negative	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria

[Rating Criteria for State Governments](#)[CRISILs criteria for rating annuity and HAM road projects](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Pankaj Rawat Media Relations CRISIL Limited B: +91 22 3342 3000 pankaj.rawat@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p>	<p>Manish Kumar Gupta Senior Director CRISIL Ratings Limited B:+91 124 672 2000 manish.gupta@crisil.com</p> <p>Naveen Vaidyanathan Director CRISIL Ratings Limited B:+91 22 3342 3000 naveen.vaidyanathan@crisil.com</p> <p>Pramit Pal Senior Rating Analyst CRISIL Ratings Limited D:+91 44 6656 3130 Pramit.Pal@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their

issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>