

Rating Rationale

December 21, 2022 | Mumbai

Jharkhand Road Projects Implementation Company Limited

Rating Reaffirmed

Rating Action

Rs.410.74 Crore Non Convertible Debentures	CRISIL D (Reaffirmed)
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL D' rating on the non-convertible debentures (NCDs) of Jharkhand Road Projects Implementation Company Limited (JRPICL).

The rating reflects the non-payment of interest and principal obligations on CRISIL Ratings-rated NCDs that were due on October 20, 2022, as confirmed by the trustee (IDBI Trusteeships Ltd) and investors. This is on account of delay in receipt of annuities from the Government of Jharkhand (GoJ).

The lenders approved an amended one-time restructuring on June 29, 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 in January and April 2022. The deferred principal would be serviced over the remaining maturity period starting April 2023 as per the original deed, while the accumulated interest would be due in July 2022.

In March 2022, GoJ released a lumpsum payout of annuities worth Rs 439 crore, which reduced receivables to Rs 478 crore in December 2022 from Rs 716 crore in January 2022. The payout was channelised for payment of interest worth Rs 170.18 crore and principal of Rs 43 crore due till July 2022.

CRISIL Ratings has withdrawn its rating on the Rs 7.79 crore (See the Details of Rating Withdrawn) NCDs on receipt of repayment confirmation from the trustee. The rating action is in line with CRISIL Ratings' policy on withdrawal of ratings.

As of September 2022, liquidity remained poor with cash and equivalents of about Rs 53.9 crore, which would be significantly inadequate for the payment of interest of Rs 26.09 crore and principal redemption of Rs 36.09 crore, due in October 2022. Additionally, the debt service reserve account (DSRA) and major maintenance reserve account (MMRA) remain drained owing to non-receipt of annuities. This has delayed major maintenance works on two out of five road stretches. The timeline for reinstatement of the DSRA and MMRA continues to be March 2024. Regular operation and maintenance (O&M) expenses are being managed through short-term bank lines.

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

Analytical Approach

For arriving at its ratings, CRISIL Ratings has taken a standalone view of JRPICL.

Key Rating Drivers & Detailed Description

Weaknesses:

- **Weak financial risk profile:** In March 2022, financial risk profile improved marginally, post receipt of annuities worth Rs 439 crore, which was primarily channelised for interest and principal payment. However, there was a default on the debt obligation for October 2022 owing to depleted liquidity. The average 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 GoJ. Frequent material breaches in O&M may also lead to termination of the contract by the state government. Both O&M and MM are being carried out by IL&FS Transportation Networks Limited (ITNL), which is undergoing resolution under National Company Law Appellate Tribunal (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, MM works for three road stretches (out of five) are complete, while they are delayed for the other two due to shortage of funds. The timely completion of MM 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. After two years, GoJ released a single annuity payment worth Rs 439 crore in March 2022. JRPICL has not received any annuity thereafter.

Liquidity: Poor

In March 2022, post receipt of annuities worth Rs 439 crore, the liquidity position improved with cash and equivalents stood at about Rs 202.7 crore. However, post interest and principal payment, the liquidity position depleted to Rs 9.5 crore by September 2022. Expected net cash accrual in fiscal 2023 will not be enough to service debt obligations of ~Rs 774 crore, owing to high accumulated scheduled interest payouts of ~Rs 130 crore till September 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 the development, operation and maintenance of national and state highways. ITNL has diversified into other segments such as mass rapid transport system, urban transportation infrastructure 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/Positive'), Housing Development Finance Corporation Ltd ('CRISIL AAA/Stable/CRISIL A1+') and Unit Trust of India. Over the years, IL&FS has broad-based its shareholding and inducted institutional shareholders, including the State Bank of India ('CRISIL AAA/CRISIL AA+/Stable'), 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 the 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	2022	2021
Revenue	Rs.Crore	341.7	307.6
Profit After Tax (PAT)	Rs.Crore	-77.1	42.2
PAT Margin	%	-22%	13.7%
Adjusted debt/Adjusted networkth	Times	1.3	1.8
Interest coverage	Times	0.9	0.8

Status of non cooperation with previous CRA:

JRPICL has not cooperated with Credit Analysis & Research Ltd, which has classified it as issuer not cooperative through 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 upon in the 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 and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. 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	Non Convertible Debentures	05-May-2017	9.31	20-Jul-2027	159.17	Simple	CRISIL D
INE746N07929	Non Convertible Debentures	05-May-2017	8.40	20-Jan-2029	6.84	Simple	CRISIL D
INE746N07945	Non Convertible Debentures	05-May-2017	8.40	20-Jan-2029	6.38	Simple	CRISIL D
INE746N07960	Non Convertible Debentures	05-May-2017	8.40	20-Jan-2029	7.38	Simple	CRISIL D
INE746N07994	Non Convertible Debentures	05-May-2017	8.40	20-Jan-2029	7.28	Simple	CRISIL D
INE746N07218	Non Convertible Debentures	05-May-2017	@9.5119% PER ANNUM	20-Jan-2029	7.11	Simple	CRISIL D
INE746N07226	Non Convertible Debentures	05-May-2017	@9.5119% PER ANNUM	20-Jan-2029	6.99	Simple	CRISIL D
INE746N07242	Non Convertible Debentures	05-May-2017	9.51	20-Oct-2022	8.12	Simple	CRISIL D
INE746N07259	Non Convertible Debentures	05-May-2017	9.51	20-Jan-2023	8.71	Simple	CRISIL D
INE746N07267	Non Convertible Debentures	05-May-2017	9.51	20-Apr-2023	8.36	Simple	CRISIL D
INE746N07275	Non Convertible Debentures	05-May-2017	9.51	20-Jul-2023	8.11	Simple	CRISIL D
INE746N07283	Non Convertible Debentures	05-May-2017	9.51	20-Oct-2023	7.58	Simple	CRISIL D
INE746N07291	Non Convertible Debentures	05-May-2017	9.51	20-Jan-2024	7.65	Simple	CRISIL D
INE746N07309	Non Convertible Debentures	05-May-2017	9.51	20-Apr-2024	7.69	Simple	CRISIL D
INE746N07317	Non Convertible Debentures	05-May-2017	9.51	20-Jul-2024	6.95	Simple	CRISIL D
INE746N07325	Non Convertible Debentures	05-May-2017	9.51	20-Oct-2024	6.37	Simple	CRISIL D
INE746N07333	Non Convertible Debentures	05-May-2017	9.51	20-Jan-2025	7.48	Simple	CRISIL D
INE746N07341	Non Convertible Debentures	05-May-2017	9.51	20-Apr-2025	7.68	Simple	CRISIL D
INE746N07358	Non Convertible Debentures	05-May-2017	9.51	20-Jul-2025	8.16	Simple	CRISIL D
INE746N07366	Non Convertible Debentures	05-May-2017	9.51	20-Oct-2025	7.34	Simple	CRISIL D
INE746N07374	Non Convertible Debentures	05-May-2017	9.51	20-Jan-2026	7.97	Simple	CRISIL D
INE746N07382	Non Convertible Debentures	05-May-2017	9.51	20-Apr-2026	5.06	Simple	CRISIL D

INE746N07390	Non Convertible Debentures	05-May-2017	9.51	20-Jul-2026	9.86	Simple	CRISIL D
INE746N07408	Non Convertible Debentures	05-May-2017	9.51	20-Oct-2026	9.72	Simple	CRISIL D
INE746N07416	Non Convertible Debentures	05-May-2017	9.51	20-Jan-2027	9.5	Simple	CRISIL D
INE746N07424	Non Convertible Debentures	05-May-2017	9.51	20-Jul-2027	10.57	Simple	CRISIL D
INE746N07432	Non Convertible Debentures	05-May-2017	9.51	20-Jan-2028	11.52	Simple	CRISIL D
INE746N07440	Non Convertible Debentures	05-May-2017	9.51	20-Jul-2028	11.52	Simple	CRISIL D
INE746N07457	Non Convertible Debentures	05-May-2017	9.51	20-Jan-2029	6.89	Simple	CRISIL D

Annexure - Details of Rating Withdrawn

ISIN	Name of the instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level
INE746N07234	Non Convertible Debentures	05-May-2017	NA	20-Jul-2022	7.79	Simple

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	25-01-22	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.

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