

February 24, 2022

Brij Bhoomi Expressway Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term Loan	150.00	150.00	[ICRA]BBB- (Stable) reaffirmed
Total	150.00	150.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation notes Brij Bhoomi Expressway Private Limited's (BBEPL) strong parentage by being a wholly-owned subsidiary of JMC Projects Limited¹ (JMC), which has significant experience in infrastructure and road development. BBEPL has more than seven years of tolling track record. The traffic witnessed a CAGR of ~3.5% in PCU terms during FY2015-FY2020, followed by degrowth of ~1.3% in FY2021 on account of pandemic-related disruptions. Despite the impact of second Covid-19 wave, the traffic witnessed a YoY growth of 5% in 9M FY2022, albeit on the low base of last year.

The rating, however, remains constrained by the weak coverage metrics due to lower-than-anticipated toll collections, thereby necessitating dependence on the sponsors. Given its weak debt coverage indicators and absence of debt service reserve account (DSRA), BBEPL remains dependent on timely and adequate support from the sponsor (JMC) for meeting its debt obligations. ICRA notes the stated intent and demonstrated track record of timely support from JMC since the commercial operation date (COD). Notwithstanding the track record of toll collections, the project remains exposed to risks inherent in build-operate-transfer (BOT) toll road projects including risks arising from political acceptability of rate hikes linked to WPI over the concession period and development/improvement of alternate routes. Going forward, trends in traffic growth rates and movement in WPI (for toll rate hike) will remain the key rating sensitivities. Any reduction in either of them will have an adverse impact on toll collections. The rating remains constrained by the interest rate risk, as the interest rate is variable on the company's debt. As per the Concession Agreement (CA), there is no pre-defined major maintenance (MM) schedule, which would mean that periodic maintenance is to be carried out on a need basis, which may result in volatility in operating expenses. Timely funding support by the promoter to manage periodic maintenance expenses will remain critical due to insufficient accruals to meet the MM expenses.

The Stable outlook factors in the expected improvement in the traffic across the stretch and timely financial support from the strong promoter group.

Key rating drivers and their description

Credit strengths

Strong parentage – BBEPL is a wholly-owned subsidiary of JMC, which has significant experience in infrastructure and road development. JMC, in turn, is a subsidiary of Kalpataru Power Transmission Limited (KPTL, holding 67.7% stake in JMC), which is a leading player in the domestic power transmission and distribution (T&D) and real estate sectors. JMC has been providing timely funding support to BBEPL over the past five years to meet BBEPL's cash flow mismatches. As on December 31, 2021,

¹ JMC is a subsidiary of Kalpataru Power Transmission Limited (KPTL, holding 67.7% stake in JMC), which is a leading player in the domestic power transmission and distribution (T&D) and real estate sectors

JMC had provided interest-free unsecured loans to the tune of Rs. 33.6 crore to the company. Continued timely support from the promoter group would remain critical for timely debt servicing.

Tolling track record of more than seven years – The traffic witnessed a CAGR of ~3.5% in PCU terms during FY2015-FY2020 followed by degrowth of ~1.3% in FY2021 on account of pandemic-related disruptions. The traffic has recovered in the current fiscal, with a YoY growth of 5% in 9M FY2022, albeit on the low base of the last fiscal. The project route carries a lot of inter-city traffic and passenger traffic accounts for ~53% of total traffic in PCU terms.

Credit challenges

Weak coverage metrics and impact of COVID - Lower-than-anticipated toll collections resulted in weak coverage metrics, thus necessitating dependence on the sponsors. Traffic witnessed a degrowth of ~1.3% in FY2021 on account of the constrained vehicular movement in the run-up to the lockdown. Further, the traffic was affected in H1 FY2022 by the second Covid-19 wave and the farmers' agitation till October 2021. However, ICRA notes that the company reported 11% growth in toll collections on a YoY basis in 9M FY2022. Given its weak debt coverage indicators and absence of DSRA, BBEPL remains dependent on continued timely and adequate support from the sponsor for meeting its debt obligations. ICRA takes into account the stated intent and demonstrated track record of timely support of the sponsor JMC since COD.

Project cash flows sensitive to traffic growth rates, acceptability of toll rate hike and interest rate risk – Notwithstanding the track record of toll collections, the project remains exposed to risks inherent in BOT (Toll) road projects including risks arising from political acceptability of rate hikes linked to WPI over the concession period and development/improvement of alternate routes. Going forward, the trends in traffic growth rates and movement in WPI (for toll rate hike) will remain the key rating sensitivities. Any reduction in either of them will have an adverse impact on toll collections. Furthermore, its cash flows are exposed to interest rate risk as the interest rate is variable on the company's debt.

Absence of major maintenance reserve – As per the CA, there is no pre-defined MM schedule, which would mean that periodic maintenance is to be carried out on a need basis, which may result in volatility in operating expenses. Timely funding support by the promoter to manage periodic maintenance expenses will remain critical in case of insufficient accruals to meet the MM expenses.

Liquidity position: Stretched

The company's liquidity position is stretched as toll collections remain inadequate to service its debt obligations and take care of MM requirements. BBEPL's unencumbered cash and bank balance stood at Rs.3 crore as on December 31, 2020. It has repayment obligation of Rs. 4.8 crore in Q4 FY2022 and Rs. 22.0 crore in FY2023, which may need support from the sponsor. ICRA takes comfort from the demonstrated timely support provided by its promoter (JMC) to meet the debt repayment obligation over the past five year.

Rating sensitivities

Positive factors – Substantial improvement in toll collection resulting in significant improvement in coverage indicators along with formation of major maintenance reserve and DSRA.

Negative factors – Weakening in linkages with parent entity or lack of timely financial support from promoter group or substantial weakening in credit profile of parent entity could result in downgrade pressure. Downward pressure on the rating could also emerge if toll collection is lower than expected, on a sustained basis, and/or if there is slippages in regular O&M and major maintenance activity thereby resulting in penalties from the authority.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for BOT (Toll) Roads Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group Support	Parent/Group Company: JMC Projects (India) Limited (JMC) The rating factors in the likelihood of BBEPL's ultimate parent, JMC, extending financial support to it because of close business linkages between them. ICRA expects JMC to be willing to extend financial support to BBEPL out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	Standalone

About the company

Incorporated in December 2010, BBEPL is a special purpose vehicle (SPV) promoted by JMC Projects (India) Limited to undertake the execution, operations and maintenance of two laning of 81 km stretch of Agra-Aligarh stretch on NH-93 on a BOT (Toll) basis in Uttar Pradesh. The project was awarded by the National Highways authority of India (NHAI) based on competitive bidding in 2010 with a concession period of 15 years commencing from October 09, 2012 to October 08, 2027 including the construction period. The road stretch received provisional COD on May 02, 2014 and the final COD was received on December 29, 2015.

Key financial indicators

BBEPL	FY2021 (Audited)	H1FY2022
Operating Income (Rs. crore)	32.4	15.5
PAT (Rs. crore)	-3.7	0.1
OPBDIT/OI (%)	64.9%	75.9%
PAT/OI (%)	-11.4%	0.3%
Total Outside Liabilities/Tangible Net Worth (times)	-5.4	-5.3
Total Debt/OPBDIT (times)	7.4	6.3
Interest Coverage (times)	1.8	2.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019
					Feb 24, 2022	Nov 06, 2020	Apr 24, 2020	-	Feb 28, 2019
1	Term Loans	Long-term	150.0	95.5	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Negative)	-	[ICRA]BBB (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2013	NA	FY2026	150.0	[ICRA]BBB-(Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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