

January 29, 2024

DP Jain & Co. Infrastructure Pvt Ltd: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based- CC	122.00	173.00	[ICRA]BBB (Negative); reaffirmed/assigned
Long-term – Fund-based- Term Loans	104.52	207.60	[ICRA]BBB (Negative); reaffirmed/assigned
Short-term – Non-fund based	230.00	292.00	[ICRA]A3+; reaffirmed/assigned
Long-term/Short-term – Unallocated	110.36	330.00	[ICRA]BBB (Negative)/ [ICRA]A3+; reaffirmed/assigned
Total	566.88	1,002.60	

*Instrument details are provided in Annexure-I

The reaffirmation of the ratings DP Jain & Co. Infrastructure Pvt Ltd (DPJIPL) factors in healthy revenue growth over the past five years at a CAGR of 18% to Rs. 898.2 crore in FY2023 from Rs. 468.9 crore in FY2018. ICRA expects the growth momentum to sustain in the near term due to its order book position of Rs. 3,441 crore as on March 31, 2023. ICRA takes note of the healthy operating margins at above 15% over the past five years owing to benefits from strong operational efficiencies and project execution. With sizeable investments in its own machinery in recent years, leading to reduced subcontracting expenses, ICRA expects the OPM to sustain at the current level in the medium term. The ratings derive strength from the promoters' established operational track record of over two decades in the execution of road projects on engineering, procurement and construction (EPC) as well as build-operate-transfer (BOT) modes. The Group is successfully operating BOT projects for Madhya Pradesh Road Development Corporation Ltd (MPRDC), Karnataka Road Development Corporation Ltd (KRDCL), the Ministry of Road Transport and Highways (MoRTH) and the National Highway Authority of India (NHAI). ICRA also draws comfort from DPJIPL's track record in the successful completion of road projects within the stipulated time.

The ratings are also constrained by modest debt coverage indicators with interest cover and DSCR of 2.4 and 1.2 times in FY2023, respectively. The debt-funded capex in FY2023, along with the delay in asset monetisation, resulted in a leveraged capital structure with TOL/TNW of 2.3 times as of March 2023 (1.3 times as of March 2022). DPJIPL has a sizeable (Rs. 631.57 crore) exposure towards its Group companies, against net worth of Rs. 419 crore as of March 2023, pertaining to short-term and medium-term debt. The same exposes it to asset-liability mismatch. Additionally, an incremental equity commitment of Rs. 44 crore (from January 2024 to March 2025) towards the Group's BOT projects, along with substantial debt repayment obligations of Rs. 275 crore over the same period (including ICDs), exposes the company to refinancing risk. However, the risk is mitigated to an extent with the infusion of Rs. 80 crore by the SPVs' and the expected additional infusion of Rs. 20 crore from its management, in FY2024. ICRA also notes that the order book is concentrated with the top three orders as of September 2023 accounting for 80%, and the largest order constitutes a share of 41.6%. The entire order book comprises road projects, which further accentuates the sectoral concentration risk. The rating is also exposed to execution risks, as about 54% of the order book is in the nascent stages of execution (less than 10% complete). Moreover, the liquidity position remains stretched with almost full utilisation of sanctioned working capital lines. Given the increasing scale of operations, ICRA estimates revenue of over Rs. 1,400 crore in the current fiscal (as compared to Rs. 898 crore in FY2023). However, the timely enhancement of working capital lines remains crucial. The company is in the process of monetising some of its operational BOT assets, with management expecting inflows of over Rs. 150 crore by March 2024 and over Rs. 296 crore by March 2025. Timely realisation of asset monetisation proceeds remains crucial for the company to correct the asset-liability mismatch (ALM) and improve its liquidity position.

DPJIPL is exposed to the inherent cyclicity of the construction industry and intense competition in the tender-based contract award system, resulting in the risk of volatility in order inflows, revenues and pressure on profit margins. While ICRA notes DPJIPL's exposure to sizeable contingent liabilities in the form of bank guarantees, comfort is drawn from its execution track record and the absence of invocation of guarantees in the past.

The Negative outlook reflects ICRA's expectation that the company's credit profile is likely to remain under pressure in the medium term due to stretched liquidity and limited cushion available in working capital facilities.

Key rating drivers and their description

Credit strengths

Established operational track record of promoters in construction industry – With the promoters possessing over two decades of experience in executing road projects on EPC and BOT modes, the Group has successfully completed nine BOT projects for reputed clients such as MPRDC, KRDC, and MoRTH over the years. The company has reported healthy revenue growth over the past five years at a CAGR of 18% to Rs. 898.2 crore in FY2023 from Rs. 468.9 crore in FY2018, aided by healthy execution of road projects and its strong order book position.

Order book position providing near-term revenue visibility – DPJIPL has an order book of Rs. 3,441 crore as on September 30, 2023, i.e., 4.1 times of FY2023 revenue, which provides near-term revenue visibility. The company has an EPC order book of Rs. 2,585 crore as on September 30, 2023. In addition, it has operation and maintenance (O&M) orders worth Rs. 854 crore from its Group SPVs to be executed over 5-20 years.

Credit challenges

Leveraged capital structure – In FY2023, DPJIPL incurred a capital expenditure of Rs. 185 crore, against the earlier guidance of Rs. 50 crore. This led to an additional term debt of Rs. 165 crore, resulting in a deterioration in the capital structure, characterised by TOL/TNW of 2.3 times as of March 2023 (FY2022: 1.3 times). Its financial risk profile has moderated as interest cover and DSCR stood at 2.4 times and 1.2 times in FY2023, respectively. The infusion of ICDs/advances of over Rs. 100 crore from DP Jain SPVs, along with an enhancement in working capital limits in Q4 FY2024, are expected to support its liquidity position to an extent. Timely enhancement of working capital limits or infusion of long-term funds remains crucial from a credit perspective and is a key rating monitorable.

Stretched liquidity; asset-liability mismatch – The company has a stretched liquidity position with almost full utilisation of working capital limits in the past twelve months ending October 2023. While the bankers have enhanced the limits by Rs. 28 crore in the interim (which is based on the assessment as per audited financials of FY2021), the enhanced limits remain almost fully utilised. ICRA understands from the management that the company, at present, is in discussion with lenders for enhancement in its fund and non-fund based limits, which it expects to receive within the next two months. DPJIPL has a sizeable (Rs. 631.57 crore) exposure towards its Group companies, against net worth of Rs. 419 crore as of March 2023, pertaining to short-term and medium-term debt, exposing it to asset-liability mismatch. Given the incremental equity commitment of Rs. 44 crore (from January 2024 to March 2025) towards the Group's BOT projects, along with substantial debt repayment obligations of Rs. 275 crore over the same period (including ICDs), the company remains exposed to refinancing risk.

Concentrated order book and execution risks – The company's order book remains exposed to high segment concentration risks with the order book primarily consisting of road segment works. ICRA notes that the order book is concentrated with the top three orders as of September 2023 accounting for 80%, and the largest order constitutes a share of 41.6%. The entire order book comprises road projects, which further accentuates the sectoral concentration risk. The rating is also exposed to execution risks, given that about 53% of the order book is in the nascent stages of execution (0-10%) as on September 30, 2023. While ICRA notes DPJIPL's exposure to sizeable contingent liabilities in the form of bank guarantees, comfort is drawn from its execution track record and the absence of invocation of guarantees in the past.

Liquidity position: Stretched

DPJIPL has a stretched liquidity position with almost full utilisation of working capital limits in the past twelve months ending October 2023, with cash balance of Rs. 10.5 crore as on March 31, 2023. Although the bankers have enhanced the limits by Rs. 28 crore in the interim (which is based on the assessment as per audited financials of FY2021), the enhanced limits remain almost fully utilised. Moreover, the expected robust revenue growth target in FY2024 will necessitate additional working capital requirements, and its ability to tie up the same in a timely manner would be crucial. The company is relying on extended credit periods from its vendors to support its working capital in the interim.

Rating sensitivities

Positive factors – The outlook may be revised to stable upon any long-term fund infusion or asset monetisation resulting in an improvement in asset liability position and liquidity profile on a sustained basis.

Negative factors – Inability to raise long-term funds or monetise investments and correct the asset-liability mismatch, on a sustained basis, could result in a rating downgrade. Delays in securing additional working capital limits, stretch in the cash conversion cycle, or higher-than-estimated capital expenditure adversely impacting liquidity position or leverage metrics will also be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Construction Entities
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated financials of DPJIPL with its subsidiaries (Refer Annexure-II). ICRA has followed limited consolidation factoring in the expected funding requirements (equity/ cost overrun support/ operational shortfall) to the SPVs.

About the company

DP Jain & Co. Infrastructure Pvt Ltd (DPJIPL) is a part of the DP Jain Group, led by Mr. Deepak Jain and Mr. Girish Jain. Over the years, the company has steadily grown and completed road projects in both EPC and PPP modes. It is a Class 1A contractor in Maharashtra and is ISO 9001:2015 certified. The company has an established operational track record of over two decades in executing road projects in Karnataka, Madhya Pradesh and Maharashtra. The Group has successfully operated BOT projects for Madhya Pradesh Road Development Corporation Ltd (MPRDC), Karnataka Road Development Corporation Ltd (KRDC), the Ministry of Road Transport and Highways (MoRTH) and the National Highways Authority of India (NHAI).

Key financial indicators (audited)

	FY2022	FY2023
Operating income	662.3	898.2
PAT	33.4	54.8
OPBDIT/OI	17.0%	15.6%
PAT/OI	5.0%	6.1%
Total outside liabilities/Tangible net worth (times)	1.3	2.3
Total debt/OPBDIT (times)	2.9	4.1
Interest coverage (times)	2.5	2.4

Source: ICRA Research, Company; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years		
				Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Jan 29, 2024	Jan 02, 2024	Jan 20, 2023	-	-
1 Fund-based – CC	Long term	173.00	-	[ICRA]BBB(Negative)	[ICRA]BBB(Negative)	[ICRA]BBB+ (Stable)	-	-
2 Fund-based – Term loans	Long term	207.60	84.58	[ICRA]BBB(Negative)	[ICRA]BBB(Negative)	[ICRA]BBB+ (Stable)	-	-
3 Non-fund based	Short term	292.00		[ICRA]A3+	[ICRA]A3+	[ICRA]A2	-	-
4 Unallocated	Long term/ Short term	330.00		[ICRA]BBB (Negative)/ [ICRA]A3+	[ICRA]BBB (Negative)/ [ICRA]A3+	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – CC	Simple
Long-term – Fund-based – Term loans	Simple
Short-term – Non-fund based	Very simple
Long-term/Short-term – Unallocated	Not applicable

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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based – CC	NA	NA	NA	173.00	[ICRA]BBB(Negative)
NA	Long-term – Fund-based – Term loans	FY2019	NA	FY2026	207.60	[ICRA]BBB(Negative)
NA	Short-term – Non-fund based	NA	NA	NA	292.00	[ICRA]A3+
NA	Long-term/Short-term – Unallocated	NA	NA	NA	330.00	[ICRA]BBB (Negative)/ [ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
DP Jain Datia-Bhander Toll Road Projects Pvt. Ltd.	100%	Limited
DP Jain Ujjain Package (Annuity) Road Projects Pvt. Ltd.	100%	Limited
DP Jain Dariapur-Jasondhi (Annuity) Road Projects Pvt. Ltd.	100%	Limited
Dinara Datia DPJ-Pathways Pvt. Ltd.	51%	Limited
DP Jain (Nagada Gogapur) BOT Annuity Road Projects Pvt. Ltd.	100%	Limited
DPJ DRA Tollways Pvt. Ltd.	98%	Limited
DPJ Bidar-Chincholi Annuity Road Project Pvt. Ltd.	100%	Limited
D P Jain TOT Toll Roads Pvt. Ltd.	100%	Limited
Ghorad Seloo HAM Road Project Private Limited	60%	Limited
DPJ Pollachi HAM Project Pvt. Ltd.	100%	Limited
D P Jain Bangalore-Chennai Expressways Private Limited	100%	Limited

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