

January 20, 2023

## DP Jain & Co. Infrastructure Pvt Ltd: [ICRA]BBB+ (Stable)/[ICRA]A2 assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based- CC	122.00	[ICRA]BBB+ (Stable); Assigned
Long-term – Fund-based- Term Loans	104.52	[ICRA]BBB+ (Stable); Assigned
Short-term – Non-fund based	230.00	[ICRA]A2; Assigned
Long-term/Short-term – Unallocated	110.36	[ICRA]BBB+ (Stable)/ [ICRA]A2; Assigned
<b>Total</b>	<b>566.88</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings assigned to DP Jain & Co. Infrastructure Pvt Ltd (DPJIPL) favourably factors in the healthy growth in revenues at a compounded annual growth rate (CAGR) of ~14% during FY2017-FY2022 to Rs. 662.3 crore in FY2022. ICRA expects the growth momentum to sustain in the medium term on the back of a strong order book position of Rs. 4,624.9 crore as on September 30, 2022. The ratings consider the healthy operating margins at above 16% during the past five years owing to benefits from strong operational efficiencies and project execution. The rating derives strength from the 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, wherein the Group is successfully operating BOT projects for Madhya Pradesh Road Development Corporation Ltd (MPRDC), Karnataka Road Development Corporation Ltd (KRDC), 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 successful completion of road projects within the stipulated time.

The ratings are, however, constrained by modest debt coverage indicators with interest cover and DSCR of 2.4 and 0.9 times during FY2022, respectively. Given DPJIPL's sizeable equity commitment towards their BOT projects without commensurate long term funding, the company is also exposed to refinancing risk because of asset liability mismatch (ALM). DPJIPL has a total of 11 BOT SPVs (5 annuity, 1 toll + annuity, 1 OMT, 1 TOT, and 3 HAM). However, the risk is mitigated to an extent with the company primarily completing majority of its equity requirements. In addition to this, the company has infused long-term funds in 9MFY2023 through refinancing of existing equipment, promoter fund infusion and Inter Corporate Deposits (ICD) from DPJ DRA Tollways Private Ltd (DPJ DRA), thereby addressing the ALM issue to an extent. It has pending equity commitment of Rs. 80 crore towards Bangalore HAM SPV for the next two years and is adequately placed to infuse the required equity from its cash flows along with cash surplus in some of its operational SPVs. Any increase in additional BOT exposure remains a key rating monitorable. The ratings are also constrained by the tight liquidity position with high average utilisation of working capital limits in the past 9 months ending December 2022 post infusion of equity for TOT and the ongoing HAM projects in the current year. Infusion of ICDs of more than Rs. 55 crore from DPJ DRA and enhancement in working capital limits in Q4FY2023 is expected to support its liquidity position to an extent. Timely enhancement of working capital limits or infusion of long-term funds remains crucial from the credit perspective and remains a key rating monitorable. ICRA notes that company is planning to monetise some of its completed investments, which should help in unlocking capital and ease liquidity pressure.

The ratings consider the moderate financial risk profile with interest coverage of 2.4 times for FY2022 and TOL/TNW of 1.4 times as on March 31, 2022 owing to high interest expenses and debt-funded capital expenditure. The ratings factor in the high segment concentration risks with the order book primarily consisting of road segment works and moderate geographical concentration risks with majority of the order book from four states – Tamil Nadu, Karnataka, Maharashtra and Gujarat. DPJIPL is exposed to the cyclical nature inherent in the construction industry and intense competition in the tender-based contract award system, resulting in risk of volatility in order inflows, revenues and pressure on profit margins.

The Stable outlook on the long-term rating reflects ICRA's opinion on DPJPL's strong order book position and execution with healthy operating margins on a sustained basis.

## Key rating drivers and their description

### Credit strengths

**Established operational track record of promoters in construction industry** – With over two decades experience of the promoters in execution of road projects on EPC and BOT modes, the Group has successfully completed 9 BOT projects for reputed clients like MPRDC, KRDC, MoRTH and NHAI over the years. The company has reported a healthy growth in revenues over the past five years at a CAGR of 14% to Rs. 662.3 crore in FY2022 from Rs. 341.1 crore in FY2017, aided by healthy execution of road projects and its strong order book position.

**Strong order book position providing medium-term revenue visibility** – DPJPL has an order book of Rs. 4,624.9 crore as on September 30, 2022, i.e., 6.9 times of FY2022 revenue, which provides medium-term revenue visibility. The company has an EPC order book of Rs. 3,560 crore (of which 39% is group captive) as on September 30, 2022. In addition, it has operation and maintenance (O&M) orders worth Rs. 1,065 crore from its group SPVs to be executed over 5-20 years.

**Healthy operating margins** – DPJPL's operating margins remained at above 16% during the past five years owing to benefits from strong operational efficiencies and execution of its own projects. Going forward, the margins are expected to be healthy at above 16% levels.

### Credit challenges

**Moderate financial risk profile** – DPJPL's financial risk profile is moderate with interest coverage of 2.4 times and DSCR of 0.9 times for FY2022 owing to high interest expenses and repayments for the debt-funded equipment purchase. Further, the TOL/TNW remained moderately high at 1.4 times as on March 31, 2022 due to debt-funded capital expenditure. The company has a tight liquidity position with high average utilisation of working capital limits in the past 9 months ending December 2022 post infusion of equity for TOT and the ongoing HAM projects in the current year. Infusion of ICDs of more than Rs. 55 crore from DPJ DRA and enhancement in working capital limits in Q4FY2023 is expected to support its liquidity position to an extent. Timely enhancement of working capital limits or infusion of long-term funds remains crucial from the credit perspective and remains a key rating monitorable.

**Moderate asset-liability mismatch** – DPJPL is exposed to refinancing risk because of asset liability mismatch (ALM) given that the company has sizeable equity commitment towards their BOT projects without commensurate long term funding. DPJPL has a total of 11 BOT SPVs (5 annuity, 1 toll + annuity, 1 OMT, 1 TOT, and 3 HAM). However, the risk is mitigated to an extent with the company primarily completing majority of its equity requirements. In addition to this, the company has infused long-term funds in 9MFY2023 through refinancing of existing equipment, promoter fund infusion and Inter Corporate Deposits (ICD) from DPJ DRA Tollways Private Ltd (DPJ DRA), thereby addressing the ALM issue to an extent. It has pending equity commitment of Rs. 80 crore towards Bangalore HAM SPV for next two years and is adequately placed to infuse the required equity from its cash flows along with cash surplus in some of its operational SPVs. Any increase in additional BOT exposure remains a key rating monitorable.

**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 and moderate geographical concentration risks with majority of the order book from four states – Tamil Nadu, Karnataka, Maharashtra and Gujarat. The rating is also exposed to execution risks, given that about 79% of order book is in the nascent stages of execution (0-10%).

## Liquidity position: Stretched

DPJIPL's liquidity is stretched, evidenced by limited cushion in working capital limits. The average working capital limit utilisation has remained high for the past 8 months ending December 2022. The company has repayments of Rs. 64.2 crore and moderate capex plans in FY2023, which can be met from its cash flow from operations and fresh equipment loans. Further, timely enhancement of working capital limits remains critical for an improvement in its liquidity position.

## Rating sensitivities

**Positive factors** – The ratings may be upgraded upon any long-term fund infusion or asset monetisation resulting in an improvement in asset liability position and liquidity profile on a sustained basis. Specific credit metrics that could lead to an upgrade include interest coverage of more than 4.0 times on a sustained basis.

**Negative factors** – Deterioration in working capital cycle or increase in BOT commitments adversely impacting the liquidity position would be a negative trigger. Moreover, inability to raise long-term funds and correct the asset liability mismatch, on a sustained basis, could result in a rating downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Construction Entities</a>
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 over-run 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 has completed road projects, in both EPC and PPP mode. 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), Ministry of Road Transport and Highways (MoRTH) and the National Highway Authority of India (NHAI).

## Key financial indicators (audited)

DPJIPL	FY2021	FY2022
Operating income	595.6	662.3
PAT	32.6	33.4
OPBDIT/OI	19.1%	17.0%
PAT/OI	5.5%	5.0%
Total outside liabilities/Tangible net worth (times)	1.5	1.3
Total debt/OPBDIT (times)	2.5	2.9
Interest coverage (times)	2.8	2.5

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	Current rating (FY2023)			Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on Nov 30, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022			Date & rating in FY2021	Date & rating in FY2020
					Jan 20, 2023				
1	Fund-based – CC	122.00	-	[ICRA]BBB+ (Stable)	-	-	-	-	
2	Fund-based – Term loans	104.52	101.29	[ICRA]BBB+ (Stable)	-	-	-	-	
3	Non-fund based	230.00	-	[ICRA]A2	-	-	-	-	
4	Unallocated	110.36	-	[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	122.00	[ICRA]BBB+ (Stable)
NA	Long-term – Fund-based – Term loans	.*	NA	.*	104.52	[ICRA]BBB+ (Stable)
NA	Short-term – Non-fund based	NA	NA	NA	230.00	[ICRA]A2
NA	Long-term/Short-term – Unallocated	NA	NA	NA	110.36	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Company; \*Not available

[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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