



Press Release

Dineshchandra Tanot Infra Pvt Ltd

December 26, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned*
1.	(Proposed) Long Term Fund Based Facility – Term Loan	540.00	IVR AAA [CE]/Stable (IVR Triple A [Credit Enhancement] with Stable Outlook)
	Total	540.00	

*CE rating based on annuity receivables from National Highway Authority of India (NHAI)

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from their experienced promoters and management team, long track record of the group in road infrastructure segment, operational and financial support from sponsor and escrow mechanism with a well-defined payment waterfall mechanism and creation of DSRA for repayment of debt. However, the financial position of NHAI is the rating constraint.

The rating of the instrument is based on the annuity receivables from NHAI which are well-defined under a waterfall mechanism wherein the annuity receivables are escrowed to meet the principal and interest payments under which the company also maintains DSRA of an amount equivalent to next six months of principal and interest payments. Given these attributes, considering the annuities received from NHAI and under a water tight escrow mechanism result in an enhancement in the rating of the said instrument to **IVR AAA (CE)/ Stable (IVR Triple A [Credit Enhancement] with Stable Outlook** against the unsupported rating of **IVR AA-/Stable (IVR Double A Minus with Stable Outlook)**.



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Key Rating Sensitivities

Upward factors:

- None.

Downward factors:

- Significant increase in O&M and major maintenance costs
- Untimely annuity receivables

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters & management team

Dineshchandra Tanot Infra Pvt Ltd (DTIPL) was promoted by Mr. Dineshchandra Agarwal and his brother, Mr. Jagdishchandra Agarwal (both are Directors in the company). The promoters have rich experience of over four decades in the road construction segment, having successfully executed various projects from NHAI and other government authorities over the years. They are also assisted by a team of experienced professionals having relevant industry experience.

Long track record of the group in road infrastructure segment

DTIPL is a part of the Ahmedabad based Dineshchandra group, controlled by the Agarwal family. The group has presence in more than 20 states of the country. Dineshchandra R. Agrawal Infracon Private Limited (DRAIPL) is the flagship company of the group and is involved in the construction of infrastructure projects such as highways, bridges, water supply and sewage/drainage systems, metro rail etc. for over four decades. The group has undertaken three road construction projects under HAM since FY17 with aggregate bid project cost being INR2264.96 crore. All the three projects have achieved financial closure and are already operational as on date.

Operational and Financial support from sponsor

DTIPL will benefit from the strong operational and financial support of DRAIPL. The sponsor has provided undertaking to support any cost overrun during the construction phase. Furthermore, DRAIPL is also obliged to undertake any shortfall in meeting debt servicing and increase in O&M expense above the base case estimate, during the operational phase. It will also meet any shortfall in debt servicing and debt service reserve account (DSRA). DRAIPL



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has extensive experience in road sector with a track record of more than four decades in the road segment. As on March 31, 2020 the company has an order book amounting to INR8642.00 crore comprising of road and highway projects.

Escrow mechanism with a well-defined payment waterfall mechanism and creation of DSRA for repayment of debt

The repayment of the debt is spread out over the operational period, which is expected to provide liquidity buffer for repayment of debt. The waterfall mechanism ensures that annuity receivables are escrowed to meet the principal repayment and interest payments. As per the terms of sanction of the project debt, the company maintains DSRA of an amount equivalent to next six months of principal repayment and interest payment due and payable in respect of term debt facility, the DSCRA also needs to be topped-up periodically on a continual basis to cover one principal instalment and interest servicing for the next 6 months from the project's cash flows.. The structure also stipulates the minimum DSCR shall be at least 1.15x and the DSCR will be checked for trailing 12 months annually along with the debt-equity ratio not exceeding 3.98:1. The principal and interest payment would be made by utilizing the amounts in DSRA.

Key Rating Weaknesses

Financial position of NHAI

Project implementation cost of NHAI has increased substantially, particularly due to increasing number of projects being awarded on HAM/EPC basis. These models require NHAI to provide upfront funds and also increases land acquisition costs, leading to high dependence on debt. NHAI's expenditure increased 36% over the past 6 fiscals. This, along with moderate allocation of cess towards NHAI, has resulted in increased dependence on Internal and Extra Budgetary Resources (IEBR) to be arranged by NHAI and has thereby resulted in increase in its borrowings. Dependence on debt is expected to continue over the next five years considering the execution of Bharatmala Pariyojana at an estimated cost of INR5,35,000 crore. However, NHAI will continue to enjoy healthy financial flexibility backed by government support. Also, the toll collections from the projects awarded on HAM/EPC basis may be monetized in case of any exigencies.



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Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Infrastructure Companies

Rating Methodology for Structured Debt Transactions (Non-securitization Transaction)

Financial Ratios and Interpretation (Non-Financial Sector)

Liquidity - Adequate

The company has adequate liquidity with gross cash accruals amounting to INR8.85 crore at the end of FY20, which has been boosted by healthy profitability. The company has immediate short term obligations amounting to INR1.16 crore in the form of interest payments, which can be easily covered using their cash accruals, post which the company has adequate cash cover for any unforeseen payments.

About the company

Dineshchandra Tanot Infra Private Limited (DTIPL) was incorporated as a Special Purpose Vehicle (SPV) by Mr. Dineshchandra Agarwal and his brother, Mr. Jagdishchandra Agarwal. DTIPL was set-up for implementing two-laning with paved shoulder for construction/up-gradation of 2-lane highway with paved shoulder to NH-70 from Munabao-Sundra-Myajlar-Dhanana-Asutar-Ghotaru-Tanot under Phase I of Bharatmala Pariyojana in Rajasthan under Hybrid Annuity Model (HAM) on a design, build, finance, operate, and transfer basis. Presently, both Mr. Dineshchandra Agarwal and Mr. Jagdishchandra Agarwal (promoters) are Directors in DTIPL. The promoters have rich experience of over four decades in the road construction, having successfully executed various projects from NHAI and other government authorities over the years. The second generation of the family is also actively involved in the business. Both the directors are well supported by an experienced team of key managerial personnel in managing the day-to-day operation of the company. DTIPL is a part of the Ahmedabad based Dineshchandra group, controlled by the Agarwal family. The group has presence in more than 20 states of the country. Dineshchandra R. Agrawal Infracon Private Limited is the flagship company of the group and is involved in the construction of infrastructure projects such as highways, bridges, water supply and sewage/drainage systems, metro rail etc. for over four decades. DRAIPL was originally established in 1972 as



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a partnership firm, Dineshchandra R Agrawal. The constitution of the entity was changed to a private limited company in 2003. At present, the company employs over 3500 employees and had an outstanding order book of INR8642.00 crore as on March 31, 2020 majorly comprising of road and highway projects.

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-20 (Audited)
Total Operating Income	875.10
EBITDA	2.14
PAT	6.49
Total Debt	44.60
Tangible Net-worth	59.19
Ratios	
EBITDA Margin (%)	0.24
PAT Margin (%)	0.74
Overall Gearing Ratio (x)	0.36

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating*	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	(Proposed) Long Term Fund Based Facility – Term Loan	Long Term	540.00	IVR AAA (CE)/ Stable Outlook	--	--	--

*CE rating based on annuity receivables from National Highway Authority of India (NHAI)

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned*/ Outlook
(Proposed) Long Term Fund Based Facility – Term Loan	NA	NA	NA	540.00	IVR AAA (CE)/ Stable Outlook

*CE rating based on annuity receivables from National Highway Authority of India (NHAI)