DBL Infra Assets Private Limited

August 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	535.18 (Reduced from 560.31)	CARE BBB+; Negative	Reaffirmed; Outlook revised from Stable
Non-convertible debentures@	110.21 (Reduced from 319.29)	CARE BBB+; Negative	Reaffirmed; Outlook revised from Stable
Non-convertible debentures@	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

@Based on management request, unissued debentures amounting to ₹89.7 from tranche-II and ₹203.00 crore from tranche-III have been withdrawn, as the same is not going to be availed going forward.

Rationale and key rating drivers

For arriving at the rating assigned to non-convertible debentures (NCDs) of DBL Infra Assets Private Limited (DIAPL), CARE Ratings has taken a standalone approach factoring parentage and support from Dilip Buildcon Limited (DBL). The approach is changed from combined cashflows of erstwhile underlying special purpose vehicles (SPVs). The same is considering divestment and transfer of eight out of 10 erstwhile SPVs in lieu of Shrem InvIT units as security cover. As on March 31, 2024, DBL and DIAPL held 4.60 crore units and 2.76 crore units, respectively, of Shrem InvIT. DIAPL has lien marked units held by it and DBL aggregating 7.26 crore in favour of the investor. In addition, two under-construction SPVs of DIAPL continues to be lien marked in favour of NCD investor as on June 30, 2024.

Reaffirmation of the rating assigned to the NCDs of DIAPL consider the change in cashflow visibility to distribution income from Shrem InvIT units. In FY24, DBL and DIAPL received distribution of ~₹41 crore and ₹60 crore, respectively. The rating also factors DIAPL's financial flexibility from market value of the pledged InvIT units of ~₹850 crore as on August 13, 2024. Further, upon monetisation of the two under-construction SPVs; NHAI HAM projects, the value unlocking of the equity invested in these projects can be used for prepayment of NCDs.

The rating also considers DBL's parentage and its improved credit profile. Being wholly owned subsidiary, DBL's past track record of supporting its subsidiaries including DIAPL and its asset monetisation and debt rationalisation plan augur well for DIAPL's credit perspective.

The rating strengths are tempered by modest debt coverage indicators due to near completion of the moratorium period and slated sizeable repayments from November 2024 on quarterly basis. Higher debt obligations in the medium term requires timely support from DBL or receipt of monetisation proceeds from underlying assets in timely manner and hence outlook is revised to negative. CARE Ratings Limited (CARE Ratings) notes that DIAPL has pre-paid NCDs to the tune of ₹57.31 crore till July 2024 and is evaluating for further prepayment to reduce the quarterly obligations going forward. Going forward, fructification of asset monetisation plans and timely support from DBL shall be key rating sensitivity.

Based on management request, unissued debentures amounting to ₹89.7 from tranche-II and ₹203.00 crore from tranche-III have been withdrawn.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly higher-than-envisaged distribution income from InvIT and significant reduction in debt levels resulting in strengthening of debt service coverage ratio to 1.10x.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Negative factors

- Lower-than-envisaged distribution from InvIT, thus impacting its liquidity and debt coverage indicators.
- Deterioration in credit profile of parent, DBL.
- Delay in timely support from DBL, thus impacting its liquidity and debt coverage indicators.
- Delay in fructification of stake sale of under-construction SPVs and corresponding debt reduction.
- Non-adherence to debt covenants.

Analytical approach: Standalone with factoring parentage and support from DBL

Change in analytical approach: There is change in analytical approach from combined cash flows of erstwhile underlying SPVs to standalone and factoring parentage and support from DBL. The same is considering divestment and transfer of eight out of 10 erstwhile SPVs in lieu of Shrem InvIT units as security cover.

Outlook: Negative

The negative outlook reflects expectation of moderation in credit profile in case of delay in fructification of asset monetisation plans impending higher redemption obligations in the medium term. Outlook shall be revised to 'Stable' in case of fructification of asset monetisation plans and substantial reduction in debt at DIAPL level.

Detailed description of key rating drivers:

Key strengths

Receipt of InvIT units against transfer of stake from DIAPL and DBL

DIAPL has received 3.24 crore Shrem InvIT units while DBL has received 5.13 crore Shrem InvIT units against transfer of erstwhile SPVs to Shrem InvIT apart from cash consideration. In FY24, DBL and DIAPL sold 0.53 crore units and 0.48 crore units respectively. As on March 31, 2024, DBL and DIAPL held 4.60 crore units and 2.76 crore units respectively. Of the combined units held by DBL and DIAPL, 7.26 crore units are being lien marked as security to investors. In FY24, DBL and DIAPL received distribution of ~₹41 crore and ₹60 crore, respectively. Going forward, distribution received from units shall be utilised for servicing the debt obligations of NCDs.

Financial flexibility derived from Shrem InvIT units and asset monetisation potential of two under-construction SPVs

Against the outstanding NCDs, two under-construction NHAI HAM projects of DBL and 7.26 crore Shrem InvITs (4.5 crore units of DBL and 2.76 crore units of DIAPL) are pledged to the investors. The current market value of the pledged InvIT units are ~₹850 crore as on August 13, 2024, which derives financial flexibility. Further, upon monetisation of the two under-construction SPVs, NHAI HAM projects, the value unlocking of the equity invested in these projects can be used for prepayment of NCDs.

Demonstrated track record of DBL in executing road projects

DBL has demonstrated track record of successfully operating and maintaining build-operate and transfer (BOT) projects for more than a decade. DBL has already completed 34 BOT (HAM, Toll, and toll plus annuity) projects and divested its entire stake to Shrem InvIT. It had currently portfolio of 12 under-construction HAM projects under stages of physical progress and portfolio of seven operational HAM projects, wherein 26% stake is divested in four projects to Alpha Alternatives. It has a segmentally and geographically diversified order book of ₹18,606 crore as on June 30, 2024. Owing to receipt of stake sale proceeds from Shrem and Alpha Alternatives, and improved profitability, DBL's financial profile improved in FY24 with reduction in debt marked by debt/PBILDT at 3.13x in FY24 as against 4.94x in FY23. Going forward, DBL also plans to float its own InvIT, which shall increase its financial flexibility.

Key weaknesses

Modest debt coverage indicators

The current outstanding amount of NCDs is ₹645.39 crore as on July 31, 2024. The tenor of the instrument is five years from the date of allotment of tranche-I with moratorium of two years in interest servicing and three years in repayment. The quarterly sizeable repayments will start from November 2024. DIAPL has obtained waiver for creation of debt service reserve account (DSRA) as there are no project cashflows. The primary cashflow for servicing of debt will be distribution income from the InvIT units held which will be approximately ₹100 crore annually. Hence, as articulated by management, the balance mismatch in cashflows of DIAPL shall be met through fund infusion by DBL or monetisation of asset. Therefore, fructification of fund-raising plans and timely support from DBL shall be key rating sensitivity. CARE Ratings also notes that DIAPL has pre-paid NCDs to the tune of ₹57.31 crore till July 2024 and is evaluating for further prepayment to reduce the quarterly obligations going forward.

Liquidity: Stretched

DIAPL's liquidity against its debt obligations is expected to be stretched anticipated by timely distribution from InvIT and support from DBL impending higher debt servicing obligations over next one year.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Withdrawal Policy
Road Assets-Hybrid Annuity
Infrastructure Sector Ratings

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport infrastructure	Road assets–Toll, annuity, hybrid-annuity

DIAPL, wholly owned subsidiary of DBL, has acquired equity stake in 10 NHAI HAM projects from DBL by availing debt of ₹702.70 crore. Subsequently, DIAPL has transferred seven NHAI HAM projects to Shrem InvIT against which seven new NHAI HAM projects are offered as security swap to investors and balance three assets has been transferred back to DBL. Of the seven new NHAI HAM projects offered as security swap, investors have released five projects as security against 7.26 crore Shrem InvIT units held combinedly by DIAPL and DBL. Balance two new HAM projects continued as security in which DBL has also provided corporate guarantee to these HAM projects till PCOD. Currently, there are no major operations in the company.

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)*
Total operating income	41.72	51.28	0.15
PBILDT	(1.53)	0.73	(0.02)
PAT	(44.27)	(29.51)	(32.72)
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	NM	NM

A: Audited; UA: Unaudited; NM: Not meaningful. Note: 'the above results are latest financial results available'

Note: Financials are per IND-AS, wherein, it has recognised financial assets as the present value of annuities receivables under its concession (Discounted based on effective interest rate method) and interest income on these assets as it accrues during the year. Hence, these financials are less meaningful.)

*In Q1FY25, DIAPL has transfer the remaining stake in its SPVs and hence it does not held equity stake in the SPVs as on June 30, 2024. Thereby, Q1FY25 financials are prepared on standalone basis.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non-convertible debentures	INE0IJE08011	31-Aug-2021	9.00%	28-Aug-2026	110.21	CARE BBB+; Negative
Debentures-Non-convertible debentures	INE0IJE08011	31-Aug-2021	9.00%	28-Aug-2026	535.18	CARE BBB+; Negative
Debentures-Non-convertible debentures - Proposed	-	-	-	-	-	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non-convertible debentures	LT	535.18	CARE BBB+; Negative	-	1)CARE BBB+; Stable (21-Aug-23)	1)CARE BBB+; Stable (22-Aug-22)	1)CARE BBB+; Stable (24-Aug-21)
2	Debentures-Non-convertible debentures	LT	-	-	-	1)CARE BBB+; Stable (21-Aug-23)	1)CARE BBB+; Stable (22-Aug-22)	1)CARE BBB+; Stable (24-Aug-21)
3	Debentures-Non-convertible debentures	LT	110.21	CARE BBB+; Negative	-	1)CARE BBB+; Stable (21-Aug-23)	1)CARE BBB+; Stable (22-Aug-22)	1)CARE BBB+; Stable (24-Aug-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Complex

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-40265605 E-mail: maulesh.desai@careedge.in Setu Gajjar Assistant Director **CARE Ratings Limited** Phone: +91-79-4026 5615 E-mail: setu.gajjar@careedge.in Nishid Khemka Lead Analyst **CARE Ratings Limited** E-mail: Nishid.Khemka@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in