Rating Rationale

February 13, 2025 | Mumbai

Dedicated Freight Corridor Corporation of India Limited

Rating reaffirmed at 'Crisil AAA/Stable'

Rating Action

Corporate Credit Rating	**Crisil AAA/Stable (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil AAA/Stable' corporate credit rating on Dedicated Freight Corridor Corporation of India Ltd (DFCCIL).

The rating continues to reflect the strategic importance of DFCCIL to the Government of India (GoI), as the company's ongoing project will augment the infrastructure required for enhancing economic growth in the country. The rating also factors in technical, managerial, and financial support from the parent, the Ministry of Railways (MoR), for implementing and funding the project. DFCCIL has entered into a concession agreement (CA) with MoR, wherein the company's infrastructure will be available to all authorised rail operators against track-access charges (TAC). These charges will include fixed and variable components which will cover debt obligation as well as operations and maintenance (O&M) cost. The company, however, may be adversely impacted by time and cost overruns associated with projects of such magnitude.

Analytical Approach

The rating on DFCCIL factors in support from GoI. Crisil Ratings believes DFCCIL will continue to receive financial support from GoI to ensure timely debt servicing. This is mainly due to the company's strategic role and importance in augmenting India's infrastructure requirement.

Key Rating Drivers & Detailed Description

Strengths:

- **Strategic and economic importance of the project for enhancing economic growth:** DFCCIL, a special purpose vehicle (SPV) created by MoR, is constructing high-capacity and high-speed dedicated freight corridors (DFCs) of around 3,381-kilometre (km) along the Dadri-Mumbai (Western DFC [WDFC]) and Ludhiana-Kolkata (Eastern DFC [EDFC]) rail routes (including the Sonnagar-Dankuni section), in the first phase of the project. This is one of the largest infrastructure projects in India and targets the Golden Quadrilateral rail route, which accounts for 16% of the entire railway route in India and more than half of the Indian Railways traffic. Successful implementation of the project is likely to boost the freight market share of railways, reduce congestion in its existing network, and provide a high-capacity, efficient transportation service. The budgetary allocation for DFCCIL for fiscal 2025 was Rs 5499 crore, which was 80% lower than the Rs 27,482 crore allocated for fiscal 2024 as the project is on the verge of completion.

- **Technical, managerial, and financial support from MoR:** Given the criticality of the DFCs, MoR is providing complete support for the implementation of the project. The project is being monitored by the Prime Minister's Office, and MoR has deputed its senior and experienced personnel to DFCCIL's board. Governance planning through the CA between MoR and DFCCIL will ensure that no ambiguity arises regarding the scope and implementation of the project. A project of such magnitude is being undertaken by MoR for the first time, and is, therefore, likely to pose new implementation challenges, which could only be mitigated by strong government support. The rating is based on the assumption of explicit, strong government support.

  The project cost (including land) has been revised from an original estimate of Rs 81,459 crores to Rs 1,24,004 crores. The project is being funded through a combination of gross budgetary support (GBS) and equity. GBS has been arranged by the Ministry of Finance (MoF) and loans of $2.020 billion (from the World Bank), JPY 580.787 billion (from the Japan International Cooperation Agency [JICA]) and $100 million (from Mitsubishi UFJ Financial Group Bank Ltd [MUFG]) routed to DFCCIL through MoR. Additionally, loan agreement from the World Bank for the second and third phases of EDFC has been directly signed with DFCCIL and carries the sovereign guarantee. As per revised estimates, MoR will infuse nearly Rs 48,508 crore as equity contribution into DFCCIL, of which equity of Rs 15,729 crore has been allocated as per the approval of the Union Cabinet and the balance Rs.32,779 crore is being taken as project advance.

  With more than 2,741 km of the project being commissioned, DFFCIL has recently started receiving the TAC (Trach Access Charges) after the transactions between Indian Railways and DFCCIL got exempted from GST. The entire amount will get disbursed once its modalities are finalized by MoR in the upcoming budget. However, the company has been receiving money for day-to-day operations, payment of interest and principal from MoR as project advances.

Weakness:

- **Exposure to project implementation risk, including time and cost overruns:** The project is one of the largest undertaken by MoR. Although DFCCIL has a track record of implementing large projects, a project of this scope has never been attempted. Also, for the first time, MoR has opted for the public-private participation (PPP) route to implement a large portion of the project (538 km Sonnagar-Dankuni stretch on EDFC) which exposed the project to implementation challenges. The project will be implemented under hybrid design, build, finance, operate and transfer (DBFOT) model, under which, the concession will be awarded in two parts of around 250 km each. DFCCIL will provide 40% of the project cost, and the rest will be incurred by the concessionaire. The Concessionaire will construct the project in five years and operate and maintain it for 30 years post commercial operation date. The concessionaire will receive annuity payments in the concession period post construction. The CA will be entered into between DFCCIL (authority), private player (concessionaire) and MoR (confirming party). However, this project is now de-scoped and will be executed by Indian Railways.

  Around 2,741 kms (~98%) of the total project of 2,843 km (except Sonnagar-Dankuni section) is operational. As per the company's estimate as on December 31, 2024, the balance stretches are likely to be completed by December 2025, after a delay of around seven years — the project was initially targeted to be completed by March 2017. The delay is majorly on account of issues related to land acquisition and liquidity issues of the contractors. There was a cost overrun in the project to accommodate significant works related to change in scope. This is expected to be funded through equity infusion by MoR.

Liquidity: Superior

The liquidity profile of DFCCIL is underpinned by support from GoI through budgetary allocations by MoF to MoR. GBS has been arranged by MoF and loans of $2.020 billion (from the World Bank), JPY 580.787 billion (from JICA) and $100 million (from MUFG) routed through MoR. Additionally, loan agreement from the World Bank for the second and third phases of EDFC has been directly signed with DFCCIL and carries the sovereign guarantee. As per revised estimates, MoR will infuse nearly Rs 48,508 crore as equity contribution into DFCCIL, of which equity of Rs 15,729 crore has been allocated as per the approval of the cabinet and the remaining Rs.32,779 is being taken as project advances.

Debt obligation on the World Bank and JICA loans, was met through equity infusion from MoR. As the project became partially operational in December 2020, DFCCIL will receive TAC from Indian Railways post approval from the Cabinet, which will include a fixed component to cover its debt obligation and maintenance cost.

Outlook: Stable

Crisil Ratings believes DFCCIL will continue to receive business and financial support from GoI because of its strategic importance in augmenting India's infrastructure requirement. Government support will keep the company's credit risk profile strong.

Rating sensitivity Factors

Downward factors:

- Change in the support philosophy of the GoI

About the Company

DFCCIL, a GoI undertaking, was incorporated in October 2006 with a mandate to build, operate, and maintain the dedicated freight railway lines along the Golden Quadrilateral rail routes and its diagonals. Around Rs 97,889 crore has been incurred on the project (excluding land cost of Rs 20,530 crore) till December 31, 2024. The land cost has been entirely funded through equity. The corridors are expected to be fully operational over their entire lengths by December 2025. DFCCIL will receive TAC from MoR for providing and maintaining infrastructure for running freight trains on its network. TAC has two components a) fixed capacity charge component to cover debt obligations, interest on working capital, return on equity and other fixed costs and b) variable charge component, based on a charge per gross tonne-km (GTKM), thereby linked to the intensity of usage of the network.

Key Financial Indicators

As on/for the year ended March 31	Unit	2024*	2023*
Reported Revenue	Rs crore	4485	3141
Revenue**	Rs crore	4509	3161
Profit after tax (PAT)	Rs crore	-30	-20
PAT margin	%	-0.66	-0.48
Adjusted debt/adjusted networth	%	2.83	2.40
Interest coverage	Times	2.31	1.94

**Operating income for fiscals 2023 and 2024 corresponds to TAC that has not been received and is reflected as unbilled revenue on the balance sheet. The final estimates are yet to be approved by MoR.*
***Crisil Adjusted revenue*

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instruments

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	NA	NA	NA	NA	NA	NA	NA

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Corporate Credit Rating	LT	0.0	Crisil AAA/Stable		--	29-02-24	Crisil AAA/Stable	19-04-23	Crisil AAA/Stable	12-12-22	Crisil AAA/Stable	CCR AAA/Stable
			--		--		--		--	28-04-22	CCR AAA/Stable	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
Criteria for Infrastructure sectors (including approach for financial ratios)
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)
Criteria for factoring parent/ group/government linkages

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