

Dedicated Freight Corridor Corporation of India Limited

Credit rating report

April 2024

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Instruments and ratings

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.

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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.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Rating history

Date	Long Term	Fixed Deposit	Short Term	Rating Watch/Outlook
December 12, 2022	CRISIL AAA	-	-	Stable
April 28, 2021	CCR AAA	-	-	Stable

Analytical approach and adjustments

Consolidation / debt treatment / gearing / project risk / parent or group support	Analytical treatment
Government support	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.

Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable' corporate credit rating on Dedicated Freight Corridor Corporation of India Limited (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.

Rating drivers

Supporting factors	Constraining factors
<ul style="list-style-type: none"> Strategic and economic importance of the project for enhancing economic growth Technical, managerial, and financial support from MoR 	<ul style="list-style-type: none"> Exposure to project implementation risk, including time and cost overruns

Outlook: Stable

CRISIL Ratings believes DFCCIL will continue to receive business and financial support from Gol 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 factor

- Change in the support philosophy of the Gol

Company overview

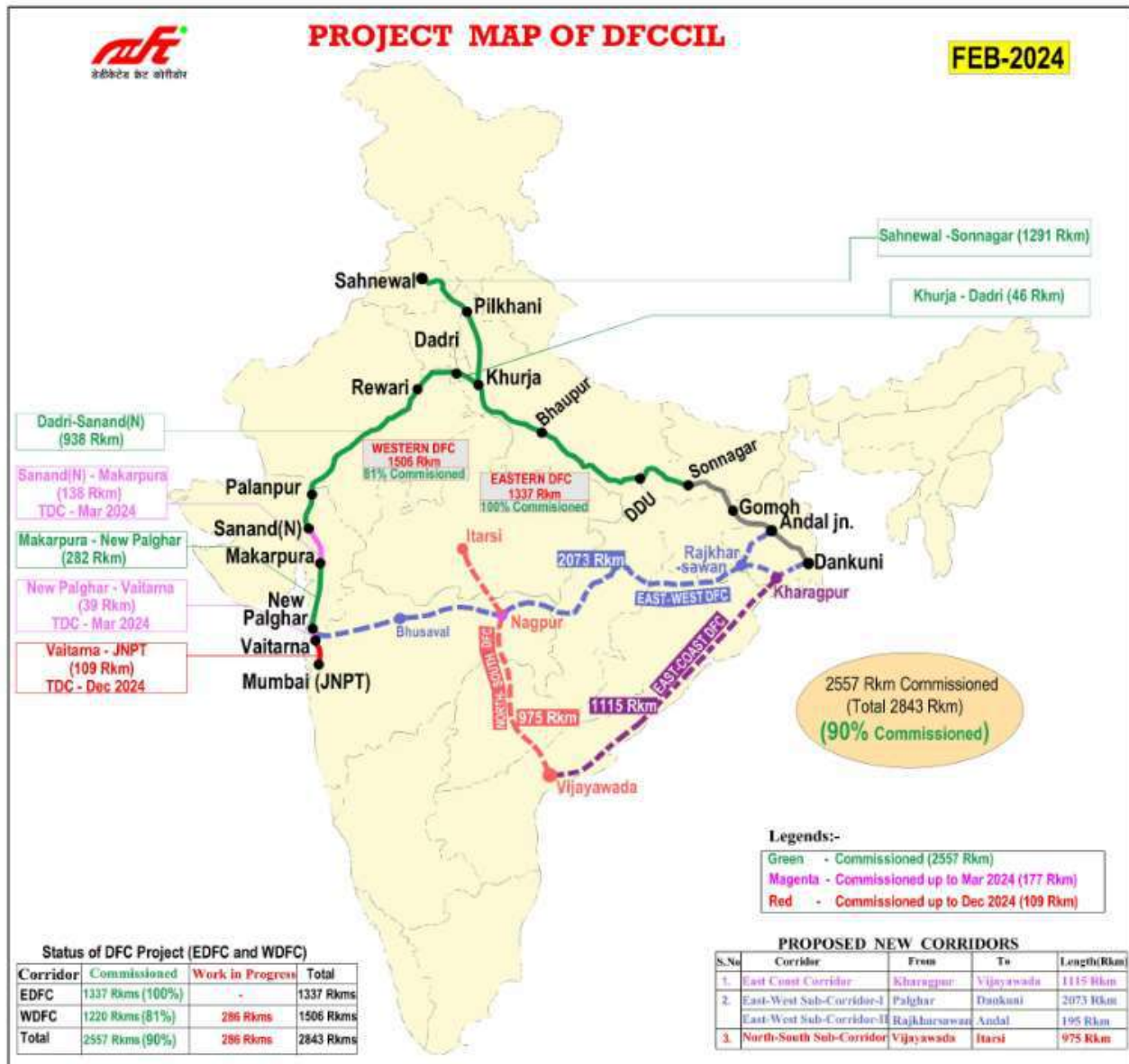
DFCCIL, a Gol undertaking, was incorporated in October 2006 with a mandate to build, operate, and maintain the dedicated freight railway lines along the Golden Quadrilateral rail routes and its diagonals. Around Rs 89,617 Crore has been incurred on the project (excluding land cost of Rs 20,375 Crore) till December 31, 2023. Land cost has been entirely funded through equity. The corridors are expected to be fully operational over their entire lengths (barring one stretch on EDFC which will be undertaken on PPP mode) by December 2024. 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.

Performance Update

H1-FY24 V/s H1-FY23

	H1-FY24	H1-FY23	YoY Change %
Income			
Revenue from operations	2019	1521	33%
Other income	83	42	95%
Total income	2102	1564	34%
Expenses			
Employee benefit expenses	136	77	76%
Finance costs	754	753	0%
Dep & Amort	975	590	65%
Other expenses	154	101	53%
Total Expenses	2019	1521	33%
EBITDA	1729	1343	29%
EBITDA %	85.6%	88.3%	
PBT	83	42	95%
PBT %	3.9%	2.7%	
Tax (Deferred)	46	11	316%
PAT	37	31	18%
PAT %	1.8%	2.0%	

- In H1-FY24, company has shown net sales of Rs 2,019 Crores as against Rs 1,521 Crores in H1-FY23. However, this revenue (Track Access Charges) is not actually received from MoR as the calculations are under process. Hence these are based on best management estimates of various components as per arrangement between MoR and DFCCIL and the same is subject to approval of the Railway board.
- Total debt outstanding as on December 31, 2023 was Rs 41,208 Crores out of which Rs 25,966 Crores is from JICA and balance of Rs 15,242 Crores is from IBRD (World Bank).



Total length of Eastern & Western DFC (Eastern – 1337 kms, Western – 1506 kms)	2843 Km (Except Sonmargar-Dankuni section)
Completion Target	March 2024 (except Vaitarna-JNPT section)
Financial progress (Works)	92%

Corridor	Total Length (kms)	Commissioned (kms)	WIP (kms)
EDFC	1337	1337	0
WDFC	1506	1220	286
Total	2843	2557	286

- Out of the total length of EDFC (1337 kms), total commissioned sections` length is 1337 kms (100%).
- Out of the total length of WDFC (1506 kms), total commissioned sections` length is 1220 kms (81%) and 286 kms (19%) are WIP as on Feb 13, 2024.

Section-wise progress:

Section/Package	Length (Kms)	Commissioning upto	Remarks	Financial Progress
WDFC				
Rewari - Madar	306	Commissioned	Hon'ble Prime Minister inaugurated Rewari - Madar section (306 Km) of WDFC on 07.01.2021	90%
Madar - Palanpur	353	Commissioned	Hon'ble Prime Minister inaugurated Madar- Palanpur (353 Km) of WDFC on 18.06.2022	
Dadri – Rewari	127	Commissioned	Prithla-Dadri (127 Km) section is Commissioned	
Makarpura - Sachin	135	Commissioned	Makarpura-Sachin (135 Km) section is commissioned.	
Palanpur - Makarpura	290	31 Mar 2024	New Palanpur- New Sanand (152 Km) section is Commissioned. Hon'ble Prime Minister inaugurated New Palanpur-New Mahesana (75 Km) of WDFC on 30.09.2022 and New Bhandu-New Sanand North (77 Km) on 30.10.2023	
Sachin - Vaitarna	186	31 Mar 2024	Sachin-Sanjan (103 Km) section is commissioned	
Vaitarna - JNPT	109	31 Dec 2024		
EDFC				
Khurja - Dadri	46	Commissioned	Khurja-Dadri (46 Km) section is commissioned	93%
Khurja - Bhaupur	351	Commissioned	Hon'ble Prime Minister inaugurated Khurja- Bhaupur (351 Km) section of EDFC on 29.12.2020	
DDU – Sonnagar	137	Commissioned	DDU-Sonnagar (137 Km) section is commissioned.	
Sahnewal - Pilkhani	179	Commissioned	Sahnewal-Shambhu (179 Km) section is commissioned.	
Pilkhani - Khurja	222	Commissioned	Khurja-Khatauli (222 Km) section is commissioned.	
Bhaupur - DDU	402	Commissioned	New Bhaupur-New DDU (402 Km) section is commissioned.	

Commissioning of Sections (as on Dec 31, 2023)						
S. N.	FY	Corridor	Section	Station from	Station To	Date of Commission
1	2020-21	EDFC	KRJN-BDNN	New Khurja	New Bhadan	29.12.2020
2	2020-21	EDFC	BDNN-BPUN	New Bhadan	New Bhaupur	29.12.2020
3	2020-21	WDFC	REJN-KSGN	New Rewari	New Kishangarh	07.01.2021
4	2021-22	WDFC	KSGN-PNUN	New Kishangarh	New Palanpur	08.10.2021
5	2022-23	EDFC	CNBN-SJTN	New Kanpur	New Shujatpur	06.06.2022
6	2022-23	WDFC	PNUN-BHUN	New Palanpur	New Bhandu	15.11.2022
7	2022-23	WDFC	PNUN-CDQN	New Palanpur	New Chadotar	21.11.2022
8	2022-23	EDFC	EDDN-CPBN	New ERC Deen Dayal Upadhyay Jn.	New Chiraila Pauthu	30.12.2022
9	2022-23	WDFC	BHUN-SAUN	New Bhandu	New Sanand North	16.03.2023
10	2023-24	EDFC	KRJN-BRKN	New Khurja	New Boraki	24.04.2023
11	2023-24	EDFC	DAPN-KCNN	New Dagmagpur - Chunar (IR)	New Karchana	12.07.2023
12	2023-24	EDFC	KCNN-IDGJ	New Karchana	Iradatganj	12.07.2023
13	2023-24	EDFC	KCNN-SJTN	New Karchana	New Shujatpur	12.07.2023
14	2023-24	EDFC	CNBN-BZMN	New Kanpur	New Bhimsen	12.07.2023
15	2023-24	EDFC	BZMN-BPUN	New Bhimsen	New Bhaupur	12.07.2023
16	2023-24	EDFC	CAR-DDUN	Chunar (IR) – New Dagmagpur	New Deen Dayal Upadhyay Jn.	11.09.2023
17	2023-24	WDFC	BHUN-MSH	New Bhandu	Mahesana Jn.	20.10.2023

Update on awarding under PPP mode:

GatiShakti Cargo Terminal under PPP mode			
S No.	GCT Name	Status	GatiShakti Cargo Terminal Operator
1	New Rewari	Commissioned	M/s Pristine Mega Logistics
2	New Bhaupur	LOA issued	M/s Kanpur Logistics
3	New Saradhana	LOA issued	M/s Central Warehousing Corporation
4	New Gothangam	LOA issued	M/s Emirates Logistics

Project Cost		Original estimate
Construction Costs	Rs. Cr.	54,003
Soft Costs	Rs. Cr.	19,389
Total	Rs. Cr.	73,392
Land Cost	Rs. Cr.	8,067
Total Project Cost	Rs. Cr.	81,459

Project funding

		Total DFC
Loan	Rs. Cr.	~54,000
Equity from IR	Rs. Cr.	48,159
Total	Rs. Cr.	1,02,159*
Land Cost	Rs. Cr.	21,845
Total Project Cost	Rs. Cr.	1,24,004

**Total cost above included constriction and soft costs*

All figures in Rs Crores

Project cost	Original est.	Revised est.	Incurred till March 2023	Incurred till Dec 2023 (Prov)
EDFC	26,674	39,621	34,315	36,843
WDFC	46,718	62,538	49,200	52,774
	73,392	1,02,159*	83,515	89,617
Land cost	Original est.	Revised est.	Incurred till March 2023	Incurred till Dec 2023 (Prov)
EDFC	3,684	11,598	10,297	10,720
WDFC	4,383	10,247	9,476	9,655
	8,067	21,845*	19,773	20,375

Total cost	Original Est.	Revised est.	Incurred till March 2023	Incurred till Dec 2023 (Prov)
EDFC	30,358	51,219	44,612	47,563
WDFC	51,101	72,785	58,676	62,429
Total	81,459	1,24,004*	1,03,288	1,09,992

**Revised cost submitted to MoR is under approval by Cabinet Committee on Economic Affairs (CCEA)*

Land status

	Total scope (Ha)	Award (Ha)	% Awarded
Eastern corridor (without Sonnagar-Dankuni section)	4618	4618	100.00
Western corridor	6000	6000	100.00
Sonnagar-Dankuni section	1194	1192	99.83
Total	11812	11810	99.98

Project Funding (as on Dec 31, 2023)

	Funding / Signed	Drawdown till Mar 31, 2023	Total Drawdown till Dec 31, 2023
JICA	JPY 580.787 Billion	JPY 417.002 Billion	JPY 469.878 Billion
IBRD	USD 2.120 Billion	USD 1.725 Billion	USD 1.836 Billion
MUFG	USD 100 Million	-	-
Equity from MoR	Rs 48,159 Crores	Rs 15,729 Crores	Rs 15,729 Crores

#Company has received funds to the tune of ~Rs 40,000 Crores from MoR till date to be used for the project and the balance ~Rs 8000 Crores is yet to be received. However, equity has been allocated only for Rs 15,729 and hence equity till date remains the same. The cabinet is yet to provide approval on allotment of the equity for the balance amount.

The funding for DFCCIL has been arranged by MoR and is being funded through a combination of general budgetary support (GBS) and equity. The GBS is in the form of loans taken by MoR on its books from bilateral/multilateral agencies like World Bank and JICA and is then extended as unsecured loans to DFCCIL. Loans from JICA and World Bank which has been raised by MoF and then given as GBS to MoR appears as borrowings in the balance sheet of DFCCIL's since MoR does not maintain books as per accounting standards.

Key credit factors

Industry risk profile

Rail freight to witness robust growth in fiscal 2024 boosted by the DFC. Rail movement (in BTKM terms) is expected to grow by 8-10% in fiscal 2024 as tonnage and lead distance are expected to grow by 8-10% and 0-2% respectively. This increase is line with higher production across most bulk commodities and partial commissioning of the dedicated freight corridor. Rail movement (in BTKM terms) witnessed growth of 9-11% in fiscal 2023.

- Rail transportation of coal (in BTKM terms) is estimated to grow by 4-6% after a sharp 23% growth in fiscal 2023.
- Iron ore movement via rail is to decline by (17)-(15)% in fiscal 2024 after a degrowth of 43% in fiscal 2023.
- The movement of cement (in BTKM terms) via rail is estimated to grow by ~8-10% in fiscal 2024, driven by partial commissioning of DFCs and strong demand from construction and infrastructure segments. In fiscal 2023 the rail BTKM grew by 17%.

Commissioning of the DFC to aid demand post fiscal 2024

Dedicated freight corridor aimed at easing railways capacity constraints

Constructed exclusively for movement of goods train, the first phase of the dedicated freight corridor (DFC) project includes the Western DFC, running from Mumbai to Dadri, near Delhi, and the Eastern DFC, running from Dankuni in West Bengal to Ludhiana in Punjab. The western corridor will cater mainly to containers as 60% of container traffic originates from this region. The eastern corridor will cater primarily to dry bulk cargo. In fact, though this network accounts for only 20% of the tracks across the country, 55% of the traffic moves on it.

Feature	Existing	on DFC
Height	4.3 meter	7.1 meter West DFC 5.1 meter East DFC
Width	3200 mm	3660 mm
Container stack	Single track	Double track
Train length	700 meter	1500 meter
Train load	5000 ton	13000 ton
Axle load	22.9t/25t	25t
Maximum speed	75 kmph	100 kmph
Station spacing	7-10 km	40 km

DFCs are intended to help the IR regain lost freight share. By cutting the turnaround time between the importing and consuming destinations, they are expected to compel several industries to realign their logistics strategies. The DFCs and associated logistics parks can help lower plant-level inventory to a great extent, ensuring huge savings in working capital. Sectors such as cold chain and transportation of perishables and

express distribution may be encouraged to choose rail for freight due to the expected efficiencies of DFCs. Due to DFC, the wagon availability is expected to increase along with decrease in haulage time. Not only would DFCs ensure faster freight movement but also help the overall economy through decongestion of major highways due to the partial shifting of some freight to rail. It will also allow for faster evacuation of cargo from ports, improving efficiency. However, to maintain the rail share in tonnage in the long term, additional capacity needs to be added.

Source: CRISIL Research

Business risk profile

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 high-capacity, efficient transportation service. The Hon'ble Finance Minister, in the interim budget, has allocated Rs 4,155 Crore to DFCCIL for fiscal 2025, which is 85% 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 \$2.120 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 48,000 Crore as equity contribution into DFCCIL, of which ~Rs 40,000 Crore has already been infused. Of this amount, equity of Rs 15,729 Crore has been allocated as per the approval from the Union Cabinet.

While more than 2,600 km of the project has been commissioned, the project has not received TAC till date since the estimates are yet to be approved by MoR. Debt obligation of ~Rs 1,735 Crore in fiscal 2023, on the World Bank and JICA loans, was met through equity infusion from MoR. Debt obligation of Rs 2,948 Crore in fiscal 2024 is being funded through equity infusion by 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.

MoR's charter

The charter is a commitment of the IR administration to:

1. Provide safe and dependable train services
2. Set notified standards for various services wherever possible
3. Provide courteous and efficient counter services
4. Ensure adequate passenger amenities in trains and at railway stations
5. Set up responsive and effective grievance redressing machinery at various levels for time-bound resolution of complaints and grievances as far as possible

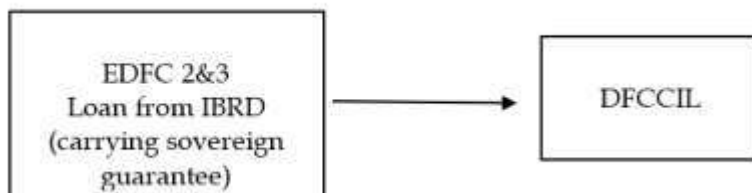
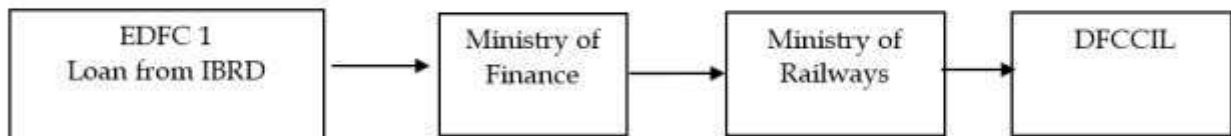
DFCCIL objectives

1. Reduce unit cost of transportation by speeding up freight train operations and achieving higher productivity
2. Increase rail share in freight market by providing customised logistic services
3. Create additional rail infrastructure to cater to high levels of transport demand
4. Introduce time-tabled freight services and guaranteed transit time
5. Introduce high-end technology and IT packing of freight services
6. Segregate freight infrastructure for focused approach on both passenger and freight business of IR

Financial risk profile

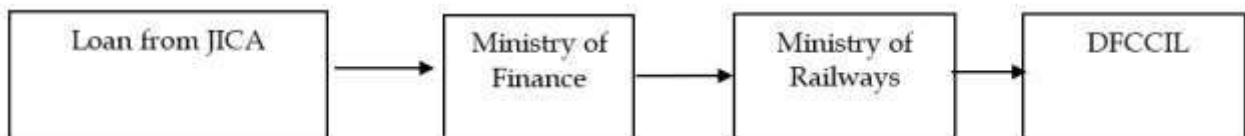
Funding from IBRD for EDFC:

(Drawdown Rs 152.42 billion as on Dec 31, 2023)



Funding from JICA for WDFC:

(Drawdown of Rs 259.66 billion as on Dec 31, 2023)



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 exposes 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).

Around 2,615 kms (~92%) of the total project of 2,843 km (except Sonnagar-Dankuni section) is operational. As per the company's estimate as on December 31, 2023, the balance stretches are likely to be completed by December 2024, 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 \$2.120 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 48,000 Crore as equity contribution into DFCCIL, of which ~Rs 40,000 Crore has already been infused. Of this amount, equity of Rs 15,729 Crore has been allocated as per the approval from the cabinet.

Debt obligation of ~Rs 1,735 Crore in fiscal 2023, on the World Bank and JICA loans, was met through equity infusion from MoR and debt obligation of Rs 2,948 Crore in fiscal 2024 is also being funded through equity infusion by 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.

Management risk profile**Strong operational and financial control of MOR**

DFCCIL is an SPV responsible for planning and development, mobilisation of financial resources and construction, and maintenance and operation of the DFCs. The SPV receives strong management as well as financial support from MoR. Given the strategic importance of DFCCIL, MOR should continue to provide funding and operational support. The entire budget and operations are periodically reviewed by MoR. Also, it is one of the few bodies which has access to World Bank and JICA funding. Board members, including the chairman, are appointed by MoR. The current Managing Director of DFCCIL, Mr Ravindra Kumar Jain, has served at several positions in various railway departments. He has more than 35 years of experience in railway operations and has been awarded at various occasions for meritorious work.

Financial summary

(Consolidated; CRISIL-adjusted numbers)

		As on/ For the year ended March 31		
		2023 Actual	2022 Actual	2021 Actual
Operating income*	Rs Crore	3,156	1,974	300
OPBDIT	Rs Crore	2,679	1,691	366
PAT	Rs Crore	(20)	(25)	112
Net cash accruals	Rs Crore	1,239	814	302
Equity share capital	Rs Crore	15,729	14,077	14,077
Adjusted net worth	Rs Crore	15,954	15,973	14,349
Adjusted debt	Rs Crore	38,347	33,153	27,310
Cash flow from operations	Rs Crore	(1,681)	(1,559)	1,429
OPBDIT margins	%	84.86	85.65	122.06
Net profit margins	%	(0.62)	(1.25)	37.50
ROCE	%	2.84	1.97	0.59
Adjusted Interest coverage	Times	1.94	1.93	5.46
Net cash accruals / adjusted debt	Times	0.03	0.02	0.01
Adjusted debt / adjusted net worth	Times	2.40	2.08	1.90
OPBDIT Coverage	Times	1.90	1.88	4.76
Current ratio	Times	2.32	1.32	0.16
TOL/ ANW	Times	4.72	3.69	3.16

*Operating income for all three fiscals corresponds to TAC which has not been received and is reflected as unbilled revenue on the balance sheet. The final estimates are yet to be approved by MoR. Financials are not applicable for fiscals 2020 since none of the stretches were operational and therefore there was no income in the form of TAC

Above reflects analytical adjustments made by CRISIL Ratings.

Criteria details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[The Infrastructure Sector Its Unique Rating Drivers](#)

[Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support](#)

[Understanding CRISILs Ratings and Rating Scales](#)

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