

June 25, 2024

KCPL SPUR Haridwar Highway Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan**	627.00	627.00	[ICRA]BBB+ (Stable); Reaffirmed
Total	627.00	627.00	

*Instrument details are provided in Annexure-I

**Rs. 162.25 crore of non-fund based limit (for BG against mobilisation advances) as a sub-limit of the term loan facility

Rationale

The rating reaffirmation for KCPL SPUR Haridwar Highways Pvt Ltd (KSHHPL) factors in the inherent benefits of the hybrid-annuity model (HAM) based nature of the project including upfront availability of right of way (RoW)¹, automatic de-scoping of RoW pending beyond 180 days from the appointed date, inflation-linked² revisions to the bid project cost (BPC) during the construction period, and relatively lower equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period in the form of grant from the National Highways Authority of India [NHAI, rated [ICRA]AAA(Stable)]. The rating considers the comfortable financial profile and established track record of its engineering, procurement and construction (EPC) contractor – Krishna Constellation Private Limited (KCPL) in the execution of road projects. KCPL has provided a corporate guarantee until receipt of the first semi-annuity payment and a sponsor’s undertaking towards cost overrun during the construction phase, and to meet any shortfall in operations and maintenance (O&M) expenses. The rating positively considers the credit support provided by the structural features of the debt, including the presence of escrow, cash flow waterfall mechanism, provision for debt servicing reserve (DSR, to be created out of the first two annuities), provision for creation of major maintenance reserve (MMR), as per the base case business plan and restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.1 times, which provides comfort. The rating notes the stable revenue stream expected post commissioning with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at the average of one year MCLR³ of the top five scheduled commercial banks (SCBs, to be reset every quarter) plus spread of 1.25%, and the inflation-adjusted O&M cost bid over the 15-year operations period by the strong counterparty, NHAI, which is a key Central Government entity responsible for development and maintenance of India’s national highway programme.

The rating is, however, constrained by the execution risks involved in under-construction projects including risk of time and cost overruns. The project has received appointed date of February 20, 2023, and it has achieved 30.3% of the physical progress as on March 31, 2024 against the planned progress of 45.6% owing to delays caused by unprecedented rainfall and delay in commencement of utility shifting works. Although the project is behind the scheduled progress, the company expects to complete the project within the 90-day grace period available under the concession agreement. Its ability to commission the project in a timely manner and within the budgeted costs would remain important from the credit perspective. KSHHPL is also exposed to pending equity mobilisation risks with around Rs. 103.13 crore of equity infused as on March 31, 2024 (total equity committed is of Rs. 186.80 crore). However, KCPL is adequately placed to infuse the equity in a timely manner. Post commissioning, the company will have to undertake O&M to ensure healthy lane availability of the project stretch as per the concession agreement to avoid any deductions from annuities. Any significant deductions from annuities or increase in routine

¹ At least 80% prior to the appointed date.

² Based on annual change in price index multiple (PMI) from the base year – PMI is the weighted average of Wholesale Price Index (WPI) and Consumer Price Index (CPI) (IW) in the ratio of 70:30.

³ The authority shall declare the list of top five SCBs on 1st of September every calendar year based on the balance sheet size as declared in their annual reports. The one-year MCLR of the top five SCBs shall be taken at the start of every quarter.

and major maintenance (MM) from the budgeted level could impact its DSCR. Further, KSHHPL's cash flows are exposed to inflation risk as O&M receipts, though linked to inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in O&M/periodic maintenance expenses.

The Stable outlook on the rating reflects ICRA's opinion that KSHHPL will benefit from the adequate execution capabilities of the sponsor and EPC contractor, KCPL.

Key rating drivers and their description

Credit strengths

Lower inherent risks in HAM projects from the NHAI – The inherent benefits of the hybrid-annuity based nature of the project include upfront availability of RoW, de-scoping of RoW pending beyond 180 days from the appointed date and inflation-linked revisions to the BPC during the construction period. Moreover, it faces relatively lower equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period through a grant. A stable revenue stream post commissioning of the project with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at the average of one-year MCLR of the top five SCBs plus spread of 1.25%, and the inflation-adjusted O&M cost bid over the 15-year operations period by the NHAI, which is a strong counterparty, provide comfort.

Adequate financial profile of sponsor and EPC contractor – KSHHPL is a 100% subsidiary of KCPL. The total estimated project cost of Rs. 1510.0 crore (including GST) is planned to be funded by NHAI's grant of Rs. 696.20 crore (including GST of Rs. 106.20 crore), external debt of Rs. 627.0 crore and promoters' contribution of Rs. 186.8 crore. KCPL is undertaking four HAM projects with a total equity commitment of Rs. 700 crore and has already infused Rs. 221.69 crore as on March 31, 2024. KCPL is adequately placed to infuse the balance equity of ~Rs. 478.31 crore over FY2025 and FY2026 from the available cash balances, undrawn bank lines and cash flow from operations during this period. Nevertheless, any additional investments in new HAM projects over the near term could impact its financial risk profile and remains a key rating monitorable.

Comfortable projected debt coverage indicators for the project – The credit profile is supported by KCPL's undertaking towards cost overrun during the construction phase and any shortfall in O&M expenses. Once operational, KSHHPL is likely to have comfortable debt coverage indicators as per ICRA's estimates. This provides the special purpose vehicle (SPV) adequate cushion to withstand any adverse movement in the interest on annuity and inflation to a major extent. Structural features of the debt, such as the presence of escrow, a cash flow waterfall mechanism, provisions for DSRA (6 months P+I), creation of a major maintenance reserve (MMR) and restricted payment clause with a minimum DSCR of 1.1 times, provide comfort.

Credit challenges

Execution risk related to under-construction project – The project has received appointed date of February 20, 2023, and has achieved 30.3% of physical progress as on March 31, 2024 against the planned progress of 45.6%, which exposes the SPV to execution risk including risk of delays and cost overruns. However, the risk is mitigated to an extent by the fixed-price (subject to pass-through of PIM component), fixed-time contract executed with KCPL. The progress is lower than scheduled owing to delays caused by unprecedented rainfall and delay in commencement of utility shifting works. Although the project is behind the scheduled progress, the company expects to complete the project within the 90-day grace period available under the concession agreement. KCPL's ability to commission the project in a timely manner and within the budgeted costs would remain important from the credit perspective.

Undertaking O&M as per concession requirement; cash flows and returns exposed to inflation risks – Post commissioning, the company will have to undertake O&M of the project stretch as per the concession agreement to avoid any deductions from its annuities. Any significant deduction from annuities or increase in routine and MM expenses from the budgeted level could impact its debt servicing coverage ratio. KSHHPL's cash flows are exposed to inflation risks as O&M receipts, though

linked to inflation (70% WPI and 30% CPI), may not be adequate to compensate for the increase in the O&M/periodic maintenance expenses. Hence, adequate and within budgeted O&M will be a key rating sensitivity during the operations stage.

Liquidity position: Adequate

The company's liquidity position is adequate. As the project is under construction, the company does not maintain any significant liquidity on its books. However, the balance project cost of Rs. 979.03 crore (excluding Rs. 47.33 crore of payables to EPC contractor) is expected to be funded by Rs. 423.68 crore grant, Rs. 519 crore of undrawn debt and the balance from promoter contribution.

Rating sensitivities

Positive factors – The rating could be upgraded once the project achieves completion without any significant delays or cost overruns.

Negative factors – Pressure on the rating could arise in case of time and cost overruns, or if there is a deterioration in the credit profile of the sponsor, or if delays in receipt of grant or equity infusion results in increased funding risks for the project.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads - Hybrid Annuity
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

KCPL SPUR Haridwar Highway Private Limited is an SPV promoted by Krishna Constellation Private Limited (KCPL; formerly known as Krishna Constructions). The SPV was formed in February 2022 for development of six-lane access-controlled spur to Haridwar from Delhi-Saharanpur-Dehradun Economic Corridor in Uttar Pradesh and Uttarakhand, on HAM basis, under Bharatmala Pariyojana (From Ch. 0+000 to Ch. 50+700). The construction and operations period for the project is 2 years and 15 years, respectively. The concession agreement was signed on June 23, 2022 and the appointed date was received as on February 20, 2023. As on March 31, 2024, 98.62% of RoW is available. Out of the total project cost of Rs. 1,510 crore (incl. GST), ~Rs. 530.97 crore cost has already been incurred.

Key financial indicators

The key financial indicators are not applicable as KCPL SPUR Haridwar Highway Private Limited is a project-stage company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
				June 25, 2024				
1	Term loans	Long term	627.00*	108.00	[ICRA]BBB+ (Stable)	-	[ICRA]BBB+ (Stable)	-

***Rs. 162.25 crore of non-fund based limit (for BG against mobilisation advances) as a sub-limit of the term loan facility*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple

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	Term loans	January 2023	NA	September 2038	627.00*	[ICRA]BBB+ (Stable)

Source: Company

*Rs. 162.25 crore of non-fund based limit (for BG against mobilisation advances) as a sub-limit of the term loan facility

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Rajeshwar Burla
+91 40 6939 6443
rajeshwar.burla@icraindia.com

Ashish Modani
+91 20 6606 9912
ashish.modani@icraindia.com

Vinay G
+91 40 6939 6424
vinay.g@icraindia.com

KBS Siva Krishna
+91 40 6939 6415
k.krishna@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



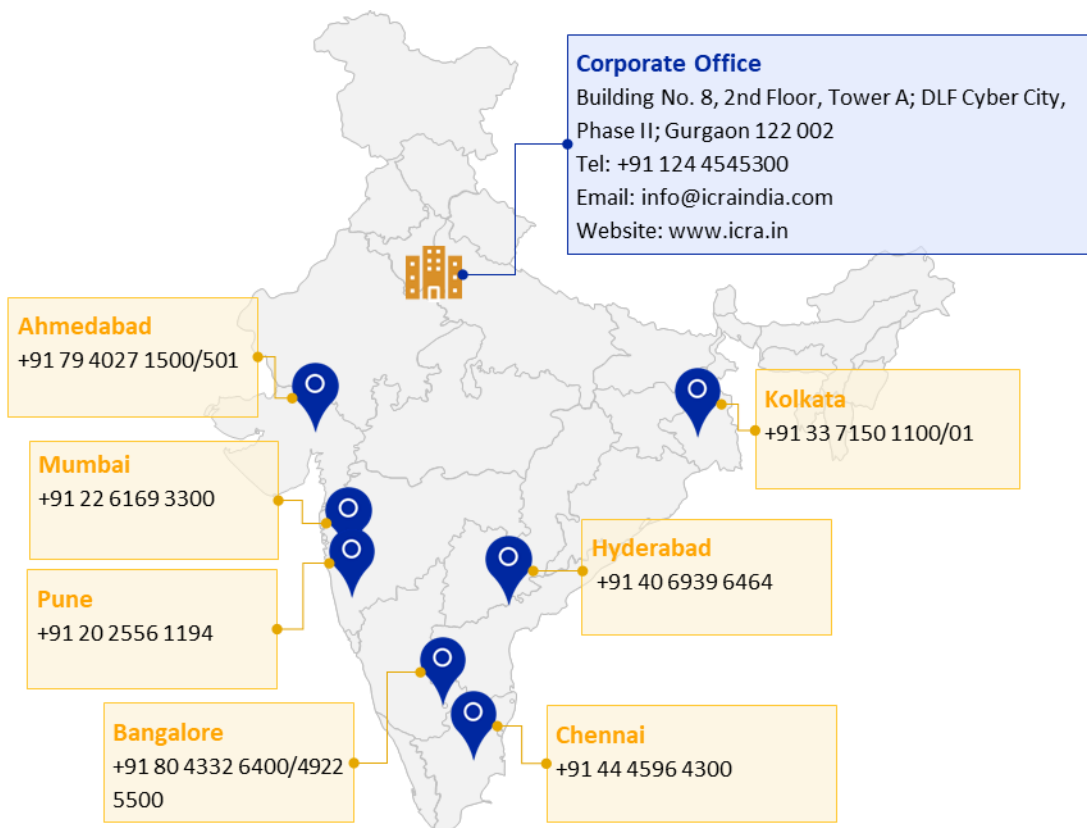
Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.