

February 28, 2025

Samakhiyali Tollway 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	1446.00	1446.00	[ICRA]A- (Stable); reaffirmed
Total	1446.00	1446.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Samakhiyali Tollway Private Limited (STPL) factors in the favourable location of the project stretch with an established toll collection track record of more than 10 years. The project stretch (Samkhiyali-Santalpur) is located on NH-27, connecting the busy Kandla and Mundra ports on the west coast and Morbi (ceramic cluster of India) to northern/Central India. Further, STPL, being a part of Amritsar Jamnagar Expressway (AJE), is expected to support the traffic growth on the stretch. ICRA derives comfort from the fixed-price engineering, procurement and construction (EPC) and operations and maintenance (O&M) contracts with IRB, which mitigates the cost overrun risks to an extent. The rating favourably factors in IRB's track record of more than two decades in the road sector including operating BOT-Toll assets. The rating notes the healthy financial profile of STPL's promoter - IRB Infrastructure Trust (IRB Trust)¹. ICRA has been given to understand that IRB Trust will provide timely financial support to the special purpose vehicle (SPV) in the form of loans/advances towards shortfall in debt servicing and other financial exigencies, if any. The definition of the net distributable cash flows (NDCF) for the Trust permits it to meet the cash flow support required for all its SPVs, including STPL. The presence of structural features such as debt service reserve account (DSRA) equivalent to two quarters' debt obligations (to be infused by the sponsors on achievement of COD) and a moderate tail period of ~3 years resulting in healthy financial flexibility provide additional comfort.

The rating is, however, constrained by the execution risk, given the nascent stages of construction. The project has achieved physical progress of ~15% as of December 2024, which is lower than the planned progress on account of severe monsoon as well delay in utility shifting. It is expected to get completed within the grace period of 90 days (as per concession agreement). Further, the risk of cost overrun is mitigated by the fixed-price EPC contract and established track record of IRB. ICRA notes that there is a high premium payout, starting from the first anniversary of the commercial operation date (COD), thereby resulting in high operating leverage. Therefore, lower-than-expected toll collection growth could adversely impact the coverage metrics. The traffic on the stretch was affected in 4M FY2024² and 10M FY2025 due to heavy rainfall, and impact on exim trade owing to the Red Sea crisis hampering port traffic. This coupled with lower Wholesale Price Index (WPI) growth resulted in lower-than-expected toll collections (Rs. 37.6 crore in 4M FY2024 and Rs. 116.9 crore in 10M FY2025). Recovery in traffic remains a key monitorable from the credit perspective. The project is exposed to traffic-related risks associated with BOT-toll road assets. While the alternative route risk is low, the alternate mode risk through shifting of traffic to Kutch Railway Company Limited (KRCL, rated [ICRA]A(Stable)), a feeder route to the Western Dedicated Freight Corridor, might have some impact on the traffic on the project stretch. Similarly, upgradation of pipeline infrastructure by oil majors may result in shift of petroleum, oil and lubricants (POL) commodity traffic from the project stretch, which currently accounts for ~1% of the total

¹ IRB Infrastructure Trust had entered into a definitive agreement to acquire 99.96% equity of shares of STPL on a fully diluted basis by agreement dated October 12, 2023. As on January 04, 2024, the Trust completed the acquisition of the 99.96% shares of STPL.

² STPL has received an appointed date – 28th December 2023 from National Highway Authority of India (NHAI).

commercial traffic. ICRA, in its base case scenario, has considered the expected impact of modal shift. Although the long-term growth in volumes handled at the Kandla and Mundra ports is likely to support the traffic on the project stretch, the extent of traffic diversion, on account of the aforementioned alternate modes, will be a key rating monitorable in the medium term. Further, the floating interest rate structure exposes STPL's cash flows to interest rate risk. STPL has entered into a fixed-price agreement with IRB for undertaking the O&M and major maintenance (MM) expenditure during the concession period. That said, undertaking routine and periodic maintenance within the budgeted costs would be a key rating monitorable.

The Stable outlook on the rating reflects ICRA's expectation of financial support from the strong promoter, the long tolling history of the project stretch with proximity to key trade routes linking Mundra and Kandla ports to support the traffic volumes, and thereby the toll collections.

Key rating drivers and their description

Credit strengths

Strong parentage by being part of IRB Trust; established track record of IRB Group in maintaining road assets – STPL is a part of the IRB Trust wherein IRB, GIC and its affiliates and Cintra holds 51%, 25% and 24% respectively. At present, the IRB Trust has a portfolio of 15 projects (12 BOT projects of which nine projects are operational, two projects are under tolling and construction phase, one is under construction and three TOT projects), aggregating to 10,567 lane kms, spread across nine states. The rating favourably factors in the IRB Group's track record of more than two decades in the road sector including operating BOT-Toll assets. ICRA draws comfort from the healthy financial profile of the IRB Trust. ICRA has been given to understand that IRB Trust will provide timely financial support to the SPV in the form of loans/advances towards shortfall in debt servicing and other financial exigencies, if any. The definition of net distributable cash flows (NDCF) for the Trust permits it to meet the cash flow support required for STPL. Further, as per the transaction documents, the Trust has committed to provide sponsor contribution up to Rs. 646 crore to STPL towards project execution as well as fund any shortfall, if the need arises, during the entire loan tenure.

Favourable location of project stretch with tolling history – The project stretch (Samakhiali-Santalpur) is located on NH-27, connecting two major ports on the west coast (Kandla and Mundra ports) to northern India. The proximity to the ports and the fact that the stretch connects Morbi (which accounts for significant share of India's ceramic production) to North India are expected to be the major traffic drivers. Moreover, the project stretch is dominated by heavy commercial vehicles. The project stretch has a tolling history of more than 10 years and witnessed a CAGR of 5.2% in traffic in PCU terms during FY2013 to FY2023. In 4M FY2024 (December 28, 2023 – March 31, 2024), the stretch reported moderate traffic growth of 2.3% due to heavy rainfall and impact on exim trade owing to Red Sea crisis affecting port traffic. ICRA estimates the stretch to register a modest traffic growth in FY2025. The same is likely to improve from FY2026 onwards. The increase in port traffic over the years has been driving the traffic growth and the same is expected to sustain in the medium term. Further, STPL is a part of AJE, which is likely to boost traffic growth, as it will significantly reduce the travel time to northern hinterland once fully operational (expected by FY2026).

Presence of structural features and tail period provide financial flexibility – Structural features such as DSRA equivalent to the ensuing two quarters of debt obligation (to be infused by the sponsors on COD), cash sweep mechanism for DSCR above 1.30 times and a well-defined escrow mechanism provide credit support to the term loan. ICRA also notes the flexibility arising out of the ~3 year tail period.

Credit challenges

Exposed to execution and funding risks – The project is exposed to execution risks including risks of delays and cost overruns, given the nascent stage of construction. The project has achieved physical progress of ~15% as of December 2024, which is lower than the planned progress on account of severe monsoon as well as delay in utility shifting. It is expected to get completed within the grace period of 90 days (as per concession agreement). Further, the risk of cost overrun is mitigated by

the fixed-price EPC contract and established track record of IRB. STPL's ability to commission the project in a timely manner and within the budgeted costs would remain a key monitorable. The project cost of Rs. 2,092 crore is expected to be funded through Rs. 465 crore of promoters' contribution, debt of Rs. 1,446 crore and the remaining Rs. 181 crore through internal accruals of the asset. ICRA notes that the term debt is already sanctioned, and promoter has brought in Rs. 243 crore of equity as on December 31, 2024. ICRA draws comfort from the strong credit profile of the sponsor and track record of timely fund infusion in other SPVs. The sponsor has provided an undertaking to meet the cost overrun and fund any shortfall in internal accruals.

High operating leverage with modest debt coverage metrics – ICRA notes that there is a high premium payout, starting from the first anniversary of COD, at 42.8% of the toll income. The same shall increase by 100 bps each year till the end of the concession period, thereby resulting in high operating leverage. Further, the coverage metrics are likely to remain modest during the debt tenure, with cumulative DSCR expected to remain below 1.2 times as per ICRA's base case estimates. Therefore, higher-than-anticipated impact on the traffic or lower-than-anticipated levels of WPI could affect the coverage metrics.

Project cash flows sensitive to traffic growth and interest rates; ensuring routine and periodic maintenance expenses within budgeted levels remains crucial – Notwithstanding the importance of the project stretch, moderate alternative route risk and willingness of the users to pay toll, the project remains exposed to risks inherent in BOT (toll) road projects including risks of development/improvement of alternate modes of transportation (like Western DFC and gas pipeline), which could lead to lower-than-anticipated traffic growth. STPL's cash flows are exposed to interest rate risk, considering the floating interest rate on the project loan. Further, in absence of a pre-defined MM schedule in the Concession Agreement, undertaking routine and periodic maintenance within the budgeted costs would be a key rating monitorable. That said, ICRA has taken comfort from the fixed-price O&M contract with IRB for undertaking the O&M and MM expenditure as well the experience of the IRB Group in maintaining project stretches across various terrain and geographies.

Liquidity position: Adequate

The liquidity position remains adequate with expected fund infusion from promoters, pending debt drawdown and healthy toll collections, likely to be sufficient to fund the pending construction cost. Further, the cash flows will be sufficient to meet the operational expenses and debt servicing requirement including interest expense, which is estimated at ~Rs. 15 crore, ~Rs. 76 crore and ~Rs. 134 crore for FY2025, FY2026 and FY2027, respectively, as per ICRA's estimates. The principal repayment is likely to start from FY2027 only. The promoters are required to fund the DSRA (equivalent to six months of principal plus interest obligations) in FY2026, which is expected to support the liquidity going forward.

Rating sensitivities

Positive factors – ICRA could upgrade STPL's rating on completion of the project within the budgeted cost and time and higher-than-envisaged toll collections, on a sustained basis, resulting in improvement in its coverage metrics. Specific credit metrics that could result in an upgrade include cumulative DSCR improving beyond 1.35 times.

Negative factors – Negative pressure on the rating could arise if there is any delay in completion of the project and/or increase in budgeted cost, or if the toll collections is lower-than-expected or the company incurs higher-than-anticipated O&M expense on a sustained basis. Negative pressure on the rating could arise if there is weakening of promoter (IRB Trust) profile and/or weakening of linkages with the promoter.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads - BOT Toll
Parent/Group support	Parent: IRB Infrastructure Trust (IRB Trust) ICRA expects STPL's parent, IRB Trust, to be willing to extend financial support to STPL, given the strategic importance that STPL holds for the IRB Trust. ICRA expects the IRB Trust to be willing to extend financial support to STPL out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	Standalone

About the company

STPL, an SPV promoted by IRB, is undertaking the upgradation of NH-27 from Samakhiyali to Santalpur section to six lanes with paved shoulder from Km. 339+200 to Km. 430+100 in Gujarat on BOT (Toll) mode. The concession period for the project is 20 years, including construction period of 24 months. The Concession Agreement between the NHAI and STPL was signed on May 12, 2023. The appointed date for the project is December 28, 2023. The asset is a part of the IRB Trust. The NHAI premium is to be paid at 42.84% of toll collection, starting from 1 year post COD with 100 bps increment annually.

Key financial indicators (audited)

STPL – Standalone	FY2024
Operating income	392.5
PAT	32.7
OPBDIT/OI	11.2%
PAT/OI	8.3%
Total outside liabilities/Tangible net worth (times)	1.7
Total debt/OPBDIT (times)	3.5
Interest coverage (times)	239.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 28, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long term	1446.00	[[ICRA]A-(Stable)	Nov 15, 2023	[[ICRA]A-(Stable)	-	-	-	-

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 loan	FY2024	NA	FY2042	1446.00	[ICRA]A- (Stable)

Source: Company

[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

Ashish Modani

+91 22 6169 3300

ashish.modani@icraindia.com

Suprio Banerjee

+91 22 6114 3443

supriob@icraindia.com

Rohit Agarwal

+91 22 6169 3329

rohit.agarwal@icraindia.com

Ritik Sundarka

+91 80 4332 6414

ritik.sundarka@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

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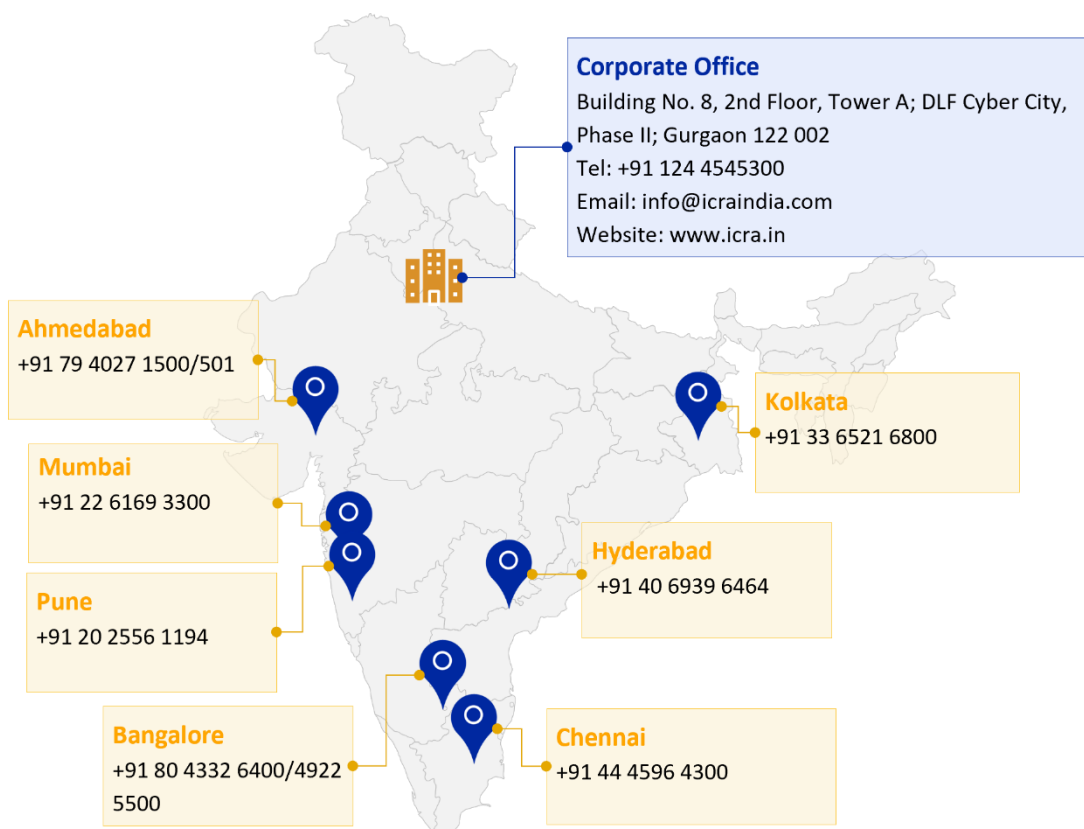
Registered Office

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

Tel: +91 11 23357940-45



Branches



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