

March 12, 2025

Rithwik Mbr Infra Private Limited: [ICRA]BBB+(Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based - Term loan	349.77	[ICRA]BBB+(Stable); assigned
Long-term – Non-fund based - Bank guarantee	21.57	[ICRA]BBB+(Stable); assigned
Total	371.34	

*Instrument details are provided in Annexure I

Rationale

The assigned rating for Rithwik MBR Infra Private Limited (RMIPL) factors in the inherent benefits of the hybrid annuity model (HAM) based nature of the project including upfront availability of right of way (RoW), inflation-linked revisions to the bid project cost (BPC) 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 grants. The rating derives comfort from the healthy credit profile of its sponsor and engineering, procurement and construction (EPC) contractor, Rithwik Projects Private Limited (RPPL, rated [ICRA]A-(Stable)/[ICRA]A2+), which has provided a corporate guarantee and support undertaking to the lender to provide financial support in case of cost overruns during the construction phase, any shortfall in operations and maintenance (O&M) expenses and debt servicing in the operational phase at all times during the tenure of the facility.

The rating notes the stable revenue stream post commissioning with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at average of one-year MCLR of top five scheduled commercial banks plus 125 bps and O&M payments (adjusted for inflation) over the term of the concession from the project owner and annuity provider, the National Highway Authority of India (NHAI, rated [ICRA]AAA(Stable)), which is a key Central Government entity responsible for development and maintenance of India's national highway programme. The rating also draws comfort from the presence of structural features of the debt, like the escrow, a cash flow waterfall mechanism, provisions for debt servicing reserve (DSRA, for 6 months P+I), creation of major maintenance reserve (MMR) and restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.15 times.

The rating, however, remains constrained by the residual execution risks involved in the under-construction project including time and cost overrun risks. The project achieved ~62% physical progress as on February 28, 2025, against the scheduled progress of ~70% owing to delay in providing RoW. Given this, the company's ability to commission the project, in a timely manner and within the budgeted cost, would be important from the credit perspective going forward. The balance construction cost of Rs. 231.85 crore as on February 28, 2025 is likely to be funded by undrawn debt of Rs. 169.09 crore, pending equity infusion of Rs. 35 crore from sponsors and Rs. 81.67 crore of authority grants (excluding inflation component). RMIPL's cash flows are exposed to inflation risk as O&M receipts, though linked to the inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual rise in O&M/periodic maintenance expenses. Post commissioning, it would have to ensure healthy lane availability to avoid any deductions from the annuity amount. Any significant deductions from annuities or an increase in routine and major maintenance expenses from the budgeted level could impact its coverage metrics and is a key rating monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that RMIPL will benefit from the proven project execution capabilities of the EPC contractor, RPPL and expectation of completion of the project within the stipulated timelines.

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 an upfront availability of RoW, inflation-linked revisions to the BPC during the construction period and relatively low equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period in the form of grant. The project will have a stable revenue stream post commissioning with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at an average of one-year MCLR of the scheduled commercial banks + 1.25% and the inflation-adjusted O&M cost bid over the 15-year operations period by the project owner, the NHAI, which is a strong counterparty, providing comfort.

Adequate coverage indicators and presence of structural features – Once operational, RMIPL is expected to have adequate debt coverage metrics during the debt tenure. Further, ICRA draws comfort from the presence of structural features of the debt, like the escrow, a cash flow waterfall mechanism, provisions for DSRA (6 months P+I), creation of MMR and restricted payment clause with a minimum DSCR of 1.15 times.

Sponsor undertaking towards the project – The company's credit profile is supported by the healthy credit profile of the sponsor and EPC contractor of the project, RPPL. Also, the sponsor has provided a corporate guarantee and support undertaking to the lender to provide financial support in case of cost overruns during the construction phase, any shortfall in O&M expenses and debt servicing in the operational phase at all times during the tenure of the facility is a credit positive.

Credit challenges

Execution risk related to project under construction – The company is exposed to residual execution risks involved in the under-construction project including time and cost overrun risks. The project achieved ~62% physical progress as on February 28, 2025, against the scheduled progress of ~70% owing to delay in providing RoW. Given this, the company's ability to commission the project, in a timely manner and within the budgeted cost, would be important from the credit perspective going forward. However, the risk is expected to be mitigated to an extent by entering into a fixed-price EPC contract with the sponsor, RPPL, which has adequate experience in the road construction space.

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

As the project is under construction, the company does not maintain any significant liquidity on its books. However, the balance construction cost of Rs. 231.85 crore as on February 28, 2025 is likely to be funded by undrawn debt of Rs. 169.09 crore, pending equity infusion of Rs. 35 crore from sponsors and Rs. 81.67 crore of authority grants (excluding inflation component).

Rating sensitivities

Positive factors – The rating could be upgraded if the project achieves PCOD without any time and cost overruns along with the receipt of annuity, in a timely manner, without any major deductions.

Negative factors – Pressure on the rating could arise if the project’s progress is delayed, resulting in significant time and cost overruns, or if there is a deterioration in the credit profile of the sponsors, or if delays in the receipt of grant or equity infusion increase the 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	Standalone

About the company

Rithwik MBR Infra Private Limited (RMIPL) was incorporated on August 29, 2022 as a special purpose vehicle (SPV) by Rithwik Projects Private Limited (RPPL) holding 74% stake and NSPR Constructions India Private Limited (NSPR) holding 26% stake in RMIPL, for four laning from km 585.930 (Design Chainage 585.820) to km 628.555 (Design Chainage 630.960) of Mydukur – Badvel section of NH-67 under Bharatmala Pariyojna, in Andhra Pradesh on Hybrid Annuity Mode. The company has signed the concession agreement for the project with the National Highways Authority of India on October 28, 2022, for a concession period of 17 years including construction period of 2 years (730 days) beginning from September 21, 2023 (appointed date). The total project cost of Rs. 753.92 crore is to be funded by equity of Rs. 116.59 crore (15.5% of project cost), debt of Rs. 349.77 crore (46.5%) and NHA grant of Rs. 287.56 crore (38%).

Key financial indicators (audited):

Not applicable as RMIPL is a project stage company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 12, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	349.77	[ICRA] BBB+ (Stable)	-	-	-	-	-	-
Bank guarantee	Long term	21.57	[ICRA] BBB+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Non-fund based - Bank guarantee	Very 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	December 2022	NA	October 2038	349.77	[ICRA] BBB+ (Stable)
NA	Bank guarantee	December 2022	NA	October 2038	21.57	[ICRA] BBB+ (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 20 6606 9912

ashish.modani@icraindia.com

Suprio Banerjee

+91 22 6114 3443

supriob@icraindia.com

Vinay G

+91 40 6939 6424

vinay.g@icraindia.com

Vamshi Kinnera

+91 40 6939 6420

vamshi.kinnera@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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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



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