

July 14, 2023

Binjabahal To Telebani Section (KM.414.00 To KM.491.71) of NH-6 (NEW NH-49) 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	490.47	490.47	[ICRA]AAA (Stable); Reaffirmed
Long-term – Fund-based/Term Loan	40.00	40.00	[ICRA]AAA (Stable); Reaffirmed
Long-term – Fund-based/Term Loan	100.00	100.00	[ICRA]AAA (Stable); Reaffirmed
Total	630.47	630.47	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Binjabahal To Telebani Section (KM.414.00 To KM.491.71) of NH-6 (NEW NH-49) Highway Private Limited {BTHPL, a special purpose vehicle (SPV)} continues to derive comfort from the operational nature of the project (project received final COD in May 2022) with a track record of receiving four semi-annuities without any deductions from the National Highways Authority of India [NHAI, rated [ICRA]AAA(Stable)], which is a strong counterparty. The rating also considers its comfortable debt coverage metrics with cumulative DSCR of over 1.25 times. ICRA notes that there were few days of delays in the receipt of annuities from NHAI on account of procedural reasons. However, most of these annuities were received within the 15 days from the annuity due date. Further, there is adequate cushion of over two months available between the annuity receipt date and the scheduled debt servicing date of the loan facilities, which along with the presence of six-month debt service reserve (DSR), provides comfort.

The rating takes comfort from the creation of stipulated reserves as a part of the debt structure such as the funded DSR equivalent to six months of debt servicing obligations, operational expenses (opex) reserve to meet the regular operational and maintenance (O&M) and interest obligations till the next scheduled annuity, creation of a major maintenance reserve (MMR) and restricted payment clause with a minimum DSCR of 1.10 times.

BTHPL's cash flows and returns remain sensitive to the spread between the Reserve Bank of India's (RBI) Bank Rate and the lender's MCLR as the interest earned on the outstanding annuities are linked to the Bank Rate, while the interest payable on the project loan is linked to lender's MCLR. Further, BTHPL'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 company will have to undertake regular and timely O&M of the project stretch as per the Concession Agreement to avoid any deductions from annuities. Any significant deductions from the annuities or increase in the cost of routine and major maintenance (MM) from the budgeted level could impact its cash flows and coverage metrics. The SPV has entered into a long term fixed-price O&M and MM contract with Oriental Structural Engineers Private Limited (OSEPL, rated [ICRA]AA (Stable)). Hence, any significant deterioration in the credit profile of the O&M contractor could impact the SPV's ability to undertake maintenance and will remain a monitorable. While the O&M and MM cost assumptions are lower than ICRA's benchmarks, ICRA has built-in additional cushion in its base case projections.

ICRA has noted that the top-up loan of Rs. 100 crore has been invested (in the form of optionally convertible debentures/OCDs with 14% coupon rate) in one of the under-construction hybrid annuity mode (HAM) road projects of the Oriental Group – Poondiankuppam Sattanathapuram Section Private Limited (PSSPL). BTHPL expects to receive interest income at the rate of 14% p.a. on these starting FY2025. In ICRA's base case projections of PSSPL, the restricted payment clauses are not getting

breached, which should enable PSSPL to make interest payments to BTHPL. Inability of PSSPL to meet these payouts would remain a remain key monitorable.

BTHPL's debt terms has a put option post FY2031, which exposes the SPV to refinancing risk. Nonetheless, as per the terms of the sanction, if the put option is exercised by the lender, the company will get a notice period of 60 days, which provides adequate buffer. Besides, given its favourable operational and financial profile with robust coverage metrics and strong counterparty – NHAI, if such a clause is exercise by the lender, BTHPL is expected to be able to refinance its debt within the available time period, thereby mitigating the risk to a major extent.

Key rating drivers and their description

Credit strengths

Operational nature of project – BTHPL achieved provisional completion (PCOD) for the project effective on May 27, 2021, against the scheduled COD of July 11, 2021, and within the budgeted cost. It subsequently received the final completion certificate (COD) in May 2022. The project completion cost has been finalised at Rs. 1,348.1 crore and the company's future semi-annuities will be based on 60% of this completion cost. The finalisation of project completion cost eliminates the execution risks and uncertainty on the annuity amount. Besides, it has received four semi-annual annuities till date, without any deductions, thereby resulting in a strong track record.

Annuity nature of project with strong counterparty – The annuity nature of the project eliminates the traffic risk in HAM road projects. As per the Concession Agreement, BTHPL will be receiving 30 semi-annual annuities starting six months from completion (or provisional completion) totalling to 60% of the final project completion cost, along with the interest on the residual annuities payable (at Bank Rate + 3%), and the inflation-adjusted O&M cost bid over the 15-year operations period from the project owner and authority, NHAI, a key Central Government entity responsible for the development and maintenance of the national highways in the country. The company has a track record of receipt of four semi-annuities, including O&M payments without any deductions/penalties. High certainty of cash flows (except for the Bank Rate, and inflation) from a strong counterparty (NHAI) is a key strength for the company.

Robust coverage indicators and presence of structural features – BTHPL is expected to have robust debt coverage indicators with a cumulative DSCR above 1.25 times during the debt tenure. This provides the SPV adequate cushion to withstand adverse movement in the Bank Rate and inflation to a major extent. The credit profile is supported by structural features including presence of escrow, cashflow waterfall mechanism, upfront creation of DSRA equivalent to six months of debt servicing obligations, provision for creation of MMR and availability of reserves to meet the O&M and interest obligations till the next semi-annual annuity. The presence of restricted payment clause with minimum DSCR of 1.10 times provides comfort. ICRA has noted that the top-up loan of Rs. 100 crore has been invested (in the form of optionally convertible debentures/OCDs with 14% coupon rate) in one of the under-construction HAM road projects of the Oriental Group (PSSPL). BTHPL expects to receive interest income at the rate of 14% p.a. on these starting FY2025. In ICRA's base case projections of PSSPL, the restricted payment clauses are not getting breached, which should enable PSSPL to make interest payments to BTHPL. Inability of PSSPL to meet these payouts would remain a remain key monitorable.

Credit challenges

Project cash flows exposed to interest rate risk – The project's cash flows and returns are exposed to the interest rate risk and are dependent on the spread between the RBI's Bank Rate and the interest rate charged by lenders. The interest on the outstanding annuities from the NHAI is linked to the RBI's Bank Rate, while the interest rate charged by lenders is linked to their respective MCLR. While the spread between the RBI's Bank Rate and bank's MCLR has widened since the commencement of project construction, the savings on the project cost has neutralised the impact to a large extent. However, the risk is mitigated to a major extent by the healthy DSCR, which is expected to withstand adverse movements, if any, in the spread.

Undertaking O&M as per concession requirement – BTHPL's sources of income are the annuity, interest on outstanding annuities and the annual O&M payments from the NHAI. Hence, undertaking regular as well as periodic maintenance of the project as per specifications of the Concession Agreement will be necessary to get full annuity receipts. The O&M and MM assumptions are lower than ICRA's benchmarks. However, ICRA in its base case has built-in additional cushion compared to the company's assumptions. The SPV has a fixed-price O&M and MM contract with OSEPL. Hence, any significant deterioration in the credit profile of the O&M contractor will impact the SPV's ability to undertake maintenance and will remain a monitorable.

Liquidity position: Adequate

The cash flow from operations is expected to be sufficient to meet the debt servicing obligations with a cumulative DSCR of more than 1.25 times during the tenure of the rated instruments. The company's liquidity position is likely to be supported by the presence of adequate DSRA, MMR and opex reserves.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – Negative pressure on the rating could arise if there are major deductions or delays in the receipt of semi-annual annuities or O&M payments, or if the O&M expenses significantly exceed the estimates, or if there is any additional debt availed by the SPV that impacts its coverage indicators, with the cumulative DSCR reducing below 1.25 times. The rating could come under pressure if there is any non-adherence or dilution of the debt structure.

Analytical approach

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

About the company

BTHPL is an SPV formed in 2016 for development of Binjabahal to Telebani section of NH-49 under the design, build, operate and transfer (DBOT) on (HAM) basis awarded by the NHAI. BTHPL is promoted by OSEPL and its subsidiary Oriental Tollways Private Limited (OTPL). The project entailed augmentation of the two-lane carriageway of the existing section from KM. 414.982 to KM. 493.300 (approximately 78.318 km) to a four-lane carriageway on the Binjabahal to Telebani section of National Highway No. 6 (New NH-49) in Odisha. The construction period was 2.5 years and the operational period for the project is 15 years. The appointed date was declared as January 15, 2018, and it achieved PCOD on May 27, 2021. Subsequently, the COD was achieved in May 2022. Till July 2023, the SPV has received four semi-annual annuities from the NHAI.

Key financial indicators (audited)

	FY2022	FY2023
Operating income (Rs. crore)	223.4	202.0
PAT (Rs. crore)	49.7	86.4
OPBDIT/OI	51.3%	76.6%
PAT/OI	22.2%	42.8%
Total outside liabilities/Tangible net worth (times)	2.3	2.1
Total debt/OPBDIT (times)	4.3	3.7
Interest coverage (times)	2.3	3.6

Source: BTHPL, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore, BTHPL follows Ind AS and key financial ratios are not representative of actual cash flows

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on June 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Jul 14, 2023	Jul 05, 2022	Feb 11, 2022	Oct 26, 2021	Sep 02, 2021
1 Fund-based facility – Term loan I	Long term	490.47	415.80	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AA- (Positive)	[ICRA]AA- (Positive)
2 Fund-based facility – Term loan II	Long term	40.00	39.60	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AA- (Positive)	-
3 Fund-based facility – Term loan III	Long term	100.00	96.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based facility – Term loan - I	Simple
Fund-based facility – Term loan - II	Simple
Fund-based facility – Term loan - III	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	Fund-based facility – Term loan - I	June 2022	NA	FY2035	490.47	[ICRA]AAA (Stable)
NA	Fund-based facility – Term loan - II	June 2022	NA	FY2035	40.00	[ICRA]AAA (Stable)
NA	Fund-based facility – Term loan - III	June 2022	NA	FY2036	100.00	[ICRA]AAA (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

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