

May 08, 2024

Brij Bhoomi Expressway 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	61.40	38.37	[ICRA]BBB-(Stable); reaffirmed
Total	61.40	38.37	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Brij Bhoomi Expressway Private Limited (BBEPL) continues to factor in its long operational track record of more than eight years and strong parentage by being a wholly-owned subsidiary of Kalpataru Projects International Limited (KPIL, erstwhile Kalpataru Power Transmission Limited), which has significant experience in infrastructure business.

The rating remains constrained by the weak coverage metrics, thereby necessitating dependence on the sponsor. The rating favourably factors in the stated intent and demonstrated track record of timely financial support from KPIL. The project remains exposed to risks inherent in build-operate-transfer (BOT) toll road projects, including risks arising from political acceptability of rate hikes linked to WPI over the concession period and development/improvement of alternative routes. The traffic volume on the project stretch (Agra-Aligarh highway) has remained flat in the last few years, which has constrained its cash flows and coverage metrics. For FY2024, BBEPL is expecting a flat revenue growth with toll collection of ~Rs. 37.5 - 38 crore (against Rs. 37.5 crore in FY2023) including a moderation of 2% in traffic volume (in PCU terms).

The project's cash flows are exposed to interest rate risk, considering the floating nature of interest rate on the project loan. As per the Concession Agreement (CA), there is no pre-defined MM schedule, though the special purpose vehicle (SPV) has to maintain the project in line with the quality standards specified in the CA. The rating is also constrained by weak debt structure, in absence of DSRA and MM. BBEPL is currently conducting MM activity for the project with a planned outflow of ~Rs. 10 crore in FY2025. ICRA notes that though cash flows from operations are expected to be adequate to cover operational expenses and debt obligations, a timely funding support by the promoter to undertake MM expenditure will remain critical to bridge the funding gap and support its liquidity position.

ICRA understands that the NHAI has recently floated a tender for a road project proposed to connect Hathras (near Asroi Village) to Yamuna Expressway. The new project stretch, once it becomes operational in FY2027e, is likely to have a bearing on the toll collections. Nonetheless, BBEPL's loan will be repaid by March 2026, and hence the upcoming project is unlikely to have any material impact on its credit profile in the interim.

Due to delays in land acquisition in the past, BBEPL had disputed claims of ~Rs. 147 crore against the NHAI. However, in FY2024, BBEPL entered a settlement under Vivaad Se Vishwas II. The matter is likely to be settled in the interim period. The present CA is expected to end in October 2027, with the current outstanding debt scheduled to be repaid by March 2026. ICRA understands from the management that while the company has an option to extend the concession period given the lower-than-expected traffic, the same would be explored in the near future.

The Stable outlook factors in the stable operational cash flows to meet its operational expenses and timely financial support from a strong promoter group.

Key rating drivers and their description

Credit strengths

Tolling track record of more than eight years – The project stretch has a tolling track record of more than eight years. The traffic volume on the project stretch (Agra-Aligarh highway) has remained flat over the last few years, which has constrained its cash flows and coverage metrics. For FY2024, BBEPL is expecting a flat revenue growth with toll collection of ~Rs. 37.5 - 38 crore (against Rs. 37.5 crore in FY2023) including a moderation of 2% in traffic volume (in PCU terms).

Strong parentage; track record of timely financial support – BBEPL is a wholly-owned subsidiary of KPIL, which has a significant experience in infrastructure business. KPIL has been providing timely funding support to BBEPL and has incrementally infused ~Rs. 18.6 crore from FY2018 to FY2024 for ensuring timely debt service obligations and funding towards MM. Going forward, timely financial and operational support from the sponsor group remain crucial for the SPV to meet its committed obligations.

Credit challenges

Weak coverage metrics and absence of DSRA and MM reserves; project cashflows exposed to interest rate risk – Lower-than-anticipated toll collections in the past resulted in weak coverage metrics, thus necessitating dependence on the sponsor. ICRA understands from the management that the DSRA is not yet created and the company is in discussion with the bankers for waiver of the same. In the absence of a funded MM reserve, BBEPL remains dependent on continued timely support from the sponsor for meeting its MM cost. BBEPL is currently conducting MM activity for the project with a planned outflow of ~Rs. 10 crore in FY2025. While its cash flows from operations are expected to be adequate to cover operational expenses and debt obligations, timely funding support by the promoter to undertake MM expenditure will remain critical to bridge the funding gap and support its liquidity position. ICRA factors the stated intent and demonstrated track record of timely financial support of the sponsor. BBEPL's cash flows are also exposed to interest rate risk as the interest rate is variable and is subject to annual reset.

Project cash flows sensitive to traffic growth rates, acceptability of toll rate hike – Notwithstanding the track record of toll collections, the project remains exposed to risks inherent in BOT (toll) road projects, including risks arising from political acceptability of rate hikes linked to WPI over the concession period and development/improvement of alternative routes.

Liquidity position: Stretched

The company's liquidity position is stretched, as operational cash flows will be inadequate to take care of the ongoing MM activity, necessitating dependence on its sponsor for financial support in the interim. ICRA notes the stated intent and demonstrated track record of timely financial support from KPTL, to support BBEPL's liquidity, in case need arises.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if any substantial improvement in toll collection results in significant improvement in coverage indicators and liquidity, along with creation of requisite major maintenance reserve and DSRA.

Negative factors – Weakening in linkages with the parent entity or lack of timely financial support from the promoter group, or substantial weakening in credit profile of the parent entity, could result in a downgrade. Pressure on the rating could also emerge if toll collection is lower than expected, on a sustained basis, and/or if there are slippages in regular O&M and major maintenance activity, thereby resulting in penalties from the authority.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology BOT Toll Road Projects
Parent/Group support	Parent/Group Company: KPIL The rating factors in the likelihood of BBEPL's parent, KPIL, extending financial support to it based on an existing track record of regular timely support as well as its stated intent to provide the same in the timely manner, whenever the need arises.
Consolidation/Standalone	Standalone

About the company

BBEPL, incorporated in December 2010, is an SPV promoted by KPIL [through merger with JMC Projects (India) Limited] to undertake the execution, operations and maintenance of two laning of 81.4 km of the Agra-Aligarh stretch on NH-93 on a BOT (toll) basis in Uttar Pradesh. The project was awarded by the National Highways Authority of India (NHAI) based on competitive bidding in 2010 with a concession period of 15 years commencing from October 09, 2012 to October 08, 2027 including the construction period. The road stretch received provisional COD on May 02, 2014, and the final COD was received on December 29, 2015.

Key financial indicators (audited)

BBEPL	FY2022	FY2023
Operating income (OI) (Rs. crore)	32.0	36.2
PAT (Rs. crore)	10.5	1.0
OPBDIT/OI (%)	74.1%	53.9%
PAT/OI (%)	32.8%	2.8%
Total outside liabilities/Tangible net worth (times)	-6.4	-6.3
Total debt/OPBDIT (times)	5.8	6.2
Interest coverage (times)	2.4	2.4

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

Note: The company follows Ind AS and the 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		Current rating (FY2025)			Chronology of rating history for the past 3 years			
		Type	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
					May 08, 2024	May 22, 2023	-	Feb 24, 2022
1	Term loans	Long term	38.37	38.37	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-	[ICRA]BBB-(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	FY2013	NA	FY2026	38.37	[ICRA]BBB-(Stable)

Source: Company

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

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