

September 09, 2024

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 – I	490.47	369.96	[ICRA]AAA (Stable); reaffirmed
Long-term – Fund-based – Term loan – II	40.00	39.30	[ICRA]AAA (Stable); reaffirmed
Long-term – Fund-based – Term loan – III	100.00	84.00	[ICRA]AAA (Stable); reaffirmed
Total	630.47	493.26	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for the 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 with a track record of receiving six semi-annuities without any deductions from the National Highways Authority of India [NHAI, rated [ICRA]AAA(Stable)], which is a strong counterparty. ICRA notes that the company has received the semi-annuities from the NHAI within 20 days against a cushion of over two months available between the annuity date and the scheduled debt servicing date of the loan facilities. The rating also considers its comfortable debt coverage metrics with cumulative DSCR of over 1.25 times. Further, 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 expense (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 is linked to the Bank Rate, while the interest payable on the project loan is linked to the lender's MCLR. ICRA also notes the single asset nature of the project operations, thereby making the debt metrics of the project sensitive to any deductions in annuity and O&M receipts. Hence, the company must ensure satisfactory upkeep of the carriageway by undertaking O&M of the project stretch as per the concession agreement (CA) to avoid any deductions from annuities. Any significant deductions from annuities or increase in routine and major maintenance (MM) from the budgeted level could impact the debt coverage metrics and remains the key rating monitorable. BTHPL's cash flows are also 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 increase in O&M/periodic maintenance expenses. The company has entered into a long term fixed-price O&M and MM contract with Oriental Structural Engineers Private Limited (OSEPL, rated [ICRA]AA (Stable)/ [ICRA]A1+). 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 notes BTHPL has invested Rs. 100 crore in one of the hybrid annuity mode (HAM) road projects of the Oriental Group – Poondiankuppam Sattanathapuram Section Private Limited (PSSPL, rated [ICRA]AA- (Stable)) in FY2024. PSSPL received provisional completion certificate-1(PCC-1) w.e.f. May 31, 2024 and expects to receive its first annuity after 180 days from the PCC-1 date (December 2024). ICRA has considered the receipt of interest income from PSSPL in FY2026 and going forward, in its base case assumptions. Any delay in receiving the interest income from PSSPL would remain a remain key monitorable.

BTHPL's debt terms have a put option post FY2027 (for term loans II and III), 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 profiles with robust coverage metrics and strong counterparty (NHAI), if such a clause is exercised by the lender, BTHPL is expected to be able to refinance its debt within the available period, thereby mitigating the risk to a major extent.

The Stable outlook on the rating reflects ICRA's opinion that BTHPL will continue to benefit from the timely receipt of annuities, robust debt coverage metrics and presence of structural features.

Key rating drivers and their description

Credit strengths

Operational nature of project – BTHPL achieved PCOD for the project effective on May 27, 2021. It subsequently received the final completion certificate (COD) in May 2022 and completed the project within the budgeted estimates. The project completion cost has been finalised at Rs. 1,364.1 crore and the company's future semi-annuities will be based on 60% of this completion cost. The finalisation of project completion cost eliminates execution risks and uncertainty on the annuity amount.

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, the 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 six semi-annuities, including O&M payments without any major deductions/penalties.

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 movements in the Bank Rate and inflation to a major extent. The credit profile is supported by structural features including presence of escrow, cash flow 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.

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 of Rs. 80.5 crore in FY2025 and Rs. 79.2 crore in FY2026. The company's liquidity position is also supported by the presence of six months' DSRA, opex reserves and cash & liquidity (including investments in fixed deposits and financial instruments) of Rs. 119 crore as on July 26, 2024.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – 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 to the debt structure.

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

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) model on a 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 414.98 km to 493.30 km (78.31 km) to a four-lane carriageway on the Binjabahal to Telebani section of the 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 achieved PCOD in May 2021 and final COD in May 2022.

Key financial indicators

	FY2023 (Audited)	FY2024*
Operating income	180.4	105.9
PAT	70.3	45.3
OPBDIT/OI	73.8%	84.3%
PAT/OI	39.0%	42.8%
Total outside liabilities/Tangible net worth (times)	2.2	1.8
Total debt/OPBDIT (times)	4.3	5.7
Interest coverage (times)	3.1	1.9

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; 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

The company also faces prepayment risk, given the possibility of debt acceleration upon the exercise of put option by the lenders (for term loans II and III). The rating would face pressure, if the company is unable to get waivers from the lenders or the lenders do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans.

Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
FY2025				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	09-Sep-2024	Date	Rating	Date	Rating	Date	Rating
Long-term – Fund-based – Term loan – I	Long Term	369.96	[ICRA]AAA (Stable)	14-JUL-2023	[ICRA]AAA (Stable)	05-JUL-2022	[ICRA]AAA (Stable)	02-SEP-2021	[ICRA]AA- (Positive)
			-	-	-	-	-	26-OCT-2021	[ICRA]AA- (Positive)
			-	-	-	-	-	11-FEB-2022	[ICRA]AAA (Stable)
Long-term – Fund-based – Term loan – II	Long Term	39.30	[ICRA]AAA (Stable)	14-JUL-2023	[ICRA]AAA (Stable)	05-JUL-2022	[ICRA]AAA (Stable)	26-OCT-2021	[ICRA]AA- (Positive)
			-	-	-	-	-	11-FEB-2022	[ICRA]AAA (Stable)
Long-term – Fund-based – Term loan – III	Long Term	84.00	[ICRA]AAA (Stable)	14-JUL-2023	[ICRA]AAA (Stable)	05-JUL-2022	[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	369.96	[ICRA]AAA (Stable)
NA	Fund-based facility – Term loan – II	June 2022	NA	FY2035	39.30	[ICRA]AAA (Stable)
NA	Fund-based facility – Term loan – III	June 2022	NA	FY2036	84.00	[ICRA]AAA (Stable)

Source: Company

Note: Project was sanctioned debt of Rs. 458.93 crore (Term loan – I), Rs. 39.90 crore (Term loan – II) and Rs. 100.00 crore (Term loan – III), aggregating to Rs. 598.83 crore and the current rating is done on present outstanding loan of Rs. 493.26 crore as on July 26, 2024.

[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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Branches



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