

February 07, 2025

M G Banshidhar 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	363.00	363.00	[ICRA]A- (Stable); reaffirmed
Total	363.00	363.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for M G Banshidhar Private Limited (MGBPL) factors in the steady execution pace of the brownfield highway construction project being undertaken by the company and the healthy credit profile of its sponsor – M. G. Contractors Private Limited (MGCPL, rated [ICRA]A (Stable)), which is the engineering, procurement, and construction (EPC) contractor for the project. MGCPL, which has a healthy financial profile and execution track record, has provided sponsor undertakings towards cost overrun and any shortfall in operations and maintenance (O&M) expenses for the project. The rating notes the inherent benefits of the hybrid-annuity model (HAM) based project, which includes upfront availability of right of way (RoW), de-scoping of RoW pending beyond 180 days from the appointed date, inflation-linked revisions to the bid project cost (BPC) during the construction period, and relatively lower equity mobilisation risk, with 40% of the BPC to be funded by the authority during the construction period through a grant. The rating positively considers the structural features of the project debt, including the presence of escrow, cash flow waterfall mechanism prioritising debt servicing, provision for debt service reserve (DSR, to be created till the receipt of first two annuities), provision for creation of reserve for major maintenance (MMR) and restricted payment clause with minimum debt service coverage ratio (DSCR) of 1.15 times. Comfort is also derived from the project's stable revenue stream after commissioning, with 60% of the inflation-adjusted BPC being paid out as annuity along with interest at the average of one-year MCLR of the top five scheduled commercial banks (SCBs, to be reset every quarter) plus a spread of 1.25%. Additionally, the inflation-adjusted O&M cost bid over the 15-year operations period by the project owner, National Highways Authority of India [NHAI, rated [ICRA]AAA(Stable)], which is a strong counterparty, also support project's cash flows.

The rating is, however, constrained by the execution risks, given the under-construction status of the project, including time and cost overrun risks. The concession agreement (CA) was signed in June 2022. However, owing to delays in RoW clearances, the appointed date for project was received with effect from September 2023. The project has scheduled commercial operation date (SCOD) of September 14, 2025, and achieved ~60% physical completion as of December 2024. The company's ability to commission the project within the approved timeline and budgeted costs would remain important from the credit perspective. ICRA notes that MGBPL has signed a fixed-price and fixed-time contract with its EPC contractor, which largely mitigates risk of time and cost overrun. The equity mobilisation risk largely stands mitigated, as the sponsor had infused more than the required equity by December 2024 to ramp-up execution pace (with nil debt drawdown). Following commissioning, O&M of the project stretch will have to be undertaken as per the concession agreement 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 company's DSCR. MGBPL'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 increase in O&M/periodic maintenance expenses.

The Stable outlook on the rating reflects ICRA's opinion that MGBPL will benefit from the adequate execution capabilities and financial profile of its sponsor and EPC contractor – MGCPL.

Key rating drivers and their description

Credit strengths

Established track record and financial profile of sponsor and EPC contractor – MGBPL is a special purpose vehicle (SPV) held entirely by MGCPL, which has vast experience in executing road construction projects. MGCPL is the EPC contractor for this project and the contract is on a fixed-price, fixed-time basis, which provides comfort, given its track record of project execution within the budgeted time and cost. MGCPL has provided an undertaking for cost overruns during construction and for any shortfall in O&M expenses. The equity mobilisation risk has been mitigated as the sponsor had infused more than the required equity by December 2024.

Inherent benefits of HAM projects from NHAI – The inherent benefits of the HAM project include upfront availability of RoW, de-scoping of RoW pending beyond 180 days from the appointed date, 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 through a grant. The project will have a stable revenue stream post commissioning as 60% of the remaining project cost will be paid out as annuity (adjusted for inflation), along with interest at the average of one-year MCLR of the top five SCBs (to be reset every quarter) plus spread of 1.25%, and the inflation-adjusted O&M cost bid over the 15-year operations period by the project owner and annuity provider, the NHAI, a key Central Government entity that develops and maintains India's national highways.

Healthy coverage indicators and presence of structural features – The project is likely to achieve the COD by September 14, 2025 (within two years from the appointed date). If the overall project cost remains within the budgeted level, once operational, MGBPL is likely to have healthy debt coverage indicators with a cumulative DSCR of over 1.15 times. This provides adequate cushion to withstand any adverse movement in the interest on annuity and inflation to a major extent. The credit profile is supported by MGCPL's undertaking towards cost overrun during the construction phase and any shortfall in O&M expenses. Further, the presence of structural features of the debt, including the presence of escrow, cash flow waterfall mechanism, provision for DSR, provision for creation of MMR and restricted payment clause with a minimum DSCR of 1.15 times provides comfort.

Credit challenges

Execution risk related to under construction project – The project achieved the appointed date of September 15, 2023, with physical progress of ~60% as of December 2024. Thus, the company is exposed to project execution risks including risks of delays and cost overruns. However, the risk is mitigated, to an extent, by the fixed-price, fixed-time concession agreement with MGCPL and the latter's adequate project execution capabilities. The company's ability to commission the project in a timely manner and within the budgeted costs would remain important from the credit perspective.

Project's cash flows and returns exposed to inflation risks – The project's cash flows are exposed to inflation risk as O&M receipts, though linked to inflation (70% WPI and 30% CPI), may not be adequate to compensate for the increase in O&M/periodic maintenance expenses. Further, MGBPL's cash flows and returns are sensitive to the spread between the interest to be paid by the NHAI on the outstanding annuities linked to the average of one-year MCLR of top five SCBs and the interest rate payable on the outstanding debt, which is linked to lender's marginal cost of fund-based lending rate (MCLR).

Undertaking O&M as per concession requirement and risk of deductions from annuity – After commissioning, the O&M of the project stretch will have to be undertaken as per the concession agreement to avoid any deductions from annuities. Any significant deductions from annuities or an increase in routine and MM expenses from the budgeted level could impact its DSCR.

Liquidity position: Adequate

As the project is under construction, the company does not maintain any significant liquidity on its books. However, its liquidity position is supported by undrawn sanctioned term loan, grants receivable from the NHAI and adequate liquidity of the sponsor.

Rating sensitivities

Positive factors – The rating could be upgraded if the project achieves PCOD/ COD within the expected timelines and budgeted costs.

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

M G Banshidhar Private Limited (MGBPL) is a special purpose vehicle (SPV) formed in June 2022 and held entirely by M.G. Contractors Pvt. Ltd. (MGCPL). It is undertaking the development, maintenance, and management of NH-75 (New NH-39) – for four laning of Khajuri to Wyndhamganj (JH/UP border) section of NH-75 (New NH-39) from the existing Km 218+500 to Km 259+640 (Section-V) in Jharkhand on hybrid annuity mode (HAM), for the NHAI. The concession agreement for the project was signed with the authority on June 20, 2022, with the appointed date of September 15, 2023. As of December 2024, ~88% RoW was available and it reported physical progress of ~60%.

Key financial indicators (audited)

Key financial indicators are not applicable as MGBPL is a project stage company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: The company faces prepayment/ refinancing risk, in case of debt acceleration upon the breach of covenants, including financial covenants, operating covenants, and rating linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lender or the lender does not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

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)	Feb 07, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	363.00	[ICRA]A-(Stable)	Jan-11-2024	[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	Fund-based – Term loan	FY2023	NA	-*	363.00	[ICRA]A- (Stable)

Source: Company, ICRA Research; *the SPV is yet to avail disbursement, maturity date will be linked to COD

[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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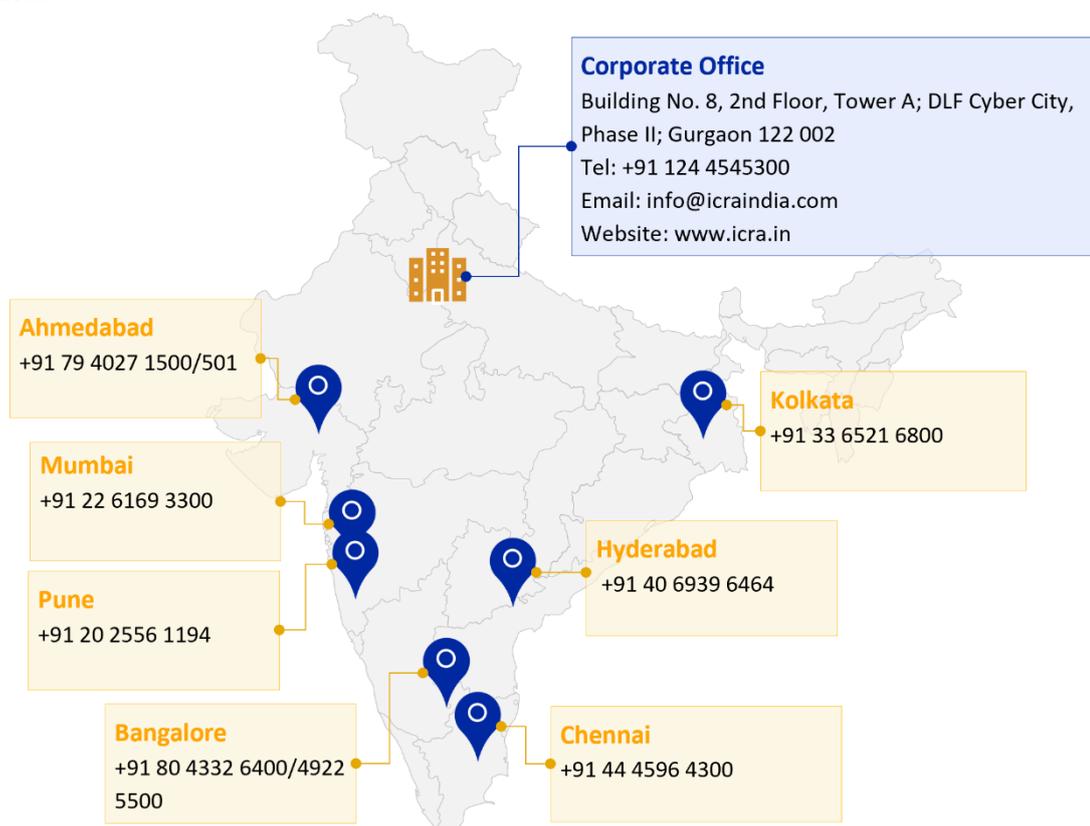
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