

February 10, 2025

Eastern Ghats Highway Project Pvt. Ltd.: [ICRA]A- (Stable) reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	652.00	652.00	[ICRA]A- (Stable); reaffirmed
Long-term – Non-fund based – Interchangeable – Bank guarantee	(153.57)	(153.57)	[ICRA]A- (Stable); reaffirmed
Long-term – Non-fund based – Bank guarantee	41.89	41.89	[ICRA]A- (Stable); reaffirmed
Total	693.89	693.89	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Eastern Ghats Highway Project Pvt. Ltd (EGHPPL) factors in the healthy credit profile of its sponsors and engineering, procurement and construction (EPC) contractors, Bekem Infra Projects Private Limited (Bekem, rated [ICRA]A (Stable)) and Max Infra (I) Private Ltd (Max Infra, rated [ICRA]A- (Stable)/[ICRA] A2+), who have equal shareholding. The rating also positively factors in the support undertaking provided by Bekem as well as Max Infra to the lender to offer 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. The rating further 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 1.1 times. The rating notes the inherent benefits of the hybrid annuity (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 also factors in the stable revenue stream post commissioning with 60% of the inflation-adjusted bid project cost 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 entrusted with the responsibility of development and maintenance of India's national highway programme.

The rating, however, remains constrained by the residual execution risks involved in the under-construction projects including time and cost overrun risks. The project has achieved 71% physical progress as on December 31, 2024, against the scheduled progress of 71.60% after adjusting for the extension in commercial operation date (COD) to August 29, 2025, from the earlier COD of October 16, 2024. The authority approved extension in COD by 316 days owing to delay in providing the Right of Way (ROW), challenges involved in excavation of tunnel portion of the project stretch and delay in receipt of requisite approvals for change of scope works from the authority. The company's ability to commission the project, in a timely manner and within the budgeted cost, would be important from the credit perspective. The balance cost of Rs. 424.58 crore as on December 31, 2024, is likely to be funded by undrawn debt of Rs. 231.83 crore, pending equity infusion of Rs. 66.17 crore from sponsors and Rs. 131.78 crore of authority grants (excluding inflation component). Although EGHPPL is exposed to pending equity mobilisation risks, the promoters are adequately placed to infuse the balance funds in a timely manner for the project completion. EGHPPL'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 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 increase in routine and major maintenance & repair (MMR) 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 EGHPL will benefit from the strong project execution capabilities of the EPC contractors, Bekem and Max Infra, and expectations of timely completion of the project within the stipulated timelines.

Key rating drivers and their description

Credit strengths

Lower inherent risks in HAM projects from NHAI – The inherent benefits of the hybrid annuity-based nature of the project include an upfront availability of right of way (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, NHAI, which is a strong counterparty, provide comfort.

Comfortable projected debt coverage indicators for the project – Once operational, EGHPL is expected to have healthy 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 major maintenance reserve (MMR) and restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.1 times.

Sponsor undertaking towards the project – The credit profile of the company is supported by the healthy financial profile of the sponsors and EPC contractors of the project, Bekem and Max Infra. The undertaking provided to the lender to offer 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 is a credit positive.

Credit challenges

Execution risk related to under-construction project – As on December 31, 2024, the company had achieved 71% physical progress against the scheduled progress of 71.60% after adjusting for the extension in the commercial operation date (COD) to August 29, 2025, from the earlier October 16, 2024. The authority approved extension in COD by 316 days owing to delay in providing the right of way (ROW), challenges involved in excavation of tunnel portion of the project stretch and delay in receipt of requisite approvals for change of scope works from the authority. ICRA notes the limited experience of the sponsors in the execution of hybrid annuity projects and their ability to commission the project, in a timely manner and within the budgeted cost, would be important from the credit perspective. Although EGHPL is exposed to pending equity mobilisation risks, the promoters are adequately placed to infuse the balance funds in a timely manner for the project completion, mitigating the risk to an extent.

Undertaking O&M as per concession requirement, cash flows and returns exposed to inflation risks – EGHPL'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 O&M/periodic maintenance expenses. 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 rise in routine and MMR expenses from the budgeted level could impact its coverage metrics and is key rating monitorable.

Liquidity position: Adequate

As the project is under construction, the company does not maintain any significant liquidity on its books. However, the balance project cost of Rs. 424.58 crore as on December 31, 2024, is likely to be funded by undrawn debt of Rs. 231.83 crore, pending equity infusion of Rs. 66.17 crore from sponsors and Rs. 131.78 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 the 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	The rating is based on the company’s standalone financial profile

About the company

Eastern Ghats Highway Project Private Limited (EGHPPL) was incorporated on February 12, 2022 as a special purpose vehicle by Bekem Infra Projects Private Limited and Max Infra (I) Private Limited (the project sponsors) with the objective to develop, maintain and manage the project of six-laning of the access-controlled greenfield highway section on NH-130CD (Kandili – Tumbigura) of 22.53 km from Kandili village to Tumbigura village (design chainage 342+500 to 365+033) under the Raipur-Visakhapatnam Economics Corridor, in Odisha (Package-OD-8) on hybrid annuity mode.

EGHPPL was awarded the project through a competitive bidding process with a BPC of Rs. 1,396.09 crore and a first-year O&M cost of Rs. 1.8 crore. The total project cost is Rs. 1,529.41 crore and is to be funded by a promoter contribution of Rs. 218.46 crore (14.28% of project cost), debt of Rs. 652 crore (42.63%) and an NHA grant of Rs. 658.95 crore (43.08%).

Key financial indicators

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

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)	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
				February 10, 2025	March 08, 2024	Jan 06, 2023	-	
1	Term loan	Long-term	652.00	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-	
2	Interchangeable-Bank guarantee	Long-term	(153.57)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-	
3	Bank guarantee	Long-term	41.89	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-	

Note: Amount in Rs. crore;

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Non-fund based – Interchangeable – Bank guarantee	Very 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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2023	NA	FY2038	652.00	[ICRA]A- (Stable)
NA	Interchangeable-Bank guarantee	FY2023	NA	FY2038	(153.57)	[ICRA]A- (Stable)
NA	Bank guarantee	FY2023	NA	FY2038	41.89	[ICRA]A- (Stable)

Source: Company; amount in Rs. crore

[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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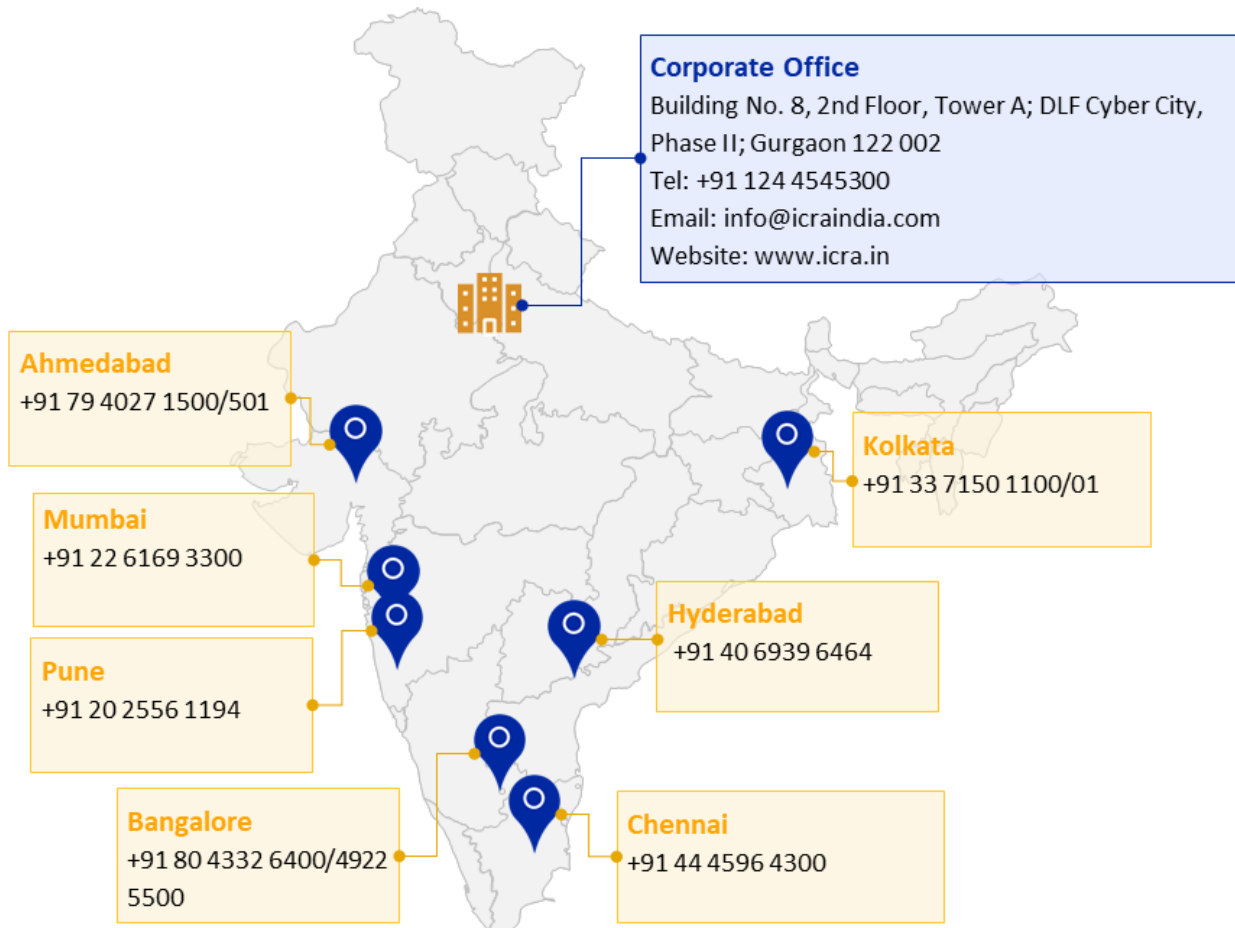
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