February 10, 2025

# PS Toll Road 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** | 708.00 | 622.95 | [ICRA]C+; reaffirmed |
| **Long-term – Unallocated limits** | 82.00 | 0.00 | - |
| **Total** | **790.00** | **622.95** | |

**Instrument details are provided in Annexure I*

## Rationale

The rating for PS Toll Road Private Limited (PSTRPL) remains constrained by the prolonged delays in project completion and the ongoing dispute between PSTRPL and the National Highways Authority of India [NHAI, rated [ICRA]AAA(Stable)] over penalties for the delay in project completion and premium payable in line with the provisions of the Concession Agreement. The total claim amount by the NHAI from the company, represents a significant sum, including claims related to non-payment of premiums and accrued interest thereon. The company has made counterclaims primarily related to engineering, procurement and construction (EPC) contractor-related services. Any crystallisation in this claim liability would have an adverse impact on its credit profile and hence will remain a key rating monitorable. Although the company has maintained a debt service reserve account (DSRA) balance of Rs. 25.9 crore as on January 29, 2025, it is lower than the lenders' stipulated DSRA to cover succeeding three months' principal and interest obligations. 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 interest rate risk, given the floating nature of interest rates.

The rating, however, favourably takes into account the project's long established tolling track record of 14+ years, along with the advantageous location, on the Mumbai-Chennai stretch of the Golden Quadrilateral offering strategic benefits to its operations, which is reflected in its healthy CAGR of 9.5% in toll revenue during FY2018-2024, with 7% growth in FY2024, supported by toll rate hike of ~6%.

## Key rating drivers and their description

### Credit strengths

**Operational nature of project; established toll collection track record** – The project has an operational track record of 14+ years, with healthy CAGR of 9.5% in toll revenue during FY2018-2024 and 7% growth in FY2024, supported by toll rate hike of ~6%. The project stretch is a part of the Mumbai – Chennai stretch of the Golden Quadrilateral, connecting major cities of Pune, Kolhapur and Bangalore. Traffic is majorly composed of cars (70%-75%) and buses/trucks (11%-13%). Traffic volumes are driven by major tourist attractions like Mahabaleshwar, Panchgani and Kas Pathaar near the stretch. While ICRA notes the project's strategic location, the stretch witnessed a ~3% YoY decline in traffic in 8M FY2025 due to ongoing construction work on the Kagal-Satara section of NH48, which resulted in traffic diversion via Solapur (Maharashtra). However, this disruption is temporary, and traffic volume is expected to recover post FY2026.

## Credit challenges

**Continuing delays in project execution; exposed to residual execution risk** – There have been prolonged delays in project execution for around a decade (original scheduled completion date was March 31, 2013). Till date, PSTRPL has received the NHAI's approval for extension of timeline for construction till December 31, 2015. ICRA notes that the Independent Engineer has recommended extension of time on multiple occasions. However, the same are yet to be approved by the NHAI. The project received provisional completion certificate on April 30, 2022, subject to completion of pending punch list works (of Rs. 184.9 crore) within ensuing 90/180 days (for punch list A and B respectively), though the same has been delayed by challenges like unhindered right of way (RoW), rainfall and other local issues as per the lender's engineer report. The balance work outstanding was Rs. 41.8 crore as on December 25, 2024 (pertaining to hindered stretches of land). However, the company has applied for its descoping because of unavailability of RoW. It shall remain exposed to residual execution risk till the same is received.

**Sizeable contingent liability, primarily on account of claims filed by authority** – The dispute between the company and the NHAI over penalties for the delay and NHAI premium is subject to arbitration. The total claim amount by the NHAI from the company, represents a significant sum, including claims related to non-payment of premiums and accrued interest thereon. The company has made counterclaims primarily related to engineering, procurement and construction (EPC) contractor-related services. PSTRPL is paying premium in line with the provisions of the Concession Agreement from October 2023 onwards (to be escalated by 5% annually), with the amount for November 2024 and December 2024 currently pending release from escrow account. Any crystallisation of the NHAI's claim liability would have an adverse impact on the company's credit profile.

**Risks inherent to toll road projects and interest rate risk** – The project remains exposed to risks inherent in BOT (toll) road projects, including risks arising from variation in traffic volume over the project stretch and its dependence on the economic activity in the surrounding regions. Moreover, it is vulnerable to movement in WPI (for toll rate hike), political acceptability of toll rate hikes over the concession period, development/improvement of alternative routes and likelihood of toll leakages. Further, the project's cash flows and profitability remain exposed to the interest rate risk due to the floating nature of the interest rate. ICRA notes that although company has maintained a DSRA balance of Rs. 25.9 crore as on January 29, 2025, it is lower than the lenders' stipulated DSRA to cover succeeding three months' principal and interest obligations.

## Liquidity position: Stretched

As on January 29, 2025, the free cash balance stood at ~Rs. 35 crore. The prolonged capital expenditure, coupled with suspension of toll collections in the past, has strained PSTRPL's cash flows, necessitating dependence on sponsor support in the past. The project cashflows are expected to be adequate to cover capital expenditure, scheduled debt obligations and routine O&M expenses. However, given the decline in traffic due to ongoing construction on subsequent stretch, adequacy of cashflows for timely payment of NHAI premium remains a key monitorable. Further, any adverse outcome of the ongoing arbitration proceedings on claims and outstanding NHAI deferred premium could further result in cash flow mismatches.

## Rating sensitivities

**Positive factors** – The rating could be upgraded on sustained and material improvement in debt coverage metrics, creation of stipulated reserves in line with the lenders' requirements, along with improvement in liquidity position. Moreover, a favourable outcome from arbitration proceedings is also vital for a rating upgrade.

**Negative factors** – Any weaker-than-expected toll collections resulting in weakening in debt coverage metrics and/or any unfavourable outcome on disputes with the NHAI leading to material liability could lead to downward movement in rating.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Roads - BOT Toll<br>Corporate Credit Rating Methodology |
| **Parent/Group support** | Not Applicable |
| **Consolidation/Standalone** | The rating is based on the company's standalone financial statements. |

## About the company

Incorporated in February 2010, PSTPRL is a special purpose vehicle fully held by Reliance Infrastructure Limited. The scope of work included widening of Pune - Satara stretch from four lanes to six lanes on design, build, finance, operate and transfer basis under NHDP Phase V in Maharashtra. The project is a part of NH-4 and starts at km 725.00 and ends at km 865.35 of NH-4 covering a total length of about 140.35 km. The project was awarded by the NHAI based on the highest premium quoted of Rs. 90.90 crore in the first year, i.e., from October 2010. The project achieved provisional completion on April 30, 2022 and is under process for receiving full completion.

### Key financial indicators (audited)

| Rs. crore | FY2023 | FY2024 |
|---|---|---|
| **Operating income (OI)** | 513.0 | 474.4 |
| **PAT** | -236.0 | -256.3 |
| **OPBDIT/OI (%)** | 60.1% | 64.5% |
| **PAT/OI (%)** | -46.0% | -54.0% |
| **Total outside liabilities/Tangible net worth (times)** | 3.8 | 6.4 |
| **Total debt/OPBDIT (times)** | 2.8 | 2.7 |
| **Interest coverage (times)** | 1.1 | 1.1 |

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

*Note: The company follows IndAS 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 (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Type | Amount rated (Rs. crore) | Feb 10, 2025 | FY2024 | | FY2023 | | FY2022 | |
| | | | | | Date | Rating | Date | Rating | Date | Rating |
| 1 | **Term loans** | Long term | 622.95 | [ICRA]C+ | Jan 12, 2024 | [ICRA]C+ | Jan 12, 2023 | [ICRA]D | Jan 18, 2022 | [ICRA]D |
| 2 | **Unallocated limits** | Long term | 0.0 | - | Jan 12, 2024 | [ICRA]C+ | - | - | - | - |

## 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** | FY2015 | NA | FY2030 | 622.95 | [ICRA]C+ |

*Source: Company*

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

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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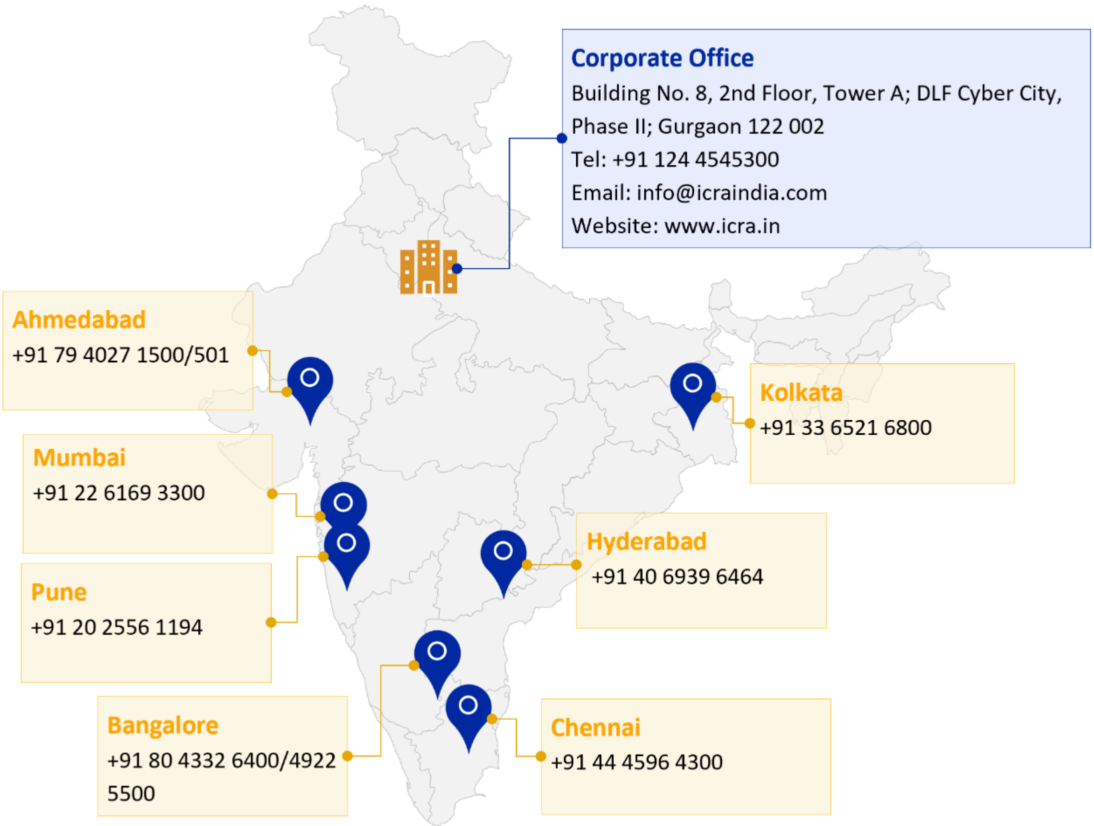




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