

February 11, 2025

Rajamahendravaram Greenfield 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	286.00	286.00	[ICRA]A- (Stable); reaffirmed
Total	286.00	286.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Rajamahendravaram Greenfield Highway Private Limited (RGHPL) factors in the healthy credit profile of its sponsor and engineering, procurement, and construction (EPC) contractor, Bekem Infra Projects Private Limited (BIPPL; rated [ICRA]A(Stable)). The rating favorably notes the structural features of the debt, including the presence of escrow, cash flow waterfall mechanism, provision for debt service reserve, provision for creation of reserve for major maintenance (MMR), and the restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.15 times. RGHPL is promoted by BIPPL and Sri Avantika Contractors (I) Limited (SACIL) in the ratio of 51:49 to undertake the project. The promoters have provided joint and several corporate guarantee for the loan from the lender till receipt of the second annuity. Further, BIPPL has provided undertaking towards financial support in case of cost overrun during the construction phase, any shortfall in operations and maintenance (O&M) expenses. The rating notes the inherent benefits of the hybrid-annuity based nature of the project including upfront availability of right of way (RoW), automatic de-scoping of RoW pending beyond 180 days from the appointed date and 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 in the form of grants. The rating notes the inherent benefits of the hybrid-annuity based nature of the project including 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 a grant. The rating considers the stable revenue stream after commissioning with 60% of the inflation-adjusted BPC 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, National Highway Authority of India (NHAI, rated [ICRA]AAA(Stable)), which is a key Central Government entity responsible for development and maintenance of India's national highway programme.

The rating is, however, constrained by the execution risks involved in the under-construction projects including time and cost overrun risks. The project achieved physical progress of 61.29% as of December 2024 against the scheduled progress of 63.48% after adjusting for the extension in the final commercial operation date (COD) to June 30, 2025 from the earlier COD of September 26, 2024. The authority approved extension in COD by 277 days owing to heavy rainfall and delay in receipt of requisite approvals for change of scope works from the authority. The company's ability to commission the project within the approved timeline and budgeted costs remains important from the credit perspective. Further, the NHAI is yet to provide RoW for 3.11 km and RGHPL is expected to complete the balance work within 8 months of handover. The balance cost of Rs. 240.9 crore as on December 31, 2024 is likely to be funded by undrawn debt of Rs. 82.09 crore, authority grant of Rs. 131.05 crore, and balance equity of Rs. 27.75 crore.

BIPPL is expected to infuse the funds in JPPL, in a timely manner, for the project completion if there is any delay in equity infusion from SACIL. Post-commissioning, it will 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 (MM) from the

budgeted level could impact its DSCR. JPPL'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 increase in O&M/periodic maintenance expenses.

The Stable outlook on the rating reflects ICRA's opinion that JPPL will benefit from the strong execution capabilities of the sponsor and EPC contractor, BIPPL.

Key rating drivers and their description

Credit strengths

Healthy financial risk profile and established track record of sponsor/EPC contractor – RGHPL is a subsidiary of BIPPL, which has experience in executing hydro-mechanical works since 2008 and is the EPC contractor for this project. 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. ICRA notes that the term loan will have joint and several corporate guarantee from both the sponsors till receipt of the second annuity. Further, BIPPL and SACIL provided an undertaking towards cost overrun support during the construction phase, in case of any shortfall in O&M expenses and debt servicing in the operational phase supporting the credit profile.

Comfortable projected debt coverage indicators and presence of structural features – RGHPL is expected to achieve COD by June 30, 2025 and the project is likely to have healthy coverage indicators with cumulative DSCR of more than 1.25 times. The credit profile is supported by BIPPL 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 provide comfort.

Lower inherent risks in HAM projects from the NHAI – The inherent benefits of the HAM project include upfront availability of RoW, automatic de-scoping of RoW pending beyond 180 days from the appointed date and inflation-linked revisions to the BPC during the construction period. Moreover, it faces relatively lower equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period in the form of a grant. A stable revenue stream after commissioning of the project with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at an average of one-year MCLR of the top five 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, offer comfort.

Credit challenges

Execution risk related to under-construction project – The project has received the appointed date on September 26, 2022 and achieved physical progress of 61.29% as of December 2024 as against the scheduled progress of 63.48% after adjusting for the extension in COD to June 30, 2025 from the earlier COD of September 26, 2024. The authority approved extension in COD by 277 days owing to heavy rainfall, and delay in receipt of requisite approvals for change of scope works from the authority. Its ability to commission the project within the budgeted costs would remain important from the credit perspective. RGHPL is also exposed to pending equity mobilisation risks as Rs. 27.75 crore of equity is yet to be infused as of December 31, 2024. However, BIPPL is expected to infuse the funds in RGHPL, in a timely manner, for the project completion if there is any delay in equity infusion from SACIL.

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

Project cash flows and returns exposed to inflation risks – RGHPL'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 the

O&M/periodic maintenance expenses. Hence, adequate and within budgeted O&M will be a key rating sensitivity during the operations stage.

Liquidity position: Adequate

As the project is under construction, the company does not maintain any significant liquidity on its books. However, the liquidity position is supported by undrawn sanctioned term loan, grants receivable from the NHAI and pending equity infusion from sponsors. The balance cost of Rs. 240.9 crore as on December 31, 2024 is likely to be funded by undrawn debt of Rs. 82.09 crore, authority grant of Rs. 131.05 crore, and balance equity of Rs. 27.75 crore.

Rating sensitivities

Positive factors – The rating could be upgraded if the project achieves PCOD without any time and cost overruns, along with receipt of the first annuity 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 EPC contractor/sponsor thereby heightening the equity mobilisation risk, or if 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	Standalone

About the company

Incorporated in October 2021, Rajamahendravaram Greenfield Highway Private Limited is a special purpose vehicle promoted by Bekem Infra Projects Private Limited (BIPPL) and Sri Avantika Contractors (I) Limited (SACIL) in the ratio of 51:49 for development, maintenance and management of four-laning of the access controlled new greenfield highway section of NH-365BG of length 29.462 km from Gurveygudem village to Devarapalle village (Package-V) under inter corridor route under Bharatmala Pariyojana, in Andhra Pradesh on HAM basis. The total estimated project cost is Rs 682.64 crore and is to be funded by promoters contribution of Rs 104.76 crore (15.3% of project cost), NHAI construction support of Rs 291.88 crore (42.8%) and term loan of Rs. 286.0 crore (41.9%).

Key financial indicators (audited): Not applicable as it 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 (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs. crore)	Feb 11,2025	Date	Rating	Date	Rating	Date	Rating
Long-term - Term loan - Fund-based	Long Term	286.00	[ICRA]A-(Stable)	08-JAN-2024	[ICRA]A-(Stable)	13-FEB-2023	[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	Term loan	Jun-2022	NA	Jan-2038*	286.00	[ICRA]A-(Stable)

Source: Company; *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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