

April 14, 2025

Oriental Structural Engineers Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	294.98	0.00	-
Long-term – Fund-based – Cash credit	250.00	250.00	[ICRA]AA (Stable); reaffirmed
Short-term – Non-fund based facility	1,175.00	0.00	-
Long-term/Short-term – Non-fund based facilities	0.00	1,469.98	[ICRA]AA (Stable)/[ICRA]A1+; reaffirmed
Total	1,719.98	1,719.98	

*Instrument details are provided in Annexure I

Rationale

For arriving at the ratings, ICRA has considered the consolidated financials of Oriental Structural Engineers Private Limited (OSEPL), along with its 100% subsidiary Oriental Tollways Private Limited (OTPL). Henceforth, OSEPL and OTPL are together referred as the Oriental Group.

The ratings reaffirmation considers the steady distribution income from Oriental Infra Trust (OIT), low leverage and exceptional financial flexibility arising from Oriental Group's unitholding of OIT (OSEPL and OTPL together hold 59.17% stake in OIT) as of March 2025. Since its formation in FY2020, OIT declared a total of 23 distributions and the Oriental Group has received Rs. 1,925.6 crore (of which, ~Rs. 329.9 crore was received in 9M FY2025) as distribution income. The distribution income from OIT is expected to remain healthy and stable, supported by regulatory stipulation of at least 90% of the net distributable cash flows to be distributed to the InvIT's unitholders. The ratings note OSEPL's low leverage with TOL/TNW of 0.3 times and strong liquidity position, aided by sizeable, unencumbered liquid investments of Rs. 1,235 crore (as on February 28, 2025). Given the healthy distribution income from OIT, and absence of any major debt raising plans, its leverage is likely to remain comfortable in the medium term. Further, OIT has the right of first refusal for the Group's build-operate-transfer (BOT) portfolio, which provides a platform for the Group for monetisation of its operational assets. OSEPL has reported engineering, procurement and construction (EPC) revenues of Rs. 1,769 crore in FY2024 and achieved billings of ~Rs. 540 crore in 9M FY2025. Although the EPC revenue is expected to decline by ~50% in FY2025 on account of limited order addition amid lower awarding activity of National Highways Authority of India (NHAI). However, the same is likely to improve in the medium term due to healthy order addition in FY2025. This apart, the rating positively factors in the extensive experience of the company's promoters in the construction sector.

The ratings are, however, constrained by the modest confirmed order book position of around Rs. 2,610 crore (excluding L1 orders) as on December 31, 2024, which translates to order book/revenue (FY2024) (OB/OI) of 1.48 times. The company is also the L1 bidder for Rs. 5,150 crore of orders from Maharashtra State Road Development Corporation (MSRDC) and timely commencement of project execution remains critical for near-term revenue growth in the EPC segment. Besides, the order book is concentrated in terms of customer and sectors, with its majority orders from the NHAI comprising road projects. ICRA notes the heightened competition in the road sector for both the EPC and hybrid annuity mode (HAM) projects. OSEPL's ability to improve order execution remains a key rating monitorable. ICRA, in its base case assumptions, has assumed new order addition in BOT-toll/HAM projects during FY2026-FY2027. Any material increase in equity commitments, which could materially impact liquidity or leverage metrics, could have a bearing on its credit profile and remains a key monitorable. The

ratings factor in the company's exposure to sizeable contingent liabilities in the form of bank guarantees. Nonetheless, ICRA draws comfort from its execution track record and absence of any invocations of bank guarantee in the past.

The Stable outlook on the long-term rating reflects ICRA's opinion that OSEPL's credit profile will be supported by steady distribution income from OIT, improvement in order execution supporting growth in EPC revenues and exceptional financial flexibility.

Key rating drivers and their description

Credit strengths

Exceptional financial flexibility with sizeable investment in OIT and regular distribution income to support OSEPL's cash flows – The Oriental Group benefits from the steady distribution income from OIT and exceptional financial flexibility arising from its unitholding of OIT (OSEPL and OTPL together hold 59.17% stake in OIT since its formation in FY2020). OIT made a total of 23 distributions and the Group received Rs. 1,925.6 crore (of which, ~Rs. 329.9 crore was received in 9M FY2025). The distribution income from OIT is expected to remain healthy and stable, supported by regulatory stipulation of at least 90% of the net distributable cash flows to be distributed to the InvIT's unitholders. Further, OIT has the right of first refusal for the Group's BOT portfolio, which provides a platform for the Group for monetisation of its operational assets. OIT has a healthy operational profile with six operational road projects (five toll-based projects with an average toll collection track record of nearly 10 years; and one annuity project with a track record of timely receipt of 19 full semi-annual annuities), all under Concession Agreement with the NHAI.

Strong liquidity profile, comfortable leverage and coverage metrics – The Oriental Group has a strong liquidity position with unencumbered liquid investments of ~Rs. 1,235 crore as on February 28, 2025. While the company has been actively bidding for road projects, ICRA in its base case projections has estimated Rs. 800-850 crore of equity commitment towards developmental projects during FY2026-FY2027, of which around Rs. 200 crore is committed equity investments towards its two under-implementation HAM projects. Nonetheless, OSEPL is comfortably placed to meet the equity requirements from its existing liquidity. Any material increase in equity commitments, which could materially impact liquidity or leverage metrics, could have a bearing on its credit profile and remains a key monitorable. Further, its financial risk profile is strong with total outside liabilities/tangible net worth at 0.3 times as on March 31, 2024 and interest coverage of 14.8 times in FY2024, aided by its limited reliance on external borrowings. Given the healthy distribution income from OIT and absence of any major debt raising plans, the Group's liquidity position and the coverage indicators are expected to remain comfortable in the medium term.

Long track record in construction business – OSEPL, the flagship entity of the Oriental Group, has an extensive experience of over five decades in the road construction segment and has been executing road projects since 1971. The company has successfully completed 13 BOT projects over the past 15 years. At present, two additional BOT HAM projects are under development.

Credit challenges

Modest order book position – OSEPL order book position remained modest at Rs. 2,610 crore as on December 31, 2024 reflecting an OB/OI of only 1.48 times providing limited near-term revenue visibility. It faces execution risk as ~67% of the order book is in the nascent stages of execution (with work yet to commence). The company is also an L1 bidder in Rs. 5,150 crore of orders from MSRDC and timely commencement of project execution remains critical for near-term revenue growth in the EPC segment. Besides, the order book is concentrated in terms of customer and sector, with its majority of the order book from the NHAI comprising road projects.

Intense competition in construction industry and sizeable non-fund based exposure – OSEPL procures orders through competitive bidding. ICRA notes the heightened competition in the road sector for both the EPC and HAM projects and the company's ability to secure new orders remains a key rating monitorable. OSEPL is exposed to sizeable contingent liabilities in

the form of bank guarantees. Nonetheless, ICRA draws comfort from its execution track record and absence of any bank guarantee invocations in the past.

Liquidity position: Strong

The Oriental Group's liquidity is strong, characterised by healthy free cash balances and sufficient buffer available in its working capital facilities. OSEPL reported free cash balance and liquid investments of ~Rs. 1,235 crore as of February 2025. The Oriental Group has pending equity investments of around Rs. 200 crore over FY2026 and FY2027 towards its two under-implementation HAM projects, which can be comfortably met from its internal accruals and the existing cash balances. The liquidity position is also likely to be supported by low capex plans and healthy distribution income expected from OIT.

Rating sensitivities

Positive factors – The ratings could be upgraded if the share of capital employed in OIT increases to over 85% of OSEPL's total capital employed resulting in a significant increase in distribution income from OIT, on a sustained basis, while maintaining its negative net debt position and keeping a strong liquidity position.

Negative factors – Pressure on the ratings could arise if there is a deterioration in the company's liquidity profile due to a considerable increase in exposure to developmental projects and/or large debt-funded acquisitions and/or there is a significant pressure on earnings from the EPC business. The ratings could come under pressure if the share of capital employed in OIT falls materially below 50% of OSEPL's total capital employed, on a sustained basis, and/or if the ratio of the Group's debt to distribution received from OIT (InvIT) increases to more than 2.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction Investment Companies
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financial of OSEPL, along with its 100% subsidiary – OTPL and the limited consolidation of six of its subsidiaries/special purpose vehicles (SPVs) – which are set up for undertaking HAM road projects (refer Annexure-II). For limited consolidation, ICRA has considered the financial support that is anticipated to be extended by OSEPL in the form of equity infusion/unsecured loans to meet the project cost and cash flow mismatches, if any, in these subsidiaries.

About the company

Oriental Structural Engineers Private Limited (OSEPL) was incorporated in 1971. It is specialised in highways and airfield works. The Oriental Group, promoted by the New Delhi-based Bakshi family, commenced operations in 1970. It has an experience of over five decades in the construction industry with main expertise in the roads and highways segment. The company has executed several major infrastructure projects in the past and has a long track record of completing infrastructure projects including road BOT projects developed under SPVs.

Key financial indicators (audited)

Consolidated – OSEPL and OTPL	FY2023	FY2024	9M FY2025*
Operating income**	1648.2	2053.5	805.0
PAT	1,036.4	687.1	353.7
OPBDIT/OI	18.3%	32.1%	29.2%
PAT/OI	62.9%	33.5%	43.9%
Total outside liabilities/Tangible net worth (times)	0.3	0.3	0.3
Total debt/OPBDIT (times)	1.0	0.8	2.1
Interest coverage (times)	5.1	14.8	10.7

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Includes dividend and interest receipts from OIT

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Apr 14, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	-	-	-	-	Feb 28, 2024	[ICRA]AA (Stable)	Nov 29, 2022	[ICRA]AA (Stable)
Cash credit	Long term	250.00	[ICRA]AA (Stable)	-	-	Feb 28, 2024	[ICRA]AA (Stable)	Nov 29, 2022	[ICRA]AA (Stable)
Non-fund based facilities	Short term	-	-	-	-	Feb 28, 2024	[ICRA]A1+	Nov 29, 2022	[ICRA]A1+
Non-fund based facilities	Long-term/Short-term	1,469.98	[ICRA]AA (Stable)/[ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash credit	Simple
Long-term/Short-term – Non-fund based facilities	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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	-	-	-	250.00	[ICRA]AA (Stable)
NA	Non-fund based facilities	-	-	-	1,469.98	[ICRA]AA (Stable)/[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	OSEPL & OTPL's Ownership*	Consolidation Approach
Oriental Tollways Private Limited (OTPL)	100.00%	Full Consolidation
Binjabahal to Telebani Section Highways Private Limited	100.00%	Limited Consolidation
Kallagam-Meensurutti Highway Pvt Ltd	100.00%	Limited Consolidation
Rajiv Chowk-Sohna Highway Pvt Ltd	100.00%	Limited Consolidation
Poondiankuppam-Sattanathapuram Section Private Limited	100.00%	Limited Consolidation
Edapally To Kodungallur Highway Pvt Ltd	100.00%	Limited Consolidation
Thiruvallur P1 Highway Private Limited	100.00%	Limited Consolidation

Source: *The shareholding of various SPVs is divided between OSEPL and OTPL

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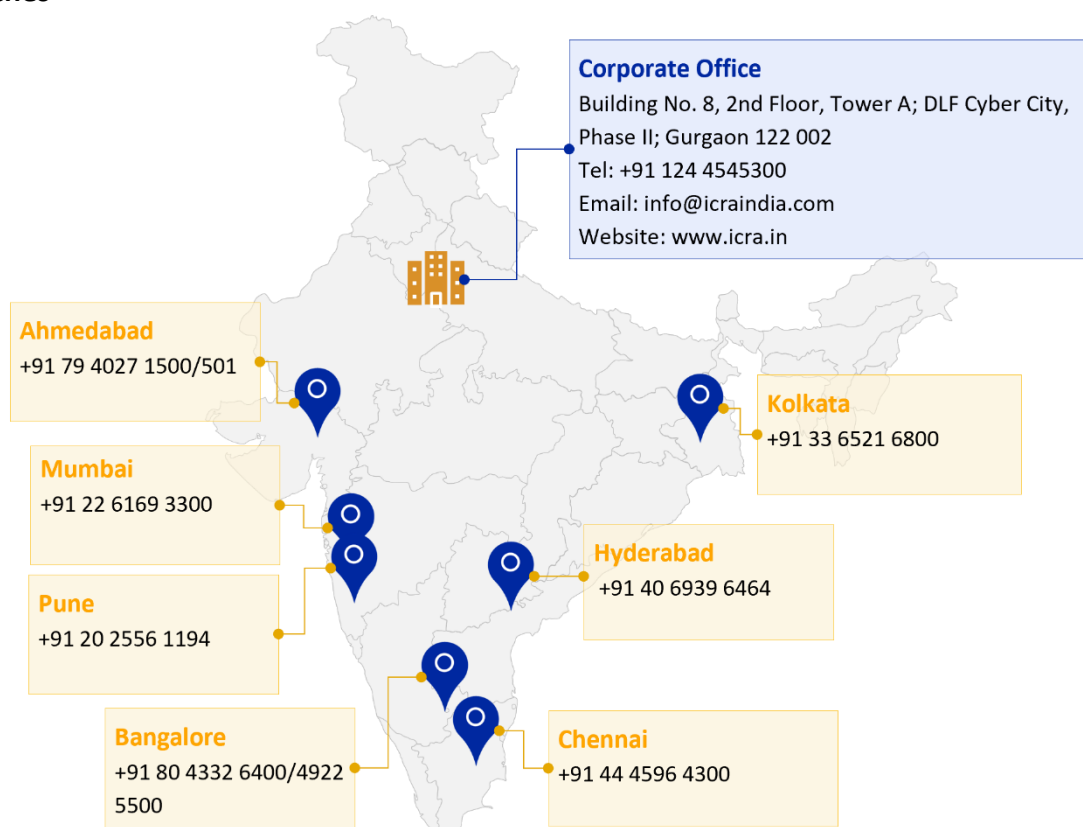
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