

August 05, 2025

Poondiankuppam-Sattanathapuram Section Private Limited: Rating upgraded to [ICRA]AAA (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based - Term Loan	985.47	985.47	[ICRA]AAA (Stable); upgraded from [ICRA]AA- (Stable)
Total	985.47	985.47	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade of Poondiankuppam-Sattanathapuram Section Private Limited (PSSPL) favourably factors in the receipt of second semi-annuity on bid project cost (BPC) corresponding to 100% of the project length thereby mitigating the execution risk. PSSPL received PCC1 for 52.24-km project stretch effective from May 31, 2024, and PCC2 for the balance 4.56-km project stretch effective from December 09, 2024. With completion of 100% of the project stretch, the project completion cost is finalised and, hence, eliminates residual execution risks and uncertainty related to the annuity amounts. The rating also considers expected stable revenue stream for the term of the concession from the project owner and annuity provider, the National Highways Authority of India (NHAI, rated [ICRA] AAA (Stable)), a key Central Government entity responsible for the development and maintenance of India's national highway programme. The coverage metrics remain robust with debt service coverage ratio (DSCR) of more than 1.25 times during the debt tenure, which along with strong counterparty and creation of stipulated reserves [like debt service reserve (DSR) equivalent to six months of debt servicing obligations, major maintenance reserve (MMR) and regular operations and maintenance (O&M) and interest obligation reserve (Opex reserves)] lend support to the credit profile.

ICRA also notes that the interest rate risk is mitigated as both the annuities and term-loan interest are linked to MCLR benchmarks. ICRA takes comfort from the gap of about 45 days between the scheduled annuity payment date and the debt servicing date, coupled with pre-default structure of DSRA in case of any delay in annuity receipt.

The credit profile of SPV remains exposed to the asset concentration risk owing to the dependency on a single project stretch, necessitating it to ensure satisfactory upkeep of the carriageway and undertake O&M and major maintenance of the project stretch as per the concession agreement (CA) to avoid any deductions from annuities and O&M payments. Any significant deduction from the annuities or O&M payments or increase in O&M and MM expenses from the budgeted level could impact its coverage metrics and remains a key rating monitorable. To offset impact of inflationary cost pressure, PSSPL has entered into a long-term fixed-price O&M and MM contract with Oriental Structural Engineers Private Limited (OSEPL, rated [ICRA]AA (Stable)), which has a strong operational track record of operating road projects.

The Stable outlook on the long-term rating reflects the expectations of timely receipt of annuities with presence of a strong counterparty, the NHAI, healthy debt coverage metrics and presence of structural features.

Key rating drivers and their description

Credit strengths

Operational nature of road project with track record of two semi-annuities – PSSPL received PCC1 for 52.24-km project stretch effective from May 31, 2024, and PCC2 for the balance 4.56-km project stretch effective from December 09, 2024. With completion of 100% of the project stretch, the project completion cost is finalised and, hence, eliminates the residual execution risk and uncertainty related to the annuity amounts. As of July 2025, it has received two semi-annuity payments, including O&M payment, without any material deductions. Although the first two semi-annuities were received within 36-43 days, the gap of 45 days between the scheduled annuity date and the debt servicing date, and the presence of DSR mitigate the risk of any short-term cash flow mismatches.

Annuity nature of project with strong counterparty - The annuity nature of the project eliminates the traffic risk in HAM road projects. As per the concession agreement, PSSPL will be receiving 30 semi-annual annuities starting six months from completion (or provisional completion) totalling to 60% of the final project completion cost, along with the interest on the residual annuities payable (equal to the average MLCR of top five scheduled commercial banks plus 1.25%), and the inflation-adjusted O&M cost bid over the 15-year operations period from the project owner and authority, the NHAI.

Healthy projected debt coverage indicators and presence of structural features – PSSPL is expected to have a healthy cumulative DSCR of over 1.25 times during the debt tenure. This provides the SPV adequate cushion to withstand adverse movements in the bank rate and inflation to a major extent. The credit profile is supported by structural features of the debt, such as the presence of escrow, a cash flow waterfall mechanism, a DSRA equivalent to ensuing six months of debt servicing obligation and creation of MMR, presence of reserves to meet regular O&M and interest obligations till the next scheduled annuity. Further, the presence of restricted payment clause with minimum DSCR of 1.10 times provides comfort.

Credit challenges

Ensuring O&M as per concession requirement and asset concentration risks - PSSPL's sources of income are the annuity, interest on outstanding annuities and the annual O&M payments from the NHAI. Hence, it must ensure satisfactory upkeep of the carriageway and undertake O&M and major maintenance of the project stretch as per the concession agreement (CA) to avoid any deductions from annuities and O&M payments.

Further, PSSPL'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. Therefore, any significant deduction from the annuities or O&M payments or increase in O&M and MM expenses from the budgeted level could impact its coverage metrics and remains a key rating monitorable. However, PSSPL has entered into a long-term fixed-price O&M and MM contract with OSEPL, which has a strong operational track record of operating road projects and provides comfort. Hence, material deterioration in the credit profile of the O&M contractor could impact its ability to undertake maintenance and will remain a key monitorable.

Liquidity position: Adequate

The company's liquidity position is adequate, supported by DSR equivalent to six months of principal and interest obligations (Rs. 72.48 crore), free liquid balances of Rs. 112 crore as on July 02, 2025. The cash flow from operations is expected to be sufficient to meet the debt servicing obligations of Rs.120.2 crore in FY2026 and Rs.138.9 crore in FY2027.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the rating could arise, if there are major deductions or delays in the receipt of semi-annual annuities or O&M payments, or if the O&M expenses significantly exceed the estimates. Increase in indebtedness leading to material reduction in debt coverage metrics, with the cumulative DSCR reducing below 1.25 times or non-adherence to the debt structure may also trigger a rating downgrade.

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

Poondiankuppam Sattanathapuram Section Private Limited (PSSPL) is a special purpose vehicle (SPV) promoted by Oriental Structural Engineers Private Limited (OSEPL) to undertake four-laning of the existing road on the Poondiankuppam to Sattanathapuram (67.00 km to 123.80 km) section of the NH 45A (new NH-332) in Tamil Nadu under the NHDP Phase IV on a design, build, operate and transfer (DBOT Annuity)/hybrid annuity model. As per the concession agreement (CA) signed between the NHA and PSSPL on May 18, 2021, the concession period is 17 years (including a construction period of 730 days) from the appointed date (January 20, 2022). The project has received PCC-2 for 100% of the project length w.e.f. December 09, 2024.

Key financial indicators - Ind AS (audited)

PSSPL	FY2023	FY2024	9M FY2025*
Operating income	864.0	961.7	123.0
PAT	10.3	89.8	19.9
OPBDIT/OI	2.3%	18.7%	86.5%
PAT/OI	1.2%	9.3%	16.2%
Total outside liabilities/Tangible net worth (times)	3.5	4.5	6.9
Total debt/OPBDIT (times)	11.8	4.9	8.6
Interest coverage (times)	3.1	3.0	1.2

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

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

Current (FY2026)				Chronology of rating history for the past 3 years					
Instrument	Type	Amount Rated (Rs. crore)	Aug 05, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based facility – Term loan	Long Term	985.47	[ICRA]AAA (Stable)	Aug 16, 2024	[ICRA]AA- (Stable)	Nov 07, 2023	[ICRA]A (Positive)	Dec 02, 2022	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund-based facility – 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 facility – Term loan	November 2021	NA	January 2038	985.47	[ICRA]AAA (Stable)

Source: Company

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

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

ANALYST CONTACTS

Ashish Modani

+91 20 6606 9912

ashish.modani@icraindia.com

Suprio Banerjee

+91 22 6114 3443

supriob@icraindia.com

Vinay Kumar G

+91 40 6939 6424

vinay.g@icraindia.com

M Rajashekar Reddy

+91 40 6939 6423

m.rajashekarreddy@icraindia.com

KBS Siva Krishna

+91 40 6939 6415

k.krishna@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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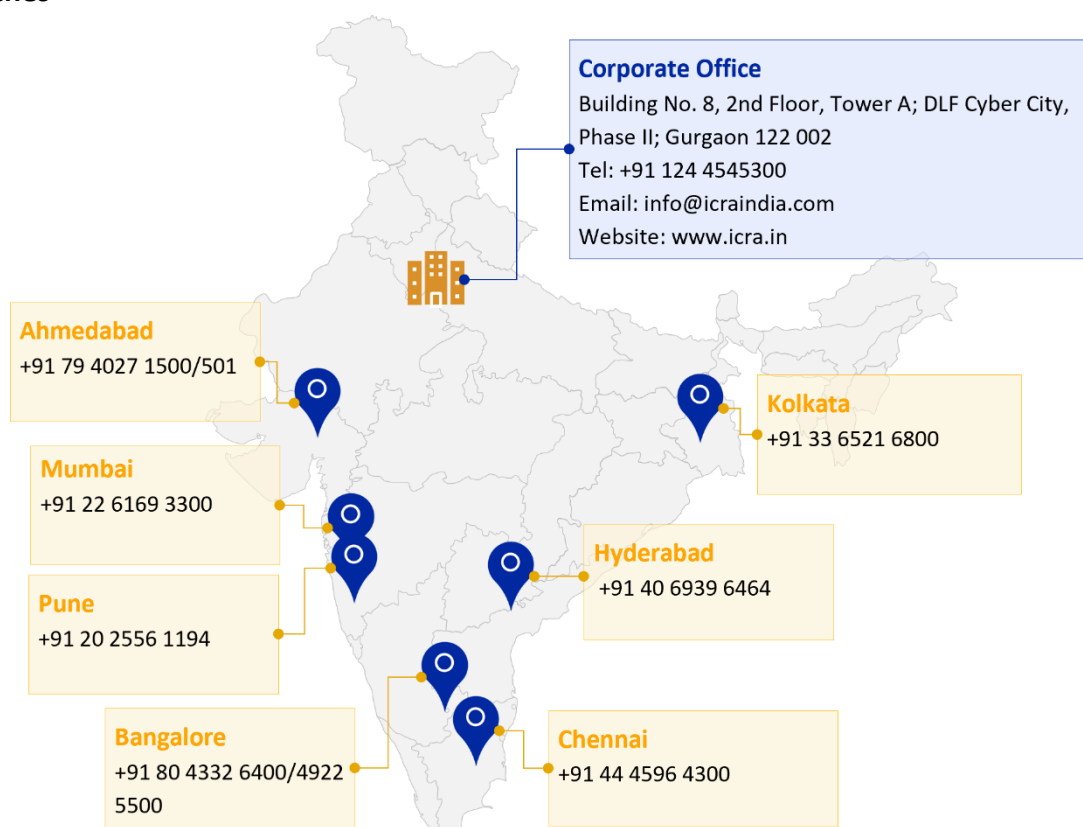
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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