



Press Release
PALMA GUMLA HIGHWAY PRIVATE LIMITED
February 24, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	325.71	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	325.71	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating at ‘**ACUITE A-**’ (read as **ACUITE A minus**) on the Rs 325.71 Cr. bank facilities of Palma Gumla Highway Private Limited (PGHPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation

The rating reaffirmation takes into account the advance stage of project implementation and expected receipt of PCOD as per the timelines and consequent annuity flow post receipt of PCOD certificate. Further, the rating continues to reflect strong financial and operational support from R K D Construction Private Limited (RKD) (rated at Acuite A/Stable/A1) to PGHPL. However, the rating is constrained by the risk related to timely receipt of future annuity payments, and changes in operational and interest cost, which could affect the debt serving capabilities of PGHPL.

About the Company

PGHPL was incorporated in September 2020 by RKD (99.9% stake) and Bharat Road Network Limited (0.1% stake). PGHPL is a special purpose vehicle to undertake 4 laning of Palma Gulma section of NH 23 in the state of Jharkhand on Hybrid Annuity Model (HAM). The project covers a length of 61.26 Km (previously 63.17 Km) at a project cost of Rs. 1019.30 Cr. , following the descoping by NHAI and the extension of PCOD.

The project was awarded by National Highway Authority of India (NHAI) for a concession period of 17-years, including a construction period of 2 years. However, the company has been granted an extension for a total of 349 days. The project’s EPC contractor is RKD. PGHPL is managed by Mr. Rohan Kumar Das, who is the current Managing Director of RKD. The appointed date for the project is 1 April 2022.

Unsupported Rating

ACUITE BBB-/Stable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Pamla Gumla Highway Private Limited (HAM Project) and notched up the standalone rating by factoring in the financial and operational linkages with R K D Construction Private Limited.

Key Rating Drivers

Strengths

Established track record in EPC business

PGHPL is promoted by R K D Construction Private Limited (RKD) and Bharat Road Network Limited in September 2020. RKD is the lead sponsor and EPC Contractor for Palma Gulma project. RKD is a reputed EPC player in Odisha and has almost four decades of experience in construction of roads and highways. RKD has executed similar kinds of road projects in Odisha in EPC mode. Further, RKD has strong financial flexibility as reflected from its healthy financial risk profile and adequate liquidity profile.

The total EPC cost for the project has increased from Rs. 869.26 Cr. to Rs. 1019.30 Cr, an increase of approximately Rs. 150 Cr., due to issues involving non-provisioning of the lane, Maoist activities, and land clearances. Out of the total Rs. 150 Cr, Rs. 100 Cr. was provided by NHAI in the form of PIM (Price Index Multiple) grant, with the remaining amount infused by the promoter. Further, the company has achieved 99.50% physical progress thereby mitigating the construction risk. The project cost has been funded through ~Rs 154.99

Cr. of promoter's contribution, Rs 540.60 Cr. of grant from NHAI, and the remaining ~Rs 323.71 Cr. from external borrowing, which has been guaranteed by RKD.

Strong counter party implying low revenue risk

The project is issued by NHAI which is a central government agency. NHAI is a nodal agency for awarding road and highway contracts in India. The Government of India (GoI) had established by NHAI in 1989 for the improvement of road transit infrastructure in India which will help the central government to achieve its economic and welfare functions. NHAI is strategically important to GoI. PGHPL has signed a concession agreement with NHAI for contractual payment in the form of grants and annuities. PGHPL has received 40 percent of project cost in form of grants during the construction period. The company has received a total grant of Rs. 540.6 Cr. from NHAI. The remaining 60 percent of project cost shall be payable in the form of 30 semi-annual annuities spread over a period of 15 years post achievement of PCOD. PGHPL will undertake O&M for the project during operational phase as financial assistance from NHAI. In addition, annuities calculation will consider the current price index which will mitigate the price fluctuation risk to a certain extent.

Repayment mechanism

PGHPL is maintaining an escrow account as per concession agreement to track all cashflows from NHAI and expenses incurred related to project execution. Moreover, both principal and interest of sanctioned term loan will be deducted from the escrow account. The repayment of term loan will commence from September 2025. The term loan will be repaid through 28 structured half yearly instalments. Further company is also required to maintain a DSRA equivalent to one half instalment and 6 months of interest.

Weaknesses

Exposed to risks such as delay in receiving annuity payments and any changes in operational cost & interest rate.

As per the concession agreement, the company is expected to receive a semi-annual annuity after 6 months post achieving the PCOD. Any delay in timely receipt of the annuity could have a bearing on the debt-servicing ability. Further, the company is exposed to risks related to maintenance of the project. If the prescribed standards and timely maintenances of the project are not performed, it may have a bearing on the annuity payments, and with any significant delay or deduction in annuities could impact the debt servicing ability of the company.

Acuite believes that any delay or deduction in annuities will affect the debt servicing capabilities of the PGHPL. However, this risk is mitigated to an extent on the back of support from the sponsor RKD and strong counter party (NHAI).

Rating Sensitivities

- Timely receipt of PCOD and COD certifications.
- Timely receipt of annuity payments from NHAI.
- Timely support from the sponsor for O&M activities.

Liquidity Position

Adequate

The company has an adequate liquidity profile marked by strong resource mobilization from its parent entity. Promoter has infused substantial amount of funds to execute the order. In addition, company received all the grants from NHAI. The repayment of term loan will commence from September 2025 that is six months post the scheduled PCOD. Further, there exists escrow mechanism and the company will be required to create DSRA equal to one half yearly instalment and 6 months interest payment on or before the COD which helps to mitigate liquidity mismatches.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	81.85	6.56
PAT	Rs. Cr.	(0.64)	(0.09)
PAT Margin	(%)	(0.78)	(1.45)
Total Debt/Tangible Net Worth	Times	3.24	0.35
PBDIT/Interest	Times	0.00	0.00

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook	
27 Nov 2023	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	323.71	ACUITE A-	Stable (Reaffirmed)
29 Aug 2022	Term Loan	Long Term	323.71	ACUITE A-	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE A-	Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2038	323.71	Simple	ACUITE A- Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1	Palma Gumla Highway Private Limited
2	R K D Construction Private Limited

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