



**Press Release**  
**Welspun Sattanathapuram Nagapattinam Road Private Limited**  
**January 10, 2025**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1237.00	ACUITE A   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1237.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of ‘**ACUITE A**’ (read as **ACUITE A**) on the Rs. 1,237.00 Cr. bank facilities of Welspun Sattanathapuram Nagapattinam Road Private Limited (WSNRPL). The outlook is ‘**Stable**’.

**Rationale for rating**

The rating continues to reflect the strong parentage and its robust support; demonstrated track record of Welspun Enterprises Limited (WEL) in executing road projects, benefits derived under the Hybrid Annuity Model, strong Counterparty linked revenue profile, Explicit waterfall mechanism through TRA/Escrow account with creation of DSRA & Major maintenance reserve and structural features of the TL repayment vs annuity receipts.

On the account of certain delays related to the construction of project like Delay in the handing over of hindrance free land / ROW, delay in shifting of electrical lines & water pipelines, Delays in approval of Borrow Areas due to NGT (National Green Tribunal) approvals, Approval of Toll Plaza Drawings, issuance/stoppage of permits for soil extraction, etc lead the company for Extension of Time (EOT) to complete the project. Earlier the scheduled date to to completion was 17th January 2025. However, the company has applied the EOT by 287 days to NHAI. The final approval from authority is awaited. The expected revised SPCD (Scheduled Project Completion Date) is 30th October 2025.

These rating strengths are constrained by high Implementation and moderate funding risk given the change in Bid Project Cost, Extension of Time (EOT) and moderate Operation & Maintenance (O&M) Risk.

**About the Company**

Welspun Sattanathapuram Nagapattinam Road Private Limited (WSNRPL), is a Special Purpose Vehicle (SPV) incorporated on September 19, 2018. WSNRPL was set up to implement the project for development, maintenance and management of 4 Laning of Sattanathapuram to Nagapattinam section of NH-45A (New NH- 332) from Km 123.800 to Km. 179.555 (Total Length – 55.755 Km) in Tamil Nadu under Bharatmala Pariyojna Phase - I under the category of Residual works of National Highway Development Programme (NHDP) under the Hybrid Annuity Model (HAM) model. The project includes widening and upgrading the National Highway, the existing bridges/ structures/ culverts which are presently serving 2-lane traffic (7.0m wide) are to be widened to serve future 4-lane traffic. The major structures of the project consists of 6 Major Bridges, 13 Minor Bridges, 7 Flyovers, 4 VUP/LVUP, 1 ROB and 59 Culverts.

Welspun Enterprises Ltd (WEL), the Parent/Sponsor Company, directly holds 70 percent stake and another 29.90 percent stake in the company through its 49 percent subsidiary - Grenoble Infrastructure Private Limited (GIPL), while Giriraj Renewable Private Limited directly holds 0.01 percent stake. The bid project cost was originally estimated at Rs. 2004.51 Cr. vis-à-vis the revised Bid project cost of Rs.1,905.37 Cr. This is to be funded through debt, sponsor’s contribution and construction support from National Highway Authority of India (NHAI) in the ratio of 48 percent, 12 percent and 40 percent, respectively. The concession agreement between WSNRPL and NHAI was signed on December 03, 2018. The concession is granted to WSNRPL for 15 years after the COD and during the concession, semiannual annuity payment would be paid by NHAI to WSNRPL.

**About the Group**

Welspun Enterprises Limited (WEL) is the infrastructure arm of Welspun Group promoted by Mr. B.K. Goenka and Mr. R R Mandawewala. WEL is an operating as well as holding company, executing Engineering Procurement and Construction (EPC) contracts for construction of roads, highways. The company has successfully executed

Build Operate and Transfer (BOT) projects in the past and is presently focused on executing projects under Hybrid Annuity Model (HAM).

Besides a presence in road infrastructure through various SPVs, WEL is also engaged in oil and gas exploration activities through Welspun Natural Resources Private Limited (WNRPL). WNRPL in a joint venture with Adani Group has promoted Adani Welspun Exploration Limited. WNRPL has 4 Oil & Gas blocks of which one block is in Kutch, 2 blocks in Mumbai (under AWEL) and 1 block is in Palej (under WNRPL). WEL's equity shares are listed on Bombay stock exchange and National Stock exchange. As on 30 June 2022, the promoter and promoter group holds 53.52 percent of the equity in WEL.

## **Unsupported Rating**

ACUITÉ BBB-/Stable

## **Analytical Approach**

Acuité has considered the standalone business and financial risk profile of WSNRPL to arrive at this rating. The rating has been notched-up by considering support from its parent/sponsor company – Welspun Enterprises Limited (WEL) in the form of shortfall undertaking, corporate guarantee amongst others.

## **Key Rating Drivers**

### **Strengths**

#### **Strong Parentage/Sponsor; Demonstrated track record of WEL in executing road projects**

Welspun Enterprises Limited (WEL) is the Sponsor/Parent Company, who are also the EPC contractors for the SPV - WSNRPL. WEL has demonstrated strong execution capability in road projects (both HAM and BOT) as reflected by the completion of Welspun Delhi Meerut Expressway Private Limited much ahead of its scheduled time along with achieving PCOD for other 4 HAM and 1 BOT project.

WSNRPL is of strategic importance to WEL; the same is demonstrated by the tangible support from WEL. The level of WEL's management involvement is indicated by WSNRPL's common brand name, common management and centralized decision making at WEL's level. As on 28th December 2024, WEL (sponsor) had already infused Rs. 200.81 Cr. in the form of equity share capital of Rs. 11.34 Cr., share premium of Rs. 22.66 Cr., CCD (Compulsory Convertible Debentures) of Rs. 160.96 Cr. and OCD (Optionally Convertible Debentures) of Rs. 5.85 Cr. The total promoter's contribution to be infused for the project is Rs. 309.14 Cr.

To count on the aforesaid financial support is the unconditional and irrevocable corporate guarantee and shortfall undertaking provided by WEL. The corporate guarantee is provided for the rated debt towards any shortfall in the termination payment. The corporate guarantee will be available till the receipt of first annuity payment or creation of all the stipulated reserves whichever is later as per the sanction letter.

Acuité believes that the parent company's successful track record of project execution capabilities is expected to support execution of this project as well.

#### **Benefits derived under the Hybrid Annuity Model (HAM)**

The project executed under HAM model benefits from the upfront availability of right of way before declaring the appointment date, cost of the project being part funded by way of grants, receipt of payments in the form of semi-annual annuities from the authority. The project also benefits from expected receipt of mobilization advance to the on declaration of appointed date and provision for granting deemed completion of the project in case 100 percent of the work is completed on the ROW which becomes available. Other benefits include indexation done to the Bid Project Cost and Operation and Maintenance (O&M) cost to inflation and interest payments on residual annuities during the operational period. Inflation indexed BPC protects the developers against price escalation to an extent. Over and above, stringent clauses for levy of damages, encashment of performance security as well as requirement of additional performance security in case of delay in execution due to reasons attributed to the concessionaire also expend some pressure on the developer for ensuring timely execution.

#### **Explicit waterfall mechanism through TRA/Escrow account with creation of DSRA & Major maintenance reserve (MMR)**

As per the consortium sanction terms, Debt service Reserve account (DSRA) equivalent to 2 quarters of debt service obligation (Principal + Interest) out of which 1 quarter DSRA to be created immediately on receipt of 1st annuity and remaining 1 quarter DSRA immediately after 2nd annuity. If in anytime, amount in DSRA is utilized to make payment towards debt obligations, the same is to be immediately replenished by WSNRPL from surplus cash flows to the extent of amount so utilized upon receipt of the NHAI annuity from the date of utilization.

WSNRPL shall maintain Trust and retention account (TRA)/ESCROW account for cash flow management. The TRA shall be defined by presence of waterfall mechanism for prioritizing withdrawals during the construction and operational period. WSNRPL's receipts from the NHAI to be routed through an escrow/TRA account with a well-defined cash flow. The NHAI is to deposit all annuities, termination payments and so on into the escrow account. Acuité believes that presence of such well-defined waterfall mechanism through Escrow/TRA to ensure prioritizing of withdrawals and prompt debt repayments.

### **Weaknesses**

### **High Implementation and moderate funding risk with EOT over the years**

Given WSNRPL received its appointment date on October, 2020, the Company has already started mobilization of resources at initial construction activities at site. WSNRPL has incurred Rs. 1346.72 Cr as on December 28, 2024 (with indexation). With achievement of this physical project progress of ~52.53 percent as on December 28, 2024, the project has received the 3rd Milestone payment to NHAI.

Notably, WSNRPL has overcome the challenges of achieving the appointment date after a wait of 2 years in October 2020 with ROW availability covering length of total 55.76 Kms. After a wait since the signing of the CA on 3rd December 2018; in January 2021, Supreme Court gave nod to NH45 A Villuppuram-Nagapattinam Highway project stating that there is no requirement for obtaining Environmental Clearances for the said project as land acquisition is not more than 40 meters on existing alignments and 60 meters on realignments or by passes. Besides, the said area is not passing through a hilly terrain and is already witnessing a decent traffic.

The project has sought total EOT of 835 days from the appointed date (177+121+139+90+308 days) on account of delays; of which 177 days are approved by NHAI, 121+139 days of approvals were also received. An additional 90 days approval was accorded by the 4th supplementary agreement. Moreover, due to the change in BPC, 5th supplementary agreement is signed extending the project completion date to Jan 17, 2025 followed by reassessment of debt proposal.

On the account of delays, the company has postponed the extension of 287 days to the authority and revised Scheduled Project Completion Date to be 31st October 2025. However, the final approval is awaited from NHAI.

WNSRP's project is exposed to moderate funding risk despite the debt being tied-up with a consortium of lenders. Moreover, the project cites comfort and support from lenders despite a delay in receiving the appointment date. Nevertheless, the project is yet to witness the significant amount of 100 percent of the promoter's equity contribution, timely receipt of the grants and disbursement of the term loans. The above risk is mitigated to an extent asserting factors like strong financial risk profile of the sponsor and track record of timely support to its other HAM projects.

Acuité believes that timely promoter support and receipts of grants to achieve the COD as envisaged will remain key monitorable over the medium term.

### **Moderate O&M Risk; albeit mitigated partially through lower O&M Cost due to rigid pavement and fixed price O&M contract with sponsor**

WSNRPL will enter into a fixed-price and fixed-time O&M contract subject to indexation with WEL for taking up routine and major maintenance expenses, latest by 3 months prior to envisage SPCD (Scheduled Project Completion Date), whichever is earlier. WEL, in turn shall enter at back-to-back contracts with its sub-contractors to naturally hedge in case of any price risk. The duration of the O&M contract shall be for the entire concession period. WEL has a reasonable experience in operating and maintaining road projects. Further, WEL has extended undertaking to infuse funds in case of cost overrun in O&M expenses and periodic maintenance expenses. WSNRPL to create major maintenance reserve (MMR) to meet exigencies in any given point of time during the operational phase. WSNRPL project, being a Rigid Pavement project, is being constructed to last 30 years and it will not need periodic major maintenance for rigid pavement in 15 years of concession period.

### **ESG Factors Relevant for Rating**

The infrastructure development industry has a significant social impact, as it is a labour intensive business. Social issues significant for the industry are community support and development, employee safety and human rights. Governance issues that are relevant include board and management compensation, transparency in related party transactions, shareholder's rights and board diversity. The extent of direct or indirect emissions and the efficiency of deployment of vehicle fleets and heavy machinery has a considerable impact in the environmental performance of this industry. Since material costs are relatively high, strategies should be in place to reduce wastages and recycle raw materials to the extent possible to minimize the environmental impact.

WEL, its parent company, has adequate policies in corporate governance category on board independence, key management retention and business conduct and ethics. The company has designated committees for CSR, Risk management, stakeholders relationship, nomination and remuneration amongst others. The company has a total of 8 number of board of directors out of which 4 number are independent and 2 number are female directors. The company has 3 independent members in its audit committee. Under its environment initiatives, the company has a policy in place for reduction in air pollution and waste. The social initiatives of WEL include policies on human rights and service quality standards. WEL has an ESG & CSR Committee constituting 5 members. Welspun group has planned key initiatives such as incorporation of ESG into the overall governance structure, environmental Initiatives, ESG Data Governance and whistle blower platform to facilitate anonymous reporting.

### **Rating Sensitivities**

- Approval from NHAI revised SPCD.
- Timely achievement of the Revised SPCD without any major cost overruns and timely receipts of the grants.

### **Liquidity Position**

**Adequate**

WSNRPL's liquidity is expected to be adequate over the longer run. The term loan repayments are expected to begin in FY2025 (subject to change post approval of revised SPCD). The corporate guarantee is provided for the rated debt towards any shortfall in the termination payment. The corporate guarantee will be available till the receipt of first annuity payment or creation of all the stipulated reserves whichever is later. Acuité believes that liquidity will remain adequate over the medium term.

**Outlook: Stable****Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	304.45	203.33
PAT	Rs. Cr.	14.51	13.14
PAT Margin	(%)	4.77	6.46
Total Debt/Tangible Net Worth	Times	0.03	1.74
PBDIT/Interest	Times	2.69	2.52

### 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jan 2024	Term Loan	Long Term	914.58	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	182.42	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	117.92	ACUITE A   Stable (Assigned)
	Term Loan	Long Term	21.64	ACUITE A   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.44	ACUITE A   Stable (Assigned)
17 Jan 2024	Term Loan	Long Term	914.58	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	182.42	ACUITE A   Stable (Reaffirmed)
20 Oct 2022	Term Loan	Long Term	575.00	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	347.15	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	100.00	ACUITE A   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	74.85	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.	0.44	Simple	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	06 Apr 2024	Not avl. / Not appl.	31 Mar 2039	303.00	Simple	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	06 Apr 2024	Not avl. / Not appl.	31 Mar 2039	100.00	Simple	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	06 Apr 2024	Not avl. / Not appl.	31 Mar 2039	7.00	Simple	ACUITE A   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	30 Mar 2024	Not avl. / Not appl.	31 Mar 2039	304.01	Simple	ACUITE A   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	30 Mar 2024	Not avl. / Not appl.	31 Mar 2039	99.80	Simple	ACUITE A   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	30 Mar 2024	Not avl. / Not appl.	31 Mar 2039	7.19	Simple	ACUITE A   Stable   Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	05 Oct 2023	Not avl. / Not appl.	31 Mar 2039	307.57	Simple	ACUITE A   Stable   Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	05 Oct 2023	Not avl. / Not appl.	31 Mar 2039	100.54	Simple	ACUITE A   Stable   Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	05 Oct 2023	Not avl. / Not appl.	31 Mar 2039	7.45	Simple	ACUITE A   Stable   Reaffirmed

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

Sr. No.	Company name
1	Welspun Enterprises Limited
2	Welspun Sattanathapuram Nagapattinam Road Private Limited



## Contacts

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### About Acuité Ratings & Research

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