



Press Release
Karmala Road Project Private Limited
June 18, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	280.00	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	280.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+** ' (read as **ACUITE triple B plus**) on the Rs.280.00 crore bank facilities of Karmala Road Project Private Limited (KRPPPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the completion of the project along with the partial commercial operations date (COD) received on Feb 20th, 2024, for 38.66 km; however, for the remaining portion of the length (i.e., 2.99 km), the completion certificate is yet to be received from the department. Rating also considers the completion of the project on time along with all the milestone payments received from PWD. The rating further derives comfort from the established track record of the sponsor company, Anish Infracon India Private Limited, benefits derived from the annuity-based revenue model, and a strong counterparty-linked revenue profile. The rating is, however, constrained by its susceptibility to risks related to delays in the receipt of annuities and changes in operational costs and interest rates.

About the Company

Karmala Road Project Private Limited (KRPPPL) is Joint Venture (JV) between Anish Infracon India Private Limited (AIPL) and GHV (India) Private Limited (GIPL) incorporated in 2021 for the development, maintenance and management of National Highway No. – 561A including the section from design km. 38+775 (Ghogargaon) to design km. 80+390 (Ahmednagar-Solapur Border) on the Ahmednagar- Mirajgaon- Karmala – Tembhurni section of National Highway no 561A in the state of Maharashtra. The director of the company is Mr. Reezwan Ilyas Vijapura. The project covering a length of 41.62 KM. The project has been awarded by National Highways Authority of India (NHAI) for concession period of 15 years including a construction period of 2 years.

The project is to be executed on Design, Build, Operate and Transfer (DBOT), Hybrid Annuity Model basis i.e. post completion of construction, and SPV will benefit from 30 bi-annual annuities of 60 per cent of completion cost in addition to O&M expenses and interest cost (adjusted for price inflation index).

About the Group

Gujarat-based, AllPL was established as a partnership firm in the year 1978 by Vijapura family. Subsequently, the constitution changed to private limited company in 2010. AllPL is engaged in civil construction work such as, road construction work, sanctioned by the Central and the state government. Currently, AllPL is working in the states of Gujarat, Maharashtra and Madhya Pradesh

Unsupported Rating

ACUITE BBB-/Stable

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of KRPPPL, which is strengthened by the support from the parent company Anish Infracon India Private Limited (AIPL).

Key Rating Drivers

Strengths

- **Benefits derived from the annuity-based revenue model**

The project being developed has an annuity-based revenue model. Under this model, the NHAI makes bi-annual payments over the concession period to the concessionaire. The company does not bear any traffic risk as it recovers the whole of the capital cost through an annuity. Further, biannual operational and maintenance expense and interest cost reimbursement to the extent of the bank rate +3 percent is given to the concessionaire during the concession phase. The company will also receive 10 percent of the total project cost as mobilization advances. Acuité believes that KRPPPL will benefit from favorable clauses in the concession agreement under the HAM and face lower execution challenges vis-à-vis projects under the BOT model.

- **Technical and financial support from Anish Infracon India Private Limited**

AIPL has more than three decades of experience in the construction business and has established a track record for successful project execution. The company is led by the Vijapura family, since inception. The extensive experience of the promoters has helped the company establish and maintain healthy relations with clients and sanctioning authorities. Acuité believes that the sponsor's extensive experience and long track record of operations will support its business risk profile over the medium term.

- **Waterfall mechanism in ESCROW account**

KRPPPL has an escrow mechanism through which cash flows from the authority are routed and used for payment as per the defined payment waterfall. Only surplus cash flow after meeting operating expenses, debt servicing obligations, and provision for major maintenance expenses can be utilized as per the borrower's discretion during the concession period.

Weaknesses

- **Susceptibility to risks related to delay in receipt of annuity and changes in operational cost & interest rate**

As per the concession agreement, the company is expected to receive a semi-annual annuity. Any delay in timely receipt of the annuity could adversely impact debt-servicing ability. Along with fixed annuities, the project will receive interest payments on the balance annuities that are linked to the prevailing bank rate. The bank rate has reduced significantly in the past couple of years, which has impacted the project inflow as a large proportion of the cash inflow is from interest on balance annuities. However, this risk is partially offset as the interest rate on debt is floating and is also expected to follow the trend in bank rates, thus keeping DSCR in check. Further, the company is exposed to risks related to the maintenance of the project. If the prescribed standards are not met, annuity payments may be reduced. Any significant delay or deduction in annuities could impact the debt servicing ability of the company. However, the strong track record of the sponsor, who is also the O&M contractor, is expected to mitigate this risk.

Rating Sensitivities

- completion certificate for remaining portion of length (i.e, 2.99km)
- Timely receipt of grants and annuity payments from the Government
- Significant deterioration in the sponsor's credit profile

Liquidity Position: Adequate

KRPPL's liquidity position is adequate, marked by continuous support from the parent AIPL and all the milestone payments received from PWD while executing the project. The project was completed as per schedule. Acuité expects the liquidity of KRPPL to remain adequate, backed by consistent support from government receivables in terms of annuity payments and the DSRA to be maintained by the company, equivalent to six-month installments and interest.

Outlook: Stable

Acuité believes that the outlook on KRPPL's rated facilities will remain 'stable' over the medium term on account of the expected steady flow of bi-annual annuities from the government coupled with the strong support of sponsors. The outlook may be revised to 'Positive' in cases of significant improvement in free cash flow from operations. Conversely, the outlook may be revised to 'Negative' in case of delays in receipt of the annuity or a lack of timely support from the sponsor.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	240.90	98.42
PAT	Rs. Cr.	4.92	1.96
PAT Margin	(%)	2.04	2.00
Total Debt/Tangible Net Worth	Times	1.71	1.61
PBDIT/Interest	Times	1.99	4.39

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
21 Mar 2023	Term Loan	Long Term	280.00	ACUITE BBB+ Stable (Reaffirmed)
21 Dec 2021	Proposed Long Term Loan	Long Term	280.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
PTC India Financials	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2036	Simple	150.00	ACUITE BBB+ Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2036	Simple	130.00	ACUITE BBB+ Stable Reaffirmed

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

Sr. No	Company Name
1	Anish Infracon India Private Limited

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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