

## Press Release

### PRA Hatibena Badakumari Expressway Private Limited

November 21, 2022



### Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	325.00	ACUITE BBB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	325.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has assigned the long-term rating of **'ACUITE BBB' (read as ACUITE triple B )** on the Rs 325 Cr bank facilities of PRA Hatibena Badakumari Expressways Private Limited (PRA HBEPL). The outlook is **'Stable'**.

#### Rationale for the rating

The rating derives comfort from the financial and operational support from Barbrik Project Limited and PRA India Private limited, referred as Barbrik group (rated at Acuite A-/Stable/A2+) to PRA HBEPL. The rating also factors in the fact that the project is being developed on a hybrid annuity model (HAM) where revenue risk is low post-commencement of project execution. Moreover, the company has achieved financial closure to fund its project and has also received the appointed date. These rating strengths are partially offset by high implementation risk.

#### About the Company

PRA Hatibena Badakumari Expressways Private Limited (PRA HBEPL) was incorporated in May 2021 by Barbrik Project Limited (76 percent stake) and PRA India Private Limited (24 percent stake). PRA HBEPL is a special purpose vehicle to undertake six lane Hatibena-Badakumari section of NH130 from 145+500 Km to 179+000 Km in the state of Odisha on Hybrid Annuity Model (HAM). The project covers a length of 32.50 Km at a project cost of Rs 865 Cr.

The project was awarded by National Highway Authority of India (NHAI) for a concession period of 17-years including construction period of 2 years. The project's EPC contractor is PRA India Private Limited. PRA HBEPL is eligible for mobilization advance from NHAI. The mobilization advance will be around 10% of the project cost which will be paid in two equal installments.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of PRA Hatibena Badakumari Expressways Private Limited (PRA HBEPL) and notched up the standalone rating by factoring in the financial and operational linkages with Barbrik Project Limited (rated at Acuite A-/Stable/A2+) and PRA India Private Limited (rated at Acuite A-/Stable/A2+).

## Key Rating Drivers

### Strengths

#### Strong parentage

PRA HBEPL was promoted by Barbrik Project Limited (rated at Acuité A-/Stable/A2+) and PRA India Private Limited (rated at Acuité A-/Stable/A2+) in May 2021. Barbrik Project Limited is the lead sponsor and PRA India Private Limited is the EPC Contractor for PRA HBEPL. Barbrik Group is a reputed EPC player in Chattisgarh and has almost three decades of experience in construction of roads and highways. The current order book of Barbrik group comprises of 75 percent of orders related to construction, upgrading and widening of highways issued by NHAI, MORTH, PWDs and SHAJ. The group has executed similar kinds of road projects in EPC mode. This reduces implementation risk partially. Moreover, the group has strong financial flexibility as reflected from its healthy financial risk profile and adequate liquidity profile.

Total EPC cost is around Rs 767.57 Cr which is funded through Rs 100 Cr of promoter contribution, Rs 346 Cr of grant from NHAI as per concession agreement and remaining Rs 321.57 Cr from external borrowing which has been guaranteed by both the sponsors. Promoter has already infused around Rs 55 Cr in the form of equity and unsecured loans to fund the project execution. The company has also availed Rs 43 Cr of mobilization advance from NHAI which will be adjusted against grants. However, the company is yet to avail the external borrowing which indicates currently the company doesn't have any financial obligations.

#### Low Revenue Risk

PRA HBEPL has signed a concession agreement with NHAI for contractual payment in the form of grants and annuities. PRA HBEPL will receive 40 percent of project cost in form of grants during the construction period. 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 COD. PRA HBEPL has availed mobilization advance which is around 10% of the project cost. The same will be adjusted against grants which will be paid in eight equal instalments. The annuities are linked to average MCLR rate plus 1.25 percent rate hence additional financial burden due to hike in interest rate can be partially passed on to the principal. PRA HBEPL 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.

#### Low funding risk

The project has received sanction approval for a term loan of Rs 321.6 Cr to partly finance the project. PRA HBEPL is required to maintain a debt service reserve account (DSRA) equivalent to 6 months of the repayment obligation i.e. towards 1 instalment of principal and 6 months of interest from the receipt of first 2 annuities, that provides additional comfort. In addition, the company needs to open an escrow account with the bank where all payments from the principal have to be deposited. The repayment of term loan will commence after 6 months of scheduled COD. The term loan will be repaid through 26 structured half yearly instalments.

### Weaknesses

#### High implementation risk

Project is in early stage as company is yet to achieve the 4th mile stone i.e. more than 30 percent physical progress. The appointment date of project is 04.03.2022. The company has already received 90 percent of Right of way (ROW) and the process to acquire remaining ROW is underway.

#### Susceptibility to risks related to the tender-based nature of operations and competition

SPV remains exposed to inherent cyclicity in the construction industry and volatility in profits . Though industry prospects seem healthy over the medium term with increased central government focus on the infrastructure sector (especially roads and highways), most of the projects are tender-based and players face intense competition and bid aggressively for contracts.

### Rating Sensitivities

Achievement of milestones as per schedule.

Deterioration in financial risk profile or liquidity profile of the sponsor.

### Material covenants

None

### Liquidity Position

#### Adequate

The company has adequate liquidity profile marked by strong resource mobilization from its parent entity. However, company is yet to avail of any fund based or non-fund based facility as on date.

### Outlook: Stable

Acuité believes the outlook on company will remain 'Stable' over the medium term backed by steady cash flow of annuity from the project along with strong sponsor support. The outlook may be revised to 'Positive' in case of significant progress in the project. Conversely, the outlook may be revised to 'Negative' in case of any time or cost overrun due to delay in getting requisite approvals.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	183.45	0.00
PBDIT/Interest	Times	0.00	0.00

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

None

### 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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. Acuite'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. -or more details. please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

**Rating History:**  
Not applicable

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	3.40	ACUITE BBB   Stable   Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	156.60	ACUITE BBB   Stable   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	165.00	ACUITE BBB   Stable   Assigned

## Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Anik Das Manager-Rating Operations Tel: 022-49294065 <a href="mailto:anik.das@acuite.in">anik.das@acuite.in</a>	

### About Acuité Ratings & Research

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