

Press Release

PRA HATIBENA BADAKUMARI EXPRESSWAY PRIVATE LIMITED

January 10, 2025

Rating Upgraded



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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has upgraded its long-term rating to 'ACUITE A-' (read as ACUITE A minus) from 'ACUITE BBB' (read as ACUITE triple B) on the Rs 325 Cr. bank facilities of PRA Hatibena Badakumari Expressway Private Limited (PRA HBEPL). The outlook is 'Stable'.

Ratioanle for Upgrade:

The rating upgrade factors the completion of the project, and the provisional certificate was received on 8th Oct 2024 however Project is provisionally declared fit for entry into operation w.e.f. 21st day of February 2024 except for some works, along with the receipt of all the milestone payments from NHAI, the receipt of the regular 1st bi-annuity on Dec 24th 2024, and the creation of DSRA. It also factors in the technical, operational, and funding support from Barbrik Project Limited and PRA India Private Limited, referred to as the Barbrik Group (rated at Acuite A/Stable/A1) to PRA HBEPL. Barbrik Group has issued corporate guarantees for the loans availed by PRA HBEPL. The rating also considers the fact that the project is being developed on a hybrid annuity model (HAM) where revenue risk is low post-commencement of project execution.

However, the rating is partially constrained on account of susceptibility to risks related to delay in receipt of annuity and changes in operational cost & interest.

About the Company

PRA Hatibena Badakumari Expressway Private Limited (PRA HBEPL) was incorporated in May 2021 by Barbrik Project Limited (74 percent stake) and PRA India Private Limited (26 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 instalments.

About the Group

Barbrik Project Limited (BPL) was established as a partnership firm in 1985 and subsequently converted into a private limited company in 2008. The entity has been promoted by the Agarwal family of Chhattisgarh and is engaged in the construction of roads, bridges and highways. The company is a registered contractor for Public Works Department (PWD) of Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha and Bihar along with National Highway Authority of India (NHAI) and State Highway Authority of Jharkhand (SHAJ). The company is also engaged in undertaking logistic service for Central Coalfield Limited, Northern Coalfield Limited and Adani Enterprises Limited. Currently, the company is managed by Mr. Ramesh Kumar Agrawal, Mr. Rajesh Kumar Agrawal, Mr. Kanhaiya Lal Agrawal, Mr. Ayush Kumar Agrawal and Mr. Sourabh Agrawal.

Chhattisgarh based, PRA India Private limited (PIPL) was incorporated in 2019 by Mr. Rajesh Kumar Agrawal. The company is engaged in civil construction work and currently undertakes projects subcontracted by Barbrik Project Limited.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PRA Hatibena Badakumari Expressway Private Limited (PRA HBEPL) and notched up the standalone rating by factoring in the financial and operational linkages with Barbrik Project Limited (rated at Acuité A/Stable/A1) and PRA India Private Limited (rated at Acuité A/Stable/A1).

Key Rating Drivers

Strengths

- **Strong parentage**

Barbrik Project Limited (rated at Acuité A/Stable/A1) and PRA India Private Limited (rated at Acuité A/Stable/A1) in Jan 2024. 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 Chhattisgarh 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 being 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.

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

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. The project being developed has an annuity-based revenue model. Under this model, the NHAI makes bi-annual payment over the concession period to the concessionaire. The company does not bear any traffic risk as it will recover whole of the capital cost through annuity. Further, bi annual operational and maintenance expense and interest cost reimbursement to the extent of bank rate+1.25 percent will be given to the concessionaire during the concession phase.

- **Waterfall mechanism in ESCROW account**

PRA HBEPL has an escrow mechanism through which cash flows from 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. Furthermore, bank guarantee given by the sponsor barbrik Group. The bank facilities will be backed by a corporate guarantee from barbrik group until receipt of second annuity payment.

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 the 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, or, the company is exposed to risks related to maintenance of the project. thus keeping DSCR in check. Further, the company is exposed to risks related to maintenance of the project. If the prescribed standards are not met, annuity payment may be reduced. Any significant delay and deduction in annuities could impact the debt servicing ability of the company. However, strong track record of sponsor, who is also the O&M contractor, is expected to mitigate this risk.

Rating Sensitivities

Timely receipt of annuity payments from NHAI

Liquidity Position: Adequate

PHBEPL's liquidity position is adequate marked by continuous support from the parent Brabrik Group. Project is provisionally declared fit for entry into operation w.e.f. 21st day of February 2024 except for some works. Company has received PCOD certificate on 8th Oct 2024. The DSCR is expected to be adequate and remain above 1.67 times going forward. Also the company has received 1st annuity payment in Dec 2024, However the repayment of the term loans are met by internal sources and parent support. Financial support from promoters and Brabrik group by way of fund infusion provides some comfort to liquidity profile. Further, additional fund support from the sponsor is expected for any cost overruns or delays in annuity receipts. DSRA account has been created. Acuité expects the liquidity of PHBEPL is likely to remain adequate backed by support from the parent- Brabrik Group and receipt of the annuities from the government.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	255.50	252.96
PAT	Rs. Cr.	(7.88)	(4.67)
PAT Margin	(%)	(3.08)	(1.85)
Total Debt/Tangible Net Worth	Times	8.01	3.96
PBDIT/Interest	Times	0.26	(1.77)

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
13 Feb 2024	Term Loan	Long Term	156.60	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	165.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Term Loan	Long Term	3.40	ACUITE BBB Stable (Reaffirmed)
21 Nov 2022	Term Loan	Long Term	156.60	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	165.00	ACUITE BBB Stable (Assigned)
	Proposed Term Loan	Long Term	3.40	ACUITE BBB Stable (Assigned)

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 Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.40	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB)
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2037	156.60	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB)
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2037	165.00	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB)

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

Sr. No.	Company name
1	PRA India Private Limited
2	Barbrik Project Limited
3	PRA Hatibena Badakumari Expressway Private Limited

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