

Press Release

PRA Gola Ormanjhi Highway Private Limited

April 05, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	348.04	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	21.96	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	370.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs 370 Cr bank facilities of PRA Gola Ormanjhi Highway Private Limited (PRA PGOHPL). The outlook is '**Stable**'.

Rating Rationale

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 PGOHPL. 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 is also expected to receive the appointed date by April 2023. These rating strengths are partially offset by high implementation risk.

About the Company

PRA PGOHPL was incorporated by Barbrik Projects Ltd and PRA India Private Limited. Barbrik Project Limited (76%) and PRA India Private Limited (24%) have entered into a HAM agreement with NHAI for development of four laning with paved shoulder of section from km 53.600 (Gola on NH-320) to km 81.446 (Ormanjhi on NH-320 B) having a design length of 27.846 Km in the state of Jharkhand on design, build, operate and transfer (DBOT Annuity or Hybrid Annuity). Barbrik Projects Ltd is the lead sponsor and PRA India Private Limited is the EPC Contractor for PRA PGOHPL. The group has executed large number of road projects issued by NHAI, Morth and State government agencies in EPC mode. Historically PRA group has executed similar kinds of road projects.

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 PGOHPL 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.

Standalone (Unsupported) Rating

ACUITÉ BB- Stable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PRA GOLLA ORMANJHI HIGHWAY PRIVATE LIMITED (PRA PGOHPL) and notched up the standalone rating by factoring in the financial and operational linkages with Barbrik Project Limited (rated at Acuité A-/Stable/A2+) and PRA India Private Limited (rated at Acuité A-/Stable/A2+).

Key Rating Drivers

Strengths

Strong parentage

PRA PGOHPL was promoted by Barbrik Project Limited (rated at Acuité A-/Stable/A2+) and PRA India Private Limited (rated at Acuité A-/Stable/A2+) in April 2022. Barbrik Project Limited is the lead sponsor and PRA India Private Limited is the EPC Contractor for PRA PGOHPL. PRA 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 project cost is around Rs 783.92 Cr which is funded through Rs 92.59 Cr of promoter contribution, Rs 345.5 Cr of grant from NHAI as per concession agreement and remaining Rs 345.82 Cr from external borrowing which has been guaranteed by both the sponsors. Promoter has already infused around Rs 15 Cr in the form of equity and unsecured loans to fund the project execution. The company is yet to avail the external borrowing which indicates currently the company doesn't have any financial obligations.

Low Revenue Risk

PRA PGOHPL has signed a concession agreement with NHAI for contractual payment in the form of grants and annuities. PRA PGOHPL 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 PGOHPL has availed mobilization advance which is around 10% of the project cost. PRA PGOHPL 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. The mobilization advance will carry average MCLR rate plus 1.25 percent. The mobilization advance shall be adjusted against the grant from NHAI. PRA PGOHPL 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 345.82 Cr to partly finance the project. PRA PGOHPL is required to maintain a debt service reserve account (DSRA) equivalent to 6 months of the repayment obligation i.e. towards 1 installment 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

The project is in a nascent stage as PRA PGOHPL is yet to receive the appointment date. The company has already received 65 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 cyclicalities 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	0.00	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

- 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. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on 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
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	21.96	ACUITE A3+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.22	ACUITE BBB Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	175.82	ACUITE BBB Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	170.00	ACUITE BBB Stable Assigned

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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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