



Press Release
KALTHIA PRIYHEER INFRASTRUCTURE PRIVATE LIMITED
August 28, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.70.00 crore bank facilities of Kalthia Priyheer Infrastructure Private Limited (KPIPL). The outlook is '**Stable**'.

Rationale for rating assigned.

The rating assigned considers the completion of project along with all the milestone payments received from PWD and also four annuity payments has been received by the KPIPL till date. Further, the rating factors in the adequate liquidity of the company in the form of DSRA created equivalent to 6 months instalments and interest payments along with escrow mechanism. However, the rating is constrained by the limited experience of the sponsors in handling HAM projects and delay in receipt of first two annuities. Further KPIPL faces the risk related to delay in annuity payments and changes in operational and interest cost, which could affect the debt serving capabilities of KPIPL.

About the Company

Kalthia Priyheer Infrastructure Private Limited (KPIPL), an SPV, was setup between Priyheer Infrastructure Private Limited and Kalthia Engineering & Construction Limited to undertake development of Hybrid Annuity Package No. AM- 93 in the State of Maharashtra awarded by Public Works Department (PWD) of the Government of Maharashtra. The company entered into Concession Agreement (CA) on August 2018 with the PWD. Under the CA, it upgraded the Amravati Ring Road and Improvements to roads District Place in Amravati District on a Hybrid Annuity Mode. The EPC contractor to this project is Ajaydeep Infracon Private Limited which is a group company of Priyheer Infrastructure Private Limited. The company Kalthia Engineering and Construction Limited is only the shareholder in the SPV and has no other role to play.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Kalthiya Priyheer Infrastructure Private limited to arrive at the rating. Further, Acuite has also considered DSRA equivalent to 6 months instalments and 6 months interest and escrow mechanism, as specified in the loan sanction letter while arriving at the rating.

Key Rating Drivers

Strengths

Strong counter party linked revenue profile.

The company entered into a concession agreement with PWD Maharashtra for improvement

to roads in Amravati district in Maharashtra on 2nd August 2018. The company achieved COD on October 29, 2021. The concession is granted to KPIPL for 10 years after the COD was

received and during the concession, semi-annual annuity payments would be paid by PWD Maharashtra. The company has till date received four annuities until August 2023. Along with annuity payments, interest shall be payable to KPIPL on reducing balance of completion cost at a rate equal to applicable bank rate plus 3 per cent. PWD Maharashtra shall also reimburse the O&M bid quote adjusted to Price Index Multiple on the annuity payment dates to KPIPL.

Waterfall Mechanism in ESCROW account and Debt-service reserve account (DSRA)

The repayments for term loan will be recovered from escrow account created by bank. KPIPL has escrow mechanism through which cash flows from Authority is routed and used for payment as per the defined payment waterfall. Only surplus cash flow after meeting operating expense, debt servicing obligation, and provision for major maintenance expense, can be utilised as per borrower's discretion during the concession period. The debt service coverage ratio (DSCR) is expected to remain over 1.34 times for the tenure of the loan. The company maintains DSRA equivalent to six months debt service obligation (principal and interest) in the form of fixed deposits to mitigate any unforeseen risk related to delay in annuity receipt etc. Further there is a time gap of 3 months between annuity date and repayment date which provides additional cushion.

Weaknesses

Limited Experience of sponsor in handling HAM projects.

This is the first HAM project of sponsor Priyheer Infrastructure Private Limited. KPIPL faced delay in receiving the final milestone payment and initial annuities. The EPC contractor for the project is Ajaydeep Infracon Private Limited and is a group company of Priyheer Infrastructure Private Limited. KPIPL had witnessed some irregularities in receiving the annuities in past which can weigh on term loan repayment going forward.

Acuite believes that the limited experience of the sponsors and EPC contractor will still weigh going forward, as the O&M activities of the project is remaining to be executed.

Exposed to risks such as delay in receiving annuity payments and any 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 at a rate equivalent of prevailing bank rate plus spread. Further, the company is exposed to risks related to maintenance of the project. If the prescribed standards and timely maintenances of the project are not performed, it will significantly affect the annuity payments. And with any significant delay or deduction in annuities could impact the debt servicing ability of the company.

Acuite believes that any delay or deduction in annuities will affect the debt servicing capabilities of the KPIPL.

Rating Sensitivities

- Timely receipt of annuity payments from PWD Maharashtra going forward
- Timely support from the sponsor for O&M activities.

All Covenants

None

Liquidity Position Adequate

KPIPL's liquidity position is adequate marked by timely receipt of the last annuity. KPIPL faced delay in receiving the final milestone payment and initial annuity payments. Company has received the fourth annuity in the month of June 2023 which was due in August 2023. The DSCR is expected to be adequate and will remain above 1.34 times going forward. The company will maintain DSRA for six months. Company has already made provision for MMR

expenses which are to be incurred in the third year. Additional fund support from the sponsor will be keenly watched for any Incremental expense related to O&M and major maintenance expenses.

Acuité expects the liquidity of KPIPL is likely to remain adequate backed by timely receipt of the last two annuities from the government and the significant amount of DSRA and MMR creation by KPIPL.

Outlook: Stable

Acuité believes that the outlook on KPIPL's rated facilities will remain 'Stable' over the medium term on account of steady flow of semi-annual annuity from the government. The outlook may be revised to 'Positive' in case 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 lack of timely support from the sponsor as and when needed.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	16.86	54.63
PAT	Rs. Cr.	0.91	0.06
PAT Margin	(%)	5.40	0.11
Total Debt/Tangible Net Worth	Times	7.54	5.80
PBDIT/Interest	Times	1.27	1.02

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.51	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	65.49	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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