



Press Release
KKK HIGHWAY LLP
April 24, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	65.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Bo**)n the Rs.65.00 crore bank facilities of KKK Highway LLP (KKKH). The outlook is ‘**Stable**’.

Rationale for rating

The rating reaffirmation considers the low revenue risk on account of project completion along with all the milestone payments received from the authority and receipt of six annuity payments till April 2025. The rating also draws comfort from the presence of a strong and experience sponsor. Further, the rating factors in the adequate liquidity of the company maintained in the form of debt service reserve account (DSRA), equivalent to 6 months’ instalments and interest payments along with presence of an escrow mechanism. However, the rating remains constrained due to risk related to delay in annuity payments and changes in operational and interest cost, which could affect the debt serving capabilities of KKKH.

About the Company

KKK Highways LLP (KKKH), is a SPV promoted by DHD Infracon Private Limited. The company entered into Concession Agreement (CA) in August 2018 with the Public Works Department (PWD) of the Government of Maharashtra. Under the CA, it executed improvements to Karad Malkapur Nandalpur Pachwad Phata Yenpe Korud Road, SH-144, km 0/000 to 39/400, Tal-Karad and Shirala, District Satara (Km 5/950 to Km 41/010) and improvement of roads connecting the tourist destination in Satara District (Kas Plateau) (Km 0/000 to Km 20/000) Dist.Satara, in the state of Maharashtra on Hybrid Annuity Model. The company is currently managed by Mr. Dattatraya Desai and Mr. Yatin Sawant.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of KKK Highway LLP to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of sponsor

The project is sponsored by DHD Infracon Private Limited who has an extensive experience of more than two decades in the engineering, procurement & construction business and an established presence in the state of Maharashtra. The net-worth of the sponsor stood at Rs.124.03 Cr. as on 31st March, 2024. The total cost of project was Rs. 208.72 Cr, of which Rs.83.49 Cr. was self-funded by the sponsor entity and balance Rs.125.23 Cr. was received from Maharashtra PWD in the form of capital grants. Post completion of the project in March,

2022; the company availed bank borrowing of Rs.62.70 Cr. in FY23 by way of discounting of future annuities. This debt is supported by corporate guarantee from the sponsor.

Low revenue risk on account of project completion and receipt of annuities

The project achieved its commencement of operations date (COD) in March 2022 after the extension being

granted by the authority. As per the CA, during the concession period of 10 years, the company shall receive semi-annual annuity payments amounting to Rs.83.49 Cr. from PWD Maharashtra. Along with annuity payments, interest shall also be payable to KKKH on reducing balance of completion cost at a rate equal to applicable bank rate plus spread. Further, PWD Maharashtra shall also reimburse the operation & maintenance (O&M) bid quote adjusted to Price Index Multiple on the annuity payment dates to KKKH. Till April 2025, the company has received six annuities, interest and other payments amounting to ~Rs.50 Cr.

Comfortable financial profile supported by presence of waterfall mechanism in escrow account and maintenance of DSRA

KKKH has an 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 average debt service coverage ratio (DSCR) is expected to remain at ~3.00 times during the loan tenor. Further, 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. The company also maintains a major maintenance reserve account to meet the maintenance expenses over the concession period.

Weaknesses

Exposed to risks of delay in annuity receipts and any changes in operational cost & interest rate

While historically the delays in some annuities were managed through reserves of the company, the company remains exposed to such delays in receipt of the annuity which could adversely impact debt-servicing ability. Along with fixed annuities, the company also receives interest payments on the balance annuities at a rate equivalent of prevailing bank rate plus spread which exposes it to volatility in the interest rates. 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.

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

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

KKKH maintains a Debt Service Reserve Account (DSRA) equivalent to six-months of repayment obligations along with ESCROW mechanism.

Stress case Scenario

Acuité believes that, given the presence of six-months DSRA and waterfall payment in ESCROW mechanism, KKKH will be able to service its debt on time, even in a stress scenario.

Rating Sensitivities

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

Liquidity Position

Adequate

KKKH's liquidity position is adequate marked by strong support from the parent i.e. DHD Infracon Pvt Ltd and receipt of annuities (including interest and other payments) from authority. Further, company has maintained DSRA of Rs.5.89 Cr. in form of fixed deposits. Additionally, the company has also maintained a deposit of ~Rs.2.7 Cr. for major maintenance work. Also, fund support from sponsor for any immediate works including O&M and major maintenance expenses provides additional cushion.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	3.55	51.67
PAT	Rs. Cr.	(7.00)	(1.06)
PAT Margin	(%)	(196.92)	(2.04)
Total Debt/Tangible Net Worth	Times	3.95	0.93
PBDIT/Interest	Times	(2.13)	(1.27)

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

Not Applicable.

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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>

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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Jan 2024	Term Loan	Long Term	58.55	ACUITE BBB Stable (Assigned)
	Proposed Term Loan	Long Term	6.45	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.	11.66	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2030	53.34	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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