

Press Release

NAGPUR GHORAD ANNUITY ROAD PROJECT PRIVATE LIMITED

June 19, 2024

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	54.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	54.00	-	-

Rating Rationale

Acuite has assigned the long-term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs. 54.00 Cr. bank facilities of Nagpur Ghorad Annuity Road Project Private Limited (NGARPPL). The outlook is '**Stable**'.

Rationale for Rating

The rating assigned considers the completion of project along with all the milestone payments received from PWD and also three annuity payments has been received by the company till date on time. 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. However, the rating factors in the risk related to delay in annuity payments and changes in operational and interest cost, which could affect the debt serving capabilities of NGARPPL.

About the Company

Nagpur Ghorad Annuity Road Project Private Limited (NGARPPL) is incorporated in 2018 in Nagpur, Maharashtra. SPV is created by Khalatkar Constructions Infra Private Limited and M/s D.PJain&Co Infrastructure Private Limited to undertake development of Hybrid Annuity Package No. NAG-130 in the state of Maharashtra awarded by Public Works Department (PWD) of the Government of Maharashtra. The Directors of the company are Mr. Nihar Jayant Khalatkar and Mr. Jayant Madhavrao Khalatkar. The company entered into Concession Agreement (CA) on October 2018 with the Public Works Department (PWD). Under the CA, it upgraded the Improvement to Road from CRPF Gate in Nagpur to Ghorad at Seloo Taluka, Dist Wardha on a Hybrid Annuity Mode.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Nagpur Ghorad Annuity Road Project Private Limited (NGARPPL) to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of sponsors

The sponsors for the project are Khalatkar Constructions Infra Private Limited and M/s D.P. Jain & Co Infrastructure Private Limited. The shareholding pattern of the SPV consists of Khalatkar Construction Infra Private Limited, which holds 74 percent, while the remaining 26 percent is owned by D.P. Jain & Co Infrastructure Private Limited. Further Khalatkar Constructions Infra Private Limited (KCIPL) is responsible for the EPC of this SPV.

Incorporated in 2020, Khalatkar Construction Infra Private Limited (KCIPL), Managed by Mr. Jayant Khalatkar who is the leading promoter of the company and supported by other partner Mr. Nihar Jayant Khalatkar. KCIPL has a long operational track record of more than two decades in the civil construction industry, through their erstwhile proprietorship concern, KCC, established in 1985. It has successfully completed various projects under different departments of government like rural development, water resources, National Highway, Railway, PWD, MSRDC etc. The tangible net worth of KCIPL stood at Rs. 111.05 Cr. as on 31st March 2023. The order book position stands at 503 Cr. as on May 2024. In FY24 the revenue for was around 321 Cr.

Acuite believes that the healthy financial risk profile of the sponsor will support NGARPPL, if require going ahead.

Strong counter party linked revenue profile.

The company entered into a concession agreement with PWD Maharashtra for improvement to roads in Wardha district in Maharashtra in October 2018. The company achieved PCOD in September 2022. The concession is granted to NGARPPL for 10 years after the PCOD was received and during the concession, Bi-annual annuity payments would be paid by PWD Maharashtra. The company has till date received three annuities until March 2024. Along with annuity payments, interest shall be payable to NGARPPL on reducing balance of completion cost at a rate equal to applicable bank rate plus 3%. PWD Maharashtra shall also reimburse the O&M bid quote adjusted to Price Index Multiple on the annuity payment dates to NGARPPL.

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 Bi-annual annuity. Any delay in timely receipt of the annuity could adversely impact debt-servicing ability. Company has already faced a slight delay in receiving the first annuity payment. However, another two annuities were received on time in September 2023 and March 2024 respectively. Along with fixed annuities, the project will receive interest payments on the balance annuities at a rate equivalent of prevailing bank rate plus 3%. 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 ultimately impacting the debt servicing ability of the company.

Acuite believes going ahead the timely receipt of annuity will be keenly tracked as any significant delay would lead to impact the debt servicing ability of the company. Also the timely maintenance of the project as and when required will be a key rating sensitivity.

Rating Sensitivities

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

Liquidity Position**Adequate**

NGARPPL's liquidity position is adequate marked by receipt of the annuities. Company has received the third annuity in the month of March 2024 which was due in March 2024. The DSCR is expected to be adequate and will remain above 1.23 times going forward. The company has maintained DSRA for six months, which is one instalment of repayment. Further, the Company has also 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.

Acuite expects the liquidity of NGARPPL is likely to remain adequate backed by receipt of the annuities from the government and the significant amount of DSRA creation by NGARPPL.

Outlook: Stable

Acuite believes that the outlook on NGARPPL's rated facilities will remain 'Stable' over the

medium term on account of steady flow of Bi-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

Acuité has considered DSRA equivalent to 6 months instalments and 6 months interest while arriving at the rating.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (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)

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, 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
State Bank of India	Not avl. / Not appl.	Term Loan	13 Oct 2023	Not avl. / Not appl.	30 Apr 2031	Simple	54.00	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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