

Press Release

PRA GOLA ORMANJHI HIGHWAY PRIVATE LIMITED

August 06, 2024

Rating Reaffirmed



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

In the original PR dated July 3, 2024 the statement regarding delay in milestone under "Rationale for Rating" was erroneously captured which has now been revised in this version.

Rating Rationale

Acuite has reaffirmed 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'.

Rationale for Rating

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/A1) 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 also received its appointment date at June 21, 2023.

The company has achieved 27.13 per cent physical progress up to 30.04.2024. Post this, up to 35 percent of work has been completed as well as billed. There were delays in achieving the second milestone due to not receiving the ROW for forest land and encumbrance free land, also some portion of project highway segments were affected and change of scope were there, totalling a length of 9.12 kms.

About the Company

PRA PGOHPL was incorporated by Barbrik Projects Limited and PRA India Private Limited. Barbrik Project Limited (76%) and PRA India Private Limited (24%) has 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 Barbrik group has executed similar kinds of road projects. PRA Gola Ormanjhi Highway Private Limited was incorporated in 2022. The Directors of the company are Mr. Rajesh Kumar Agrawal and Mr. Ayush Agrawal.

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 Agarwal, Mr. Rajesh Kumar Agarwal, Mr. Dhruv Kumar Agarwal, Mr. Kanhaiya Lal Agarwal, Mr. Ayush Kumar Agarwal and Mr. Sourabh Agarwal.

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.

Unsupported Rating

ACUITE BB-/ Stable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PRA GOLA ORMANJHI HIGHWAY PRIVATE LIMITED (PRA PGOHPL) and notched up the standalone rating by factoring in the financial and operational linkages with Barbrik Project Limited and PRA India Private Limited (rated at Acuité A/Stable/A1).

Key Rating Drivers

Strengths

Strong parentage

PRA PGOHPL was promoted by Barbrik Project Limited and PRA India Private Limited (rated at Acuité A/Stable/A1) in January 2024. 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 four 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. The company has availed Rs.33.92 Cr. from the external borrowing.

Low Revenue Risk

PRA PGOHPL has signed an agreement with NHAI for contractual payment in form of grants and annuities. The project cost is Rs. 732 Cr. (excluding GST). 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-annuities spread over a period of 15 years post achievement of commercial operation date (COD). The project has an escalation clause which helps the company to mitigate the material fluctuation risk. The annuities will also include interest on remaining completion cost. The interest will be calculated on average MCLR rate plus 1.25 percent.

Low funding risk

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. Moreover, the company has tie up with Union Bank of India and Canara Bank for Rs 345.82 Cr. of term loan of which Rs.33.92 Cr. has been disbursed post May 2024.

Weaknesses

Susceptibility to risks related to the tender-based nature of operations and competition

SPV remains exposed to inherent cyclicity 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

Liquidity Position

Adequate

The company has adequate liquidity profile marked by strong resource mobilization from its parent entity.

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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(4.36)	(0.01)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	1.55	0.18
PBDIT/Interest	Times	(0.93)	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>
- 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 Acuité Ratings & Research Limited www.acuite.in 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
05 Apr 2023	Bank Guarantee (BLR)	Short Term	21.96	ACUITE A3+ (Assigned)
	Proposed Long Term Bank Facility	Long Term	2.22	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	175.82	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	170.00	ACUITE BBB Stable (Assigned)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.96	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.22	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2038	Simple	175.82	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2037	Simple	170.00	ACUITE BBB Stable Reaffirmed

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

Sr.No.	Company Name
1	PRA Gola Ormanjhi Highway Private Limited
2	Barbrik Project Limited
3	PRA India Private Limited (erstwhile P R Agrawal Project Private Limited)

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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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