



Press Release

RKSCPL Highway Private Limited

May 30, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	245.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Total	245.00 (Rupees Two hundred forty-five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of RKSCPL Highway Private Limited (RKSHPL) factors in the experience of promoters in construction sector, expected operational and financial support from sponsor, concession agreement with strong counterparty, and inherent benefits of Hybrid Annuity Model (HAM) projects. The ratings strengths are, however, constrained by the project execution risk and project remains exposed to inflation and interest rate risk.

Key Rating Sensitivities:

Upward Factors

- Completion of project without any further time overruns and within budgeted costs.
- Established track record of timely receipt of annuities from National Highways Authority of India without any deductions.

Downward Factors

- Delays in receiving timely Extension of Time (EoT) for the project and timely completion as per revised timeline leading to cost overruns resulting in higher contributions from the sponsor.
- Deterioration in credit profile of sponsor, Ram Kripal Singh Construction Private Limited (RKSCPL).



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List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced promoters in construction sector

The sponsor, RKSCPL has been in the construction industry for over 4 decades and has executed projects spread across various sectors such as roads, railways, mining particularly in Jharkhand and Bihar. RKSCPL witnessed a healthy ramp-up in scale of operations, it reported a turnover of Rs.2410.58 crore in FY23 and Rs. 3023 crore in FY24(Provisional), driven by a consistently healthy order book and improved order execution. RKSCPL had an order book of Rs. 12010 crore as on as on 31st March 2024. The order book is diversified across sectors with road at ~40%, mining is at ~35%, railways work at ~8%, building & other construction works at ~12% and remaining (stadium construction, water resources department work, etc) at ~5%. The company also has adequate in-house plant and machinery (over 1650 construction equipment assets) for executing the projects in hand. The directors of the company Mr. Ram Kripal Singh and his sons, Mr. Sudhir Kumar and Mr. Ranjan Kumar have a long-standing experience in the civil construction sector. RKSCPL has been awarded four HAM projects funded by NHAI aggregating to Rs. 4639.03 crore. The said projects are being executed through SPVs, and the EPC works are being executed by RKSCPL.

Expected operational and financial support from sponsor

RKSHPL will benefit from the operational and financial support of RKSCPL, its parent company. RKSCPL has provided an unconditional and irrevocable corporate guarantee for the bank facilities of RKSHPL, supporting the payment obligations. Further, the sponsor has provided an undertaking towards financial support in case of any cost overruns and shortfall in resources during the construction phase. Apart from cost overrun, RKSCPL will fund any increase in O&M (Operation & Maintenance) expense, MM (Major Maintenance) expense, creation of debt service reserve account (DSRA) and debt servicing during the operational phase.

Concession agreement with strong counterparty, NHAI

NHAI is an autonomous Government of India (GoI) authority under the Ministry of Road Transport and Highway (MoRTH). It was established on June 15, 1989, as per the National Highways Authority of India Bill, 1988. As a nodal agency, NHAI is the vehicle of GoI to achieve



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its national road infrastructure plans. As a result, it is strategically important to the GoI. The GoI has statutory and regulatory powers over NHAI and provides financial support to the authority in the form of budgetary allocations, apart from allocation of fuel cess funds, and additional budgetary resources. Project revenues (toll collections, revenue share, negative grant, and premium receivables) and demonstrated ability to raise funds at competitive borrowing costs underpins NHAI's financial flexibility. Financial resourcefulness of NHAI has been bolstered by its ability to monetise its operational assets through TOT and InvIT modes. NHAI has been awarding projects under HAM/EPC basis under its flagship programme 'Bharatmala Pariyojana'. These models require NHAI to provide upfront funds during construction as grants and annuities once the project is operational. The strong credit profile of NHAI provides comfort that the receipt of grant and annuities will be in a timely manner.

Inherent benefits of HAM projects

The inherent benefits of the HAM project include upfront availability of right of way (RoW), inflation-linked revisions to bid project cost during the construction period and relatively low equity mobilisation risk with 40% of the project cost to be funded by the authority during the construction period in the form of a grant. The project will have a stable revenue stream post-commissioning as 60% of the remaining project cost will be paid out as annuity (adjusted for inflation) over the term of the concession by the project owner and annuity provider, NHAI.

B. Key Rating Weaknesses

Project execution risk

The concession agreement between RKSCPL and NHAI was signed on 24th September 2019 and the concession granted was for 16.5 years (including construction period of 550 days) and based on semi-annual annuity payment. The project appointed date is December 31, 2021, however, due to unavailability of land and delay in allocation of tree storage yard and irregular supplying of fly ash which is vital in embankment filling there has been significant time overruns. Accordingly, the independent engineer has recommended EoT till 19th December 2024 and same has been permitted as Date of Commencement of Commercial Operations (DCCO) from lender. Till February 12th, 2024, company achieved physical progress of 41.65%.

The bid project cost of the project is Rs. 765.00 (adjusted for price index multiple). The estimated cost of the project is Rs.667.00 crore which is to be funded through grant from NHAI



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of Rs. 306.00 crore (40% of BPC), promoters' contribution of Rs.116.00 crore and debt of Rs. 245.00 crore. Till, 31st March 2024, the total cost incurred is Rs. 401.73 crore which is 60.23% of the total. The same is funded by way of Rs.105.65 crore infusion by promoters, Rs.122.37 crore through term loan and remaining by way of NHAI grants. Timely completion of project as per revised timelines within the budgeted cost will be a key rating monitorable.

Project returns exposed to inflation and interest rate risks

RKSCPL's cash flows are exposed to interest rate risk, considering the floating nature of interest rates for the project loan. Further, there also exists inflation risk as O&M receipts, though linked to inflation index, may not be adequate to compensate for the actual increase in O&M expenses.

Analytical Approach: Standalone and Parent notch up

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology – Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Parent Support](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity: Adequate

Liquidity of the company is expected to remain adequate. The project is currently under construction and the funding for the cost of project has been tied up. The project is experiencing significant time overrun due to RoW related clearances. Any cost overrun, if materializes, will need to be funded by the sponsor. The company will start receiving annuities from NHAI after the construction of project. The waterfall mechanism will ensure that annuity receivables will be escrowed to meet the principal repayment and interest payments. Further there is support from sponsor company RKSCPL in case of any exigency.

About the company



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RKSCPL Highway Private Limited is a Special Purpose Vehicle, formed by Ram Kripal Singh Construction Private Limited on June 21st, 2019, for 4 laning of NH 80 section of Mirza Chauki to Farakka from Km.215.00 to Km.260.00 in the state of Jharkhand (Package-I) on Hybrid Annuity Mode.

Financials (Standalone):

(Rs. crore)		
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	8.60	201.51
EBITDA	0.23	23.70
PAT	0.19	13.95
Total Debt	34.22	119.61
Tangible Net worth	8.34	73.65
Ratios		
EBITDA Margin (%)	2.67	11.76
PAT Margin (%)	2.20	6.91
Overall Gearing Ratio (x)	5.44	1.83

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	245.00	IVR BBB+ / Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics



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commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term fund-based facility – Term Loan	--	--	November 23, 2037	245.00	IVR BBB+/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-RKSCPL-may24.pdf>



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.