



## Press Release

### Shapoorji Pallonji Pandoh Takoli Highway Private Limited (SPPTHPL)

March 29, 2024

#### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	1339.71	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	1339.71 (Rupees One thousand three hundred and thirty-nine crore and seventy-one lakh only)			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Shapoorji Pallonji Pandoh Takoli Highway Private Limited (SPPTHPL) derive strength from experienced promoter group, stable revenue stream under Hybrid Annuity Mode (HAM) with National Highway Authority of India (NHAI) being the concessioning authority and expected operational and financial support from sponsor. The ratings strengths are, however, constrained by residual project implementation risk and limited elbow room between annuity receipt and loan repayment schedule leading to likely dependence on sponsor group.

#### Key Rating Sensitivities:

##### Upward Factors

- Timely completion of project without any cost overruns and creation of DSRA as per sanction terms.
- Established track record of timely receipt of annuities from NHAI without any deductions.

##### Downward Factors

- Delays in achieving final completion leading to cost overruns resulting in higher contributions from the sponsor.



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- Delays or deductions in receiving annuities resulting in weak debt protection metrics.

### List of Key Rating Drivers with Detailed Description

#### A. Key Rating Strengths

##### Experienced promoter group

SPPTHPL is part of the Shapoorji Pallonji (SP) Group, which is a globally diversified industrial conglomerate, with a leading presence across sectors such as Engineering & Construction, Infrastructure, Real Estate, Water, Energy. SPPTHPL is a wholly owned subsidiary of Shapoorji Pallonji Infrastructure Capital Company Private Limited (SPICCPL; rated IVR BBB-/Negative/IVR A3) which in turn is a wholly owned subsidiary of SPCPL (rated IVR BBB+/Negative/IVR A2), flagship company of the SP Group. SPICCPL acts as the infrastructure holding company of SP Group's infrastructure business. The SP Group's portfolio comprises projects across different verticals, such as transportation, energy, port, and resources. SPICCPL portfolio include road, power, and port projects. The projects include one under construction HAM project (SPPTHPL), 120 MW of operational domestic solar power projects in Karnataka and Maharashtra, and an under-construction port in the state of Gujarat. SPICCPL has monetised its stake in some of the key projects. The promoters are duly supported by a team of experienced professionals in the day-to-day operations of the group.

SPPTHPL will benefit from the group's expertise in construction and development of large infrastructure projects. It is expected that SPICCPL would provide support for any cost overrun, if needed.

##### Stable revenue stream under HAM

HAM provides for payment of annuity irrespective of flow of traffic on a given stretch subject to certain conditions. This mitigates the traffic risk in entirety for the developer and is a credit positive. There is assured cash flow due to the annuity nature of the revenue stream linked to inflation indexed bid project cost (BPC) as well as O&M and bank rate-linked interest annuity. The annuities from NHAI are on a semi-annual basis, covering 60% of the project completion cost along with interest annuity at 'bank rate plus 3%' on reducing balance and inflation-indexed O&M annuity.

SPPTHPL has achieved provisional commercial operations (COD) on 22nd June 2022 and operationalization certificate for 64% of the project stretch on 24th April 2023. As per the settlement agreement signed with NHAI on 30th March 2022, NHAI has granted 24 months



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with additional 120 days of grace period to complete the project without any penalty. Accordingly, final completion is July 27, 2024. As on 31st December 2023, 92.32% of the work including 77.37% of change of scope work has been completed. Further, SPPTHPL has received three annuity payments on a proportionate basis albeit with a slight delay from the scheduled date of receipt. Going forward timely receipt of annuities and without any deductions will be a key rating monitorable.

### **B. Key Rating Weaknesses**

#### **Residual project implementation risk**

The SPPTHPL's entire road project is passing through hilly terrain in Himachal Pradesh. The complexity of the project exposes the project to timeline risk and cost overrun risk. However, as on 31st December 2023, the company has completed 92.32% of physical project work along with 77.37% of Change of Scope (COS) work which is mitigating the project implementation risk to some extent. Further, the floods in July 2023 damaged the project stretch. The estimated cost for restoration work is being ascertained. The funding of the same is expected to be out of insurance proceeds and funding support from NHAI.

The original project cost of Rs 2934.65 crore is being funded by an NHAI grant of Rs 1194.77 crore, debt of Rs. 1391.90 crore and balance Rs. 347.98 crores through promoters' contribution. The company has achieved financial progress of 89.24% as on December 31, 2023 and incurred a total cost of Rs. 2619.03 crore. Out Rs. 1391.90 of debt, 81.61% disbursement has been completed and out of Rs. 347.98 crore of promoters' contribution, 81.63% fund infusion is completed. Balance promoter contribution of Rs.64 crores is expected to be funded through divestment proceeds or investment from group.

#### **Tightly matched annuity inflow and debt repayment schedule, may necessitate liquidity support from the sponsor group**

There is a limited buffer available between scheduled annuity due date and debt repayment date thus, exposing the company to cash flow mismatches if there are any material delays/ deductions in receipt of annuities. Further, the DSRA is expected to be created within 6 months from COD i.e. July 2024. Further, SPPTHPL's cash flows are also exposed to interest rate risk considering the floating nature of interest rates for the project loan. Further, balance promoter



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contribution of Rs.64 crores in the project is pending which is expected to be funded through divestment proceeds or investment from group.

### **Analytical Approach: Standalone**

### **Applicable Criteria:**

[Rating Methodology – Infrastructure Companies](#)

[Criteria of assigning rating outlook](#)

[Criteria on Default Recognition](#)

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

### **Liquidity: Adequate**

The company has started receiving the annuities on proportionate basis after achieving COD on 22nd June 2022. Three annuities have been received albeit with some delays. There is a limited gap available between annuity receipt date and repayment date thus exposing the company to cash flow mismatches due to delays in receipt of annuities. Thus, the company has relied on the promoters for support to meet the mismatch. The balance project cost will be funded through an equity investment of Rs.64 crores pending from the promoters, undrawn term loan of Rs.255.91 crores. Further, the cost of restoration work due to damages in the flood is yet to be ascertained. The same is expected to be funded through insurance proceeds and support through NHAI. Hence timely receipt from insurance companies is also crucial. DSRA is expected to be created within 6 months from the date of final completion.

### **About the company**

Shapoorji Pallonji Pandoh Takoli Highway Pvt Ltd (SPPTHPL) was incorporated on July 2017 and has been awarded on design, build, operate and transfer pattern, the development, maintenance, and management of four laning of end of Pandoh bypass to Takoli section of NH21 from Km 221.305 to Km 242.0 under NHDP phase IV package II on HAM basis in the state of Himachal Pradesh. The BPC is Rs. 2,604 crores with construction period of 42 months and operation period of 15 years, after achieving the COD. The project received appointed date on March 26, 2018, with Scheduled COD on September 23, 2021, which was revised to March 22, 2022, on account of the six-month extension due to the Covid-19 pandemic. Further, SPPTHPL signed a settlement agreement on March 30, 2022, on account of change of scope (COS). As a part of the settlement agreement, the authority granted an extension of 24 months from the date of signing the settlement agreement with an additional grace period



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of 120 days for completing the project. Accordingly, the final completion for the project is scheduled on July 27, 2024.

### Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	428.98	631.13
EBITDA	46.59	161.38
PAT	-7.53	73.17
Total Debt	770.84	1100.43
Tangible Net worth	70.28	143.53
<b>Ratios</b>		
EBITDA Margin (%)	10.86	25.57
PAT Margin (%)	-1.75	11.58
Overall Gearing Ratio (x)	11.18	8.36

\*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 · N o.	Name of Instrument/Fac ilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstand ing (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	1339.71	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 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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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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	--	--	June 2036	1339.71	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-SPPTHPL-mar24.pdf>

**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](http://www.infomerics.com).