



Press Release

Vishwa Samudra Kannur Expressway Pvt Ltd (VSKEPL)

February 20, 2024

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	738.60	IVR BBB+ / Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Total	738.60 (Rupees Seven hundred thirty-eight crore and sixty lakhs only)			

Details of facilities are given in Annexure 1

Detailed Rationale:

The reaffirmation of the rating assigned to the bank facilities of Vishwa Samudra Kannur Expressway Private Limited (VSKEPL) continue to derive strength from the inherent benefits of the hybrid annuity model (HAM), including adequate right of way (ROW) and approvals, provision for change of scope, inflation indexation of construction, operations and maintenance (O&M) costs and interest payment on annuity during the operational period as per the concession agreement (CA) entered into with strong counterparty National Highways Authority of India (NHAI). The rating also reflects low funding risk, operational track record and financial strength of the sponsor, Vishwa Samudra Engineering Pvt Ltd (VSEPL, rated IVR A/Stable/ A1) and articulation of need-based support from the sponsor during the construction and operational phases. However, these rating strengths remain constrained by project implementation risk.

Key Rating Sensitivities:

Upward Factors

- Timely and successful completion of the project.
- Established track record of receipt of annuities from NHAI.



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Downward Factors

- Delay in execution of project or cost overruns or delay in any milestone payment leading to increased dependence on external borrowings, leading to deterioration in debt protection metrics.
- Deterioration in credit profile of sponsor, VSEPL

Key Rating Drivers with detailed description

Key Rating Strengths:

Benefits of HAM and receipt of substantial ROW

Under the HAM concession agreement, 80% ROW has to be handed over at the 3H stage (land compensation determined) and major approvals have to be provided for declaration of the appointed date. VSKEPL has received substantial ROW (98.4%), which is critical during the construction phase of the project. Environment clearance has been obtained. The other benefits of HAM include change of project scope if 100% ROW is not provided within 180 days of the appointed date. Further, the clause on provisional commercial operation date (PCOD), which states PCOD will be issued on completion of construction on the land made available up to 182 days from the appointed date thereby allowing for full annuities to be paid as if all works of the project have been completed is critical during the operational phase. The project also enjoys cost-escalation assurance provided by NHAI.

Furthermore, VSKEPL has already signed a fixed-price, fixed-time contract with VSEPL, which has expertise and experience in the construction business and a track record of project execution. VSEPL has been awarded HAM projects funded by NHAI aggregating to Rs.5,883 crore. The said projects are being executed through SPVs, and the EPC works are being executed by VSEPL.

Low funding risk

Total bid project cost (BPC) is Rs 2038 crore. The company has completed the process of financial tie-up for project at a cost of Rs 1816 crore (89% of BPC), funded by an NHAI grant of Rs 815.20 crore, debt of Rs 738.60 crore and balance through equity. Funding risk is low as the financial closure of the project has been achieved. As of December 31,2023, the company has incurred a cost of Rs.1082.77 crore which has been funded by the mix of promoters' contribution in the form of equity and unsecured subordinated loan amounting to Rs.220.01 crore, NHAI grant of Rs.426.88 crore and debt of Rs. 338.95 crore along with capital



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creditors of Rs. 96.94 crore. Of NHAI's share, 40% will be given on a project milestone basis. The company has achieved the second milestone as on October 31, 2023 with no damages to be paid for the delays. Further VSEPL and Vishwa Samudra Holdings Pvt Ltd have provided unconditional & irrevocable corporate guarantee for the bank facilities availed by VSKEPL.

Expected operational and financial support from sponsor.

VSKEPL will benefit from the operational and financial support of VSEPL, its parent company. Apart from cost overrun, VSEPL 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. VSEPL has long standing experience in the engineering, procurement and construction segment in the southern part of India. VSEPL has been awarded HAM projects funded by NHAI aggregating to Rs.5,883 crore. The sponsor has the financial flexibility to support its projects, if needed.

Key Rating Weaknesses:

Project implementation risks

VSKEPL faces project implementation risk as the project is at construction stage, with its appointment date being November 29, 2021. The physical progress was 41.31% as on December 31, 2023, against scheduled physical progress of 89.57%. There has been delay in execution of work vis-s-vis the schedule due to several factors like Covid-19, torrential rains in Kerala thus hampering the work schedules during 2023. Company has sought three Change of Scopes (COS) amounting to Rs. 115.36 crore. Permission for COS 1 and COS 2 has been granted whereas in principal approval for COS 3 is pending. A supplementary agreement has been executed between the Authority and the Concessionaire to resolve the issues in relation to COS-2, extension of time, etc. As per the settlement agreement, it is agreed by the Concessionaire to complete project length of 27.55 km by May 26, 2024 and 1.30 Km length by August 31, 2025 on account of additional works in major bridge (km.143+560 to km.144+860) and affected length of 1.10 km due to railway land (approval awaited). There are no cost over runs as on date. ROW of 98.4% is available and other major approvals have been received. The fixed-price fixed-time EPC contract with VSEPL and its strong execution capabilities will support implementation. While the project has low complexity, any further delay in project implementation will be closely monitored.



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Analytical Approach: Standalone along with parent support.

Applicable Criteria:

[Criteria of Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria on Parent Support](#)

[Criteria on Default Recognition](#)

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 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 Vishwa Samudra group in case of any exigency.

About the Company:

VSKEPL is a special-purpose vehicle incorporated on February 18, 2021, to complete six - laning of Thaliparambha to Muzhapilangad section of NH 17 (new NH 66) in the state of Kerala under Bharatmala Pariyojana. The project involves six laning of 29.948 kms road. VSEPL has been awarded the contract and it received Letter of Award on February 8, 2021, from NHAI. VSEPL controls 99.99% of the equity interest in VSKEPL.

The Concession Agreement for the project was executed between the company and NHAI on March 31, 2021, for a concession period, including construction period of 910 days from Appointed Date (AD) and fixed operations period, of 15 years from COD. The company received AD on November 29, 2021.



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Financials: Standalone

(Rs. crore)

For the year ended/ As On	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	239.54	463.69
EBITDA	-0.50	28.51
PAT	-0.46	10.01
Total Debt	0.00	298.95
Adjusted Tangible Net-worth	201.07	215.24
Ratios		
EBITDA Margin (%)	-0.21	6.15
PAT Margin (%)	-0.19	2.16
Overall Gearing Ratio (x)	0.00	1.39

**Classification as per Infomerics Standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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 (Rs. crore)	Rating	Date(s) & Rating assigned in 2022-23	Date(s) & Rating assigned in 2021-22	Date(s) & Rating assigned in 2020-21
1.	Fund Based Facility – Term Loan	Long Term	738.60	IVR BBB+/Stable	(December 22, 2022) 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 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 help 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	-	-	March 31,2037	738.60	IVR BBB+/Stable

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



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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-VSEKPL-feb24.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 <https://www.infomerics.com/>.

