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Shreeji Haidergarh Begamganj Road Project Pvt Ltd

May 17, 2024

Rating

Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	25.96	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	25.96 (Rupees twenty- five crore and ninety-six lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Shreeji Haidergarh Begamganj Road Project Pvt Ltd (SHBRPPL) derives strength from its experienced promoters and management team along with good resource raising ability of the sponsor, operational experience and financial strength of the sponsor (Shreeji Infrastructure India Private Limited, SI IPL rated: IVR BBB+/Stable; IVR A2) which is undertaking civil construction work for SHBRPPL and providing equity funding. Infomerics ratings also takes note of robust sponsor support undertaking coupled with creation of (debt service reserve account) DSRA and Escrow account with a well-defined payment waterfall mechanism for repayment of debt and presence of the favourable clauses in concession agreement to address execution challenges. However, these rating strengths remain partially offset by project execution risk in view of initial stage of the project, exposure to counterparty risk associated with Madhya Pradesh Road Development Corporation Limited (MPRDCL), susceptibility to Operation and Management (O&M) risk and exposure of project returns to inflation and interest rate risks.

Key Rating Sensitivities:

Upward Factors

- Timely completion of project and timely receipt of its first annuity
- Significant lower-than anticipated operating cost, resulting in improvement in DSCR levels



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- Improvement in liquidity from current levels with sustained healthy balances in DSRA account

Downward Factors

- Substantial deduction in the semi-annual annuity amount or significant delay in receipt of annuity resulting in moderation in liquidity
- Weakening of DSCR on account of larger-than-anticipated increase in major maintenance cost

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced promoters & management team along with good resource raising ability of the sponsor

SHBRPPL was incorporated in November 2022 as a Special Purpose Vehicle (SPV) by Shreeji Infrastructure India Private Limited (SIPL; rated IVR BBB+/Stable; IVR A2 vide PR dated Mar 12, 2024) holding 100% stake in SHBRPPL. The company's day-to-day operations are looked after by Mr. Anant Singh and Mr. Sanjay Singh, both are qualified graduate and possess experience of 20 years, along with a team of experienced professionals.

Operational experience and financial strength of the sponsor

Being incorporated in March 1999, SIPL has an experience of more than two decades in the business of civil construction. Over the years, SIPL has gained expertise in execution of EPC contracts in Madhya Pradesh and in other nearby states. The sponsor has the financial flexibility to support its projects, if needed.

Robust sponsor support undertaking coupled with creation of DSRA and Escrow account with a well-defined payment waterfall mechanism for repayment of debt

The sponsors shall provide support for any cost overrun and shortfall in receipt of annuities payments. It shall also cover for any major maintenance costs shortfall, and gaps in outstanding debt obligations in case of termination of the concession agreement. Furthermore, the sponsor undertaken for creation of a debt service reserve account (DSRA) 6 months after COD of the project equivalent to 6 months of interest and 1 principal instalment in respect of debt out of first two annuities in the form of fixed deposit in case of a shortfall to service debt repayment. Also, SHBRPPL will have to open an escrow account through which cash flows in form of annuity from the authority is routed and used for payment of the term debt availed. It



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ensures the annuity receivables are escrowed to meet the principal payment and interest payments. Any deterioration in the sponsor's credit profile is a key rating monitorable.

Favourable clauses in concession agreement of HAM projects to address execution challenges

The inherent benefits of the HAM project include upfront availability of right of way (RoW), inflation-linked revisions to bid for project cost during the construction period and relatively low equity mobilisation risk with 60% 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 40% 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, the MPRDC, a key State Government entity that develops and maintains India's national highways. Further, as the concessionaire does not bear any traffic risk, the project is insulated from any demand risk.

Key Rating Weaknesses:

Project execution risk in view of initial stage of the project

The concession agreement between SHBRPPL and MPRDCL was signed on December 22, 2022. The concession was granted to SHBRPPL for 10 years (including construction period of 730 days) and based on semi-annual annuity payment. SHBRPPL construction work commenced from July 21, 2023 and expected completion date is July 20, 2025. SHBRPPL currently has 90% ROW for the project and the balance will be made available by MPRDCL soon after disbursement of loan. The bid project cost of the project is Rs.119.16 crore (adjusted for price index multiple). Out of which removing the profit margin the Net Project cost comes at Rs.112.15 crore, through grant from MPRDCL of Rs.71.50 crore (60% of BPC), promoters' contribution of Rs.20.65 crore and debt of Rs.20.00 crore. The company has received sanction memorandum from Union Bank of India. SHBRPPL obtained all the other approvals that are required for the project and expects to receive them disbursement as per drawdown schedule.

The project has commenced operation from July 21, 2023 and has achieved its 1st Milestone by incurring total project cost of Rs. 22.50 crore as on February 17, 2024 by way of promoters contribution of Rs.5.12 crore, creditor of EPC Contractor of Rs.17.38 crore.

Exposure to counterparty risk associated with MPRDCL



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SHBRPPL is a special-purpose vehicle (SPV) incorporated solely for the Project of Rehabilitation and Up Gradation of Road Under Public Private Partnership In Madhya Pradesh Sector Project at for Civil Contract Pkg. No 24: Haidergarh -Begumganj and Begumganj-sultanganj Road under Hybrid Annuity Mode (HAM). It is an annuity-based project with semi-annual instalment payments from MPRDCL. The counterparty is dependent on annual budget provisions from the Government of Madhya Pradesh for receipt of funds. Although MPRDCL has demonstrated a track record of payment of annuities in the past, it is susceptible to risk of delays in payment from the state government and, consequently, delay in further release to SHBRPPL.

Susceptibility to O&M risk

The company is exposed to O&M-related risks as inadequate maintenance could result in annuity deductions from the authority. If the road is not maintained as per the standards stipulated in the concession agreement, MPRDCL may not release the annuity or release only a part of the annuity until the deficiency is remedied, which could jeopardize SHBRPPL's ability to service debt on time. However, routine O&M expenses and their low costs mitigate the risk over the medium term.

Project returns exposed to inflation and interest rate risks

SHBRPPL'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/periodic maintenance expenses.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Parent & group support](#)

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

[Criteria of assigning Rating Outlook](#)

[Policy of default recognition](#)



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Criteria on complexity

Liquidity: Adequate

Liquidity is expected to be adequate post-completion as the project will receive semi-annual annuities (along with interest) from MPRDC. Debt service coverage ratio is expected to be above unity throughout the tenure of debt. Repayment will begin seven months from COD, which provides additional cushion. Furthermore, DSRA equivalent to ensuing six months of interest and one principal instalment shall be maintained throughout the term loan tenor 6 months after COD of the project is achieved. Furthermore, support from the parent company SI IPL is also expected to underpin the liquidity of SHBRPPL.

About the Company

Shreeji Haidergarh Begumganj Road Project Private Limited (SHBRPPL) was incorporated in November 2022 as a Special Purpose Vehicle (SPV) by Shreeji Infrastructure India Private Limited for the Project of Rehabilitation and Up Gradation of Road Under Public Private Partnership In Madhya Pradesh Sector Project at for Civil Contract Pkg. No 24: Haidergarh - Begumganj and Begumganj-sultanganj Road under Hybrid Annuity Mode (HAM). Concession agreement between SHBRPPL and Madhya Pradesh Road Development Corporation Limited - MPRDCL was signed on December 22, 2022. The concession was granted to SHBRPPL for 10 years (including construction period of 730 days) and based on semi-annual annuity payment.

About the Parent

Incorporated in the year 1999, Shreeji Infrastructure India Private Limited (SI IPL) is having presence in construction of roads, tunnels and dams. The company is also involved in the construction of basic infrastructure facilities for industrial area manufacturing and industrial units' residential dwellings & complexes, commercial complexes and engineering procurement and constructions (EPC) services in the country with the long portfolio of executing projects. At present the company is delivering custom-designed turnkey projects to government agencies, large corporations, and private bodies.

Financials of Shreeji Haidergarh Begumganj Road Project Private Limited (Standalone):

Not Applicable since it's a project stage company.

Financials of Sponsor (Shreeji Infrastructure India Private Limited):

(Rs. Crore)



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For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	315.63	552.05
EBITDA	21.21	40.63
PAT	13.22	23.43
Total Debt (including interest bearing mobilisation advances)	117.57	158.76
Tangible Net worth	146.61	169.50
EBITDA Margin (%)	6.72	7.36
PAT Margin (%)	3.97	4.11
Overall Gearing Ratio (x) (including interest bearing advances)	0.80	0.94
Interest Coverage	1.78	2.78

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	20.00	IVR BBB-; Stable	-	-	-
2.	Bank Guarantee	Long Term	5.96	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



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit 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. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	Nov 2034	20.00	IVR BBB-; Stable
Long Term Non-Fund Based Limits – Bank Guarantee	-	-	-	5.96	IVR BBB-; Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Haidergarh-may2024.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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