

## Radhakishan Tollways Private Limited

February 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	82.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BBB- (CE); Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	7.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE BBB- (CE); Stable / CARE A3 (CE) and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

#CARE Ratings Limited (CARE Ratings) had previously assigned rating based on the credit enhancement in the form of corporate guarantee extended by Radhakishan Infra Developers Private Limited (RIDPL; rating CARE BB+; Stable / CARE A4+; Issuer Not Cooperating) and Mundan Construction Company (MCC).

<b>Unsupported rating</b>	<b>Withdrawn [Withdrawn]</b>
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Note: Unsupported rating does not factor in the explicit credit enhancement.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Radhakishan Tollways Private Limited (RTPL) to monitor the rating(s) vide e-mail communications dated November 03, 2023, November 20, 2023, December 12, 2023, January 04, 2024, January 29, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, The rating on RTPL's bank facilities will now be denoted as **CARE BB/CARE A4; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

The revision in the rating assigned to the bank facilities of RTPL follows the Reserve Bank of India (RBI)'s guidance note on bank loan - credit enhanced ratings dated April 22, 2022 and subsequent FAQs dated July 26, 2022 w.r.t. credit enhanced ratings. As the credit enhancement extended by RIDPL does not fulfil the requisite criteria as mentioned in the guidance note and subsequent FAQs, CARE Ratings has changed the analytical approach of aforesaid RTPL's bank facilities to assessment of its standalone credit profile while suitably factoring linkages with the sponsor i.e. RIDPL.

The ratings have been revised on account of non-availability of requisite information on the status of the on-going HAM project to conduct the rating review.

The ratings assigned to the bank facilities of Radhakishan Tollways Private Limited (RTPL) continues to remain constrained on account of inherent risks like project execution, interest rate fluctuation and O&M risk associated with under construction Hybrid Annuity Model (HAM) project, post commencement of operations. The ratings also factor in moderate credit profile of its sponsor Radhakishan Infra Developers Private Limited (RIDPL).

The ratings, however, positively factor in the inherent strengths of HAM based road projects such as (i) low project funding risk with inflation-indexed annuity to be received for construction of the stretch; (ii) lower post-implementation risk on account of inflation-indexed annuity to be received for operations and maintenance (O&M) of the road and (iii) receipt of bank rate linked interest annuity albeit non-linear transmission of the bank rate over the lending rate in the past year is a growing concern for HAM projects. The ratings also derive comfort from vast experience of the sponsor in the road construction segment, undertaking extended by the sponsor to fund any cost over-run during the construction period, bring in funds in case of delay in release of construction grant and fund O&M expenditure over base case, presence of adequate liquidity mechanism such as creation of Debt Service Reserve Account (DSRA) post commencement of operations and low counterparty credit risk.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; based on best available information.

**Analytical approach:** Standalone profile of RTPL while factoring strong operational, financial & management linkages with RIDPL.

**Outlook:** Stable

**Detailed description of the key rating drivers:**

At the time of last rating on January 06, 2023 the following were the rating strengths and weaknesses (updated for the part information provided by the company)

**Key weaknesses**

**Moderate credit profile of the sponsor**

RTPL is a SPV promoted by a small size EPC player, RIDPL and Mundan Construction Company. Though the promoters of RIDPL have wide experience in execution of road projects, the credit quality of the company remains moderate owing to low net-worth base, leveraged capital structure and equity commitments towards two HAM projects, including RTPL. Hence, receipt of timely support from the sponsors in case of delay in receipt of construction grant or any cost overrun shall remain crucial from credit perspective.

**Inherent execution risk**

RTPL is exposed to inherent construction risk attached to BOT road projects. The project stretch is to be constructed on a flexible as well as rigid pavement basis as per the existing carriageway design. Necessary permissions and approvals required for implementation of the project have been received. RTPL has entered into fixed price EPC contract with RIDPL for execution of the project.

The appointed date for execution of this project was July 07, 2022 and the project is to be completed within 550 days from receipt of appointed date i.e. till January 08, 2024. However, till December 31, 2023 out of total 5 milestones, RTPL has achieved 4 milestones. The company will require extension of time from the concessionaire for completion of the project.

**Inherent O&M Risk**

Although inflation indexed O&M annuity partly mitigates O&M risk, developers would still face the risk of sharp increase in the O&M cost due to higher than envisaged wear and tear or aggressive bidding in O&M cost. The project stretch consists of flexible (bituminous) pavement, which is prone to higher O&M cost compared to entirely rigid pavement. However, the project involves state highways wherein the traffic volumes are less, resulting in lower maintenance requirements as compared to state and national highways, mitigating the O&M risk to a certain extent.

**Inherent Interest rate risk**

RTPL is exposed to interest rate risk since the project debt is sanctioned with a floating rate of interest which is reset periodically. The interest rate risk is partially mitigated on account of receipt of the interest annuity at the applicable bank rate + 200 bps. However, RTPL remains exposed to interest rate risk owing to the timing difference between change in the bank rate & lending rate.

**Key strengths**

**Assured cash flow due to annuity nature of the revenue stream linked to inflation indexed O&M annuity and bank rate linked interest annuity**

During the operational phase, cash flow is assured in the form of annuity payments from Public Works Department (PWD), Rajasthan on semi-annual basis covering 50% of the project completion cost along with interest at 'bank rate plus 2%' on reducing balance and inflation indexed O&M annuity.

**Low funding risk and permitted price escalation**

HAM model entails lower sponsor contribution during construction period considering 50% construction support from PWD. Furthermore, BPC and O&M cost shall be inflation indexed (through a Price Index Multiple [PIM]) which is the weighted average of Wholesale Price Index (WPI) and Consumer Price Index (CPI) in the ratio of 70:30. Inflation indexed BPC protects the developers against price escalation to an extent.

**Low leverage for the project resulting in comfortable debt coverage indicators post COD**

The estimated cost of the project Rs.235.98 crore (higher than the cost considered for financial closure on account of increase in the interest rates and higher O&M assumptions) is lower than the BPC of Rs.248.84 crore which would be beneficial to the company since annuities would be received on the basis of inflated BPC. The project leverage stands at about 32.95% of the Bid Project Cost resulting in comfortable debt coverage indicators post the COD.

### Low counterparty credit risk

The concessioning authority, PWD is a Government of Rajasthan (GoR) undertaking and is responsible for the construction and maintenance of roads, bridges and government buildings in the state of Rajasthan. PWD exercises administrative control over Rajasthan State Road Development and Construction Corporation Limited, where GoR holds 100% stake. Receipt of timely construction grant and annuity from PWD shall remain critical from rating perspective.

### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Credit Enhanced Debt](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hybrid Annuity Model based road projects](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

RTPL, a special purpose vehicle (SPV) incorporated and owned jointly by RIDPL (97.45% stake as on March 31, 2023) and MCC (2.55% stake), has entered into a 10-year concession agreement (other than the construction period of 550 days from appointed date) with Public Works Department, Rajasthan for Development and maintenance of (i) Nasirabad - Mangaliyawas - Padukalan Highway SH-102 (length-62.96 km) and (ii) Beawar - Pisangan -Tehla - Kot - Alniyawas section of SH-59 (length-56.70 km) with total length of 119.66 km in the state of Rajasthan through Public-Private Partnership on Hybrid Annuity basis.

The concession agreement was signed on November 10, 2021 at a Bid Project Cost of Rs.248.84 crore to be funded through construction grant from PWD of Rs.123.89 crore, term debt of Rs.75 crore and balance through internal accruals.

**Brief financials:** Not Applicable for project phase entities

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	January 2033	82.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	7.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Un Supported Rating-Un Supported Rating (LT/ST)		-	-	-	0.00	Withdrawn

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	82.00	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BBB-(CE); Stable (06-Jan-23) 2)CARE BBB (CE); Stable (07-Jul-22)	-	-
2	Non-fund-based - LT/ST-Bank Guarantee	LT/ST *	7.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BBB-(CE); Stable / CARE A3 (CE) (06-Jan-23) 2)CARE BBB (CE); Stable / CARE A3 (CE) (07-Jul-22)	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
3	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST *	-	-	-	1)CARE BB+ / CARE A4+ (06-Jan-23)  2)CARE BB+ / CARE A4+ (07-Jul-22)	-	-

\*Issuer did not cooperate; based on best available information.

\*Long term/Short term.

#### **Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

#### **Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Un Supported Rating-Un Supported Rating (LT/ST)	Simple

#### **Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Kalpesh Ramanbhai Patel Director <b>CARE Ratings Limited</b> Phone: 079-40265611 E-mail: <a href="mailto:kalpesh.patel@careedge.in">kalpesh.patel@careedge.in</a>
<b>Relationship Contact</b>  Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: 91 44 2850 1001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a>	Ujjwal Manish Patel Associate Director <b>CARE Ratings Limited</b> Phone: 079-40265649 E-mail: <a href="mailto:ujjwal.patel@careedge.in">ujjwal.patel@careedge.in</a>
	Vanshika Jain Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Vanshika.Jain@careedge.in">Vanshika.Jain@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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