

Ramseen Raniwara Highways Private Limited

February 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	75.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	12.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable / CARE A4+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Ramseen Raniwara Highways Private Limited (RRHPL) 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 RRHPL'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 rating(s).

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 Ramseen Raniwara Highways Private Limited (RRHPL) 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; rated CARE BB+; Stable / CARE A4+; Issuer Not Cooperating).

The ratings, however positively factors 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.

Analytical approach: Standalone profile of RRHPL 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 25, 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

RRHPL is an 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 RRHPL. Hence, receipt of timely

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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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

RRHPL is exposed to inherent construction risk attached to BOT road projects. The project has received appointed date on October 29, 2022 and the Schedules Commercial Operations Date (SCOD) of the project is May 01, 2024. 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. RRHPL has entered into fixed price EPC contract with RIDPL for execution of the project. Till December 31, 2023 the company has achieved three project milestones out of total 5 milestone.

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

RRHPL 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, RRHPL 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.

Adequacy of the bidding parameters along with low leverage for the project resulting in comfortable debt coverage indicators post COD

The PWD cost for the project is Rs.240.83 crore as against the Bid Project Cost of Rs.247.77 crore resulting in a minimal deviation between reserve price and BPC of 2.88%. Furthermore, the estimated cost of the project Rs.231.02 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.247.77 crore which would be beneficial to the company since annuities would be received on the basis of inflated BPC. Hence, the project leverage stands at about 30.27% 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 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

Ramseen Raniwara Highways Private Limited (RRHPL), a special purpose vehicle (SPV) incorporated and owned jointly by RIDPL (97.70% stake as on March 31, 2023) and MCC (2.30% stake) has entered into a 10 year concession agreement (CA) (other than the construction period of 550 days from appointed date) with Public Works Department, Rajasthan (PWD) for development and maintenance of two lane of Ramseen- Bhinmal- Raniwara Section of SH- 31 from Design (Km 0.00 to 62.619) existing km 43.800 to 107.600 (Total Length 62.619 km) in the state of Rajasthan on Hybrid Annuity mode under Rajasthan State Highways Development Program II (RSHDP-II).

The concession agreement was signed on December 28, 2021 at a Bid Project Cost of Rs.247.77 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		-	-	May 2034	75.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	12.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

*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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST *	12.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4+ (25-Jan-23)	-	-
2	Fund-based - LT-Term Loan	LT	75.00	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (25-Jan-23)	-	-

*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

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 for any clarifications.

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About us:

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