

Sadbhav Vidarbha Highway Limited

January 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	514.00	CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under 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. had, vide its press release dated October 30, 2023, placed the rating of Sadbhav Vidarbha Highway Limited (SVHL) under the 'issuer non-cooperating' category as SVHL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. SVHL continues to be non-cooperating despite repeated requests for submission of information through e-mails dated September 14, 2024, September 24, 2024, and October 04, 2024, and numerous phone calls. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating based on the best available information which however, in CARE Rating Ltd.'s opinion is not sufficient to arrive at a fair rating. CARE's Rating on SVHL's long-term bank facilities continues to be denoted as CARE D; 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).

Analytical approach: Standalone

Outlook: Not Applicable

Detailed description of the key rating drivers

At the time of last rating on October 30, 2023, the following were the rating strengths and weaknesses (Updated basis the publicly available information):

Key Weaknesses

Delay in debt and interest servicing obligations: There have been delays/defaults in servicing of its interest and repayment obligations as reported in Audit Report of FY22 (updated from Registrar of Companies). The audit report for FY24 is not available and CARE Ratings is awaiting supporting documents towards regular debt servicing track record.

Inordinate delay in project execution increasing risk of annuities deduction and cost overrun: SVHL is exposed to inherent construction risk attached to build-operate-transfer (BOT) road projects. SVHL had received appointed date on May 21, 2018, and the project was scheduled to be completed by October 27, 2019. However, against this, the actual project progress as on July 31, 2021, stood at 74% with no major work done in last one year. This significant slowdown in project execution is mainly on account of funding challenges owing deterioration in the credit profile of sponsor, impact of Covid-19 and various other hindrances. Inordinate delay in project execution leads to increased risk of cost overrun and levy of damages and deduction in annuities by NHAI. In order to improve the project progress SIPL has infused entire balance equity commitments during Q1FY22. The company has applied for EOT for shifting project milestone- 3 to April 30, 2021, and SCOD to March 31, 2022, citing various reasons attributed to authority for the delayed execution. However, as on September 30, 2021, EOT is yet to be approved by NHAI. Receipt of EOT without further delay shall be crucial from credit perspective.

Weakening credit profile of SEL and SIPL: Sadbhav Infrastructure Projects Limited (SIPL; rated CARE B / CARE A4 (Credit Watch with Negative Implications); ISSUER NOT COOPERATING) is the sponsor and Sadbhav Engineering Limited (SEL) is the EPC contractor for SVHL. SEL and SIPL have experience of successfully constructing, operating and maintaining BOT projects for more than a decade. However, credit profile of both SEL and SIPL have weakened on account of steady decline in scale of operations and stretched liquidity position driven by high GCA days depicting weak execution capabilities. The liquidity position of SEL and SIPL remained stretched despite raising substantial long-term funds in H1FY22. SIPL raised Rs.991 crore in Q1FY22 through sale of InvIT units and asset backed long term debt. Nevertheless, sustained delay in scaling up of operations owing to large proportion of slow-moving order book, stretched current assets levels and cost overrun in ongoing HAM projects have outweighed the fund-raising benefits resulting in stretched liquidity evinced by near full utilization of fund-based limits on

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

prolonged basis. Sadbhav group has also entered into stake sale agreement of Maharashtra Border Check Post Network Ltd with Adani group, envisages receipt of arbitration claims and planned stake sale proceeds of its HAM assets to tide over liquidity constraints.

Inherent O&M risk: Although inflation indexed O&M annuity partly mitigates O&M risk, projects would still face the risk of sharp increase in O&M cost due to more than envisaged wear and tear and aggressive bidding in O&M cost.

Inherent interest rate risk: SVHL is exposed to interest rate risk since the project debt is envisaged to be 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 + 300 bps. However, there is a likelihood of a lag between the reductions in the bank rate and the lending rate to the company. Consequently, it may result in a temporary variability on the cash flow available for debt servicing.

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 operational phase: During operational phase, cash flow is assured in the form of annuity payments from NHAI on semi-annual basis covering 60% of the project completion cost along with interest at 'bank rate plus 3%' on reducing balance and inflation indexed O&M annuity. Further, 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 counterparty credit risk: Incorporated by the Government of India (GoI) under an Act of Parliament as a statutory body, NHAI functions as the nodal agency for development, maintenance and management of the national highways in the country. The outlook on NHAI reflects the outlook on the sovereign, whose direct and indirect support continues to be the key rating driver.

Liquidity: Poor

SVHL's liquidity is poor due to ongoing delays in debt servicing and inordinate delay in project execution leading to increase in interest during construction and reliance on the sponsor till stabilization of revenue streams.

Assumptions/covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Infrastructure Sector Ratings](#)

[Policy on Default Recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Road Assets-Hybrid Annuity](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

SVHL, a special purpose vehicle (SPV) incorporated and owned by SIPL has entered into 17.50-year concession agreement (CA) (including construction period of 910 days from appointed date) with NHAI for the design, build, finance, operate and transfer (DBFOT) of 66.88 km of road on hybrid annuity basis. The project under consideration aims at four laning of the Waranga Mahagaon Section from Km 253.700 to Km 320.580 Km (i.e. approximate length of 66.88 km) of NH-361 in the State of Maharashtra. The project includes augmentation of the existing two lanes into four lanes. The total cost of the project is Rs.1071.00 crore being funded through promoter's contribution of Rs.129.00 crore, term debt of Rs. 514.00 crore and grant from NHAI of Rs.428 crore.

Brief Financials: Not applicable due to project under implementation stage.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-11-2035	514.00	CARE D; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	514.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (30-Oct-23)	1)CARE B-; Negative; ISSUER NOT COOPERATING* (03-Aug-22)	1)CARE BB+; Negative (05-Nov-21)

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

LT: Long term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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