Rajahmundry Godavari Bridge Limited

January 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	600.00	CARE A-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Rajahmundry Godavari Bridge Limited (RGBL) derives strength from improvement in operations post change in sponsor and strategic location of the project stretch with the absence of viable alternative routes. Prakash Asphalting and Toll Highways (India) Limited (PATH, rated CARE A+; Negative / CARE A1), took over the project as sponsor through a resolution plan implemented by National Company Law Tribunal (NCLT). The project road operated by the company was in poor condition prior to the resolution thereby resulting in low traffic on the project stretch.

Post the change in ownership, the new sponsor has performed the requisite maintenance to bring the project at a satisfactory condition which has led to an improvement in the traffic on the stretch. The compounded annual growth rate (CAGR) of toll collections for the last three years has been at 33% primarily supported by the improvement in road condition having the diverted traffic back to the stretch. Due to proximity to high industrial activity around the stretch, the commercial vehicles (CVs) form prominent part of the traffic mix (82% of total traffic in terms of Passenger Car Units for FY24).

Furthermore, the rating also derives strength from comfortable debt coverage indicators and proposal to maintain liquidity support mechanisms such as a debt service reserve (DSR) of one quarter debt servicing and a major maintenance reserve (MMR). The rating also factors favourably the demonstrated track record of sponsor PATH in tolling operations and sponsor support structures such as undertakings and corporate guarantees.

The above rating strengths for RGBL are, tempered by inherent revenue risks associated with the State toll-based road projects, susceptibility of revenues with economic changes due to higher proportion of commercial traffic and exposure to operation & maintenance (O&M) associated with road projects and interest rate risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in traffic growth and toll collection leading to average DSCR of 1.50x on a sustained basis

Negative factors

- Significant adverse movement in the interest rate and O&M expenses leading to average DSCR moderating below 1.10x.
- Non-adherence to the sanctioned debt covenants.

Analytical approach: Standalone factoring in linkages with the sponsor. PATH has also extended an unconditional irrevocable corporate guarantee for bank facilities of the company.

Outlook: Stable

The stable outlook reflects the expectation of sustained growth in the traffic on the project leading to healthy toll collections and cashflows resulting in maintenance of satisfactory debt coverage metrics.

Detailed description of key rating drivers:

Key strengths

Favourable location of the project stretch

The project road connects Gundugolanu – Kovvur road at km 82.4 near Kovvur and at km 197.4 on NH-5 near Diwancheruvu. Furthermore, Rajahmundry Godavari Bridge is parallel to old rail-cum-road bridge connecting Kovvur to Rajahmundry which has restrictions for commercial truck traffic movement (above 3 axles and greater than 10.2 tonnes). The Godavari Bridge forms a vital link in connecting the new National Highway 16 (NH-16) from Gundugolanu – Devarapalli - Kovvur to the National Highway 5 (NH-5) at Diwancheruvu and serves as a most viable road between east Godavari district and the Godavari district. The project

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

road provides shorter link (by ~40 km) between Gundugolanu and Rajahmundry compared to route via NH-5 and in wider context, serves long distance traffic originating/destined South of Gundugolanu and travelling to regions on the North of Rajahmundry and vice versa.

Improved toll collection post change in sponsor

The project has been generating toll income for nearly 9 years. However, due to defaults from the erstwhile sponsor, the road was in a poor condition and therefore, toll collections remained weak and stagnant. Since the change in sponsor, collections have grown at a compound annual growth rate (CAGR) of 33% over the last three years (FY22-FY24). The toll revenue is driven by commercial vehicles, which contribute 82% of the total traffic. This upward trend in toll collection can be attributed to the improved road maintenance following the change in the project sponsor.

CARE Ratings Limited (CARE Ratings) takes note that the toll revenue for H1FY25 moderated by 3% compared to the same period last year, due to the decline in traffic on account of heavy rainfall in the project region leading to rising water levels, thereby transportation being cut off in the state of Andhra Pradesh. However, the collections continue to remain robust compared to the historical operations of the company.

Strong Parentage of the PATH

RGBL is a presently sponsored by Prakash Asphaltings & Toll Highways (India) Limited (PATH; rated CARE A+; Negative/ CARE A1), having a vast experience in road construction activities and undertaking toll collection contracts (TCC) and road operations in pan India. It is registered as an 'A' class engineering, procurement, and construction (EPC) contractor for civil construction with Government of Madhya Pradesh (GoMP). The company executes most of its construction work through its own resources, backed by a sizeable fleet of construction equipment. Furthermore, its experience in toll collection facilitates efficient assessment of traffic potential and operational requirements, apart from minimising traffic leakages.

Comfortable debt coverage and leverage indicators

The average DSCR stands healthy during the tenure of the debt backed by moderate leverage levels post factoring the undisbursed debt. Debt/Annual Toll Collection for FY25 is projected to be 5.54x over a remaining repayment tenure of 10 years. The liquidity of RGBL is moderate with cash balance of Rs.33.53 crore as on September 30, 2024, including DSRA balance of 1.66 crore. There is tail period of 2 years which imparts adequate financial flexibility.

Key weaknesses

Inherent revenue risk associated with toll project

The project is exposed to inherent revenue risk arising from the traffic fluctuations and annual revision of toll rates which are indexed to the Wholesale Price Index (WPI). Additionally, any diversion of local traffic to toll free roads/roads with lesser toll could lead to lower toll collections in future. Furthermore, as the traffic composition of the project stretch is dominated by heavy commercial vehicles like trucks and multi-axle vehicles (MAVs), which constitute around 82% of the total traffic, the traffic is highly linked to the state of the economy and macroeconomic conditions. This can have an adverse impact during times of economic downturn. Furthermore, the project operating under a State concession, remains exposed to regulatory risk associated with state toll projects.

Inherent O&M and interest rate risk

The company can face the risk of a sharp increase in the O&M cost (vis-à-vis envisaged) in the event of wear and tear on the road or road facilities given the flexible pavement project stretch. Furthermore, the loan documents propose maintenance of a MMR for funding the major maintenance expenditure which is yet to be created. Timely creation of MMR for the adequate amounts is critical from credit perspective.

Furthermore, RGBL is exposed to interest rate risk due to floating rate structure of the project term loan which may lead to higher interest costs in case of any adverse interest rate movement

Liquidity: Adequate

The liquidity position of RGBL is adequate with moderate cash flow from toll collection leading to available cash balance of Rs.33.53 crore including DSRA balance of Rs. 1.66 crore as on September 30, 2024. Furthermore, the debt will be amortized over a period of 11.5 years on monthly instalment basis leading to a tail period of 2 years.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Policy on Default Recognition]
[Liquidity Analysis of Non-financial sector entities]
[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings]
[Financial Ratios – Non financial Sector]
[Road Assets-Toll]
[Factoring Linkages Parent Sub JV Group]
[Infrastructure Sector Ratings]

About the company and industry

Industry classification

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

Rajahmundry Godavari Bridge Limited (RGBL) is a special purpose vehicle (SPV) incorporated by Gammon Infrastructure Projects Limited (GIPL) on August 2008 with an objective of undertaking the implementation of Godavari Bridge Toll Project on Build, Operate and Transfer (BOT) — Toll Basis with bridge length of 4.150 Kms and approach roads of 1.933 Kms on Kovvur side and 8.405 Kms on Rajahmundry side in the state of Andhra Pradesh. The project was issued Provisional Commercial Operations Date (PCOD) in October 2015 and commenced tolling operations from November 2015.
Project witnessed stress on account of payment & other maintenance related defaults by the original promoter GIPL following which insolvency proceedings were initiated in February 2020, against the company. Subsequently, resolution plan submitted by PATH under approval by the committee of creditors (COC). Pursuant to the corporate insolvency resolution process, PATH was the successful resolution applicant of the Borrower vide the National Company Law Tribunal ("NCLT") order dated August 10, 2022 (published on August 12, 2022) ("NCLT Order"), and consequently there has been a change in ownership of the borrower from Gammon Infrastructure Project Limited to PATH.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	87.80	111.53	51.61
PBILDT	72.25	81.30	41.86
PAT	562.50	39.09	14.68
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	43.44	413.74	16.97

A: Audited; UA: Unaudited; NM: Not meaningful; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: 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		-	-	10-12-2034	600.00	CARE A-; Stable

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	600.00	CARE A-; Stable				

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 the 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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puja Jalan Director **CARE Ratings Limited** Phone: 914040020131 E-mail: puja.jalan@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Utkarsh Yadav Assistant Director **CARE Ratings Limited** Phone: 91-120-4452060 E-mail: utkarsh.yadav@careedge.in Roosevelt Dsouza Analyst **CARE Ratings Limited** E-mail: Roosevelt.Dsouza@careedge.in

About us:

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