

Patel Bridge Nirman Private Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	67.38 (Reduced from 81.69)	CARE A-; Stable	Downgraded from CARE A; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the rating assigned to bank facilities of Patel Bridge Nirman Private Limited (PBNPL) factors in significantly higher-than-envisaged major maintenance (MM) expenses incurred in FY24 (refers to April 1 to March 31) and current year, FY25 leading to moderation in the debt coverage indicators with reliance on the sponsor, i.e. Patel Infrastructure Limited (PIL; rated 'CARE A-; Stable / CARE A2+') for undertaking such MM.

The rating continues to remain underpinned by operational track record of its annuity-based Rail Over Bridge (ROB) project with established track record of timely receipt of 21 annuities since commercial operations date (COD) without any deductions, low revenue risk considering assured cash flows in the form of annuity receivables from Road & Building Department (R&BD), Government of Gujarat (GoG) translating into limited credit counterparty risk, presence of debt service reserve account (DSRA) in the form of fixed deposits and established track record of sponsors in constructing and operating the road assets.

However, the above rating strengths are tempered by inherent operations and maintenance (O&M) and MM risk and inherent interest rate risk associated with the project as its debt has a floating interest rate structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in credit profile of counterparty (i.e., Government of Gujarat).

Negative factors

- Non-adherence to the sanctioned terms.
- Deterioration in the credit profile of authority (i.e., Government of Gujarat).
- Increase in O&M and MM expenses and movement in the interest rate impacting DSCR below unity
- Any dip/dilution in Debt service reserve account (DSRA).
- Deterioration in credit profile of sponsor, i.e. PIL

Analytical approach:

Standalone, while factoring strong credit quality of underlying annuities receivables from Roads and Buildings Department (R&BD) of Government of Gujarat (GoG) and existence of a 'structured payment mechanism' covering utilisation of the annuity receipts and maintenance of adequate reserves.

Outlook: Stable

The stable outlook assigned to bank facilities of PBNPL is on account of expectation of timely receipt of annuities from GoG, leading to healthy debt coverage indicators and maintenance of requisite reserves per the sanctioned terms.

Detailed description of key rating drivers:

Key strengths

Operational annuity-based project with established track record of annuity receipt from R&BD, GoG

The project achieved commercial operations date (COD) on April 25, 2014, ~five months ahead of the scheduled completion date (SCOD). PBNPL had completed the annuity-based infrastructure development project for construction of four ROB's ahead of time and within the envisaged cost parameters. The project has also established a successful track record of over 10 years with timely receipt of 21 semi-annual annuities without any deductions.

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

Low revenue risk due to fixed annuity-based revenue stream

The annual revenue of PBNPL is in the form of fixed receipts (annuity) of ₹33.56 crore in the form of 30 bi-annual annuities from R&BD, GoG over the entire concession period. PBNPL is envisaged to receive these payments irrespective of the actual traffic conditions on the road/bridge, insulating the revenue stream of the company from traffic risk.

Low counterparty credit risk

The Concessioneing Authority, R&BD, is fully owned by GoG. The department is the nodal agency in charge of all activities pertaining to planning, construction, and maintenance of all categories of roads and all state government-owned buildings in Gujarat. The annuity provider being a state government department having strong state finances translates into low counterparty credit risk and timely payments for PBNPL.

Established track record of operations of sponsors in the construction activities

PIL and its associate company, Patel Highway Management Private Limited (PHMPL), are the major shareholder in PBNPL with 74% stake, while Ajay Engi-Infrastructure Private Limited holds the balance 26% stake. Both the promoter companies have considerable expertise in the construction industry and are registered as approved contractor ("AA" class) with the GoG.

Significantly high MM expenses moderating the debt coverage indicators

PBNPL has incurred ₹19 crore in FY24 and ₹32 crore in year till date FY25 towards major maintenance expenditure, which is significantly higher than envisaged. The annuity receipt during the year would be ₹33.56 crore for FY25, which would not be sufficient enough to cover the O&M and MM and debt servicing requirements, placing reliance on the sponsor. As articulated by the management, the MM expense has been incurred by PIL and PBNPL shall pay-off the creditors (i.e. PIL) from the project surplus going forward. Any change in the above arrangement and MM expenses going forward shall be key rating monitorable.

Key weaknesses

Inherent O&M risk

Per the terms of the agreement, PBNPL must maintain the ROBs in motorable condition for 15 years. Volatile raw-material prices may result in higher-than-envisaged routine O&M and MM cost. However, for routine O&M, PBNPL enters annual fixed-price O&M contract with PIL, thus providing some comfort from credit perspective.

Inherent interest rate risk due to floating interest rates

The floating nature of interest rates with presence of annual reset of interest rate by the banks may lead to higher interest cost for PBNPL in case of adverse rate movement while its revenue stream in annuities shall remain fixed. Also, majority of the debt repayment is back-ended magnifying the interest rate risk.

Liquidity: Adequate

PBNPL's liquidity is adequate as marked by regular semi-annual annuity receipts of ₹16.78 crore leading to sufficient cushion for annual debt obligation of ₹20.00-₹23.00 crore besides O&M and MM expenses. Credit strength can also be derived from maintenance of fund-based DSRA of ₹12.51 crore as on July 31, 2024.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

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

[Financial Ratios – Non financial Sector](#)

[Road Assets-Annuity](#)

[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

PBNPL is a special purpose vehicle (SPV) promoted jointly by PIL and its associate company, PHMPL and AEIPL for the development of ROBs at level crossing [selected as having Train Vehicle Units (TVU) exceeding one lakh] in Gujarat through a concession on annuity basis. PIL and PHMPL together hold 74% equity stake in PBNPL, and balance is held by AEIPL. PBNPL entered a Concession Agreement (CA) with the R&BD of GoG on August 23, 2011, to execute the project on a Design, Build, Finance, Operate and Transfer (DBFOT) model for a concession period of 17.5 years (including 2.5 years of construction period) commencing from the appointed date of (March 12, 2012).

PBNPL had completed the project in April 2014, around five months ahead of the scheduled completion date in September 2014 and Independent Engineer (IE) declared final COD for the project as April 25, 2014. The project cost of ₹172.23 crore was financed through term loans of ₹129.00 crore and balance through promoter contribution.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	23.60	31.72
PBILDT	14.68	10.45
PAT	6.63	1.50
Overall gearing (times)	2.05	1.70
Interest coverage (times)	1.83	1.18

A: Audited, Note: These are latest available financial results. Financials are per IND-AS, wherein, it has recognised the financial assets per the present value of annuities receivable under its concession (discounted based on effective interest rate method) and interest income on these assets as it accrues during the year. Hence, these financials are less meaningful.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

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		-	-	December 31, 2027	67.38	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	67.38	CARE A-; Stable	-	1)CARE A; Stable (10-Nov-23)	1)CARE A; Stable (06-Feb-23)	1)CARE A; Stable (30-Dec-21)

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 lender-wise details of bank facilities please [click here](#)

Note on complexity levels of 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 clarifications.

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