

Sadbhav Kim Expressway Private Limited

February 26, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|---------------------|--|--|
| Long Term Bank Facilities | 669.00 | CARE B-; Negative; 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 November 28, 2023, placed the rating of Sadbhav Kim Expressway Private Limited (SKEPL) under the 'issuer non-cooperating' category as SKEPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. SKEPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated October 13, 2024, October 23, 2024, and November 02, 2024, and numerous phone calls. In line with the extant SEBI guidelines, CARE Ratings Limited has reviewed the rating based on the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. CARE's Rating on SKEPL's long-term bank facilities continues to be denoted as CARE B-; Negative; 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: Negative

The "Negative" outlook reflects CARE's expectation of deterioration in credit profile in case of weakened liquidity of SKEPL considering inordinate delay in project execution. The outlook may be revised to "Stable" if the project is completed within EOT as approved by NHAI and improvement in pace of execution.

Detailed description of key rating drivers

At the time of last rating on November 28, 2023, the following were the rating strengths and weaknesses (Updated basis the publicly available information):

Key Weaknesses

Nascent stage of construction and inordinate delay in project execution increasing risk of annuities deduction and cost overrun

SKEPL is exposed to inherent construction risk attached to build-operate-transfer (BOT) road projects. SKEPL had received the appointed date on November 1, 2019, and the project was scheduled to be completed by October 30, 2021. However, against this, the actual project progress as on July 31, 2021, stood low at 16% with no major work done during the last one year. This significant slowdown in project execution is mainly on account of funding challenges owing to deterioration in the credit profile of the 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 (already witnessed in first construction grant). However, with significant equity infusion in SKEPL by SIPL in May 2021 and potential change in EPC contractor of the project the pace of execution is envisaged to improve going forward. The project is now envisaged to be completed by December 31, 2022. The company has applied for EOT 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 the credit perspective.

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

Moderation in credit profile of Sadbhav group

Sadbhav group has experience of successfully operating and maintaining build-operate and transfer (BOT) projects for more than a decade. However, credit profile of Sadbhav group has deteriorated during last few years on account of continuous decline in scale of operations and stretched liquidity position driven by high GCA days depicting weak execution capabilities. However, entire pending equity contribution has been infused by Sadbhav Infrastructure Projects Limited (SIPL) (rated CARE B / CARE A4 (Credit Watch with Negative Implications); ISSUER NOT COOPERATING) into the company during FY21. SIPL has entered Debenture Trust Deed with Allianz Global Investors and AMP Capital to raise ₹ 700 crores out of which a sum of ₹550 crores has already been raised on April 15, 2020. Furthermore, SIPL also completed sale of 7% units of IndInfravit Trust for a total consideration of Rs.441 crore in first week of May 2021. These proceeds are largely utilized for funding equity commitment and cost overrun in the HAM projects and prepayment of the debt of Sadbhav group. Extent of improvement in the pace of execution in HAM projects is the key rating monitorable.

Inherent O&M risk

Although inflation-indexed O&M annuity partly mitigates O&M risk, projects would still face the risk of a 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

SKEPL 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 the operational phase, cash flow is assured in the form of annuity payments from NHAI on a 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 costs 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: Stretched

SKEPL's liquidity is stretched due to delays in project execution leading to an increase in interest during construction and reliance on sponsor till stabilization of revenue streams. The weakening of sponsor financial profile is an added rating concern. Timely receipt of partial annuity post receipt of partial PCOD is also crucial.

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 |

SKEPL, a special purpose vehicle (SPV) incorporated and owned by SIPL, has entered into 17 years CA (including construction period of 730 days from appointed date) with NHAI for the design, build, operate and transfer (DBOT) of 24.570 km road on a hybrid annuity basis. The project under consideration is a greenfield project for the construction of the eight-lane section of Vadodara Mumbai Expressway from Kim (Km 254.430) to Ankleshwar (Km. 279) in the state of Gujarat. The bid project cost for the project is Rs.1,404.00 crore while the total cost of the project is envisaged at Rs.1,575.70 crore to be funded through construction grant from NHAI of Rs.618.70 crore, debt of Rs.669 crore and balance through promoter's contribution. SKEPL received the appointed date on November 1, 2019, from NHAI.

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: 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 | | - | - | 31-12-2035 | 669.00 | CARE B-; Negative; 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 | 669.00 | CARE B-; Negative; ISSUER NOT COOPERATING* | - | 1)CARE B-; Negative; ISSUER NOT COOPERATING* (28-Nov-23) | 1)CARE B-; Negative; ISSUER NOT COOPERATING* (01-Sep-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 / facility: Not Applicable

Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of 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.

Contact us

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About us:

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Disclaimer:

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