

RATING RATIONALE

11 May 2021

Ahmednagar Bypass Road Project Private Limited

Brickwork Ratings assigns ratings for the proposed Bank Loan Facilities of Rs. 275 Crores of Ahmednagar Bypass Road Project Private Limited

Particulars:

Facility**	Amount (₹ Cr)	Tenure	Rating*
Fund based Proposed Term Loan	275.00	Long Term	^Provisional BWR A- (CE)/Stable Assigned
Total	275.00	INR Two Hundred and Seventy Five Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

** Details of bank facilities have provided in Annexure-I

Unsupported Rating: BWR BB+ /Stable

The 'Credit Enhancement (CE)' rating is based on a credit enhancement in the form of an unconditional and irrevocable Corporate Guarantee received from the parent GHV India Private Limited with a T-5 structure, the guarantor undertaking the payment of dues at T-2 date.

^Provisional rating will be affirmed once financial closure is achieved, unconditional and irrevocable guarantee with T-structure from GHV India Private Limited of AP is incorporated in sanction terms and all the executed documentation are shared with BWR.

The said rating has been assigned on the basis of the terms and conditions assumed in the draft term sheet including, repayment over 13 years post the COD with a moratorium of 2 years.

RATING ACTION / OUTLOOK

BWR has assigned a rating of Provisional BWR A- (CE)/Stable for the proposed bank loan facilities of Ahmednagar Bypass Road Project Private Limited (ABRPPL). The rating takes into account the long track record of parent GHV India Private Limited (GHVIPL) in executing road projects, low revenue risk due to built-in indexed annuities in the Hybrid Annuity Model (HAM) model to be received from the National Highways Authority of India (NHAI), moderate project risk profile and moderate debt structure. However, the ratings are constrained by project execution risks maintaining the costs in control and any unforeseen likelihood of delay in future annuity receipts from the NHAI.

KEY RATING DRIVERS

Credit Strengths:

- **Benefits of executing project under HAM model:**

The rating draws comfort from the hybrid modified annuity model nature of the project, wherein 40% of the project cost (amounting to Rs. 286 crore) and operation and maintenance (O&M) expenses of Rs. 3 crore are funded by the authority during the construction period in the form of construction support. BWR also takes comfort from the

fact that the counterparty in this case is the NHAI, thus lowering the counterparty risk. Benefits also include indexation to the Bid Project Cost (BPC) and O&M cost to the extent of inflation, and interest payments on residual annuity payments during the operational period. However, the timely receipt of annuity during the operational period will remain a key rating monitorable.

- **Experienced promoters in the Engineering, Procurement and Commissioning Operations:**

GHV Group has an established track record of executing EPC contracts. The company has executed contracts worth more than Rs.4,000 crores. The company and its promoters have over four decades of experience in successfully implementing EPC projects with government bodies including PWD, Maharashtra and the NHAI.

- **Satisfactory financial performance of the parent/sponsor company:**

In FY20, GHVIPL's Total Operating Income was Rs.1113.09 crores, with an EBITDA of Rs.121.73 crores. GHVIPL's Tangible Networth as of FY20 stood at Rs.276.57 crores with a comfortable Debt/Equity Ratio of 0.61X. GHVIPL's had good coverage indicators for FY20, with the ISCR and DSCR at 2.53X and 1.41X, respectively. GHVIPL has earned an income of Rs. 1126.07 crs. as per the provisional financial results for FY21 and had an outstanding order book of ~Rs.4479.96 crores as of January 2021 (~3X FY20 revenues), providing medium-term revenue visibility.

Credit Risks:

- **Funding risk:**

The total estimated project cost is Rs.651.14 crores, which is expected to be funded by equity contribution and unsecured loans mainly from the parent company (Rs.68.75 crores), an NHAI grant (Rs.286.00 crores) and a term loan from the bank (Rs.275 crores). The sanction of the funding with the bank or financial closure is yet to be achieved. The NHAI's share of funding will be disbursed on a project milestone basis throughout the construction period, which is expected to last 2 years from the appointment date. The financial closure is to be achieved within 150 days from the date of the concession agreement between the NHAI and ABRPPL, which the management envisages to be in June 2021. The financial closure will hence, remain a key monitorable going ahead.

- **Project execution and implementation risks:**

The project construction work is yet to commence. As such, there are significant project construction and implementation risks. The construction period is 730 days from the appointed date.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied on the audited financials of FY17-FY20, provisional financials of FY21 and projected financials of FY22 of parent company GHVIPL, projected financials of ABRPPL from FY21 to FY33 based on the annuities expected to be received by ABRPPL as a part of the concession agreement with the NHAI, provisions of the concession agreement,

publicly available information and information/clarifications provided by the company's management. GHVIPL, as the sponsor and parent entity, has provided an unconditional and irrevocable corporate guarantee with a T-structure undertaking for the debt availed by ABRPPL.

RATING SENSITIVITIES

The rating is sensitive to the timely execution of the project within the estimated cost, timely receipt of government grants during the implementation period and receipt of annuity payments as scheduled within

a reasonable time post the implementation from the NHAI.

Upward Factor: The rating may be upgraded post the achievement of the COD and commencement of regular annuity payments from the authority.

Downward Factor: The rating may be downgraded if there are delays in project execution, leading to cost overruns and any delays in the receipt of timely annuities from the government during pre-construction and post-construction periods.

LIQUIDITY POSITION - ADEQUATE

The liquidity position of ABRPPL is adequate. The Total Estimated Project Cost of Rs.651.14 crores will be financed by equity of Rs.68.75 crores, an NHAI grant during the construction period Rs.286.00 crores (40% of BPC of Rs.715 crores) plus an NHAI grant inflation-linked component of Rs.21.39 crores and senior debt of Rs.275.00 crores. This arrangement translates into a Debt/Equity Ratio of 0.73X. The balance 60% of the BPC will be paid by the Authority in 30 instalments spread over 15 years.

ABRPPL's term loan debt obligations will commence from FY24 onwards, i.e., post the completion of the project. The expected annuity payments are proposed to be escrowed with the lender. The average DSCR on the basis of the expected annuities and the estimated costs/debt servicing obligations for the proposed loan are projected to be 1.34X, indicating adequate margins.

The Sponsor will provide an irrevocable and unconditional corporate guarantee to meet the shortfall in the interest/debt servicing of the loan, top-up reserves including both the DSRA and MMRA requirements, termination shortfall for the entire loan period and any cost overrun in the project.

COMPANY PROFILE - ABRPPL (SPV)

Ahmednagar Bypass Road Project Private Limited (ABRPPL) or (the company) is a Special Purpose Vehicle (SPV) incorporated in January 2019 to undertake the 'Improvement and Construction of Ahmednagar Bypass (from km 0.000 to km 40.600) in the state of Maharashtra on a Hybrid Annuity Mode'. The company is promoted by GHV Group and is a subsidiary of GHV India Private Limited. The Government of India had entrusted to the NHAI the development, maintenance and management of National Highway No. 160 and 222 (new NH-61), including the section of Ahmednagar Bypass from km163.400 of NH-160 to km 228.700 of NH-222 (new NH-61). The NHAI proposes to augment the existing road from Ahmednagar Bypass (km 163.400 of NH – 160 to km 228.700 of NH – 222 (new NH-61) in the

State of Maharashtra by Four-Laning there of (the project) on a design, build, operate and transfer (DBOT) Annuity or Hybrid Annuity basis, which shall be financed by ABRPPL, who shall recover its investment and costs through payments to be made by the NHAI, in accordance with the terms and conditions to be set forth in a concession agreement to be entered into.

The project road after km 211+000 passes through the congested areas of Ahmednagar town and Bhingar village. It is not possible to four-lane the project road in this stretch. Therefore, there is a necessity of a bypass at Ahmednagar. The BPC is Rs.715.00 crores, and the first year O&M is Rs.3.00 crores. The estimated cost of the project is Rs. 651.14 crores. The Estimated Project Cost will be financed by equity of Rs.68.75 crores an NHAI grant during the construction period of Rs.286.00 crores (40% of BPC of Rs.715 crs.) plus an NHAI grant inflation linked component of Rs.21.39 crores and senior debt of Rs.275.00 crores. The company has signed the Concession Agreement (CA) on 6 January 2021, and the financial closure is envisaged to be achieved by June 2021. The company will get an Appointed Date (Start of Construction Date) once the financial closure is complete. The SCOD of the project is 730 days from the Appointed date. The EPC Contractor shall provide the Performance BG of an amount of Rs.35.75 crores to the NHAI, which shall remain valid till the completion of construction of the project or when it is released by the NHAI, whichever is earlier.

COMPANY PROFILE - GHVIPL (Sponsor and Guarantor)

GHV India Private Limited (GHVIPL) is the sponsor of the project and is implementing the project through Ahmednagar Bypass Road Project Private Limited (ABRPPL), a subsidiary of GHVIPL. GHV Group started its business in 1965 as a partnership firm. GHV (India) Private Limited was incorporated in 2009. GHV Group has established a track record in executing the majority of its infrastructure construction and development projects in a timely manner. It has wide experience and proven expertise in EPC services for the infrastructure sector with operations diversified across the highways, railways, airport runways and parking bays, buildings, and water and irrigation verticals.

As part of the highways vertical, GHVIPL is primarily engaged in the execution of highways and road construction projects and undertakes the design, widening, strengthening, operation and maintenance of highways, roads, carriageways, culverts, major bridges and road over bridges. It has successfully completed numerous highway projects in various states such as Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Karnataka, Kerala, Bihar, Uttar Pradesh, Himachal Pradesh, Delhi and Assam.

The group is promoted by Vijapura Family. The promoters hold a 100% share in the company. The promoters have an experience of over four decades in the construction industry. This has given them a strong understanding of market dynamics and they have long-standing relations with key customers and suppliers. Furthermore, over the years, the company has equipped itself to take up larger projects with limited dependence on subcontracting.

GHVIPL has revenue visibility because of an outstanding order book of around Rs. ~7239 Crs. which is expected to be complete in the next 3-4 years. 90% of the orders relate to the Road projects with 95% of the order book from the Central Government and 5% from the State Governments.

KEY FINANCIAL INDICATORS (in INR Crs.) - ABRPPL (SPV)

Key financial indicators are not applicable as ABRPPL is a project stage company.

KEY FINANCIAL INDICATORS (in INR Crs.) - GHVIPL (Sponsor and Guarantor)

Key Parameters	Units	FY19	FY20	FY21
Result Type		Audited	Audited	Provisional
Total Revenue	(Rs. Crs.)	1269	1119.2	1130
EBITDA	(Rs. Crs.)	138	127.32	125.13
PAT	(Rs. Crs.)	43.0	39.5	40.9
Total Debt	(Rs. Crs.)	141.0	167.5	132.4
Tangible Networth	(Rs. Crs.)	217.0	266.9	317.5
Gearing	Times	0.7	0.6	0.4

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

- **Maintenance of DSRA:** The Borrower shall create a Debt Service Reserve (DSR) out of cash flow from the Project to meet the Debt service requirements for the ensuing 3 (three) months for an amount equal to 1 instalment of principal and 3 months interest payment due to the Lenders after meeting the Debt service obligations during the operational phase.
- **Corporate Guarantee:** Unconditional and irrevocable corporate guarantee with T- structure from Parent-GHV India Private Limited
- **Escrow Account:** ABRPPL's entire toll receipts, termination payments and other receipts relating to their activity including deposit, bills, foreign exchange, merchant banking should be restricted only to the financing bank and routed through Escrow Account.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY FOR THE LAST THREE YEARS

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2020	2019	2018
Fund Based	Long Term	275.00	^Provisional BWR A- (CE) Assigned	NA	NA	NA
Total		275.00	INR Two Hundred and Seventy Five Crores Only			

The 'Credit Enhancement (CE)' rating is based on a credit enhancement in the form of an unconditional and irrevocable Corporate Guarantee received from the parent GHV India Private Limited with a T-5 structure, the guarantor undertaking the payment of dues at T-2 date.



^Provisional rating will be affirmed once financial closure is achieved, unconditional and irrevocable guarantee with T-structure from GHV India Private Limited of AP is incorporated in sanction terms and all the executed documentation are shared with BWR.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Road-HAM Projects](#)

Analytical Contacts	
Umang Pardasani Ratings Analyst Board: +91 80 4040 9940 Ext: 370 umang.p@brickworkratings.com	Vipula Sharma Director – Ratings Board: +91 80 4040 9940 vipula.s@brickworkrating.com
1-860-425-2742	media@brickworkratings.com

Ahmednagar Bypass Road Project Private Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Total (₹ Cr)
1.	Bank 1	Proposed Term Loan	275.00	275.00
TOTAL				275.00

Total Rupees Two Hundred and Seventy Five Crores only.



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