

## RATING RATIONALE

9 April 2026

### Patel KNR Heavy Infrastructures Limited (PKHIL)

Brickwork Ratings has upgraded the rating for the Non-Convertible Debentures (NCD) issue of Rs. 28.80 crore of Patel KNR Heavy Infrastructures Limited (PKHIL)

#### Particulars:

Instrument	Tenure	Previous Limits (Rs. Crs.)	Present Limits (Rs. Crs.)	Previous Rating (10 Apr 2025)	Present Rating
Non-Convertible Debentures (NCD)	Long term	52.72	<b>28.80</b>	BWR AA+/Stable Reaffirmed	<b>BWR AAA/Stable Upgrade</b>
<b>Total</b>		52.72	<b>28.80</b>	<b>(Rupees Twenty-eight crore and eighty Lakh Only)</b>	

#Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the ratings

\*\*Details of NCD, consolidation or instruments are provided in Annexure

#### RATING ACTION/OUTLOOK:

Brickwork Ratings has upgraded the rating to BWR AAA/Stable for the Non-Convertible Debentures (NCD) issue of Rs. 28.80 crore of Patel KNR Heavy Infrastructures Limited (PKHIL)

The upgrade in the rating reflects improved debt coverage indicators following the debt prepayment from arbitration proceeds in FY25 and the redemption of Series F - Opt V NCD in March 2026, and a consistent track record of timely annuity receipts from the NHAI and minimum deductions. The ratings continue to be supported by a robust structured payment mechanism involving an escrow account, a strong credit profile of counter party ( NHAI) strong liquidity, maintained through a Debt Service Reserve Account (DSRA) and a Major Maintenance Reserve Account (MMRA), fixed-price O&M agreements and extensive experience of the O&M contractor., and fixed interest rates on the NCDs and restrictive payment covenants that prohibit the withdrawal of free cash until the debentures are redeemed.

The rating remains sensitive to PKHIL's ability to ensure consistent and satisfactory road maintenance—both regular and periodic—which is critical to avoid annuity deductions.

#### KEY RATING DRIVERS

##### Credit Strengths:-

**Improved debt coverage indicators-** Following the debt prepayment from arbitration proceeds in FY25 and the redemption of Series F - Opt V NCD in March 2026, the total outstanding debt is ₹28.80 crore, which is payable in September 2026 and March 2027 and is sufficiently covered by the remaining four annuities of 44.37 crores receivable under the concession agreement maturing in March 2028. Additionally, the company also has a DSRA of

35 cr, which is more than the debt outstanding. The last major maintenance before the project is handed over to NHAI is underway and is likely to be completed in 4 to 5 months. The estimated cost of 45-50 crores is adequately covered through the Major Maintenance Reserve (MMR) of around Rs. 12.63 cr. No major deviation or cost overshoot is envisaged. To meet these outflows, the company holds ₹64 crore in liquid funds (Mutual Funds and Fixed Deposits) as of December 31, 2025. Additionally, the company is entitled to receive the four remaining semi-annual annuity payments of ₹44.37 crore.

**Timely receipt of annuity from NHAI and the Presence of a structured payment mechanism-** PKHIL receives semi-annual annuity payments of Rs. 44.37 Cr from the NHAI under a concession agreement maturing in March 2028. These receipts are routed through an escrow account, where debt servicing is prioritised following the settlement of statutory and O&M expenses. The 31st and 32nd annuities were received on August 30, 2025, and March 1, 2026, respectively. These payments were received in full, subject only to TDS and cess, with the NHAI also releasing the associated GST component. To account for potential operational delays in fund receipt, a 'T+30' repayment structure remains in place for the NCDs, where 'T' represents the NHAI annuity receipt date.

**Strong financial risk profile of the annuity provider, NHAI-** As the nodal agency incorporated by an Act of Parliament, the National Highways Authority of India (NHAI, rated BWR AAA/Stable) is responsible for the development, maintenance, and management of the national highway network. Given its status as a quasi-government entity and its strategic importance to the Government of India (GoI), the risk of default on annuity payments is considered low.

**Strong credit profile of the O&M contractor cum sponsor-** The sponsors demonstrate an established track record in project execution and the operations and maintenance (O&M) of extensive infrastructure portfolios. KNRCL, which holds a 40% stake, is a prominent engineering, procurement, and construction (EPC) entity active in the roads, highways, irrigation, and urban water infrastructure sectors; they also manage routine maintenance activities. The second sponsor, Patel Engineering Limited (PEL), holds a 60% stake and possesses extensive experience in the construction segment, despite a relative moderation in their credit profile over recent years. Furthermore, KNRCL and PEL have provided joint and several undertakings to infuse funds should there be any shortfall in Major Maintenance (MM) expenses exceeding revised estimates. This commitment also covers any disallowance regarding the withdrawal of free cash available within the project.

**Presence of joint and several sponsor undertaking-** The sponsors, viz., KNRCL and Patel Engineering Limited (PEL) have jointly and severally provided an undertaking for the infusion of funds in meeting any shortfall in major maintenance (MM) expenses over and above the revised estimates and the disallowance of withdrawal of any free cash available in the project.

**Adequately Funded Reserves-** BWR notes that, as of December 31, 2025, the company holds a total liquidity of Rs. 99.06 crore, which includes Rs. 35.00 crore in the Debt Service Reserve Account (DSRA). In addition, the company holds Rs. 64.06 crore in liquid assets, consisting of

mutual funds and fixed deposits. All the stipulated reserves and liquid funds are maintained by way of investments in mutual funds and fixed deposits as per the terms of the restricted payment covenants.

**Credit Weakness:-**

**Risk of Annuity Deduction:** PKHIL’s ability to receive full annuity payments depends on keeping all lanes available, which requires timely and cost-effective maintenance of the project stretch. The third and final Major Maintenance Reserve (MMR) work has commenced and is expected to be completed within the next 4–5 months, with a total expenditure of ₹45-50 crore and poses a risk if there are delays. Although funds from the Major Maintenance Reserve Account (MMRA) should be available, it is essential that the maintenance is executed successfully and on schedule.

**ANALYTICAL APPROACH**

BWR has taken a standalone approach, considering the waterfall mechanism and restricted payment conditions defined in the financing documents. BWR has applied its rating methodology as detailed in the rating criteria.

**KEY RATING SENSITIVITIES**

**Positive Factors:** NA

**Negative Factors:**

- Weakening of liquidity due to delay or deductions in annuity payments or a significant increase in O&M costs beyond the MMRA reserve or withdrawal of excess cash balance lying in the escrow account
- Deterioration in the credit profile of the NHAI
- Weakening of the credit profile of the O&M contractor and/or sponsors. A material reduction in the coverage metrics viz. DSCR, ISCR, etc.

**LIQUIDITY INDICATORS Strong**

The liquidity position remains Strong, driven by cash flows from annuities received as per the predefined schedule and deposited into an escrow account in a timely manner. As of Dec 31, 2025, the company holds a total liquidity of Rs. 99.06 crore, which includes Rs. 35.00 crore in the Debt Service Reserve Account (DSRA), Rs. 12.63 crore in the Major Maintenance Reserve (MMR), Rs. 37.60 crore in mutual fund investments, and balance in fixed deposit receipts (FDR) and bank balances. All the stipulated reserves and liquid funds are maintained by way of investments in mutual funds and fixed deposits as per the terms of the restricted payment covenants.

**COMPANY PROFILE**

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

Patel KNR Heavy Infrastructures Limited (PKHIL) is a Special Purpose Vehicle (SPV) incorporated in 2006 for the design, construction, development, financing, and operation of a 48-kilometre stretch of National Highway-7. This section spans from km 230 to km 278 in the Islamnagar–Kadthal corridor, located in the Adilabad district of Telangana (formerly Andhra Pradesh), and connects Hyderabad to Bengaluru. The project was undertaken on a Design-Build-Finance-Operate-Transfer (DBFOT) basis under an annuity model. PKHIL is jointly promoted by KNR Constructions Limited (KNRCL), which holds a 40% equity stake, and Patel Engineering Limited (PEL), which holds the remaining 60% stake through its wholly owned subsidiaries—Patel Engineering Infrastructures Limited (42%) and Fornido Developers Ltd (formerly ENPRO Ltd), with 18%. The concession period for the project is 20 years, including a construction period of 24 months, and is set to end on March 2, 2028. The company received the completion certificate for the project on December 26, 2016.

### KEY FINANCIAL INDICATORS

Key Parameters	Units	FY23	FY24	FY25	9MFY26
		Audited	Audited	Audited	Unaudited
Total Operating Income	Rs. crs.	43.72	38.12	297.81	19.16
EBITDA	Rs. crs.	28.34	21.95	-4.89	3.66
Net Profit	Rs. crs.	0.11	-3.20	-18.02	0.25
Tangible Net Worth	Rs. crs.	117.68	114.48	96.46	NA
Total Debt / Tangible Net Worth	Times	1.93	1.54	0.55	NA
Current Ratio	Times	2.35	2.26	0.90	NA

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:** All stipulated reserves and liquid funds have been maintained through investments in mutual funds and fixed deposits, in line with restrictive payment covenants that prohibit the withdrawal of any free cash from the project until the debentures are fully redeemed.

**NON COOPERATION WITH PREVIOUS RATING AGENCY(IF ANY) - NA**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawn/suspended ratings)**

Facility	Current Rating (2026)			Rating History		
	Type (Long Term/ Short Term)	Amount (Rs. Crs)	April 2026	2025 (10 April 2025)	2024 (12 April 2024)	2023 (14 March 2023)
Fund Based (Term Loan)	Long Term	28.80	BWR AAA (Stable) Upgrade	BWR AA+/Stable Reaffirmed	BWR AA+/Stable Reaffirmed	BWR AA+/Stable Reaffirmed
<b>Total</b>		28.80	<b>(Rupees Twenty-eight crore and eighty Lakh Only)</b>			

**Hyperlink/References to Applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector Ratings](#)
- [Rating Criteria-Rating of HAM road projects](#)

Analytical Contacts	
<b>Kanwalpreet Singh</b> Senior Ratings Analyst <a href="mailto:kanwalpreet.s@brickworkratings.com">kanwalpreet.s@brickworkratings.com</a>	<b>Niraj Kumar Rathi</b> Senior Director Ratings <a href="mailto:niraj.r@brickworkratings.com">niraj.r@brickworkratings.com</a>
<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>	

**Patel KNR Heavy Infrastructures Limited**

ANNEXURE I - Not Applicable

**ANNEXURE II: Instrument details rated by BWR**

Series	Issue Date	Sanctioned Amt (Rs. in Crs.)	Amount (Rs Crs)#	Coupon	Maturity date	ISIN Particulars@
Series F - Opt VI	03-Sep-2013	15.00	15.00	10.35%	30-Sep-2026	INE555J07260
Series F - Opt VII	03-Sep-2013	13.80	13.80	10.35%	31-Mar-2027	INE555J07278
<b>Total</b>		<b>28.80</b>	<b>28.80</b>	<b>(Rupees Twenty-eight Crore and eighty Lakh Only)</b>		

#Amount outstanding as on 31st March 2026, as per the confirmation provided by the debenture trustee and company

## BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com](http://www.brickworkratings.com) / download / ComplexityLevels.pdf. Investors' queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

*Frequency of Interest Payment: Semi-annual interest payments on September 30 and March 31 every year for all NCD coupons (Annuity receipt is semiannual at February end and August end) to provide for a one-month cushion for Debt servicing.*

**ANNEXURE-III** List of entities consolidated: Nil

### **Print and Digital Media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

### **About Brickwork Ratings**

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. BWR has rated over 11,560 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner.

### **Disclaimer**

Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. [ hereafter referred to as "Instruments" ]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgment are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgment obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "**BWR Party**") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party

disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, [www.brickworkratings.com](http://www.brickworkratings.com). More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.