

Nagpur - Seoni Express Way Private Limited

November 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating	Rating Action
Non-convertible debentures	21.09 (Reduced from 42.00)	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in the rating assigned to the non-convertible debentures (NCDs) of Nagpur-Seoni Express Way Private Limited (NSEWPL) continues to remain underpinned by credit quality of the underlying annuity receivables from the National Highways Authority of India (NHAI; rated 'CARE AAA; Stable'), operational status of the project with receipt of final commercial operations date (COD) and track record of the timely receipt of 29 semi-annual annuities. Furthermore, the rating derives comfort from low project leverage, comfortable debt coverage indicators and elimination of interest rate risk (through issue of fixed coupon rate NCDs).

The rating also derives strength from various liquidity support mechanisms such as presence of defined cashflow mechanism by way of maintenance of a debt service reserve account (DSRA), creation of a major maintenance reserve account (MMRA) per the sanctioned terms, sufficient time gap between annuity due date and repayment date and healthy tail period of two annuities. Furthermore, the rating also takes note of the increase in the annuities post receipt of the arbitration award as well as the fact that the partial pre-payment of senior debt has improved the company's debt coverage indicators.

The ratings also note that in the release of 27th annuity (in December 2023), NHAI has withheld an amount of ₹5.73 crore owing to ride quality issues. Out of the same, ₹2.29 crore has been released and balance is expected to be released upon completion of on-going Major maintenance (MM), envisaged in FY25. However, the withheld annuities have not impacted the debt service coverage metrics. The subsequent receipt of annuities has been without any significant deduction.

However, rating strengths are partially tempered by the inherent operation and maintenance (O&M) and major maintenance (MM) risks associated with the project. In FY24 (refers to April 01 to March 31), NSEWPL incurred ₹ ~5 crore during FY24 and the major maintenance plan for FY25 stands at ~₹39 crore, of which ₹20 crore has already been incurred in H1FY25 (refers to April 01 to September 30). The subsequent receipt of annuities has been without any significant deduction/withholding.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Not applicable

Negative factors

- Deterioration in the credit profile of the counterparty (NHAI).
- Breach of performance obligations of the O&M contractor, leading to deduction in annuities, and consequent deterioration in the debt service coverage ratio (DSCR) below 1.10x.
- Significant delay in payment of the envisaged Goods and Services Tax (GST) outflow, impacting the average DSCR below 1.10x.
- Non-adherence of the structure payment mechanism.
- Withdrawal of any surplus liquidity until completion of on-going major maintenance.

Analytical approach

Standalone, along with the existence of a 'structured payment mechanism' covering the utilisation of the annuity receipts and its appropriation to various reserves has also been suitably factored in the analysis.

Outlook: Stable

The stable outlook assigned to the instruments of NSEWPL continues to factor in the receipt of the final commercial operations date (COD), the operational track record of more than 14 years along with the receipt of 29 semi-annual annuities up to November 2024, the healthy debt coverage indicators, and the minimal counterparty credit risk associated with the NHAI as the annuity provider.

Detailed description of the key rating drivers

Key strengths

Operational status of the project with track record of receipt of annuities

NSEWPL received Provisional COD in May 2010 and final COD in September 2010. Being an operational annuity road project, with the NHAI as the annuity provider, the revenue risk is expected to be minimal. NSEWPL has received 29 annuities, with the semi-annual annuities falling due in the months of May and November every year. Additionally, the presence of a 'T plus 60' structure for debt servicing, with 'T' being the scheduled date for receipt of annuity from the NHAI, is expected to take care of any procedural delay in the receipt of annuity. Consequent to the favourable arbitration award during FY19, the semi-annuities of NSEWPL have increased to ₹21.79 crore on a retrospective basis.

Low credit risk associated with annuity provider (NHAI)

Incorporated by the Government of India (GoI) under an Act of Parliament, the NHAI functions as the nodal agency for the development, maintenance, and management of the National Highways (NH) in the country. It is vested with executive powers by the Ministry of Road Transport & Highways (MoRTH) for developing NHs in the country. The NHAI's primary objective is to meet the country's requirement for provision and maintenance of the NH network within the strategic policy framework determined by the GoI. NHAI's rating factors in the high level of support that it receives from the GoI due to its strategic importance as the country's nodal agency for implementing road sector projects, including various phases of the National Highways Development Programme (NHDP). The outlook on the NHAI reflects the outlook on the sovereign, whose direct and indirect support continues to be the key rating driver.

Presence of structured payment mechanism and DSRA

The annuity receivable from NHAI is deposited in a trustee monitored escrow account and utilization out of the account is made as per the pre-defined water fall mechanism. The terms of the NCD structure ensure the transfer of the requisite amounts to the designated accounts like DSRA and MMRA. As on September 30, 2024, NSEWL has maintained DSRA of ₹11.70 crore, which is higher than the stipulation of maintenance of DSRA equivalent to six months of debt and interest servicing. NSEWPL has maintained MMRA at stipulated levels.

Mitigation of interest rate risk

The NCDs issued by the company carry a fixed coupon rate for the entire tenure, resulting in elimination of interest rate fluctuation risk.

Sponsor support through infusion of unsecured loans

Interise Trust (erstwhile IndInfra Trust) was initially set up by L&T Infrastructure Development Projects Limited on March 7, 2018, as an irrevocable trust and was registered as an infrastructure investment trust (InvIT) under the Securities and Exchange Board of India (SEBI) regulations on March 15, 2018. Key investors include Canada Pension Plan Investment Board (CPPIB), Allianz Capital Partners (ACP), and OMERS Infrastructure Asia Holdings Private. The trust is now a self-sponsored. Total loan from the sponsor stood at ₹141.53 crore as on March 31, 2024, which is subordinated to the senior debt.

Key weaknesses

Inherent O&M risk associated with project

NSEWPL is exposed to the inherent O&M risk of sharp increase in the O&M cost due to more-than-envisaged wear and tear associated with build-operate-transfer (BOT) projects. NHAI had withheld an amount of ₹5.73 crore owing to ride quality issues during release of 27th annuity. Out of the same, ₹2.29 crore has been released and balance is expected to be released upon completion of on-going Major maintenance (MM), envisaged in FY25. However, adequate cushion in the assumption of O&M cost and strong debt coverage indicators offer cash flow protection in case of substitution of the O&M contractor.

NSEWPL has incurred ₹~5 crore during FY24 and the major maintenance plan for FY25 stands at a ~₹39 crore, of which ₹20 crore has already been incurred in H1FY25.

Liquidity: Strong

NSEWPL is envisaged to generate adequate cash flows, backed by a steady cash flow stream of annuity payments throughout the tenor. Furthermore, there is a gap of ~60 days between the due date of annuity receipt and the due date of redemption, providing cushion in case of procedural delay in annuity. As on September 30, 2024, NSEWPL has maintained a DSRA of ₹11.70 crore besides free cash and bank balance (including MMRA) of ₹11.62 crore.

Assumptions/Covenants: Not applicable

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

Applicable criteria
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Road Assets-Annuity](#)
[Infrastructure Sector Ratings](#)
About the company and industry
Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport infrastructure	Road assets – Toll, annuity, hybrid-annuity

Incorporated in February 2007, NSEWPL was promoted by SIPL to design, build, finance, operate, and transfer a four-lane road for a total length of 56.48 km starting from Seoni bypass to the Madhya Pradesh (MP)/Maharashtra border of NH-7 in the state of MP on an annuity basis. As per the concession agreement (CA), the concession period of the project is 20 years (including a construction period of 30 months) from the appointed date. The entire equity stake of SIPL in NSEWPL was transferred to IndInfravit as on February 14, 2020, along with seven other operational special purpose vehicles (SPVs) for a total sale consideration of around ₹2,546 crore.

Of the total project stretch of 56.48 km, a certain length of the stretch fell under the reserve forest area along the periphery of the Pench Tiger Reserve in MP. Due to the prolonged delay in the clearance of this stretch of land from the Wildlife Board for construction of the road, NHAI had deleted this stretch from the scope of work per the provision of the CA. Subsequently, NSEWPL had achieved the commercial operations date (COD) for the completed stretch of 27.73 km of road in September 2010.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	19.54	24.76	29.57
PBILDT	(1.69)	(1.37)	5.96
PAT	(25.61)	(23.80)	(4.60)
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	(0.07)	(0.06)	(0.06)

A: Audited; UA: Unaudited; NM: Not meaningful. Note: The above results are the latest financial results available. The above financials are per IND-AS and are less meaningful.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Annexure-2

Covenants of the rated instruments/facilities: Annexure-3

Complexity level of the various 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 along with Rating Outlook
Debentures-Non-convertible debentures	Series A: INE626J07012 Series B: INE626J07152 and INE626J07160	December 15, 2015	Series A: 8.72% Series B: 8.91%	Series A: February 01, 2025 Series B: February 1, 2027	21.09	CARE AAA; Stable

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non-convertible debentures	LT	21.09	CARE AAA; Stable	1)CARE AAA; Stable (30-Nov-23)	1)CARE AAA; Stable (30-Jan-23)	1)CARE AAA; Stable (31-Jan-22)	1)CARE AAA; Stable (04-Feb-21)

*Long term/Short 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	Debentures-Non-convertible debentures	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the 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 any clarifications.

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