

Oriental Nagpur Betul Highway Limited (Revised)

August 08, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-convertible debentures	1466.49 (Reduced from 1,645.62)	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	161.27 (Reduced from 180.96)	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	86.06 (Reduced from 96.56)	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the long-term non-convertible debentures (NCDs) of Oriental Nagpur Betul Highway Limited (ONBHL) continues to derive strength from the fixed-annuity structure of the concession precluding any traffic risk, and the annuity provider being a strong counterparty, viz., National Highways Authority of India (NHAI; rated 'CARE AAA; Stable').

The project has already witnessed a track record of timely receipt of 17 semi-annual annuities without any material deductions. The ratings are further underpinned by structural measures put in place in the form of a trustee-administered escrow payment mechanism with a predefined waterfall covering utilization of annuity receipts, presence of a debt service reserve account (DSRA) equivalent to peak amount of ensuing nine months of principal and interest payments, pre-defined appropriation of funds into major maintenance reserve account (MMRA), construction reserve account to take care of the pending work and additional reserve account to meet any contingent requirements towards maintenance of the project. Furthermore, absence of interest rate fluctuation risk in the fixed-coupon NCDs is also a credit positive.

During FY20 (refers to the period April 1 to March 31), Oriental Structural Engineers Private Limited (OSEPL) had sold five assets to Oriental Infra Trust, an infrastructure investment trust (InvIT), of which ONBHL was one of the assets. Further, Oriental Infra Trust acquired Biaora to Dewas Highways Private Limited (BDHPL), a toll-based road project from OSEPL and Oriental Tollways Private Limited in October 2022, thereby Oriental Infra Trust (OIT) holds six special purpose vehicles (SPVs) having 100% shareholding.

The above strengths are partially offset by the inherent operations & management (O&M) risks and Major Maintenance risks. CARE Ratings Limited (CARE Ratings) takes note of the Settlement Agreement signed between ONBHL and NHAI in March 2022, wherein the company has received in full and final settlement towards all the claims, change of scope and all the other disputes arising under Concession Agreement (CA) and the matters related thereto. While the company may be required to construct the permanent toll plaza (TP) at a location decided by the Authority (temporary toll plaza already in operation) as part of the settlement agreement, at its own cost as and when the land is made available by the Authority, the company is maintaining adequate construction reserve for the same thereby mitigating the construction risk.

Rating sensitivities: Factors likely to lead to rating actions

Negative factors

- Deterioration in the credit risk profile of the annuity provider, viz., NHAI.
- Non-adherence to waterfall mechanism and non-compliance of various covenants as per terms of the NCDs including continued maintenance of various reserves, including DSRA, MMRA and additional reserve at all times and not meeting restricted payment conditions.
- Any significant increase in the routine and major maintenance (MM) expenses from envisaged levels or deterioration in riding quality of the stretch resulting in significant deduction of annuities.

Analytical approach:

Standalone; financial risk profile of the SPV and presence of a structured obligation mechanism in the form of trustee administered Trust and Retention Account (TRA) with a pre-defined waterfall covering utilization of annuity receipts and creation of various reserves has been considered in the analysis.

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

Outlook: Stable

The 'Stable' outlook assigned to the instruments of ONBHL considers the CARE Ratings' expectation of timely receipt of annuities without any deductions and the presence of adequate liquidity mechanism such as DSRA, MMRA, Construction Reserve and Additional Reserve.

Detailed description of the key rating drivers:**Key strengths****Stable long-term revenue visibility due to underlying annuities from a strong counterparty, NHAI:**

ONBHL is an annuity-based project, under which the company receives a fixed semi-annual annuity from a strong counterparty-NHAI, over the concession period, providing visibility of stable long-term revenues. As the company does not bear traffic risk, the project is not exposed to any demand risk. There is also an established track record of timely receipt of 17 semi-annual annuities from NHAI, without any delay or deduction.

Structured payment mechanism in place:

The ratings derive comfort from the presence of a pre-defined waterfall arrangement through a 'Trust and Retention Account', whereby the annuity payments are utilized for the payment of NCDs after meeting statutory dues, O&M and NHAI payments as defined under the waterfall mechanism. The company has already created a DSRA of ₹287.18 crore equivalent to peak amount of ensuing nine months of principal and interest payments, a construction reserve account of ₹8.73 crore for the balance works and an additional reserve of ₹25.00 crore to meet any exigencies towards maintenance of the project. The presence of these reserves provides adequate liquidity in case of any contingencies. Besides, restricted payments are to be permitted only when financial covenants are complied with, including at least 1.05x DSCR on two consecutive testing dates.

Experienced O&M contractor with established track record in infrastructure sector:

OSEPL, the project manager of InvIT and the O&M contractor for ONBHL, has a long track record of about five decades in the construction industry with expertise and experience in roads and highways segment. Additionally, during FY20, OSEPL constituted an InvIT by transferring five operational SPVs (one annuity road project, four toll road projects) to Oriental InfraTrust (OIT) for a total enterprise value of ₹11,638 crore. Moreover, OSEPL in October 2022, sold its SPV - Biaora to Dewas Highway Private Limited (BDHPL) to OIT. OSEPL, along with its wholly-owned subsidiary, OTPL, holds 59.16% stake in the InvIT, OIT.

Absence of interest rate risk:

The NCDs have a fixed coupon rate throughout their tenure, which mitigates the risk of any fluctuation in the interest rate. Although Series B and Series C NCDs are subordinate to Series A NCDs and are placed lower in the waterfall, comfortable coverage indicators and presence of DSRA and other reserves for the entire NCD issue provide adequate cushion.

Key weaknesses**Exposure to O&M and MM risks:**

The company is exposed to the inherent O&M risks associated with the operational BOT road projects, including the risk of any increase in the O&M and MM expenses. ONBHPL has entered into a fixed-price O&M and major maintenance contract with OSEPL. Additionally, ONBHPL has adequate cushion to absorb some degree of increase in major maintenance costs.

The company completed the first MM during FY19-FY20 within the budgeted expenditure, and presently, the roughness index of the entire stretch is within good range as per the specifications of concession agreement, thereby reflecting the good condition of the road as per the report for the month of May 2023. Additionally, there is an undertaking from OIT to meet additional O&M and MM expenses beyond the budgeted requirements, which mitigates the risk to an extent.

Liquidity: Strong

The company has strong liquidity position and has been receiving semi-annual annuity of ₹290.80 crore (₹581.60 crore every year) in full, without any delays. Moreover, the company is maintaining a DSRA balance of ₹287.18 crore equivalent to nine months of peak ensuing principal and interest payment, construction reserve of ₹8.73 crore, additional reserve of ₹25.00 crore, MM reserve of ₹175.73 crore, funds of ₹180.38 crore towards payment of interest and principal instalment due till the receipt of the next annuity and ₹51.10 crore of funds towards statutory dues, CSR and surplus funds as on July 19, 2023. Furthermore, the annuity due dates are April 11th and October 11th every year while the repayment due dates are on September 30th and March 30th every year, thereby, providing adequate cushion of 5.5 months.

Assumptions/Covenants

Name of the Instrument	Detailed explanation
A. Financial covenants	
Debt service coverage ratio	Debt service coverage ratio (DSCR) shall not be lower than 1.05 during the tenor of the NCD.
B. Non-financial covenants	
O&M contract and MM contract	<p>a. The debenture holders (acting through the Trustee) will have an unconditional right to replace/ substitute a contractor and appoint such other person in its place at any time on the occurrence of any of the following events:</p> <p>(i) If in the opinion of the Trustee (acting on approved instructions), the contractor is unable to carry on the relevant activities in accordance with the project agreements; or</p> <p>(ii) if either the NHAI or any independent consultant (appointed by the trustee) has informed the company or other project participants about any non-compliance with any project agreement, or the O&M Contractor fails to comply with any notice/ intimation by the Independent Engineer in relation to O&M of the project, within the period (as may be extended) stipulated in such notice/intimation.</p> <p>b. The company shall not replace or terminate the O&M contract and/or the MM contract, without prior consent of the trustee, and all payments to be made to the contractor shall be in accordance with the fixed rate O&M contract and/or the MM contract (as the case may be) and the Base Case Plan. Provided that, however, any amounts received by the company towards change in scope would be permitted to be paid to the relevant contractor in addition to the amounts mentioned in the relevant fixed-rate contract and the base-case business plan, in the manner as permitted under the Supplementary Escrow Agreement.</p> <p>c. Other than as specifically provided above, upon request of the trustee (acting on approved instructions), the company shall replace or consent to the replacement of any person (other than the company) as party to any project agreement in accordance with the provisions of such project agreement.</p>

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Annuity Road Projects](#)

[Infrastructure Sector Ratings](#)

About the company and industry

ONBHL is a SPV, which was promoted by Oriental Tollways Private Limited (OTPL, a wholly-owned subsidiary of OSEPL) holding 73.97% stake and OSEPL holding 26.03% stake to undertake augmentation of two-lane carriageway of the existing section of NH-69 from 3.00 km to 59.30 km in Maharashtra and 137.00 km to 257.40 km in the state of Madhya Pradesh to a four-lane carriageway on design, build, finance, operate and transfer (DBFOT - Annuity) basis under NHDP phase-IV.

In June 2019, OSEPL had sold five assets to Oriental Infra Trust (InvIT), of which ONBHL was one of the assets.

As per the concession agreement (CA) signed between NHAI and ONBHL on August 30, 2010, the concession period is 20 years (including a construction period of 3.5 years) from the appointed date (which is January 20, 2012). The scheduled date of project completion (SPCD) was July 17, 2015. However, ONBHL received the provisional commercial operations date (PCOD) with effect from February 18, 2015, which was five months ahead of SPCD. The total project cost of ₹3,515 crore was financed through term debt of ₹2,790 crore and equity and subordinate debt from the promoters of ₹362.50 crore each.

Till July 2023, ONBHL has received 17 semi-annual annuities along with a bonus annuity from NHAI. The Series A and Series B NCDs were issued by the company to refinance the existing debt and to invest in the other projects of the group as per the approval of NHAI and Series C was issued for investment as equity in the under-construction Binjabahal-Telebani project.

Subsequent to signing of Settlement Agreement between NHAI and ONBHL, the annuity payment schedule has been revised, wherein the due dates for the annuities shall now be due on 11th of April and 11th of October every year vis-à-vis earlier due dates of 18th of February and 18th of August of every year.

Industry Classification

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

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)
Total operating income	1,184.64*	416.53
PBILDT	404.04	355.16
PAT	164.99	213.19
Overall gearing (times)	1.88	1.65
Interest coverage (times)	1.71	1.61

A: Audited; UA: Unaudited; NA: Not available Note: 'the above results are latest financial results available'

*Includes the settlement claim received from NHAI.

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating assigned along with Rating Outlook
Debentures- Non-convertible debentures (Series A)	INE105N07142	16-Nov-16	8.28%	30-Sep-23	92.98	CARE AAA; Stable
	INE105N07159	16-Nov-16	8.28%	30-Mar-24	96.94	CARE AAA; Stable
	INE105N07167	16-Nov-16	8.28%	30-Sep-24	98.49	CARE AAA; Stable
	INE105N07175	16-Nov-16	8.28%	30-Mar-25	102.76	CARE AAA; Stable
	INE105N07183	16-Nov-16	8.28%	30-Sep-25	118.20	CARE AAA; Stable
	INE105N07191	16-Nov-16	8.28%	30-Mar-26	123.25	CARE AAA; Stable
	INE105N07209	16-Nov-16	8.28%	30-Sep-26	125.27	CARE AAA; Stable
	INE105N07217	16-Nov-16	8.28%	30-Mar-27	105.94	CARE AAA; Stable
	INE105N07225	16-Nov-16	8.28%	30-Sep-27	93.37	CARE AAA; Stable
	INE105N07233	16-Nov-16	8.28%	30-Mar-28	97.40	CARE AAA; Stable
	INE105N07241	16-Nov-16	8.28%	30-Sep-28	98.41	CARE AAA; Stable
	INE105N07258	16-Nov-16	8.28%	30-Mar-29	102.68	CARE AAA; Stable
	INE105N07266	16-Nov-16	8.28%	30-Sep-29	103.54	CARE AAA; Stable
INE105N07274	16-Nov-16	8.28%	30-Mar-30	107.26	CARE AAA; Stable	
Debentures- Non-convertible debentures (Series B)	INE105N07415	16-Nov-16	8.78%	30-Sep-23	10.22	CARE AAA; Stable
	INE105N07423	16-Nov-16	8.78%	30-Mar-24	10.66	CARE AAA; Stable
	INE105N07431	16-Nov-16	8.78%	30-Sep-24	10.83	CARE AAA; Stable
	INE105N07449	16-Nov-16	8.78%	30-Mar-25	11.30	CARE AAA; Stable
	INE105N07456	16-Nov-16	8.78%	30-Sep-25	13.00	CARE AAA; Stable
	INE105N07464	16-Nov-16	8.78%	30-Mar-26	13.55	CARE AAA; Stable
	INE105N07472	16-Nov-16	8.78%	30-Sep-26	13.77	CARE AAA; Stable
	INE105N07480	16-Nov-16	8.78%	30-Mar-27	11.65	CARE AAA; Stable
	INE105N07498	16-Nov-16	8.78%	30-Sep-27	10.27	CARE AAA; Stable
	INE105N07506	16-Nov-16	8.78%	30-Mar-28	10.71	CARE AAA; Stable
	INE105N07514	16-Nov-16	8.78%	30-Sep-28	10.82	CARE AAA; Stable
	INE105N07522	16-Nov-16	8.78%	30-Mar-29	11.29	CARE AAA; Stable

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating assigned along with Rating Outlook
	INE105N07530	16-Nov-16	8.78%	30-Sep-29	11.38	CARE AAA; Stable
	INE105N07548	16-Nov-16	8.78%	30-Mar-30	11.82	CARE AAA; Stable
Debentures- Non-convertible debentures (Series C)	INE105N07662	26-Dec-17	9.00%	30-Sep-23	5.50	CARE AAA; Stable
	INE105N07670	26-Dec-17	9.00%	30-Mar-24	5.70	CARE AAA; Stable
	INE105N07688	26-Dec-17	9.00%	30-Sep-24	5.80	CARE AAA; Stable
	INE105N07696	26-Dec-17	9.00%	30-Mar-25	6.00	CARE AAA; Stable
	INE105N07704	26-Dec-17	9.00%	30-Sep-25	6.90	CARE AAA; Stable
	INE105N07712	26-Dec-17	9.00%	30-Mar-26	7.20	CARE AAA; Stable
	INE105N07720	26-Dec-17	9.00%	30-Sep-26	7.40	CARE AAA; Stable
	INE105N07738	26-Dec-17	9.00%	30-Mar-27	6.20	CARE AAA; Stable
	INE105N07746	26-Dec-17	9.00%	30-Sep-27	5.50	CARE AAA; Stable
	INE105N07753	26-Dec-17	9.00%	30-Mar-28	5.70	CARE AAA; Stable
	INE105N07761	26-Dec-17	9.00%	30-Sep-28	5.80	CARE AAA; Stable
	INE105N07779	26-Dec-17	9.00%	30-Mar-29	6.00	CARE AAA; Stable
INE105N07787	26-Dec-17	9.00%	30-Sep-29	6.10	CARE AAA; Stable	
INE105N07795	26-Dec-17	9.00%	30-Mar-30	6.26	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	Bonds	-	-	-				
2	Debentures- Non-convertible debentures	LT	1466.49	CARE AAA; Stable	-	1)CARE AAA; Stable (11-Aug-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (28-Oct-20)
3	Debentures- Non-convertible debentures	LT	161.27	CARE AAA; Stable	-	1)CARE AAA; Stable (11-Aug-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (28-Oct-20)
4	Debentures- Non-convertible debentures	LT	86.06	CARE AAA; Stable	-	1)CARE AAA; Stable (11-Aug-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (28-Oct-20)

*Long term / Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr No	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Complex

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the 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 any clarifications.

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About us:

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