

Rating Rationale

November 15, 2024 | Mumbai

Mahua Bharatpur Expressways Limited

Rating reaffirmed at 'CRISIL AAA/Stable'

Rating Action

Rs.125 Crore (Reduced from Rs.140 Crore) Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable' rating on the non-convertible debentures (NCDs) of Mahua Bharatpur Expressways Ltd (MBEL). CRISIL Ratings has also **withdrawn** its rating on NCDs worth Rs 15 crore (see Annexure - 'Details of Rating Withdrawn'), as requested by the company and on receipt of confirmation of full redemption from the debenture trustee. The withdrawal is in line with the policy of CRISIL Ratings.

Toll revenue rose by around 8% in fiscal 2024 and the first six months of fiscal 2025, backed by healthy traffic growth and timely toll rate hike, linked to inflation. The rating continues to reflect the healthy traffic potential of the project, backed by its strategic location and sound operational track record; robust debt protection metrics, supported by presence of a tight escrow mechanism with a well-defined payment waterfall, debt service reserve (DSR) of nine months of debt obligation, major maintenance reserve (MMR); and an experienced management team. These strengths are partially offset by susceptibility of toll revenue to variations in traffic volume, development of alternate routes or modes of transport, or changes in tolling policy.

Analytical Approach

CRISIL Ratings has taken a standalone view of MBEL. Shareholder loans of Rs 85.84 crore from Cube Highways Trust (CHT, rated 'CRISIL AAA/Stable/CRISIL A1+') as on March 31, 2024, have been treated as debt despite being subordinate to rated facilities, since they carry an interest rate higher than MBEL's external debt, and the loans have been repaid in the past. However, the interest and principal payments can only be serviced through the distribution account, after restricted payment conditions are met.

Key Rating Drivers & Detailed Description

Strengths:

- **Healthy traffic potential of the project, backed by its strategic location and sound operational track record:** The project traverses National Highway (NH) 21 (erstwhile NH-11) that connects Agra to Jaipur, through the stretches of Agra-Bharatpur, Bharatpur-Mahua, and Mahua-Jaipur. While Jaipur and Agra are important tourist destinations, commercial vehicles (CVs) contribute over 65% of project revenue. Toll revenue has grown by around 8% in fiscal 2024 and first six months of fiscal 2025, backed by healthy traffic growth and timely rate hikes, linked to inflation. Emergence of feeder routes such as the Agra ring road is also likely to support traffic on the stretch.
- **Strong debt protection metrics, supported by low debt:** Debt service coverage ratio (DSCR) was 2.34 times (CRISIL Ratings adjusted) for fiscal 2024, and is expected to remain comfortable over the tenure of the NCDs, backed by low debt and the healthy cash flow generating capacity of the project and low debt. Toll revenue had recorded a compound annual growth rate (CAGR) of 6.7% between fiscals 2015 and 2024. The toll rate is linked to the wholesale price index (WPI) and revised every year on July 1, based on WPI as of March 31, of that year.

MBEL was transferred to CHT in April 2023. Debt at MBEL continues at the special purpose vehicle level even after transfer to CHT and is prioritised over distributions to the InvIT. The total debt-to-toll revenue ratio was low at 1.16 times as on October 31, 2023, excluding shareholder NCDs, with a balance tenure of 5.5 years, thereby spreading out principal repayment and reducing the annual debt obligation. Debt protection metrics should remain strong over the tenure of the debt, backed by adequate cushion in cash flow and steady growth in toll revenue. Any additional debt contracted will be a key rating sensitivity factor.

- **Tight escrow mechanism with a well-defined payment waterfall, presence of DSR and MMR:** The waterfall mechanism ensures that toll collection will be escrowed and used to meet the principal and interest payments on NCDs, post payment of taxes, statutory dues, and operations and maintenance (O&M) expense. Moreover, a DSR equivalent to nine months of debt obligations is being maintained in the form of cash/fixed deposits. This has to be maintained on an ongoing basis till the end of the tenure of NCDs. Furthermore, the structure stipulates that if the DSCR drops below 1.5 times, the entire surplus generated by the asset will be trapped in the cash retention account.

The DSCR will be checked quarterly for the trailing 12 months. In addition, the funds will be transferred on a quarterly basis to the distribution account only once the amount equivalent to the semi-annual debt obligation is provided for or paid. The structure also stipulates the creation and reinstatement of an MMR.

Weaknesses:

- **Susceptibility to fluctuations in traffic volume:** The stretch remains vulnerable to variations in traffic volume owing to the seasonal variations in vehicular traffic, diversion of traffic to any alternate routes or development of alternative routes/modes. Susceptibility to economic downturns could adversely impact the traffic volumes on the project stretch. However, comfort is derived from no major alternate route risk present for the project stretch as well as inherent stability in traffic of ring roads.
- **Susceptibility to risks inherent in toll road projects:** Toll collection is the only source of revenue, and hence, any volatility because of factors such as toll leakage, lack of timely increase in rates, fluctuation in WPI-linked inflation could adversely impact cash flow. Force majeure events can impact cash flow and, consequently, debt protection metrics of the projects till the time these are resolved, and tolling is resumed. These risks are partially mitigated by remedies for force majeure events as defined in the concession agreement, however, these are typically in the form of extension of concession period and do not address possible cash flow mismatches during such events. In certain force majeure events, cash compensation is also available to the concessionaire as per the terms of the concession agreement.

Liquidity: Superior

Liquidity is superior, as reflected in DSCR of around 2.34 times (CRISIL Ratings adjusted) in fiscal 2024 and is expected to remain comfortable throughout the tenure of the debt. Toll revenue of over Rs 108 crore should suffice to cover debt obligation of Rs 28-30 crore over the next three fiscals. Further, DSRA equivalent to nine months of debt servicing obligation will be maintained throughout the tenure of the debt.

Outlook: Stable

CRISIL Ratings believes the debt protection metrics of MBEL will remain strong over the medium term, backed by healthy traffic potential of the stretch, coupled with annual toll rate hikes.

Rating sensitivity factors

Downward factors

- Lower-than-expected traffic volumes by more than 10% on a sustained basis or higher-than-expected costs, leading to lower toll collections and weakening of debt protection metrics
- Drawing of any incremental debt without adequate improvement in cash flow, impacting DSCR
- Non-adherence to debt structure

About the Company

MBEL was originally promoted by Madhucon Projects Ltd (Madhucon) as Madhucon Agra Jaipur Expressways Ltd. Madhucon sold the project to CHT in March 2016. The company was renamed MBEL on February 18, 2017. MBEL has been transferred to CHT in April 2023. CHT holds 99.97% stake in the company, and the Madhucon group owns the balance stake.

The project is a 57-km stretch on the Jaipur-Agra NH 21 (erstwhile NH 11) in Rajasthan, under the BOT toll, linking Mahua and Bharatpur. Along with Jaipur-Mahua, it operates as a contiguous stretch of 166 km, connecting two growing urban centres, Jaipur and Agra, on NH 11. The project is a 25-year concession awarded by NHAI after competitive bidding in 2005, for widening of the two-lane road to a four-lane divided carriageway on a BOT toll basis. The project has been collecting tolls since May 2009, and has balance concession life of around seven years.

Key Financial Indicators

Particulars	Unit	2024	2023
Revenue (from operations)	Rs crore	107.8	99.7
Profit after tax (PAT)	Rs crore	21.7	22.4
PAT margin	%	20.2	22.5
Adjusted debt/adjusted networth	Times	72.5	-12.0
Interest coverage	Times	2.1	2.2

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
INE835H07096	Non Convertible Debentures	16-Oct-17	8.40	03-Oct-25	20.00	Simple	CRISIL AAA/Stable
INE835H07104	Non Convertible Debentures	16-Oct-17	8.40	05-Oct-26	21.00	Simple	CRISIL AAA/Stable
INE835H07112	Non Convertible Debentures	16-Oct-17	8.40	04-Oct-27	22.00	Simple	CRISIL AAA/Stable
INE835H07120	Non Convertible Debentures	16-Oct-17	8.40	03-Oct-28	25.00	Simple	CRISIL AAA/Stable
INE835H07138	Non Convertible Debentures	16-Oct-17	8.40	03-Oct-29	25.00	Simple	CRISIL AAA/Stable
INE835H07146	Non Convertible Debentures	16-Oct-17	8.40	29-Mar-30	12.00	Simple	CRISIL AAA/Stable

Annexure - Details of Rating Withdrawn

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
INE835H07088	Non Convertible Debentures	16-Oct-17	8.40	03-Oct-24	15.00	Simple	Withdrawn

Annexure - Rating History for last 3 Years

		Current		2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	125.0	CRISIL AAA/Stable		--	20-11-23	CRISIL AAA/Stable	24-11-22	CRISIL AAA/Stable	29-11-21	CRISIL AAA/Stable	Withdrawn

All amounts are in Rs.Cr.

Criteria Details**Links to related criteria**

[The Infrastructure Sector Its Unique Rating Drivers](#)

Rating Criteria for Toll Road Projects

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