September 30, 2025

Agra Waste Water Management Private Limited: Rating reaffirmed and outlook revised to Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer Rating	-	-	[ICRA]BBB+ (Negative); reaffirmed and outlook revised to Negative from Stable

**Instrument details are provided in Annexure I*

Rationale

The revision in outlook to Negative for Agra Waste Water Management Private Limited (AWWMPL) reflects the increase in execution risk for the project due to persistent delays in handover of necessary land and clearances. These delays have impacted the project progress and the timeline for achieving commercial operations date (COD). Clarity on a revised project completion timeline remains uncertain adding to the uncertainty around COD achievement. Despite the delay in COD, loan repayments commenced as per the original repayment schedule, necessitating dependence on the sponsor Vishvaraj Environment Limited (VEL) for timely fund infusions for debt servicing requirements, till the project becomes operational. The rating factors in the healthy financial position and proven track record of its sponsor, in executing and operating drinking water and wastewater treatment projects. AWWMPL has entered into a fixed-price engineering, procurement and construction (EPC) contract with VEL for executing the project, which largely mitigates the cost overrun risk. The total project cost of Rs. 487.8 crore, is being funded through debt of Rs. 209.0 crore, equity contribution of Rs. 89.6 crore and the balance from the grant from National Mission for Clean Ganga (NMCG). The equity for this project has been fully infused. The debt draw down has started and 20 (out of 32) construction grant payments have been received from NMCG. Timely receipt of grants remains crucial for timely completion of project and hence remains a key monitorable.

The rating factors in the strong counterparty for the project – NMCG, with presence of an escrow account, along with budgetary support by the Government of India (GoI) and a payment guarantee backstop by International Bank for Reconstruction and Development (World Bank). The rating draws comfort from the inherent strengths of the hybrid annuity model (HAM) projects with funding support in the form of a grant during the construction period and a stable revenue stream post commercial operations date (COD), which mitigates the revenue risk. Once operational, the project is expected to maintain healthy debt coverage indicators during the debt tenure to withstand any adverse movement in bank rates and inflation to a major extent. Further, the credit profile benefits from the presence of escrow and cash flow waterfall mechanism, funded debt service reserve account (DSRA) equivalent to six months of debt servicing obligations (to be created one month before COD) and restricted payment clause with a minimum DSCR of 1.2 times.

The rating, however, continues to remain constrained by the inherent implementation risks including administrative delays in land handover for Decentralised Sewage Treatment Plants (DSTPs), exposing the company to timeline slippages. The project[1] was originally composed of three packages. However, due to delays in obtaining right-of-way from the project authority, the scope is restructured into four packages, with the DSTPs segregated into Package IV. As on August 31, 2025, progress stands at ~95% for both Package I and Package II, and ~86% for Package III. Package IV has not commenced due to pending land handover. While the responsibility for providing a clear work front lies with the project authority, any further delays in land handover that result in material cost escalations, extended timelines, or deductions in grant payments will be a credit negative,

[1] *The project consists of 3 large centralised STPs (together accounting for ~95% of the proposed treatment capacity of 177.6 MLD), and 10 small decentralised STPs contributing to the balance ~5%.*

as the repayments have already started. AWWMPL's cash flows and returns remain exposed to interest rate risk, considering the floating nature of interest rates for the project loan is linked with UBI MCLR and EURIBOR, whereas the annuity income is linked to SBI's one-year MCLR (floating) plus 300 bps. Moreover, the credit profile is exposed to foreign exchange risk, given the Euro-denominated portion of the term loan remains unhedged at this juncture.

AWWMPL's operations and maintenance (O&M) receipts are linked to inflation (70% CPI and 30% WPI) under the Concession Agreement. Therefore, its cash flows may get impacted in case of higher-than-expected actual O&M (including periodic maintenance) expenses. Further, any usage of power above the guaranteed energy consumption as quoted in the bid may result in higher expenses[2] than the O&M payment to be received from authority, thus affecting the project's cash flows and return indicators. ICRA understands that an agreement would be entered with VEL for O&M services, wherein (inflation-adjusted) O&M charges shall be payable, along with similar commercial terms for key performance parameters, penalties, etc, for the entire O&M period, which mitigates the risk of higher-than-budgeted O&M expenditure. The credit profile is exposed to the risk of deductions from annuity in case of non-adherence to the key performance indicators (KPIs) under the Concession Agreement.

Key rating drivers and their description

Credit strengths

Established track record of sponsor in drinking water and waste water treatment project – VEL's business profile is characterised by a decade of experience in EPC and O&M of drinking water and waste water treatment projects (WTP). In the past, it has handled O&M projects, which covered 2,700 running km water distribution, networks and 3,25,000 house service connections. At present, VEL is handling 27 drinking WTPs with total handling capacity of 2,280 million-litres-per-day (MLD) and is operating 15 STPs with a capacity of 530 MLD. AWWMPL has entered into a fixed-price EPC contract with VEL and will be entering an inflation-linked O&M services contract as well, which provides comfort, given VEL's experience. Further, VEL has an adequate liquidity position to meet any contingency with unencumbered cash, bank balance and liquid investments of Rs. 41.4 crore as on March 31, 2025. It also has healthy financial flexibility available in terms of strong parentage with cash balance available to take care of contingencies. VEL has also given a corporate guarantee for the long-term borrowings of AWWMPL till receipt of four consecutive O&M payments.

Strong counterparty with presence of escrow account along with budgetary support by GoI – This project, under the GoI's Namami Gange programme and implemented by NMCG, aims to reduce pollution and rejuvenate river Ganga. It benefits from NMCG's funding with 40% of the bid project cost funded during the construction period in the form of grants (eight equal instalments per package). NMCG is a Central Government entity and gets budgetary allocation from the GoI. The Concession Agreement requires NMCG to maintain a minimum balance of one milestone payment during the construction phase and one quarter's annuity payment during the O&M phase in an escrow account.

Presence of structural features – AWWMPL also enjoys credit support from the presence of escrow, cash flow waterfall mechanism, funded DSRA equivalent to six months of debt servicing obligations (to be created one month before COD) and restricted payment clause with a minimum DSCR of 1.2 times. Once operational, AWWMPL is expected to maintain healthy debt coverage indicators during the debt tenure. This provides the SPV adequate cushion to withstand adverse movement in bank rates and inflation to a major extent.

Credit challenges

Inherent execution risk in under-construction project; delay in achieving commercial operation – The project remains under execution as on August 31, 2025, with progress at ~95% for both Package I and Package II, and ~86% for Package III. Package IV has not commenced due to pending land handover. The company remains exposed to inherent risks of execution including risks of delays and cost overruns. While the onus for providing clear work front lies with the project authority, any further

[2] In case of energy consumption exceeding Guaranteed Energy Consumption, AWWMPL shall be liable to pay liquidated damages in addition to the excess energy cost

delays in land handover that result in material cost escalations, extended timelines, or deductions in grant payments will be credit negative, as the repayments have already started. Timely receipt of grants remains crucial for timely completion of project and hence remains a key monitorable. While the cost overrun risk is mitigated by the fixed-price EPC contract with VEL, timely support from the same for debt repayment due to delay in achieving COD or delay in annuity payments is crucial from the credit perspective. Loan repayments have commenced as per the original repayment schedule, necessitating dependence on the sponsor – VEL, for timely fund infusions for debt servicing requirements till the project becomes operational.

Project cash flows and returns exposed to O&M expenditure and inflation risks – AWWMPL's O&M receipts are linked to inflation (70% CPI and 30% WPI) under the Concession Agreement. Therefore, its cash flows may get impacted in case of higher-than-expected actual O&M (including periodic maintenance) expenses. ICRA understands that an agreement would be entered with VEL for O&M services, wherein (inflation-adjusted) O&M charges shall be payable, along with similar commercial terms for key performance parameters, penalties, etc, for the entire O&M period, which mitigates the risk of higher-than-budgeted O&M expenditure. This provides comfort, given VEL's experience. Post commissioning, the revenues/cash flows of the SPV would be in the form of annuities (compensating for 60% of the inflation-adjusted bid project cost), along with interest on the balance annuities, O&M charges, and power charges. In case of non-adherence to the O&M KPIs, there can be deductions from the payment by NMCG. Further, any usage of power above the guaranteed energy consumption as quoted in the bid may result in higher expenses than the O&M payment to be received from authority, which exposes the company to cash flow mismatches. Therefore, undertaking regular O&M to maintain specified output quality, while keeping the O&M cost and power cost within the budgeted levels, remains critical and would be a key rating monitorable.

Project returns exposed to interest rate and foreign exchange risk – AWWMPL's cash flows and returns remain exposed to interest rate risk, considering the floating nature of interest rates for the project loan linked with UBI MCLR and EURIBOR, whereas the annuity income is linked to SBI's one-year MCLR (floating) plus 300 bps. Moreover, the credit profile is exposed to foreign exchange risk, given the Euro-denominated portion of the term loan remains unhedged at this juncture.

Liquidity position: Adequate

The project is presently under construction. The total estimated project cost of Rs. 487.8 crore is being funded by an equity of Rs. 89.6 crore (fully infused), Rs. 209.0 crore by external debt (~Rs. 149 crore drawn down in INR as on March 31, 2025) and the balance from the grant from NMCG (Rs. 114.7 crore received against 189.3 crore). The cost overrun, if any, is expected to be funded by the sponsor. Further, DSRA equivalent to six months of debt servicing obligations is funded as a part of the project cost (to be created one month before COD). Since the repayments have already started, the same is being met by funds from the sponsor VEL, wherein the sponsor is slated to fund the designated account well before the due date on a monthly/quarterly basis to meet the timely repayments. ICRA, draws comfort from the sponsor's stated policy of timely support and liquidity available at VEL's level, which remains more than adequate to meet the repayments in the near term.

Rating sensitivities

Positive factors – The outlook maybe revised to Stable if the project is completed within the expected timelines and budgeted costs. Further, receipt of O&M annuities in a timely manner will be a credit positive.

Negative factors – Negative pressure on the rating could arise if the delay in project execution leads to significant time and cost overruns, or if there is a deterioration in the credit profile of the sponsor, or if delays/deductions in receipt of grant results in increased funding risks for the project.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach - Project Finance
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

AMWMPL, is a special purpose vehicle (SPV), incorporated by VEL (74% stake) and VIPL (26% stake). The SPV was formed to develop sewage treatment plants (STPs) and the associated infrastructure under the hybrid annuity public private partnership (PPP) model in Agra, Uttar Pradesh, at three zones — (i) Dhandhupura, (ii) Northern and Tajganj Zone and (iii) Eastern Zone. This project is part of the Namami Gange under National Mission for Clean Ganga (NMCG). The scope of work includes the development, operation and maintenance of 13 STPs (3 centralised and 10 decentralised) with an aggregate capacity of 177.6-million-litre-per-day (MLD) at the three zones.

Key financial indicators

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current year (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 30, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Issuer Ratings	Long term	-	[ICRA]BBB+ (Negative)	-	-	Jun 28, 2024	[ICRA]BBB+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Issuer Ratings	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Issuer Ratings	NA	NA	NA	-	[ICRA]BBB+ (Negative)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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