

CDS Aligarh Palwal Highway Private Limited

June 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	425.00	CARE A-; Stable	Assigned

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

The rating assigned to bank facilities of CDS Aligarh Palwal Highway Private Limited (CAPHPL) factors in inherent strengths of hybrid annuity model (HAM) - based road projects, such as (i) lower project funding risk with inflation-indexed annuity to be received for construction and favourable clauses introduced in the concession agreement (CA) to de-bottleneck project execution challenges; (ii) lower post-implementation risk considering percentage of bid project cost (BPC) linked annuity to be received for operations and maintenance (O&M) of the road; and (iii) receipt of the marginal cost of lending rate (MCLR)-linked interest annuity.

The rating of CAPHPL further derives comfort from the established presence of the sponsor, CDS Infra Projects Limited (CDSIPL, 'CARE A; Positive / CARE A1) in executing large sized engineering, procurement, and construction (EPC) projects. The rating considers credit quality of the project completion milestone payments and underlying annuity receivables from National Highway Authority of India (NHAI; rated 'CARE AAA; Stable') in construction and post commencement of operations.

The rating also favourably factors in undertakings extended by the sponsor to fund the cost overrun in the construction period, funding shortfall in debt servicing in construction and operational period, and funding of incremental O&M expenses and major maintenance (MM) expenses above base case plans. The rating also factors in proposed liquidity support mechanisms such as envisaged creation of debt service reserve account (DSRA), major maintenance reserve account (MMRA) post commencement of operations, ~30 days of moderate cushion available between annuity due date and repayment date, and a tail period of three annuities are other credit positives for the rating.

However, rating strengths are tempered by inherent risks associated with execution of the project given its nascent stage of execution, susceptibility to changes in the O&M costs and interest rate fluctuation risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Receipt of provisional commercial operations date (PCOD)/COD as envisaged.

Negative factors

- Significant delay in the project progress beyond scheduled completion timelines.
- Higher than envisaged maintenance expenses or increase in interest rates during operational period resulting in DSCR of less than 1.20x on a sustained basis.
- Non-receipt of timely need-based support from the sponsor to fund any cost over-run during construction period, bring in funds in case of delay in release of construction grant and fund O&M and MM expenditure over base case.
- Deterioration in the credit profile of sponsor i.e., CDSIPL or counterparty i.e., NHAI.

Analytical approach:

Standalone while factoring execution track record of EPC contractor along with sponsor support undertaking to meet any shortfall in debt servicing during construction as well as operational phase.

Outlook: Stable

The outlook for CAPHPL is 'Stable' considering the expectation of project completion within envisaged timelines and strong counter party NHAI.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Favourable clauses in model CA of HAM projects to address execution challenges

The model CA of HAM projects include favourable clauses such as achievement of at least 80% RoW before declaring appointed date for the project and provision for granting deemed completion of the project in case 100% of the work is completed on the RoW which becomes available to it within 180 days of the appointed date. These clauses were expected to address some of the issues plaguing the sector primarily on account of delay in land acquisition during construction phase.

Low funding risk and permitted price escalation

HAM model entails lower sponsor contribution in construction period considering 40% construction support from NHAI and availability of 10% mobilisation advance on bid project cost (BPC) at average one-year marginal cost of funds-based lending rate (MCLR) of top five scheduled banks. BPC shall be inflation indexed (through a price index multiple [PIM]), which is the weighted average of wholesale price index (WPI) and consumer price index (CPI) in the ratio of 70:30. Inflation-indexed BPC protects developers against price escalation to an extent.

Low counterparty credit risk

Incorporated by the Government of India (GoI) under an Act of the Parliament as a statutory body, the NHAI functions as the nodal agency for the development, maintenance and management of national highways in the country. Outlook on NHAI reflects outlook on the sovereign, whose direct and indirect support continues to be the key rating driver.

Assured cash flow due to annuity nature of the revenue stream

In the operational phase, cash flow is assured in the form of annuity payments from NHAI on a semi-annual basis covering 60% project completion cost, interest at an 'average of one-year MCLR of the top five scheduled commercial banks plus 1.25%' on reducing balance and percentage of BPC-linked O&M annuity. As per the financing plan, repayment of term debt commences post moratorium of seven months COD. There is ~30 days gap between scheduled annuity receipt date and scheduled debt servicing date, which provides comfort from a credit perspective, in case there are further delays in receipt of subsequent annuities.

Wide experience of promoters in the industry with demonstrated execution capabilities

CAPHPL has entered a fixed-price fixed-time EPC contract with CDSIPL. CDSIPL has over a decade track record in the execution of road projects and bridges, construction of buildings and other civil construction works. CDSIPL's overall functions are managed by Sandeep Chandra, who is the company's managing director having experience of over three decades in the construction sector. The company has demonstrated its execution capabilities in the past with completion of projects within stipulated time and is supported by a team of qualified and technical personnel who have been associated with the company for many years. CDSIPL as sponsor has extended an undertaking to lenders to fund cost overruns beyond budgeted cost to provide additional funds in case of delay or non-receipt of construction grant from NHAI in the construction period and provide additional funds, over and above the termination payment received from NHAI, in case of termination of the project and to meet shortfall in debt servicing for CAPHPL.

Key weaknesses

Inherent project execution risk despite partly offset demonstrated capability of sponsor cum EPC contractor

CAPHPL is exposed to inherent construction risk attached to HAM road projects. The project has received the appointed date on March 27, 2025, and the project stretch is to be constructed with flexible pavement. The project is currently in nascent stage of construction with 80.84% Row availability. However, demonstrated execution capability of CDSIPL as an EPC contractor in executing large sized road projects is expected to mitigate the execution risk to an extent.

Inherent O&M risk associated with project

Although percentage of bid project cost (BPC) linked O&M annuity partly mitigates O&M risk, developers would still face the risk of sharp increase in the O&M cost due to over envisaged wear and tear. The project stretch consists of flexible (bituminous) pavement which is prone to higher O&M cost compared to rigid pavement. The BPC is lower than the NHAI cost however, CAPHPL shall entered fixed price and fixed time O&M contract with the sponsor where the project shall be responsible for the stretch's maintenance, which provides some comfort. CAPHPL is also required to maintain MMRA of the project cash flow to conduct major maintenance of the project stretch.

Inherent interest rate risk

CAPHPL is exposed to inherent interest rate risk. The project debt is sanctioned with a floating MCLR linked rate of interest, which is reset periodically. The risk is mitigated largely considering receipt of the interest annuity at the applicable 'average one-year

MCLR of top five scheduled banks + 125 bps'; however, CAPHPL remains exposed to the interest rate risk owing to the timing difference between change in the MCLR rate and lending rate.

Liquidity: Adequate

CAPHPL's liquidity is underpinned from the access to timely need-based support from CDSIPL. CDSIPL has extended undertaking to fund cost overruns, funding of shortfall in the debt servicing of CAPHPL in case of delayed payment or non-payment or shortfall in annuity payments. Also, as per the terms of sanction of the project debt, CAPHPL shall create and maintain DSRA equivalent to ensuing six months principal and interest obligations after meeting the debt service obligations in a phased manner of 25% each out of first four annuities, which cushions debt servicing.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Hybrid Annuity Model based road projects](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

CAPHPL is a special purpose vehicle (SPV) promoted by CDSIPL entered a 15-year concession agreement (CA; excluding construction period of 730 days from Appointed Date) with NHAI for construction of four laning of Aligarh-Palwal Section from km 0.00 (starting from junction of NH- 34 Aligarh) to km 46.390 (Design Chainage) Package-I from (Khereshwar Junction-Kurana) of NH-334D, including Khair and Jattari Bypass in Uttar Pradesh on Hybrid Annuity Mode (HAM) mode under NH (O) scheme.

The project is scheduled to be completed within 730 days from the appointed date (AD; March 27, 2025) at a total cost of ₹920.00 crore; proposed to be funded through debt of ₹425.00 crore, construction grant from NHAI of ₹387.98 crore and balance through promoter's contribution of ₹107.02 crore. (Debt equity ratio of 3.97x).

Brief Financials: Not applicable due to project under implementation stage

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Term Loan-Long Term		-	-	31-10-2040	425.00	CARE A-; Stable

Annexure-2: Rating history for 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 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Term Loan-Long Term	LT	425.00	CARE A-; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings Limited (CareEdge 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 clarifications.

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