

## Hazaribagh Ranchi Expressway Limited

June 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Non-convertible debentures	140.79 (Reduced from 197.69)	CARE A; Stable	Upgraded from CARE A-; Positive
Non-convertible debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Revision in the rating assigned to non-convertible debentures (NCDs) of Hazaribagh Ranchi Expressway Limited (HREL) primarily factors in completion of the first major maintenance (MM) and creation of major maintenance reserve (MMR) improving the company's liquidity profile. Post completion of MM, intensity of performance deductions has sharply reduced with the 24<sup>th</sup> annuity being received in full. There were few minor repair works pending highlighted by the independent engineer (IE) post completion of the MM, therefore the 25<sup>th</sup> annuity faced a minor deduction of ₹0.04 crore and withholding of annuity amount for ₹0.10 crore. Debt coverage metrics remain robust post factoring in deductions.

The rating continues to consider comfortable debt coverage metrics, strengths derived from availability based nature of the project supported by credit quality of annuity receivables, structured payment mechanism, where biannual annuity is received from National Highways Authority of India (NHAI, rated CARE AAA; Stable) in an escrow account for servicing of the NCDs, fixed rate of coupon eliminating the interest rate risk and maintenance of debt-service reserve account (DSRA) per the stipulated terms.

The rating strengths are however tempered by the operations and maintenance (O&M) risk elevated by weak credit profile of O&M contractor and deductions made by NHAI in the past impending major maintenance activity. Going forward, the ability to ensure satisfactory project maintenance with absence of annuity deductions shall be important from credit perspective. The company pays goods and services tax (GST) on annuities, while raising the annuity bill, which is reimbursed by NHAI with a lag of 30-45 days, while HREL has been sustaining this lag comfortably, inordinate delay shall expose the company to cash flow shortfall towards operational expenditures. Timely receipt of GST from NHAI is a key monitorable.

CARE Ratings Limited (CareEdge Ratings) has withdrawn ratings for part of NCDs with immediate effect as these have been redeemed in full and there is no amount outstanding against such instruments.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Track record of receipt of annuities without deductions.

#### Negative factors

- Non-receipt/delay/reduced receipt of annuities, resulting in debt service coverage ratio (DSCR) below 1.20x for senior debt.
- Non-maintenance of the project stretch, resulting in deduction of annuities/other penalties levied.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook factors in cash flow visibility in form of the annuity receivables and the minimal counterparty credit risk associated with the NHAI as the annuity provider.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Operational annuity project with established track record of receipt of annuity

HREL is an operational annuity project, and hence, not exposed to traffic or construction risk. Due date for receipt of annuity is March 14 and September 14 annually and the last five annuities were received timely despite some deductions. While there have been deductions in past, the intensity of deductions have reduced in the last 2-3 years. A minor deduction of ₹22 lakh was observed in the 23<sup>rd</sup> annuity, which was received post completion of MM and the 24<sup>th</sup> annuity was received in full. Amounts deducted from the 21<sup>st</sup> and 22<sup>nd</sup> annuity were also remitted to the concessionaire as MM was progressing. Post completion of the MM, the maintenance report for March 2025 highlighted some potholes and cracks pending repairs, which led to the 25<sup>th</sup> annuity receiving a minor deduction of ₹0.04 crore and withholding of ₹0.10 crore. Timely receipt of annuities with deductions post completion of residual MM work remains a key rating sensitivity.

#### Satisfactory debt coverage metrics

HREL's NCDs possesses a healthy debt coverage position. The company witnessed delays in the past primarily due to restrictions placed on cash outflow being a part of IL&FS group entity, however, with transfer of shareholding, debt from IL&FS Transportation Network Limited (ITNL, rated CARE D; INC) and its group entities has been novated to Roadstar Infra Investment Trust in consideration of units of InvIT. Thus, the unsecured group entity debt, which was required to be repaid with NCDs, has now been replaced by InvIT debt. Per the amendment and restated facility agreement between InvIT & HREL, the InvIT waived default calling right on its subordinated debt and no penalty shall be paid in case of non-payment thereof, which provides higher liquidity for repayment of NCDs.

Post the transfer of HREL to InvIT, the company has been servicing debt in a timely manner and has a regular debt servicing track record since April 14, 2023. Senior Debt to annuity remained comfortable at 1.35x in FY25 and is expected to be at ~0.85x for FY26. Cashflows appear to adequately cover lenders debt with debt coverage metrics expected to remain comfortable. Last instalment of NCDs is due in April 2027 whereas the concession agreement (CA) end date is in March 2028, leading to tail period of one year or two annuities, however, with the InvIT debt, financial flexibility is stretched.

#### Strong financial risk profile of annuity provider, NHAI

NHAI's rating factors in the high level of support that it receives from government of India due to its strategic importance as the country's nodal agency for implementing road sector projects including phases of the National Highways Development Programme (NHDP). Outlook on NHAI reflects the outlook on the sovereign, whose direct and indirect support continues to be the key rating driver. Being a quasi-government body, risk arising from NHAI defaulting on annuity payments is negligible.

#### Completion of first MM cycle and creation of MM reserves

HREL carried out the first MM cycle at a cost of ₹80 crore in the last 3-4 years. The IE's report on maintenance has highlighted some cracks and potholes pending repairs, which will be carried out as part of routine O&M after monsoons.

Historically, the company was not maintaining MMR and had funded the first MM from project cashflows, however, in FY25 HREL created an MMRA for the second MM (FY27-28) to the tune of ₹20 crore in form of deposits with banks. Creation of MMR is likely to provide liquidity support strengthening HREL's credit.

#### Presence of structured payment mechanism for debt servicing and maintenance of DSRA

HREL maintains an escrow account with escrow agent as stipulated in the escrow agreement. The semi-annually annuities from NHAI are received in an escrow account and funds are then transferred from the escrow account to designated sub-accounts based on defined waterfall per the escrow agreement. In line with the covenants of debenture trust deed (DTD), the company has been maintaining DSRA of ₹53 crore in form of mutual funds and the current value as on March 31, 2025, stands at ₹68 crore.

#### Fixed interest rate

The NCD repayment and coupon payment are made on semi-annual basis (due on October 14 and April 14 every year) with a fixed interest rate of 7.50% per annum throughout the remaining tenure of NCDs, eliminating interest rate risk.

## Key weaknesses

### Inherent maintenance risk associated with road projects

Being a road project, HREL is exposed to O&M risk and requirement of adherence to the maintenance requirements of the CA. Failure to maintain the road stretch per CA may translate in reduction in annuity receivables as seen in the past. Any such shortfall in annuity will have a direct bearing on the company's envisaged debt servicing capability.

Being transferred to InvIT, O&M for the project is undertaken by project manager of InvIT, Elsamex Maintenance Services Limited (Elsamex - ITNL Group Company) instead of ITNL earlier. Existing fixed price O&M contract with ITNL has been novated to Elsamex without changes in terms of the agreement. Elsamex is the EPC arm of ITNL group, having considerable experience in handling road projects. However, being part of the ITNL group, its credit profile continues to remain weak. With respect to first cycle of MM, the company has fixed price contract; however, the second MM activity will continue to be undertaken through item rate contract to be executed, when required. The MM cost being based on item rate contract continues to remain open to market price fluctuations.

### Time lag in GST receipts

GST was levied on annuity projects from 2021. For HREL, the GST is first paid to the government by the company and is later reimbursed from NHAI. Accordingly, HREL has paid GST on last three annuities amounting to ~₹11.5 crore/annuity, which is reimbursed by NHAI with a time lag. Inordinate delay in the GST reimbursement may lead to shortfall in operating funds, which may lead to inadequate maintenance.

### Liquidity: Adequate

HREL's liquidity position is adequate with cash flow receivable from NHAI in the form of annuity of ₹128.16 crore against repayment of senior debt of ₹65.19 crore in FY26 with a 'T+30' repayment structure. Presence of DSRA of ~₹68 crore as on March 31, 2025 (covers one semi-annual debt obligation) in the form of mutual funds aids additional liquidity support. Debt servicing is due in April and October every year, annuities become due one month prior to debt servicing. The company has free cash balance of ₹12.44 crore as on April 30, 2025.

### 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](#)

[Withdrawal Policy](#)

[Infrastructure Sector Ratings](#)

[Road Assets-Annuity](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport infrastructure	Road assets-toll, annuity, hybrid-annuity

HREL is a special purpose vehicle (SPV) incorporated on March 19, 2009, for designing, constructing and maintaining the 4-laning of the Hazaribagh - Ranchi section of NH-33 from 40.50 km to 114.00 km in Jharkhand on a Build Operate Transfer (BOT) - Annuity basis. The company entered a CA with NHAI on October 08, 2009, for the concession period for 18 years commencing from the appointed date (including construction period of 910 days).

HREL was initially promoted by ITNL, however, the entire shareholding of ITNL was transferred on December 16, 2022, to Roadstar Infra Investment Trust, an InvIT, for which ITNL is the sponsor.

HREL achieved provisional completion on September 15, 2012, and received first annuity of ₹64.08 crore in July 2013. The project completed ahead of time and commercial operation date (COD) was achieved 134 days ahead of scheduled project completion which entitled HREL to receive the early completion bonus of ₹47.00 crore, which was received in FY14. HREL completed the construction of project stretch in August 2014 and received the project completion certificate in April 2015.

Particular	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	70.20	45.40
PBILDT	35.62	4.07
PAT	1.20	-21.06
Overall gearing (times)	NM	NM
Interest coverage (times)	0.91	0.13

A: Audited; Note: these are latest available financial results

**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
Debentures-Non Convertible Debentures	INE526S07437	14-Feb-2017	7.5%	14-Apr-2027	30.73	CARE A; Stable
Debentures-Non Convertible Debentures	INE526S07577	14-Feb-2017	7.5%	14-Apr-2027	6.23	CARE A; Stable
Debentures-Non Convertible Debentures	INE526S07494	14-Feb-2017	7.5%	14-Oct-2026	29.07	CARE A; Stable
Debentures-Non Convertible Debentures	INE526S07593	14-Feb-2017	7.5%	14-Oct-2026	7.06	CARE A; Stable
Debentures-Non Convertible Debentures	INE526S07486	14-Feb-2017	7.5%	14-Apr-2026	25.75	CARE A; Stable
Debentures-Non Convertible Debentures	INE526S07585	14-Feb-2017	7.5%	14-Apr-2026	8.72	CARE A; Stable
Debentures-Non Convertible Debentures	INE526S07536	14-Feb-2017	7.5%	14-Oct-2025	24.92	CARE A; Stable
Debentures-Non Convertible Debentures	INE526S07460	14-Feb-2017	7.5%	14-Oct-2025	8.31	CARE A; Stable
Non-Convertible Debentures	INE526S07445	14-Feb-2017	7.5%	14-Oct-2024	0.00	Withdrawn

ISIN numbers INE526S07478, INE526S07551 and INE526S07569 have been redeemed.

#### 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	Debentures-Non Convertible Debentures	LT	140.79	CARE A; Stable	-	1)CARE A-; Positive (05-Jul-24)	1)CARE BB; Stable (27-Oct-23) 2)CARE C; ISSUER NOT COOPERATING* (30-May-23)	1)CARE D; ISSUER NOT COOPERATING* (31-May-22)
2	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A-; Positive (05-Jul-24)	1)CARE BB; Stable (27-Oct-23) 2)CARE C; ISSUER NOT COOPERATING* (30-May-23)	1)CARE D; ISSUER NOT COOPERATING* (31-May-22)

\*Issuer did not cooperate; based on best available information.

LT: Long 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 details

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

**Note on complexity levels of rated instruments:** 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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