RCL Bareilly Highways Private Limited

July 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	308.14	CARE BBB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of RCL Bareilly Highways Private Limited (RBHPL) 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 inflation-indexed annuity to be received for operations and maintenance (O&M) of the road; and (iii) receipt of marginal cost of lending rate (MCLR) linked interest annuity.

The rating further derives strength from the low counterparty risk with annuities annuity receivables from National Highway Authority of India (NHAI; rated 'CARE AAA; Stable'), support from sponsor, Raj Corporation Limited (RCL), by way of explicit guarantee and support undertakings and presence of a fixed-price engineering, procurement, and construction (EPC) contract entered with the sponsor. The proposed liquidity support mechanism such as debt service reserve account (DSRA) and satisfactory debt service coverage expected post completion also aid strength to the rating.

However, the rating strengths are tempered by risks associated with execution of the project considering nascency of execution, limited experience with NHAI as counterparty, susceptibility to changes in the O&M costs and interest rate fluctuation risks. While the sponsor has long presence in the road construction segment, it has a limited track record with public private partnership (PPP) contracts having executed three Madhya Pradesh Road Development Corporation (MPRDC) HAMs of size relatively smaller than undertaken for NHAI. The group is executing four NHAI HAM projects, which all are presently in nascent stage, as such successful completion of the project without material cost and time overrun shall be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Achievement of physical progress of 70% for the project within envisaged cost and time parameters.
- Completion of project on or before scheduled commercial operations date (SCOD), and timely receipt of first annuity.

Negative factors

- Deteriorating credit profile of sponsor (RCL) or counter party (NHAI).
- Inordinate delay in project progress including achievement of project milestones leading to levy of penalty by NHAI, affecting financial risk profile.

Analytical approach:

Standalone, while factoring sponsor's support undertaking, proposed corporate guarantee and the track record of the EPC contractor, RCL.

Outlook: Stable

The 'Stable' outlook assigned reflects the expected benefits from the company's parentage and support structures in place, which will ensure mitigation of execution risks that are likely to arise. The inherent strengths of the HAM-based road projects, including the credit quality of the underlying annuities and the liquidity support mechanisms shall also provide stability to the operations post COD.

[1]Complete 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 of hybrid annuity concession

The CA – in line with the model CA for HAM projects – includes clauses that serve to partially secure the project and its lenders against construction risks, including delays in land acquisition. Such clauses include stipulating the achievement of 80% Right of Way (RoW) as a precedent condition for declaring the appointed date for the project. Besides, there is a provision for granting deemed completion of the project in case 100% of the work is completed on the RoW, which becomes available to the concessionaire within 146 days of the appointed date. The HAM model entails lower sponsor contribution in the construction period considering 40% construction support from the concessioning authority and the availability of 10% mobilisation advances on the bid project cost (BPC). The BPC and O&M cost will be inflation indexed (through a price index multiple [PIM]), which is the weighted average of the wholesale price index (WPI) and consumer price index (CPI) in the ratio of 70:30. The inflation-indexed BPC protects developers against price escalation to an extent.

Cash flow visibility with low counter party credit risk

In the operational phase, cash flow is assured in the form of annuity payments from NHAI on a semi-annual basis covering 60% of the project completion cost and 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 inflation-indexed O&M payments.
Incorporated by the GoI under an Act of the Parliament as a statutory body, NHAI functions as the nodal agency for development, maintenance, and management of the National Highways in the country. Outlook on NHAI reflects outlook on the sovereign, whose direct and indirect support deems it to be the key rating driver.

Track record of RCL in executing road projects

RBHPL has entered a fixed price EPC contract with sponsor RCL. The sponsor and its promoters have over decade of experience in the EPC and civil works segment in the northern and middle part of India and have successfully executed projects in the past including commissioning of three HAM projects with Madhya Pradesh Road Development Corporation (MPRDC) worth ₹584 crore. Historically, the company has undertaken road projects of relatively moderate scale, with limited experience in executing NHAI projects. It is currently engaged in four NHAI-awarded projects that are in early stages of implementation. The company's capacity to complete these large-scale projects within the projected cost and timeline will remain a critical factor from a credit assessment standpoint.

Sponsor support undertakings and proposed corporate guarantee for meeting exigencies

As the sponsor, RCL has proposed a sponsor support agreement to arrange funds to meet cost overrun and shortfall in resources of the borrower, including shortfall in receiving authority construction grant in respect of completion of the Project. RCL shall also meet shortfalls in debt servicing and DSRA creation for the entire tenor of the facility and bring in funds required for incurring O&M and MM expenses above base case business plan. Presence of explicit sponsor support agreement extend comfort from credit perspective. Additionally, RCL is also proposing to execute an unconditional and irrevocable corporate guarantee for a limited period of the loan covering the entire construction period.

Satisfactory debt coverage indicators and presence of proposed liquidity support mechanisms

RBHPL is expected to have comfortable debt coverage indicators due to moderate project leverage and benefits of inflation indexation on completion cost. This is further supported by liquidity support mechanisms in place. The facility agreement stipulates creation and maintenance of a DSRA equivalent to ensuing six months' debt service obligation from the cash flows of the first two annuity payments in the operation period. Additionally, the sponsor has undertaken to meet the shortfall in case the initial DSRA is not created by RBHPL by way of providing corporate guarantee for DSRA at all times, which gives comfort from the credit perspective.

Key weaknesses

Inherent project execution risk

RBHPL is inherently exposed to construction risks associated with road projects. Construction risks in HAM projects primarily include hindered RoW and design and engineering challenges leading to change in scope. Additional risks stem from adverse weather, safety concerns and unexpected ground conditions, any of which can lead to project delays and increased costs. Effective mitigation of such risk shall rely on the efficiency of the sponsor's project management, and proactive monitoring to ensure timely completion and cost control.

NHAI had earlier provided extension of time (EOT) for first two project milestones due to ROW issues. And currently, the project progress stood at 26.51% achieved as on April 30, 2025, which is marginally in line with the scheduled progress of 27.15%. Completion of the project within the scheduled timelines shall remain a key rating sensitivity.

Inherent O&M risk associated with the project

Inflation-indexed O&M annuity partly mitigates O&M risk, however, the developers would still face the risk of sharp increase in the O&M cost due to more-than-envisaged wear and tear. CareEdge Ratings has assessed O&M and major maintenance (MM) outgo in line with its industry aggregates for similar projects rated by CareEdge Ratings and expects coverage indicators to be moderate. However, the company's business plan does not entail MM reserve creation, which is elevating the O&M risk.

Inherent interest rate risk

RBHPL is exposed to the 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, RBHPL remains exposed to the interest rate risk owing to the timing difference between change in the MCLR rate and lending rate.

Liquidity: Adequate

The project's liquidity is deemed adequate by 100% equity already infused by the sponsor, the construction grant payments from the authority, and visibility of debt disbursements. The project cost accounts for interest in the construction period, and interest costs for six months post-COD further underpinning the liquidity in the project stage.

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
- Hybrid Annuity Model based road projects
- Infrastructure Sector Ratings
- Factoring linkages Parent Sub JV Group

About the company and industry

Industry classification

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

RBHPL, a special purpose vehicle (SPV) promoted by RCL has entered 15 years concession agreement (CA; excluding construction period of 730 days from appointed date) with NHAI (rated 'CARE AAA; Stable') for improvement and up-gradation of NH-74 (New NH-30) Bareilly –Pilibhit – Sitarganj NH-74 (New -30) Package-I of Bareilly –Pilibhit section HAM basis in Uttar Pradesh on hybrid annuity mode. The project has been scheduled to be completed within 730 days from the Appointed Date (March 14, 2024) at a total cost of ₹677.88 crore; proposed to be funded through debt of ₹308.14 crore, construction grant from NHAI of ₹267.03 crore and balance through promoter's contribution of ₹102.71 crore.

Brief financials: Not applicable, as the project is under the implementation phase.

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	NA	-	-	31-03-2039*	308.14	CARE BBB-; Stable

*six months from SCOD

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	308.14	CARE BBB-; Stable				

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	Term loan-Long term	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.

Contact Us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puja Jalan Director **CARE Ratings Limited** Phone: +91-40-4002 0131 E-mail: puja.jalan@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Utkarsh Yadav Assistant Director **CARE Ratings Limited** Phone: +91-22-6837 4413 E-mail: utkarsh.yadav@careedge.in Vedanthi Kale Analyst **CARE Ratings Limited** E-mail: Vedanthi.Kale@careedge.in

About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

For detailed Rating Report and subscription information, please visit www.careratings.com