# RCL Hardoi Highways Private Limited

July 21, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 274.54 | CARE BBB-; Stable | Assigned |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The rating assigned to bank facilities of RCL Hardoi Highways Private Limited (RCLHHPL) 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 low counterparty risk with annuities annuity receivables from National Highways 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 fixed-time engineering, procurement, and construction (EPC) contract entered with the sponsor. The sponsor, RCL, has a limited track record with public private partnership (PPP) contracts having executed three Madhya Pradesh Road Development Corporation Limited (MPRDC) HAMs, which are relatively small ticket size contracts. RCL received NHAI HAMs in FY22 and all are presently in nascent stage, as such successful completion of the project without material cost and time overrun shall be a key monitorable. The proposed liquidity support mechanism such as debt service reserve account (DSRA) and satisfactory debt service coverage post completion also aid strength to the rating.

However, rating strengths are tempered by inherent risks associated with execution of the project considering nascency of execution and underlying delays in the project. The project faced delays considering unavailability of encumbrance free handover of land and onset of monsoons. As a result, the project has achieved the first project milestone with a delay but within the grace period. However, the company has expedited the execution and shall apply for extension of time (EoT) for the shift in commercial operations date (COD) once sufficient physical progress of ~75% is achieved. Susceptibility to changes in the O&M costs and interest rate fluctuation risks are other credit deterrents.

### 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 counterparty (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, factoring in support undertakings and guarantee from sponsor; RCL and its track record as an EPC contractor.

**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 underlying annuities and 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. This apart, 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 pre-approved 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 continues to be the key rating driver.

**Track record of RCL in executing road projects**
RHHPL has entered a fixed price EPC contract with sponsor RCL. The sponsor and its promoters have over a decade of experience in the EPC and civil works segment in the northern and central part of India and have successfully executed projects in the past including commissioning of three HAM projects with Madhya Pradesh Road Development Corporation Limited (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 corporate guarantee for meeting exigencies**
As the sponsor, RCL has extended 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 meet shortfalls in debt servicing and DSRA creation for the entire tenor of the facility. The project sponsor shall bring in funds required for incurring O&M and MM expenses above base case business plan. Presence of explicit sponsor support undertakings extend comfort from credit perspective. The sponsor has extended a limited period, unconditional and irrevocable corporate guarantee valid till the achievement of COD by the concessionaire plus one year i.e. receipt of two annuity payments, thus, covering the risks which may emerge in construction.

**Satisfactory debt coverage indicators and presence of proposed liquidity support mechanisms**
RHHPL is expected to have comfortable debt coverage indicators due to comfortable project leverage and benefits of inflation indexation on completion cost. This is further supported by liquidity support mechanisms in place. The facility agreement stipulates to creation and maintaining a DSRA equivalent to ensuing six months' debt service obligation from the cash flows of the first two annuity payments in the operation period. The sponsor has undertaken to meet the shortfall in case the initial DSRA is not created by RCLHHPL, which gives comfort from the credit perspective.

### Key weaknesses

**Project execution risk heightened by delayed project progress**
RCLHHPL 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, 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.

Currently, the implementation risk is moderately heightened due to the delay in the project progress, with 29.08% physical progress achieved as on April 30, 2025, against scheduled cumulative physical progress of 84.49% up to this month. While NHAI has provided the EoT for first two project milestones, however EoT for the shift of the COD is yet-to-be-applied by the company and is under discussion with the authority, which is expected to be granted through a supplementary agreement once the project has achieved an advanced stage of progress. Satisfactory project progress with completion within revised timelines without cost overrun shall be important from credit perspective.

**Inherent O&M risk associated with the project**:
Although inflation-indexed O&M annuity partly mitigates O&M risk, 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 MM outgo in line with its industry aggregates for similar projects rated by CareEdge Ratings and expects coverage indicators to be moderate. However, non-creation of a major maintenance reserve per the company's business plan is elevating the O&M risk.

**Inherent interest rate risk**:
RCLHHPL 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, RCLHHPL 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 considering 100% equity already infused by the sponsor, 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
Infrastructure Sector Ratings
Road Assets-Hybrid-annuity
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 |

RCLHHPL is a special purpose vehicle (SPV) promoted by RCL, which entered 15 years CA (Excluding construction period of 730 days from the appointed date) with NHAI to undertake the construction of 'Improvement and Up-gradation of existing road to 4-lane with paved shoulder from Km 123.650 to Km 175.080, 51.43 km, start of Shahabad bypass to end of Hardoi bypass of NH-731 on HAM basis in Uttar Pradesh on HAM.' The project's total estimated cost is estimated to be ₹660.04 crore, which will be funded through debt of ₹274.54 crore, construction grant from Authority of ₹263.95 crore, and balance through promoter's contribution of ₹121.55 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 |
|---|---|---|---|---|---|---|
| Fund-based - LT-Term Loan | NA | - | - | 28-Feb-2039 (Tentative) | 274.54 | CARE BBB-; 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 | Fund-based - LT-Term Loan | LT | 274.54 | CARE BBB-; Stable | | | | |

LT: Long term; ST: Short term; LT/ST: Long term/Short 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 | Fund-based - LT-Term Loan | Simple |

## Annexure-5: Lender details

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| 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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**About us:**

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