

## IRCON Haridwar Bypass Limited

October 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	447.61	CARE AA-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of IRCON Haridwar Bypass Limited (IHBL) primarily factors in the strong parentage of its promoter and sponsor, Ircon International Limited (IRCON). Ratings also consider the presence of explicit promoter support agreements for the tenor of the facility and a corporate guarantee for 180 days from the commercial operations date (COD) or receipt of the first annuity, whichever is later.

Ratings factor in ~60% physical progress achieved as of May 2025 against the targeted ~93%, delayed due to lack of workfront availability, structural hindrances, public agitation, and external factors such as monsoons and Kumbh Mela/Kanvad Yatra, which slowed project execution. However, availability of adequate funding through undrawn debt, balance National Highways Authority of India (NHAI; rated CARE AAA: Stable) construction grant payments, and promoter contribution for completing the balance project works lends comfort. The presence of an NHAI-approved extension of time (EOT) for 296 days provides additional comfort. IHBL has also requested a second EOT of 241 days, approved by the Independent Engineer (IE) and pending approval from NHAI. NHAI is releasing construction milestone payments and inflation indexation, indicating that the EOT is due to factors beyond the company's control. The lender has extended the repayment schedule to May 2027, which acts as a cushion in case of delays beyond the revised estimated scheduled COD of April 19, 2026. Going forward, adherence to the revised project timelines and cost estimates will remain a key rating monitorable. Non-adherence to the support structure and corporate guarantee extended by IRCON is a critical rating sensitivity.

Ratings continue to derive comfort from the inherent strengths of hybrid annuity model (HAM)-based road projects such as: (i) lower project funding risk with inflation-indexed annuities 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 funds-based lending rate (MCLR)-linked interest annuity.

Ratings are further strengthened by the presence of a fixed-price, fixed-time engineering, procurement and construction (EPC) contract with the sponsor, IRCON, which has an established track record in constructing roads and highways under the public-private partnership (PPP) mode. Ratings also factor in credit quality of underlying annuity receivables from project completion milestone payments and annuity receivables from NHAI in construction and post-commencement phases.

Ratings also factor in undertakings extended by the sponsor to fund cost overrun in the construction period, shortfall in the construction and operational periods, and incremental O&M and major maintenance (MM) expenses above the base case plan. Ratings also consider the proposed liquidity support mechanisms such as the envisaged upfront creation of debt service reserve account (DSRA) on COD and major maintenance reserve account (MMRA) post commencement of operations, and adequate debt coverage indicators.

However, these strengths are tempered by inherent project risk and O&M risk.

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

#### Positive factors

- Track records of timely receipt of annuities without deductions.
- Timely creation of reserves per base case business plan.

<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.

**Negative factors**

- Deterioration in the credit profile of the sponsor (IRCON) or counterparty (NHAI).
- Adverse movement in O&M expenses lowering the average debt service coverage ratio (DSCR) below 1.15x on a sustained basis.
- Significant delays or deduction in annuities.
- Non-adherence to support structures and guarantees.
- Significantly delaying project progress including achieving project milestones, leading to penalty by NHAI, affecting financial risk profile.

**Analytical approach:** Standalone; factoring linkages

Ratings factor in the strong parentage of the promoter company, IRCON, and the presence of a limited-period corporate guarantee and promoter support agreements for the entire loan tenor.

**Outlook:** Stable

The outlook for IHBL is expected to remain stable, considering the balance works and achievement of COD within the revised timelines per the EOT, and the support extended by IRCON through a corporate guarantee valid for 180 days from COD or receipt of the first annuity, whichever is later. Inherent strengths of HAM-based road projects, including credit quality of underlying annuities and proposed liquidity support mechanisms, are expected to support operational stability post COD.

**Detailed description of key rating drivers:****Key strengths****Successful track record of Ircon International Limited (IRCON) in executing road projects**

IRCON successfully commissioned three toll road projects and two HAM projects under the PPP mode. IRCON has over four decades of experience in the construction and infrastructure sector and is supported by a team of qualified engineers with expertise in road and highway construction. IRCON currently has a portfolio of four operational road assets comprising two HAM projects and two toll projects. IHBL entered a fixed-price, fixed-time EPC contract with IRCON, which has executed infrastructure projects in roads, buildings, electrical substations and distribution, airport construction, commercial complexes, metro, and railway segments.

**Sponsor support agreements and guarantees for meeting exigencies**

As the sponsor, IRCON executed a sponsor support agreement in favour of lenders to fund cost overruns, bridge cash flow mismatches in the operational period, and meet deficiency in annuities due to performance-related deductions. IRCON has also extended an unconditional and irrevocable corporate guarantee against the loan sanctioned to IHBL, covering the period till receipt of the first annuity or 180 days from COD, whichever is later.

**Favourable clauses of hybrid annuity concession**

The CA-in line with the model CA for HAM projects-includes clauses that partially secure the project and lenders against construction risks, including delays in land acquisition. These include stipulating achievement of at least 80% right of way (RoW) as a precedent condition for declaring the appointed date. There is also a provision for deemed completion of the project if 100% of the work is completed on the RoW made available to the concessionaire within 180 days of the appointed date.

**Low funding risk and permitted price escalation**

The HAM model entails lower sponsor contribution in the construction period, considering 40% construction support from NHAI and availability of 10% mobilisation advance 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 wholesale price index (WPI) and consumer price index (CPI) in a 70:30 ratio. The inflation-indexed BPC offers partial protection against price escalation.

**Cash flow visibility**

In addition to construction milestone payments in the construction phase, cash flow in the operational phase is assured through semi-annual annuity payments from NHAI, covering 60% of the project completion cost, interest at MCLR plus 1.25% on reducing balance, and BPC-linked O&M annuity. Non-linear transmission of MCLR over lending rate is largely mitigated and is not expected to impact debt coverage indicators.

**Low counterparty credit risk**

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

**Presence of proposed liquidity support mechanisms**

Per the facility agreement, there is a stipulation to create and maintain a DSRA equivalent to two quarters of debt servicing requirement upfront on COD. The DSRA is proposed to be created in the form of a bank guarantee from the sponsor. The facility agreement also stipulates maintenance of a MMRA per base case business plan.

**Key weaknesses****Inherent project execution risk**

Despite availability of RoW and the demonstrated track record of IRCON as an EPC contractor in executing similar road projects, IHBL is exposed to inherent construction risk associated with road projects. IHBL achieved ~60% physical progress as of May 2025 against the targeted ~93%, delayed due to lack of workfront availability, structural hindrances, public agitation, and external factors such as the rainy season and Kumbh Mela/Kanvad Yatra. NHAI is releasing construction milestone payments and inflation indexation, indicating that EOT is due to factors beyond the company's control.

IHBL has revised its completion date to April 19, 2026, based on EOT-2 recommended by the IE, pending approval from NHAI. The lender has revised the repayment schedule, with the first instalment now falling due in May 2027. The demonstrated track record of IRCON in executing large-sized road projects mitigates execution risk to an extent. IRCON has subcontracted works to S P Singla Constructions Private Limited (SPSCPL), which has a track record of over two decades in the road sector. However, IHBL remains exposed to performance risk in case of weakening credit profile of the sub-contractor.

**Inherent O&M risk associated with the project**

Although the percentage of BPC-linked O&M annuity partly mitigates O&M risk, developers remain exposed to the risk of sharp increase in O&M cost due to higher-than-envisaged wear and tear. The project stretch comprises flexible (bituminous) pavement, which is prone to higher O&M cost compared to rigid pavement. CARE Ratings Limited (CareEdge Ratings) has assumed O&M and MM outgo in line with its industry aggregates for similar projects rated by CareEdge Ratings and expects coverage indicators to remain strong.

**Liquidity:** Adequate

IHBL's liquidity is underpinned by access to timely need-based support from IRCON. IRCON has extended undertakings to fund cost overruns and O&M and MM expenses above the base case plan in construction and operational periods. Per terms of sanction of project debt, IHBL shall create and maintain a DSRA equivalent to the ensuing six months' principal and six months' interest obligations after meeting debt service obligations in the operational phase, which provides cushion for debt servicing. The project is backed by an unconditional and irrevocable corporate guarantee from IRCON, valid till receipt of the first annuity, which provides comfort for timely debt servicing in case of delay in project completion.

**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](#)

[Rating methodology-HAM projects](#)

[Notching by Factoring Linkages in Ratings](#)

## About the company and industry

### Industry classification

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

IHBL is an SPV promoted by IRCON, entered a 15-year CA, excluding a construction period of 730 days from the appointed date, with NHAH for the upgradation and four-laning of Haridwar Bypass Package-1 in Uttarakhand on HAM. The project is scheduled to be completed within 730 days from the appointed date, October 31, 2022, at a revised total cost of ₹958.75 crore, proposed to be funded through debt of ₹447.61 crore, construction grant from NHAH of ₹390.10 crore, and promoter's contribution of ₹121.04 crore.

**Brief financials:** Not applicable, as the project is under 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	-	-	-	30-11-2038*	447.61	CARE AA-; Stable

\*Considering the revised repayment schedule with first repayment falling on May 31, 2027

### 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	447.61	CARE AA-; Stable	-	1)CARE AA-; Stable (05-Jul-24)	1)CARE AA-; Stable (02-May-23)	-

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	Fund-based - LT-Term Loan	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

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3404 E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Name: Rajashree Murkute Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6837 4474 E-mail: <a href="mailto:rajashree.murkute@careedge.in">rajashree.murkute@careedge.in</a></p> <p>Name: Maulesh Desai Director <b>CARE Ratings Limited</b> Phone: +91-79-4026 5656 E-mail: <a href="mailto:maulesh.desai@careedge.in">maulesh.desai@careedge.in</a></p> <p>Name: Prasanna Krishnan Associate Director <b>CARE Ratings Limited</b> Phone: +91-120-4452014 E-mail: <a href="mailto:prasanna.krishnan@careedge.in">prasanna.krishnan@careedge.in</a></p>
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