

KCC Talgaon Kalmath Highways Private Limited

October 08, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|---------------------------------|---------------------|---------------------------------|
| Long-term bank facilities | 149.69 (Reduced from 157.57) | CARE A+; Stable | Downgraded from CARE AA; Stable |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has downgraded the long-term ratings assigned to bank facilities of KCC Talgaon Kalmath Highways Private Limited (KTKHPL) considering deterioration in the credit profile of its sponsor-cum-operations and maintenance (O&M) contractor, KCC Buildcon Private Limited (KBPL), heightening the performance obligation risks in the project stretch. Moreover, debt service reserve account (DSRA) is also created in non-funded form and hence deterioration in credit profile of sponsor exposes KTKHPL to renewal risk of said bank guarantee in timely manner. This is driven by a decline in total operating income (TOI) by 36% to ~₹3,000 crore in FY25 (FY refers to April 01 to March 31), following a steep decline in orderbook. Profitability, though improved marginally to 7.61% in FY25, remains moderate. Due to elongation in gross current asset days to 169 days in FY25 compared to 107 days in FY24, cash flows from operations (CFO) turned negative. The strain in liquidity arising from negative CFO and significant repayment obligations of ~₹118 crore was met through peak utilisation of fund based working capital limits of over 90% and top-up loans in the special purpose vehicles (SPVs) in FY25.

Going forward, with muted revenue visibility and orderbook of 1.75x revenue of FY25, cash accruals are anticipated to remain subdued. KBPL is facing huge repayment obligations of ~₹86 crore and equity commitments of ~₹46 crore in FY26. KBPL has sold entire stake in three operational SPVs in H1FY26 to mitigate liquidity constraints. Going forward, KBPL plans to monetise stake in three SPVs to meet funding requirements. Although this project is sponsor-agnostic, instance of upstreaming of funds from KTKHPL prior restricted payment covenant to support KBPL's cash flows or higher-than-envisaged O&M and major maintenance (MM) cost remains a critical rating sensitivity. There was also precedence in FY24 of incurring significantly higher O&M cost compared to estimates.

Ratings continue to factor the project's operational status, supported by an established track record of receipt of 11 semi-annual annuities from Ministry of Road Transport and Highways (MoRTH) without significant delays or deductions. Ratings consider timely receipt of goods and services tax (GST) component due to changes in GST guidelines on construction, O&M, and interest annuities.

Ratings factor in inherent strengths of HAM-based road projects, lowering post-implementation risk by inflation-indexed annuities to be received towards construction, O&M, and bank rate-linked interest annuities. Minimal counterparty credit risk associated with MoRTH as an annuity provider and presence of tail period of three annuities are other credit strengths. Ratings also take cognisance of adequate cushion of ~50 days between the annuity due date and repayment due date, which accommodates short timing mismatches.

Liquidity mechanisms such as presence of DSRA, representing ensuing one half-yearly principal instalment and six months of interest servicing obligations, and maintenance of fund-based major maintenance reserve account (MMRA) per base case business plan are other credit positives.

Rating strengths are partially offset by interest rate risk and inherent O&M risk, including MM risk. Ratings also take note of the put option exercisable at the end of five years against the notice period of 90 days, exposing KTKHPL to refinancing risk. Strong credit profile of the counterparty, adequate tail period and established track record of annuity receipts mitigate refinancing risk to an extent.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit profile of KBPL.
- Established track record of receipt of full annuities leading to build-up of significant liquidity at the SPV level.

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

Negative factors

- Deterioration in the credit risk profile of the counterparty.
- Further weakening in the credit profile of O&M operator/sponsor, KBPL.
- Non-compliance with maintenance obligations specified in the concession agreement, leading to delay or deduction in annuities.
- Adverse movements in O&M expenses or interest rate, affecting debt coverage parameters below 1.10x.
- Non-adherence to sanctioned debt terms.
- Increase in debt quantum or significant deduction in annuities.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook assigned to bank facilities of KTKHPL considers the expectation of timely receipt of annuities without delay and deductions in the operational phase, augmented by presence of liquidity mechanisms such as DSRA and MMRA.

Detailed description of key rating drivers:**Key strengths****Operational status and track record of annuities**

Project execution risk is completely mitigated with receipt of final completion certificate on September 27, 2021. The project earlier achieved provisional commercial operations date (PCOD) on December 14, 2019. KTKHPL has a proven track record of receiving 11 semi-annual annuity payments from MoRTH without significant delays or deductions, with a time gap of 6-42 days.

Low counterparty credit risk

MoRTH is an apex organisation under the central government, entrusted with formulating and administering policies for road transport, national highways and transport research in consultation with other central ministries and departments, state governments and union territory administrations, organisations and individuals to increase mobility and efficiency of the road transport system in the country. Outlook on MoRTH reflects the sovereign outlook, whose direct and indirect support continues to be a key rating driver.

Strong cash flow visibility and moderate cushion between annuity receipt date and debt repayment date

In the operational phase, cash flow is assured in the form of semi-annual annuity payments from MoRTH covering 60% of the project completion cost, interest at bank rate plus 3% on reducing balance, and inflation-indexed O&M annuity. There is an adequate time gap of ~50 days between annuity receipt date and debt repayment date, which is viewed as a credit positive.

Presence of liquidity support mechanism though with increased renewal risk for DSRA bank guarantee

Per terms of the facility agreement, the company has created DSRA of ₹15.18 crore in the form of bank guarantee over the stipulated requirement of six months of debt servicing, and MMRA of ₹9.07 crore in the form of fixed deposits per financing plan. Presence of DSRA and adequate creation of MMRA are viewed positively from the credit perspective. However, deterioration in credit profile of sponsor exposes KTKHPL to renewal risk of DSRA bank guarantee in a timely manner.

Impact of change in law account of introduction of GST Act 2017

From a GST perspective, there have been two events of change in law—implementation of GST regime on July 01, 2017, and change in GST rate from 12% to 18% on July 18, 2022. Though these events are credit neutral, there exists a timing mismatch in settling liabilities and receivables arising from these events for projects implemented in the transition period. National Highways Authority of India (NHAI) has issued policy guidelines dated November 24, 2022, addressing GST calculation against change in rates for road construction activity in engineering, procurement, and construction (EPC) projects under change in law. In accordance with these guidelines, KTKHPL is receiving GST on all three components.

Key weaknesses**Deterioration in the credit profile of the sponsor-cum-O&M contractor**

KBPL's TOI declined from ₹4,713 crore in FY24 (FY refers to April 01 to March 31) to ₹3,000 crore in FY25, with stagnant profit before interest, lease rentals, depreciation, and taxation (PBILDT) levels due to steep reduction in orderbook and high fixed cost absorption. The working capital cycle has elevated, as indicated by an increase in gross current asset (GCA) days from 107-169

in FY24-FY25, driven by unbilled revenue accumulation following the withdrawal of the NHAI's Atma Nirbhar monthly payment scheme, resulting in negative cash flow from operations (CFO). The strain in liquidity arising from negative CFO and significant repayment obligations was met through peak utilisation of fund-based working capital limits of over 90%, and top-up loans in the SPVs.

Going forward, with muted revenue visibility and orderbook of 1.75x revenue of FY25, cash accruals are anticipated to remain subdued. KBPL is facing huge repayment of ~₹86 crore and equity commitments of ~₹46 crore in FY26. KBPL has sold entire stake in three operational SPVs in H1FY26 to mitigate liquidity constraints. KBPL plans to bridge the funding gap through a mix of unutilised fund-based working capital limits, monetisation of three HAM assets, and mobilisation advances from new orders. However, instance of upstreaming of funds from KTKHPL prior restricted payment covenant to support KBPL's cash flows or higher-than- envisaged O&M and MM cost is critical negative rating sensitivity.

Inherent O&M risk associated with the project

The project stretch comprises 67% rigid pavement and balance flexible pavement. While inflation-indexed O&M annuity partly mitigates O&M risk, disparate movement in inflation index (70% wholesale price index [WPI]; 30% consumer price index [CPI]) and O&M cost heads pose a risk. The company could also face the risk of a sharp increase in O&M cost in case wear and tear on the road is more than envisaged. As on March 31, 2025, actual O&M cost incurred was ₹3.86 crore, in line with expectations. Going forward, the company's ability to maintain O&M costs in line with base case financials will be crucial to maintain the existing moderate debt coverage ratios. KTKHPL relies on KBPL for conducting O&M activities. The deterioration in KBPL's credit profile increases the performance obligation risks in the stretch, which may lead to delay and deduction in annuities. Therefore, any further weakening in KBPL's credit profile is a key rating sensitivity.

Interest rate risk

KTKHPL is exposed to inherent interest rate risk, considering floating rate of interest on its debt. Reimbursement of interest cost in the form of interest annuity payable by MoRTH biannually at bank rate plus 3% mitigates risk only to an extent, since disparity may exist between movements in bank rates and lenders' benchmark rates. Going forward, non-linear transmission of bank rate over lending rate is a rating sensitivity.

Liquidity: Adequate

KTKHPL is envisaged to generate healthy cash flows backed by a steady revenue stream in the form of annuity payments throughout the term-loan tenor. There is a gap of ~50 days between the scheduled annuity payment date and debt repayment date, which provides a cushion in case of delay in annuity receipt. As on June 30, 2025, the company is maintaining a DSRA of ₹15.18 crore covering ensuing six-month debt obligations in the form of bank guarantee. The company is also maintaining free cash and bank balance of ₹8.76 crore.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Policy on Default Recognition](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial Ratios – Non financial Sector](#)

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

[Infrastructure Sector Ratings](#)

[Hybrid Annuity Road Projects](#)

About the company and industry

Industry classification

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

KTKHPL is an SPV incorporated and owned by KBPL, and entered a 15-year CA, excluding construction period of 730 days, with MoRTH for the design, build, operate and transfer (DBOT) through Public Works Department, Government of Maharashtra, for rehabilitation and upgradation of Talgaon-Kalmath section from km 367.200-km 406.030 of NH-66 (erstwhile NH-17) to four-lane with paved shoulder (length: 38.38 km) in Maharashtra under National Highways Development Project (NHDP)–IV on HAM mode.

The project achieved the appointed date on December 04, 2017, PCOD on December 14, 2019, and final commercial operations date (COD) on September 27, 2021.

| Particular | March 31, 2024 (A) | March 31, 2025 (P) |
|---------------------------|--------------------|--------------------|
| Total operating income | 36.73 | 29.51 |
| PBILDT | 18.67 | 19.91 |
| PAT | 3.58 | 4.94 |
| Overall gearing (times) | 5.17 | 4.11 |
| Interest coverage (times) | 1.09 | 1.29 |

A: Audited P: Provisional 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 (DDMM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---------------------------|------|-------------------------------|-----------------|---------------------------|-----------------------------|------------------------------------|
| Fund-based - LT-Term Loan | - | - | - | July 2033 | 149.69 | 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 20252026 | Date(s) and Rating(s) assigned in 20242025 | Date(s) and Rating(s) assigned in 20232024 | Date(s) and Rating(s) assigned in 20222023 |
| 1 | Fund-based - LT-Term Loan | LT | 149.69 | CARE A+; Stable | - | 1)CARE AA; Stable (07-Feb-25) | 1)CARE AA+; Stable (18-Dec-23) | 1)CARE AA+; Stable (19-Sep-22) |

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

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