India Ratings & Research
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India Ratings Upgrades Hazaribagh Ranchi Expressway's NCDs to 'IND BBB+'; Outlook Stable

Jul 29, 2025 | Road Assets–Toll | Annuity | Hybrid-Annuity

India Ratings and Research (Ind-Ra) has upgraded Hazaribagh Ranchi Expressway Limited's (HREL) non-convertible debentures (NCDs) to 'IND BBB+' from 'IND BBB'. The Outlook is Stable. The detailed rating action is as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Senior non-convertible debentures*	-	-	-	INR1,104.55 (reduced from INR1,602.9)	IND BBB+/Stable	Upgraded
Subordinate non-convertible debentures *	-	-	-	INR303.12 (reduced from 431.8)	IND BBB+/Stable	Upgraded

*Details in annexure

Analytical Approach

Ind-Ra continues to analyse HREL's standalone credit profile. The agency has not considered any debt other than the rated debt for arriving at the rating because of the ring fencing and restricted payment conditions. Any funds ever injected by the sponsor in the form of unsecured loans will be fully subordinate to the rated NCDs.

Detailed Rationale of the Rating Action

The upgrade reflects the timely receipt of the 24th and 25th annuity by HREL without any material performance-related deductions. The 24th annuity was received in full, whereas the 25th annuity witnessed a deduction of INR0.4 million on a total annuity of INR640.8 million. Furthermore, INR1 million was withheld from the 25th annuity account of a maintenance issue. As per the management, rectification works have been undertaken for the same. The management has sought release of the withheld amount. The damages were proposed by the independent engineer during November 2024 which were claimed in the 25th annuity received in March 2025.

HREL has also completed the major maintenance (MM) cycle, which was funded through internal accruals. HREL has also created a major maintenance reserve (MMR) for the next MM cycle, with work already starting at certain sections. The rating is constrained by past maintenance issues and annuity deductions related to road maintenance shortcomings. Maintenance of the project as per the required standards is critical, and the receipt of annuities without any material performance-related deductions is a key rating monitorable.

HREL is part of Roadstar Infra Investment Trust (RIIT) since December 2022, and RIIT was listed during March 2025 with six assets transferred to this InvIT. There is no debt at the InvIT level, rather it is maintained at the SPV level. The SPV debt is ring fenced, and cash can be upstreamed to the InvIT only after meeting the restricted payment conditions and to the extent of repayment of the RIIT sub-debt. This ultimately restricts the full cash flow fungibility among the SPVs.

Elsamex Maintenance Services Limited (EMSL) serves as the project manager for the InvIT and the O&M contractor for all SPVs, including HREL. In the past, HREL has faced annuity deductions due to inadequate maintenance of the project stretch.

The rating continues to be supported by the fixed annuities received from the strong counterparty, National Highways Authority of India (NHAI; 'IND AAA'/Stable), limiting the revenue risk. Also, the interest on NCDs is fixed at 7.5%, minimising the interest rate risk.

List of Key Rating Drivers

Strengths

- Low risk of material performance-related annuity deduction
- Low revenue risk profile
- HREL transferred to RIIT

Weaknesses

- Heightened O&M risk reduces with MM completion
- Moderate debt structure

Detailed Description of Key Rating Drivers

Low Risk of Material Performance-related Annuity Deduction: Ind-Ra does not expect major performance-related deductions from annuities as the MM work is complete, thereby improving the road quality. The recently received annuities faced no significant deductions. The 24th annuity was received in full, while the 25th had a deduction of just INR0.4 million. The project has received 25 timely annuities due semi-annually in March and September. The 23rd annuity had a deduction of INR2.2 million, which was ultimately claimed from HREL's O&M contractor. As per the O&M agreement with EMSL, the damages levied on the annuities on account of maintenance issues of the road would be recovered from the O&M contractor.

Low Revenue Risk Profile: The project annuities are secured through an escrow account of the fixed, semi-annual annuity streams under a concession agreement from NHAI. The company so far has received 25 half-yearly annuities of INR640.8 million each with minimum delays, reducing the revenue risk.

HREL Transferred to RIIT: RIIT was established by Infrastructure Leasing & Financial Services (IL&FS) group as a mechanism for the resolution and monetisation of assets, as directed by the National Company Law Appellate Tribunal. Through this, IL&FS transferred six operational assets including HREL to RIIT, and the shares were acquired by issuing its units, which are subsequently allocated to the eligible creditors of the respective IL&FS group entities. The assets are spread across six states, and the total length of all projects combined is around 685km. Four of the six assets are toll road assets, whereas two are annuity assets.

As on 31 March 2025, 15.1% of the total units were held by Roadstar Infra Private Limited (RIPL, a wholly owned subsidiary of IL&FS Transportation Networks Limited; (ITNL, 'IND D')), which is the sponsor for RIIT. Of the balance 84.9%, around 78% has been distributed among the creditors of the IL&FS Group and the rest 7% (held by IL&FS group entities) will be transferred to creditors of the IL&FS Group in the due course.

RIIT's standalone income was INR4,718.09 million during FY25 (FY24: INR2,363.5 million), EBITDA was INR4,050.98 million (INR1,725.43 million), and EBITDA margins were 85% (73%). The InvIT also made its first distribution during FY25 amounting to INR4,053.75 million from the cash flows of FY25 and net distributable cash flow from earlier years.

Heightened O&M Risk Reduces with MM Completion: Project maintenance as per the stipulations of the concession agreement is crucial for the continued and timely receipt of semi-annual annuities from NHAI. HREL has entered in a fixed-price contract with EMSL to manage routine operations and maintenance. In the past, annuities were deducted due to maintenance issues. However, HREL has recently completed a MM cycle, leading to improved road quality. The same is

observed under the IE's certificate for recommending the 25th annuity, mentioning satisfactory road quality. The road's roughness index is now within the desired level of under 2,000mm/km. Ind-Ra, in its O&M cost estimates, has considered historical costs with an additional cushion. The total O&M cost for FY25 was INR130.7 million, in line with Ind-Ra's estimates.

Moderate Debt Structure: The repayment follows a T+30 structure, i.e. the debt obligations are due 30 days post the receipt of annuities, and repayment is due in April and October every year, giving the project some cushion against any delays in annuities. The project had a debt outstanding of INR6,010 million when it went under moratorium and was unable to service its debt obligations. However, post lifting the moratorium, the overdue principal was paid in February 2023 along with prepayment of INR600 million as per the terms of restructuring. HREL also maintains a debt service reserve account (DSRA) as per the financing documents over and above the surplus liquidity. The outstanding debt towards the junior and senior NCDs is INR1,407.7 million. The last repayment is due April 2027, leaving a tail period of two annuities.

The project also has a sponsor loan outstanding of INR2,033.3 million which is subordinate to the external debt. Both debts carry a fixed interest rate of 7.5%, and non-payment of interest on the sponsor loan will not result in an event of default.

In June 2025, Ind-Ra was informed about a breach of covenants related to the minimum debt service coverage ratio (DSCR) requirement, as outlined in the debenture trustee deed. Management has indicated that this breach was due to a change in accounting policy, and a meeting of the debenture holders was scheduled to address the issue. However, the meeting was not conducted due to a lack of quorum. According to the financing documents, this covenant breach does not constitute an event of default. Instead, it is considered only for determining compliance with the restricted payment conditions.

Liquidity

Adequate: The company generates adequate cash flow from its stable stream of NHAI annuities, with an average DSCR of 1.4x. HREL has maintained a DSRA of INR690 million, an MMR of INR200 million and surplus cash of INR196 million.

Rating Sensitivities

Positive: Events that could, individually or collectively, lead to a positive rating action include:

- Receipt of annuities without any major performance-related deductions
- Sustained maintenance of the project stretches as per the stipulated standards.

Negative: Events that could, individually or collectively, lead to a negative rating action include:

- sustained lower-than-expected annuities due to performance-related deductions and a significant increase in the O&M costs leading to average DSCR falling below 1.25x.
- depletion of the stipulated liquidity reserves in line with financing agreement; and
- any additional claims from the financial / operational creditor for past dues leading to significant deterioration in liquidity.

Any Other Information

Key Financial Covenants and Terms	HREL
Minimum DSCR	1.10x

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on HREL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

HREL is an SPV created by IL&FS for designing, constructing and maintaining the four-lane Hazaribagh–Ranchi section of NH 33 in Jharkhand to 114km from 40.5km on a build-operate-transfer-annuity basis. NHAI had awarded the project to HREL under a competitive bidding process. The company received the final completion certificate on 1 April 2015.

HREL was transferred to RIIT in December 2022, and there are six SPVs in the InvIT including HREL. RIIT shall be the sponsor for the purpose of all transaction documents from the InvIT transfer date of 16 December 2022.

Key Financial Indicators

Particulars (INR million)	FY25	FY24
Revenue from operations	454.01	702.02
Total revenue	515.83	748.20
EBITDA	341.62	425.19
EBITDA margin (%)	66.23	56.83
Finance cost	313.11	390.36
Interest coverage (EBITDA/interest, x)	1.09	1.09
Gross debt / EBITDA (x)	11.13	10.38
Cash and cash equivalent*	1,478.08	1,263.41
Source: HREL *includes investments in MF for DSRA		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings	Historical Rating/Outlook		
				30 July 2024	5 September 2023	17 March 2023
Non-convertible debentures	Long-term	INR1,407.67	IND BBB+/Stable	IND BBB/Positive	IND BB-/Stable	IND D

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Subordinated non-convertible debentures	Low
Senior non-convertible debentures	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Annexure

Instrument	ISIN	Date of Issue	Coupon Rate (%)	Maturity date	Issue Size (million)	Rating/Outlook
NCDs	INE526S07536	14 February 2017	7.5	14 October 25	INR249.15	IND BBB+/Stable
NCDs	INE526S07486	14 February 2017	7.5	14 April 26	INR257.45	IND BBB+/Stable
NCDs	INE526S07494	14 February 2017	7.5	14 October 26	INR290.67	IND BBB+/Stable

NCDs	INE526S07437	14 February 2017	7.5	14 April 27	INR307.28	IND BBB+/Stable
NCDs	INE526S07460	14 February 2017	7.5	14 October 25	INR83.05	IND BBB+/Stable
NCDs	INE526S07585	14 February 2017	7.5	14 April 26	INR87.2	IND BBB+/Stable
NCDs	INE526S07593	14 February 2017	7.5	14 October 26	INR70.59	IND BBB+/Stable
NCDs	INE526S07577	14 February 2017	7.5	14 April 27	INR62.28	IND BBB+/Stable
NCDs	INE526S07569	14 February 2017	7.5	14 October 24	INR249.15	WD
NCDs	INE526S07551	14 February 2017	7.5	14 April 25	INR249.15	WD
NCDs	INE526S07445	14 February 2017	7.5	14 October 24	INR58.13	WD
NCDs	INE526S07478	14 February 2017	7.5	14 April 25	INR70.59	WD
Source: HREL						

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Evaluating Corporate Governance

Rating Criteria for Infrastructure and Project Finance

The Rating Process

Rating Criteria for Availability-Based Projects

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