

November 12, 2024

## Indian Highway Concessions Trust: Rating reaffirmed/assigned for enhanced amount

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Bank guarantee	75.00	100.00	[ICRA]AAA (Stable); reaffirmed/ assigned for enhanced amount
Overdraft (Interchangeable)	(1.00)	(1.00)	[ICRA]AAA (Stable); reaffirmed
<b>Total</b>	<b>75.00</b>	<b>100.00</b>	

\*Instrument details are provided in Annexure-I

ICRA has reaffirmed/assigned [ICRA]AAA rating to the Rs. 100-crore bank guarantee of Indian Highway Concessions Trust (IHCT/the InvIT/the Trust). The outlook on the rating is Stable. The rating assigned by ICRA is not a comment on the ability of the InvIT to meet the distribution/dividend payouts to unitholders/investors, neither should it be construed as an opinion on the debt servicing ability of the individual special purpose vehicles (SPVs) held by the InvIT.

ICRA has undertaken a consolidated financial analysis of IHCT and the two operational toll road projects (held in SPVs) viz. — NCR Eastern Peripheral Expressway Private Limited (NEPEPL, rated [ICRA]AAA (Stable)), and Shree Jagannath Expressways Private Limited (SJEPL, rated [ICRA]AA (Stable)). Both are 100% held by IHCT.

At present, the debt is held at the SPV level. However, the InvIT will have access to the surplus cash flows after meeting obligations at the SPVs and post compliance of conditions of the financing documents of the respective SPVs.

### Rationale

The rating derives comfort from the healthy profile of IHCT's road assets comprising operational toll road projects with concession from the National Highways Authority of India (NHAI, rated [ICRA]AAA (Stable)). These road assets have an established track record of toll collection. The rating considers the InvIT's strong financial risk profile with a projected average debt servicing coverage ratio (DSCR) of ~1.9 times as per ICRA's base case estimates and leverage<sup>1</sup> of 42.5% as on March 31, 2024. The rating draws strength from the Securities and Exchange Board of India (SEBI) InvIT regulations that restrict the aggregate consolidated borrowings and deferred payments for the InvIT and its SPVs, thereby limiting the leverage that can be undertaken by the trust. ICRA draws comfort from the management's guidance of leverage to remain below 49%, thereby supporting IHCT's strong credit profile. The asset portfolio showcases geographical diversification across various states viz. Odisha (SJEPL), and Haryana and Uttar Pradesh (NEPEPL). NEPEPL, a six-lane wide expressway passing through Haryana and Uttar Pradesh, is the largest asset in IHCT InvIT accounting for 76% of cash flow available for debt servicing (CFADS<sup>2</sup>) and 75% of the enterprise value<sup>3</sup> at the InvIT level. Along with the Western Peripheral Expressway, NEPEPL forms a part of the largest ring road around Delhi NCR. The expressway helps in easing traffic congestion in the Faridabad – Ghaziabad stretch and prevents commercial vehicles from entering Delhi, thereby reducing the pollution. There are nine highways that acts as a feeder for traffic to the Eastern Peripheral Expressway, thereby reducing dependency on a single end-user industry/geography. Owing to shorter time taken compared to the city roads, the stretch, though being tolled, remains the preferred route for passenger vehicles. Further, the presence of various industries and warehouses in the vicinity of the project road

<sup>1</sup> Leverage is defined as ratio of consolidated external borrowings net-off cash and cash equivalent to enterprise value

<sup>2</sup> As per ICRA's estimates

<sup>3</sup> As per valuation report dated May 27, 2024

contributes to the sticky nature of the commercial traffic, especially for ones having trip lengths of less than 200 km, which dominate the project stretch. SJEPL, a six-lane expressway in Odisha, is a part of the Golden Quadrilateral connecting the Chennai-Kolkata corridor. It also forms an important part of the route connecting Bonaigarh-Keonjhar iron ore belt and the Paradip Port. The Kalinganagar industrial area and Paradip refinery are the other important growth drivers for the stretch.

NEPEPL's average per day toll collection witnessed a year-on-year (YoY) growth of ~6% to Rs. 1.27 crore for FY2024, supported by WPI linked toll rate hike of ~5%. Further, the average per day toll collection for Q1 FY2025 rose by ~15% YoY to Rs. 1.36 crore due to robust traffic growth of ~10%. SJEPL witnessed a robust YoY growth of 19% in average per day toll collection for FY2024 to Rs. 0.64 crore and 5% for Q1 FY2025 to Rs. 0.67 crore. The growth in FY2024 was supported by healthy expansion in volumes (+7% YoY in FY2024) handled by Paradip Port, improvement in economic activity and growth in passenger traffic, driven by an increase in tourism-related travel. ICRA expects the consolidated toll collections for IHCT to witness a moderate growth of 6-8%, in FY2025e.

IHCT is sponsored by Maple Highways Pte Ltd, an affiliate of Caisse de depot et placement du Quebec (CDPQ, rated by Moody's Investors Service at Aaa, Stable), to house operational road assets in India. The rating favourably factors in the strong sponsor profile and strategic importance of IHCT as a primary vehicle for CDPQ's investments in the Indian road sector.

However, IHCT remains exposed to risks inherent in toll road projects, including those arising from cyclicity in traffic growth, inflation-linked toll rate increase, risk of political acceptability of rate hikes over the concession period, the likelihood of toll leakages, development or improvement of alternative routes or alternate modes of transportation. Any material reduction in traffic, which could have an adverse impact on the debt coverage indicators will remain a key monitorable. The operations and maintenance (O&M) activities for the SPVs under the InvIT are currently being carried out by Egis India. The ability to undertake regular and periodic maintenance within the budgeted cost and time would remain a key monitorable. In this regard, ICRA has taken comfort from the projected strong cash flows and significant cushion built in the cost estimates for undertaking the O&M and major maintenance (MM) expenditure.

ICRA notes that IHCT, like any other InvIT, remains exposed to the risks associated with any further asset acquisition, which could materially impact its operational and financial risk profile. If the InvIT acquires any other asset or raises additional debt in future, ICRA will at that juncture, evaluate the impact of the same on the rating. Also, any regulatory changes that can impact its financial risk profile will remain monitorable. ICRA has taken note of the Share Purchase Agreement executed between IHCT and Ashoka Concessions Limited to acquire the entire stake in five toll road assets at an aggregate value of Rs. 5,718 crore subject to adjustments. The acquisition is expected to be funded by mix of fresh equity infusion and borrowings. Post acquisition, IHCT is expected to refinance the debt of these five SPVs at the InvIT level. The leverage of InvIT is projected to remain below 49%. ICRA will continue to monitor the developments with respect to the same.

The Stable outlook on the rating reflects ICRA's expectation that IHCT will benefit from the strong operational track record of the toll road assets and the healthy cash flows should help it in maintaining robust debt coverage metrics and comfortable liquidity profile.

## Key rating drivers and their description

### Credit strengths

**Road projects with operational track record, spread across three states** – The rating derives comfort from the healthy profile of IHCT's road assets comprising operational toll road projects with concession from the NHAI. These road assets have an established track record of toll collection. The asset portfolio showcases geographical diversification across various states viz. Odisha (SJEPL), Haryana and Uttar Pradesh (NEPEPL). NEPEPL, a six-lane wide expressway passing through Haryana and Uttar Pradesh, is the largest asset in IHCT InvIT accounting for 76% of cash flow available for debt servicing (CFADS) and 75% of the enterprise value at InvIT level. Along with the Western Peripheral Expressway, it forms a part the largest ring road around Delhi NCR. The expressway helps in easing the traffic congestion in the Faridabad – Ghaziabad stretch and prevents commercial vehicles from entering Delhi, thereby reducing the pollution. There are nine highways that acts as a feeder for traffic to the

Eastern Expressway, thereby lowering dependency on limited source for traffic. Owing to shorter time taken compared to the city roads, the stretch, though being tolled, remains the preferred route for passenger vehicles. Further, presence of various industries and warehouses in the vicinity of the project road contributes to the sticky nature of the commercial traffic, especially for ones having trip lengths of less than 200 km, which dominate the project stretch. SJEPL, a six-lane expressway in Odisha, is a part of the Golden Quadrilateral connecting the Chennai-Kolkata corridor. It also forms an important part of the route connecting Bonaigarh-Keonjhar iron ore belt and the Paradip Port. The Kalinganagar industrial area and Paradip refinery are the other important growth drivers for the stretch. NEPEPL's average per day toll collection witnessed a YoY growth of ~6% to Rs. 1.27 crore for FY2024, supported by WPI linked toll rate hike of ~5%. Further, the average per day toll collection for Q1 FY2025 increased by ~15% YoY to Rs. 1.36 crore due to robust traffic growth of ~10%. SJEPL witnessed a robust YoY growth of 19% in average per day toll collection for FY2024 to Rs. 0.64 crore and 5% for Q1 FY2025 to Rs. 0.67 crore. The growth in FY2024 was led by healthy expansion in volumes (+7% YoY in FY2024) handled by Paradip Port, improvement in economic activity and growth in passenger traffic, driven by rise in tourism-related travel. ICRA expects the consolidated toll collections for IHCT to witness a moderate growth of 6-8%, in FY2025e.

**Strong financial profile and adequate debt structure** – The InvIT has a strong financial risk profile with a projected average DSCR of ~1.9 times as per ICRA's base case estimates and leverage of 42.5% as on March 31, 2024. The rating draws comfort from the SEBI InvIT regulations that restrict the aggregate consolidated borrowings and deferred payments for the InvIT and its SPVs, thereby limiting the leverage that can be undertaken by the trust. ICRA draws comfort from the management's guidance of leverage to remain below 49%, supporting IHCT's strong credit profile.

**Strong sponsor and project manager profile** – IHCT is sponsored by Maple Highways Pte Ltd, an affiliate of CDPQ, to house the operational road assets in India. The rating favourably factors in the strong sponsor profile given its track record in managing infrastructure assets globally and strategic importance of IHCT as a primary vehicle for CDPQ's investments in the Indian road sector.

### Credit challenges

**Risks inherent in BOT toll road projects** – IHCT is exposed to risks inherent in toll road projects, including those arising from the cyclicity in traffic growth, inflation-linked toll rate increase, risk of political acceptability of rate hikes over the concession period, likelihood of toll leakages, development or improvement of alternative routes or alternate modes of transportation. Any material reduction in traffic, which could have an adverse impact on the debt coverage indicators, will remain a key monitorable.

**Undertaking regular and periodic maintenance/capex within budgeted cost** – The O&M activities for the SPVs under the InvIT are currently being carried out by Egis India. The ability to undertake regular and periodic maintenance within the budgeted cost and time would remain a key monitorable. In this regard, ICRA has taken comfort from the projected strong cash flows and significant cushion built in the cost estimates for undertaking the O&M and MM expenditure.

**Risk of further asset acquisition by IHCT and its funding pattern** – The InvIT is exposed to risks associated with any further asset acquisition, which could materially impact its operational and financial risk profile. If the InvIT acquires any other asset or raises additional debt in future, ICRA will at that juncture, evaluate the impact of the same on the rating. Also, any regulatory changes that can impact its financial risk profile will remain monitorable.

### Liquidity position: Strong

IHCT's liquidity position is expected to be strong with adequate toll collections to meet the operational expenses and debt servicing requirement. It had free cash and cash equivalents of ~Rs. 331 crore as on March 31, 2024 at the consolidated level. The consolidated annual debt repayment is estimated at ~Rs. 502 crore, ~Rs. 520 crore and ~Rs. 537 crore for FY2025, FY2026, FY2027, respectively, which is likely to be comfortably serviced from the operational cash flows.

## Rating sensitivities

**Positive factors** – Not Applicable.

**Negative factors** – Negative pressure on the rating could arise if there are any debt-funded acquisitions that result in large increase in leverage/LTV. Lower-than-anticipated collections in SPVs, any dilution or non-adherence to the debt structure or any short-term debt raised resulting in average DSCR over the debt tenure falling below 1.75 times for the InvIT, could also trigger a rating downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Infrastructure Investment Trusts (InvITs)</a> <a href="#">Rating Methodology for Roads - BOT Toll</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the consolidated financial statements of the issuer (list of entities given in Annexure II)

## About the company

IHCT is an irrevocable trust set up under the Indian Trusts Act, 1882 and registered with the SEBI as an Infrastructure Investment Trust under the SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended. Maple Highways Pte Ltd, an affiliate of CDPO, is its sponsor, while the investment manager of the trust is Maple Infra Invit Investment Manager Pvt. Ltd. IHCT's project manager is Maple Highway Project Management Pvt. Ltd. and the trustee is Axis Trustee Services Limited. The trust received registration from SEBI on February 24, 2022.

At present, there are two operational toll road projects (held in SPVs) viz. — NEPEPL and SJEPL. Both are 100% held by IHCT.

## Key financial indicators (audited)

IHCT – Consolidated	FY2023	FY2024
Operating income (Rs. crore)	320.5	730.3
PAT (Rs. crore)	-153.4	-210.6
OPBDIT/OI (%)	50.0%	59.7%
PAT/OI (%)	-47.9%	-28.8%
Total outside liabilities/Tangible net worth (times)	1.5	1.6
Total debt/OPBDIT (times)	30.1	11.0
Interest coverage (times)	0.8	1.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Note: IHCT follows Ind AS, and key financial ratios are not representative of actual cash flows.

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Nov 12, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Bank guarantee	Long term	100.0	[ICRA]AAA (Stable)	Aug 21, 2024	[ICRA]AAA (Stable)	July 18, 2023	[ICRA]AAA (Stable)	Jan 17, 2023	[ICRA]AAA (Stable)	-	-
								Sep 30, 2022	[ICRA]AAA (Stable)	-	-
Overdraft (Interchangeable)	Long term	(1.00)	[ICRA]AAA (Stable)	Aug 21, 2024	[ICRA]AAA (Stable)	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Non-fund based – Bank guarantee	Very Simple
Long-term – Overdraft (Interchangeable)	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Bank guarantee	NA	NA	NA	100.00	[ICRA]AAA (Stable)
NA	Overdraft (Interchangeable)	NA	NA	NA	(1.00)	[ICRA]AAA (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Shree Jagannath Expressways Private Limited	100.00%	Full Consolidation
NCR Eastern Peripheral Expressway Private Limited	100.00%	Full Consolidation

Source: Company, ICRA Research

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