

February 25, 2025

Baharampore-Farakka Highways Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based - Term loans	750.00	705.00	[ICRA] AA- (Stable); Reaffirmed
Total	750.00	705.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Baharampore – Farakka Highways Limited considers the favourable location of the stretch along the busy Kolkata-Siliguri corridor (part of National Highway 12). It connects the north-eastern (NE) region with south and central parts of the country through NH-12. The project has more than a ten-year track record of toll collection and has recorded a healthy compounded annual growth rate (CAGR) in traffic of ~7.5% during FY2017-FY2024. The project received the final completion certificate with effective from June 22, 2024, post the completion of balance works. The toll rates increased by 87% at Toll Plaza-1 in December 2023 upon the receipt of provisional completion certificate (PCC III) and ~14% in June 2024 resulting in healthy growth in toll collections of Rs. 158 crore in 10M FY2025 from Rs. 120.30 crore in 10M FY2024. It is expected to report revenues of Rs. 200 crore in FY2025 (vs Rs. 155.4 crore in FY2024). The rating takes comfort from the flexibility arising out of two-year tail period, along with the presence of structural features like presence of three months of debt service reserve (DSR), restricted payment clause with a minimum DSCR of 1.10 times, and creation of major maintenance reserves (MMR). ICRA notes the experience of the sponsor viz. Cube Highways and Infrastructure V Pte. Ltd (CH5, part of the Cube Highways Group) in the operation of road assets in India, supporting its ability to maintain the stretch as per the concession terms.

The rating, however, remains constrained by the risks inherent in build operate transfer (BOT) toll road project, including traffic growth, wholesale price index (WPI) linked toll rates, development/improvement of alternative routes and risk of toll leakages. At present, BFHL is undertaking the first major maintenance (MM) activity post-acquisition of the asset in March 2023 and its ability to complete it within the budgeted costs remains a key rating monitorable. The company is expected to incur ~Rs. 190 crore towards MM spanning from January 2024 to May 2025 for which BFHL has signed a fixed-price contract. The funding-related concerns are partly mitigated by the sanction of the debt for majority portion of the MM costs (for MM cycle 1), and sponsor shortfall undertaking for any cost overruns in MM. In absence of a pre-defined MM schedule in the Concession Agreement (CA), periodic maintenance is required on a need basis, which may result in a volatility in operating expenses/cash outflows. ICRA has taken comfort from the healthy projected cash flows, while keeping cushion in the cost estimates for undertaking the MM expenditure. Going forward, undertaking routine and periodic maintenance within the budgeted costs would remain important. Any significant upward revision to the maintenance expenses impacting BFHL's cash flows will remain a key monitorable. BFHL's cash flows are exposed to the interest rate risk, considering the floating interest rates of the project loan. The debt structure has a put option available for the lenders at the end of the seventh year and credit rating-linked event of default, which if materialises, could expose the company to refinancing risk. However, it is expected to get refinanced in a window of 120 days, which mitigates the risk to an extent.

The Stable outlook on the rating reflects ICRA's expectation of healthy toll revenue growth and comfortable debt coverage metrics, driven by low alternative route risk and steady traffic in the stretch.

Key rating drivers and their description

Credit strengths

Operational nature of project with established traffic – The project is favourably located, along the busy Kolkata-Siliguri corridor (part of NH-12). It connects the NE region with the south and central parts of the country through NH-12. The composition of commercial traffic on the stretch is high with low alternative route risk. The project has a more than ten-year track record of toll collection and has recorded a CAGR in traffic of ~7.5% during FY2015-FY2024.

Comfortable debt coverage metrics – The toll collections witnessed a healthy growth of 15% to Rs. 155.4 crore in FY2024 (vs Rs. 135.5 crore in FY2023) and 31% growth in 10M FY2025 to Rs. 158 crore (vs Rs. 120.30 crore in 10M FY2024), supported by the revision in toll rates of ~87% at Toll Plaza-1 in December 2023 upon the receipt of the PCC III and by ~14% in June 2024. It is expected to reach Rs. 200 crore of revenues in FY2025. BFHL is likely to have a comfortable debt service cover with a cumulative DSCR of more than 1.6 times as per ICRA's base case estimates. The rating considers the flexibility arising out of the two-year tail period, presence of structural features including long debt tenure, presence of three months of DSR to be created upfront, restricted payment clause with a minimum DSCR of 1.10 times, and creation of MMR.

Strong track record of sponsor in managing infrastructure assets globally – BFHL is owned by CH5, which acquired 100% shareholding in BFHL in March 2023. The strong profile of the sponsor group, having an established track record in the operation of the road assets in India, supports its ability to maintain the stretch as per the concession terms and provides comfort.

Credit challenges

Ensuring routine and periodic maintenance expense within budgeted levels – In the absence of a pre-defined MM schedule, periodic maintenance is required on a need basis, which may result in volatility in operating expenses. At present, BFHL is undertaking the first MM activity in the project and its ability to complete it within the budgeted costs remains a key rating monitorable. The company planned to incur ~Rs. 190 crore towards MM in FY2024-FY2025 for which BFHL has signed a fixed-price contract. The funding-related concerns are partly mitigated by the sanction of the debt for majority portion of the MM costs (for MM cycle 1), and sponsor's shortfall undertaking for cost overrun in MM. Going forward, undertaking routine and periodic maintenance within the budgeted costs would remain important. Any significant upward revision to the O&M and MM rates impacting BFHL's cash flows will remain a key monitorable. ICRA has taken comfort from the healthy projected cash flows, while keeping cushion in the cost estimates for undertaking the MM expenditure.

Risk inherent in BOT toll road projects – The project remains exposed to risks inherent in BOT toll road projects, including risks arising from variation in traffic volumes over the project stretch and its dependence on economic activity in the surrounding regions. The project is vulnerable to movement in WPI (for toll rate hike), political acceptability of toll rate hike over the concession period, user willingness to pay and likelihood of toll leakages. Further, despite the favourable location of the project stretch, it remains exposed to risks of development of alternative routes and alternate modes of transportation.

Exposed to interest rate, refinancing and asset concentration risks – The project's cash flows and profitability remain exposed to interest rate risk, given the floating nature of the interest rate. Also, the project is vulnerable to refinancing risk with the lenders having the right to exercise the put option at the end of the seventh year from the date of the first disbursement and every year thereafter. Further, the debt structure has credit rating-linked event of default, which if materialises, could expose the company to refinancing risk. However, it will get a window/curing period of 120 days to refinance the debt, if required. Moreover, BFHL is susceptible to asset concentration risk due to the single asset nature with toll collections being the only source of income.

Liquidity position: Adequate

The liquidity position is expected to be adequate with estimated cash flow from operations likely to be sufficient to meet the debt servicing requirements (principal + interest) of Rs. 93.1 crore in FY2025 and Rs. 99.4 crore in FY2026. The liquidity position is also supported by the presence of 3 months DSRA maintained with lenders. As on February 07, 2025, it has cash and bank balances of ~Rs. 67.05 crore, including DSRA of Rs. 20 crore and MMR of Rs. 31 crore.

Rating sensitivities

Positive factors – The rating maybe upgraded if there is a higher-than-expected improvement in traffic and toll collections, while keeping the O&M costs within the budgeted levels, leading to improvement in cumulative DSCR to above 1.75 times on a sustained basis.

Negative factors – The rating may be downgraded if lower-than-envisaged growth in toll collections, or higher-than-budgeted O&M expenditure exerts pressure on the debt coverage metrics. The rating could come under pressure if there is any non-adherence or dilution of the debt structure or increase in indebtedness. Specific trigger for a rating downgrade includes DSCR falling below 1.6 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads – BOT Toll
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated on March 11, 2010, BFHL is a special purpose vehicle (SPV) promoted by HCC Ltd. and HCC Concessions Limited (HCL), a step-down subsidiary of HCC, to undertake the augmentation of the existing stretch of 100.6 km from 191.42 km to 294.68 km on Design, Build, Finance, Operate and Transfer (DBFOT) – Toll basis under National Highway Development programme (NHDP) Phase III in West Bengal. The concession agreement (CA) was executed between BFHL and the National Highways Authority of India (NHAI) on June 28, 2010, and for a concession period of 25 years from the appointed date of February 3, 2011.

Cube Highways and Infrastructure V Pte Ltd (CH5) has acquired 100% stake in BFHL effective March 28, 2023. The project received PCOD in phases – PCOD I on May 13, 201, for the length of 75.450 km, PCOD II on May 14, 2021 for the length of 14.350 km and PCOD III was achieved on December 12, 2023 for the length of 9.88 km. The final completion certificate was received on June 22, 2024.

Key financial indicators (audited)

BFHL (Standalone)	FY2023	FY2024
Operating income	419.3	241.4
PAT	-99.5	-47.4
OPBDIT/OI	5.4%	38.8%
PAT/OI	-23.7%	-19.7%
Total outside liabilities/Tangible net worth (times)	6.4	10.4
Total debt/OPBDIT (times)	28.1	9.0
Interest coverage (times)	0.3	1.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long term	705.0	Feb 25, 2025	[ICRA]AA-(Stable)	11-Jan-2024	[ICRA]AA-(Stable)	-	-	-	-
					23-Oct-2023	Provisional [ICRA] AA-(Stable)	-	-	-	-
					12-Sep-2023	Provisional [ICRA] AA-(Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund Based - Term Loans	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	Term Loan	Dec 12, 2023	NA	Dec 31, 2033	705.00	[ICRA]AA- (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 – Not applicable

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