

INDIAN ROAD SECTOR

**Corporate Insolvency Resolution Study:
Rs. 4,600-crore worth of road asset-
related claims realised; recovery rate
for road assets better than corporate
ones**

February 2025





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As of December 2024, around Rs. 4,600 crore was realised through the Corporate Insolvency Resolution Process (CIRP) and around Rs. 6,800 crore of admitted claims corresponding to the 12 assets were awaiting closure in the CIRP. However, there is slow progress in the closure of the road assets with 33% of the CIRP cases pending for more than three years.



- ICRA conducted a study on the road projects, which have been admitted to the Corporate Insolvency Resolution Process (CIRP) since 2016. A total of 24 assets were admitted, of which eight were resolved (RP), four were liquidated (LIQ) and the rest 12 are awaiting closure. The admitted cases are dominated by the operational toll road projects under concession from the National Highway Authority of India (NHAI), followed by the state government authorities of Maharashtra and Madhya Pradesh.



- The key reasons for under-construction entities being admitted to the CIRP are cost overruns resulting from delay in project completion due to land acquisition issues, receipt of required approvals or clearances from the authority or funding challenges of the sponsors. The key reasons for operational toll road projects being referred are lower-than-expected toll revenues due to over-optimistic traffic projections during bid time, presence of alternate routes or toll leakages impacting the entity's ability to meet debt obligations and maintenance expenses.



- A substantial portion of the admitted cases (33%) have been undergoing the CIRP process for more than three years. Average resolution time-period under the CIRP remains much higher than the stipulated 270 days. Pending disputes with the authority, overburdened National Company Law Tribunal (NCLT) benches, additional lawsuits instituted by the management and other stakeholders or ongoing investigations on the promoter are some of the reasons for delayed closure.



- On an average, the realisation from resolution is at 51%, which is considerably higher than the corporate cases wherein the average recovery stands at ~32% for the past 3-4 years. The relatively better recovery in road assets is driven by the protection in the concession agreement such as termination payments, harmonious substitution in case of stress at borrowers' end, or strong recovery in toll projects post-Covid, resulting in improved interest from investors aiding recovery.

1 Profile of cases admitted to the CIRP



2 Default Analysis of Road Assets Admitted under CIRP



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Profile of cases admitted to the CIRP

67% of the cases admitted for the CIRP are operational toll projects

12 out of 24 assets admitted under CIRP achieved closure

Exhibit 1: Year-wise CIRP additions and closures

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	9m FY2025
Cases Admitted	1	1	8	0	3	6	5	0
Closure of Cases	NIL	NIL	NIL	NIL	1	7	2	2
- Liquidated	NIL	NIL	NIL	NIL	NIL	3	NIL	1
- Resolved	NIL	NIL	NIL	NIL	1	4	2	1
Pending	1	2	10	10	12	11	14	12
Claims Admitted (Rs Crore)	777	265	4,307	0	923	4,849	4,253	-

Total 24 road-sector cases admitted to CIRP till Dec-2024, of which eight were resolved, four were liquidated and the remaining 12 are pending resolution.

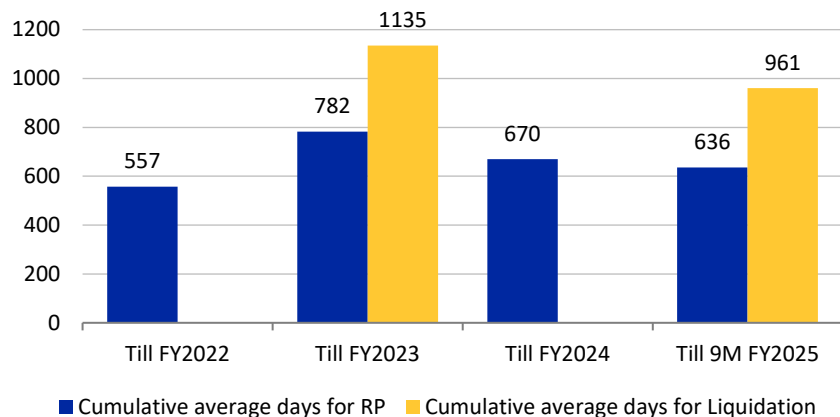
Source: ICRA Research; IBBI;

- A sizeable number of cases were admitted in FY2020 (8), FY2023 (6) and FY2024 (5), which belong to infrastructure groups like Supreme Infrastructure (2 entities), Essel Infraprojects (2 entities), Madhucon Projects Limited (2 entities), Reliance Infrastructure, and IVRCL Limited among others. The admitted claims for the CIRP process have remained above Rs. 4,000 crore in the past two years compared to Rs. 923 crore in FY2022.
- After witnessing no major traction till FY2022, there has been a significant improvement in closure of the cases in FY2023 with most of these being legacy cases admitted during FY2018-FY2020. As of December 2024, eight cases were resolved with recovery of ~Rs. 3,884 crore out of the admitted claims of Rs. 6,422 crore through the resolution process (~60% realisation), and three cases* were liquidated with a realisation of Rs. 721 crore out of the admitted claims of Rs. 1,848 crore (39% realisation). The total claims outstanding is more than Rs. 6,800 crore corresponding to the 12 assets awaiting closure in the CIRP.

*Realisation value not available for one asset which was liquidated during 9M FY2025

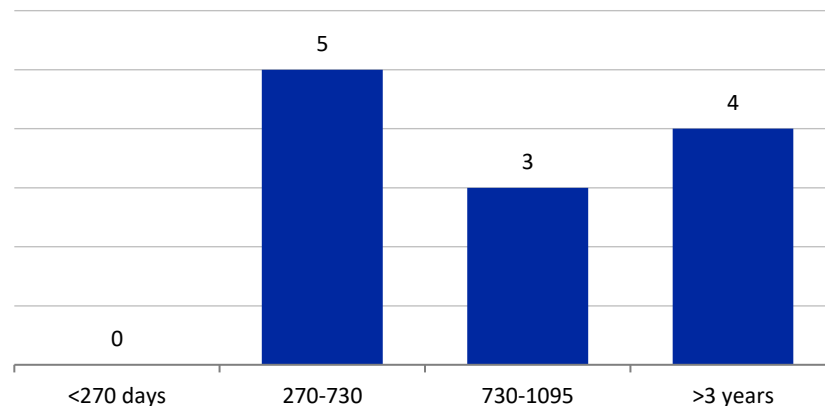
CIRP remains a time-consuming process, with average resolution period of ~2 years

Exhibit 2: Cumulative average days for CIRP process



Source: ICRA Research; IBBI

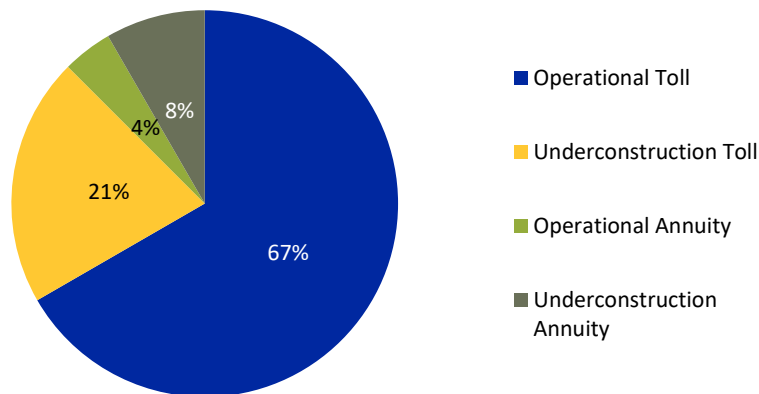
Exhibit 3: Aging of ongoing CIRPs as on end of December 2024



- Closure of seven cases during FY2023 resulted in some improvement in average time required to complete the resolution process; however, the time taken for resolution remains significantly higher than 270 days stipulated under the CIRP. Out of the 12 cases pending for resolution as on December 31, 2024, a substantial portion of them are legacy cases, with around 33% of the cases pending for resolution for more than three years.
- The CIRP process is facing delays on account of pending disputes with the authority, additional lawsuits instituted by the management and/or other stakeholders to safeguard their interests or ongoing investigations on the promoter.

Operational toll projects dominate projects admitted for CIRP

Exhibit 4: Profile of the cases admitted by mode and status of construction



Source: ICRA Research; IBBI

Exhibit 5: Profile of the cases admitted by authority (State/Central)

	NHAI			State Authorities		
	Toll	Annuity	Total	Toll	Annuity	Total
Admitted	8	3	11	13	-	13
Closure						
- Resolved	3	1	4	4	-	4
- Liquidated	2	1	3	1	-	1
Pending	3	1	4	8	-	8

Out of 12 pending cases under CIRP, 8 cases belongs to State Authorities; closure rate is relatively better for NHAI projects with 64% admitted cases witnessing closure

- Of the total admitted road projects (24 cases in total), operational toll roads projects account for majority of the admitted cases at 16 (67%), followed by five cases from under-construction toll projects (21%) and the balance three from annuity projects (under construction or operational).
- Of the total 21 toll projects, eight belong to the NHAI while the balance 13 assets are from state government authorities. Of these 13 toll projects, four assets have concession from Maharashtra authority, three from Madhya Pradesh, two from Karnataka and one each from West Bengal, Gujarat and Andhra Pradesh state authorities. However, in respect of annuity projects, all the three are from the NHAI (1 under-construction and 2 operational).

42% of the projects had investment grade ratings, trailing 12 months before default

Exhibit 10: Trailing 12 months rating category before default

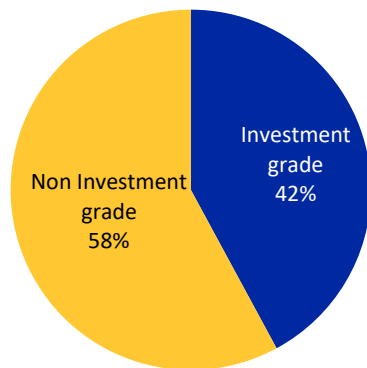
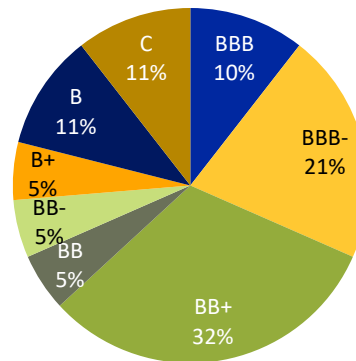


Exhibit 11: Rating level at the time of recognition of default

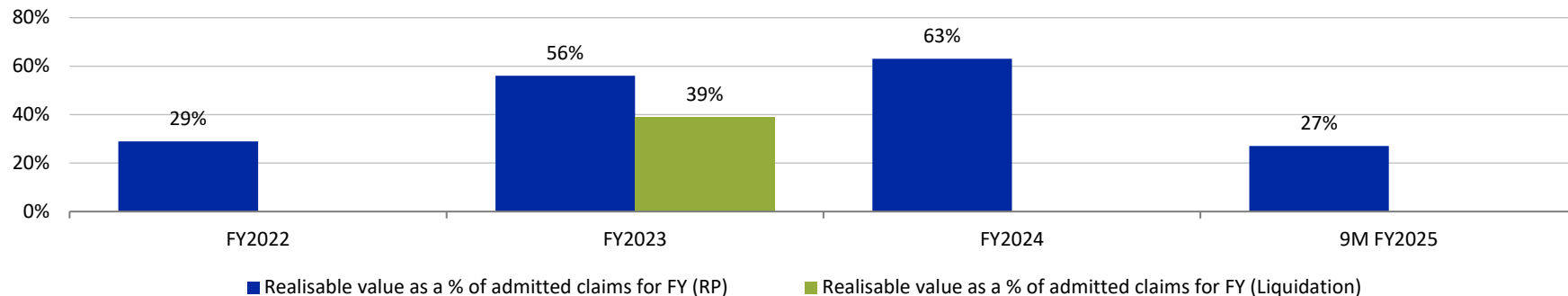


Source: ICRA Research; Domestic CRA's website

- The median of trailing 12-months rating before default was BB+, with around six companies in investment grade (IG) rating and 13 projects in non-investment grade. Of the 24 cases admitted to RP, five projects were not rated.
- The entities, which had investment grade rating 12 months prior to the default primarily belonged to Larsen & Toubro Limited, IVRCL Infrastructures and Projects Limited, Supreme Infrastructure Limited and Essel Group. At the time of default, around 32% of the cases were rated in BB+ category and around 31% were rated in the IG category owing to strong sponsor profile.
- Out of the 19 rated companies, eight had their peak rating in the investment grade (peak rating being BBB+) and the balance were in non-investment grade category.

Recovery for road assets under CIRP significantly better than corporate entities

Exhibit 6: Average Realisation for CIRPs as a % of admitted claims



Source: ICRA Research; IBBI;

- On an average, the recovery stands at 51% and is considerably higher than the average realisation value for the corporate cases, which stands at ~32% in the past 3-4 years. The recovery in road projects is higher than the corporate cases despite the entities not having any physical assets, largely because of the protection from the concession agreement such as termination payments in case of concession termination, harmonious substitution in case of stress at developer, or strong recovery in toll-projects post-Covid resulting in improved interest from investors, or release of arbitral awards etc.
- As per the NHAI toll concession agreement, the concessionaire will receive termination payment as 90% of the debt due in case of concessionaire default or 100% of debt due plus adjusted equity as compensation in case of authority default, supporting the recovery for lenders (for operational toll projects).

List of the cases resolved through CIRP process

SPV	Mode	Amount claimed in Rs. crore	Amount approved in Rs. crore	Resolution type	Recovery %
IVRCL Chengapalli Tollways Limited	Operational NHAI toll	1,513.00	1,464.00	RP	97%
L and T Halool Shamlaji Tollway	Operational State toll	597.13	508.98	RP	85%
Patna Highway Projects Limited	Operational NHAI Annuity	1,284.93	930.55	RP	72%
Rajahmundry Godavari Bridge Limited	Operational State Toll	923.51	412	RP	45%
Transstroy Tirupati- Tiruthani- Chennai Tollways Private Limited	Operational NHAI toll	516.60	224.10	LIQ	43%
Dehradun Highways Project Limited	Under construction NHAI Annuity	776.83	306.62	LIQ	39%
Abhijeet Hazaribagh Toll Road Limited	Under construction NHAI toll	555.00	190.00	LIQ	34%
Lanco Hoskote Highway Limited	Operational NHAI toll	648.28	186.11	RP	29%
Ludhiana Talwandi Toll Road	Operational NHAI Toll	988	270	RP	27%
Sindhanur Gangavathi Tollway Private Limited	Operational State toll	262.04	70.00	RP	27%
Topworth Tollways (Ujjain) Pvt Ltd	Operational State toll	205.99	42.43	RP	21%
Total		8,271.31	4,604.79		56%

*Realisation value not available for one asset (Vindhyavasini Toll Infrastructure Private Limited) which was liquidated during 9M FY2025; LIQ – Liquidation;

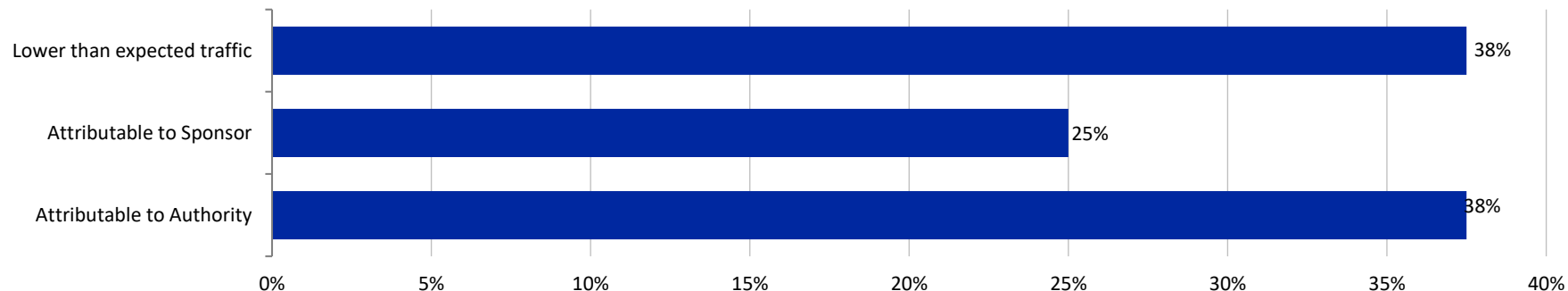


Default Analysis of Road Assets Admitted under CIRP

Aggressive growth estimates and RoW-related cost & time overrun were primary reasons behind stress

Aggressive estimates while bidding along with RoW issues were primary drivers for stress in toll assets

Exhibit 12: Reasons for default in case of the road projects admitted for CIRP process



Source: ICRA Research; IBBI

- Out of the 24 road projects admitted for the CIRP process, nine have defaulted on account of lower-than-expected toll collections resulting in insufficient cash flows. The toll collections were lower due to over-optimistic traffic projections at the time of project bidding or financial closure, or alternate routes or toll leakages or toll exemptions for few vehicle classes post project awarding.
- In 38% of the projects, the defaults have occurred due to reasons attributable to the authority including delay in handing over right of way (RoW), delay in approvals or environmental clearances, resulting in ensuing cost over-runs or pending disputes with the sponsor or toll suspension or toll exemptions.
- In the remaining 25% of the projects, the entities defaulted on account of sponsor-related issues, like non-maintenance of the project stretch in line with concession agreement requirements, or delay in equity infusion or cash outflows from SPVs due to weak sponsor profile.

Delay in requisite approvals and RoW remains a key challenge

Key factors for default

Delay in providing the RoW - Six out of 24 CIRP admitted road projects defaulted on account of delay in handover of RoW, and increased project costs arising from the prolonged project execution.

Delay in receipt of requisite approvals and clearances – The project execution gets delayed in case of pending approvals for Railway Over Bridges (ROBs) / Railway Under Bridges (RUBs), General Approval Drawings (GADs) from the railway department or pending forest, utility or environmental clearances.

Steps taken by the Ministry of Road Transport and Highways (MoRTH)/NHAI

- The authority shall provide at least 80% of the RoW prior to the appointed date. Further, the balance land would be provided by the authority no later than 180 days from the appointed date and in the event of delay for any reason beyond 180 days, the works corresponding to pending RoW shall be deemed to be removed from the Scope of the Project. To fast-track land acquisition and remove bottlenecks in land acquisition, IT-based land acquisition system "Bhoomirashi" has been developed and mandated by the authority.
- An MOU has been signed between road and railway ministries to streamline the approval process for construction of ROBs and RUBs. The GAD approval process is secured through a portal of Railways called Rail-Road Crossing GAD Approval System (RORACS). Further, the Ministry of Environment, Forest and Climate Change has introduced a single window named PARIVESH to provide a comprehensive solution for the administration of all green clearances and monitor their subsequent compliance across the nation. The close coordination with authorities and time-bound nature of the process has helped to improve the project execution timelines.

To accelerate order awarding and execution, the competent authority has implemented the following measures:

Invitation of bids

- Land: 3A proposal has been processed
- Environmental clearance obtained
- Stage – 1 forest clearance have been applied

3A – notify the intent to acquire the land for public purpose

Receipt of bids

Land: 60% 3D achieved;
3G commenced for 10% of the project

3D – confirm the land acquisition and declare it as legally acquired for public use
3G: Ensure fair compensation for land acquired land and paid to the parties

Award of Projects

Land: Conditions precedent to be achieved for appointed date
environmental clearance, forest clearance obtained
ROB approvals in advance stage and to achieve well within the timelines of RFP

Key factors for default

Delay in equity infusion or cost overruns – Three projects were admitted to the CIRP process on account of the funding issues from the sponsors impacting the project execution and timelines.

The sponsors had faced funding issues owing to over-leveraged balance sheets in the past decade due to aggressive bidding to increase their project portfolio in anticipation of high toll collections. However, the economic downturn saw revenues growing at a much lower rate than what was anticipated, resulting in insufficient cash flows for debt servicing.

Steps taken by the MoRTH/NHAI

- The authority has provided a one-time fund infusion assistance in the form of loans for all languishing projects. The facility is available to projects that have achieved 50% physical completion, and the funding support is provided to the Concessionaire with an aim to complete the project. Till March 31, 2024, the NHAI has sanctioned around Rs. 2,413 crore of assistance under this scheme.
- The MoRTH has introduced a new PPP model i.e., Hybrid Annuity Model (HAM), to mitigate the financial stress faced by the developers as the authority bears 40% of the inflation-adjusted bid project cost during the construction period in 5/10 instalments linked to project milestones. For the remaining 60% of the bid project cost, the authority provides semi-annual annuities, along with interest on the reducing balance of the bid project cost for 15 years during the operation and maintenance period. It thus mitigates the revenue risk due to the lack of expected growth in traffic or due to availability of competitive roads and highways.
- In the recent changes made in the provision of Model Concession Agreement for the toll road projects, the provision for construction support (payable in 10 equal instalments) has been added, along with equity support from the authority, both of which shall cumulatively be capped to an extent of 40% of the total project cost, which is expected to moderate funding requirement of the sponsor. This is being provided in lieu of the toll collection rights, which were given in the earlier concession agreement which mitigates the volatility in funding support during construction phase.
- Further, the authority has stipulated a credit rating of BBB- or higher to be eligible for BOT projects bidding. This is to ensure that the bidder has the financial resources to meet the project commitments and enhance confidence among lenders to finance the project.

FASTag has addressed risks related to toll-leakages to an extent

Key factor

Toll Leakages – This refers to the loss of revenue at the toll plazas due to inefficiencies in manual toll collection, vehicles evading toll plazas through illegal bypass routes, fraudulent activities like underreporting of vehicle counts, significantly impacting the financial sustainability of toll-operated road projects to meet debt repayments and maintenance activities.

Competing road or alternate route – The availability of alternate routes or competing road can result in significant deviation in toll revenues impacting the overall viability of the toll road project.

Disputes and Claims - Claims arising out of disputes between the Concessionaire and the Government authorities on various aspects like delay in providing right of way, requisite approvals, prolongation costs, or foregone toll or annuity income due to delay in project completion.

Steps taken by the MoRTH/NHAI

- The authority has mandated the use of electronic toll collection system, FASTag across the country to minimise human intervention and provide real time tracking of toll revenue and reduce toll leakages. Over 98.5% of toll collection for the NHAI is currently happening through FASTag process; however, its usage is still relatively modest on state highways exposing those assets to toll leakages. To further improve the toll collection, the Ministry is evaluating GPS-based tolling systems, wherein tolls are deducted based on road usage in a seamless way, resulting in leakage-free collections.
- As per CA, competing route means a road connecting the two end points of the project highway and serving as an alternate route thereof but does not include any road connecting the aforesaid two points if the length of such road exceeds the length of the project highway by 20% thereof. As per CA, neither the authority nor any Government Instrumentality shall, at any time before the tenth anniversary of the appointed date, construct any competing road. Upon breach of its obligations, the authority will provide additional extension in concession period by 10% over and above the maximum limit of 20% under the old concession agreement.
- To improve the resolution of disputes between the parties, the NHAI constituted three Conciliation Committees of Independent Experts (CCIEs) of three members each. By March 2023, out of total 297 cases, 189 cases were resolved with settlement amount Rs. 16,522 crore against claim of Rs. 48,179 crore.

Key factor

In addition to the above key factors, the revenue in the toll projects is impacted by

- Over-optimistic traffic projections at the time of project bidding
- Poor road quality on account of poor maintenance or natural calamities damaging infrastructure disrupting traffic flow
- Protests or continuous disruptions to toll collections or exemption of toll collection for certain vehicle classes (like cars)

Steps taken by the MoRTH/NHAI

Premium payment deferment: To ensure that projects, which have been allotted on premium/negative grant do not suffer due to cash flow constraints, the Ministry deferred the payment of premium if there is a subsistence revenue* shortfall. Till March 31, 2023, 26 projects were considered and approved by the NHAI for grant of deferment of premium. The premium involves a total value of Rs. 12,012 crore.

Traffic testing: The target testing points for TOT projects has been revised from every seven years to every five years, which is to enable more efficient and timely compensations for the contractors. Further, in a 20-year concession period the traffic testing will be done three times (after every five years).

Also, the deviation from target traffic has been reduced to 5% from earlier 20%, which will enable extension/reduction in the concession period in case of shortfall in traffic even by 5% or more. Hence, the risk of traffic shortfall due to competing roads or other economic factors are better mitigated for the contractors. For a same shortfall in target fee, the increase/decrease in concession period would now be higher.

Restructuring of loans: To mitigate these, the authority is approving refinancing/restructuring of loans, provided the repayment is completed no later than one year prior to the expiry of concession period and the future liability of the NHAI on termination of the project does not increase. Upon request made by the Concessionaire to this effect, the authority shall permit the Concessionaire to secure refinancing of the debt due on terms as agreed upon between the Concessionaire and the lenders and subject to prior approval of the authority, which shall not be unreasonably withheld.

*Subsistence Revenue: Total amount of fee revenue required by concessionaire in an accounting year to meet the sum of Operation & Maintenance expenses and Debt Service



ICRA Rating trends

Credit ratio remained above 1 times over the last three years

Credit rating movement for ICRA-rated road projects

EXHIBIT: Rating distribution of ICRA rated road entities (as on Jan 31, 2025)

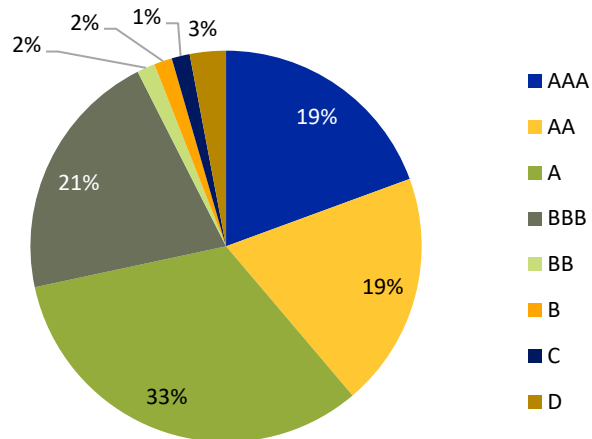
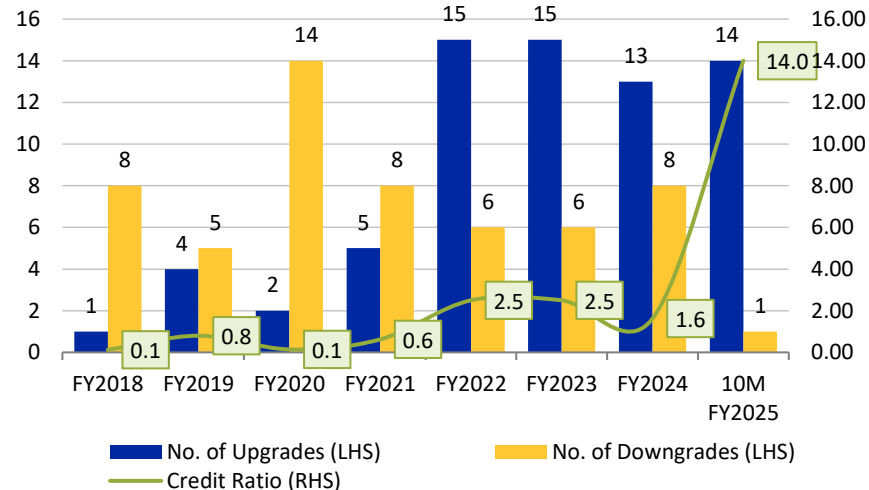


EXHIBIT: Count of upgrades and downgrades (ICRA rated road entities)

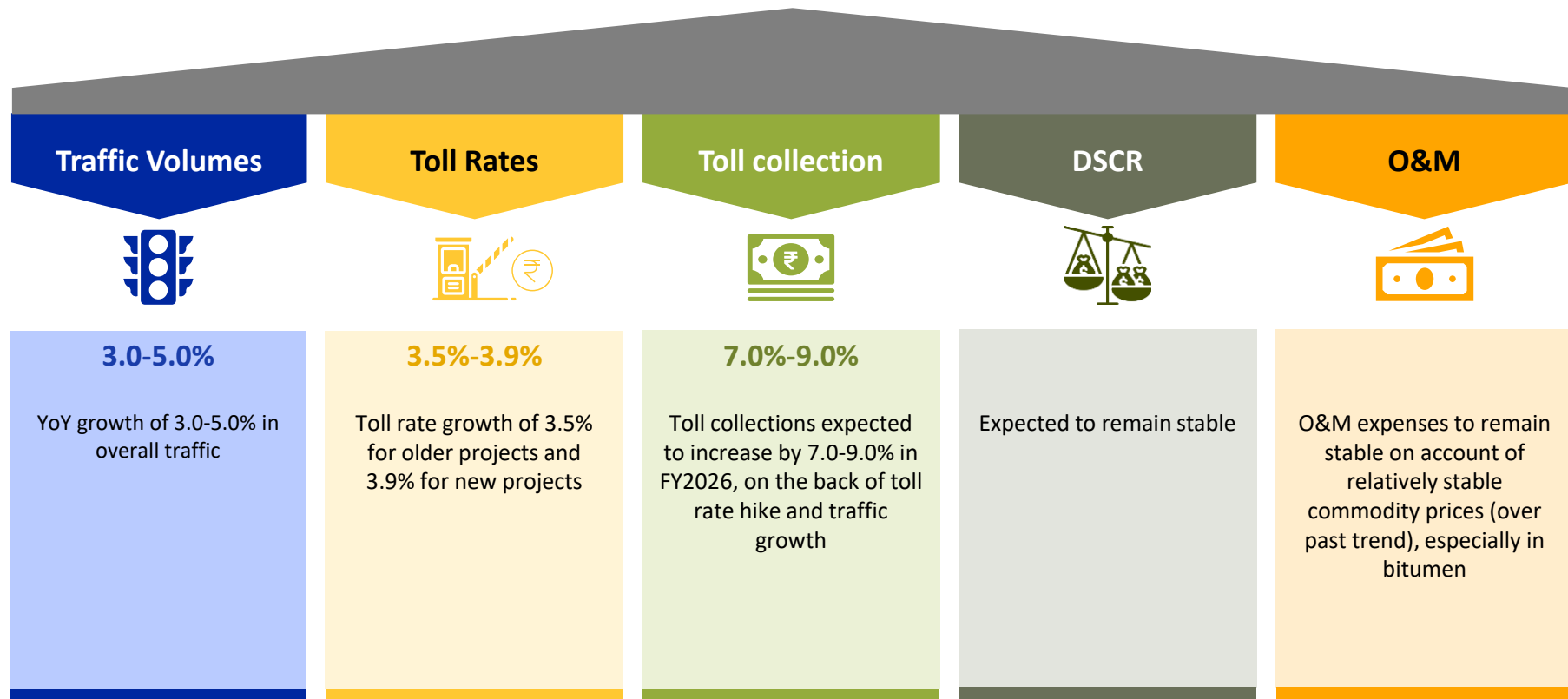


Reduced project execution risk, improvement in debt coverage metrics and improved toll collections were the major reasons for upgrades in FY2025; while deterioration in sponsor's credit profile, moderation in liquidity cushion, under-performance in toll collections, delays in execution were the major reasons for downgrades during FY2024-FY2025.



ICRA Sector Outlook

Outlook remains Stable for toll road projects



Annexure – List of entities awaiting closure in CIRP

Company	Sponsor	Mode	Date of CIRP	Claims Admitted (in Rs. crore)
Ranchi Expressways Limited	Madhucon Projects Limited	Under construction Annuity	22-Dec-23	2156.89
SION PANVEL TOLLWAYS PVT. LTD.	Essel Infraprojects	Under construction Toll	17-Mar-23	1700.00
Indore Dewas Tollways Limited	DLF Infra Holdings and Gayatri Highways	Operational Toll	31-Oct-23	648.15
Chomu Mahla Toll Road Private Limited	Unity Infraprojects Limited	Operational Toll	19-Oct-22	589.98
Supreme Vasai Bhiwandi Tollways Private Limited	Supreme Infrastructure India Limited	Operational Toll	22-Dec-22	473.01
TD Toll road Private Limited	Reliance Infrastructure Limited	Operational Toll	25-Nov-19	278.76
Valecha LM Toll Private Limited	Valecha Engineering	Operational Toll	29-Mar-19	265.28
Trichy Thanjavur Expressways Limited	Madhucon Projects Limited	Operational Toll	22-Aug-23	260.03
BBT Elevated Road Private Limited	Riverbank Developers Private Limited and L&T Limited	Operational Toll	19-Dec-23	200.32
Abhijeet Toll Road (Karnataka) Limited	Abhijeet Group	Under construction Toll	31-Mar-22	162.11
Damoh - Jabalpur Toll Roads Limited	-	Operational Toll	17-Dec-19	45.70
Kopargaon Ahmednagar Tollways (Phase-I) Private Limited	Supreme Infrastructure India Ltd	Operational Toll	7-Oct-19	11.91

Source: ICRA Research, IBBI



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