July 02, 2025

Dharmapuri-Salem Thoppur Ghat Limited: [ICRA]A- (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Term Loans	290.00	[ICRA]A-(Stable); Assigned
Total	**290.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating for Dharmapuri Salem Thoppur Ghat Limited (DSTGL) factors in the healthy credit profile of its sponsor – Dilip Buildcon Limited (DBL), which is the engineering, procurement and construction (EPC) contractor for the project. The rating considers DBL's demonstrated track record in completing the road projects and presence of corporate guarantee (CG) till the receipt of the first annuity, along with sponsor's undertaking towards cost overrun during the construction phase, and any shortfall in operations and maintenance (O&M) expenses for the project. The rating notes the inherent benefits of the hybrid annuity model (HAM) project, which includes upfront availability of right of way (RoW), de-scoping of RoW pending beyond 180 days from the appointed date, inflation-linked revisions to the bid project cost (BPC) during the construction period, and relatively lower equity mobilisation risk, with 40% of the BPC to be funded by the authority during the construction period through a grant. The rating positively considers the structural features of the debt, including the presence of escrow, cash flow waterfall mechanism prioritising debt servicing, provision for creation of six months' debt service reserve (DSR) and major maintenance reserve (MMR). Once the project becomes operational, the presence of reserves to meet the regular O&M and interest obligations till the next scheduled annuity and restricted payment clause offer comfort. Comfort is also derived from the project's stable revenue stream after commissioning, with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at average of one-year MCLR of top five scheduled commercial banks (SCBs, to be reset every quarter) plus a spread of 1.25%. Additionally, the rating considers the inflation-adjusted O&M cost to the extent of fixed percentage of BPC without any price index multiple (PIM) as per the concession agreement over the 15-year operations period by the project owner and authority – National Highways Authority of India [NHAI, rated [ICRA]AAA(Stable)], which is a strong counterparty. Once operational, DSTGL is expected to have adequate debt coverage metrics.

The rating is, however, constrained by the execution risks, given the under-construction status of the project, including time and cost overrun risks. The project has received the appointed date on March 21, 2025 and the construction period is 1,095 days with scheduled commercial operation date (SCOD) of March 20, 2028. The company's ability to commission the project within the timelines and budgeted costs would remain important from the credit perspective. DSTGL has signed a fixed-price and fixed-time contract with its engineering, procurement and construction (EPC) contractor, which largely mitigates risk of time and cost overrun. DSTGL is exposed to pending equity mobilisation risk as ~Rs. 39.2 crore of equity is yet to be infused. Nonetheless, the risk is largely mitigated given DBL's adequate financial risk profile. Following commissioning, O&M of the project stretch will have to be undertaken as per the concession agreement to avoid any deductions from annuities. Any significant deductions from annuities or rise in routine and major maintenance (MM) from the budgeted level could impact the company's DSCR. Further, DSTGL's cash flows are exposed to inflation risk as O&M receipts, though linked to the inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in O&M/periodic maintenance expenses.

The Stable outlook on the rating reflects ICRA's opinion that DSTGL will benefit from the healthy execution capabilities and financial profile of its sponsor and EPC contractor – DBL.

Key rating drivers and their description

Credit strengths

Inherent benefits of HAM projects from NHAI – The inherent benefits of the HAM project include upfront availability of RoW, de-scoping of RoW pending beyond 180 days from the appointed date, inflation-linked revisions to the BPC during the construction period and relatively low equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period through a grant. The project will have a stable revenue stream post commissioning as 60% of the remaining project cost will be paid out as annuity (adjusted for inflation), along with interest at the average of one-year MCLRs of the top five SCBs (scheduled commercial banks, to be reset every quarter) plus spread of 1.25%, and the inflation-adjusted O&M cost to the extent of the fixed percentage of BPC without any PIM as per the concession agreement over the 15-year operations period by the project owner and annuity provider, the NHAI, a key Central Government entity that develops and maintains India's national highways.

Established track record and financial profile of sponsor and EPC contractor – DSTGL is a wholly-owned subsidiary of DBL, which has a demonstrated track record of completing road projects in a timely manner. DBL is also the EPC contractor for executing this road project. The total estimated project cost of Rs. 627.04 crore is planned to be funded by the NHAI's grant of Rs. 258.66 crore, external debt of Rs. 290.00 crore and equity of Rs. 78.38 crore. DBL's financial profile is adequate to meet its pending equity commitment of Rs. 39.2 crore, which is required to be infused over the balance construction period. Additionally, it has provided an undertaking for cost overruns during the construction and for any shortfall in O&M expenses.

Adequate coverage indicators and presence of structural features – Once operational, DSTGL is likely to have adequate debt coverage metrics. This provides sufficient cushion to withstand any movement in the interest on annuity and inflation to a major extent. The credit profile is supported by DBL's undertaking towards funding any cost overrun during the construction period and any shortfall in O&M expenses. Further, the presence of structural features of the debt, including the presence of escrow, cash flow waterfall mechanism, provision for DSR (to be created out of the first annuity), provision for creation of MMR and restricted payment clause with minimum DSCR of 1.10 times provide comfort.

Credit challenges

Execution risk related to under-construction nature of the project – The project received the appointed date on March 21, 2025. Thus, the company is exposed to project execution risk including risks of delays and cost overruns. However, the risk is mitigated, to an extent, by the fixed-price, fixed-time contract with DBL and the latter's healthy project execution capabilities, which mitigates the execution risk to an extent. The company's ability to commission the project in a timely manner and within the budgeted costs would remain important from the credit perspective.

Undertaking O&M as per concession requirement, risk of deductions from annuity and inflation risks – After commissioning, the O&M of the project stretch will have to be undertaken as per the concession agreement to avoid any deductions from annuities. Any significant deductions from annuities or an increase in routine and MM expenses from the budgeted level could impact its DSCR. DSTGL's cash flows are exposed to inflation risk as O&M receipts, though linked to inflation (70% WPI and 30% CPI), may not be adequate to compensate for the increase in O&M/periodic maintenance expenses. Hence, adequate and within budgeted O&M will be a key rating sensitivity during the operations stage.

Liquidity position: Adequate

As the project is under construction, the company does not maintain any significant liquidity on its books. However, its liquidity position is supported by undrawn sanctioned term loan of Rs. 290 crore, grants receivable from the NHAI and balance equity infusion from DBL. The total estimated project cost of Rs. 627.04 crore (comprises EPC cost inclusive of GST) is planned to be funded by the NHAI's grant of Rs. 258.66 crore (including GST), external debt of Rs. 290 crore and promoter's contribution/equity of Rs. 78.38 crore.

Rating sensitivities

Positive factors – The rating could be upgraded if the project achieves PCOD/COD within the expected timelines and budgeted costs.

Negative factors – Pressure on the rating could arise if project progress is delayed resulting in significant time and cost overruns, or if delayed receipt of grant or equity infusion results in increased funding risks. Additionally, any deterioration in the sponsor's credit profile would trigger a downward rating revision.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) Construction
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Dharmapuri-Salem Thoppur Ghat Limited is a special purpose vehicle (SPV) formed by DBL for improving the alignment of Thoppur Ghat section from km 158+500 to 165+100 in Dharmapuri – Salem section of NH-44 under NH(O) 2023-24 on Hybrid Annuity Mode in Tamil Nadu. The bid project cost stood at Rs. 548 crore. The project is to be completed in 36 months and operation period is 15 years from COD.

Key financial indicators (audited) – Not Applicable being a project stage company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 02, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	290.00	[ICRA]A- (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
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 loans**	FY2025	9.45%	FY2042	290.00	[ICRA]A-(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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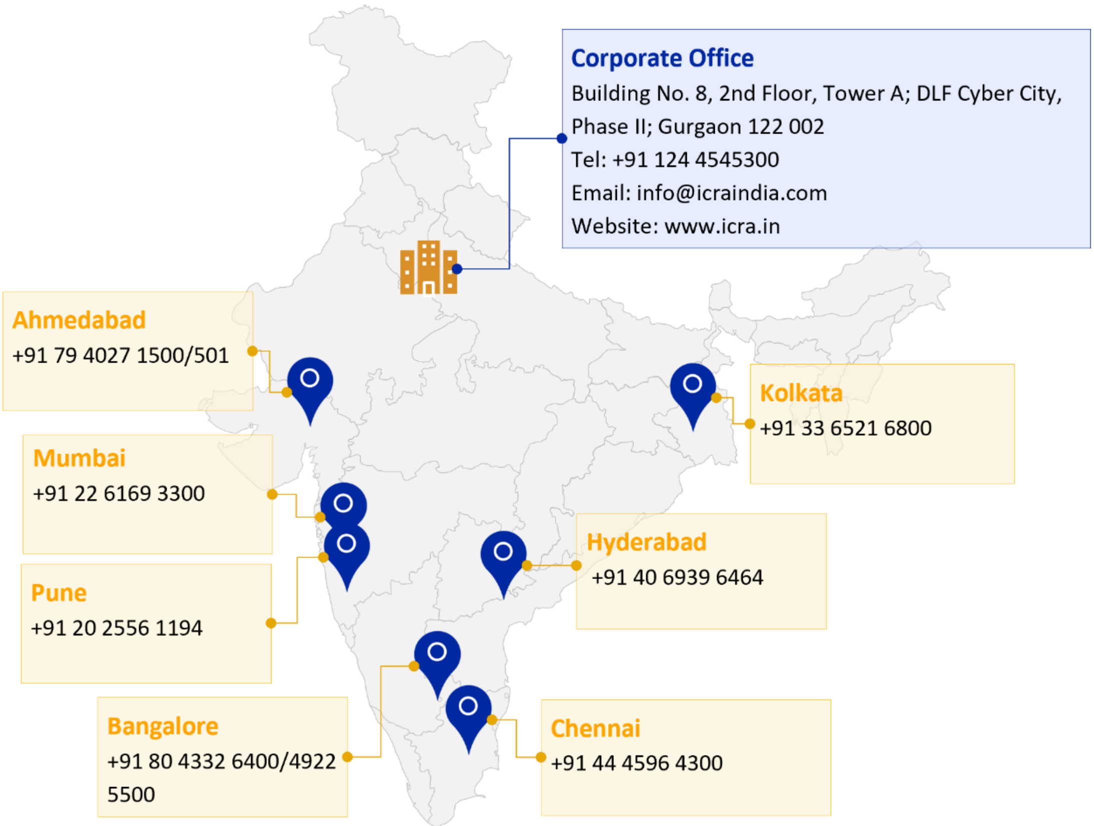

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