

March 25, 2025

Anantam Highways Trust: Provisional [ICRA]AAA(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action^
Long-term fund based – Term loan	3,300.00	Provisional [ICRA]AAA(Stable); assigned
Total	3,300.00	

*Instrument details are provided in Annexure-I

^The rating assigned is provisional as of now and is subject to the fulfilment and review of all pending actions/documentation. The final rating may differ from the provisional rating in case the completed actions/documentation is not in line with ICRA's expectations.

Rating in the absence of pending actions/documents	Not meaningful
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ICRA has undertaken a consolidated financial analysis of Anantam Highways Trust (AHT/the Trust/ the InvIT) and its nine underlying special purpose vehicles (SPVs), which are in the process of transfer to InvIT. All the assets are under the National Highway Authority of India (NHAI) concession framework under hybrid annuity model (HAM). The nine road projects are Dodaballapur Hoskote Highways Limited (DHHL), Repallewada Highways Limited (RHL), Narenpur Purnea Highways Limited (NPHL), Dhrol Bhadra Highways Limited (DBHL), Bangalore Malur Highways Limited (BMHL), Malur Bangarpet Highways Limited (MBHL), Villupuram Highways Limited (VHL), Poondiyankuppam Highways Ltd (PHL) and DPJ Pollachi HAM Projects Pvt. Ltd (DPHPPL). All the assets are operational, except PHL, which is, 99.1% completed as of January 2025. However, except RHL, all the projects are yet to receive the final COD, pending punch-list item completion and certification from the authority.

ICRA notes that the InvIT would issue units to Alpha Alternatives Fund and Dilip Buildcon Limited (DBL), against transfer of their stake in the identified nine NHAI HAM projects. Additional, InvIT would raise money through public issuance¹, which will be used for deleveraging and funding issue expenses. At present, the debt is at the respective SPV level, which will be refinanced at InvIT level and would be reduced to Rs.3,300 crore.

Rationale

The assigned rating favourably factors in the steady revenue profile, supported by the inherent benefit of HAM projects with a strong counterparty, i.e., National Highways Authority of India (NHAI, rated [ICRA]AAA (Stable)), the operational nature of the asset portfolio² having a track record of receiving at least one annuity and its robust debt coverage metrics with an estimated average debt servicing coverage ratio (DSCR) of ~1.7 times as per ICRA's base case assumptions and other features like maintenance of a three-month debt service reserve account (DSRA) throughout the loan tenure. The rating further 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. Given the InvIT regulations, the leverage will remain below 49% of loan-to-value (LTV) in the next 18 months, thereby supporting AHT's credit profile.

The operational assets have a track record of timely receipt of annuities without any material deductions³. The asset portfolio remains fairly diversified with no asset contributing more than ~18% to the total revenue for InvIT. The rating positively factors

¹ Neither Alpha Alternatives fund, nor DBL will be offering their units in the public issue.

² 7 out of 9 assets have already achieved Provisional Commercial Operations Date (PCOD), 1 has achieved COD, while one is 99.1% completed as of January 2025 and has applied for PCOD.

³ RHL, which contributes to ~11% to total revenue, witnessed ~17% deduction from its first annuity against damages pertaining to the construction period, and not with regards to O&M. There has been no additional deduction in second annuity. Further, the Company has filled the claim against deduction from first annuity and the same is under consideration with the authorities.

in the benefits of cash flow pooling for the SPVs and the Trust, which ensures that the cash flows of all the SPVs are available for meeting the regular and periodic maintenance expenses and debt servicing of the Trust. The rating considers the robust cash flow cover, with additional liquidity, which will be maintained at the InvIT level to fund any shortfall arising from delays in annuity payments, providing additional cushion. Over the medium term, with further acquisition of the new assets and consequent improvement in the granularity of cash flows available, the additional liquidity cushion will be assessed accordingly.

Notwithstanding these strengths, the credit profile of the Trust remains exposed to risks inherent in HAM projects related to the potential risk of delayed receipt and deductions of annuities. Any material delay/deduction in annuities, higher outflows on account operations and maintenance (O&M) activities could have an adverse impact on the cash flows and resultant debt coverage indicators and thus will remain a key monitorable. However, all the SPVs will enter into a fixed-price O&M and Major Maintenance (MM) contract for the entire concession period with Dilip Buildcon Limited (DBL)⁴ for carrying out O&M activities, which mitigates the risk to an extent. The company would maintain MMR equivalent to one quarter of expense only, and hence the SPV's ability to maintain adequate liquidity cushion to undertake the MM activity, in a timely manner and under the budgeted cost, over the concession periods remain critical from the credit perspective.

ICRA notes that the AHT, 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 effect of the same on the rating. Also, any regulatory changes that can affect its financial risk profile will remain a monitorable. Further, the cash flows are exposed to interest rate risk, given the floating nature of interest rates of the project loan.

The Stable outlook on the rating reflects ICRA's expectation that the Trust will continue to benefit from the regular annuity receipts without any material delays or deductions, robust debt coverage metrics, and moderate leverage profile.

Key rating drivers and their description

Credit strengths

Operational nature of asset portfolio; low counterparty risk – The portfolio will comprise nine HAM assets, of which 8 assets have an operational track record of receiving at least one annuity. The asset portfolio remains fairly diversified with no asset contributing more than ~18% to the total revenue for InvIT. The top three assets viz. NPHL, BMHL and MBHL are estimated to account for ~42% of the total inflows in FY2026P. The counterparty of all the assets is the NHAI, which reduces the counterparty risk. Payments from NHAI (annuity, interest on annuity and O&M payments) for seven out of the nine projects have been received without any material deduction with an average delay of less than a month.

Strong cash flow cover and other structural features provides comfort – The InvIT has a robust cash flow cover, with projected average DSCR of more than 1.7 times in ICRA's base case assumptions and estimated leverage of ~44.8% as per the company's calculations. The rating takes comfort from the structural features, including maintenance of a three months' DSRA throughout the loan tenure. Further, additional liquidity will be maintained at the InvIT level to fund any shortfall arising from delays in annuity payments, providing cushion.

Cash pooling benefit of InvIT and regulatory cap on consolidated leverage – The InvIT benefits from the cash flow pooling for the SPVs and the Trust, which ensures that the pooled cash flows are available for meeting the regular and periodic maintenance expenses and debt servicing of the InvIT. Additionally, SEBI InvIT regulations 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. The leverage will remain below 49% of loan-to-value (LTV) in the near term (18-24 months), thereby supporting AHT's credit profile.

⁴ DBL has an established track record of more than three decades in operating and maintaining similar road stretches.

Credit challenges

Risks inherent in annuity projects; undertaking regular and periodic maintenance/capex within budgeted cost – The rating remains constrained with risks inherent in HAM projects related to the risk of delayed receipt and deductions of annuities. Any material delay/deduction in annuities, higher outflows on account of O&M activities could have an adverse impact on the cash flows and resultant debt coverage indicators and thus will remain a key monitorable. However, all the SPVs will enter into a fixed-price O&M and major maintenance (MM) contract for the entire concession period with DBL for carrying out O&M activities, which mitigates the risk to an extent. The company would maintain MMR equivalent to one quarter of expense only, and hence the SPV's ability to maintain adequate liquidity cushion to undertake the MM activity, in a timely manner and under the budgeted cost, over the concession periods remain critical from the credit perspective. Further, the cash flows are exposed to interest rate risk, given the floating nature of interest rates of the project loan.

Risk of future asset acquisition by the Trust and its funding pattern – The trust may acquire additional projects in future, which could have a material impact on its operational and financial risk profile. However, ICRA draws comfort from the management's strategy that the new asset acquisition will be funded such that the overall leverage and debt coverage metrics remain comfortable. If AHT acquires any other asset or raises any additional debt in future, ICRA will at that juncture evaluate the impact of the same on the rating.

Liquidity position: Adequate

The free cash flows from operations are expected to be sufficient to meet the debt servicing obligations. The trust's liquidity position is supported by DSRA, equivalent to 3 months of debt servicing obligations. Other than committed reserve as per the debt structure, the InvIT is anticipated to have cash and bank balance of around Rs. 100 crore, which is available for operational and various obligations of the trust, thereby providing adequate cushion in case of some delay in annuity payment by the authority.

Rating sensitivities

Positive factors – Not Applicable.

Negative factors – Negative pressure on AHT's rating could arise if debt-funded acquisitions results in a significant increase in leverage (loan-to-value, ratio of net debt to the asset value at consolidated level) and moderation in coverage metrics. The rating may be downgraded if there are significant delays or deductions in annuity payments, or non-adherence/moderation in debt structure, or deterioration in credit profile of annuity provider results in weakening in business position and moderation in its debt service coverage ratio. Specific credit metrics that would lead to a downgrade will include average DSCR falling below 1.4 times.

Analytical approach

Analytical approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Infrastructure Investment Trusts (InvITs) Rating Methodology for Roads – Annuity Policy on Provisional Ratings
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated financial analysis of AHT and its nine underlying SPVs (list of entities given below)

Pending actions/documents required to be completed for conversion of provisional rating into final

The assigned rating is provisional and would be converted into final upon:

1. Listing of the InvIT and transfer of shareholding of 9 SPVs to the InvIT.
2. Refinancing of the existing debt at underlying SPV with the proposed debt at InvIT level.

The provisional rating indicates the final rating that is likely to be assigned to the InvIT after the completion of the pending items mentioned above.

Validity of the provisional rating

In case the borrowing facility for which a provisional rating has been assigned is subsequently issued, the provisional rating would have to be converted into a final rating within 90 days (validity period) from the date of availing the borrowing facilities. If considered appropriate, the validity period may be extended by a further 90 days for converting the provisional rating into final, in circumstances where the rated entity expressly indicates its intention to complete the pending actions/documents over the near term. Under no circumstances shall the validity period be extended beyond 180 days from the date of issuance. For further details, refer to ICRA's Policy on Provisional Ratings available at www.icra.in.

If neither the pending actions/documents nor the issuance is completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at www.icra.in.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed by the entity within 90 days (validity period) from the date of issuance, the provisional rating will be converted into final upon the review of the required actions/documents to the extent these are completed by the end of the validity period. This implies that the provisional rating may even be revised at the end of the validity period, while being converted into final, to a level commensurate with the rating in the absence of the pending actions/documents (as disclosed earlier in the rationale). ICRA may consider extending the validity period in accordance with its Policy on Provisional Ratings available at www.icra.in.

About the trust

Anantam Highways Trust (AHT) is registered as an irrevocable trust under Indian Trust Act, 1882, and as an InvIT under the SEBI Infrastructure Investment Trust Regulations, 2014, SEBI Regn No: IN/InvIT/24-25/0031 since August 19, 2024. Alpha Alternatives Fund-Infra Advisors Private Limited will be the investment manager of the InvIT with Alpha Alternatives Fund Advisors LLP being the sponsor.

Key financial indicators (audited)

Key financial indicators are not applicable as Anantam Highways Trust (AHT) is a recently formed entity.

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)	Mar 25, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	3,300.00	Provisional [ICRA]AAA(Stable)	-	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term fund based – Term loan	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	NA	NA	NA	3,300.00	Provisional [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	Consolidation approach
Dodaballapur Hoskote Highways Limited (DHHL)	Full consolidation
Repallewada Highways Limited (RHL)	Full consolidation
Narenpur Purnea Highways Limited (NPHL)	Full consolidation
Dhrol Bhadra Highways Limited (DBHL)	Full consolidation
Bangalore Malur Highways Limited (BMHL)	Full consolidation
Malur Bangarpet Highways Limited (MBHL)	Full consolidation
Villupuram Highways Limited (VHL)	Full consolidation
Poondiyankuppam Highways Pvt. Ltd (PHL)	Full consolidation
DPJ Pollachi HAM Projects Pvt. Ltd (DPHPPL)	Full consolidation

Source: Company

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About ICRA Limited:

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Branches



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