

April 29, 2025

Shalimar Road Infrastructures Private Limited: Long-term rating upgraded to [ICRA]BBB (Stable) and assigned for enhanced amount; short-term rating upgraded to [ICRA]A3+ and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	478.00	554.14	[ICRA]BBB (Stable); upgraded from [ICRA]BBB- (Stable) and assigned for enhanced amount
Long-term/ Short-term – Non-fund based – Bank guarantee	31.18	0.00	[ICRA]BBB (Stable)/ [ICRA]A3+; Long Term rating upgraded from [ICRA]BBB- (Stable); Short-Term rating upgraded from [ICRA]A3 and withdrawn
Long-term/ Short-term – Unallocated	0.82	0.00	[ICRA]BBB (Stable)/ [ICRA]A3+; Long Term rating upgraded from [ICRA]BBB- (Stable); Short-Term rating upgraded from [ICRA]A3 and withdrawn
Total	510.00	554.14	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade for Shalimar Road Infrastructures Private Limited (SRIPL) favourably factors in the successful achievement of provisional completion certificate (PCOD) for 38.79 km of the 42.80 km project stretch (90% of the project stretch) with effect from December 27, 2024. Further, SRIPL has received nine milestone-based construction grant payments from the authority, National Highway Authority of India (NHAI, rated [ICRA]AAA (Stable)). ICRA notes that the company signed a settlement agreement with the authority on October 18, 2024, and is expected to complete the balance project work by July 2025. The rating takes into account the stable revenue stream post commissioning with 60% of the inflation-adjusted bid project cost (BPC) being paid out as annuity, along with interest at the average of one-year MCLR of the top five scheduled commercial banks plus 125 bps and the inflation-adjusted operation and maintenance (O&M) cost bid over the 15-year operations period by the project owner and annuity provider, NHAI. The company is eligible to receive the first annuity after 180 days from PCOD, i.e., June 25, 2025, and the first principal instalment is due on July 25, 2025. There is a buffer of 30 days between the scheduled annuity date and debt repayment date, providing cushion in case of administrative delays in annuity receipt. Nevertheless, ICRA expects the sponsor (Shalimar Corp Limited) to infuse funds in a timely manner for debt servicing in case of any delay in annuity receipt as the sponsor has provided an undertaking towards cost overrun during the construction phase and to meet any shortfall in O&M expenses and debt servicing. The ratings positively considers the credit support provided by the structural features of the debt, including the presence of escrow, cash flow waterfall mechanism, provision for debt service reserve (DSR, to be created out of the first two annuities), provision for creation of reserve for major maintenance (MMR), and restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.15 times.

The rating, however, remains constrained by the residual execution risk with pending construction cost of Rs. 63.37 crore, which is expected to be funded by a construction grant, undrawn debt and sponsor infusion (if required). The company's ability to complete the balance works in a timely manner and within the budgeted costs would remain important from the credit perspective. Given the single asset nature of the project operations, the company must ensure proper maintenance of roads to avoid any deductions in annuity or O&M receipts. It has appointed its sponsor – Shalimar Corp Limited (SCL), as O&M contractor and the ability of the sponsor to maintain the road in line with concession agreement terms remains a key rating monitorable. Further, SRIPL's cash flows are exposed to inflation risk as O&M receipts, though linked to inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in O&M/periodic maintenance expenses.

Therefore, any significant deductions from the annuities and O&M receipts or rise in maintenance expenses from the budgeted level could impact its coverage metrics and is a key rating monitorable going forward.

The Stable outlook on the long-term rating reflects the expectation of timely receipt of annuity and O&M payments, without any material deductions supporting the project's debt coverage metrics.

ICRA has withdrawn the short-term rating on the company's request and in accordance with ICRA's policy on withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Successful achievement of provisional completion – SRIPL received the provisional completion certificate w.e.f. December 27, 2024, for 38.79 km of the 42.80 km project stretch (90.06% of the project stretch). Hence, the semi-annuity payment (including the O&M payment) for the project is likely to be received after June 25, 2025 (180 days post achievement of PCOD). ICRA expects timely receipt of annuity payments without any major deductions going forward. Further, ICRA draws comfort from the gap of 30 days between the annuity date and the scheduled debt servicing date providing cushion in case of any delay in annuity receipts.

Inherent benefits of hybrid annuity model (HAM) – Post commissioning, the project will have a stable revenue stream with 60% of the inflation-adjusted bid project cost, along with interest at the average of one-year MCLR of the top five scheduled commercial banks plus 125 bps and the inflation-adjusted O&M cost bid over the 15-year operations period by the project owner and annuity provider, NHAI, which is a key Central Government entity responsible for development and maintenance of India's national highway programme.

Adequate coverage indicators and presence of structural features – SRIPL is expected to have an adequate debt service coverage metrics during the debt tenure. Further, structural features of the debt, such as an escrow account, a cash flow waterfall mechanism, DSRA equivalent to six months of debt servicing obligation and creation of an MMR provide comfort.

Credit challenges

Project exposed to residual execution risk – The project is exposed to residual execution risk for the pending engineering procurement and construction (EPC) cost of Rs. 63.37 crore, which is expected to be funded by the construction grant, undrawn debt and sponsor infusion (if required). The company's ability to complete the balance works in a timely manner and within the budgeted costs would remain important from the credit perspective. However, fixed-price contract with the sponsor, SCL, which has provided an undertaking towards cost overrun during the construction phase and to meet any shortfall in O&M expenses and debt servicing, provides comfort.

Project returns exposed to inflation risks; proper maintenance of roads essential for receipt of annuity payments – SRIPL's source of income includes the annuity, interest on outstanding annuities and annual O&M payments from the authority. ICRA notes the single asset nature of the project operations, thereby making the debt metrics sensitive to any deductions in annuity and O&M receipts. Hence, the company must ensure satisfactory upkeep of the carriageway as per the provisions of the Concession Agreement to avoid any deductions from the income. Further, SRIPL's cash flows are exposed to inflation risk as O&M receipts, though linked to inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in maintenance expenses. Any significant deductions from the annuities and O&M receipts or rise in maintenance expenses from the budgeted level could impact its coverage metrics and is a key rating monitorable.

Liquidity position: Adequate

SRIPL's liquidity position is adequate. The pending EPC cost of Rs. 63.37 crore is expected to be funded by a construction grant, undrawn debt and sponsor infusion (if required). The company has debt repayments of Rs. 64.43 crore in FY2026, which can be comfortably met through its cash flow from operations. The interest servicing expenses for the first 6 months post PCOD

are a part of the project cost. Moreover, the undertaking provided by SCL towards financial support in case of any shortfall in O&M expenses and debt servicing in the operational phase provides comfort.

Rating sensitivities

Positive factors – The ratings could be upgraded upon timely receipt of the semi-annuity and O&M payments without any material deductions and upon creation of DSRA.

Negative factors – Pressure on the ratings could arise if there are major deductions or delays in the receipt of semi-annual annuities or O&M payments, or if any additional debt availed by the special purpose vehicle (SPV) results in deterioration of the debt coverage indicators. The ratings could come under pressure if there is any non-adherence to the debt structure or any material deterioration in the sponsor's credit profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads - Hybrid Annuity Policy on withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Shalimar Road Infrastructures Private Limited (SRIPL) is an SPV incorporated by Shalimar Corp Ltd (SCL) to undertake the design, build, operate and transfer (DBOT) of 42.8 km road stretch on hybrid annuity basis under concession by the NHAI. The project entails development of the 6-lane Jhanki – Sargi section of NH-130 CD Road from 00+000 to 42+800 Km under Raipur – Visakhapatnam Economic Corridor in Chhattisgarh on Hybrid Annuity Mode (package Cg-1). The construction and operations period for the project is 2 years and 15 years, respectively. The concession agreement was signed on March 28, 2022, and the appointed date is September 29, 2022. The project is scheduled to be completed by September 29, 2024, and the company received the provisional completion certificate effective from December 27, 2024, for 90% of the project stretch, in line with the settlement agreement signed on October 18, 2024.

Key financial indicators (audited)

The key financial indicators are not applicable as SRIPL is 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)	Apr 29, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	554.14	[ICRA]BBB (Stable)	-	-	Feb-21-2024	[ICRA]BBB-(Stable)	Nov-09-2022	[ICRA]BBB-(Stable)
Bank guarantee	Long term/short term	0.00	[ICRA]BBB (Stable)/[ICRA]A3+; Long term rating upgraded; Short term rating upgraded and withdrawn	-	-	Feb-21-2024	[ICRA]BBB-(Stable)/[ICRA]A3	Nov-09-2022	[ICRA]BBB-(Stable)/[ICRA]A3
Unallocated	Long term/short term	0.00	[ICRA]BBB (Stable)/[ICRA]A3+; Long term rating upgraded; Short term rating upgraded and withdrawn	-	-	Feb-21-2024	[ICRA]BBB-(Stable)/[ICRA]A3	Nov-09-2022	[ICRA]BBB-(Stable)/[ICRA]A3

Complexity level of the rated instruments

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	August 2022	NA	September 2038	554.14	[ICRA]BBB (Stable)
NA	Bank guarantee	NA	NA	NA	0.00	[ICRA]BBB (Stable)/[ICRA]A3+; Long term rating upgraded; Short term rating upgraded and withdrawn
NA	Unallocated	NA	NA	NA	0.00	[ICRA]BBB (Stable)/[ICRA]A3+; Long term rating upgraded; Short term rating upgraded and withdrawn

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

ANALYST CONTACTS

Ashish Modani
+91 20 6606 9912
ashish.modani@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Vinay G
+91 40 6939 6424
vinay.g@icraindia.com

Vamshi Kinnera
+91 40 6939 6420
vamshi.kinnera@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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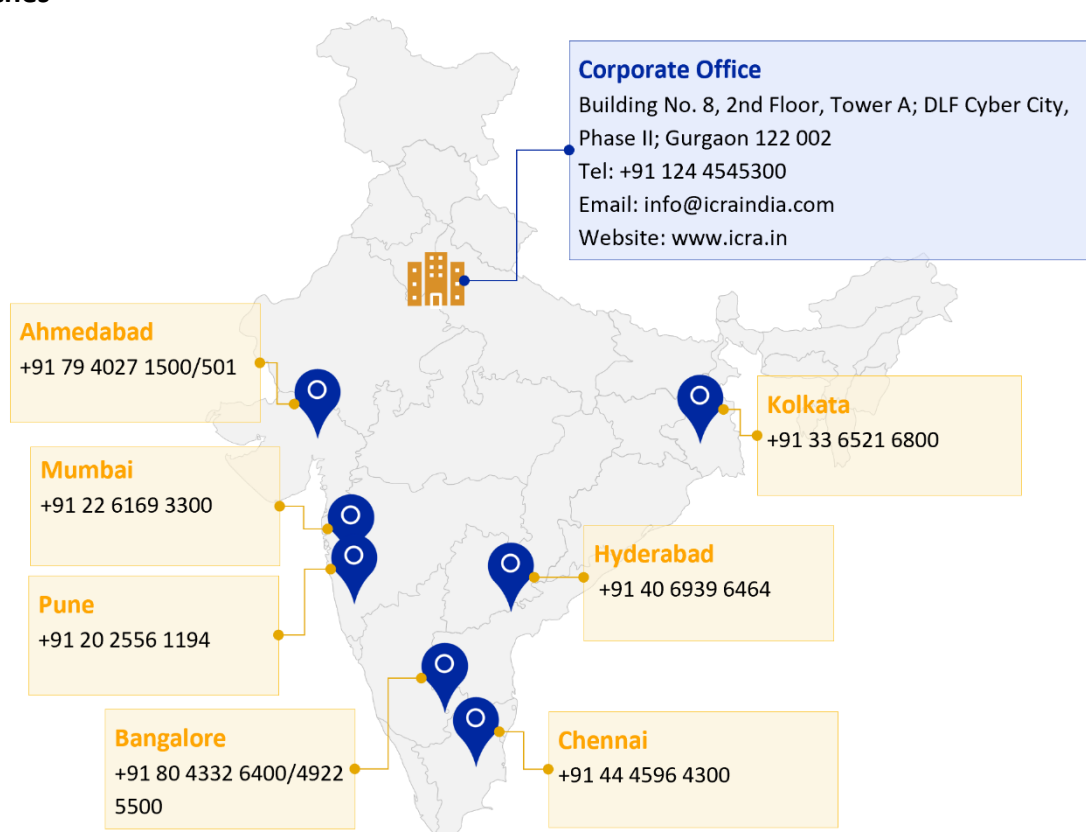
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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