**June 17, 2025**

# Aihole Expressways Private Limited: Rating assigned

## Summary of rating action

| Instrument* | Current rated amount (Rs. crore) | Rating action |
|---|---|---|
| **Long-term fund based – Term loan** | 450.00 | [ICRA]A- (Stable); assigned |
| **Total** | **450.00** | |

**Instrument details are provided in Annexure I*

## Rationale

The rating assigned for Aihole Expressways Private Limited (AEPL) favourably factors in the healthy sponsor profile of Bekem Infra Projects Private Limited (Bekem, rated [ICRA] A (Stable)), which is undertaking the engineering, procurement and construction (EPC) for the project. AEPL is held by Bekem and DHD Infracon Private Limited (DHD) in the ratio of 70:30, respectively, and is formed to undertake the road project on a hybrid annuity mode (HAM). In addition to being the EPC contractor, Bekem has provided an undertaking towards financial support in case of cost overrun during the construction phase, any shortfall in operations and maintenance (O&M) expenses and debt servicing in the operational phase as per the lender's approved base case business plan.

The rating takes into account the inherent benefits of the hybrid annuity-based nature of the project, including upfront availability of right of way (RoW), automatic 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. The rating notes the relatively lower equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period in the form of a grant. The rating factors in the 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 plus 125 bps and O&M payments (adjusted for inflation) over the term of the concession from the project owner and annuity provider, National Highway Authority of India (NHAI, rated [ICRA]AAA(Stable)), which is a key Central Government entity responsible for development and maintenance of India's national highway programme.

The rating, however, remains constrained by the execution risks as the project is yet to receive the appointed date. The same is likely to be received in June 2025. As per the Concession Agreement (CA), if the appointed date is not received before the first anniversary of the CA signing date (June 28, 2024), the agreement is deemed to be terminated unless it is mutually agreed by both parties. Further, the execution risk is mitigated by the fixed-price and time contract along with adequate project execution capabilities of Bekem. The company's ability to commission the project in a timely manner and within the budgeted costs would remain important. After commissioning, it would have to ensure healthy lane availability to avoid any deductions from the annuity amount. Any significant deductions from annuities or increase in routine and major maintenance (MM) from the budgeted level could impact its debt servicing coverage ratio. Timely support from promoters to fund any shortfalls due to delays in grant or any cost overruns during the construction phase will remain crucial. Further, AEPL'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. Once operational, the ability of the special purpose vehicle (SPV) to undertake the O&M within the budgeted costs will be a key rating monitorable. During the under-construction stage, the ability to timely complete the project within stipulated budget remains crucial.

The Stable outlook on the rating reflects ICRA's opinion that AEPL will benefit from the inherent benefits of HAM projects, healthy sponsor and EPC contractor profile.

## Key rating drivers and their description

### Credit strengths

**Lower inherent risks in HAM projects from the NHAI** – The inherent benefits of the hybrid annuity-based nature of the project include an upfront availability of RoW, automatic de-scoping of RoW pending beyond 180 days from the appointed date and inflation-linked revisions to the BPC during the construction period. Moreover, it faces relatively lower equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period in the form of a grant. A stable revenue stream after commissioning of the project with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at an average of one-year MCLR of the top five scheduled commercial banks + 1.25% and the inflation-adjusted O&M cost bid over the 15-year operations period by the project owner, the NHAI, which is a strong counterparty offer comfort.

**Healthy financial risk profile and established track record of EPC contractor** – AEPL is a subsidiary of Bekem, which has more than two decades of experience in executing hydro-mechanical works. AEPL entered into a fixed-price, fixed-time EPC contract with Bekem, which provides comfort given its track record of project execution within the budgeted time and cost. Bekem has provided an undertaking towards cost overrun support during the construction phase, in case of any shortfall in O&M expenses and debt servicing in the operational phase supporting the credit profile.

**Adequate projected debt coverage indicators and presence of structural features** –, AEPL, once operational is expected to have adequate debt coverage indicators. This provides the special purpose vehicle (SPV) cushion to withstand any adverse movement in inflation to a major extent. Moreover, the sponsor's undertaking towards cost overrun during the construction phase and any shortfall in O&M expenses offers comfort. Further, the presence of structural features of the debt, including escrow, cash flow waterfall mechanism, provision for creation of six months' debt service reserve (DSR) to be created out of the first two annuities), and MMR supports its credit profile.

### Credit challenges

**Execution risk related to under-construction project** – The company is exposed to project execution risks as the construction is yet to commence and is pending for the receipt of the appointed date. According to the CA, if the appointed date is not received before the first anniversary of the CA signing date (June 28, 2024), the agreement is deemed to be terminated unless it is mutually agreed by both parties. Further, the execution risk is mitigated to an extent by entering into fixed-and time contract and adequate project execution capabilities of its sponsor/EPC contractor, Bekem. The company's ability to commission the project in a timely manner and within the budgeted cost would be important from the credit perspective.

**Undertaking O&M as per concession requirement; cash flows and returns exposed to inflation risks** – After commissioning, the company will have to undertake the O&M of the project stretch as per the concession agreement to avoid any deductions from its annuities. Any significant deduction from annuities or increase in routine and MM expenses from the budgeted level could impact its debt servicing coverage ratio. AEPL's cash flows are exposed to inflation risks as the O&M receipts, though linked to inflation (70% WPI and 30% CPI), may not be adequate to compensate for the increase in the O&M/periodic maintenance expenses. Once operational, the ability of the special purpose vehicle (SPV) to undertake the O&M within the budgeted costs will be a key rating monitorable. During the under-construction stage, the ability to timely complete the project within stipulated budget remains crucial.

## Liquidity position: Adequate

AEPL's liquidity position is adequate. The total project cost of Rs. 906.90 crore is proposed to be funded by equity of Rs. 141.2 crore, the NHAI's grant of Rs. 315.8 crore and debt of Rs. 450.0 crore. Moreover, the undertaking provided by Bekem towards financial support in case of a cost overrun or delay in NHAI's grant during the construction phase, and any shortfall in the O&M expenses as well as debt servicing in the operational phase as per the lender's approved base case business plan, provides comfort.

## Rating sensitivities

**Positive factors** – The rating could be upgraded, if the project achieves COD without any time and cost overruns, along with the receipt of the first annuity without any major deductions.

**Negative factors** – Pressure on the rating could arise, if the project's progress is delayed, resulting in significant time and cost overruns, or if there is a deterioration in the credit profile of the sponsors, thereby heightening the equity mobilisation risk, or if delays in the receipt of grant or equity infusion increase the funding risks for the project.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | [Corporate Credit Rating Methodology](#)<br>[Roads-Hybrid Annuity](#) |
| **Parent/Group support** | Not Available |
| **Consolidation/Standalone** | The rating is based on the company's standalone financial profile |

## About the company

Aihole Expressways Private Limited (AEPL), incorporated in April 2024, is a special purpose vehicle (SPV) promoted by Bekem (70%) and DHD (30%). The hybrid annuity mode SPV was formed for the construction and maintenance of the access-controlled highway of Belgaum-Hungund-Raichur from Design Ch.136.100 (near Katginahali) to Design Ch. 182+300 (near Tumba) on NH748A, Karnataka (package-IV). It comprises a total design length of 46.20 km. AEPL was awarded the project through the competitive bidding process as it emerged the lowest bidder with bid project cost of Rs. 789.39 crore. The total project cost of Rs. 906.90 crore is proposed to be funded by equity of Rs. 141.2 crore, the NHAI's grant of Rs. 315.8 crore and debt of Rs. 450.0 crore.

**Key financial indicators –** Not Applicable, as AEPL is a project stage company.

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

| Current (FY2026) | | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | FY2025 | | FY2024 | | FY2023 | |
| Instrument | Type | Amount rated (Rs. crore) | June 17, 2025 | Date | Rating | Date | Rating | Date | Rating |
| **Term Loan** | Long term | 450.00 | [ICRA]A- (Stable) | - | - | - | - | - | - |

## 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** | FY2025 | NA | FY2041* | 450.00 | [ICRA]A- (Stable) |

*Source: Company; *- May undergo a change as it will be linked actual PCOD/COD of the project*

[*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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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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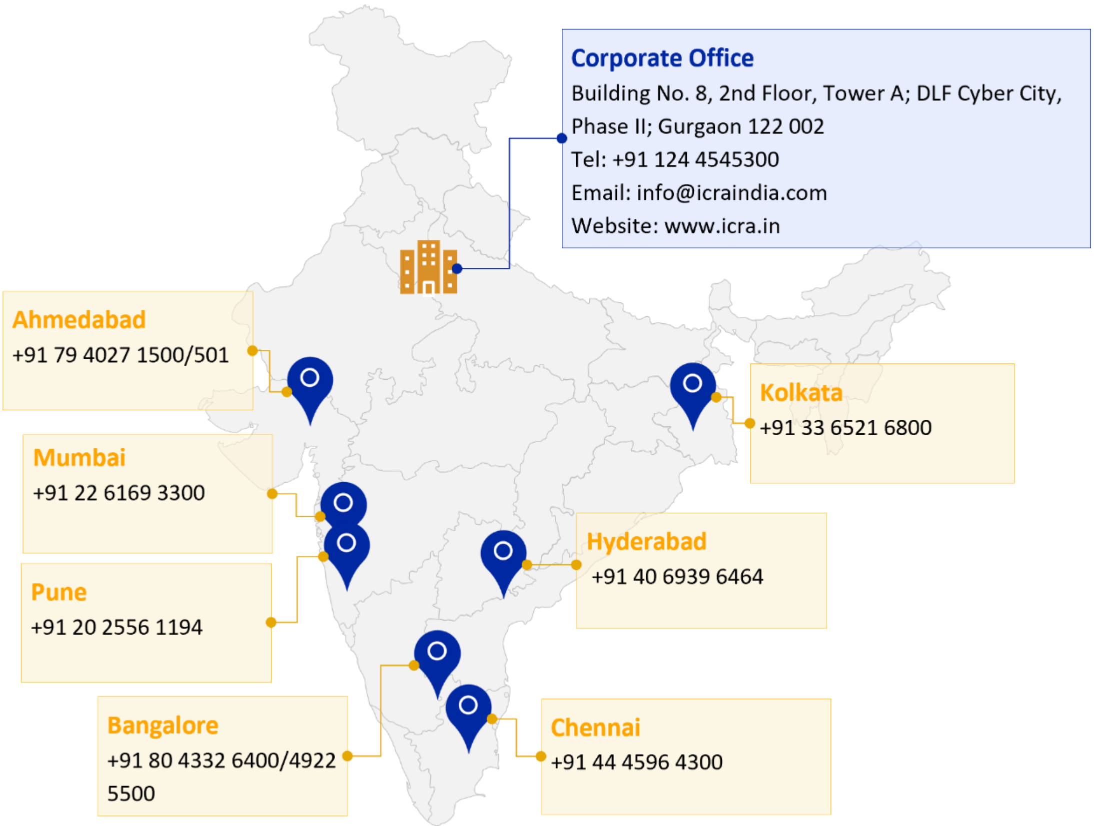




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