September 23, 2025

Kashipur Sitarganj Highways Private Limited: Rating upgraded to [ICRA]BBB- (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term loan	321.19	313.91	[ICRA]BBB- (Stable); Upgraded from [ICRA]BB+ (Stable)
Non-convertible debenture (NCD)	50.31	50.31	[ICRA]BBB- (Stable); Upgraded from [ICRA]BB+ (Stable)
Total	**371.50**	**364.22**	

**Instrument details are provided in Annexure I*

Rationale

The rating upgrade in the rating for Kashipur Sitarganj Highways Private Limited (KSHPL) favourably factors in the successful physical completion of its major maintenance (MM) works in H1 FY2026, along with receipt of completion certificate (or commercial operation date/COD) from the National Highways Authority of India (NHAI, rated [ICRA]AAA (Stable) for the four-laning National Highway (NH) project on February 20, 2025, thereby eliminating the execution risks. A periodic increase in toll rates (linked to WPI), and a steady traffic flow (given the favourable location) led to improved revenue visibility. The company reported a YoY growth of ~11%/16% in toll revenues in FY2025/Q1 FY2026 (excluding change in scope works). With increasing toll revenue, KSHPL's cash flows would improve in the near to medium term. Consequently, its debt service coverage metrics stand improved over the loan tenure (vis-à-vis the last rating exercise). Despite the nascent phase of implementation, introduction of NHAI's annual toll pass on the project stretch is not expected to have any material impact as the same will largely be compensated under the 'change in law' provision of the concession agreement. Further, the presence of funded debt service reserve account (DSRA) equivalent to one quarter of principal and interest obligations (Rs. 11.3 crore as on June 30, 2025) provides buffer in case of any short-term cash flow mismatches.

The rating draws comfort from the favourable location of project stretch, which is a part of the NH network providing inter-state connectivity with an operational track record of over 7 years. ICRA takes note of the long experience of its sponsor (Galfar Engineering And Contracting (India) Private Limited, dated [ICRA]BBB-(Stable)/[ICRA]A3) in undertaking the engineering, procurement and construction (EPC) works for the project stretch.

The rating, however, remains constrained by the moderate debt coverage metrics, with near-term debt service coverage ratio (DSCR) likely to remain relatively modest. Nevertheless, ICRA derives comfort from the DSRA and major maintenance now physically completed. Going forward, the company's ability to manage routine and periodic maintenance and MM expenses within the budgeted levels will remain a key monitorable in the near to medium term. The rating also remains constrained by the risks inherent in build–operate–transfer (BOT toll) road projects, including risks arising from volatility in traffic volumes, future toll hikes and their political acceptability, development/ improvement of alternative routes and likelihood of toll leakages, among others. The credit profile remains exposed to residual execution risk of upcoming major maintenance in future. The company faces operations and maintenance (O&M) risk associated with the project, including its ability to undertake routine and periodic maintenance within the stipulated time and budget or adequate provisioning of the same.

The Stable outlook on the rating reflects ICRA's expectation that the company would witness a steady increase in toll collections on the project stretch, given a part of the national highway network, and will be able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Operational four-lane National Highway project with toll collection track record of more than six years – With physical completion of its MM works in H1 FY2026, along with issuance of completion certificate by the NHAI on February 20, 2025, the execution risks are now eliminated. The Kashipur-Sitarganj section is an important arterial national highway in Uttarakhand. The strategic location leads to steady increase in traffic despite toll rate hikes, which provide comfort. The project stretch has low alternative route risk, as the alternative routes are longer by 15%-20%. The project, which involved four-laning of the stretch, was awarded by the NHAI on BOT-Toll basis. The project has been operational and has been collecting toll for more than seven years. Further, in FY2024, the company received the approval from the NHAI for an extension in the concession period by 4.2 years to 2039. The extension was granted on account of adverse impact on the traffic volume during FY2020-FY2023, in line with the concession agreement. Consequently, with no revision in debt repayment schedule, the project now has a debt-free tail period of around four years.

Presence of structural features including DSRA and provision for MMR – As per the debt structure, the company has been maintaining DSRA equivalent to one quarter's principal and interest obligations, which provides comfort to meet short-term cash flow mismatches. Further, the rating draws comfort from the presence of other structural features of the debt, including the presence of cash flow waterfall mechanism, provision for creation of major maintenance reserve (MMR) and any surpluses (after considering the cash flow waterfall mechanism), which will be first used to create a contingency reserve of Rs. 10 crore.

Credit challenges

Moderate debt coverage indicators – KSHPL's coverage metrics are projected to remain moderate, with cumulative DSCR of ~1.5 times over the loan tenure. However, the near-term DSCR is likely to remain muted on account of cash outflow towards MM capex (in FY2026). Further, sustainability of the recent improvement in the toll collections remains to be seen.

Risks inherent to toll road projects – The project is exposed to risks inherent in BOT (toll) road projects, including risks arising from variation in traffic volume over the project stretch and its dependence on the economic activity in the surrounding regions, movement in WPI (for toll rate hike), political acceptability of toll rate hikes over the concession period, development/improvement of alternative routes and likelihood of toll leakages. The toll rates for the users will increase sharply in line with the toll policy for national highways with the entire project stretch becoming operational, which may result in some diversion of traffic to alternative routes. However, the existing alternative stretches are longer, which mitigates the risk to an extent.

O&M related and interest rate risk – The company, like any road project, is exposed to O&M risk associated with the project, including its ability to undertake the routine and periodic maintenance within the stipulated time and budget. ICRA notes that it has recently completed the first MM exercise on 63.5 km stretch (operational since August 2017), largely within the budgeted time and costs. Further, the company faces interest rate risk on account of the floating nature of interest rates on the term loan.

Liquidity position: Adequate

KSHPL's cash flows available for debt servicing are expected to be adequate to meet the debt servicing obligations. This apart, it has a funded DSRA of Rs. 11.3 crore as on June 30, 2025, which is equivalent to cover one quarter's principal and interest, along with unencumbered cash and additional liquid investments of ~Rs. 11.5 crore as on June 30, 2025.

Rating sensitivities

Positive factors – The rating could be upgraded upon significant growth in toll collections, resulting in a material improvement in debt coverage metrics.

Negative factors – The rating would face a downward pressure in case of significant decline in toll collections on a sustained basis, or if the O&M and MM expenditure is significantly above the budgeted costs resulting in compression of the cumulative DSCR to less than 1.25 times. Additional indebtedness or non-adherence to debt structure will result in a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads - BOT Toll
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

KSHPL is a special purpose vehicle (SPV), promoted by Galfar Engineering & Contracting (India) Private Limited and Galfar Engineering & Contracting SAOG, for four laning of Kashipur - Sitarganj Section of NH-74 from Km 175.000 to Km 252.200 in Uttarakhand and Uttar Pradesh under NHDP Phase IV on Design, Build, Finance, Operate and Transfer (DBFOT) toll basis. The project highway covers a length 72.266 km in Uttarakhand and a length of 4.934 km in Uttar Pradesh. The project road traverses through the built-up areas of Khanpur, Danpur, Rudrapur, Rampura, Lalpur, Kichha, Uttam Nagar, Bara, Sisaiya and bypasses Bazpur Doraha, Kelakhera and Gadarpur. The concession period for the project is 25.2 years (after extension) from the appointed date of March 05, 2014. The project received COD in Feb 2025.

Key financial indicators (audited)

KSHPL	FY2024	FY2025*
Operating income (Rs. Crore)	68.3	75.8
PAT (Rs. Crore)	-2.1	7.6
OPBDIT/OI (%)	85.2%	83.9%
PAT/OI (%)	-3.0%	10.1%
Total outside liabilities/Tangible net worth (times)	6.3	5.6
Total debt/OPBDIT (times)	6.9	6.3
Interest coverage (times)	2.0	1.9

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Sep 23, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based-Term loan	Long Term	313.91	[ICRA]BBB-(Stable)	Jan 28, 2025	[ICRA]BB+(Stable)	Feb 27, 2024	[ICRA]BB (Stable)	Feb 27, 2023	[ICRA]BB (Stable)
NCD	Long Term	50.31	[ICRA]BBB-(Stable)	Jan 28, 2025	[ICRA]BB+(Stable)	Feb 27, 2024	[ICRA]BB (Stable)	Feb 27, 2023	[ICRA]BB (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Non-convertible debenture	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**	FY2014-FY2015	-	FY2033	313.91	[ICRA]BBB- (Stable)
INE445P07014	**NCD***	11-Mar-2022	0.01%	28-Feb-2035	50.31	[ICRA]BBB- (Stable)

*Source: Company; * Un-listed*

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 22 6169 3300
ashish.modani@icraindia.com

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

Ritu Goswami
+91 124 4545 826
ritu.goswami@icraindia.com

Devansh Jain
+91 124 4545 856
devansh.jain@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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ICRA

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches