

October 08, 2025

L&T Metro Rail (Hyderabad) Limited: Placed on rating watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture programme II (NCD-II)	1.00	1.00	[ICRA]AAA (CE); placed on Rating Watch with Developing Implications
Non-convertible debenture programme III (NCD-III)	41.50	41.50	[ICRA]AAA (CE); placed on Rating Watch with Developing Implications
Total	42.50	42.50	

Rating Without Explicit Credit Enhancement	[ICRA]A+
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*Instrument details are provided in Annexure I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

Material Event

On September 26, 2025, Larsen & Toubro Limited (L&T, rated [ICRA]A1+), the parent entity of L&T Metro Rail (Hyderabad) Limited (L&T MRHL), informed the Bombay Stock Exchange and the National Stock Exchange, that it has entered into an in-principle agreement with Government of Telangana (GoT), pursuant to which GoT will acquire L&T's equity stake and assume control of Phase I of Hyderabad Metro Rail project, and take over the associated outstanding debt obligations.

Impact of Material Event

ICRA has placed the rating of [ICRA] AAA (CE) on Watch with Developing Implications, given the likely change in sponsor and the debt terms thereof. However, ICRA understands from the management that the transaction is in its early stages and takeover conditions are yet to be finalized and necessary approvals are yet to be obtained. Currently, the rating factors in the strength of the promoter support undertaking (PSU) and the put option provided by the sponsor, L&T, as well as the pre-default payment mechanism designed to ensure timely payment on NCDs as per the terms of the transaction, which is still in force. ICRA takes into account the strong linkages of L&T MRHL with the sponsor, L&T, given that the entire L&T MRHL debt is backed by corporate guarantee, letter of comfort or support undertaking by the sponsor and there has been a demonstrated track record of timely financial support from L&T.

Further, L&T and L&T MRHL's management has reiterated that there is no change in the support articulation, and the sponsor (L&T) would continue to support L&T MRHL during the currency of all the debt instruments. The Guarantee/Undertaking from L&T for L&T MRHL's non-convertible debentures (NCDs) will remain effective until all the debt obligations are fully discharged. The existing debt of L&T MRHL, will be fully paid or redeemed before the transfer of L&T's equity stake to the GoT. In this regard, ICRA takes comfort from the sponsor's superior liquidity position and exceptional financial flexibility. ICRA will continue to monitor the developments with L&T MRHL's management to obtain the necessary information about the proposed transaction and shall take appropriate rating action/review once clarity emerges on the contours of the transaction.

Please refer to the following link for the previous detailed rationale that captures the adequacy of credit enhancement, salient covenants of the rated facilities, Key rating drivers and their description, Liquidity Position, Rating sensitivities: [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Approach - Project Finance Corporate Credit Rating Methodology
Parent/Group support	Parent/Group Company: Larsen & Toubro Limited ([ICRA] A1+) The rating takes into account the strength of the PSU and put option provided by the sponsor, and the payment mechanism designed to ensure timely payment on the NCDs, as per the terms of the transaction
Consolidation/Standalone	Standalone

About the company

L&T MRHL, a special purpose vehicle (SPV), was incorporated to implement the Hyderabad Metro Rail Project. The concession agreement (CA) was signed between the Government of Andhra Pradesh (GoAP) and L&T MRHL on September 4, 2010. The project was awarded to L&T MRHL on a long-term concession of 35 years, with an option for the extension of the concession period by another 25 years. The project is operated under the public private partnership (PPP) mode on a design, build, finance, operate and transfer (DBFOT) basis. The SPV was initially promoted by L&T Infrastructure Development Projects Limited (L&T IDPL; 99%) and L&T Limited (1%). In March 2017, L&T Limited purchased the stake of L&T IDPL in the project. Hence, L&T MRHL is now a wholly-owned subsidiary of L&T Limited. The Hyderabad Metro Rail Project commenced operations along three corridors spanning 69.2 km in length. L&T MRHL is also entitled to commercially develop the parking and circulation areas covering 18.5 msf adjacent to stations and includes two depots. The details of the corridors are mentioned below:

Project profile – L&T MRHL

Corridors	Section	Length (Km)	Stations
Corridor 1	Miyapur- LB Nagar	29.2	27
Corridor 2	JBS Parade Ground – MG Bus Stand	11.0	8
Corridor 3	Nagole – Shilparamam	29.0	22
Total		69.2	57

The project witnessed a 32-month delay owing to issues related to right-of-way (RoW) approvals, changes in project alignment, among others. Consequently, the total project cost was revised to Rs. 18,975 crore from the original Rs. 16,375 crore. The increased cost was funded by external debt and promoter sub-debt in the ratio of 2.2:1. L&T MRHL achieved commercial operations date (CoD) on February 7, 2020, when the last corridor between Jubilee Bus Station (JBS) and Mahatma Gandhi Bus Station (MGBS) was opened for public use.

Key financial indicators (audited)

	FY2024	FY2025
Operating income	877.4	908.6
PAT	-555.0	-625.9
OPBDIT/OI (%)	46.2%	45.9%
PAT/OI (%)	-63.3%	-68.9%
Total outside liabilities/Tangible net worth (times)	10.5	18.7
Total debt/OPBDIT (times)	32.2	32.8
Interest coverage (times)	0.3	0.4

Source: Company, ICRA Research; Amount in Rs. crore; 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:

The company also faces prepayment risk, given the possibility of accelerated payment upon the breach of certain financial covenants or diluting its shareholding in the issuer below 51% or rating-linked triggers. Upon failure to meet the covenants, if it is unable to get waivers from the lenders/investors or the lenders/investors do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

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)	October 08, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD	Long Term	1.00	[ICRA]AAA(CE) Rating watch with Developing Implications	Sep 11, 2025	[ICRA]AAA (CE) (Stable)	Jan 16, 2025	[ICRA]AAA (CE) (Stable)	Jan 19, 2024	[ICRA]AAA (CE) (Stable)	Jan 20, 2023	[ICRA]AAA (CE) (Stable)
NCD	Long Term	41.50	[ICRA]AAA(CE) Rating watch with Developing Implications	Sep 11, 2025	[ICRA]AAA (CE) (Stable)	Jan 16, 2025	[ICRA]AAA (CE) (Stable)	Jan 19, 2024	[ICRA]AAA (CE) (Stable)	Jan 20, 2023	[ICRA]AAA (CE) (Stable)
NCD	Long Term	-	-	Sep 11, 2025	[ICRA]AAA (CE) (Stable); withdrawn	Jan 16, 2025	[ICRA]AAA (CE) (Stable)	Jan 19, 2024	[ICRA]AAA (CE) (Stable)	Jan 20, 2023	[ICRA]AAA (CE) (Stable)

Complexity level of the rated instrument

Instrument	Complexity Indicator
NCD	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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE128M08029	NCD II	02-Nov-15	9.81%	02-Nov-35	1.00	[ICRA]AAA(CE); Rating watch with Developing Implications
INE128M08037	NCD III	28-Jan-16	9.85%	28-Jan-36	41.50	[ICRA]AAA(CE); Rating watch with Developing Implications

Source: Company

Annexure II: List of entities considered for consolidated analysis - Not applicable

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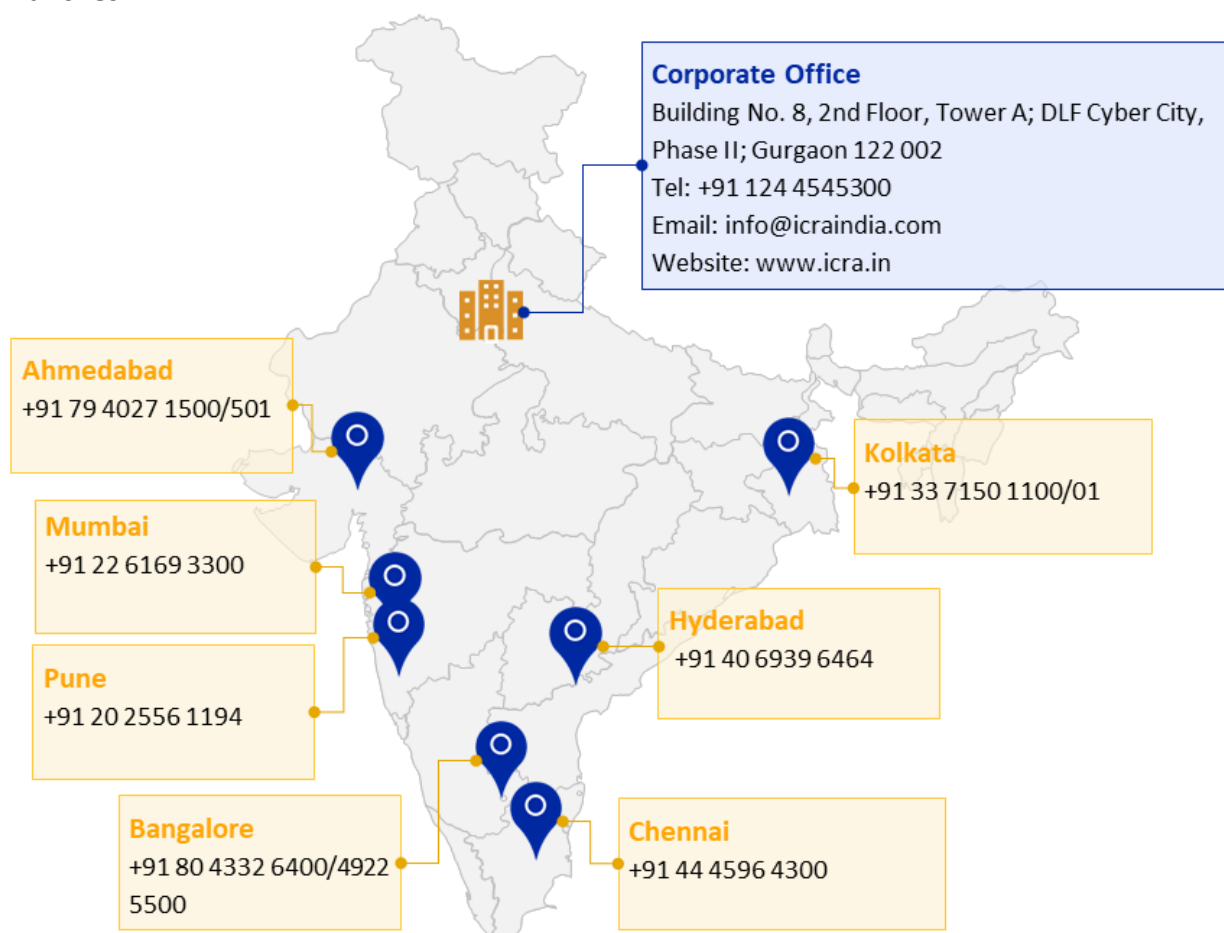
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