September 11, 2026

Aihole Expressways Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long-term – Fund-based – Term loan	450.00	450.00	[ICRA]A- (Stable); Reaffirmed	RBI
Total	450.00	450.00		

*Instrument details are provided in Annexure I

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The rating reaffirmation 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. The special purpose vehicle (SPV) is formed to undertake the road project in Karnataka on a hybrid annuity mode (HAM) for National Highways Authority of India (NHAI, rated [ICRA]AAA(Stable)). 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, which provides comfort.

The rating considers the inherent benefits of the hybrid annuity-based nature of the project. The rating factors in the stable revenue stream after commissioning, with the credit profile being likely to be supported by adequate projected debt service coverage ratios (DSCR) during the debt tenure and structural features of the debt. The provision for reserves creation includes a debt service reserve account (DSRA) equivalent to six months of principal and interest (P+I) (to be created out of the first two annuities) and a major maintenance (MM) reserve.

The rating is, however, constrained by the execution risks involved in under-construction projects, including exposure to potential time and cost overruns. The project received the appointed date on September 29, 2025, and achieved physical progress of 13.25% as on June 30, 2026, against the scheduled completion of 37.5%. The delay in progress is primarily due to non-availability of right of way (RoW) for the balance stretch of 19.09%, non-availability of continuous RoW, delays in removal of encumbrances and obtaining necessary approvals such as tree-cutting and change-of-scope from respective authorities. In addition, project execution was hampered by the ongoing West Asia conflict (resulting in supply disruptions and delays in procurement of construction inputs) and monsoon-related challenges, affecting the pace of construction. Given these delays are attributable to the authority, the project has been granted an interim extension of 135 days by the NHAI, which provides comfort. The company expects a further extension of around 200 days upon execution of the final settlement agreement with the NHAI.

Nevertheless, the execution risk is mitigated by the fixed-price and time contract, along with adequate project execution capabilities of Bekem. As on June 30, 2026, the balance project cost of around Rs. 751.0 crore (including GST) is proposed to be funded through an undrawn term debt of Rs. 402.3 crore, pending NHAI grant receipts of Rs. 252.6 crore and the balance promoter contribution of Rs. 96.7 crore. Bekem and DHD are adequately placed to fund the balance promoter contribution in AEPL in a timely manner for project completion. The company's ability to commission the project in a timely manner and within the budgeted costs would remain important from the credit perspective. Moreover, timely support from sponsor to fund any shortfalls due to delays in grant or any cost overruns during the construction phase will remain crucial.

Post commissioning, AEPL's debt coverage metrics remain exposed to the risk of deductions from annuity and O&M receipts, as it will have to undertake O&M of the project stretch as per the concession agreement and ensure healthy lane availability to avoid any deductions. Once operational, the SPV's ability 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 the 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. It has 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 AEPL's 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 SPV cushion to withstand any adverse movement in inflation and increase in operational expenses to an extent. Moreover, the sponsor's undertaking towards cost overrun during the construction phase and any shortfall in O&M expenses and debt servicing in the operational phase offers comfort. Further, the presence of structural features of the debt, including the presence of escrow, a cash flow waterfall mechanism, provision for creation of reserves and a restricted payment clause with a minimum DSCR of 1.15 times, provides comfort. The provision for reserves creation includes DSRA equivalent to six months of principal and interest (P+I) (to be created out of the first two annuities) and a MM reserve.

Credit challenges

Execution risk related to under-construction project – The project received the appointed date on September 29, 2025, and achieved physical progress of 13.25% as on June 30, 2026, against scheduled completion of 37.5%. Progress was primarily affected by non-availability of RoW for the balance stretch of 19.09%, delays in removal of encumbrances and obtaining necessary approvals such as tree-cutting and change-of-scope from respective authorities. In addition, project execution was impacted by disruptions caused by the ongoing West Asia conflict and monsoon-related challenges, affecting the pace of construction. Given these delays attributable to the authority, the project has been granted an interim extension of 135 days by the NHAI, which provides comfort. The company expects a further extension of around 200 days upon execution of the final settlement agreement with the NHAI.

Undertaking O&M as per concession requirement; cash flows and returns exposed to inflation risks – Post commissioning, AEPL's debt coverage metrics remain susceptible to the risk of deductions from annuity and O&M receipts, as it will have to undertake O&M of the project stretch as per the concession agreement and ensure healthy lane availability to avoid any deductions. Any significant deduction in annuity payments or material increase in regular or periodic major maintenance expenditure beyond the budgeted levels could impact its coverage metrics. Nevertheless, the company's expected adequate coverage metrics mitigate the risk of deductions or increase in operating expenses to an extent. Further, AEPL's cash flows are exposed to inflation risks as O&M receipts, though linked to the inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in O&M and periodic maintenance expenses. Once operational, the SPV's ability 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 the stipulated budget remains crucial.

Liquidity position: Adequate

AEPL's liquidity position is adequate. As on June 30, 2026, the balance project cost of around Rs. 751.0 crore (including GST) is proposed to be funded by an undrawn term debt of Rs. 402.3 crore, pending NHAI grant receipts of Rs. 252.6 crore and balance promoter contribution of Rs. 96.7 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 Roads - Hybrid Annuity
Parent/Group support	Not applicable
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 an SPV promoted by Bekem (70%) and DHD (30%). The HAM 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. The project received the appointed date on September 29, 2025.

Key financial indicators (audited): 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 rating (FY2027)			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Sep 11, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long Term	450.00	[ICRA]A- (Stable)	Jun 17, 2025	[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	Financial sector regulator#
NA	**Term loan**	FY2025	NA	FY2041*	450.00	[ICRA]A- (Stable)	RBI

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

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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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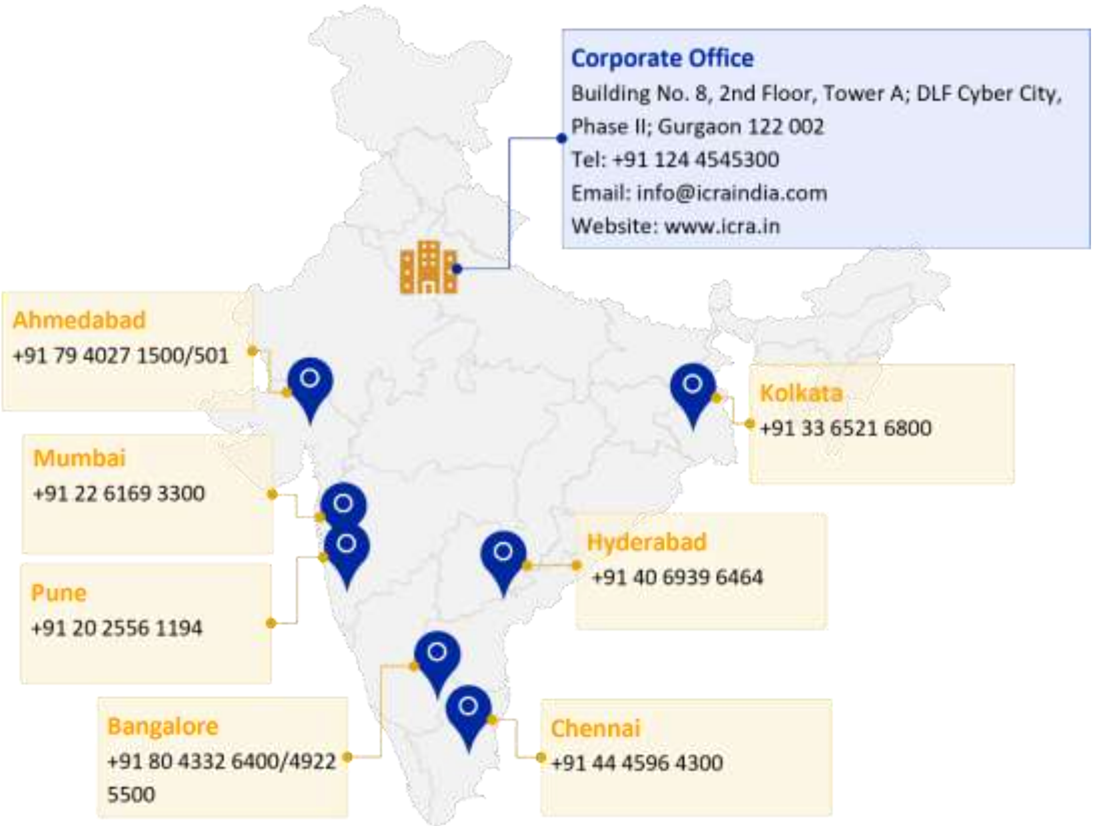

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