Rating Rationale

23 Sep 2026

VME Highways Pvt. Ltd.

Brickwork Ratings assigns the rating of BWR AAA (Stable) for the Bank Loan facilities of Rs 924 Crs. of VME Highways Pvt. Ltd

Particulars

Facilities Instrument	Tenure	Amount (₹ crore)	Rating	Rating Action	Regulator
Fund-Based	Long Term	**874.00**	**BWR AAA (Stable)**	**(Assignment)**	RBI
Fund Based (Proposed)#	Long Term	**50.00**	**BWR AAA (Stable)**	**(Assignment)**	RBI
Total		**924.00**			

1. Please refer to BWR website **www.brickworkratings.com** for the definition of the ratings
2. Refer to Annexures I, II, and III for details of rated bank loan facilities, debt instruments, and the List of Entities Consolidated.

BWR has relied upon audited financials up to FY26 and financial and cash flow projections provided by the company

#Ratings on proposed facilities are valid only until the facility is availed.

RATING ACTION/OUTLOOK

BWR has assigned the ratings of BWR AAA(Stable) for the Bank Loan facilities of Rs 924 Crs. of VME Highways Pvt. Ltd..

The assigned ratings factor in rating strengths, such as low revenue and cash flow risk, realization risk, as NHAI backs the project under the Hybrid Annuity Model(HAM), Inherent benefits of HAM, and Minimal project execution/construction risk; healthy debt protection metrics; however, ratings also factor in rating weaknesses, such as susceptibility to changes in operational costs and interest rates

Outlook-Stable: The stable outlook is assigned to the long-term ratings as the company is expected to benefit from the timely receipt of semi-annual payments from NHAI, as well as the operational and financial strength of the sponsor, Shivalaya Construction Limited

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: There are standard covenants as per the Sanction letter

BRICKWORK RATINGS

ANALYTICAL APPROACH & APPLICABLE RATING CRITERIA

Analytical Approach	Comments
Applicable Rating Criteria	○ General Criteria ○ Approach to Financial Ratios ○ Infrastructure Sector Ratings ○ Rating of HAM road projects
Parent/Group/ Government Support	NA
Analytical Approach (Consolidation/Standalone)	. BWR has applied a standalone approach as the project cash flows from this project are ringfenced/Escrowed and there is a waterfall mechanism

KEY RATING DRIVERS WITH DETAILED DESCRIPTION

Credit Strengths-:

Low Revenue and cash flow risk realization risk as backed by HAM: The project has already received 1st annuity payment of Rs 20.22 Crs exclusive of GST until FY26 on 100% basis, out of 60% of BPC from NHAI in the form of 30 semi-annual payments, starting six months from the PCOD. Along with fixed annuities, the project has already received interest on annuities of Rs 46.2 Crs exclusive of GST until FY26, and will also receive interest payments on the balance annuities to be paid at MCLR plus a spread of 1.25%. In addition, the company has also received the O&M payment amounting to Rs 2.07 Crs exclusive of GST until FY26. In addition, the company has also received the GST of Annuity, Interest, and O & M payment amounting to Rs 12.32 Crs until FY26, and is expected to receive the same in the medium to long term. The project's revenue model is highly secure and derived from three primary, inflation-indexed streams: Capital Annuities: 60% of the adjusted Bid Project Cost, paid out semi-annually over a 15-year concession period. Interest Income: Interest on the reducing balance of outstanding annuities, benchmarked at the MCLR plus 1.25%. O&M Payments: A base O&M receipt of Rs 4.30 Crs per year (derived from the initial bid quote). Inflation Indexing: All streams are adjusted via the Price Index Multiple (PIM), which is weighted at 70% Wholesale Price Index (WPI) and 30% Consumer Price Index (CPI). The project maintains an excellent operational record with zero performance-related penalties.

Inherent benefits of HAM and minimal project execution risk: HAM provides benefits such as issuance of Provisional Commercial Operation Date (PCOD) on completion of construction on the land made available from the appointed date, allowing annuities to be paid proportionally to the completed work. Other benefits include indexation of the BPC and O&M costs to the extent of inflation and interest payments on the residual annuity in the operational period. The company achieved PCOD w.e.f. 23 Sep 2025, on ~19.88 km stretch (~90% of the total project length of 24.6 km), although annuity was received on a 100% basis. As of June 2026, ~95.11% of the hindered free length is complete, and ~4.71 km of the pending project stretch remained incomplete due to delays in handover by NHAI; the overall progress lag of 4.89% compared to the planned schedule is primarily due to the non-handover of the balance land by the Authority to the Concessionaire. However, the actual progress lag based on the available land is approx.

2.1%. The delay in project execution is due to land acquisition and legal administrative issues, rate assessment discussions, pending clearance of illegal structures in the village area, active hindrances pending resolution in the village area, and delays in completing electrical utility shifting, specifically extra-high tension / EHT lines and crossings, which are still in progress and require expediting. Further, as of July 2026, pending work relates to the main carriageway: 0.250 km out of 4.716 km, which is still hindered due to a pending compensation issue from NHAI/CALA; cross roads: 0.650 km out of 3.5 km, which is still hindered due to a pending compensation issue from NHAI/CALA, and only 1.21 hectare possession is balance at site. All this part of the balance ~4.71 KM which is delinked as per the settlement agreement in March 2026. All this leads to minimal construction/execution risk.
Apart from the NHAI grant and sponsor infusion, debt of~ Rs 854 crore (of the sanctioned limit of Rs 874 crore) was drawn till 30 Aug, 2026. SCL has provided an undertaking on financial support in case of a cost overrun or cash flow mismatch during the construction and operational phases, respectively.

Healthy debt protection metrics: The average DSCR is expected to be healthy at 1.39x times till the tenure of debt. The company has already created a DSRA out of the first annuity (amounting to Rs 12.80 crore), in the form of FD, which is conditioned as per the financing document to be equivalent to six months of debt servicing obligation. Further, there is additional liquidity of ~INR 29 crore in the form of FDs and Cash and Bank Balances. Any shortfall in the creation of DSRA will be supported by the sponsor. Additionally, there is a gap of one month between the scheduled annuity payment date and the debt obligation date, which provides a cushion in case of delay in annuity payments.

Operational experience and financial strength of the sponsor: The company will continue to benefit from the operational know-how and financial strength of its sponsor. Shivalaya Construction Limited SCL is the O&M contractor and will be responsible for routine and periodic maintenance of the project stretch. SCL has vast experience in constructing high-quality roads in a timely manner and within the stipulated cost for over two decades. It is involved in the construction, upgradation, and maintenance of roads, including national and state highways, and rural roads. Also, SCL undertakes construction of buildings, minor bridges, and waterways. The company has undertaken and completed many construction projects across India. It is registered as a Class 1 government contractor with the governments of Haryana, Rajasthan, Jammu & Kashmir, Delhi, Jharkhand, Chhattisgarh, Punjab, and Madhya Pradesh. Further, the sponsor has provided an undertaking for financial support in case of a shortfall in DSRA and cash flow mismatches during the operational phase.SCL's order book is highly concentrated in the roads and highways segment, consisting entirely of contracts from central-government-backed counterparties. The revenue backlog is heavily anchored by premier authorities, including the NHAI (56%), the Ministry of Road Transport & Highways through the Public Works Department (6.01%), the National Highways and Infrastructure Development Corporation Limited (2.43%), and the Maharashtra State Infrastructure Development Corporation (1.5%).

Credit Risks-:

Susceptibility to changes in operational costs and interest rates. The company is exposed to risks related to the operational maintenance of the project stretch. If the prescribed standards are not met, annuity payments may be reduced. Any significant delay and deduction in annuities could impact the debt servicing ability of the project. Furthermore, as operational expenses depend on inflation, any significant increase in these components could impact cash flow. However, this risk is mitigated as the sponsor, SCL, is expected to bear additional costs, if any, over and above the fixed prices as per the base case financial plan. Along with fixed annuities, the project will receive interest payments on the balance annuities, which are linked to the MCLR of commercial banks. A reduction in interest rates may impact the project inflow as a large proportion of cash inflow is from the interest on balance annuities. This will be partially offset by the natural hedge or interest rate on debt, as it is floating with the External Benchmark rate and is expected to follow the trend in interest rates, thus keeping DSCR in check. Although the cushion in cash flow will help partly absorb the impact of such fluctuations, these components will be key to the rating moniterables

RATING SENSITIVITY FACTORS

Positive: NA

Negative:

- Significant delay in receipt of annuities or deduction in annuities and O&M payments or higher-than-expected maintenance cost
- Higher-than-expected drawdown of debt weakening the debt protection metrics or Weakening of DSCR below 1.18x
- Non-adherence to the structural features of the transaction, such as DSRA equivalent to 6 months of Principal repayment and interest for two quarters, which is expected out of the first four annuity payments
- Significant weakening in the credit risk profile of sponsor, SCL and NHAI

Liquidity Indicators (Adequate): As of 08 Sep 2026, the company had created and maintained a DSRA of Rs 12.80 Crs, equivalent to one principal repayment and two quarters of interest obligations (Six months of Principal plus Interest Obligations) as required by the financing documents. The company has surplus liquidity of Rs 23.50 Crs, Cash in Bank of Rs 4.97 Crs over and above DSRA

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) PRACTICES

ESG: Managing a HAM project addresses ESG by ensuring timely statutory clearances, monitoring construction and O&M impacts, and maintaining strong governance controls. In highway projects, the ESG approach involves more than meeting legal minimums; it also covers sustainable practices such as resource conservation, safety improvement, climate resilience, and better stakeholder engagement.

Environmental compliance: EIA/permits, dust/noise control, waste handling, borrow area management, water protection, and biodiversity safeguards
Social compliance: Land acquisition, resettlement support, livelihood restoration, community access, grievance redressal, and stakeholder communication.

Safety and health: Worker PPE, contractor safety controls, road-user safety, incident management, and emergency response readiness.

Governance controls: Transparent procurement, contract compliance, audit trails, reporting, and oversight of contractors/subcontractors.

Sustainability actions: use of recycled or alternative materials, energy efficiency, climate resilience measures, and maintenance practices that reduce lifecycle resource use.

COMPANY PROFILE: VME is a special purpose vehicle incorporated by SCL to undertake the construction of an eight-lane access- controlled expressway from km 43 to km 69.800 for a total length of 24.60km in the state of Maharashtra on HAM basis. The concession period is 17 years, including a construction period of two years (730 days) from the appointed date of 1 November 2022. The revised bid project cost is INR 1398.44 Crs.

Industry Classification			
Macroeconomic Indicator	**Sector**	**Industry**	**Basic Industry**
Services	Services	Transport Infrastructure	Toll bridge operators

KEY FINANCIAL INDICATORS (Standalone)

Standalone Financial Indicators (in ₹ crore)	FY24 (A**)	FY 25(A)	FY 26(A)
Operating Revenue	665.66	485.61	375.33
EBITDA	101.39	95.74	107.57
PAT	69.60	41.95	31.13
Tangible Net Worth	214.69	279.54	319.01
Tangible Net Worth Adjusted*	229.15	306.65	396
Total Debt/ Tangible Net Worth	0.86	1.77	2.03
Total Debt/Tangible Net Worth (Adjusted)	0.72	1.53	1.44
Current Ratio	0.95	2.29	1.04

Adjusted for Unsecured Loans, which are considered quasi-equity as these are subordinated to senior debt
**A: Audited
All ratios as per BWR’s calculations; Amount in Rs. Crore

RATING HISTORY FOR THE PREVIOUS THREE YEARS

	Current Rating			Rating History					
				FY 25		FY24		FY23	
Instrument	Type	Amount (₹ crore)	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-Based	Long Term	874.00	BWR AAA (Stable) (Assignement)	-	-	-	-	-	-
Fund Based (Proposed)	Long Term	50.00	BWR AAA (Stable) (Assignement	-	-	-	-	-	-

COMPLEXITY LEVEL OF THE RATED INSTRUMENTS

Instrument	Complexity Indicator
Fund-Based	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 BWR's website www.brickworkratings.com/download/ComplexityLevels.pdf

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY): NA

ANY OTHER INFORMATION: None

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ANNEXURE I: Details of Bank Loan Facilities

(Amount in ₹ crore)

Type	Facilities	Tenor	Bank	Total	Regulator
Fund Based	Bank Loan	Long Term	Union Bank of India	874.00	RBI
Fund Based-Proposed	Bank Loan	Long Term	Proposed	50.00	RBI
Total				**924.00**	

ANNEXURE II: Details of Instruments / Facilities; NA

ANNEXURE III: List of Entities Consolidated: NA

Annexure IV: List of Instruments and Names of Regulators of the Instruments

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

A.	**Rating activities**	
Sr. No.	**Instrument / activity Name**	**Regulator of the instruments**
1	**Listed/Proposed to be listed bonds/debentures/preference share (all securities)**	**SEBI**
2	**Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)**	**MCA**
3	**Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)* $**	**RBI**
4	**Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)***	**SEBI**
5	**Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)***	**RBI**
6	**Listed Commercial Paper and NCDs with original maturity less than 1 year**	**RBI**
7	**Unlisted Commercial Paper and NCDs with original maturity less than 1 year**	**RBI**
8	**Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs ^**	**RBI**
9	**External Commercial Borrowings and other similar borrowings**	**RBI**
10	**Certificates of Deposit**	**RBI**
11	**Fixed Deposits raised by NBFCs,HFCs, FIs**	**RBI**
12	**Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs**	**MCA**
13	**Inter Corporate Deposits/Loans extended by Corporates**	**MCA**
14	**Borrowing programme ~**	**-**

15	**Issuer Ratings #**	**-**
16	**Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)**	**SEBI**
17	**Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs**	**SEBI**
18	**Listed Security Receipts $**	**RBI**
19	**Unlisted Security Receipts**	**RBI**
20	**Independent Credit Evaluation (ICE)**	**RBI**
21	**Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities))**	**SEBI**
22	**Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities))**	**MCA**
23	**Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) ***	**Investor-side regulator such as IRDAI, PFRDA @**

* Includes securitisation transactions involving assignee payout, acquirer's payout.
~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), Brick Work Ratings India Private Limited (BWR) shall separately capture the rated quantum details along with names of respective regulators.
^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
# There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.
@ These ratings were assigned during regulatory regime prior to introduction of SEBI CRA Circular dated Feb 10, 2026 and the investor side regulators have accordingly been included.
$ By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

B.	Other Activities	Regulator of the Instruments
1	**Monitoring Agencies**	**SEBI**
2	**Research activities incidental to rating such as research for Economy, Industries and Companies**	**NA**

Grievance Management

For any grievances relating to rating of instruments regulated by SEBI, please contact **sebigrievance@brickworkratings.com.** Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.
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Disclosure of Conflict of Interest

BWR Board of Directors have no influence over rating decisions, nor do they sit on the rating committees or review, discuss, or evaluate any credit ratings during the Board meetings.

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Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and is accredited by Reserve Bank of India [RBI]. BWR is the 5th agency to get a credit rating registration in India in 2009 and its corporate office in Bengaluru. It has a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi, along with representatives in 150+ locations. Canara Bank is an institutional investor in Brickwork.

Brickwork offers credit ratings of bank loans, non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporate and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Urban Local Bodies and Municipal Corporations.

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