Highway Infrastructure Limited

July 27, 2026

Rating Action

Total Bank Loan Facilities Rated	**Rs. 200.88 Crore**	**Regulator^**
Long Term Rating	**IVR BBB+/Stable (Rating Assigned)**	**RBI**
Short Term Rating	**IVR A2 (Rating Assigned)**	**RBI**
^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.		

Refer Annexures for details of facilities/instruments, facility wise lender details, and detailed explanation of covenants.

Note: *None of the Directors on Infomerics Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

Rationale

The ratings assigned to the bank facilities of Highway Infrastructure Limited (HIL) derive strength from the extensive experience of its promoter in the infrastructure industry and diversified revenue stream with diversified geographical presence. The ratings also consider healthy scale of operation of the company in FY26 [FY refers to the period from April 1 to March 31] coupled with satisfactory capital structure and satisfactory debt service coverage indicators. The rating also positively notes the strong order book position of the company reflecting a healthy near to medium term revenue visibility. However, these rating strengths are partially offset by HIL's moderate operating margin in FY26, short term tenure of toll collection contracts and uncertainty regarding renewal of contract for toll collection, exposure to traffic risk and other challenges pertaining to toll operation business, presence in highly fragmented & competitive operating scenario, susceptibility of operating margin to volatile input prices, sizeable working capital requirement and bank guarantee execution risk.

Outlook: Stable

The stable outlook reflects HIL is expected to maintain its growth trajectory in the near to medium term, supported by timely and efficient execution of its existing order book and its demonstrated ability to secure new orders.

Analytical Approach

Approach	Comments
Consolidation/ Standalone	Consolidated
Parent/ Group Support	For arriving at the rating, IVR has considered consolidated financials of Highway Infrastructure Limited (HIL) and its subsidiary – Highway and Tandon Tollways Private Limited. (List of entities consolidated are mentioned in Annexure 4)

Key Rating Drivers with Detailed Description

Strengths

- **Extensive experience of the promoters in the construction industry**

Mr. Arun Kumar Jain is the managing director of the company having a vast experience of over three decades in the field of real estate and civil construction business. Benefits derived from the promoters' experience along with their strong understanding of construction industry and healthy relationship with customers and suppliers is expected to continue and support the business going forward. The company is also being supported by a team of experienced and qualified professionals in managing its day-to-day business activities.

- **Diversified revenue stream with diversified geographical presence**

Highway Infrastructure Limited (HIL) derives its revenues from three business segments, namely toll collection, engineering, procurement and construction (EPC), and real estate development, resulting in diversification of its revenue profile. The toll collection business is the company's principal revenue contributor (~77% of TOI in FY26) and differentiates its business model from that of conventional EPC contractors. HIL undertakes toll collection contracts awarded primarily by the National Highways Authority of India (NHAI) and various state government agencies across multiple states. The company also executes EPC projects (~19% Total operating income (TOI) in FY26) involving highways, bridges, urban infrastructure, and residential and commercial buildings for government agencies, including NHAI, Public Works Departments (PWDs), and municipal bodies. In addition, HIL has a relatively modest presence in the real estate segment through the development of plotted townships, residential housing, and commercial projects. While the toll collection business provides relatively stable cash flows, the EPC and real estate segments support revenue diversification and augment the company's overall business profile. The company benefits from nearly three decades of operating experience, established relationships with government authorities, geographical diversification across multiple states and Union Territories. The current order book of the company spans across various states like Madhya Pradesh, Andra Pradesh, Gujarat, Uttar Pradesh, Haryana, Rajasthan, Delhi, Punjab and Chhattisgarh thereby indicating a geographically diversified revenue profile for the company.

- **Healthy scale of operation albeit, moderate operating margin**

HIL's operating income witnessed a sharp increase from Rs.269.43 crore in FY23 to Rs. 576.56 crore in FY24, supported by healthy execution across its toll collection and EPC businesses. Although the operating income moderated to Rs.503.73 crore in FY25, it improved to Rs. 612.98 crore in FY26, reflecting sustained business momentum and healthy order execution. Toll segment has witnessed y-o-y growth of ~23% from Rs. 382.41 crore in FY25 to Rs.471.43 crore in FY26 primarily driven by

higher toll collections under NHAI fee collection contracts, supported by a larger scale of operations coupled with higher traffic across the awarded projects. Against the collections, the company remitted ~Rs.438 crore to NHAI as royalty/contract consideration and retained the balance surplus of ~Rs.33 crore as its earnings from toll collection operations. The EPC segment has witnessed steady growth, with its contribution to TOI increasing from ~13% in FY24 to ~19% in FY26, reflecting the gradual scaling up of the execution business. Revenue from the real estate segment continues to remain modest, contributing less than ~2% of the total operating income during the period. EBITDA increased from Rs.22.80 crore in FY23 to Rs.41.55 crore in FY24, before moderating to Rs.39.34 crore in FY25 and Rs.31.04 crore in FY26. Consequently, the operating margin declined to around 5.1% in FY26 from 7.2%-8.5% during FY22-FY24. The decline in operating profitability was primarily attributable to increase in sub-contracting expenses and site labour expenses. The combined subcontracting and site labour expenses increased to around 84% of work contract receipts in FY26 as against 78% in FY25, indicating a higher cost of project execution during the year. Further, the EBITDA margin was adversely impacted by increase in employee cost by ~30% i.e. from Rs.9.02crore in FY25 to Rs.11.81 crore in FY26 and higher bad debt expense of Rs.4.68 crore recognised during FY26. Despite the moderation in operating margins, the company's net profitability remained healthy, with PAT increasing to Rs. 31.81 crore in FY2026 from Rs. 22.40 crore in FY2025 (Rs.21.41 crore in FY2024), supported by healthy non-operating income and moderate finance costs. Going forward, Infomerics expects HIL's operating profitability to improve with the normalisation of diesel prices, absence of significant one-off provisions, and leverage benefits from higher scale of operations. Nevertheless, the company's ability to maintain an EBITDA margin of around 7%, while effectively managing execution costs, competitive bidding pressures and working capital requirements, will remain a key monitorable.

- **Healthy order book indicating satisfactory revenue visibility**

The company's total order book stood at Rs. 1,614.06 crore as on March 31, 2026, comprising toll collection contracts of Rs.765.71 crore and EPC contracts of Rs. 848.35 crore. The company executed EPC work amounting to Rs. 257.08 crore and remitted royalty of Rs. 239.63 crore to NHAI under its toll collection contracts till March 31, 2026. Consequently, the unexecuted order book stood at Rs. 591.26 crore in the EPC segment and Rs. 526.08 crore in the toll collection segment, providing moderate revenue visibility over the medium term, with the majority of the pending work expected to be executed over the next 12–18 months. Although execution of the existing orders has remained relatively slow, the current order book provides adequate revenue visibility. The company's ability to ensure timely execution of ongoing projects and secure fresh orders on a sustained basis will remain a key rating monitorable.

- **Satisfactory capital structure with satisfactory debt service coverage indicators**

The capital structure of the company had remained comfortable over the past three years marked by its comfortable leverage ratio. Furthermore, HIL successfully completed its initial public offering (IPO) during FY26, and its equity shares were listed on the NSE and BSE on August 12, 2025. The equity infusion through the IPO significantly strengthened the company's capital structure, with its adjusted tangible net worth increasing to Rs. 228.18 crore as on March 31, 2026, from Rs. 117.57 crore as on March 31, 2025. The long-term debt equity ratio and overall gearing ratio on ATNW stood comfortable at 0.09x and 0.48x respectively as on March 31, 2026, as against 0.14x and 0.65x as on March 31, 2025. The total indebtedness marked by TOL/ATNW also improved to 0.69x as on March 31, 2026 (1.02x as on March 31, 2025). Notwithstanding the improvement in leverage ratios, the debt service coverage indicators though continued to remain satisfactory though moderated during FY2026 owing to higher borrowings and lower operating profitability. The interest coverage ratio moderated to 4.89x in FY2026 from 5.29x in FY2025, while the Total Debt/EBITDA ratio thinned to 3.34x from 1.83x over the aforesaid period. Further, after adjusting for the one-time accounting gain recognised during the year, the company's adjusted net cash accruals (NCA) stood at Rs. 14.36 crore in FY2026. Accordingly, the Total Debt/Adjusted NCA ratio moderated to 7.23x as on March 31, 2026, from 2.91x as on March 31, 2025. Infomerics expects the company's financial risk profile to remain comfortable over the medium term, supported by its strengthened net worth following the IPO and the absence of any major debt-funded capital expenditure plans. The debt protection metrics are expected to improve with the anticipated growth in the scale of operations, normalisation of operating profitability and consequent improvement in cash accruals

Weaknesses

- **Short-term tenure of toll collection contracts and uncertainty regarding renewal of contract for toll collection**

The company currently derive majority of its revenues from tollway collection business which are primarily awarded by NHAI. The tender for toll collection generally remains valid for a period of three months to one year. Before the expiry of the contract, NHAI bids the stretch to a new contractor, and the contract is awarded to the highest bidder of license fee. This poses risk for HIL's revenues, and its revenues are linked to its ability to win projects on a continuous basis. Besides, there are several external factors that may result in a NHAI's decision to discontinue awarding projects or prematurely terminate existing projects, including changes in strategic priorities, a demand for price reductions, market dynamics and financial pressures. Suh scenarios may adversely affect the company. However, in the recent past the company has not faced such issues. Moreover, the company has successfully renewed the Kirtarpur Fee Plaza contract in Madhya Pradesh and was awarded a fresh contract effective from August 2026 to July 2027. Additionally,

the company secured four new toll collection contracts during Q4FY26, further strengthening its order pipeline and enhancing revenue visibility for FY27.

- **Exposure to traffic risk and other challenges pertaining to toll operation business**

HIL's presence in toll contracts awarded by the NHAI exposes it to traffic risk, leakage of toll-paying traffic, diversion of traffic to alternate routes and user resistance to pay/accept increase in toll rates. Further, challenges in terms of handling local issues, manpower management and toll management remain the key for satisfactory toll operations.

- **Presence in highly fragmented & competitive operating scenario**

HIL's business is dependent on the company's ability to successfully bid for the tenders. Further, the domestic infrastructure/construction sector is highly fragmented with the presence of many players with varied statures & capabilities. This restricts HIL's operating and financial flexibility.

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, steel, cement, and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the company. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, the presence of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

- **Sizeable working capital requirement and bank guarantee-related risk**

HIL is required to submit security deposit in the form of 15-day cash deposit as well as 15-day BG for a tenure of one-year contract, and 15-day cash deposit for a tenure of three-months contract, to the NHAI. This money is released at the end of the tenure of the contract and around 5% of the company's revenues are stuck as cash deposit. The Gross current asst days of the company stood at 107 days in FY26. Although the current limits are expected to be sufficient for the scale of operations, any significant increase in the toll contracts would necessitate timely increase in the working capital limits and remains a key rating monitorable

Liquidity – Adequate

The company's liquidity position is adequate, supported by a sizeable equity infusion by way of IPO during FY2026, which has strengthened its capital structure and enhanced financial flexibility to support the increased working capital requirements arising from business growth. The average utilisation of the working capital limits also remained satisfactory at ~53% over the past 11 months ended March 31, 2026. Although the company reported negative cash flow from operations in FY2026 owing to higher working capital intensity to support the growth in scale of operations, the same was largely funded through the equity infusion. Nevertheless, the company has minimal debt repayment obligations in the range of Rs.1.44 crore to 3.11 crore during FY27 - FY29 and is expected

to generate healthy cash flow from operations to support its debt servicing in the near to medium term. Moreover, in the absence of any significant debt-funded capital expenditure plans, Infomerics expects the company's liquidity position to remain adequate over the medium term.

Rating Sensitivities

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis resulting in improvement in debt coverage metrics
- Sustenance of the capital structure with improvement in debt service coverage indicators marked by improvement in interest coverage ratio to over 5x on a sustained basis
- Improvement in the working capital management leading to improvement in GCA days on a sustained basis

Downward Factors

- Material decline in revenue or pressure on profitability margin adversely impacting the debt coverage metrics
- Moderation in capital structure marked by moderation in TOL/TNW to over 3x
- Moderation in liquidity marked by elongation in GCA days on a sustained basis

About the Company

Highway Infrastructure Limited (HIL), incorporated in 2006 (originating from a partnership established in 1995) by Mr. Arun Jain and Mr. Anoop Agarwal is an Indore-based infrastructure company engaged primarily in tollway collection, engineering, procurement and construction (EPC) of roads and civil infrastructure, and real estate development. The company was converted into a public limited company in 2018 and subsequently listed following its IPO in August 2025. Toll collection remains the company's primary revenue-generating segment. The promoters possess over three decades of experience in the toll collection industry and infrastructure project execution across multiple states in India.

About the Group

The group comprising of Highway Infrastructure Limited (HIL) along with its one subsidiary company 'Highway & Tandon Tollways Private Limited' and one unincorporated subsidiary entity 'Highway & Tondon Tollways' being an association of person over which the company has substantial control has been dissolved on 23rd June 2025, is engaged in business of running toll plazas. Construction activities and real estate development.

Key Financial Indicators (Consolidated):

(Rs. crore)

For the year ended/ As on*	31-03-2025	31-03-2026
	Audited	Audited

Total Operating Income	503.73	612.98
EBITDA	39.34	31.04
PAT	22.40	31.81
Total Debt	72.12	103.81
Tangible Net Worth (TNW)	117.57	228.18
EBITDA Margin (%)	7.81	5.06
PAT Margin (%)	4.44	5.02
Overall Gearing (times)	0.65	0.48
Interest Coverage (times)	5.29	4.89

**Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company*

Key Financial Indicators (Standalone):

(Rs. crore)

For the year ended/ As on*	**31-03-2025**	**31-03-2026**
	Audited	**Audited**
Total Operating Income	430.98	607.09
EBITDA	33.39	31.41
PAT	19.66	32.10
Total Debt	61.38	91.73
Tangible Net Worth (TNW)	112.69	228.10
EBITDA Margin (%)	7.75	5.17
PAT Margin (%)	4.56	5.12
Overall Gearing (times)	0.58	0.42
Interest Coverage (times)	4.94	4.97

**Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company*

Applicable Criteria

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria for assigning Rating outlook

Policy on Default Recognition and Post Default Curing Period

Complexity Level of Rated Instruments/Facilities

Consolidation of Companies

Status of non-cooperation with previous CRA: Brickworks Ratings through its press release dated June 06, 2026, continued the rating of "Highway Infrastructure Limited" in the 'Issuer Not Cooperating' category on account of inadequate information received from the company to carry out the review.

Any other information: Nil

Rating History for last three years

Sr. No.	Instruments / Facilities	Current Ratings (Year 2026-27)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2025-26	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24
					-	-	-
1.	Fund based facilities	LT/ST	96.48	IVR BBB+/Stable/ IVR A2	-	-	-
2.	Non-Fund based facilities	ST	104.40	IVR A2	-	-	-

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook	Listing Status	Regulator^	Complexity Indicator
Cash Credit	-	-	-	-	49.00	IVR BBB+/ Stable	-	RBI	Simple
WCDL	-	-	-	-	30.00	IVR BBB+/ Stable	-	RBI	Simple
Bank Overdraft	-	-	-	-	17.48	IVR A2	-	RBI	Simple
Bank Guarantee	-	-	-	-	104.40	IVR A2	-	RBI	Simple

^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.

Annexure 2: Facility wise lender details:

https://infomericstorage.blob.core.windows.net/uploads/len_highwayinfra_july26_20a79d34a5.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for Consolidated/Combined analysis:

Name of the company	Consolidation Approach	Rationale for consolidation
Highway Infrastructure Limited	Full consolidation	Holding company
Highway and Tandon Tollways Private Limited	Full consolidation	Subsidiary Company

Annexure 5: List of activities / instruments and names of regulators

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference Shares	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) *	SEBI
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/Loans from overseas lenders/Loans from Multilaterals	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, 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 ~	Refer foot note
15	Issuer Ratings #	Refer foot note
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	SEBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
24	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) @	Investor-side Regulator such as IRDAI, PFRDA

Footnotes:

** 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 Press Release(s) subsequent to issuance(s), CRA shall separately capture the rated quantum details along with names of respective regulators.

 # 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.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

@ These ratings were assigned during regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side regulators have been included.

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