



Press Release
ULCCS KASARAGOD EXPRESSWAY PRIVATE LIMITED
October 01, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	563.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	563.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple Bo**)n Rs.563.00 Cr bank facilities of ULCCS Kasaragod Expressway Private Limited (UKEPL). The outlook is '**Stable**'.

Rationale for reaffirmation:

The reaffirmation of rating factors in the achievement of commercial operations date (COD) in August 2025 with the project reporting 99.02 percent physical progress, indicating minimal execution risk. The rating also positively factors in annuity-based revenue visibility from National Highway Authority of India (NHAI) which is expected to commence from February 2026. The rating also draws comfort from the presence of corporate guarantee from the parent – Uralungal Labour Contract Cooperative Society Limited (ULCCSL) and strong counterparty profile of NHAI. The rating is constrained on account of susceptibility of cash flows to risks related to delay in receipt of annuity and changes in operational cost & interest rate.

About the Company

ULCCS Kasaragod Expressway Private Limited(UKEPL) was incorporated on 12 April 2021 with its registered office in Kerala. As on date, the company has 2 directors having active directorship; they are Mr. Remeshan Palery and Ms. Meethale Maniyoth Surendran. The company was incorporated to undertake the NHAI project for Six laning of Thalapady to Chengala section of National Highway under Bharatmala Project on Hybrid Annuity Mode (HAM). The total length of the project is 39 kms.

About the Group

Uralungal Labour Contract Cooperative Society Limited (ULCCSL), was formed in a rural pocket in Malabar region in North Kerala. ULCCS was formed in 1925 by the disciples of eminent social reformer Sri Guru Vagbhatananda in a village called Uralungal near Vatakara in Kozhikode District of Kerala. The major share holder of the society is Government of Kerala, which holds 84.7 percent of the issued shares and rest are held by the members of the society. ULCCS undertakes civil construction work in Infrastructure development in Kerala and is one of the most preferred organizations for development of roads, bridges, buildings and allied infrastructure. Major clients of the Society include National Highways Department for Highway projects, Public Works Department of Govt. of Kerala (GoK) for State Road Development, Central Ministries such as Ministry of Panchayat Raj for rural roads under Pradhan Mantri Gram Sadak Yojana (PMGSY), several state government ministries such as Local Self Government, Co-operation, Tourism etc., and a host of reputed private enterprises. ULCCS has grown to be the biggest Labour Contract Society in the State, providing direct employment to more than 13,000 workers all over Kerala.

Unsupported Rating

ACUITE BB+/Stable

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of UKEPL and has factored support from the sponsor of the project i.e. ULCCSL to arrive at final rating.

Key Rating Drivers

Strengths

Support from Sponsor and Low execution risk

The execution for the project remains low as the company achieved ~99.2 percent physical progress with provisional commercial operations date achieved on August 25, 2025. Although the project witnessed a revision in commercial operations date (COD) from April 01, 2025 to August 25, 2025 along with a moderate escalation in project cost from Rs.1,485.84Cr to Rs.1,512.92Cr, the same has been adequately funded through promoters' contribution and interest income from deposits. With 99.02 percent of the work completed as on August 31, 2025, the risk of any further significant cost or time overrun is minimal. Acuite believes the execution risk is largely mitigated given the near completion status of the project while the demonstrated support from the ULCCS in terms of funding and execution capability is expected to aid in smooth transition of the project to the operational phase.

Benefits derived from the annuity-based revenue model and Strong counterparty profile

The project is structured under hybrid annuity model (HAM), wherein NHAI makes bi-annual payments over the concession period to the concessionaire. The company does not bear any traffic risk as it recovers whole of the capital cost through annuity. Additionally, biannual operational and maintenance expense and interest cost reimbursement to the extent of bank rate + 1.25 percent, ensures stable cash flows during the concession period. During the operational phase, the project shall receive 60 per cent of the actual completion cost adjusted for Price Index Multiple, in the form of biannual annuity instalments from NHAI for 15 years, with first payment expected in February 2026. The strong profile of NHAI as the counterparty significantly mitigates payment default risk. Acuite believes, the annuity-based revenue model provides strong visibility of cash flows and eliminates traffic-related risks.

Presence of ESCROW mechanism:

UKEPL has escrow mechanism through which cash flows from authority will be routed and used for payment as per the defined payment waterfall. Only surplus cash flow after meeting operating expense, debt servicing obligation, and provision for major maintenance expense, can be utilised as per borrower's discretion during the concession period. Furthermore, ULCCS has given an irrevocable and unconditional corporate guarantee to the borrowings of UKEPL. Also, the borrower/sponsor shall maintain DSRA which is to be created from proceeds of first and second annuity, of an amount equivalent to the next six months of principal, interest, fees and all other obligations due and payable in respect of facility amount.

Weaknesses

Susceptibility to risks related to delay in receipt of annuity and changes in operational cost & interest rate

The company remains exposed to the risks arising from any delay in receipt of annuity payments from NHAI, which forms the sole source of revenue for debt servicing. Further, any adverse variation in operational and maintenance (O&M) costs or increase in major maintenance expenditure could put pressure on cash flows. The company is also exposed to interest rate fluctuation risk given the floating nature of its debt, which may impact the debt servicing coverage ratios in case of significant upward movements. Acuite believes that while presence of a corporate guarantee from ULCCS and the fixed annuity structure provide comfort, the company's cash flows will remain inherently susceptible to timeliness of NHAI disbursements, volatility in operating costs and changes in interest rate.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

The presence of Escrow mechanism is considered adequate as it ensures prioritization of the debt servicing from the project cash flows.

Stress scenario:

In the stress scenarios, DSRA reserve, Escrow mechanism and corporate guarantee by parent company expected to aid the timely debt obligations.

Rating Sensitivities

- Timely receipt of annuity from NHAI without delays.
- Any changes in credit rating of sponsor or the Government of Kerala.

Liquidity position: Adequate

The liquidity position of the company is adequate marked by strong resource mobilization from its sponsor entity. The project achieved provisional commercial operations date on August 25, 2025 with the first semi-annual annuity expected from NHAI in February 2026. Consequently, there are no operating cash inflows until February 2026. The debt service reserve account (DSRA) is to be created out of the proceeds of the first annuity and remains unfunded as on date. While debt obligations are expected to be aligned with the revised COD, the formal revision in the repayment schedule is still pending, which poses a potential timing mismatch risk. Liquidity is however, supported by the presence of Escrow mechanism, DSRA and support from sponsor for any shortfalls, which provides comfort in case of delay in annuity receipts. Going forward, the company's liquidity will remain dependent on the timely receipts of annuities from NHAI.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	354.74	410.79
PAT	Rs. Cr.	0.68	0.80
PAT Margin	(%)	0.19	0.19
Total Debt/Tangible Net Worth	Times	2.05	1.48
PBDIT/Interest	Times	1.02	1.06

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jul 2024	Term Loan	Long Term	563.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
06 Apr 2023	Term Loan	Long Term	25.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB (CE) Stable)
	Term Loan	Long Term	538.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB (CE) Stable)
06 Jan 2022	Term Loan	Long Term	538.00	ACUITE BBB (CE) Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE BBB (CE) Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Term Loan	04 Oct 2021	Not avl. / Not appl.	30 Apr 2038	563.00	Simple	ACUITE BBB Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

S.No	Company name
1	Uralungal Labour Contract Cooperative Society Limited
2	ULCCS Kasaragod Expressway Private Limited

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About Acuité Ratings & Research

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