

March 27, 2024

Gujarat Road and Infrastructure Company Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture programme	135.00	122.50	[ICRA]AAA(Stable); Reaffirmed
Non-convertible debenture programme	12.50	-	[ICRA]AAA(Stable); Reaffirmed and Withdrawn
Total	147.50	122.50	

*Instrument details are provided in Annexure-I

Rationale

ICRA has withdrawn the outstanding rating on the Rs. 12.50-crore non-convertible debenture (NCD) programme of Gujarat Road and Infrastructure Company Limited (GRICL) as the rated instrument has been fully repaid and there is no amount outstanding against the same. This is in accordance with ICRA's policy on withdrawal.

GRICL is a special purpose vehicle (SPV) floated for developing two state road project stretches in Gujarat - (a) Ahmedabad Mehsana Road Project (AMRP) (on SH41), which accounted for ~55% of GRICL's revenues {excluding Government of Gujarat (GoG) compensation} in FY2023 and 9MFY2024, and (b) Vadodara Halol Road Project (VHRP) (on SH87), which contributed the balance ~45%.

The rating reaffirmation continues to factor in GRICL's robust debt coverage metrics, strong liquidity position and the established tolling track record of more than two decades for both the stretches. The overall toll collections excluding GOG compensation, increased at a healthy CAGR of 12.4% during FY2018-FY2023. The growth momentum sustained in FY2024 as well, with toll collection growth of 15.8% (YoY) in 9M FY2024, driven by a ~11% YoY rise in traffic and average 4.4% increase in toll rate. The rating also takes support from structural features - debt service reserve account (DSRA) of Rs. 25 crore as on December 31, 2023, major maintenance reserve of Rs. 15 crore, escrow mechanism, cash flow waterfall and provision for cash trap.

GRICL is exposed to the risks inherent in BOT (toll) road projects, including risks arising from the political acceptability of the rate hikes linked to higher of consumer price index (CPI) or wholesale price index (WPI) over the concession period and development/improvement of alternative routes and likelihood of toll leakages, though the existing alternative routes are either longer or are in sub-par condition and therefore pose low risk of traffic diversion. In the absence of a pre-defined major maintenance (MM) schedule in the Concession Agreement, periodic maintenance is required on a need basis, which may result in a volatility in operating expenses/cash outflows. The company undertakes periodic maintenance on need basis, and the major maintenance expenditure for FY2024 is estimated at Rs. 8.5 crore out of which Rs 7.5 crore has been incurred till February 2024. The company's ability to undertake routine and periodic maintenance within the budgeted costs remains important.

On July 30, 2016, the GoG had announced toll exemption for cars, jeep, van and state transport buses on state highways w.e.f. August 15, 2016. Till December 2023, the company received ~99% of the total claims made to GoG. The claims made during November 2023 - February 2024 are expected to be received by March 2024.

ICRA has taken note of GRICL's concession agreement (CA), wherein the concession period is linked to the return on investment (assured return on investment of 20%). Given that the recovery rate so far has been lower than the assured return, the company has requested the GoG to extend the concession period till 2040. Approval on same from the authority is awaited.

ICRA takes note that Highways Infrastructure Trust (HIT), sponsored by Galaxy Investments II Pte. Ltd, an affiliate with funds, vehicles and/or entities managed and/or advised by affiliates of KKR & Co. Inc., has completed the takeover of GRICL from its erstwhile sponsors, the Macquarie Group, on January 24, 2024.

The Stable outlook on the [ICRA]AAA rating reflects ICRA's opinion that GRICL will continue to benefit from the robust cash flows, low indebtedness and strong coverage metrics.

Key rating drivers and their description

Credit strengths

Long operational track record – The rating factors in the favourable location and operational nature of the project with a toll collection track record of more than two decades for both the stretches. The overall toll collections of GRICL, excluding GoG's compensation, increased at a healthy CAGR of 12.4% during FY2018-FY2023. The growth momentum sustained in FY2024 as well, with toll collection growth of 15.8% (YoY) in 9M FY2024, driven by a ~11% YoY rise in traffic and average 4.4% increase in toll rate.

Robust debt coverage indicators – The company is projected to have strong debt service cover over the tenure of the NCDs with cumulative DSCR of over 9 times. Its liquidity position is strong supported by unencumbered cash balance of Rs. 369.6 crore as on December 31, 2023. Further, GRICL had reserves of Rs. 40 crore as on December 31, 2023 towards the DSRA (Rs. 25 crore) and major maintenance.

Structural features provide credit support to NCDs – The structural features like presence of DSRA, major maintenance reserve, escrow mechanism, cash flow waterfall, provision for cash-trap mechanism and mandatory prepayment upon breach of certain triggers provide credit support to the NCDs.

Credit challenges

Risks inherent in BOT (toll) road projects, asset concentration – The project's cash flows remain exposed to risks inherent in BOT (Toll) road projects, including risks arising from variation in traffic volumes over the project stretch and its dependence on economic activity in the surrounding region, movement in CPI (for toll rate hike), the political acceptability of toll rate hike over the concession period, development/improvement of alternative routes and likelihood of toll leakages. Any significant reduction in either of these will have an adverse impact on toll collections. However, the projected coverage metrics are likely to remain robust even without assuming any growth in traffic. GRICL remains exposed to asset concentration risk though the presence of two separate road stretches provide diversification in revenue stream and mitigate the risk to some extent.

Ensuring routine and periodic maintenance expenses within budgeted levels – In absence of a pre-defined MM schedule in the Concession Agreement, periodic maintenance is required on a need basis, which may result in a volatility in operating expenses/cash outflows. The company undertakes periodic maintenance on need basis, and the major maintenance expenditure for FY2024 is estimated at Rs. 8.5 crore out of which Rs 7.5 crore has been incurred till February 2024. Undertaking routine and periodic maintenance within the budgeted costs would remain important. In this regard, ICRA has taken comfort from the strong cash flow and past track record of undertaking the operations and maintenance(O&M) and MM within the budgeted costs.

Liquidity position: Strong

GRICL's liquidity position remains strong, supported by unencumbered cash balance of Rs. 369.6 crore as on December 31, 2023. Further, it had reserves of Rs. 40 crore as on December 31, 2023 towards the DSRA (Rs. 25 crore) and major maintenance. The balance debt servicing obligations of Rs. 15.3 crore in March 2024 and Rs. 34.3 crore in FY2025 can be comfortably met through the expected cash flows from operations.

Rating sensitivities

Positive factors – NA

Negative factors – Pressure on the rating could emerge if there is any significant decline in traffic, reducing the toll collections and impacting the coverage indicators, or if the regular O&M and MM expenditure is significantly above the budgeted cost. Non-adherence to debt structure or additional indebtedness which could have a material impact on coverage metrics will also trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – BOT Toll Road Projects Policy on withdrawal of Credit Ratings
Parent/Group support	NA
Consolidation/Standalone	The ratings is based on the standalone financial profile of the company

About the company

GRICL is promoted by HIT (56.80%), GoG (16.40%) and IL&FS Group (26.8%) for the strengthening and four-laning of the 31.7-km Vadodara-Halol and 51.6-km Ahmedabad-Mehsana stretches. These are the first set of state road highway projects developed in the country on build, own, operate and transfer (BOOT) model. The total project cost is Rs. 514.88 crore, which was funded through Rs. 297 crore of debt and Rs. 217.88 crore of equity. The Vadodara-Halol stretch commenced operations from October 24, 2000, while Ahmedabad Mehsana achieved COD on February 20, 2003. The concession period for AMRP is till February 2033 and that for the VHRP is till October 2030.

Key financial indicators (audited)

	FY2022	FY2023	9MFY2024*
Operating income (Rs Crore)	220.2	368.3	239.3
PAT (Rs Crore)	108.0	195.2	131.6
OPBDIT/OI	70.01%	87.87%	84.46%
PAT/OI	49.04%	53.01%	54.97%
Total outside liabilities/Tangible net worth (times)	0.33	0.27	-
Total debt/OPBDIT (times)	1.02	0.41	-
Interest coverage (times)	8.56	19.33	18.23

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

The SPV follows Ind AS and key financial ratios are not representative of actual cash flows

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as on Feb 29, 2024 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2020
				Mar 27, 2024	Aug 08, 2023	Mar 31, 2023	April 01, 2022	April 06, 2021	Mar 31, 2020
1 NCD	Long-term	122.50	122.5	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
2 NCD	Long-term	12.50	-	[ICRA]AAA (Stable); Withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-Convertible Debentures	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
INE354H07098	NCD	13-Apr-16	9.00%	31-Mar-23	12.50	[ICRA]AAA(Stable); withdrawn
INE354H07106	NCD	13-Apr-16	9.00%	31-Mar-24	12.50	[ICRA]AAA(Stable)
INE354H07114	NCD	13-Apr-16	9.00%	31-Mar-25	25.00	[ICRA]AAA(Stable)
INE354H07122	NCD	13-Apr-16	9.00%	31-Mar-26	25.00	[ICRA]AAA(Stable)
INE354H07130	NCD	13-Apr-16	9.00%	31-Mar-27	15.00	[ICRA]AAA(Stable)
INE354H07148	NCD	13-Apr-16	9.00%	31-Mar-28	15.00	[ICRA]AAA(Stable)
INE354H07155	NCD	13-Apr-16	9.00%	31-Mar-29	15.00	[ICRA]AAA(Stable)
INE354H07163	NCD	13-Apr-16	9.00%	31-Mar-30	15.00	[ICRA]AAA(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Rajeshwar Burla
+91 40 6939 6443
rajeshwar.burla@icraindia.com

Ashish Modani
+91 20 6606 9912
ashish.modani@icraindia.com

Chintan Lakhani
+91 22 6169 3345
chintan.lakhani@icraindia.com

Ayush Porwal
+91 22 6169 3352
ayush.porwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.