February 27, 2025

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	110.00	97.50	[ICRA]AAA(Stable); Reaffirmed
Non-convertible debenture programme	12.50	-	[ICRA]AAA(Stable); Reaffirmed and Withdrawn
Total	**122.50**	**97.50**	

**Instrument details are provided in Annexure I*

Rationale

Gujarat Road and Infrastructure Company Limited (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 FY2024 and 9M FY2025, and (b) Vadodara Halol Road Project (VHRP) (on SH87), which contributed the balance ~45%.

The rating reaffirmation factors 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 12.9% during FY2018-2024. The growth momentum sustained in FY2025 as well, with toll collection growth of 13.7% (YoY) in 9M FY2025, driven by a ~7.9% YoY rise in traffic and average 5.4% increase in toll rate. The rating takes support from the structural features such as debt service reserve account (DSRA) of Rs. 25 crore as on December 31, 2024, major maintenance reserve of Rs. 15 crore, escrow mechanism, cash flow waterfall and provision for cash trap.

The rating, however, factors in 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 a need basis, and the MM expenditure for FY2025 is estimated at Rs. 35 crore out, of which Rs 18.5 crore has been incurred till December 2024. Its 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 2024, the company received ~96% of the total claims made to GoG. While the claim raised for November 2024 has been received in February 2025, the claim for December 2024 is expected to be received in March 2025.

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 has reaffirmed and withdrawn the rating on the Rs. 12.50-crore non-convertible debenture (NCD) programme of 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.

The Stable outlook on the [ICRA]AAA rating reflects ICRA's opinion that GRICL will 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 12.9% during FY2018-2023. The growth momentum sustained in FY2025 as well, with toll collection growth of 13.7% (YoY) in 9M FY2025, driven by a ~7.9% YoY rise in traffic and average 5.4% 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 a cumulative DSCR of over 10 times. Its liquidity position is strong, supported by unencumbered cash balance of Rs. 133.4 crore as on December 31, 2024. Further, GRICL had reserves of Rs. 40 crore as on December 31, 2024 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 hikes 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 a need basis, and the MM expenditure for FY2025 is estimated at Rs. 35 crore, out of which Rs. 18.5 crore has been incurred till December 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: Strong

GRICL's liquidity position remains strong, supported by unencumbered cash balance of Rs. 133.4 crore as on December 31, 2024. Further, it had reserves of Rs. 40 crore as on December 31, 2024 towards the DSRA (Rs. 25 crore) and major maintenance. The balance debt servicing obligations of Rs. 14.7 crore in Q4 2024 and Rs. 32.1 crore in FY2026 can be comfortably met through the expected cash flows from operations.

Rating sensitivities

Positive factors – Not Applicable

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 – Roads - BOT Toll Policy on withdrawal of Credit Ratings
Parent/Group support	NA
Consolidation/Standalone	The rating 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 the Ahmedabad-Mehsana stretch 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)

GRICL	FY2023	FY2024	9M FY2025*
Operating income (Rs. crore)	368.3	326.4	269.7
PAT (Rs. crore)	195.2	160.8	131.4
OPBDIT/OI (%)	87.87%	77.19%	78.83%
PAT/OI (%)	53.01%	49.27%	48.73%
Total outside liabilities/Tangible net worth (times)	0.27	0.29	-
Total debt/OPBDIT (times)	0.41	0.43	-
Interest coverage (times)	19.33	17.27	18.54

*Source: Company, ICRA Research; *Provisional numbers; All ratios as per ICRA's calculations; 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	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 27, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
NCD	Long-term	97.50	[ICRA]AAA (Stable)	Mar 27, 2024	[ICRA]AAA (Stable)	Mar 31, 2023	[ICRA]AAA (Stable)	Apr 06, 2021	[ICRA]AAA (Stable)
				Aug 08, 2023	[ICRA]AAA (Stable)	April 01, 2022	[ICRA]AAA (Stable)	-	-
NCD	Long-term	12.50	[ICRA]AAA (Stable); Withdrawn	Mar 27, 2024	[ICRA]AAA (Stable)	Mar 31, 2023	[ICRA]AAA (Stable)	Apr 06, 2021	[ICRA]AAA (Stable)
				Aug 08, 2023	[ICRA]AAA (Stable)	April 01, 2022	[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
INE354H07106	**NCD**	13-Apr-16	9.00%	31-Mar-24	12.50	[ICRA]AAA(Stable); withdrawn
INE354H07114	**NCD**	13-Apr-16	9.00%	31-Mar-25	12.50	[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

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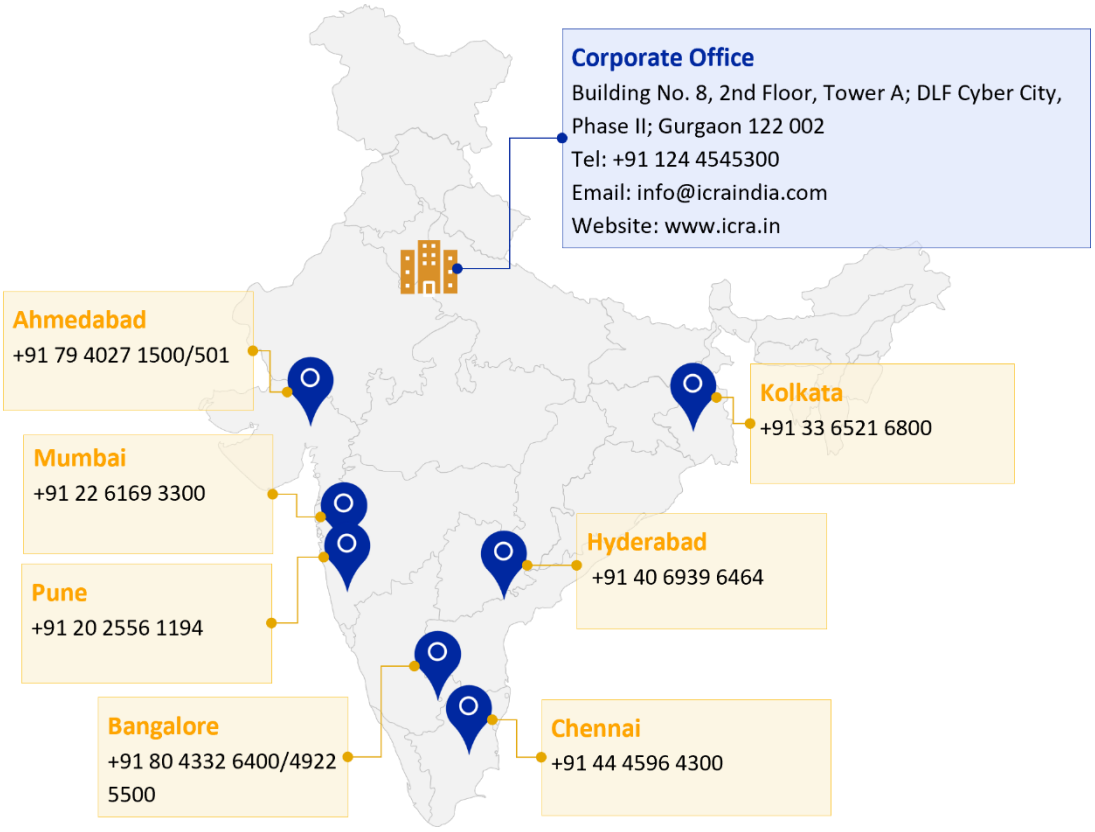

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