# Indus Infra Trust

February 10, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 2,958.35<br>(Reduced from 3,000.00) | CARE AAA; Stable | Reaffirmed |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

Reaffirmation of the rating assigned to long-term bank facilities of Indus Infra Trust (Indus InvIT; formerly known as Bharat Highways InvIT) considers the expected stable cashflows from underlying operational National Highways Hybrid Annuity Mode (HAM) assets having low leverage. The Indus InvIT has acquired eight operational National Highways Authority of India (NHAI; rated 'CARE AAA; Stable') HAM assets diversified across five states from G R Infraprojects Limited (GRIL: rated 'CARE AA+; Stable/CARE A1+'). Eight assets have received 53 annuities till November 30, 2024, without any delays or deductions. The 8 assets are having a residual concession period of between 10.2 and 13.2 years as on December 31, 2024, thereby providing long-term cash flows visibility.

The rating also suitably factors in the benefit of cash pooling at Indus InvIT level leading to robust cash flows, low leverage, and well-defined waterfall mechanism including maintenance of debt service reserve account (DSRA) for one-quarter debt servicing requirement imparting strong debt coverage indicators. Per the terms, if in any quarter, the debt service coverage ratio (DSCR) falls below 1.10x, the entire surplus will be trapped in the Indus InvIT.

Indus InvIT has refinanced entire debt at the eight special purpose vehicle (SPV) level and external debt at InvIT level stood at ₹1,800 crore as on September 30, 2024. Per the valuation report, enterprise value stands at ~₹6,154 crore as on September 30, 2024, leading to the leverage of ~29%. Per management's articulation, the leverage at Indus InvIT level is expected to remain below the stipulated 49% leverage until completion of six quarterly distributions in line with the InvIT regulations. Deviation from the same, shall be key rating monitorable. Rating also takes the note of the approval of GST change in law (CIL) for one of the eight assets and GST CIL being in process for seven assets. While GST CIL is expected to be credit neutral from cash flow perspective, any significant outflow towards GST is one of the rating sensitivities.

The above rating strengths are tempered by the inherent interest rate risk, and operation & maintenance (O&M) and major maintenance (MM) risk associated with road projects. CARE Ratings notes that O&M and MM assumptions factored in by Indus InvIT in its base case are based on the independent report. However, CARE Ratings has sensitised Indus InvIT's cashflow and has found debt coverage indicators to be strong. The acquired eight SPVs have entered fixed-price O&M and MM contracts with the Aadharshila Infratech Private Limited (AIPL: Sponsor and Project Manager; rated 'CARE AA+; Stable') and AIPL has entered back-to-back fixed-price O&M and MM Sub-Contracts with GRIL, which is a credit positive given the latter's established experience in construction and maintenance of these roads.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors:** Not applicable

**Negative factors**

- Substantial delay in receipt of annuities or considerable deduction in annuities payments on a sustained basis impacting debt coverage indicators.
- Any significant debt-funded acquisition of assets resulting in deterioration of overall DSCR below 1.2x.
- Non-adherence to terms of sanction.
- Higher-than-envisaged O&M and MM expense leading to overall DSCR falling below 1.2x.
- Deterioration in credit profile of counterparty.
- Significant outflow in GST impacting the debt coverage indicators.

**Analytical approach:** Consolidated

The credit profile of Indus InvIT factors in the consolidated business and financial risk profile of underlying assets under Indus InvIT. The debt at the Indus InvIT level will be serviced from cash flows which is up-streamed from the underlying SPVs. The

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

DSCR testing for the restricted payment conditions would be at the Indus InvIT level. Entities consolidated in Indus Infra Trust as on September 30, 2024 are listed in Annexure-6.

**Outlook:** Stable

The Stable outlook is considering expectation of stable cash flows from the underlying assets of Indus InvIT having strong counterparty and low leverage.

## Detailed description of key rating drivers:

## Key strengths

### Stable cashflow and operational track record of underlying assets

Indus InvIT had acquired seven operational NHAI HAM assets from GRIL in March 2024. Indus InvIT has acquired one more HAM asset, GR Aligarh Kanpur Highway Private Limited (GAKHPL), from GRIL on September 17, 2024. The eight underlying assets are diversified across five states of Gujarat, Uttar Pradesh, Maharashtra, Andhra Pradesh, and Punjab. Acquired eight assets in total have track record of receipt of 53 annuities from NHAI without delays or deductions till December 2024.

The 8 assets have a residual concession period of between 10.2 years and 13.2 years as on December 31, 2024, providing long-term cash flows visibility to Indus InvIT. On a collective basis, the portfolio assets had a weighted average residual project life of ~11.4 years as on December 31, 2024. Of the acquired eight assets, six assets have received final commercial operation date (COD), while balance two have received provisional COD with minimal pending work. In its analysis, CARE Ratings has considered completion cost for the two projects at the time of PCOD. CARE Ratings understands that balance construction responsibility is lying with the GRIL as and when the land is handed over, which mitigates risk to an extent.

### Strong credit profile of counterparty

Incorporated by the Government of India (GoI) under an Act of the Parliament as a statutory body, NHAI functions as the nodal agency for development, maintenance and management of the national highways in the country. NHAI is vested with executive powers for developing national highways in India by the Ministry of Road Transport & Highways (MoRTH). The outlook on NHAI reflects the outlook on the sovereign, whose direct and indirect support continues to be the key rating driver.

### Strong debt coverage indicators and low leverage

Indus InvIT's consolidated cash flow has a robust cover with strong debt coverage indicators owing to low leverage. The debt structure stipulates a DSRA of one quarter and financial covenant of minimum DSCR of 1.10x. If in quarter, the DSCR falls below 1.10x, the entire surplus will be trapped in the Indus InvIT.

Indus InvIT has refinanced entire debt at the eight SPVs and external debt at InvIT stood at ₹1,800 crore as on September 30, 2024. Per the valuation report, enterprise value stands at ~₹6,154 crore as on September 30, 2024. Accordingly, the leverage of Indus InvIT stood at ~29%. Per management's articulation, the leverage at Indus InvIT level is expected to remain below the stipulated 49% leverage until completion of six quarterly distributions in line with the InvIT regulations. Deviation from the same, shall be key rating monitorable.

### Sound and resourceful management group

Indus InvIT is backed by the experienced management team of AIPL and GR Highways Investment Manager Private Limited (GRHIMPL: Investment Manager). The management team has a rich experience in sectors including in the road and highways sector and brings expertise in the areas of business strategy, operational, and financial capabilities. In addition, Indus InvIT Assets will be managed by qualified personnel of the Project Manager.

### Impact of Goods and Service Tax

With annuity payments being brought under the Goods and Service Tax (GST) regime, operational HAM projects are eligible to receive a Change in Law (CIL) payment on annuities. While GST on interest annuities are being fully released by NHAI, GST on construction annuity and O&M annuity shall be received per approved CIL rate per the extant guidelines laid down by the authority. As on December 31, 2024, CIL rate has been approved by NHAI only in one SPV, while finalisation of CIL rate for balance SPVs is under process. However, the SPVs have sufficient Input Tax Credit (ITC) to discharge its GST obligations until the clarity on CIL is received. CARE Ratings expects that applicability of GST is credit neutral for InvIT.

### Inherent O&M risk largely mitigated by strong cash flows and track record of GRIL

The O&M and MM assumptions factored in by the Indus InvIT in its base case are based on the independent report. Riding quality is good basis roughness index. However, CARE Ratings has sensitised Indus InvIT cashflow and has found debt coverage indicators to be strong. GRIL is the O&M contractor for eight acquired projects in the balance concession period. The project manager has entered back-to-back fixed-price O&M and MM sub-contract with GRIL for the balance concession period an option to renegotiate the price at the end of seven years. GRIL has strong executional and operational capabilities in developing and operating multiple HAM-based road projects. No major maintenance reserve (MMR) is proposed under the lending documentation, and as articulated by the management, the cash pooling at Indus InvIT level shall generate sufficient cashflows to incur the MM expense in the year when it falls due.

## Key weakness

**Inherent interest rate risk and risk related to acquisition of debt-funded assets in future**

Indus InvIT is exposed to the inherent interest rate risk as its interest annuities and interest on debt are having floating interest rate linked to external benchmark. Any reduction in the bank rate can impact quantum of interest annuities and increase in interest rate of term debt can lead to higher interest obligation. Hence, material change in these components could impact the debt coverage indicators. However, the risk is mitigated to an extent as the movement in interest rate on term debt and interest on annuities shall move in the same direction.

Indus InvIT plans to add operational assets limited to the road sector in the medium term. It has a right of first offer (ROFO) agreement with GRIL and is also looking into various NHAI-operational HAM projects of other developers. Any acquisition of weak assets with large debt and low revenue potential, significantly impacting debt coverage indicators and debt/EV shall be key rating monitorable.

## Liquidity: Strong

The liquidity position of Indus InvIT is strong marked by fixed stream of revenue and creation of DSRA for one quarter of debt servicing till the tenor of the debt. Indus InvIT had DSRA balance of ₹95.25 crore as on December 31, 2024. Debt structure stipulates financial covenant of minimum DSCR of 1.10x. If in any quarter, the DSCR falls below 1.10x, the entire surplus will be trapped in the Indus InvIT. The term loans will be amortised in a structured quarterly repayment. The debt repayment is structured in a way that the repayment obligation (FY27-FY28) in the first cycle of MM activity in the project stretch will be as low as 8%-10%.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

## Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Road Assets-Hybrid Annuity
Infrastructure Investment Trusts (InvITs)
Infrastructure Sector Ratings

## About the company and industry

## Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Services | Services | Transport Infrastructure | Road Assets–Toll, Annuity, Hybrid-Annuity |

Indus InvIT is an infrastructure investment trust and has received its registration certificate from SEBI on August 3, 2022. It has acquired 100% of the equity shares in each of the eight project SPVs from GRIL. Indus InvIT is sponsored by AIPL, with GRHIMPL as its investment manager, AIPL as the project manager and IDBI Trusteeship Services Ltd as the trustee. Indus InvIT was listed on NSE and BSE platform on March 12, 2024.

| Brief Consolidated Financials (₹ crore) | March 31, 2024 (A) | H1FY25 (UA) |
|---|---|---|
| Total operating income | NM | 363 |
| PBILDT | NM | 279 |

| Brief Consolidated Financials (₹ crore) | March 31, 2024 (A) | H1FY25 (UA) |
|---|---|---|
| PAT | NM | 215 |
| Overall gearing (times) | NM | NA |
| Interest coverage (times) | NM | 4.93 |

A: Audited UA: Unaudited; NA; Not available; NM: Not meaningful as the InvIT got listed in March 2024; Note: these are latest available financial results

Note: Financials are per IND-AS, wherein, it has recognised financial assets as the present value of annuities receivables under its concession (discounted based on effective interest rate method) and interest income on these assets as it accrues during the year. Hence, these financials are less meaningful.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Term loan | | - | - | 31-03-2037 | 2958.35 | CARE AAA; Stable |

## Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Term loan | LT | 2958.35 | CARE AAA; Stable | 1)CARE AAA; Stable (05-Apr-24) | 1)Provisional CARE AAA; Stable (04-Dec-23) | - | - |

LT: Long term

## Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

## Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Term loan | Simple |

## Annexure-5: Lender details

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| To view lender-wise details of bank facilities please click here |

**Annexure-6: List of entities consolidated**

| Sr No | Name of the entity | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| 1 | GR Phagwara Expressway Limited | Full | Wholly owned subsidiary |
| 2 | Porbandar Dwarka Expressway Private Limited | Full | Wholly owned subsidiary |
| 3 | Varanasi Sangam Expressway Private Limited | Full | Wholly owned subsidiary |
| 4 | GR Akkalkot Solapur Highway Private Limited | Full | Wholly owned subsidiary |
| 5 | GR Sangli Solapur Highway Private Limited | Full | Wholly owned subsidiary |
| 6 | GR Dwarka Devariya Highway Private Limited | Full | Wholly owned subsidiary |
| 7 | GR Gundugolanu Devarapalli Highway Private Limited | Full | Wholly owned subsidiary |
| 8 | GR Aligarh Kanpur Highway Private Limited | Full | Wholly owned subsidiary |

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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**About us:**
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