

Kalthia Bagodara Tarapur Highway Private Limited

March 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	394.76 (Reduced from 440.65)	CARE A+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned ratings to bank facilities of Kalthia Bagodara Tarapur Highway Private Limited (KBTHPL) continues to remain underpinned by operational status of the project with receipt of final commercial operations date (COD) and track record of the timely receipt of six bi-annual annuities without any deductions. The rating also derives strength from assured cashflows in the form of annuity receivables from Gujarat State Road Development Corporation Limited (GSRDC), a Government of Gujarat (GoG) undertaking, translating to limited credit counterparty risk, with escrow and defined waterfall mechanisms.

The rating further derives strength from comfortable debt coverage indicators, adequate liquidity, and debt service reserve account (DSRA) equivalent to six months of debt service obligations with established track record of the sponsor in constructing and operating road assets. The rating also factors annual fixed-price operations and maintenance (O&M) contract signed with the sponsor – Kalthia Engineering and Construction Limited (KECL; rated 'CARE A; Stable/CARE A1'), mitigating performance-related risks to an extent.

However, rating strengths are hampered by the short-time gap between annuity due date and debt repayment date, inherent operations and maintenance (O&M) and major maintenance (MM) risks associated with the project, with interest rate risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving credit profile of the counterparty i.e. GoG.

Negative factors

- Deteriorating credit profile of the authority i.e. GoG.
- Not adhering to sanctioned debt terms.
- Significant delays or deduction in annuities, moderating debt coverage indicators.
- Adverse movements in O&M expenses or increase in spread of interest rate, lowering the debt service coverage ratio (DSCR) below 1.15x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook assigned to bank facilities of KBTHPL is considering expectation of timely receipt of annuities from GSRDC, without any deductions, leading to comfortable debt coverage indicators and maintenance of requisite reserves per the sanctioned terms.

Detailed description of key rating driver

Key strengths

Operational annuity-based project with successful track record of annuities receipt from GSRDC, GoG

The project execution risk is mitigated with the project receiving final completion certificate on June 09, 2022, for 100% of the project length. As on February 2025, KBTHPL has received six bi-annual annuity payments aggregating to ₹49.49 crore each on timely basis from GSRDC, GoG without significant deductions.

Assured cashflow due to annuity revenue stream

The project is executed under a modified annuity model and the annual revenue of KBTHPL is in the form of fixed annuity receipt of ₹49.49 crore, to be received semi-annually over the concession term. KBTHPL is expected to receive these payments

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

irrespective of actual road traffic conditions, insulating the company's revenue stream from traffic risk.

Low counterparty credit risk

The concessionaire, GSRDC, is a GoG undertaking. The annuity provider as a state government department has strong state finances, resulting in timely annuity payments, and in turn, low counterparty credit risk for KBTHPL.

Comfortable debt coverage indicators with structured payment mechanism

The project has a comfortable leverage marked by total external debt to annuity for FY24 of 4.29 years against balance concession life of ~13 years. CARE Ratings Limited (CARE Ratings) expects debt coverage indicators to be comfortable owing to assured cashflow streams in the form of bi-annual annuities and timely repayment of term debt obligations. the project has a comfortable tail period of about three years (six annuities).

Key weaknesses

Inherent O&M risk associated with the project

KBTHPL is exposed to the risk of sharp increase in O&M cost due to more-than-envisaged wear and tear, although it is receiving stable bi-annual annuity. The project stretch as a flexible pavement is prone to more wear and tear compared to flexible pavements. However, CARE Ratings notes that O&M assumptions are in line with its peers, while MM assumptions are relatively higher, still leading to comfortable debt coverage indicators. Ensuring proper maintenance of the stretch for receiving annuity receipts without deductions will be important from the credit perspective.

The group's experience in maintaining road projects in the past and the presence of sponsor undertakings for funding shortfalls in O&M and MM expenses, above the base case scenario, are additional positives.

Shorter time gap between annuity due date and debt repayment date

The time gap between annuity due date and the date of repayment is short at ~13 days, exposing KBTHPL to the risk of delays in receiving annuities from GSRDC. However, risk is mitigated to an extent owing to the annuity provider's low counterparty risk and a funded DSRA.

Inherent interest rate risk

KBTHPL is exposed to inherent interest rate risk. Project debt has been sanctioned with a floating rate of interest, while the annuity amount stands fixed. Considering fixed annuity payments for the entire concession period, significant adverse movements in interest rates can potentially lower project returns and affect debt coverage indicators.

Liquidity: Adequate

KBTHPL is expected to generate adequate cashflows, backed by a steady cashflow stream of annuity payments throughout the term loan tenor. As on December 31, 2024, KBTHPL has created a funded DSRA of ₹41.04 crore equivalent to six months of debt servicing obligations by way of lien-marked FDs per sanctioned terms. The sponsor, KECL, will keep the cash credit (CC) limit unutilised for the portion of MMRA ~₹3 crore for FY25.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

[Road Assets-Annuity](#)

About the company and industry

Industry classification

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

KBTHPL was incorporated on January 07, 2019, as a special purpose vehicle (SPV) by KECL. KBTHPL has signed a 16.50-years CA (including construction period of 1.5 years from the appointed date) with GSRDC for six-laning the Bagodara-Tarapur section of state highway in Gujarat with a total length of 53.80 km through public-private partnership (PPP) on a modified annuity mode. The project cost is envisaged at ₹649.21 crore, to be funded through construction grant from GSRDC of ₹196.10 crore, debt of ₹339.83 crore, and the balance ₹113.28 crore through promoter contribution. The project received provisional commercial operations date on February 19, 2022, and final completion on July 02, 2022.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	102.60	71.50
PBILDT	47.35	33.52
PAT	14.05	(0.79)
Overall gearing (times)	2.41	3.16
Interest coverage (times)	1.61	0.91

A: Audited; Note: The above are latest financial results available.

Note: Financials are per IND-AS, where 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
Term Loan-Long Term		-	-	18-02-2034	394.76	CARE A+; 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	Term Loan-Long Term	LT	394.76	CARE A+; Stable	-	1)CARE A+; Stable (19-Mar-24)	1)CARE A+; Stable (19-Jan-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	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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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