GR BELGAUM RAICHUR (PACKAGE-6) HIGHWAY PRIVATE LIMITED

May 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	375.83	CARE A; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of GR Belgaum Raichur (Package-6) Highway Private Limited (GBR6HPL) factors in inherent strengths of hybrid annuity model (HAM)-based road projects, such as (i) low project funding risk with inflation-indexed annuity to be received for construction and favourable clauses introduced in the concession agreement (CA) to de-bottleneck project execution challenges; (ii) lower post-implementation risk considering percentage of bid project cost (BPC) linked annuity to be received for operations and maintenance (O&M) of the road; and (iii) receipt of MCLR-linked interest annuity.

The rating of GBR6HPL further derives comfort from the established presence of the sponsor, G R Infraprojects Limited (GRIL; rated CARE AA+; Stable/ CARE A1+) in executing large sized engineering, procurement, and construction (EPC) projects. The rating considers credit quality of the project completion milestone payments and underlying annuity receivables from National Highway Authority of India (NHAI; rated 'CARE AAA; Stable') in construction and post commencement of operations.

The rating also favourably factors in undertakings extended by the sponsor to fund the cost overrun in the construction period, funding shortfall in debt servicing in construction and operational period, and funding of incremental O&M expenses and major maintenance (MM) expenses above base case plans. The rating also factors in proposed liquidity support mechanisms such as envisaged creation of debt service reserve account (DSRA) and major maintenance reserve account (MMRA) post commencement of operations.

However, rating strengths are tempered by inherent construction risk associated with timely completion of the project given its nascent stage of execution and inherent O&M risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Receipt of provisional commercial operations date (PCOD)/COD as envisaged

Negative factors

- Significant delay in the project progress beyond scheduled completion timelines.
- Higher than envisaged maintenance expenses or increase in interest rates during operational period resulting in DSCR of less than 1.20x on a sustained basis.
- Non-receipt of timely need-based support from the sponsor to fund any cost over-run during construction period, bring in funds in case of delay in release of construction grant and fund O&M and MM expenditure over base case.
- Deterioration in the credit profile of sponsor i.e., GRIL or counterparty i.e., NHAI.

Analytical approach: Standalone while factoring execution track record of EPC contractor along with sponsor support undertaking to meet shortfalls in debt servicing during construction and operational phase.

Outlook: Stable

The 'Stable' outlook assigned considers the expectation of completion of project within the scheduled project completion date and strong counterparty, NHAI.

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

Detailed description of key rating drivers:

Key strengths

Favourable clauses in model CA of HAM projects to address execution challenges

The model CA of HAM projects include favourable clauses such as achievement of at least 80% RoW before declaring appointed date for the project and provision for granting deemed completion of the project in case 100% of the work is completed on the RoW which becomes available to it within 180 days of the appointed date. These clauses were expected to address some of the issues plaguing the sector primarily on account of delay in land acquisition during construction phase.

Low funding risk and permitted price escalation

HAM model entails lower sponsor contribution in construction period considering 40% construction support from NHAI and availability of 10% mobilisation advance on bid project cost (BPC) at 'average one-year marginal cost of funds based lending rate (MCLR) of top five scheduled banks. BPC shall be inflation indexed (through a price index multiple [PIM]), which is the weighted average of wholesale price index (WPI) and consumer price index (CPI) in the ratio of 70:30. Inflation-indexed BPC protects developers against price escalation to an extent.

Assured cash flow due to annuity nature of revenue stream

Besides the construction milestone payments in construction and operational phase, cash flow is assured in the form of annuity payments from NHAI on semi-annual basis covering 60% of the project completion cost, interest at MCLR plus 1.25% on reducing balance, and percentage of BPC-linked O&M annuity. Non-linear transmission of MCLR over lending rate is reduced to a large extent and is not expected to impact the company's debt coverage indicators.

Low counterparty credit risk

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. Outlook on NHAI reflects outlook on the sovereign, whose direct and indirect support continues to be the key rating driver.

Wide experience of promoters in the industry with demonstrated execution capabilities

GBR6HPL derives strength from GRIL, being its subsidiary. GRIL has an established presence in road construction spanning over four decades and has executed projects across states in the country. The company has a sound track record with most of its projects being completed on time, as it largely relies on its own resources. GRIL has executed over 100 projects in the last 15 years. It also owns a sizeable fleet of construction equipment, which provides the required flexibility in project execution. In addition, its operations are backwardly integrated with emulsion manufacturing unit, fabrication and galvanizing unit and pole manufacturing unit, which translated in better profitability. GBR6HPL has entered fixed-price EPC contract with GRIL for the execution of project. GRIL as a sponsor, has extended unconditional and irrevocable undertaking in favour of GBR6HPL to fund cost over-run in the construction period, bring in funds in case of delay in release of construction grant and fund O&M and MM expenditure over base case.

Key weaknesses

Inherent project execution risk

GBR6HPL is exposed to inherent construction risk attached to BOT road projects. The project has received the appointed date as November 21, 2024, and the project stretch is to be constructed with flexible pavement. The project is currently in nascent stage of construction with 84.23% Row availability. The project is progressing as per the planned schedule, with a physical progress of 8.15% till March 31, 2025. The demonstrated execution capability of GRIL as an EPC contractor in executing large-sized road projects is expected to mitigate the execution risk to an extent.

Inherent O&M risk

Although percentage of Bid Project Cost (BPC) linked O&M annuity partly mitigates O&M risk, developers would still face the risk of sharp increase in the O&M cost due to more than envisaged wear and tear. The project stretch consists of flexible (bituminous) pavement which is prone to higher O&M cost compared to rigid pavement. However, GBR6HPL shall enter into fixed price and fixed time O&M contract with the sponsor whereby GRIL shall be responsible for the maintenance of the stretch, which provides some comfort. Also, GBR6HPL is also required to maintain MMRA out of the project cash flow to conduct major maintenance of the project stretch.

Inherent interest rate risk

GBR6HPL is exposed to inherent interest rate risk. The project debt is sanctioned with a floating MCLR linked rate of interest, which is reset periodically. The risk is mitigated to a large extent considering receipt of interest annuity at the applicable 'average one-year MCLR of top five scheduled banks + 125 bps' however, GBR6HPL remains exposed to interest rate risk owing to timing difference between change in the MCLR rate and lending rate.

Liquidity: Adequate

GBR6HPL's liquidity is underpinned from the fact that it has access to timely need-based support from GRIL. Furthermore, GRIL has extended undertaking to fund cost overruns, funding of shortfall in the debt servicing of GBR6HPL in case of delayed payment or non-payment or shortfall in annuity payments. Also, as per the terms of sanction of the project debt, GBR6HPL shall create and maintain DSRA equivalent to ensuing six months principal and interest obligations after meeting the debt service obligations, of which DSRA, equivalent to three months of debt servicing is to be created within 30 days of receipt of PCOD/COD and balance within receipt of first two annuities, which cushions debt servicing.

Assumptions/Covenants: Not applicable

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

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Hybrid Annuity Model based road projects
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

GBR6HPL is a special purpose vehicle (SPV) incorporated and owned by GRIL (rated 'CARE AA+; Stable / CARE A1+'). It entered a 17-year CA (including construction period of 730 days from appointed date) with NHAI (rated 'CARE AAA; Stable') for the design, build, operate and transfer (DBOT) of 46.20 km road on hybrid annuity model basis (HAM).

The project under consideration aims at Development of 4 Lane with Paved Shoulders from Design Ch. 228.500 to Design Ch. 273.400 in Belgaum – Hungund – Raichur Section of NH-748A (Ext. SH-20) on Hybrid Annuity Mode in the State of Karnataka (Package-6). The bid project cost for the project is ₹740.77 crore exclusive of GST. The BPC inclusive of GST amounts to Rs.874 crore and GBR6HPL has achieved financial closure at ₹828.99 crore to be funded through construction grant from NHAI of ₹349.65 crore, debt of ₹375.83 crore and balance through promoter's contribution. The project received Appointed Date on November 21, 2024.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	NA	NA
PBILDT	NA	NA
PAT	NA	NA
Overall gearing (times)	NA	NA
Interest coverage (times)	NA	NA

A: Audited; NA: Not Applicable as it is project stage entity. Note: these are latest available financial results

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		-	-	21-12-2040	375.83	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 2025-2026	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
1	Term Loan-Long Term	LT	375.83	CARE A; Stable				

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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