Kalthia Bhavnagar Pipli Highway Private Limited

March 25, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	324.99 (Reduced from 359.48)	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Kalthia Bhavnagar Pipli Highway Private Limited (KBPHPL) takes into consideration operational status of the project with receipt of final commercial operations date (COD) as March 15, 2024, track record of timely receipt of nine annuities from the authority National Highways Authority of India (NHAI; rated CARE AAA; Stable) and creation of stipulated reserves per sanction terms.

The rating further derives strength from comfortable debt coverage indicators, low project leverage, minimal counterparty credit risk associated with NHAI as an annuity provider and adequate liquidity. The project has a tail period of three annuities, providing comfort. Liquidity support mechanisms such as a defined cashflow mechanism by way of escrow arrangement, debt service reserve account (DSRA) equivalent to six months of debt servicing requirements and major maintenance reserve account (MMRA) per sanctioned terms, and inherent strengths of the hybrid annuity model (HAM) are credit positives for KBPHPL.

The rating strengths are hampered by 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, and interest rate risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Track record of receipt of annuities in a timely manner without deductions.

Negative factors

- Deterioration in credit profile of the authority, NHAI.
- Non-adherence to sanctioned debt terms such as non-maintenance of requisite reserves, non-adherence of escrow arrangement or waterfall mechanism, among others.
- Significant delays or deduction in annuities, resulting in moderation in debt coverage indicators.
- Adverse movement in O&M expenses or increase in the spread of the interest rate, lowering debt service coverage ratio (DSCR) below 1.20x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook assigned to facilities of KBPHPL considers CARE Ratings Limited (CareEdge Ratings) expectation of timely receipt of annuities from NHAI, maintaining comfortable debt coverage indicators and maintaining requisite reserves per sanction terms.

Detailed description of key rating drivers:

Key strengths

Operational status of the project with track record of annuities

KBPHPL initially received provisional commercial operations date (PCOD) in January 2022, however, considering significant delay in land allocation and demand for grant of PCOD from an earlier date, notional provisional completion certificate (NPCC) was declared on March 22, 2021, by the Conciliation Committee of NHAI through a settlement letter dated July 05, 2022, for a completed length of 92.11%. The balance construction has been completed, and COD has been received from March 15, 2024, in accordance with the settlement agreement-2 dated December 24, 2023. KBPHPL has a track record of receiving nine bi-annual annuities on time to January 2026 without significant deductions. For 8th annuity, there was a one-time deduction of ₹3.31 crore towards adjustment due to finalisation of completion cost post receipt of final COD. Subsequently, the 9th annuity was received on time and in full.

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

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 national highways in the country. NHAI's outlook reflects outlook on the sovereign, whose direct and indirect support continues to be a key rating driver.

Assured cash flow
In the operational phase, cash flow in HAM-based projects is assured as annuity payments from the NHAI on a semi-annual basis, covering 60% of the project completion cost with interest annuity at 'bank rate plus 3%' on reducing balance and inflation-indexed O&M annuity. However, non-linear transmission of bank rate over lending rate may impact the company's debt coverage indicators to an extent.

Comfortable debt coverage indicators
The project leverage stands comfortable at debt to adjusted bid project cost (BPC) of ~44%. CareEdge Ratings expects debt coverage indicators to be comfortable considering cashflow streams in the form of bi-annual annuities and timely repayment of term debt obligations. The project has a healthy tail period of 1.5 years comprising three semi-annual annuities.

Impact of change in law post GST Act 2017
With annuity payments being brought under the GST regime, in line with NHAI policy circulars, operational HAM projects are eligible to receive change in law (CIL) payment on construction annuity and O&M annuity at the rate approved by the authority and receive entire GST on interest annuity. The concessionaire is responsible for depositing the entire GST levy at applicable rates on construction, O&M, and interest annuity components. Timely receipt of CIL payments from the authority is crucial from the credit perspective.

Key weaknesses

Inherent O&M risk associated with the project
Although the inflation-indexed O&M annuity provides partial mitigation against O&M risk, KBPHPL remains exposed to potential escalation in O&M costs arising from higher-than-envisaged wear and tear. Being designed as a rigid pavement, the project stretch is expected to exhibit relatively lower susceptibility to wear and tear against flexible pavements, moderating maintenance requirements. Adequate liquidity build-up at the company level to address MM exigencies remain critical from a credit perspective and constitute key rating monitorable.

Shorter time gap between annuity due date and debt repayment date
Time gap between annuity due date and repayment date is short at ~10 days, which exposes KBPHPL to risk of delay in annuities received from NHAI. However, this risk is mitigated considering low counterparty risk of the annuity provider and a funded DSRA.

Inherent interest rate risk; considerably mitigated due to favourable features of HAM projects
KBPHPL is exposed to inherent interest rate risk, since the project debt was sanctioned with a floating rate of interest, which was reset periodically. Risk is partially mitigated by interest annuity received at applicable bank rate plus 3%. However, KBPHPL remains exposed to interest rate risk due to the difference in marginal cost of fund-based lending rate (MCLR) and bank rate and nonlinear transmission of change in bank rates to lending rates.

Liquidity: Strong

KBPHPL is expected to generate adequate cash flows, backed by a steady cash flow stream of annuity payments throughout the term loan tenor. As on March 10, 2026, KBPHPL maintained DSRA equivalent to six months of debt servicing obligations amounting to ₹30.78 crore and creation MMRA amounting to ₹5 crore, per sanctioned conditions. Favourable restricted payment covenants linked to maintenance of stipulated debt service coverage ratio (DSCR) are expected to provide a cash flow cushion.

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]
[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

KBPHPL was incorporated on April 20, 2018, as a special purpose vehicle (SPV) by Kalthia Engineering and Construction Limited. KBPHPL entered a 17.50-year concession agreement (CA; including construction period of 910 days from appointed date) with NHAI for four-laning the Pipli-Bhavnagar stretch, near Adhelai village to Nari Junction from the existing 10-metre-wide road, in Gujarat, through a private public partnership (PPP) on HAM. BPC for the project is ₹820 crore. Adjusted BPC for the project is ₹972.93 crore. The project received PCOD on March 22, 2021, and final COD w.e.f. from March 15, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	43.27	68.08	44.16
PBILDT*	-19.86	-30.95	1.31
Profit after tax (PAT)	5.78	12.86	3.17
Overall gearing (x)	5.62	4.93	4.60
Interest coverage (x)	NM	NM	0.04

A: Audited; NM: Not meaningful; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax
Note: Financials are per IND-AS, where, it has recognised financial assets as present value of annuities receivables under its concession (discounted based on effective interest rate method) and interest income on these assets as it accrues in the year. Hence, these financials are less meaningful.

Status of non-cooperation with previous CRA:
ICRA has reaffirmed the rating of KBPHPL of ICRA B+; Stable / ICRA A4; Issuer Not Cooperating vide its PR dated December 12, 2025, considering lack of adequate information available and the uncertainty around its credit risk.

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		-	-	30/09/2033	324.99	CARE AA; 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	324.99	CARE AA; Stable	1)CARE AA; Stable (04-Apr-25)	-	1)CARE AA; Stable (19-Mar-24)	1)CARE AA; 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 lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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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