

Kalthia Bhuj Bhachau Highway Private Limited

March 05, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	333.00	CARE A-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Kalthia Bhuj Bhachau Highway Private Limited (KBBHPL) factors in inherent strengths of hybrid annuity model (HAM) road projects, such as (i) lower project funding risk with inflation-indexed annuity receivables for construction and favourable clauses introduced in the concession agreement (CA) that ease project execution challenges; (ii) lower post-implementation risk considering bid project cost (BPC)-linked annuity receivables for operations and maintenance (O&M) of the road; and (iii) receipt of marginal cost of funds-based lending rate (MCLR)-linked interest annuity.

The rating of KBBHPL further derives comfort from the established presence of the sponsor, Kalthia Engineering & Construction Limited (KECL, rated CARE A; 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 Gujarat State Road Development Corporation Limited (GRDCL) in construction and post commencement of operations.

The rating also favourably factors in undertakings extended by the sponsor to fund cost overrun in 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), major maintenance reserve account (MMRA) post commencement of operations, ~50 days of moderate cushion available between annuity due date and repayment date, and a tail period of three annuities as other credit positives for the rating.

However, rating strengths are tempered by inherent risks associated with execution of the project at its nascent stage, susceptibility to changes in O&M costs and interest rate fluctuation risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Project progress nearing completion alleviating construction risk.
- Receipt of provisional commercial operations date (PCOD) as envisaged.

Negative factors

- Deterioration in the credit profile counter party (i.e. GSRDCL) or the sponsor i.e. KECL.
- Significant delays or deductions in the annuities or availing of significant top-up debt or any adverse movement in O&M expenses or interest rate resulting in lowering of the average debt service coverage ratio (DSCR) below 1.10.
- Non-adherence to sanctioned debt terms such as non-maintenance of requisite reserves, non-adherence of escrow arrangement or waterfall mechanism, etc.

Analytical approach:

Standalone, factoring execution track record of engineering, procurement, and construction (EPC) contractor along with promoter support undertaking by KECL to meet shortfalls in debt servicing during construction and operational phase.

Outlook: Stable

The outlook for KBBHPL is 'Stable' reflects favourable features of HAM and benefits derived from the company's parentage and support structures in place, which will mitigate execution risks.

¹Complete 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 concession agreement of hybrid annuity model projects**

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 phase considering 40% construction support from MoRTH and availability of 10% mobilisation advance on BPC at average one-year MCLR of top five scheduled banks. BPC is 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 offers partial protection against price escalation.

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 KBBHPL.

Assured cash flow due to annuity nature of revenue stream

Apart from construction milestone payments in construction phase, in operational phase, cash flow is assured in the form of semi-annual annuity payments from GSRDC covering 60% of project completion cost, interest at average one-year MCLR of top five scheduled commercial banks plus 1.25% on reducing balance and BPC-linked operations and maintenance (O&M) annuity. Per financing plan, repayment of term debt commences post moratorium of seven months from commercial operations date (COD). ~30 days gap between scheduled annuity receipt date and scheduled debt servicing date provides comfort from credit perspective in case of delays in annuity receipts.

Demonstrated track record of KECL in executing road projects

KECL has a demonstrated track record of successfully operating and maintaining build, operate, and transfer (BOT) projects for more than a decade. KECL has a presence in multiple states such as Gujarat, Maharashtra, Karnataka, Rajasthan, etc. with major execution capabilities in roads and bridges, followed by sewage and irrigation. KECL's order book position stood at ₹3,511 crore as on December 31, 2024. It has a current portfolio of twelve BOT road projects, of which eleven projects are operational, one is an GSRDCL-under construction HAM project, and three NHAI-HAM projects have recently been acquired, of which two are receiving annuities and one is nearing completion. The operational asset portfolio consists of six NHAI-HAM projects, four Government of Gujarat (GoG) annuity projects, and one Maharashtra HAM project. KBBHPL has signed a fixed-price EPC contract with KECL for executing the project.

Key weaknesses**Inherent project execution risk**

KBBHPL is exposed to the inherent construction risks associated with HAM road projects. The project achieved its appointed date on December 09, 2024, and involves construction of a flexible pavement. As per LIE for the month of November 2025, the project has a progress of 31.31% and is progressing on time. Due to delay in clearance of hinderance on the length, the concessionaire has received extension of time for 110 days shifting the SOCD from original December 09, 2026, to March 29, 2027. Notwithstanding these aspects, the demonstrated execution capability of KECL as the EPC contractor, with a track record of executing large-sized road projects, is expected to mitigate execution risks to an extent.

Inherent O&M risk associated with project

Although percentage of 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, KBBHPL shall entered fixed price and fixed time O&M contract with the sponsor whereby the project shall be responsible for the maintenance of the stretch, which provides some comfort. KBBHPL is also required to maintain MMRA from project cash flow to conduct major maintenance of the project stretch.

Inherent interest rate risk

KBBHPL is exposed to inherent interest rate risk. The project debt is sanctioned with floating MCLR-linked interest rate, which is reset periodically. The risk is largely mitigated considering receipt of interest annuity at applicable average one-year MCLR of top five scheduled banks plus 125 basis points; however, KBBHPL remains exposed to timing difference between change in MCLR rate and lending rate.

Liquidity: Adequate

KBBHPL's liquidity is underpinned from the access to timely need-based support from KECL. KECL has extended undertaking to fund cost overruns, funding of shortfall in the debt servicing of KBBHPL in case of delayed payment or non-payment or shortfall in annuity payments. Also, as per the terms of sanction of the project debt, KBBHPL shall create and maintain DSRA equivalent to ensuing six months principal and interest obligations after meeting the debt service obligations, 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

Kalthia Bhuj Bhachau Highway Private Limited (KBBHPL), a special purpose vehicle (SPV) incorporated and owned by Kalthia Engineering and Construction Limited [KECL; rated 'CARE A; Stable/ CAREA1'] has entered into 17 year concession agreement (CA) (including construction period of 730 days from appointed date) with Gujarat State Road Development Corporation Limited (GSRDCL,) for the design, build, operate and transfer (DBOT) of 75.15 km road on hybrid annuity model basis (HAM).

The project under consideration is Construction of Four Lane High speed corridor of Bhuj to Bhachau section from Design Km 2+525 to Design Km 77+670 (Total length 75.145 Km) of SH 42 in State of Gujarat on Hybrid Annuity Mode (HAM).

The bid project cost for the project is ₹740.00 crore (excluding GST) and the total estimated project completion cost is ₹740.00 crore (including GST) to be funded through construction grant from GSRDCL of ₹296.00 crore (excluding inflation), debt of ₹333.00 crore and balance ₹111.00 through promoter's contribution. Concession agreement has been signed on May 09, 2024, and the appointed date received is December 09, 2024.

Brief Financials: Not applicable as project stage company

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		-	-	30-05-2040	333.00	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	333.00	CARE A-; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short 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](#)

Annexure-6: List of entities consolidated: Not Applicable

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.

Contact us

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