

## GMR Pochanpalli Expressways Limited

August 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.00	CARE BB-; Stable	Reaffirmed
Non-Convertible Debentures	71.59 (Reduced from 123.81)	CARE BB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of rating assigned to the bank facilities and non-convertible debentures of GMR Pochanpalli Expressways Limited (GPEL) continues to derive strength from the stable revenue stream with annuity-based nature, timely receipt of annuities from National Highways Authority of India (NHAI; rated 'CARE AAA; Stable'), and presence of bank guarantee towards Debt Service Reserve Account (DSRA). Furthermore, the deduction intensity in the annuities has been also reduced with the 31th and 32nd annuities received in full.

The rating strengths are however tempered by over leveraging the structure to take exposure by way of advances to group entities with weaker credit profile, non-maintenance of Major Maintenance Reserve Account (MMRA) and moderate liquidity. Furthermore, the rating takes into account the inherent operations & maintenance (O&M) risk including major maintenance (MM) risk along with deductions in the past.

CARE Ratings Ltd (CareEdge Ratings) also notes that the company was in receipt of show cause notice and demand aggregating to Rs.75.09 crore from the Office of the Commissioner of Central tax (Central Excise and Central tax), Medchal Commissionerate, Hyderabad towards GST payable on the annuities received from NHAI between July 2017 to September 2022 which was stayed by Telangana High court till further date. The management perceives that that such demand if crystalised shall be passed on to NHAI as GST on annuities is to be provided by NHAI under the Change in law clause of the concession agreement. CareEdge ratings shall continue to monitor the developments on this regard and any adverse outcome is a key rating sensitivity. With respect to deductions of past annuities by NHAI, High Court of Delhi has previously issued favourable judgment for GPEL regarding the arbitration proceedings, however, both parties are trying for an amicable settlement through a Conciliation Committee.

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

#### Positive factors:

- Recovery of funds from group entities and reduction in exposure on sustained basis.
- Improvement in liquidity profile of the company marked by improvement in cash balances while meeting maintenance expenses every year.
- Adherence to the financial covenants of the DTD with DSCR maintained at 1.2x.
- Favourable arbitration outcome with NHAI.

#### Negative factors:

- Unfavourable outcome of the court case against NHAI resulting in expensing of major maintenance expense projected across several years in single year leading to stretch in liquidity and shortage of funds for debt servicing.
- Non-receipt/delayed/reduced receipt of annuity thereby impacting the liquidity profile.
- Any unfavourable outcome of the disputed GST demand leading to stretch in liquidity position.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook takes into account the expectations of timely receipt of annuity without deductions and build-up of liquidity to meet the annual major maintenance expenses.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key weaknesses

#### Weakened strength of the structure with continued exposure to group companies

GPEL has advanced funds to group companies which stood at Rs.341 crore as on March 31, 2025 (Rs.362 crore as on March 31, 2024), the decrease in the exposure is due to conversion of loan advanced to one of the group companies to compulsorily convertible debenture. Majority of the exposure of loans is in entities with relatively weak credit profile. The transfer of funds is inconsistent with the structure originally envisaged and has diluted the strong credit quality built in the structure. The timelines of recovery of such funds to fund any cashflow mismatch is crucial from credit perspective.

#### Pending finalization of ongoing litigation

NHAI had levied a penalty on account of pending major maintenance of the project which was disputed by GPEL. The company had invoked the arbitration proceedings against NHAI in respect of the dispute on applicability of carrying out of major maintenance of the road project once in every five years as per the Concession Agreement.

On April 6, 2022, the High Court of Delhi has passed a judgement in favour of GPEL entitling the latter to the cost of Rs 104.47 crore with respect to the overlay as the same was not warranted given the roughness index was below 2000 mm/km. The court has also directed NHAI to pay the amount of Rs 10.78 crore along with interest @12% p.a from the date of deduction (March 25, 2018) till the date of payment which has been further challenged, and status quo has been maintained until further hearings. In view of the above development, the company has issued a notice of arbitration to NHAI for refund of Rs. 14.3 crore which was wrongly deducted from the annuities of FY20 on citing pending Major Maintenance. Both parties are currently trying for an amicable settlement through a Conciliation Committee.

#### Non maintenance of MMRA

The company is entitled to full receipt of annuities subject to maintenance of stretch as per the specifications of the Concession Agreement. However, for incurring the major maintenance, there is no reserve built up and the expenditure is being incurred from project cashflows on a yearly basis. The company has been making MM expense from the annuities received to maintain the roughness index of the stretch below 2000 mm/km. Any negative judgements with respect to major maintenance could lead to a liquidity crunch and requirement of support from the group.

### Key strengths

#### Operational annuity project with timely receipt of annuities

The project revenues are linked with the annuity receivables from NHAI and is not dependent on the traffic on the project stretch. However, the annuity receivables are subject to full availability and regular maintenance of the project stretch as per terms of concession agreement. As on March 31, 2025, the company has received 32 annuities from NHAI. All the annuities are being received in a timely manner. In the past, deductions were made by NHAI while remitting the 18<sup>th</sup> and 22<sup>nd</sup> annuities due to non-fulfilment of major maintenance obligations as per NHAI. The company completed the maintenance and thereafter has contested for the release of the deduction; however, the matter is sub-judice at High Court of Delhi, and there has been no deduction thereon on account of MM.

#### Low credit risk associated with the Annuity provider – NHAI

NHAI is a statutory body, incorporated by the Govt. of India under act of Parliament. It functions as a nodal agency for development, maintenance and management of the National Highways in the country. By virtue of being a quasi-government body, the risk arising from NHAI defaulting on the annuity payments is very low.

#### Fixed price O&M Contract and interest rate on NCD

The company has entered into a fixed price agreement with O&M contractor (i.e., GMR Highways Limited) for the regular maintenance of the stretch. The fixed price contract reduces risk associated with rising input prices. The interest rate on the NCD issuance is also fixed which also protects the cashflows from fluctuation in interest rates.

#### Liquidity: Stretched

The liquidity profile of GPEL continues to remain stretched due to tightly matched debt servicing with the free cash flow translating to weak debt coverage. The company has a free cash balance of Rs.1.44 crore as on June 30, 2025. The company also does not have funded Debt Service Reserve Account (DSRA) and/or MMRA.

**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](#)

[Road Assets-Annuity](#)

[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

GMR Pochanpalli Expressways Private Limited (GPEL) was incorporated as a Special Purpose Vehicle (SPV) by GMR group on October 18, 2005, to develop and maintain the 102-km stretch on the National Highway (NH)-7 connecting Adloor Yellareddy and Gundla Pochanpalli in the state of Andhra Pradesh. The concession was awarded by NHAI on Build, Operate and Transfer (BOT) Annuity Basis to the consortium based on its lowest annuity quote of Rs.108.36 crore (payable semi-annually). GPEL has entered into a Concession Agreement (CA) with NHAI on March 31, 2006, for the project. The project achieved Commercial Operations Date (COD) on March 26, 2009. GPEL received its first annuity from NHAI in September 2009.

As on March 31, 2025, GMR Highways Limited along with GMR Power and Urban Infra Limited and GMR Energy Limited held 100% stake of GPEL.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	77.87	72.17
PBILDT	24.81	19.89
PAT	-0.70	5.68
Overall gearing (times)	0.85	0.65
Interest coverage (times)	0.43	0.42

A: Audited UA: Unaudited; 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
Debentures-Non Convertible Debentures	INE808H07010	10-Apr-2010	9.38%	15-Oct-2026	71.59	CARE BB-; Stable
Non-fund-based - LT-Bank Guarantee	-	-	-	-	20.00	CARE BB-; 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	Debentures-Non Convertible Debentures	LT	71.59	CARE BB-; Stable	-	1)CARE BB-; Stable (19-Aug-24)	1)CARE BB-; Stable (29-Aug-23)	1)CARE BB-; Stable (30-Aug-22)
2	Non-fund-based - LT-Bank Guarantee	LT	20.00	CARE BB-; Stable	-	1)CARE BB-; Stable (19-Aug-24)	1)CARE BB-; Stable (29-Aug-23)	1)CARE BB-; Stable (30-Aug-22)

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	Debentures-Non Convertible Debentures	Simple
2	Non-fund-based - LT-Bank Guarantee	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](mailto:care@careedge.in) for clarifications.

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