

Date: October 23, 2023

To

<b>National Stock Exchange of India Limited</b> Exchange Plaza, C-1, Block-G Bandra Kurla Complex, Bandra €, Mumbai-400051 <b>Symbol- HIGHWAYS</b>	<b>BSE Limited</b> Corporate Relationship Department Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai- 400001 <b>Scrip Code: 974227 &amp; 974228</b>
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**Subject: Intimation of Credit Rating of Highways Infrastructure Trust**

**Ref:**

1. Regulation 23 and any other applicable provisions of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time;
2. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

Dear Sir/Madam,

We wish to inform you that CRISIL Limited has assigned CRISIL A1+ to Highways Infrastructure Trust (Trust) for issuance of Commercial paper (CP) and reaffirmed the existing ratings for debt instruments and Term loan facilities of the Trust.

Set out below is the summary of the ratings assigned/affirmed:

Instrument Type	Date of Allotment	Coupon Rate (%)	Maturity Date	Size of Issue (Rs. In Crore)	Rating/Outlook	Rating Action
Term loan	NA	NA	31-Mar-2036	800	CRISIL A1+	Assigned
Proposed term loan	NA	NA	31-Mar-2036	1800	CRISIL AAA/Stable	Reaffirmed
Non-convertible debentures	23-Sep-2022	7.71%	22-Dec-2025	400	CRISIL AAA/Stable	Reaffirmed
Non-convertible debentures	23-Sep-2022	8.25%	22-Sep-2029	250	CRISIL AAA/Stable	Reaffirmed
Non-convertible debentures	NA	NA	NA	325	CRISIL AAA/Stable	Reaffirmed
Commercial Paper	NA	NA	7-365 days	275	CRISIL AAA/Stable	Reaffirmed

Please find enclosed herewith CRISIL Limited communication for your reference.

You are requested to kindly take the same on record.

Thanking you,

For Highway Concessions One Private Limited  
*(acting in its capacity as the Investment Manager of Highways Infrastructure Trust)*

**Kunjal Shah**  
**Company Secretary and Compliance Officer**

**Place:** Mumbai

**CC:-**

<b>Axis Trustee Services Limited</b> ("Trustee of the InvIT") Axis House, Bombay Dyeing Mills Compound, Pandurang Budhkar Marg, Worli, Mumbai - 400 025, Maharashtra, India	<b>Catalyst Trusteeship Limited</b> ("Debenture Trustee") Windsor, 6th floor, Office No.604, C.S.T Road, Kalina, Santacruz (East), Mumbai – 400098 Maharashtra, India
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## Rating Rationale

October 23, 2023 | Mumbai

### Highways Infrastructure Trust 'CRISIL A1+' assigned to Commercial Paper

#### Rating Action

Total Bank Loan Facilities Rated	Rs.2600 Crore
Long Term Rating	CRISIL AAA/Stable (Reaffirmed)

Rs.275 Crore Commercial Paper	CRISIL A1+ (Assigned)
Rs.325 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.275 Crore Non Convertible Debentures	CRISIL AAA/Stable (Withdrawn)
Rs.650 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL A1+**' rating to the proposed commercial paper of Rs.275 crore of Highways Infrastructure Trust (HIT). The commercial paper will be utilised to prepay unsecured sponsor debt and meeting major maintenance expense requirement in the existing special purpose vehicles (SPVs) held by HIT.

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable' rating on the long-term bank facilities and non-convertible debentures (NCDs) of Rs 975 crore. CRISIL Ratings has also **withdrawn** its rating on NCDs worth Rs 275 crore based on HIT's request. No amount was drawn against the NCDs and the withdrawal is in line with CRISIL Ratings' policy.

Toll revenue grew 23.9% to Rs 564 crore in fiscal 2023 from Rs 455 crore in fiscal 2022 driven by strong traffic growth of around 13.8% across the four toll stretches held by the InvIT (infrastructure investment trust), in addition to toll rate hikes linked to the wholesale price index (WPI). The improvement in traffic was driven by the passenger vehicles segment. Healthy revenue growth coupled with low leverage led to strong CRISIL Ratings-adjusted debt service coverage ratio (DSCR) of 3.71 times (debt drawn down in September 2022) for fiscal 2023. DSCR is expected to remain healthy going forward as well, even with incremental debt expected to be taken for planned acquisitions.

HIT is in the process of raising additional debt of up to Rs 2,400 crore which will be utilised towards part funding the announced acquisitions of Navayuga Udupi Tollway Pvt. Ltd (NUTPL) and four hybrid annuity model (HAM) projects owned by H.G. Infra Engineers Ltd (H.G. Infra) along with Bangalore Elevated Tollway Pvt. Ltd (BETPL), which is currently held by the sponsor, Galaxy Investments II Pte Ltd (Galaxy). The debt-to-enterprise value (EV) is expected to remain comfortable at below 49%.

The ratings continue to reflect favourable location and geographic diversity of the existing stretches and the stretches to be acquired, and healthy revenue visibility given strong track record of toll collection and annuity receipt. The rating also factors in strong debt protection metrics, supported by tight escrow mechanism with a well-defined payment waterfall mechanism and creation of a debt service reserve account (DSRA) and a major maintenance reserve account (MMRA). The rating also derives strength from the experience of Kohlberg Kravis Roberts & Co. LP and/or its affiliates (collectively 'KKR') and services provided by Highway Concessions One Pvt. Ltd (HC1) and HC One Project Manager Pvt. Ltd (HC1 PM) to the assets.

These strengths are partially offset by susceptibility of toll revenue to volatility in traffic volume, development or improvement of alternative routes or modes of transportation that could impact revenue and in turn DSCR. The DSCR will also remain susceptible to volatility in operations and maintenance (O&M) costs and interest rates.

#### Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of HIT with its underlying SPVs. This is because the trust is expected to have direct control over these SPVs and will infuse funds in them (in the form of shareholder debt) to prepay outstanding debt. Furthermore, the SPVs will distribute their surplus cash to the InvIT, in the form of interest and repayment (on debt provided by the InvIT/debentures), dividend or return of capital through capital reduction, leading to

highly fungible cash flows. Also, as per the financing terms, the cap on borrowings has been defined at a consolidated level; aggregate consolidated borrowing for the InvIT and its SPVs is currently restricted at 49% of the valuation.

*Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

### **Key Rating Drivers & Detailed Description**

#### **Strengths:**

#### **Healthy operational track record of assets with geographic diversification**

The portfolio comprising of fourteen projects (including projects to be acquired) in different states benefits from asset and geographical diversification. Additionally, the projects have strong counter parties – National Highways Authority of India (NHA), rated 'CRISIL AAA/Stable' for 11 projects and Ministry of Road Transport and Highways, Madhya Pradesh Road Development Corporation Ltd and Government of Gujarat for the remaining three. The toll road projects have long tolling track record between 8 to 22 years, while the annuity projects have track record of receiving 27 and 21 semi-annual annuities without any material deduction. 3 out of 4 HAM projects have achieved commercial operations date and also received two to three annuity payments; the fourth project has also received PCOD recently.

The toll stretches are situated along major industrial and tourist hubs and connect important cities such as Godhra, Jodhpur, Indore, Bhopal, Ahmedabad and Chennai to major ports on the western (Kandla and Mundra) and eastern (Chennai, Pondicherry and Krishnapatnam Port) seaboards. The stretches are spread across 9 key states that contribute substantially to the total gross state domestic product. The trust is, thus, expected to benefit from healthy traffic potential. Balance concession period of the projects ranges from 3 to 20 years. While the concession for three of the six existing stretches is expected to be over in next 3-4 years, their contribution to the initial portfolio was expected to be 35-40%. Hence, long term revenue visibility is driven by other three assets having larger share of revenue in the existing portfolio of 6 assets. Furthermore, the trust is in the process of acquiring new assets and will continue to look for new opportunities of adding assets and hence, further diversifying the portfolio over the medium term.

Taking into account the proposed acquisitions, 3 of the 6 toll projects (except STPL and GRICL) have an annual toll rate escalation with a fixed increase of 3% and a variable portion equal to only 40% change in WPI, limiting dependence on WPI, thereby supporting revenue, while one project has a fixed toll rate hike of 7% and the remaining two are linked directly to the WPI. Toll escalation rate is linked to WPI for STPL and CPI for GRICL.

Toll revenue for the existing portfolio of 4 assets grew by ~24% in fiscal 2023 to Rs 564 crore driven by traffic growth of 7-18% in fiscal 2023, across stretches. Traffic and toll collection is expected to remain healthy going forward as well.

#### **Strong debt protection metrics, with provision for cash sweep and creation of DSRA and MMRA**

Financial risk profile is healthy with existing outstanding debt of Rs 1,424 crore at InvIT level as of September 2023 as well as incremental debt of Rs 2,400 crore. HIT is expected to raise incremental debt for funding the proposed acquisitions along with a mix of internal accruals and additional investment from unitholders raise. The resultant average DSCR is expected to remain strong with cash flows remaining sufficient to fund premium payments as well.

The terms for existing debt also require adequate liquidity cushion in form of three months DSRA and six months MMRA. As per existing terms, cash trap will be triggered if DSCR falls below 1.40 times, while there will be a cash sweep in case of negative impact on tollable traffic on account of an alternate route to the project roads. The structure also stipulates that any transfer to the distribution account will be made only post meeting debt obligation, DSRA and MMRA requirement, and transfer to the cash sweep account, if required. Furthermore, as per the existing terms, the debt is capped at 49% of the trust's valuation.

While the covenants for DSCR and leverage are proposed to be relaxed in the new debt, DSCR for the rated debt instruments is expected to remain comfortable and well above the covenants throughout the debt tenure, supported by healthy toll collection and moderate leverage. Furthermore, gross debt to EV for the entire portfolio of 14 assets is expected to be less than 49%. Hence, CRISIL Ratings believes that relaxation in financial covenants will not have a material impact on HIT's credit risk profile. However, increase in debt from current levels, in the absence of commensurate cash inflows, will remain a key rating sensitivity factor.

The existing NCDs have a tenor of 3 years 3 months and 7 years for tranche-1 and tranche-2, respectively, exposing the trust to refinancing risk. Nevertheless, the risk is mitigated by a long tail at the end of tenure of NCDs, ability and track record of sponsors in refinancing and healthy revenue potential of the stretches.

#### **Experienced management team**

HIT will benefit from the strong asset management ability of the sponsor, which is invested in by KKR, which in turn has strong experience in the infrastructure space, including in India. While this is Galaxy's first investment in Indian roads, it benefits from KKR's experience in renewable energy and transmission sector in India. Additionally, the assets will be managed by experienced service providers HC1 and HC1 PM, who have a long track of managing these assets.

#### **Weaknesses:**

#### **Susceptibility of toll revenue to volatility in traffic, or development or improvement of alternative routes**

Toll collection is a major source of revenue and is susceptible to volatility because of toll leakages, competing routes, lack of timely increase in toll rates, fluctuation in WPI-linked inflation, seasonal variations in vehicular traffic, and economic downturns. For instance, traffic and toll collection across stretches was affected due to government policies like demonetisation in fiscal 2017 and the nation-wide lockdown following the pandemic in fiscal 2021 and 2022.

While the stretches do not face any substantial threat from alternate routes as of now, improvement of these routes or development of new alternate routes may affect traffic and diversion, if any, on account of any of these will be a key rating

sensitivity factor.

### **Susceptibility to volatility in O&M and major maintenance costs and interest rates**

The trust is exposed to risks related to maintenance of the projects in the underlying SPVs as per the specifications and within the budgeted costs. While the SPVs are expected to maintain six months equivalent MMRA, any significant dip in toll collection or unplanned maintenance activity could result in cash flow shortfall during years of such maintenance and will remain a rating sensitive factor.

The interest rate for the rupee term debt shall be floating with an annual reset linked to benchmark. This exposes the trust to volatility in interest rates. Although part of debt raised through bonds has fixed rate the cushion in the cash flow, will partially help to absorb the impact of any fluctuations in rate of interest, but it will remain a rating sensitivity factor.

### **Liquidity: Superior**

Toll collections and annuity receipts will be adequate to meet operational expenses and debt obligation of Rs 45-100 crore (including proposed debt) per annum for the three fiscals through 2026. Furthermore, DSRA equivalent to three months' interest and principal obligation will be maintained along with MMRA equivalent to six months of MM expenses. The limited amortising structure of the NCDs with substantial bullet repayment in fiscal 2026 and fiscal 2030 exposes the trust to refinancing risk. However, the risk is mitigated by long tail at the end of tenure of NCDs, ability and track record of sponsors in refinancing and healthy revenue potential of the stretch. The cash and equivalents stood at ~Rs 251 crore as on September 30, 2023.

### **Outlook: Stable**

CRISIL Ratings believes that HIT will continue to generate healthy toll revenue over the medium term, backed by good traffic potential on the project stretches.

### **Rating Sensitivity Factors**

#### **Downward Factors**

- Lower-than-expected toll revenue by more than 10% on sustained basis or higher-than-expected maintenance cost affecting DSCR
- Higher-than-expected incremental borrowings
- Non-adherence to the structural features of the transaction
- Non maintenance of adequate liquidity reserves in the form of DSRA and MMRA
- Acquisition of weak assets with high debt and low revenue potential impacting overall DSCR
- Minimum DSCR falling below 1.5 times leading to lower buffer in relation to financial covenants

### **About HIT**

HIT is registered as an irrevocable trust under Indian Trust Act, 1882, and as an InvIT under the Securities and Exchange Board of India's, InvIT Regulations, 2014 since December 23, 2021.

HIT is an InvIT of road sector assets sponsored by Galaxy, which is invested in by KKR, with HC1 as its investment manager, HC1 PM, a 100% subsidiary of HC1, acting as project manager and Axis Trustee Services Ltd acting as trustee. KKR is a leading global investment firm with approximately US\$ 519 billion of assets under management as of June 30, 2023. HIT had an initial portfolio of six operational projects with four toll and two annuity roads.

The broad details of the assets held by HIT, are provided below:

#### **Jodhpur Pali Expressway Pvt. Ltd (JPEPL)**

The stretch is the shortest route connecting Jodhpur to Pali measuring 71.5 km. It achieved provisional commercial operation date (PCOD) in fiscal 2015 and COD in fiscal 2018 and has a track record of more than 8 years with balance concession life of around 21 years. Traffic registered a CAGR of 3.0% between fiscals 2015 and fiscal 2023. The stretch has four alternate routes, but these are either two lane or longer than JPEPL's stretch and do not impact the traffic movement on the project road.

#### **Godhra Expressways Pvt. Ltd (GEPL)**

The stretch, measuring 87.1 km, provides connectivity for traffic plying from the Kandla and Mundra ports and moving towards central and east India. It achieved PCOD in fiscal 2014 and COD in fiscal 2017 and has a track record of over 9 years with balance concession life of around 20 years. Traffic registered a CAGR of 9.1% between fiscals 2015 and fiscal 2023. The stretch has no alternate routes.

#### **Dewas Bhopal Corridor Pvt. Ltd (DBCPL)**

It is the shortest route between Indore (through Dewas) and Bhopal, two major cities of Madhya Pradesh and measures 140.8 km in length. Project achieved PCOD in fiscal 2009 and COD in fiscal 2011 and has a track record of over 13.5 years with balance concession life of around 10.5 years. Traffic registered a CAGR of 6.7% between fiscals 2015 and fiscal 2023. The stretch has no alternate routes.

#### **Ulundurpet Expressways Pvt. Ltd (UEPL)**

Connects Chennai to southern, eastern and western parts of Tamil Nadu and measuring around 72.9 km in length. Project achieved COD in fiscal 2010 and has track record of 13 years with balance concession life of around 4 years. Traffic registered degrowth in CAGR of 0.6% between fiscals 2015 and fiscal 2023. There are no alternate routes to the project road.

#### **Nirmal BOT Ltd (NBL)**

Connects Kadthal to Armur in the state of Telangana and has balance concession life of around 5 years. The project has track record of timely receiving 27 semi-annual annuities without any material deduction.

**Shillong Expressway Pvt. Ltd (SEPL)**

Project is part of Shillong bypass in the state of Meghalaya and has balance concession life of around 3 years. The project has track record of timely receiving 21 semi-annual annuities without any material deduction.

HIT had signed share purchase agreements (SPA) on March 30, 2023 and May 3, 2023 to acquire 100% stake in a toll road project, NUTPL, with EV of Rs 924 crore and four HAM projects of H.G. Infra with EV of Rs 1,394 crore, respectively. In-principle approval from NHAI for change in shareholding has been granted for NUTPL and three of the four HAM projects, and the transaction is expected to be completed over the next 2-3 months. The fourth HAM project has received PCOD recently and the shareholding transfer is expected over the next 5-6 months.

The trust also has signed an SPA on July 28, 2023 for acquiring 100% shareholding in Swarna Tollway Pvt. Ltd (STPL, CRISIL AAA/Stable) from M/s MAIF Investments India 3 Pte. Ltd and 83.61% shareholding in Gujarat Road and Infrastructure Company Ltd (GRICL), from M/s MAIF India Pte. Ltd at an equity value of Rs 2,952 crore (calculated for 100% equity share capital in each entity, subject to the adjustments agreed in SPA). The transaction is awaiting approval from NHAI.

**Key Financial Indicators**

Particulars	Unit	2023	2022*
Revenue	Rs.Crore	615	NA
Profit After Tax (PAT)	Rs.Crore	34	NA
PAT margin	%	5.6	NA
Adjusted debt/adjusted networth	Times	3.37	NA
Adjusted interest coverage	Times	1.97	NA

\*Financial indicators not meaningful as HIT was incorporated in December 2021 and assets have been acquired in August 2022

**Any other information:****Key covenants of the existing debt (Rs 800 crore term loan and Rs 650 crore NCDs)**

<b>Financial covenants</b>	<ul style="list-style-type: none"> <li>Minimum DSCR of 1.40 times, to be tested annually; any breach will lead to cash trap</li> <li>Debt-to-enterprise value &lt; 49%</li> </ul>
<b>Cash trap</b>	Annual DSCR below 1.40 times will trigger cash trap

**Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Type of instrument	Date of allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Term loan	NA	NA	31-Mar-2036	800	NA	CRISIL AAA/Stable
NA	Proposed term loan	NA	NA	31-Mar-2036*	1800	NA	CRISIL AAA/Stable
INE0KXY07018	Non-convertible debentures	23-Sep-2022	7.71%	22-Dec-2025	400	Simple	CRISIL AAA/Stable
INE0KXY07026	Non-convertible debentures	23-Sep-2022	8.25%	22-Sep-2029	250	Simple	CRISIL AAA/Stable
NA	Non-convertible debentures <sup>^</sup>	NA	NA	NA	325	Simple	CRISIL AAA/Stable
NA	Commercial paper	NA	NA	7-365 days	275	Simple	CRISIL A1+

\*The maturity can be extended to September 2041 depending on the grant of concession extension for GEPL

<sup>^</sup>Proposed NCDs and yet to be placed

**Annexure – Details of Rating Withdrawn**

ISIN	Type of instrument	Date of allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Non-convertible debentures <sup>^</sup>	NA	NA	NA	275	Simple	Withdrawn

<sup>^</sup>Proposed NCDs and yet to be placed

**Annexure – List of Entities Consolidated**

Name of company	Type of consolidation	Rationale for consolidation
Jodhpur Pali Expressway Pvt. Ltd	Full consolidation	100% subsidiaries
Godhra Expressways Pvt. Ltd	Full consolidation	
Dewas Bhopal Corridor Pvt. Ltd	Full consolidation	
Ulundurpet Expressways Pvt. Ltd	Full consolidation	
Nirmal BOT Ltd	Full consolidation	
Shillong Expressway Pvt. Ltd	Full consolidation	

**Annexure - Rating History for last 3 Years**

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Fund Based Facilities</b>	LT	2600.0	CRISIL AAA/Stable	29-08-23	CRISIL AAA/Stable	22-09-22	CRISIL AAA/Stable		--		--	--
			--	08-08-23	CRISIL AAA/Stable	07-09-22	Provisional CRISIL AAA/Stable		--		--	--
			--	12-05-23	CRISIL AAA/Stable	11-03-22	Provisional CRISIL AAA/Stable		--		--	--
			--	11-04-23	CRISIL AAA/Stable		--		--		--	--
<b>Commercial Paper</b>	ST	275.0	CRISIL A1+		--	--	--	--	--	--	--	
<b>Non Convertible Debentures</b>	LT	975.0	CRISIL AAA/Stable	29-08-23	CRISIL AAA/Stable	22-09-22	CRISIL AAA/Stable		--		--	--
			--	08-08-23	CRISIL AAA/Stable	07-09-22	Provisional CRISIL AAA/Stable		--		--	--
			--	12-05-23	CRISIL AAA/Stable	11-03-22	Provisional CRISIL AAA/Stable		--		--	--
			--	11-04-23	CRISIL AAA/Stable		--		--		--	--

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
<b>Proposed Term Loan</b>	<b>1800</b>	<b>Not Applicable</b>	<b>CRISIL AAA/Stable</b>
<b>Term Loan</b>	<b>250</b>	<b>State Bank of India</b>	<b>CRISIL AAA/Stable</b>
<b>Term Loan</b>	<b>50</b>	<b>Axis Bank Limited</b>	<b>CRISIL AAA/Stable</b>
<b>Term Loan</b>	<b>500</b>	<b>ICICI Bank Limited</b>	<b>CRISIL AAA/Stable</b>

**Criteria Details**

<b>Links to related criteria</b>
<a href="#">CRISILs rating criteria for REITs and InVITs</a>
<a href="#">CRISILs criteria for rating annuity and HAM road projects</a>
<a href="#">Rating Criteria for Toll Road Projects</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>
<a href="#">CRISILs Criteria for Consolidation</a>

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