GMR Pochanpalli Expressways Limited

August 05, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term bank facilities	RBI	20.00	CARE BB-; Stable	Reaffirmed
Non-convertible debentures	SEBI	22.78 (Reduced from 71.59)	CARE BB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities and non-convertible debentures (NCDs) of GMR Pochanpalli Expressways Limited (GPEL) continues to factor in the stable revenue stream from the annuity-based project, 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). The deduction intensity in annuities has also been reduced over the years.

However, these rating strengths are 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. Ratings consider the inherent operations & maintenance (O&M) risk, including major maintenance (MM) risk.

CARE Ratings Limited (CareEdge Ratings) also notes settlement of long-standing dispute with NHAI through a settlement under the Conciliation Committee of Independent Experts (CCIE-2). Pursuant to the settlement, the company has received previously withheld annuity payments of ₹24.54 crore and interest of ₹15.98 crore, while agreeing to undertake specified MM (overlay) works on identified stretches of the project highway, and complete the required handback obligations in accordance with the Concession Agreement (CA). However, as per the agreed arrangement, GPEL forewent their claim towards reimbursement of overlay cost (~₹104 crore). With the settlement, all pending legal proceedings have been withdrawn and the matter stands fully settled.

CareEdge Ratings also notes that the company was in receipt of show cause notice and demand aggregating to ₹75.09 crore from GST council towards GST payable on annuities received from NHAI between July 2017 to September 2022, which has been stayed by Telangana High court till further date. Adverse outcome of this shall be critical from liquidity perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Recovery of funds from group entities and reduction in exposure on a sustained basis.
- Improvement in liquidity profile of the company marked by improvement in cash balances while meeting maintenance expenses every year.
- Adherence to financial covenants of the Debenture Trustee Deed with debt service coverage ratio (DSCR) maintained at 1.2x.

Negative factors

- Non-receipt/delayed/reduced receipt of annuity, 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 considers the expectations of timely receipt of annuity without deductions and build-up of liquidity to meet annual MM expenses.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.
[2]Complete definitions of ratings assigned are available at www.careratings.com and in 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 ₹415 crore as on March 31, 2026 (₹374 crore as on March 31, 2025). Majority exposure to loans is in entities with weak credit profile. Transfer of funds is inconsistent with the structure originally envisaged and has diluted strong credit quality inbuilt in the structure. Timelines of recovery to fund cashflow mismatch is crucial from credit perspective.

Non maintenance of MMRA

The company is entitled to full receipt of annuities subject to maintenance of stretch per specifications of the CA. However, for incurring MM, 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 annuities received to maintain the roughness index of the stretch below 2000 mm/km.

Ongoing litigation with tax authority

The company was in receipt of show cause notice and demand aggregating to ₹75.09 crore from GST council towards GST payable on annuities received from NHAI between July 2017 to September 2022. The company has challenged the order, arguing that annuity payments were exempt up to January 01, 2023, and the Telangana High Court has granted a stay on recovery proceedings until further hearings. However, unfavourable outcome of the case could lead to a significant cash outflow and can adversely impact its liquidity and financial position.

Key strengths

Operational annuity project with timely receipt of annuities

Project revenues are linked with annuity receivables from NHAI and do not depend on the traffic on the project stretch. However, annuity receivables are subject to full availability and regular maintenance of the project stretch per terms of CA. As on March 31, 2026, the company has received 34 annuities from NHAI. All annuities are being received in a timely manner.

Low credit risk associated with annuity provider – NHAI

NHAI is a statutory body, incorporated by the Government 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 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 (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 cashflows from fluctuation in interest rates.

Settlement of dispute with NHAI on MM

Long-standing dispute between GPEL and NHAI over MM (overlay) obligations and withholding of annuity payments has been resolved through a settlement under the CCIE-2. Under the settlement, NHAI released ₹24.54 crore (against the withheld amount of ₹26.58 crore), reimbursed ₹0.30 crore towards litigation costs and paid ₹15.98 crore as interest on delayed payments. In turn, GPEL agreed to undertake specified overlay works on identified stretches and withdrew its claims. However, the settlement does not provide for recovery of the company's overlay cost claim of ₹104.47 crore. As a result, the aforesaid matter stands fully settled with no further claims between parties.

Liquidity: Stretched

The liquidity profile remains stretched due to tightly matched cash flows against debt servicing requirements, resulting in weak debt coverage metrics. The company had free cash balance of ₹2.30 crore as on June 26, 2026. The company has provided a bank guarantee facility of ₹20 crore from IDBI Bank, against DSRA requirements of the NCD. However, the bank guarantee does not fully cover the next instalment of principal repayment of ₹22.78 crore.

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](#)
[Infrastructure Sector Ratings](#)
[Road Assets-Annuity](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport infrastructure	Road assets–Toll, annuity, hybrid-annuity

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 Andhra Pradesh. The concession was awarded by NHAI on build, operate, and transfer (BOT) annuity-basis to the GMR consortium based on its lowest annuity quote of ₹108.36 crore (payable semi-annually). GPEL had entered a CA with NHAI on March 31, 2006, for the project. The project achieved Commercial Operations Date (COD) on March 26, 2009, and GPEL received its first annuity from NHAI in September 2009.

As on March 31, 2026, GMR Highways Limited, GMR Power and Urban Infra Limited, and GMR Energy Limited held 100% stake of GPEL.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	72.17	70.99
PBILDT*	19.89	28.28
Profit after tax (PAT)	5.68	19.79
Overall gearing (x)	0.65	0.46
Interest coverage (x)	0.42	0.77

A: Audited; Note: These are latest available financial results.
PBILDT: Profit before interest, lease rentals, depreciation, and tax

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

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	SEBI	Simple	INE808H07010	10-Apr-2010	9.38%	15-Oct-2026	22.78	CARE BB-; Stable
Non-fund-based - LT-Bank Guarantee	RBI	Simple	-		-	-	20.00	CARE BB-; Stable

LT: Long term

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 2026-2027	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
1	Debentures-Non Convertible Debentures	LT	22.78	CARE BB-; Stable	-	1)CARE BB-; Stable (07-Aug-25)	1)CARE BB-; Stable (19-Aug-24)	1)CARE BB-; Stable (29-Aug-23)
2	Non-fund-based - LT-Bank Guarantee	LT	20.00	CARE BB-; Stable	-	1)CARE BB-; Stable (07-Aug-25)	1)CARE BB-; Stable (19-Aug-24)	1)CARE BB-; Stable (29-Aug-23)

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: Lender details

To view lender-wise details of bank facilities please click here

Annexure-5: 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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puja Jalan Director **CARE Ratings Limited** Phone: 914040020131 E-mail: puja.jalan@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Rishav Khaitan Assistant Director **CARE Ratings Limited** Phone: 022 6837 4422 E-mail: Rishav.khaitan@careedge.in Ankit Patidar Analyst **CARE Ratings Limited** E-mail: Ankit.patidar@careedge.in

About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

For detailed Rating Report and subscription information,
please visit www.careratings.com