

June 13, 2025

NKC JK Expressway Private Limited: Rating upgraded to [ICRA]A (Positive); rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	245.00	367.00	[ICRA]A (Positive); Upgraded from [ICRA]A- (Positive) and assigned for enhanced amount
Total	245.00	367.00	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade for NKC JK Expressway Private Limited (NJKEPL) favourably factors in the commencement of annuity, and operations and maintenance (O&M) payments (first semi-annual payment received in April 2025) as well as partial creation of stipulated reserves as per sanctioned terms, following the receipt of provisional completion certificate (PCC-I)/ provisional commercial operation date (PCOD) of the six-lane national highway construction project executed by the company under hybrid annuity mode (HAM), on October 07, 2024. The continuation of the Positive outlook reflects ICRA's opinion that NJKEPL's credit profile will further improve with the full creation of its debt service reserve (DSR) and expectation of timely receipt of annuities and O&M payments, without any material deductions.

The PCC-I was declared for 23.955 km of the project stretch, out of the total project length of 24.300 km, with completion of around 95.78% of the project till the receipt of the first annuity. The residual execution is pending due to non-availability of right of way (RoW) and NJKEPL is likely to seek descopeing of this pending stretch, in furtherance to the settlement agreement inked with the National Highway Authority of India (NHAI, or the authority; rated [ICRA]AAA (Stable)) in January 2025. While the first annuity was received within 16 days of the annuity due date (vis-à-vis 15 days as per the concession agreement, or CA), ICRA expects the subsequent annuities to be received in a timely manner, given the strong counterparty. Consequently, the credit profile is likely to improve with stability of cash flows on full annuity payments.

The rating factors in the credit support provided by the structural features of the debt, including presence of an escrow account, cash flow waterfall mechanism, provision for six months' DSR (to be created till the receipt of the first two annuities), creation of a major maintenance reserve (MMR) and restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.1 times. With the receipt of the first annuity, NJKEPL has funded the DSRA partially (Rs. 11.6 crore) and the balance is expected to be funded on receipt of the second annuity. ICRA draws comfort from the buffer of around 25 days between the annuity due date and the scheduled debt servicing date, which provides a cushion in case of any delay in annuity receipts. Further, the rating notes the healthy credit profile of NJKEPL's sponsor, NKC Projects Private Limited (NPPL; rated [ICRA]A (Stable)/ [ICRA]A2+), who has provided sponsor undertakings towards any shortfall in O&M expenses for the project and debt servicing obligations for the entire tenor of the facility. Given that the DSRA is not fully funded at present, NPPL is expected to bridge the funding gap, if any, to ensure timely debt servicing obligations.

The rating, however, remains constrained by the exposure of NJKEPL's cash flows to inflation risks, as O&M receipts, though linked to the inflation index (70% WPI¹ and 30% CPI²), may not be adequate to compensate for the actual increase in O&M/ periodic maintenance expenses. ICRA also notes the single-asset nature of the project, making the debt metrics sensitive to any deductions in annuity and O&M receipts. The O&M works are being currently undertaken by NPPL, as per the fixed-price O&M and major maintenance (MM) agreement. The company will have to undertake O&M for the project stretch as per the

¹ Wholesale Price Index

² Consumer Price Index

CA to avoid any deductions from annuities. Any such significant deductions or an increase in routine maintenance or MM from the budgeted level could impact its DSCR and therefore remain a key monitorable.

Key rating drivers and their description

Credit strengths

Alleviation of execution risk with achievement of PCC-I and receipt of first annuity – NJKEPL received its PCC-I/ PCOD w.e.f. October 07, 2024, after completing the partial length of the project (23.955 km out of 24.300 km) within the stipulated timelines. Consequently, it received the first annuity payment (including interest on annuity and O&M payments) for the cost incurred till the achievement of PCC-I, without any deductions (apart from statutory deductions). Achievement of the final commercial operation date (COD) remains to be seen, as delinked sections are yet to be executed. While the first annuity was received with a one-day delay, likely due to procedural reasons in finalising the bid project cost (BPC), the subsequent annuity payments are expected in a timely manner. The final completion cost, with which the future annuities will be linked, is likely to be finalised by the time of second annuity payment period.

Comfortable coverage indicators and presence of structural features – NJKEPL is expected to maintain comfortable debt coverage indicators, with a cumulative DSCR above 1.1 times during the debt tenure, even after considering the top-up debt of Rs. 122 crore availed by the company. This provides it with adequate cushion to withstand any adverse movement in the interest on annuity and inflation to a certain extent. Moreover, NJKEPL's credit profile is supported by NPPL's undertaking towards any shortfall in O&M expenses and debt servicing obligations. Further, the efficient structural features of the debt, including an escrow account, cash flow waterfall mechanism, provisions for a DSRA (to be created from the first two annuities), creation of an MMR and a restricted payment clause with a minimum DSCR of 1.1 times, provide comfort.

Credit challenges

Project's cash flows and returns exposed to inflation risks – NJKEPL's cash flows are exposed to inflation risks as O&M receipts, though linked to inflation (70% WPI and 30% CPI), may not be adequate to compensate for any increase in O&M/ periodic maintenance expenses. Any significant increase in O&M and MM expenses from the budgeted cost could impact its coverage metrics and remains a key rating monitorable.

Undertaking O&M as per concession requirement and risk of deductions from annuity – NJKEPL's prospective sources of income include annuity payments, interest on outstanding annuities and annual O&M payments from NHAI. The company must ensure satisfactory upkeep of the carriageway and undertake O&M and MM of the project stretch as per the concession agreement to avoid any deductions from the annuity and O&M payments. Any significant deductions from annuities will have a bearing on the DSCR and will remain a key rating sensitivity. ICRA notes that NJKEPL has entered a fixed-price O&M and MM contract with its sponsor, NPPL, who has a track record of around half a decade in the engineering, procurement and construction (EPC) segment, having undertaken multiple projects as a contractor. Nonetheless, any material deterioration in NPPL's credit profile impacting NJKEPL's ability to undertake maintenance activities will remain a monitorable. The O&M and MM costs agreed upon, as per the contract with NPPL, are marginally lower than ICRA's benchmarks, owing to NJKEPL's estimations of traffic along the stretch. However, in its base case scenario, ICRA has built-in additional cushion against the company's assumptions. Nonetheless, the timely receipt of annuity payments without any material deductions remains crucial.

Liquidity position: Adequate

NJKEPL's liquidity position is expected to be adequate, supported by timely receipt of annuities without any major deductions. The company has created a partial DSRA (equivalent to three months of principal repayment plus interest payment obligation) worth Rs. 11.6 crore and the balance shall be created from the proceeds of the second annuity payment, which shall further support the liquidity profile.

Rating sensitivities

Positive factors – The rating could be upgraded upon demonstration of a sustained track record of annuity and O&M payments without any deductions and creation of all stipulated reserves.

Negative factors – Pressure on the rating could arise if there are major deductions or delays in the receipt of annuities, higher-than-envisaged O&M cost or additional indebtedness adversely impacting the debt coverage metrics. Any non-adherence to the debt structure will also be a credit negative. Further, any deterioration in the credit profile of the sponsor will exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads – Hybrid Annuity
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

NJKEPL is a special purpose vehicle (SPV), which is 100% promoted by NPPL. The SPV was formed in May 2021 for the six-laning of the Jakkuva–Korlam section of NH-130-CD from the km 396+800 to km 421+100 (total 24.30 km) stretch under the Raipur–Visakhapatnam Economic Corridor in Andhra Pradesh under HAM. The construction and operations period for the project is 2 years and 15 years, respectively. The concession agreement was signed on July 14, 2021, and the appointed date was achieved on March 31, 2022. With approved extension of timeline (EOT) of 102 days, the scheduled commercial operation date (SCOD) was revised to July 09, 2024 (from the original SCOD of March 29, 2024).

With healthy pace of execution in FY2024 and H1 FY2025, the project achieved PCC-I w.e.f. October 07, 2024 (within 90 days of the revised SCOD) and received its first annuity payment (along with interest on annuity and O&M payments) in April 2025. The management expects to achieve the COD shortly with completion of the delinked stretches as per the settlement agreement (currently pending due to non-availability of RoW).

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income (OI in Rs. crore)	168.5	268.6
PAT (in Rs. crore)	2.8	12.2
OPBDIT/OI (%)	3.7%	10.5%
PAT/OI (%)	1.7%	4.5%
Total outside liabilities/Tangible net worth (times)	1.6	3.8
Total debt/OPBDIT (times)	7.8	6.6
Interest coverage (times)	1.9	2.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Note: The company follows Ind-AS and the coverage ratios are not representative of the actual cash flows.

Status of non-cooperation with previous CRA: Not applicable

Any other information:

The company faces prepayment risk, in case of possibility of debt acceleration upon the breach of covenants, including financial covenants, operating covenants, and rating linked covenants. Upon failure to meet the covenants, if the company is unable to

get waivers from the lender, or the lender does not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	June 13, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	367.00	[ICRA]A (Positive)	Jan 29, 2025	[ICRA]A- (Positive)	Oct 09, 2023	[ICRA]A- (Stable)	Sep 02, 2022	[ICRA]A- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based – Term loan	March 2025	-	October 2038	367.00	[ICRA]A (Positive)

Source: Company, ICRA Research

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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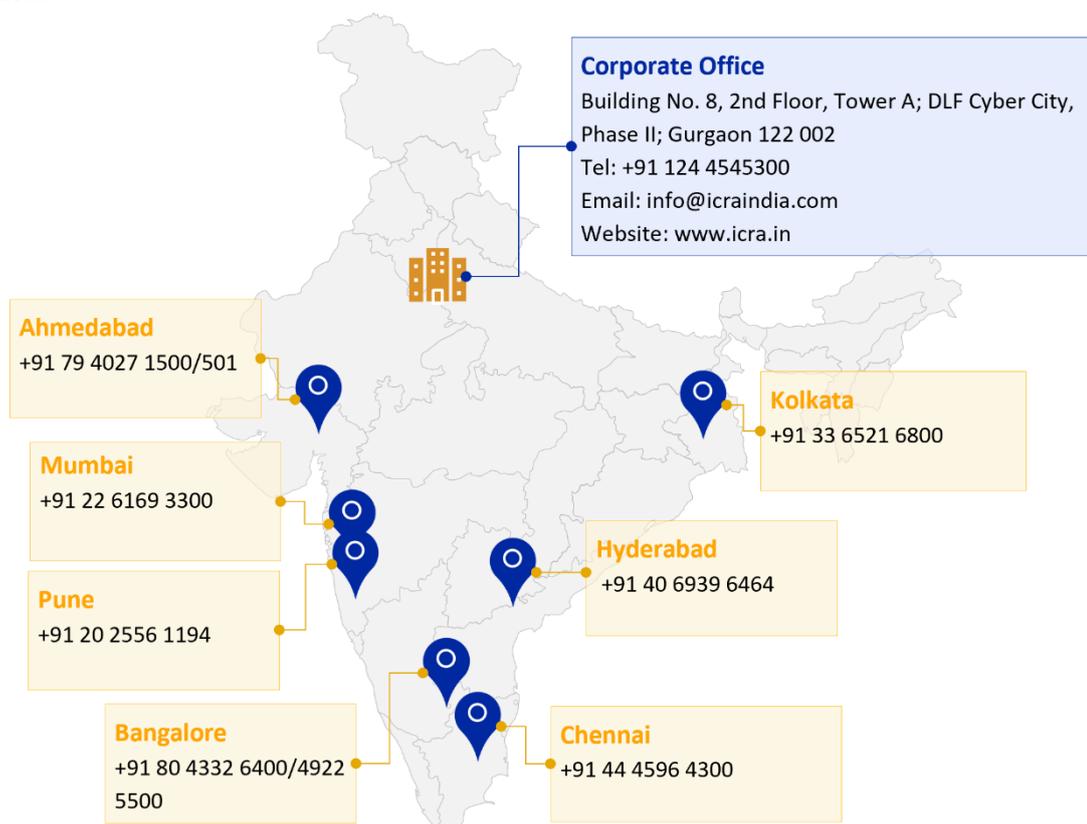
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