

August 01, 2025

Cumbum Expressways Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based – Term Loan	408.00	[ICRA]BBB+ (Stable); assigned
Total	408.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating for Cumbum Expressways Private Limited (CEPL) favourably factors in the inherent benefits of the hybrid-annuity based nature of the project, including upfront availability of right of way (RoW), automatic de-scoping of RoW pending beyond 180 days from the appointed date, and inflation-linked revisions to the bid project cost (BPC) during the construction period. The rating notes the relatively lower equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period in the form of a grant. The rating derives comfort from the adequate credit profile of the sponsor, Max Infra (I) Private Limited (Max Infra, rated [ICRA]A-(Stable)/[ICRA]A2+), which is undertaking the engineering, procurement and construction (EPC) for the project. ICRA notes the sponsor's undertaking towards financial support in case of cost overruns during the construction phase and meet any shortfall in operations and maintenance (O&M) expenses and debt servicing during the operational phase. The rating factors in the stable revenue stream after commissioning with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at average of one-year MCLR of top five scheduled commercial banks plus 125 bps and O&M payments (adjusted for inflation) over the term of the concession from the project owner and the annuity provider, the National Highway Authority of India (NHAI, rated [ICRA]AAA(Stable)). It is a key Central Government entity responsible for development and maintenance of India's national highway programme. The presence of structural features of the debt, like the escrow, a cash flow waterfall mechanism, provisions for debt servicing reserves (DSRA) equivalent to next 6 months principal and interest, major maintenance reserve (MMR), and restricted payment clause with a minimum DSCR of 1.15 times provides credit support.

The rating, however, remains constrained by the execution risks in the project, given the nascent stage of project progress with achievement of 4.3% of physical progress as on June 18, 2025. The company has entered into a fixed-price contract with the EPC contractor, Max Infra, and its ability to commission the project in a timely manner and within the budgeted costs would be important from the credit perspective. CEPL is exposed to the pending equity mobilisation risk as ~Rs. 105 crore of equity is yet to be infused as on July 15, 2025, out of the total equity requirement of Rs. 140.72 crore. The sponsor is adequately placed to infuse the balance equity requirement from the operational cash flows. Post commissioning, the company must ensure satisfactory upkeep of the carriageway and undertake O&M and major maintenance of the project stretch as per the Concession Agreement to avoid any deductions from annuities and O&M payments. Further, CEPL's cash flows are exposed to inflation risk as O&M receipts, though linked to the inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in O&M/periodic maintenance expenses. Any significant deduction from the annuities or O&M payments or increase in O&M and MM expenses from the budgeted level could impact its coverage metrics and remain a key rating monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that CEPL will benefit from the hybrid annuity nature of the project, and adequate sponsor and EPC contractor profile for timely commissioning of the project.

Key rating drivers and their description

Credit Strengths

Lower inherent risks in HAM projects from NHAI – The inherent benefits of the hybrid annuity-based nature of the project includes an upfront availability of RoW, automatic de-scoping of RoW pending beyond 180 days from the appointed date and inflation-linked revisions to the BPC during the construction period. Moreover, it faces relatively lower equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period in the form of a grant. A stable revenue stream post commissioning of the project with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at an average of 1-year MCLR of the top five scheduled commercial banks + 1.25% and the inflation-adjusted O&M cost bid over the 15-year operations period by the project owner, NHAI, which is a strong counterparty offer comfort.

Adequate coverage indicators and presence of structural features – Once operational, CEPL is expected to have adequate debt coverage indicators. This provides the special purpose vehicle (SPV) adequate cushion to withstand any adverse movement in the bank rate and inflation to a major extent. Further, the presence of structural features of the debt, including the presence of escrow, cash flow waterfall mechanism, provision for creation of six months' debt service reserve (DSR) (to be created out of the first two annuities), and MMR supports its credit profile.

Sponsor undertaking towards the project – CEPL's rating is supported by the adequate credit profile of the sponsor, Max Infra, who has provided an undertaking towards cost overrun support during the construction phase and to meet any shortfall in O&M expenses and debt servicing during the operational phase.

Credit Challenges

Execution risk related to under-construction project – The company is exposed to project execution risks as the project is in the nascent stages of execution, where the company has achieved 4.3% of physical progress as on June 18, 2025. Its ability to commission the project in a timely manner and within the budgeted cost would be important from the credit perspective. The total estimated project cost of Rs. 869.44 crore is planned to be funded by the NHAI grant of Rs. 320.66 crore, term debt of Rs. 408.07 crore and equity/promoter contribution of Rs. 140.72 crore. As on July 15, 2025, the company has infused ~Rs. 35.2 crore, with the remaining likely to be infused in FY2026 and FY2027. The sponsor is adequately placed to infuse the balance equity requirement from the operational cashflows.

Undertaking O&M as per concession requirement; cash flows and returns exposed to inflation risks – Post commissioning, the company will have to undertake the O&M of the project stretch as per the concession agreement to avoid any deductions from its annuities. Any significant deduction from annuities or increase in routine and MM expenses from the budgeted level could impact its debt servicing coverage ratio. CEPL's cash flows are exposed to inflation risks as the O&M receipts, though linked to inflation (70% WPI and 30% CPI), may not be adequate to compensate for the increase in the O&M/periodic maintenance expenses. Hence, adequate and within budgeted O&M will be a key rating sensitivity during the operations stage.

Liquidity position: Adequate

CEPL's liquidity position is adequate. The total project cost of Rs. 869.44 crore is proposed to be funded by equity of Rs. 140.72 crore, NHAI's grant of Rs. 320.66 crore and debt of Rs. 408.07 crore. Moreover, the undertaking provided by Max Infra towards financial support in case of a cost overrun or delay in NHAI's grant during the construction phase, and any shortfall in the O&M expenses as well as debt servicing in the operational phase as per the lender's approved base case business plan, provides comfort.

Rating sensitivities

Positive factors – The rating could be upgraded if the project achieves COD without any time and cost overruns, along with the receipt of the first annuity without any major deductions.

Negative factors – Pressure on the rating could arise if the project's progress is delayed, resulting in significant time and cost overruns, or if there is a deterioration in the credit profile of the sponsors, thereby heightening the equity mobilisation risk, or if delays in the receipt of grant or equity infusion increase the funding risks for the project.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads – Hybrid Annuity
Parent/group support	Not applicable
Consolidation/standalone	The rating is based on the company's standalone financial profile

About the company

Incorporated in May 2023, Cumbum Expressways Private Limited (CEPL) is a special purpose vehicle (SPV) promoted by Max Infra (I) Private Limited. The scope of the project includes construction and maintenance of a 6-lane access controlled greenfield highway on Bengaluru- Vijayawada Economic corridor (package 9) from design Ch. 196+000 (Near Kavulakuntla) to Design Ch. 203+500 (Near Narayanampet) in NH-544G in Andhra Pradesh on Hybrid Annuity Mode with total design length of 7.50 km. The Concession Agreement (CA) for the project was executed on June 07, 2023. According to the CA, the concession period for the project includes a construction period of 730 days plus a fixed period of 15 years of O&M period from the COD, i.e., about 17 years. The project received an appointed date with effective from February 07, 2025. The total estimated project cost is Rs. 869.44 crore to be funded by equity/unsecured loans from promoters of Rs. 140.72 crore (16% of project cost), NHA construction support of Rs. 320.66 crore (37%) and term loan of Rs. 408.07 crore (47%).

Key financial indicators

Key financial indicators are not applicable as CEPL is a project stage company.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

FY2026				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs. crore)	Aug 01, 2025	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long-term	408.00	[ICRA]BBB+ (Stable)	-	-	-	-	-	-

Note: Amount in Rs. crore;

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 Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	April 10, 2024	NA	September 07, 2039	408.00	[ICRA]BBB+ (Stable)

Source: Company; amount in Rs. crore

[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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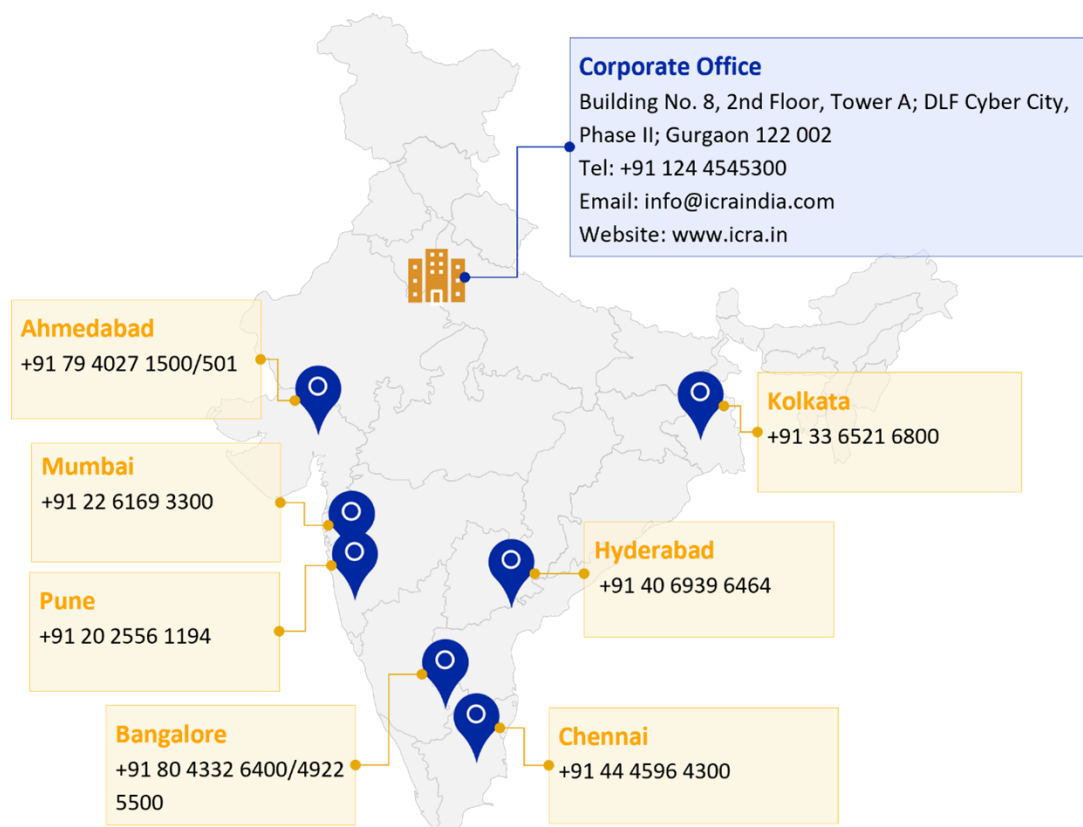


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