August 06, 2025

IRB MP Expressway Private Limited: Rating upgraded to [ICRA]AA (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	5,378.71	4,622.05	[ICRA]AA (Stable); upgraded from [ICRA]AA-(Stable)
Total	**5,378.71**	**4,622.05**	

**Instrument details are provided in Annexure I*

Rationale

The rating upgrade for IRB MP Expressway Private Limited (IMPEPL) factors in the expected improvement in traffic flow with infrastructure enhancements along the Mumbai-Pune Expressway (MPEW) corridor, which is likely to witness significant decongestion with completion of the Missing Link Project by the end of the current calendar year. The same is estimated to lead to improved traffic, which will lead to improvement in the coverage metrics. At present, the passenger traffic reliant on railways may shift to road transport as congestion in the ghat section would reduce, thereby enhancing the overall attractiveness of the MPEW. Additionally, infrastructure developments, such as the Atal Setu connector via Nhava Sheva and the upcoming Navi Mumbai Airport are likely to boost the traffic volumes. The rating takes comfort from the importance of the project stretch connecting Mumbai and Pune, the two major metropolitan cities in Maharashtra with an established traffic density, along with healthy traffic growth rates and the sponsor IRB Infrastructure Developers Limited's (IRB) tolling track record (of the new Mumbai-Pune stretch and the NH-48, formerly known as NH-4) of more than 20 years including tolling under the previous concession. The project is a part of the Golden Quadrilateral and connects Mumbai with southern cities like Bengaluru, Chennai and Hyderabad.

The Mumbai-Pune Expressway stretch, which accounted for 83% of IMPEPL's toll collections in FY2025, witnessed a healthy rise in toll revenue at a CAGR of ~12% during FY2015-FY2025, driven by 6.5% CAGR in traffic during the same period. IMPEPL's toll collection grew by 2.7% YoY in FY2025. ICRA expects the toll collection to grow YoY by 5-6% in FY2026e and by 12-13% in FY2027e with estimated completion of the Missing Link Project (eight lanes twin tunnel being constructed on new Mumbai-Pune Expressway). The rating derives comfort from structural features such as a debt service reserve account (DSRA) equivalent to one quarter's debt servicing obligations (being maintained in form of bank guarantee (BG) of Rs. 323 crore as on July 11, 2025), a well-defined escrow mechanism and restricted payment covenants with lock-up debt service coverage ratio (DSCR) of 1.2 times. ICRA takes note of the strong experience and track record of its sponsor and operations and maintenance (O&M) contractor (IRB).

IMPEPL's coverage metrics remains modest compared to other toll projects at similar rating levels. However, given the long track record of toll collection with an established traffic density and absence of alternative route, the cash flow predictability remains better than most toll projects and has resemblance to those of annuity project. Notwithstanding its long tolling history and the importance of the project stretch, IMPEPL remains exposed to risks inherent in BOT (toll) road projects, including the risks arising from the potential development/improvement of alternative routes/modes and users' willingness to pay toll. The residual debt tenure is 4 years, and there are no major alternate routes expected to become operational in the interim, which could materially impact coverage metrics.

The rating remains sensitive to the movements in interest rate owing to its variable nature and the company's ability to manage the routine and periodic maintenance expenses within the budgeted levels. While the debt covenants do not stipulate annual build-up of major maintenance reserve (MMR), the annual expenditure towards major maintenance (MM) is expected to be met through operational cash flows. ICRA takes note of higher O&M expenses from July 2022 onwards on account of increased GST rates, for which IMPEPL has filed a claim with MSRDC under 'change in law'. That said, the operational cash flows are adequate to fund the aforesaid rise in O&M outflow. The second MM cycle commenced in H2 FY2024 and is estimated to be completed at a cost of Rs. 277 crore by March 2026.

The Stable outlook on the rating reflects ICRA's opinion that IMPEPL will benefit from the healthy cash flows, established traffic density, long tolling track record and strong profile of the O&M contractor.

Key rating drivers and their description

Credit strengths

Long tolling track record with established traffic density – The project stretch has a tolling track record of more than 20 years with an established traffic density and growth rates. The toll collection rights for both the stretches – the Mumbai-Pune Expressway as well as NH-4 – have been with IRB from August 2004 to August 09, 2019. Post the expiry of this contract, the toll collection was undertaken by MSRDC until February 29, 2020. Subsequently, MPEL was awarded the contract for tolling, operation and maintenance of NH-4 and the new Mumbai-Pune Expressway to IMPEPL for 10 years and 2 months, from March 01, 2020 (commencement date) to April 30, 2030. The Mumbai-Pune Expressway (MPEW), which contributed 83% of IMPEPL's toll collections in FY2025, witnessed an increase in toll revenue at a CAGR of ~12% during FY2015-FY2025, driven by 6.5% CAGR in traffic. IMPEPL's toll collection grew by 2.7% YoY in FY2025. ICRA expects the toll collection to grow YoY by 5-6% in FY2026e and by 12-13% in FY2027e with expected completion of the Missing Link Project (eight lanes twin tunnel being constructed on new Mumbai-Pune Expressway).

Healthy cash cover and structural features – The rating factors in the healthy projected coverage ratios over the loan tenure. IMPEPL's liquidity position is adequate, with DSRA equivalent to one quarter's principal plus interest obligations (being maintained in form of BG of Rs. 323 crore as on July 11, 2025), apart from unencumbered cash balance of around ~Rs. 21 crore as on March 31, 2025. The rating derives comfort from other structural features such as a well-defined escrow mechanism and restricted payment covenants with lock-up DSCR of 1.2 times.

Importance of project stretch and low alternative route risk – The new Mumbai-Pune Expressway and NH 48 are important stretches as these are the only roadways that connect Mumbai and Pune, the two major metropolitan cities in Maharashtra. The project is a part of the Golden Quadrilateral, and it connects Mumbai with southern cities like Bengaluru, Chennai and Hyderabad. The project stretch has an established traffic density and given the willingness of users to pay toll, it faces low alternative route risk.

Credit challenges

Risks inherent in BOT (toll) road projects and exposed to interest rate risk – Notwithstanding its long tolling history and the importance of the project stretch, the project remains exposed to risks inherent in BOT (toll) road projects, including the risks arising from development/improvement of alternative routes/modes and users' willingness to pay toll**.** The project's cash flows and profitability remain exposed to interest rate risk due to the floating nature of the interest rate.

Manage routine and periodic maintenance expenses within budgeted levels – While the debt covenants do not stipulate annual build-up of MMR, the annual expenditure towards MM is expected to be met through the operational cash flows. ICRA takes note of higher O&M expenses from July 2022 onwards on account of increased GST rates, for which IMPEPL has filed a claim with MSRDC under 'change in law'. That said, the operational cash flows are adequate to fund the aforesaid rise in O&M outflow. IMPEPL's ability to manage routine and periodic maintenance expenses within the budgeted levels remains critical from the credit perspective.

Liquidity position: Adequate

IMPEPL's liquidity position is adequate, with an unencumbered cash balance of ~Rs. 21 crore as on March 31, 2025. Further, the company has a DSRA equivalent to one quarter of principal plus interest obligations (being maintained in form of BG of Rs. 323 crore as on July 11, 2025). The debt repayment obligation (principal plus interest) of ~Rs. 1,266 crore in FY2026 can be comfortably met from the cash flow from operations.

Rating sensitivities

Positive factors – ICRA may upgrade the company's rating in case of significant and sustained improvement in toll collection resulting in material improvement in coverage metrics, while maintaining the adequate liquidity position.

Negative factors – Pressure on the rating could arise if the traffic growth is lower than expected on a sustained basis, and/or if there is a material increase in O&M expenses on a consistent basis. Any additional indebtedness or non-adherence to debt-structure could also result in rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Roads – BOT Toll
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

IMPEPL, incorporated in 2020, is a special purpose vehicle (SPV) promoted by IRB for the operation and maintenance of two parallel roads from Mumbai to Pune. It includes a 111-km stretch on the National Highway 4 (NH-4, four-lane road tolled since August 2004) and a new 95-km Mumbai-Pune Expressway (six-lane road tolled since September 2006) in Maharashtra on an operate, maintain and transfer basis.

On February 25, 2020, MPEL, through a tendering process, awarded the contract for the tolling, operation and maintenance of NH-4 and the new Mumbai-Pune Expressway to IMPEPL for 10 years 2 months [i.e., from March 01, 2020 (commencement date) to April 30, 2030]. As per the terms of the transaction, IMPEPL is required to pay a consideration of Rs. 8,262 crore to MPEL for acquiring the toll collection rights, which has already been paid.

Key financial indicators (audited)

IMPEPL – Standalone	FY2024	FY2025
Operating income	1687.0	1732.2
PAT	101.7	148.1
OPBDIT/OI	86.6%	86.9%
PAT/OI	6.0%	8.6%
Total outside liabilities/Tangible net worth (times)	13.0	9.0
Total debt/OPBDIT (times)	4.5	3.8
Interest coverage (times)	2.4	2.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years		
				FY2025	FY2024	FY2023
Instrument	Type	Amount rated (Rs. crore)	Aug-06-25	Rating Date: July-26-24	Rating Date: Jun-16-23	Rating Date: May-09-22
Term loans	Long term	4,622.05	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (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	**Term loan**	June 2020	-	Feb 2029	4,622.05	[ICRA]AA (Stable)

Source: Company

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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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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