

January 20, 2026

## Kallagam - Meensurutti Highway Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	455.60	334.11	[ICRA]AA (Positive); reaffirmed
<b>Total</b>	<b>455.60</b>	<b>334.11</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation for Kallagam–Meensurutti Highway Private Limited (KMHPL) reflects the operational nature of the project with timely receipt of eight semi-annuities without any material deductions from the National Highways Authority of India [NHAI, rated [ICRA]AAA(Stable)], a key Central Government entity responsible for development and maintenance of India's national highway programme, which is a strong counterparty. The rating factors in the elimination of the execution risk with 100% completion of the project stretch. KMHPL received PCC-I in October 2021, corresponding to physical progress of 73.04%, and has applied for the final commercial operations date (COD) effective December 31, 2022. However, the approval from the NHAI is pending amid the resolution of claims raised by the company. Nevertheless, ICRA expects the company to sign a settlement agreement with the NHAI in the near term for resolution of these claims and achievement of the final COD. The rating draws comfort from the 45-day buffer between the annuity receipt and scheduled debt servicing, and the presence of strong structural features of debt such as maintenance of escrow account, cash flow waterfall mechanism, creation of debt service reserve (DSR), major maintenance (MM) and operations and maintenance (O&M) reserve and a restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.15 times. The company is maintaining adequate DSR of Rs. 28.8 crore, O&M reserve of Rs. 21.7 crore, and MM reserve of Rs. 20.4 crore as of November 2025, supporting its credit profile. KMHPL further benefits from the strong operational and established O&M capabilities of its parent, Oriental Structural Engineers Private Limited (OSEPL, rated [ICRA]AA (Stable)), which has a demonstrated track record of over two decades in executing O&M works within the budgeted time and cost, mitigating the operational risk to an extent.

The rating, however, remains constrained by modest near-term DSCR as annuity receipts are being received based on PCC-I cost (73.04%) cost, while debt repayments have commenced on the entire drawn debt of Rs. 445.6 crore. Nevertheless, the company has successfully made eight principal repayments, despite partial annuity inflows. Further, it made an additional prepayment of Rs. 19 crore in November 2025. Additionally, with the receipt of final COD, the debt coverage metrics are expected to remain strong with cumulative DSCR of more than 1.25 times during the debt tenure. Further, the project's cash flows and returns are exposed to interest rate risk, given the dependence on the spread between interest on outstanding annuities linked to the Reserve Bank of India's (RBI) bank rate and the lenders' interest rates linked to MCLR. Any widening of this spread could adversely impact the projected cash flows. Moreover, O&M receipts, though inflation-linked (70% WPI and 30% CPI), may not fully offset actual hikes in O&M costs. The single-asset nature of the project also makes the debt metrics sensitive to any deductions in annuity and O&M payments, underscoring the need for satisfactory upkeep of the carriageway as per the Concession Agreement. Timely receipt of full contractual annuities is, therefore, critical for improving the coverage metrics and remains a key rating monitorable.

The debt structure remains moderate due to presence of the cross-default clause, whereby a default by the sponsor (OSEPL) will constitute as an event of default for KMHPL and could lead to acceleration of its debt at the lender's discretion. Nevertheless, given KMHPL's favourable operational and financial profile (robust coverage metrics) and strong counterparty (NHAI), the company is expected to refinance its debt within the 60-day curing period if such a clause is exercised by the lender, thereby mitigating the risk to a major extent.

The Positive outlook on the rating reflects ICRA's expectation that KMHPL's credit profile will improve in the near to medium term, once it starts receiving full annuities in a timely manner, as 100% of the stretch is already completed and is awaiting final approval of COD from the NHAI.

## Key rating drivers and their description

### Credit strengths

**Operational annuity project with timely track record of receipt of eight semi-annuities from strong counterparty – KMHPL** has received PCC-I in October 2021 corresponding to physical progress of 73.04% and 100% of construction works are completed, alleviating the project execution risks. The company has applied for the final COD w.e.f. December 31, 2022. However, the same is pending for approval with the NHAI, amid the resolution of claims raised by the company. Nevertheless, ICRA expects the company to sign a settlement agreement with the NHAI in the near term for resolution of these claims and achievement of final COD. Till date, KMHPL has successfully received eight semi-annuities in a timely manner and without any material deductions. The annuities are currently being received on the balance completion cost (BPC) linked to 73.04% progress approved at the time of PCC-I issuance.

Further, the annuity nature of the project eliminates the traffic risk in the hybrid annuity model (HAM) road projects. The project will have a stable annuity revenue stream over the term of the concession from the project owner and annuity provider, the NHAI, which is a key Central Government entity responsible for development and maintenance of India's national highway programme.

**Healthy projected debt coverage indicators and structural features of the debt** – Once the special purpose vehicle (SPV) starts receiving full annuities, the debt coverage metrics are expected to remain strong with cumulative DSCR of more than 1.25 times during the debt tenure. The rating draws comfort from the 45-day buffer between the annuity receipt and scheduled debt servicing, and the presence of strong structural features of debt such as maintenance of escrow account, cash flow waterfall mechanism, creation of DSR, MM and O&M reserve and a restricted payment clause with a minimum DSCR of 1.15 times. The company is maintaining DSR of Rs. 28.8 crore, O&M reserve of Rs. 21.7 crore, and MM reserve of Rs. 20.4 crore as of November 2025, supporting its credit profile.

**Established track record of O&M contractor** – KMHPL is a wholly-owned subsidiary of OSEPL. OSEPL has been appointed as the O&M contractor to take up routine maintenance activities at an annual fixed-price contract. KMHPL benefits from the strong operational and established O&M capabilities of OSEPL, which has a demonstrated track record of over two decades in executing O&M works within the budgeted time and cost, mitigating the operational risk to an extent.

### Credit challenges

**Delay in receipt of full contractual annuities to adversely impact credit metrics** – The NHAI had approved the provisional COD for the project stretch in October 2021, corresponding to BPC cost of 73.04%, although construction of the entire stretch is complete. Given this, the near-term DSCR remains modest as annuity receipts are being received based on PCC-I (73.04%) cost, while debt repayments have commenced on the entire drawn debt of Rs. 445.6 crore. Nevertheless, the company has successfully made eight principal repayments, despite partial annuity inflows and further made an additional prepayment of Rs. 19 crore in November 2025. Additionally, with the receipt of the final COD, the debt coverage metrics are expected to remain strong with cumulative DSCR of more than 1.25 times during the debt tenure. Hence, timely receipt of full contractual annuities is critical for improving the coverage metrics and remains a key rating monitorable.

**Ensuring timely routine and periodic maintenance expenses; project returns exposed to spread between RBI's bank rate and interest rate charges by lenders** – KMHPL's sources of income include annuity, interest on outstanding annuities and annual O&M payments from the NHAI. ICRA notes the single asset nature of the project operations, thereby making the debt metrics sensitive to any deductions in annuity and O&M receipts. Hence, the company must ensure satisfactory upkeep of the carriageway as per the provisions of the Concession Agreement to avoid any deductions from the annuity amount. Further, the project's cash flows and returns are exposed to interest rate risk and are dependent on the spread between the RBI's bank

rate and the interest rate charged by lenders. The interest on the outstanding annuities from the NHAI is linked to the RBI's bank rate, while the interest rate charged by the lenders is linked to their respective MCLR. The spread between the RBI's bank rate and bank's MCLR, if widened, could adversely impact the projected cash flows.

**Moderate debt structure due to presence of cross-default clauses** – The company's debt terms include a cross-default clause, wherein any default by the sponsor (OSEPL) will constitute as an event of default for KMHPL and could lead to acceleration of its debt at the lender's discretion. However, given its favourable operational and financial profile (robust coverage metrics) and strong counterparty (NHAI), the company is expected to refinance its debt within the 60-day curing period if such a clause is exercised by the lender, thereby mitigating the risk to a major extent.

### Liquidity position: Adequate

The cash flows from operations are expected to be sufficient to meet the debt obligations (P+I) of Rs. 54.9 crore in FY2026 and Rs. 55.1 crore in FY2027. The company's liquidity position is supported by the availability of DSR of Rs. 28.8 crore, MM and O&M reserves of Rs. 42.1 crore and unencumbered cash balances of Rs. 1.6 crore as of November 2025.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if the company receives contracted annuities in full, in a timely manner, without any significant deductions.

**Negative factors** – Pressure on the rating could arise if there are material deductions or delays in the receipt of semi-annual annuities or O&M payments, or if the O&M expenses significantly exceed the estimates, or if there is any additional debt availed by the SPV that impacts its coverage indicators, with the cumulative DSCR reducing below 1.25 times. The rating could come under pressure if there is any non-adherence or dilution of the debt structure.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Roads - Hybrid Annuity</a>
Parent/Group support	NA
Consolidation/Standalone	Standalone

### About the company

Kallagam - Meensurutti Highway Private Limited (KMHPL) is an SPV incorporated in March 2018, by Oriental Structural Engineers Pvt Ltd (OSEPL) to undertake the project, in Concession Agreement with the NHAI, for four laning of Kallagam to Karuppur from km. 38.700 to km. 50.382 and two laning with paved shoulders from Karuppur to Meensurutti from km. 50.382 to km. 98.433 under NHDP Phase-IV in Tamil Nadu on design, build, operate and transfer (DBOT Annuity or Hybrid Annuity) basis.

### Key financial indicators (Audited)

Standalone	FY2024	FY2025
<b>Operating income</b>	81.0	78.3
<b>PAT</b>	20.7	26.0
<b>OPBDIT/OI</b>	76.3%	84.2%
<b>PAT/OI</b>	25.5%	33.2%
<b>Total outside liabilities/Tangible net worth (times)</b>	3.6	2.9
<b>Total debt/OPBDIT (times)</b>	6.7	5.9
<b>Interest coverage (times)</b>	1.6	1.7

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

KMHPL follows Ind AS and key financial ratios are not representative of actual cash flows

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Jan 20, 2026	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	334.11	[ICRA]AA (Positive)	20-Jan-2025	[ICRA]AA (Positive)	08-Dec-2023	[ICRA]AA (Positive)	12-Sep-2022	[ICRA]AA (Positive)

### 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	July 2021	NA	FY2036	334.11	[ICRA]AA (Positive)

Source: Company

**Annexure II: List of entities considered for consolidated analysis: Not Applicable**

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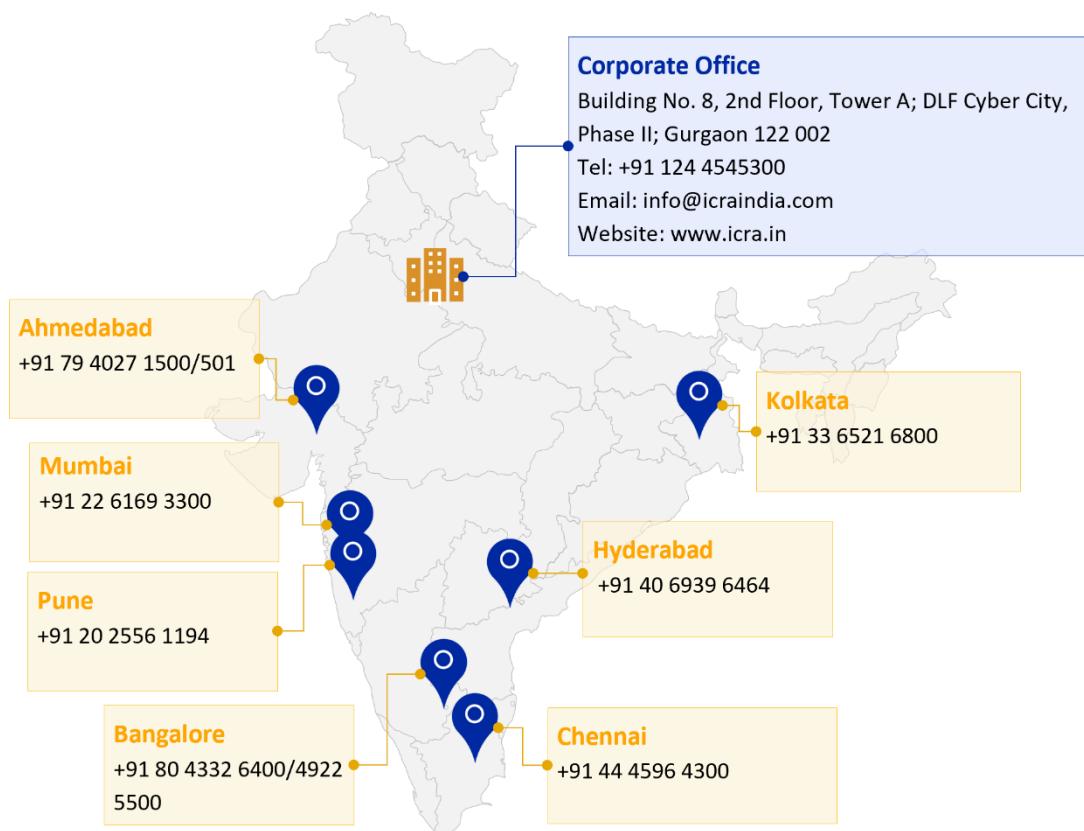
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