

February 27, 2026

NKC DH Expressway Private Limited: Rating upgraded to [ICRA]A; outlook revised to 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	189.00	273.00	[ICRA]A(Positive); Upgrade from [ICRA]A- and outlook revised to Positive from Stable and assigned for enhanced amount
Total	189.00	273.00	

*Instrument details are provided in Annexure-1

Rationale

The rating upgrade for NKC DH Expressway Private Limited (NDHEPL) favourably factors in the commencement of annuity and operations and maintenance (O&M) payments as well as partial creation of stipulated reserves as per sanctioned terms, following the receipt of provisional commercial operation date (PCOD) for the six-lane national highway construction project executed by the company under the hybrid annuity model (HAM). The Positive outlook reflects ICRA's opinion that its credit profile will further improve with the full creation of its debt service reserve (DSR) and timely receipt of annuities and O&M payments, without any material deductions.

The PCOD was declared in July 2025 for 21.84 km – covering almost the entire project length – barring punch-list items, with the project achieving ~100% completion by the time of receipt of the first annuity. The company has already applied for final commercial operation date (COD) and is expected to receive it from the National Highways Authority of India (NHAI; rated [ICRA]AAA (Stable)) by March 2026. While the first annuity was received within 16 days of the annuity due date [vis-à-vis 15 days as per the concession agreement(CA)], ICRA anticipates 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 continues to factor in the credit support provided by the structural features of the debt, including presence of an escrow account, cash flow waterfall mechanism, provision for a six-month DSR (to be created from the first four annuities), creation of a major maintenance reserve (MMR) and restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.13 times. ICRA draws comfort from the buffer of around 50 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 NDHEPL's sponsor, NKC Projects Private Limited (NPPL; rated [ICRA]A (Stable)/ [ICRA]A2+), which 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 (~25% created, in line with sanctioned terms), 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 NDHEPL's cash flows to inflation risks, as O&M receipts, though linked to the inflation index [70% Wholesale Price Index (WPI) and 30% Consumer Price Index (CPI)], 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 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

Operational project with receipt of first annuity payment – NDHEPL received its PCOD w.e.f. July 07, 2025, after completing the project length (21.84 km) within the stipulated timeline. Furthermore, final COD has been applied. The company received the first annuity payment (including interest on annuity and O&M payments) for the cost incurred till the achievement of PCOD, without any deductions (apart from statutory deductions). Also, while the first annuity was received with a one-day delay (beyond the 15-day period stipulated by the NHAI), 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 – NDHEPL 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. 95.5 crore availed. This provides it with adequate cushion to withstand any adverse movement in the interest on annuity and inflation to a certain extent. Moreover, NDHEPL’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 four annuities), creation of an MMR and a restricted payment clause with a minimum DSCR of 1.13 times, provide comfort.

Lower inherent risks in the HAM projects from the NHAI – The inherent benefits of the HAM project include a stable revenue stream after commissioning of the project, with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at an average of one-year marginal cost of fund-based lending rate (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.

Credit challenges

Project’s cash flows and returns exposed to inflation risks – NDHEPL’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. However, ICRA notes that the company has entered a fixed-price O&M and MM contract with its sponsor, NPPL, which partly mitigates this risk. The project’s cash flows and returns are sensitive to the spread between the interest to be paid by the NHAI on the outstanding annuities linked to the average of one-year MCLR of top five scheduled commercial banks and the interest rate payable on the outstanding debt, linked to lender’s MCLR.

Undertaking O&M as per concession requirement and risk of deductions – The company must ensure satisfactory upkeep of the carriageway and undertake O&M and MM of the project stretch as per the CA 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 NDHEPL has entered a fixed-price O&M and MM contract with its sponsor, NPPL, which has a track record of almost 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 its ability to undertake maintenance activities will continue to be monitorable. The O&M and MM costs agreed upon, as per the contract with NPPL, are marginally lower than ICRA’s benchmarks, owing to NDHEPL’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

NDHEPL’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 worth Rs. 4.8 crore, and the balance shall be created from the proceeds of the subsequent three annuity payments, 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 semi-annual annuities or O&M payments or additional indebtedness resulting in deterioration in debt coverage metrics. The rating could also come under pressure if there is any non-adherence to the debt structure. 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

NDHEPL is a special purpose vehicle (SPV) promoted by NPPL. The SPV was formed in May 2021 for the development of the six-lane Dhanara (Odisha-Chhattisgarh Border) Hatibena section of NH 130CD road from Km 124+611 to 146+500 under Raipur Visakhapatnam Economics corridor in Odisha under HAM (Package-OD 1). The construction and operations periods for the project are 2 years and 15 years, respectively. The CA was signed on July 14, 2021, and the appointed date was achieved on March 25, 2022. The project achieved PCOD w.e.f. July 07, 2025, and received its first annuity payment (along with interest on annuity and O&M payments) in January 2026.

Key financial indicators (audited)

NDHEPL (Standalone)	FY2024	FY2025
Operating income (OI)	121.9	86.1
PAT	9.0	17.7
OPBDITA/OI	6.9%	13.9%
PAT/OI	7.4%	20.5%
Total outside liabilities/tangible net worth (times)	2.7	2.7
Total debt/OPBDITA (times)	12.5	13.1
Interest coverage (times)	1.0	1.0

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDITA: 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 debt acceleration upon the breach of covenants, including financial covenants, and rating-linked covenants. Upon failure to meet the covenants, if it 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

Instrument	Current rating(FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	Feb 27, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based - Term loan	Long-term	273.00	[ICRA]A (Positive)	Nov 08, 2024	[ICRA]A- (Stable)	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 / sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based - Term loan	Dec 2025	-	Feb 2039	273.00	[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

ANALYST CONTACTS

Ashish Modani

+91 22 6169 3358

ashish.modani@icraindia.com

Ritu Goswami

+91 124 4545 826

ritu.goswami@icraindia.com

Suprio Banerjee

+91 22 6114 3443

supriob@icraindia.com

Mrinal Jain

+91 124 4545 863

mrinal.j@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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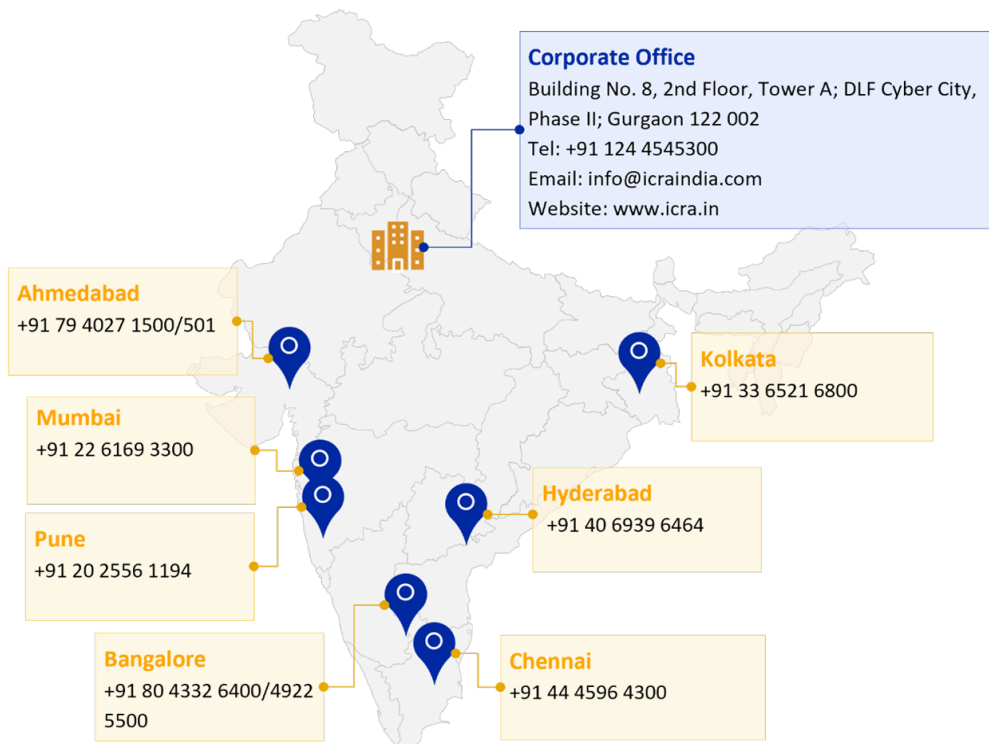


Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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