

March 02, 2026

## NKC KK Expressway Private Limited: Rating upgraded to [ICRA]AA- (Stable); outlook revised to Stable

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	320.00	320.00	[ICRA]AA- (Stable); upgraded from [ICRA]A- (Positive); outlook revised to Stable from Positive
<b>Total</b>	<b>320.00</b>	<b>320.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating upgrade for NKC KK Expressway Private Limited (NKKEPL) factors in the successful completion of the highway construction project with the achievement of final commercial operation date (COD) w.e.f. June 27, 2025, within the budgeted costs, thereby eliminating any residual execution risks. Further, the ratings positively note the receipt of three semi-annual annuities and operations and maintenance (O&M) payments, without any material deductions (excluding statutory deductions and a one-time adjustment for de-scoping), eliminating the uncertainty around the final completion cost with which the future annuities will be linked. While the last two annuities were received with a delay of seven-ten days, beyond the 15-day period specified in the concession agreement (CA), ICRA draws comfort from the buffer of ~30 days between the annuity due date and the scheduled debt-servicing date and also expects the subsequent annuities to be received in a timely manner, given the finalisation of cost and presence of a strong counterparty – National Highway Authority of India (NHAI, or the authority; rated [ICRA]AAA (Stable)).

The rating continues to favourably 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 debt service reserve (DSR), creation of a major maintenance reserve (MMR) and a restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.25 times. With the receipt of the first three annuity payments, NKKEPL has fully funded the debt service reserve account (DSRA) (Rs. 21.8 crore as of January 2026). Further, the rating notes the healthy credit profile of the company's sponsor and O&M contractor, NKC Projects Private Limited (NPPL; rated [ICRA]A (Stable)/ [ICRA]A2+). ICRA also notes that NPPL has provided sponsor undertakings towards meeting any shortfall in O&M expenses for the project and debt-servicing obligations for the entire tenor of the facility.

The rating, however, remains constrained by the exposure of NKKEPL'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.

The Stable outlook on the long-term rating reflects ICRA's expectation that the timely receipt of annuities will enable comfortable debt coverage indicators.

### Key rating drivers and their description

#### Credit strengths

**COD achieved; three annuities received, reducing uncertainty on completion cost** – Subsequent to the achievement of PCOD w.e.f. June 21, 2024, the project attained final COD w.e.f. June 27, 2025, following the completion of the residual stretch and punch-list items, thereby eliminating execution-related risks. Further, the company has received three semi-annual annuity payments (including interest on annuity) and two O&M payments from the NHAI, which has reduced uncertainty around cost finalisation and annuity receivables over the remaining concession period. While the last two annuities were received with some delay, ICRA expects subsequent annuity receipts to be timely, given the finalisation of costs upon achievement of COD and the presence of a strong counterparty in NHAI. ICRA also draws comfort from the buffer of around 30 days between the annuity due date and the scheduled debt-servicing date, which provides an adequate cushion in the event of any delay in annuity receipts.

**Comfortable coverage indicators and presence of structural features** – NKKEPL is expected to maintain comfortable debt coverage indicators, with a cumulative DSCR above 1.1 times during the debt tenure. This provides it with adequate cushion to withstand any adverse movement in the interest on annuity and inflation to a certain extent. Moreover, the company'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 DSR (equivalent to six months of debt-servicing obligations), creation of an MMR and a restricted payment clause with a minimum DSCR of 1.25 times, provide comfort.

**Lower inherent risks in hybrid annuity model (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 bid-project cost (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 plus 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** – NKKEPL'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 it has entered into a fixed-price O&M and MM contract with 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 the lender's MCLR.

**Undertaking O&M as per concession requirement and risk of deductions from annuity** – 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 NKKEPL has entered into a fixed-price O&M and MM contract with its sponsor, NPPL, which has a track record of almost a decade in the road engineering, procurement and construction (EPC) segment, having undertaken multiple projects as a contractor. Nonetheless, any material deterioration in NPPL's credit profile impacting NKKEPL's ability to undertake maintenance activities will remain monitorable. The O&M and MM costs agreed upon, as per the contract with NPPL, are marginally lower than ICRA's benchmarks, owing to its 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

NKKEPL's liquidity position is expected to be adequate, supported by expected timely receipt of annuities without any major deductions. The company has created a DSR (equivalent to six months of principal repayment plus interest payment obligation) worth Rs. 21.8 crore from the proceeds of first three annuity payments, which will support the liquidity profile.

## Rating sensitivities

**Positive factors** – The rating could be upgraded with a demonstrated, sustained track record of annuity and O&M payments

without any deductions, along with meaningful improvement in coverage metrics.

**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.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Roads - Hybrid Annuity</a>
Parent/group Support	Not Applicable
Consolidation/standalone	Standalone

## About the company

NKC KK Expressway Private Limited (NKKEPL) is a special purpose vehicle (SPV) wholly promoted by NPPL. The SPV was incorporated on April 21, 2021, for the development of the six-lane Karki–Kaliagura section of NH-130CD, spanning from km 226.500 to km 249.000, under the Raipur-Visakhapatnam Economic Corridor in Odisha under HAM. The project entails a construction period of two years and an operations period of 15 years. The CA was executed on July 14, 2021, and the appointed date was achieved on March 25, 2022. The project attained final COD in June 2025 and has received three semi-annual annuity payments up to January 2026.

## Key financial indicators (audited)

NKKEPL (Standalone)	FY2024	FY2025
Operating income (OI in Rs. crore)	202.3	142.6
PAT (in Rs. crore)	11.0	-26.5
OPBDIT/OI (%)	13.4%	-8.6%
PAT/OI (%)	5.4%	-18.6%
Total outside liabilities/Tangible net worth (times)	3.4	13.5
Total debt/OPBDIT (times)	5.9	-22.8
Interest coverage (times)	2.2	-0.6

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 debt acceleration is triggered upon the breach of covenants, including financial and rating-linked covenants. Upon failure to meet such 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**

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	Mar 02, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
<b>Fund-based – Term loan</b>	Long-term	320.00	[ICRA]AA- (Stable)	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
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-I	October 2024	-	July 2037	200.00	[ICRA]AA- (Stable)
NA	Term loan-II	October 2024	-	July 2038	120.00	[ICRA]AA- (Stable)

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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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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## ICRA Limited

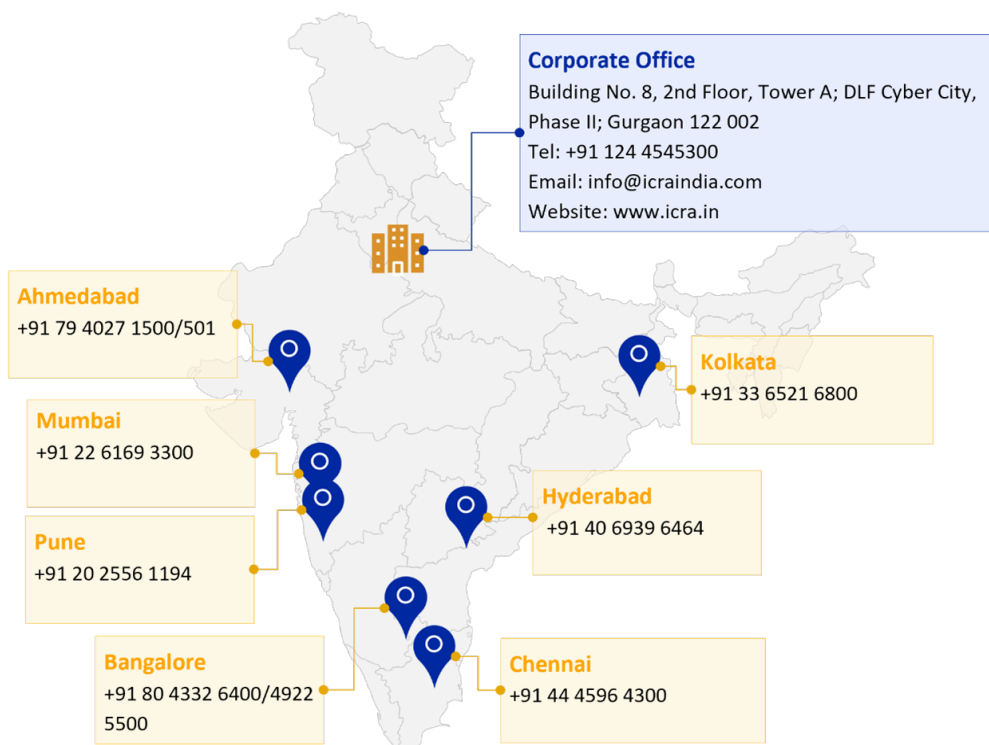


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