

March 02, 2026

NKC JK 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	367.00	367.00	[ICRA]AA- (Stable); upgraded from [ICRA]A (Positive) and outlook revised to Stable from Positive
Total	367.00	367.00	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade for NKC JK Expressway Private Limited (NJKEPL) factors in the project’s healthy physical progress of over 99% as of December 2025, along with the receipt of the first two semi-annual annuities and operations and maintenance (O&M) payment without any material deductions (excluding statutory deductions). The brownfield highway construction project had received the provisional commercial operation date (PCOD) on October 07, 2024, and residual execution pertains to non-availability of work-front. Also, while the second annuity payment was received with a one-day delay, beyond the 15-day period specified in the concession agreement (CA), ICRA draws comfort from the buffer of ~23 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 1.1 times. With the receipt of the first two annuity payments annuity, NJKEPL has fully funded the DSR (Rs. 22.1 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 NJKEPL’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

Operational project with receipt of two annuities and creation of DSR – Subsequent to the achievement of PCOD w.e.f. October 07, 2024, the project progressed steadily and attained 99% completion as of December 2025, thereby largely

eliminating execution-related risks. Further, two semi-annual annuity (including interest on annuity) and O&M payments from the NHAI have been received, which reduces uncertainty around cost finalisation and annuity receivables over the remaining concession period. While the second annuity payment was received with a one-day delay, beyond the 15-day period specified in the CA, ICRA draws comfort from the buffer of ~23 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 to a large extent and presence of a strong counterparty, the NHAI.

Comfortable coverage indicators and presence of structural features – NJKEPL 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, NJKEPL's credit profile is supported by NPPL's undertaking towards any shortfall in O&M expenses and debt-servicing obligations. 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 1.1 times, also 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%. In addition, the inflation-adjusted O&M cost is reimbursed by NHAI over the 15-year operational period. The strong credit profile of NHAI provides comfort on the certainty of cash flows.

Credit challenges

Project's cash flows and returns exposed to inflation risks – NJKEPL'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 into a fixed-price O&M and MM contract with NPPL, which partly mitigates this risk. Also, 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 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 NJKEPL 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 NJKEPL'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

NJKEPL's liquidity position is expected to be adequate, supported by anticipated 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. 22.1 crore from the proceeds of first two 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	Corporate Credit Rating Methodology Roads - Hybrid Annuity
Parent/group Support	Not Applicable
Consolidation/standalone	Standalone

About the company

NKC JK Expressway Private Limited (NJKEPL) is a 100% special purpose vehicle (SPV) promoted by NKC. The SPV was formed in May 2021 for six-laning of the Jakkuva-Korlam Section of NH-130-CD Road from km 396+800 to km 421+100 (length 24.30 Km) under Raipur-Visakhapatnam Economics Corridor in Andhra Pradesh under the HAM. The construction and operation 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 28, 2022. The project attained PCOD in October 2024 and has received two semi-annual annuity payments till January 2026. The physical progress stood around 99% as of December 2025.

Key financial indicators (audited)

NJKEPL (standalone)	FY2024	FY2025
Operating income (OI in Rs. crore)	268.6	193.7
PAT (in Rs. crore)	12.2	-3.0
OPBDIT/OI (%)	10.5%	6.2%
PAT/OI (%)	4.5%	-1.6%
Total outside liabilities/Tangible net worth (times)	3.8	7.2
Total debt/OPBDIT (times)	6.6	31.5
Interest coverage (times)	2.3	0.5

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 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

Current (FY2026)			Chronology of rating history for the past 3 years								
			FY2025			FY2024			FY2023		
Instrument	Type	Amount rated (Rs. crore)	Mar 02, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	367.00	[ICRA]AA-(Stable)	Jun 13, 2025	[ICRA]A (Positive)	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
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-I	March 2025	-	October 2038	232.00	[ICRA]AA- (Stable)
NA	Term loan-II	March 2025	-	October 2038	135.00	[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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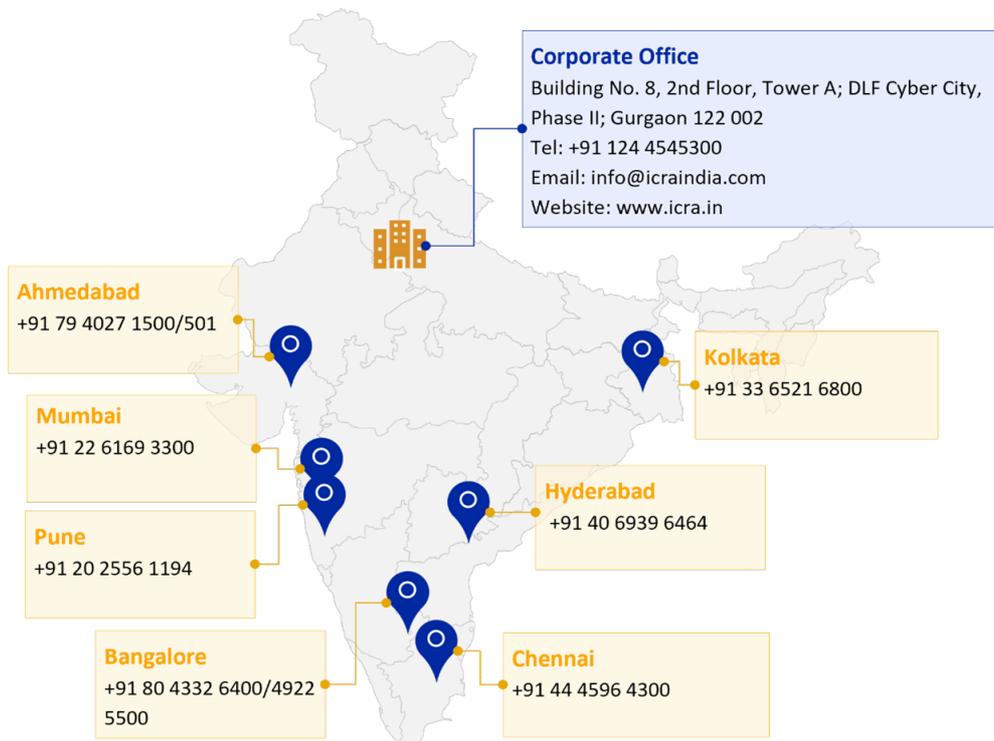


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