

April 16, 2026

NKC Kashi Highways Private Limited: Rating reaffirmed for term loan and withdrawn for bank guarantee

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	478.00	478.00	[ICRA]A- (Stable); reaffirmed
Long-term – Non-fund based – Bank guarantee	29.82	0.00	[ICRA]A- (Stable); reaffirmed and withdrawn
Total	507.82	478.00	

*Instrument details are provided in Annexure-II

Rationale

The rating reaffirmation for the bank facilities of NKC Kashi Highways Private Limited (NKHPL) factors in the steady execution pace of the six-lane greenfield highway construction project being undertaken by the company, for the National Highways Authority of India [NHAI, rated [ICRA]AAA(Stable)]. The rating favourably considers the healthy credit profile of its sponsor – NKC Projects Private Limited (NPPL, rated [ICRA]A (Stable)/[ICRA]A2+), which is the engineering, procurement and construction (EPC) contractor for the project. NPPL, which has a healthy financial profile and execution track record, has provided sponsor undertakings towards cost overruns and any shortfall in operations and maintenance (O&M) expenses for the project. Project execution has deviated from the original construction schedule, primarily due to non-availability of right of way¹ (RoW) and the same has been ratified by the authority through approval of a 175-day extension of timeline (EOT).

The rating notes the inherent benefits of the hybrid annuity model (HAM)-based project including upfront availability of RoW, automatic de-scoping of RoW pending beyond 180 days from the appointed date (AD), inflation-linked² revisions to the bid project cost (BPC) during the construction period, and relatively lower equity mobilisation risk vis-à-vis BOT (toll) road projects, with 40% of the BPC to be funded by the authority during the construction period through a grant. The rating positively considers the structural features of the debt, including the presence of escrow, cash flow waterfall mechanism prioritising debt servicing, provision for debt service reserve (DSR, to be created out of the first two annuities), provision for creation of reserve for major maintenance (MMR), and the restricted payment clause with a minimum debt service coverage ratio (DSCR) of 1.10 times. The rating derives comfort from the stable revenue stream after commissioning with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest at the average of one-year MCLR³ of the top five scheduled commercial banks (SCBs, to be reset every quarter) plus spread of 1.25%, and the inflation-adjusted maintenance cost over the 15-year operations period by the project owner, NHAI, which is a strong counterparty.

The rating is, however, constrained by the persisting execution risks inherent in the under-construction status of the project, including susceptibility to time and cost overruns. While the concession agreement (CA) was signed in June 2023, delays in RoW resulted in the AD being declared with effect from November 25, 2024. Following the announcement of the AD, project

¹ At least 80% prior to the AD

² Based on annual change in price index multiple (PMI) from the base year – PMI is the weighted average of Wholesale Price Index (WPI) and Consumer Price Index (CPI) (IW) in the ratio of 70:30

³ The authority shall declare the list of top five SCBs on 1st of September every calendar year based on the balance sheet size as declared in their annual reports. The one-year marginal cost of fund-based lending rate (MCLR) of the top five SCBs shall be taken at the start of every quarter.

execution was impacted by factors beyond the concessionaire's control, including constraints in availability of executable work fronts, due to which NHAI approved an EOT of 175 days. Consequently, the project's scheduled commercial operation date (SCOD) now stands revised to May 18, 2027, with physical progress of ~34% as of February 2026. Its ability to commission the project within the approved timeline and budgeted costs would remain important from the credit perspective. NKHPL has signed a fixed-price and fixed-time EPC contract with its EPC contractor, which largely mitigates risk of escalation in construction costs and delays attributable to the contractor. However, NKHPL is exposed to equity mobilisation risk, with ~41% equity (Rs. 49.0 crore as on December 31, 2025) requirement yet to be infused. This risk is partially mitigated by the healthy financial risk profile of the sponsor, NPPL.

Following commissioning, O&M of the project stretch will have to be undertaken as per the CA to avoid any deductions from annuities. Any significant increase in routine and major maintenance (MM) from the budgeted level or large/sustained deductions from annuities could adversely impact the company's debt coverage metrics. Further, NKHPL's cash flows are exposed to inflation risk as O&M receipts, though linked to the inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in O&M/periodic maintenance expenses over the concession period.

ICRA has withdrawn the [ICRA]A- (Stable) rating assigned to the non-fund based facility of Rs. 29.82 crore, as the facility no longer exists. The withdrawal has been carried out based on the company's request, and in accordance with ICRA's rating withdrawal policy.

The Stable outlook on the rating reflects ICRA's opinion that NKHPL will benefit from the strong execution capabilities and financial profile of its sponsor and EPC contractor – NPPL.

Key rating drivers and their description

Credit strengths

Established track record and financial profile of the sponsor and EPC contractor – NKHPL is a wholly-owned subsidiary of NPPL, which has vast experience in executing road construction projects. NPPL is the EPC contractor for this project. The contract is on a fixed-price, fixed-time basis, which provides comfort, given its track record of project execution within the budgeted time and cost. NPPL has provided an undertaking for cost overruns during construction and for any shortfall in O&M expenses. As of December 2025, NPPL had infused ~59% of total equity requirement.

Inherent benefits of HAM projects from NHAI – The inherent benefits in the NHAI's HAM projects include upfront availability of majority (minimum 80-90%) RoW, de-scoping of RoW pending beyond 180 days from the AD, inflation-linked revisions to the BPC during the construction period and relatively low equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period through a grant. The project will have a stable revenue stream after commissioning as 60% of the remaining project cost will be paid out as annuity (adjusted for inflation), along with interest at the average of one-year MCLR of the top five SCBs (to be reset every quarter) plus spread of 1.25%, and the inflation-adjusted O&M cost bid over the 15-year operations period by the project owner and annuity provider, the NHAI, a key Central Government entity that develops and maintains India's national highways.

Comfortable coverage indicators and presence of structural features – The project is scheduled to achieve COD by May 2027 (revised from original SCOD of November 2026, following the grant of EOT from the NHAI). If the overall project cost remains within the budgeted level, once operational, NKHPL is likely to have comfortable debt coverage indicators with a cumulative DSCR of around 1.2 times. This provides adequate cushion to withstand any adverse movement in the interest on annuity and inflation to a major extent. The credit profile is supported by NPPL's undertaking towards cost overruns during the construction phase and any shortfall in O&M expenses. Further, the presence of structural features of the debt, including the presence of escrow, cash flow waterfall mechanism, provisions for DSR (to be created out of the first two annuities) and for creation of MMR, along with restricted payment clause with a minimum DSCR of 1.10 times, provides comfort.

Credit challenges

Execution risk attributable to under-construction status of the project – The project achieved AD of November 25, 2024 and reported a physical progress of ~35% as of February 2026. Thus, the company remains exposed to project execution risks including risks of delays and cost overruns. However, the risk is mitigated, to an extent, by the fixed-price, fixed-time EPC contract with NPPL and the latter’s strong project execution capabilities. Its ability to commission the project in a timely manner and within the budgeted costs would remain important from a credit perspective.

Exposure of project’s cash flows and returns to inflation risks – The project’s cash flows are exposed to inflation risk as O&M receipts, though linked to inflation (70% WPI and 30% CPI), may not be adequate to compensate for the increase in O&M/periodic maintenance expenses. Further, NKHPL’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 SCBs and the interest rate payable on the outstanding debt, linked to lender’s marginal cost of fund-based lending rate (MCLR).

Requirement of undertaking O&M as per CA and risk of deductions from annuity – After commissioning, O&M of the project stretch will have to be undertaken as per the CA to avoid any deductions from annuities. Any significant deductions from annuities or an increase in routine and MM expenses from the budgeted level could impact its debt servicing capabilities.

Liquidity position: Adequate

As the project is under construction, the company does not maintain any significant liquidity on its books. However, its liquidity position is supported by undrawn sanctioned term loan, grants receivable from the NHAI and the balance equity infusion from NPPL. The total estimated project cost of Rs. 1,066.7 crore (comprises EPC cost inclusive of GST) is planned to be funded by the NHAI’s grant of Rs. 469.2 crore (including GST), external debt of Rs. 478.0 crore and promoter’s contribution/equity of Rs. 119.5 crore.

Rating sensitivities

Positive factors – The rating could be upgraded if the project achieves PCOD/COD within the expected timelines and budgeted costs.

Negative factors – Pressure on the rating could arise if project progress is delayed, resulting in significant time and cost overruns, or if there is a deterioration in the sponsor’s credit profile, or if delayed receipt of grant or equity infusion results in increased funding risks for the project.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads – Hybrid Annuity Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

NKC Kashi Highways Private Limited (NKHPL) is a special purpose vehicle (SPV) promoted and wholly owned by NPPL. The SPV was formed on April 17, 2023 for construction of package 1 of six-lane greenfield Varanasi-Ranchi-Kolkata highway from junction with NH-19 and Varanasi Ring Road, near Rewasa village to junction with Chandauli-Cainpur Road near Khainti village (from 0.000 km to 27.000 km) in Uttar Pradesh and Bihar under Bharatmala Pariyojana on HAM, for NHAI. The CA was signed on June 30, 2023 and AD of November 25, 2024 was declared by the NHAI.

Key financial indicators (audited)

Key financial indicators are not applicable as NKHPL is a project stage company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: The company faces prepayment/refinance risk in case of debt acceleration upon the breach of covenants, including financial covenants, operating covenants, and rating-linked covenants. Upon failure to meet the 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

Current rating (FY2027)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	FY2026		FY2025		FY2024		
			Apr 16, 2026	Date Rating	Date Rating	Date Rating			
Fund-based – Term loan	Long- term	478.00	[ICRA]A- (Stable)	- -	Feb 13, 2025	[ICRA]A- (Stable)	- -	- -	
Non-fund based – Bank guarantee	Long- term	29.82	[ICRA]A-(Stable); reaffirmed and withdrawn	- -	Feb 13, 2025	[ICRA]A- (Stable)	- -	- -	

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$))	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Non-fund based – Bank guarantee	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	FY2025	NA	FY2041*	478.00	[ICRA]A- (Stable)
NA	Bank guarantee	NA	NA	NA	29.82	[ICRA]A- (Stable); reaffirmed and withdrawn

Source: Company, ICRA Research; *May undergo a change as it is linked to actual COD/PCOD of the project

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure III: List of entities considered for consolidated analysis: Not applicable

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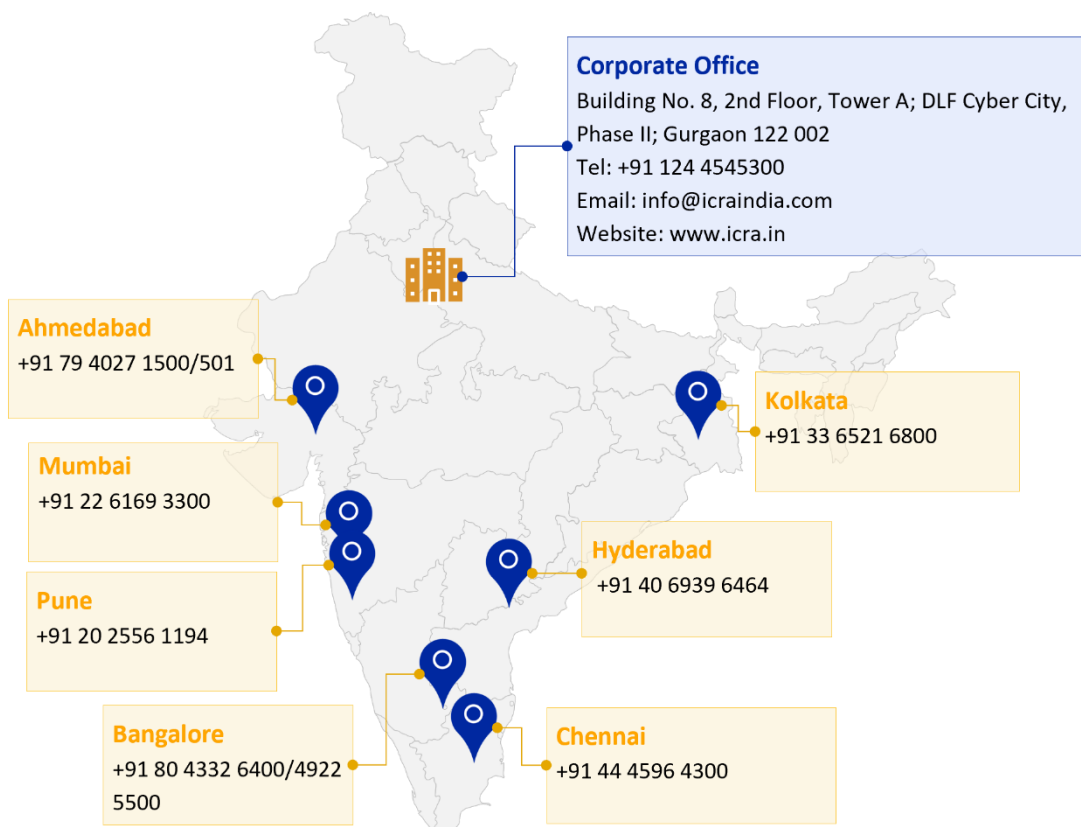


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