July 22, 2026

H.G. Khammam Devarapalle Pkg-1 Pvt Ltd: Rating upgraded to [ICRA]AA- (Positive) and removed from Watch with Developing Implications and Positive outlook assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator #
Long-term – Fund-based – Term loan	310.00	310.00	[ICRA]AA- (Positive); upgraded from [ICRA]A and removed from Watch with Developing Implications and Positive outlook assigned	RBI
Long-term – Non-fund based – Bank guarantee	(84.94)	(84.94)	[ICRA]AA- (Positive); upgraded from [ICRA]A and removed from Watch with Developing Implications and Positive outlook assigned	RBI
Total	**310.00**	**310.00**		

**Instrument details are provided in Annexure I*

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

Rationale

The rating upgrade for H.G. Khammam Devarapalle Pkg-1 Pvt Ltd (HKD1PL) factors in the achievement of two provisional completion certificates (PCC) effective March 28, 2025 and November 8, 2025, and the project's healthy physical progress of around 98% as of May 2026, with pending works largely attributable to one railway overbridge, which is now in advance stages. The rating considers the receipt of the first two semi-annual annuities (including interest on annuity), without any material deductions (excluding statutory deductions). Nonetheless, ICRA notes that annuity receipts were lower than the proportionate physical progress achieved, and operating and maintenance (O&M) payments were withheld without citing specific reasons, and the management remains engaged with the National Highway Authority of India (NHAI, or the authority) for release of the withheld payments. The Positive outlook reflects ICRA's opinion that its credit profile will further improve with timely receipt of annuities and O&M payments, without any material deductions.

While the first semi-annual annuity was received with a delay of around seven days beyond the 15-day period stipulated in the Concession Agreement (CA), the second annuity was received timely. ICRA draws comfort from the buffer of ~30 days between the annuity due date and the scheduled debt servicing date and expects timely receipt of future annuities, given the presence of a strong counterparty – NHAI (rated [ICRA]AAA (Stable)). ICRA notes that Neo Infra Income Opportunities Fund (NIIOF) has acquired the entire stake in HKD1PL from H.G. Infra Engineering Limited (HGIEL) as of June 2026. 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 the receipt of the first two annuity payments, HKD1PL has fully funded the DSR.

The rating, however, remains constrained by the exposure of HKD1PL'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. 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 MCLRs of top five scheduled commercial banks and the interest rate payable on the outstanding debt, linked to the lender's MCLR. 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 undertaken by Sri Venkateswara Infrastructure and Projects, as per the O&M 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

Alleviation of execution risks and two annuities received, reducing uncertainty on completion cost – Subsequent to the achievement of PCC-1 and PCC-2 effective March 28, 2025 and November 8, 2025, the project progressed steadily and attained around 98% completion as of May 2026, thereby largely eliminating execution-related risks. Further, two semi-annual annuity (including interest on annuity) payments from the NHAI have been received, without any material deductions (excluding statutory deductions). ICRA notes that annuity receipts were marginally lower than the proportionate physical progress achieved. Going forward, ICRA expects future annuity and O&M payments to be received largely in full, given the project's near-completion status. While the first semi-annual annuity was received with a delay of around seven days beyond the 15-day period stipulated in the CA, the second annuity was received timely. ICRA draws comfort from the buffer of ~30 days between the annuity due date and the scheduled debt servicing date and expects timely receipt of future annuities, given the presence of a strong counterparty – the NHAI.

Comfortable coverage indicators and presence of structural features – HKD1PL is expected to maintain comfortable debt coverage indicators, with a cumulative DSCR above 1.2 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. 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 1.2 times, provide comfort.

Lower inherent risks in 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 – HKD1PL'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. The O&M works are being undertaken by Sri Venkateswara Infrastructure and Projects, as per the O&M agreement. 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 MCLRs of top five scheduled commercial banks and the interest rate payable on the outstanding debt, which is 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 the O&M works are being undertaken by Sri Venkateswara Infrastructure and Projects, as per the O&M agreement. Nonetheless, the timely receipt of annuity payments without any material deductions remains crucial.

Liquidity position: Adequate

HKD1PL'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), which will support the liquidity profile.

Rating sensitivities

Positive factors – The rating could be upgraded with a demonstrated, sustained track record of receipt of annuity and O&M payments without any deductions.

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

H.G. Khammam Devarapalle Pkg 1 Private Limited (HKD1PL) was incorporated in 2021 as a special purpose vehicle (SPV) for greenfield development of a four-lane access-controlled expressway from Thallampadu village to Somavaram village (design length 33.6 km) under inter corridor category in Telangana (Package-I), through a private public partnership (PPP) on a hybrid annuity mode (HAM). As of June 2026, Neo Infra Income Opportunities Fund (NIIOF) had acquired a 100% equity stake in the project from HGIEL. Since the appointed date of October 31, 2022, execution has progressed well, with the project achieving physical progress of around 98% as of May 2026 and receiving two annuity payments.

Key financial indicators (audited)

HKD1PL (Standalone)	FY2024	FY2025
Operating income (OI)	302.1	270.8
PAT	9.2	20.7
OPBDIT/OI (%)	2.8%	6.5%
PAT/OI (%)	3.0%	7.6%
Total outside liabilities/Tangible net worth (times)	1.8	2.5
Total debt/OPBDIT (times)	10.1	12.9
Interest coverage (times)	1.5	1.1

Source: HKD1PL, ICRA Research; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; HKD1PL follows Ind-AS and key financial ratios are not representative of actual cash flows; Note: All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information:

The company also faces prepayment risk, given the possibility 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

Instrument	Current rating (FY2027)		Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	FY2027		FY2026		FY2025		FY2024	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	310.00	July 22, 2026	[ICRA]AA- (Positive)	Aug 22, 2025	[ICRA]A; Rating Watch with Developing Implications	Aug 21, 2024	[ICRA]A (Stable)	Jun 05, 2023	[ICRA]A (Stable)
Non-fund based – Bank guarantee	Long-term	(84.94)^	July 22, 2026	[ICRA]AA- (Positive)	Aug 22, 2025	[ICRA]A; Rating Watch with Developing Implications	Aug 21, 2024	[ICRA]A (Stable)	Jun 05, 2023	[ICRA]A (Stable)

^as sub-limit of term loan

Complexity level of the rated instruments

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 I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial Sector Regulator #
NA	**Fund-based – Term loan**	FY2023	NA	FY2038	310.00	[ICRA]AA- (Positive)	RBI
NA	**Non-fund based – Bank guarantee^**	NA	NA	NA	(84.94)	[ICRA]AA- (Positive)	RBI

Source: Company; ICRA Research; ^as sub-limit of term loan

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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
+91 022 6169 3300
ashish.modani@icraindia.com

Suprio Banerjee
+91 022 6114 3443
supriob@icraindia.com

Mrinal Jain
+91 124 4545 863
mrinal.j@icraindia.com

Ashu Gautam
+91 124 4545 383
ashu.gautam@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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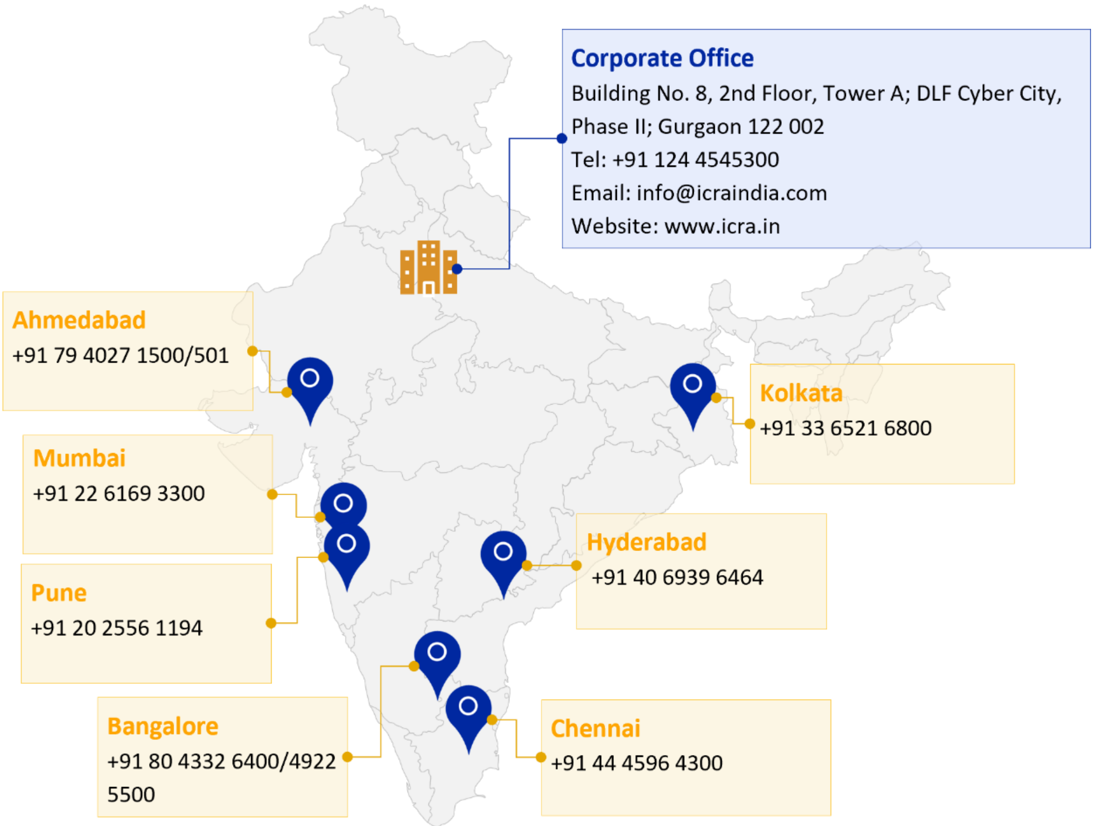
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



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