

August 30, 2024

Ashoka Concessions Limited: Rating reaffirmed and Withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Proposed term loan	200.00	200.00	[ICRA]A (Stable); Reaffirmed and withdrawn
Total	200.00	200.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA has reaffirmed and withdrawn the rating assigned to the proposed term loans of Ashoka Concessions Limited (ACL). The rating is withdrawn based on the receipt of request from the company and in accordance with ICRA's policy on withdrawal.

The rating reaffirmation favourably factors in its strong parentage, as it is a subsidiary of Ashoka Buildcon Limited (ABL), holding a 66% stake in the company. The remaining 34% stake in ACL is held by SBI Macquarie. ABL has strong execution capabilities and a demonstrated track record of constructing and operating build-operate-transfer (BOT) road projects. The rating notes the mature portfolio of six operational BOT (toll) road projects, having an average tolling track record of ~10 years.

In FY2024, the toll projects witnessed ~12% year-on-year (YoY) growth in collections to Rs. 1,247 crore from Rs. 1,117 crore in FY2023. The toll collections are expected to increase to more than Rs. 1,300 crore in FY2025, driven by a modest rise in toll rates and moderate traffic growth. Among the operational toll road projects, Ashoka Belgaum Dharwad Tollway Limited (ABDTL) is likely to remain dependent on ACL to meet its debt obligations. For the remaining special purpose vehicles (SPVs), the extent of support is limited to the shortfall in major maintenance expenses, if any.

However, the average tail period for the operational toll assets is around eight years, providing adequate financial flexibility. The rating also notes the portfolio of seven operational hybrid-annuity-model (HAM) assets. As on March 31, 2024, ACL has a pending equity infusion of Rs. 18 crore for the residual execution of its operational HAM projects. Further, ACL has provided an undertaking to financially support the HAM projects in case of cost overruns or any shortfall in O&M expenses, which will be funded by its ultimate sponsor, ABL.

The rating is, however, constrained by the inherent risks associated with BOT (toll) projects, including the acceptability of annual toll rate hikes, the likelihood of toll leakages and traffic diversion risks arising from alternative routes. Any significant under-performance of operational BOT (toll) projects, cost overruns or shortfall in O&M expenses for HAM projects would remain a rating sensitivity. With HAM SPVs becoming operational, the execution risk is reduced significantly. However, a proven track record and strong execution capabilities of the parent ABL provides comfort.

Key rating drivers and their description

Credit strengths

Strong parentage with ABL having majority stake in ACL – ABL has a 66% stake in ACL, while the remaining 34% was acquired by SBI Macquarie in 2012. ABL provides managerial, technical and financial support to ACL. It has a proven track record and strong execution capabilities as an engineering, procurement and construction (EPC) contractor for road, power transmission and distribution and railway projects across the country. It exclusively undertakes EPC and operations and maintenance (O&M) for all ACL's projects. The rating considers the consistent track record of timely support from ABL to ACL, which is expected to continue going forward.

Operational nature of toll portfolio with established traffic density – All six toll projects under ACL are operational and have an average tolling track record of 10 years with established traffic density. In FY2024, the toll projects witnessed ~12% YoY growth in collections to Rs. 1,247 crore from Rs. 1,117 crore in FY2023. The toll collections are expected to increase to more than Rs. 1,300 crore in FY2025, driven by a modest rise in toll rates and moderate traffic growth.

Long tail period of toll SPVs – All toll SPVs have a long tail period ranging from 2 years to 13 years, with an average tail period of around eight years, providing adequate financial flexibility.

Credit challenges

Inherent risks in BOT (toll) road projects – ACL remains exposed to risks inherent in BOT (toll) road projects, including those related to variation in traffic volume over the project stretch, its dependence on the economic activity in the surrounding areas, movement in wholesale price index (WPI; which affects toll rate hikes), the political acceptability of toll rate increases over the concession period, the development/improvement of alternative routes and the likelihood of toll leakages. The adverse impact of such factors can affect toll collections and increase the cash shortfall support by ACL. Further, the profitability and cash flow of the operational projects remain exposed to interest rate risk due to the floating nature of interest rates.

Liquidity position: Not applicable

Rating sensitivities

Positive factors - NA

Negative factors – NA

The Liquidity position, Rating sensitivities have not been captured as the rated instruments are being withdrawn. The previous detailed rating rationale is available at the following link: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads - BOT Toll Roads - Hybrid Annuity Investment Companies Policy on withdrawal of Credit Ratings
Parent/Group support	Parent/Group Company: Ashoka Buildcon Limited The rating assigned to ACL factors in the likelihood of its parent, ABL, extending financial support to it because of close business linkages between them. ICRA expects ABL to be willing to extend financial support to ACL out of its need to protect its reputation from the consequences of a Group entity's distress. ABL has a consistent track record of extending timely financial support to ACL in the past, as and when required.
Consolidation/Standalone	For arriving at the rating, ICRA has consolidated ACL's standalone financials with the standalone financials of ABDTL, where ACL has extended a corporate guarantee and two BOT (Toll) entities (ADKTL & AHDL) where implicit support has been taken, in line with management guidance of providing need based timely funding support to those SPVs. For other entities, ICRA has used the limited consolidation approach, under which the proposed equity investments for under-construction projects and funding support required to operational SPVs towards debt servicing and operational shortfall have been considered. The list of companies considered for limited/full consolidation is provided in Annexure II.

About the company

ACL, incorporated on April 05, 2011, as a closely held public limited company is a subsidiary of Ashoka Buildcon Limited (ABL). In 2012, SBI Macquarie infused Rs. 800 crore and acquired a 34% stake in ACL, with ABL holding the remaining 66%. At present, ACL holds six operational BOT (toll) projects and seven operational hybrid annuity projects. ACL acts as an exclusive BOT project developer for both ABL and SBI Macquarie.

Key financial indicators (audited)

ACL - Standalone	FY2023	FY2024
Operating income	135.5	145.8
PAT	97.2	7.0
OPBDIT/OI	11.93%	13.20%
PAT/OI	71.78%	4.79%
Total outside liabilities/Tangible net worth (times)	1.38	1.38
Total debt/OPBDIT (times)	73.04	67.66
Interest coverage (times)	0.69	1.33

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

ACL follows Ind AS and key financial ratios are not representative of actual cash flows

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Aug 30, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Proposed term loans	Long term	200.00	[ICRA]A (Stable); Reaffirmed and withdrawn	May 30, 2023	[ICRA]A (Stable)	Feb 17, 2023	[ICRA]A; Rating Watch with Developing Implications	Jan 18, 2022	[ICRA]A &
								Sep 07, 2021	[ICRA]A (Stable)

&: Rating Watch with Developing Implications

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	Proposed term loan	NA	NA	NA	200.00	[ICRA]A (Stable); Reaffirmed and withdrawn

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	ACL Ownership	Consolidation Approach
Ashoka Belgaum Dharwad Tollway Limited (ABDTL)	100%	Full Consolidation
Ashoka Dhankuni Kharagpur Tollway Limited (ADKTL)	100%	Full Consolidation
Ashoka Highways (Durg) Limited (AHDL)	100%	Full Consolidation
Ashoka Sambalpur Baragarh Tollway Limited (ASBTL)	100%	Limited Consolidation
Ashoka Highways (Bhandara) Limited (AHL)	100%	Limited Consolidation
Ashoka Kharar Ludhiana Road Limited (AKLRL)	100%	Limited Consolidation
Ashoka Ranastalam Anandapuram Road Limited (ARARL)	100%	Limited Consolidation
Ashoka Khairatunda Barwa Adda Road Limited (AKBARL)	100%	Limited Consolidation
Ashoka Karadi Banwara Road Private Limited (AKBRPL)	100%	Limited Consolidation
Ashoka Mallasandra Karadi Road Private limited (AMKRPL)	100%	Limited Consolidation
Ashoka Belgaum Khanapur Road Private Limited (ABKRPL)	100%	Limited Consolidation
Ashoka Ankleshwar Manubar Expressway Private Limited (AAMEPL)	100%	Limited Consolidation
Jaora Nayagaon Toll Road Company Private Limited (JYTRCPL)	74%	Limited Consolidation

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