

November 11, 2024

Ashoka Belgaum Dharwad Tollway Limited - Placed on rating watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	351.96	351.96	[ICRA]A(CE); Placed on rating watch with developing implications
Long-term Fund-based – Term loan	44.20	44.20	[ICRA]BBB; Placed on rating watch with developing implications
Total	396.16	396.16	

Rating Without Explicit Credit Enhancement

[ICRA] BBB

*Instrument details are provided in Annexure-I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

On October 30, 2024, Ashoka Buildcon Limited (ABL) has announced that Ashoka Concessions Limited (ACL), a material subsidiary of ABL, has entered into share purchase agreement (SPA) and other transaction documents (Transaction Documents) with Indian Highway Concessions Trust [IHCT; rated [ICRA]AAA (Stable)] for the sale of its entire shareholding (which will also include repayment of any shareholder loans) held in five BOT toll subsidiaries of ACL i.e., Ashoka Highways (Bhandara) Limited (AHBL), Ashoka Highways (Durg) Limited (AHDL), Ashoka Belgaum Dharwad Tollway Limited (ABDTL), Ashoka Sambalpur Baragarh Tollway Limited (ASBTL) and Ashoka Dhankuni Kharagpur Tollway Limited (ADKTL) for an aggregate equity consideration of Rs. 2,539 crore and enterprise value of Rs. 5,718 crore. The deal is expected to get concluded by March 31, 2025, subject to completion of certain conditions precedent as per the respective Transaction Documents, including receipt of necessary approval / consents from the concerned lenders of the respective SPVs, National Highways Authority of India (NHAI) and the Competition Commission of India (CCI) and completion of certain conditions precedent therein.

ICRA has placed the rating of ABDTL under rating watch with developing implications following the ongoing transaction of 100% stake sale of ABDTL held by ACL to IHCT. The rating to bank lines of ABDTL are based on the corporate guarantee provided by ACL. Post the stake sale, the corporate guarantee by ACL is expected to fall off. ICRA will resolve the watch post the change in shareholding after understanding the impact of the transaction on ABDTL's operational and financial profile and the financial policy of the incoming investor after concluding discussions with the new management. ICRA however, understands, that ACL will continue to honour all its obligations related to the special purpose vehicle (SPV), in a timely manner, until the complete transfer of ownership of asset to the new shareholder.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity Position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads – BOT Toll
Parent/Group support	<p>Parent Company: Ashoka Concessions Limited (ACL) Ultimate promoter: Ashoka Buildcon Limited (ABL)</p> <p>The rating of [ICRA]A(CE) is based on the unconditional, irrevocable corporate guarantee extended by ABDTL's parent company, ACL.</p> <p>The [ICRA]BBB rating assigned to ABDTL factors in the likelihood of its ultimate parent, ABL, extending financial support to it (through ACL) because of close business linkages between them. ICRA expects ABL to be willing to extend financial support to ABDTL out of its need to protect its reputation from the consequences of a group entity's distress. There also exists a consistent track record of ABL (through ACL) having extended timely financial support to ABDTL in the past, whenever a need has arisen.</p>
Consolidation/Standalone	Standalone

About the company

ABDTL is a special purpose vehicle (SPV) of ACL, which is a subsidiary of ABL. ABDTL is incorporated to convert the existing four lanes to six lanes on the Belgaum-Dharwad stretch of National Highway-4 (NH-4) in Karnataka. Additionally, it will operate and maintain the 79.36 km stretch, under the National Highways Development Project Phase V, on a design, build, finance, operate, transfer (DBFOT) basis. The toll collection on the existing four lanes commenced from May 2011. The project achieved commencement date (CoD) in March 2014. The concession period for the project is 30 years (including 30 months for construction) and involves an annual grant payout of Rs. 31.0 crore, with a 5% increment every year. ABDTL got a sanction for a 10-year premium deferment from the NHAI in September 2014. However, the total deferment should not exceed Rs. 250.0 crore.

About the guarantor

Incorporated in April 2011, Ashoka Concessions Limited (ACL) is a subsidiary of Ashoka Buildcon Limited (ABL). In 2012, SBI Macquarie infused Rs. 800 crore and acquired 34% stake in ACL, with ABL holding the remaining 66%. At present, ACL holds six operational BOT (toll) projects and seven hybrid annuity projects. Of the seven HAM projects, six are operational and one is under construction.

Key financial indicators (audited)

ABDTL	FY2023	FY2024
Operating income	135.0	137.9
PAT	-33.1	-36.9
OPBDIT/OI	77.6%	77.5%
PAT/OI	-24.5%	-26.7%
Total outside liabilities/Tangible net worth (times)	-3.9	-3.7
Total debt/OPBDIT (times)	6.0	5.7
Interest coverage (times)	0.9	0.8

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 amortization; AHDL 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					
				FY2025		FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Nov 11, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long Term	351.96	[ICRA] A(CE) Rating Watch with Developing Implications	16-Jul-24	[ICRA] A(CE) (Stable)	30-May-23	[ICRA] A(CE) (Stable)	17-Feb-23	[ICRA] A (CE) Rating Watch with Developing Implication	18-Jan-22	[ICRA] A (CE) &
-	-	-	-	-	-	17-Apr-23	[ICRA] A(CE) Rating Watch with Developing Implications	-	-	17-Sep-21	[ICRA]A (CE) (Stable)
Term loans	Long Term	44.2	[ICRA] BBB Rating Watch with Developing Implications	16-Jul-24	[ICRA] BBB (Stable)	30-May-23	[ICRA] BBB (Stable)	-	-	-	-
-	-	-	-	-	-	17-Apr-23	[ICRA] BBB Rating Watch with Developing Implications	-	-	-	-

&: 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 No.	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs Crore)	Current Rating and Outlook
NA	Term loan	Jun 2017	NA	Aug 2028	351.96	[ICRA]A(CE); Rating watch with developing implications
NA	Term loan	Mar 2021	NA	Mar 2026	44.20	[ICRA]BBB; Rating watch with developing implications

Source: Company

Note: Project was sanctioned debt aggregating INR 516.25 crore and current rating is done on present outstanding for INR 396.16 crore as of March 31, 2024

[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 22 6606 9912

ashish.modani@icraindia.com

Suprio Banerjee

+91 22 6114 3443

supriob@icraindia.com

Vinay G

+91 40 6939 6424

vinay.g@icraindia.com

M Rajashekar Reddy

+91 40 6939 6423

m.rajashekarreddy@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

About ICRA Limited:

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.

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



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.