

December 06, 2024

## Ashoka Baswantpur Singnodi Road Private Limited: Rating upgraded to [ICRA]A+; outlook revised to Positive

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	390.00	390.00	[ICRA]A+; upgraded from [ICRA]A; outlook revised to Positive from Stable
<b>Total</b>	<b>390.00</b>	<b>390.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating upgrade for Ashoka Baswantpur Singnodi Road Private Limited (ABSRPL) favourably factors in the successful achievement of provisional completion certificate (PCOD) for 39.067 km of the 40.06 km project stretch (96.22% of the project stretch) with effect from September 15, 2024, and receipt of all the ten milestone-based construction grant payments from the National Highway Authority of India (NHAI, rated [ICRA]AAA (Stable)) mitigating the execution risk. ICRA notes that the company has signed a settlement agreement with the NHAI in September 2024 and is expected to complete the balance project works by April 30, 2025.

The rating takes into account the stable revenue stream post commissioning with 60% of the inflation-adjusted bid project cost (BPC) being paid out as annuity, along with interest at the average of one-year MCLR of the top five scheduled commercial banks plus 125 bps and the inflation-adjusted operation and maintenance (O&M) cost bid over the 15-year operations period by the project owner and annuity provider, NHAI. The rating considers the strong profile of its sponsor, Ashoka Buildcon Limited (ABL, rated [ICRA]A1+), which has undertaken the engineering, procurement and construction (EPC) works and is appointed as the O&M contractor for this project. ICRA notes the undertaking by the sponsor towards financial support in case of cost overrun during the construction phase, any shortfall in O&M expenses and debt servicing in the operational phase as per the lender's approved base case business plan. Further, ICRA notes that there is a buffer of 30 days between the scheduled annuity receipt date and debt repayment date, providing cushion in case of administrative delays in annuity receipt.

The rating, however, remains constrained by the residual execution risk with pending EPC cost of Rs. 31.08 crore, which is expected to be funded by pending equity and undrawn debt. The company's ability to complete the balance works in a timely manner and within the budgeted costs would remain important from the credit perspective. Given the single asset nature of the project operations, the company must ensure proper maintenance of roads and provide 100% lane availability to avoid any deduction in annuity and O&M receipts. Further, ABSRPL's cash flows are exposed to inflation risk as O&M receipts, though linked to inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in O&M/periodic maintenance expenses. Therefore, any significant deductions from the annuities and O&M receipts or rise in maintenance expenses from the budgeted level could impact its coverage metrics and is a key rating monitorable going forward.

The Positive outlook on the rating reflects the likelihood of timely receipt of first semi-annuity payment without any material deductions in the near term and expectation of healthy debt coverage metrics for the debt tenure of the project.

## Key rating drivers and their description

### Credit strengths

**Successful achievement of PCOD mitigating execution risk** – ABSRPL received the provisional completion certificate w.e.f. September 15, 2024 for 39.067 km out of the total project stretch of 40.6 km. Hence, the semi-annuity payment (including the O&M payment) for the project becomes due for payment on March 15, 2025 (180 days post achievement of PCOD). Additionally, the DSRA is likely to be created within seven months after the PCOD from the balance project cost or first annuity receipt.

**Inherent benefits of hybrid-annuity model (HAM)** – Post commissioning, the project will have a stable revenue stream with 60% of the inflation-adjusted bid project cost, along with interest at the average of one-year MCLR of the top five scheduled commercial banks plus 125 bps and the inflation-adjusted O&M cost bid over the 15-year operations period by the project owner and annuity provider, NHAI, which is a key Central Government entity responsible for development and maintenance of India's national highway programme.

**Healthy coverage indicators and presence of structural features** – ABSRPL is expected to have a healthy debt service coverage metrics during the debt tenure. Further, structural features of the debt, such as an escrow account, a cash flow waterfall mechanism, DSRA equivalent to six months of debt servicing obligation and creation of a major maintenance reserve (MMR) provide comfort.

### Credit challenges

**Project exposed to residual execution risk** – The project is exposed to residual execution risk with pending cost of Rs. 31.08 crore and is expected to be funded by pending equity undrawn debt. The company's ability to complete the balance works in a timely manner and within the budgeted costs would remain important from the credit perspective. However, fixed-price, fixed-time contract with the sponsor, ABL, which has two decades of experience and strong project execution capabilities in road construction, mitigates the execution risk to an extent. ABL has provided an undertaking towards financial support in case of a cost overrun during the construction phase, any shortfall in O&M expenses and debt servicing in the operational phase as per the lender's approved base case business plan, which provides comfort.

**Project returns exposed to inflation risks; proper maintenance of roads essential for receipt of annuity payments** – ABSRPL's source of income includes the annuity, interest on outstanding annuities and annual O&M payments from the authority. ICRA notes the single asset nature of the project operations, thereby making the debt metrics of the project sensitive to any deductions in annuity and O&M receipts. Hence, the company must ensure satisfactory upkeep of the carriageway as per the provisions of the Concession Agreement to avoid any deductions from the income. Further, ABSRPL's cash flows are exposed to inflation risk as O&M receipts, though linked to inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in maintenance expenses. Any significant deductions from the annuities and O&M receipts or rise in maintenance expenses from the budgeted level could impact its coverage metrics and is a key rating monitorable.

### Liquidity position: Adequate

ABSRPL's liquidity position is adequate. The pending EPC cost of Rs. 31.08 crore as on November 26, 2024 is expected to be funded by undrawn debt of Rs. 48.42 crore and the balance equity of Rs. 7.18 crore. The company has debt repayments of Rs. 16.97 crore in FY2026, which can be comfortably met through cash flow from operations. Interest servicing expenses for first 6 months post PCOD can be comfortably meet through from the project cost. Moreover, the undertaking provided by ABL towards financial support in case of any shortfall in O&M expenses and debt servicing in the operational phase, provides comfort.

## Rating sensitivities

**Positive factors** – The rating could be upgraded upon timely receipt of semi-annuity and O&M payments without any material deductions and upon creation of DSRA.

**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 if any additional debt availed by the special purpose vehicle (SPV) results in deterioration of the debt coverage indicators. The rating could come under pressure if there is any non-adherence to the debt structure or any material deterioration in the sponsor's credit profile.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Roads - Hybrid Annuity</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

Ashoka Baswantpur Singnodi Road Private Limited (ABSRPL) is a 99.99% subsidiary of Ashoka Buildcon Limited (ABL). The special purpose vehicle (SPV) was formed in April 2022 to develop a six-lane access-controlled greenfield highway from Km 162.500 to Km 203.100 on Baswantpur to Singnodi section of NH-150C (Package-IV of Akkalkot – KNT/TS Border) on a HAM basis under Bharatmala Pariyojna. The scope of the project includes performance and execution of all design, engineering, financing, procurement, construction, completion, O&M of the project corridor. The construction and concession period for the project is 2.5 years and 15 years, respectively. The SPV signed the concession agreement on May 17, 2022 and received the appointed date on November 13, 2022. The company received provisional completion certificate for 96% of the project stretch with effective from September 15, 2024.

## Key financial indicators

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

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Date & rating in	Date & rating in	Date & rating in	Date & rating in
			Dec 06, 2024	Nov 28, 2023	Dec 09, 2022	-
1	Term loan	Long term	390.00	[ICRA]A+ (Positive)	[ICRA]A (Stable)	[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	Oct 2022	NA	FY2039	390.00	[ICRA]A+ (Positive)

Source: Company

[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 20 6606 9912

[ashish.modani@icraindia.com](mailto:ashish.modani@icraindia.com)

**Suprio Banerjee**

+91 22 6114 3443

[supriob@icraindia.com](mailto:supriob@icraindia.com)

**Vinay G**

+91 40 6939 6424

[vinay.g@icraindia.com](mailto:vinay.g@icraindia.com)

**Vamshi Kinnera**

+91 40 6939 6420

[vamshi.kinnera@icraindia.com](mailto:vamshi.kinnera@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

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



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