

July 15, 2025

Ashoka Belgaum Dharwad Tollway Limited: Rating continues on 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	281.05	[ICRA]A(CE); continues on Rating Watch with Developing Implications
Long-term Fund-based – Term loan	44.20	18.42	[ICRA]BBB; continues on Rating Watch with Developing Implications
Total	396.16	299.47	

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 also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

For [ICRA]A (CE) (Stable)

The rating for Ashoka Belgaum Dharwad Tollway Limited (ABDTL) is based on the strength of the corporate guarantee provided by Ashoka Concession Limited (ACL), a material subsidiary of Ashoka Buildcon Limited (ABL, rated [ICRA]A1+), for the Rs. 281.05-crore term loan facility.

The rating continues to be on Watch with Developing Implications, given the announcement of 100% stake of ABDTL to Indian Highway Concessions Trust [IHCT; rated [ICRA]AAA (Stable)]. ICRA will resolve the watch post the change in shareholding after understanding the impact of the transaction on the company's operational and financial profile and the financial policy of the incoming investor after concluding discussions with the new management. In the interim, ICRA understands that ABL/ACL will 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. The deal is expected to get concluded by September 30, 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.

Adequacy of credit enhancement

For the credit enhanced ratings, ICRA has assessed the attributes of the guarantee issued by ACL in favour of the said facility. While the guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated facility, it does not have a well-defined invocation and payment mechanism. Considering the same, ICRA has assigned a rating of [ICRA]A(CE) to the said facility against the Unsupported Rating of [ICRA]BBB. If the rating of the guarantor or the Unsupported Rating of ABDTL were to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility. The rating of this instrument may undergo a change in a scenario whereby in ICRA's assessment there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity, or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facility

- » Promoter's shares in ABDTL should not be pledged to any Bank/NBFC/Institution without the lender's consent;
- » ABDTL shall maintain a DSRA equivalent to one quarter of interest plus principal repayment.

For [ICRA]BBB (Stable)

The rating action factors in ABDTL's operational track record of over fourteen years and a track record of timely financial support from the promoter group in the past. The project stretch is on the busy Mumbai-Chennai corridor (part of the Golden Quadrilateral), which has an established traffic density with low alternative route risk. The toll collections recorded a compounded annual growth rate (CAGR) of 7.01% during FY2014 to FY2025 and rose to Rs. 124.75 crore in FY2025. The toll collections are expected to increase to more than Rs. 128 crore in FY2026, driven by moderate hike of 3.9% in toll rates. ICRA notes that ACL is a holding company of ABL's road portfolio, which has extensive experience in operation of road projects. The ratings take comfort from ACL's undertaking to meet any shortfall in debt servicing and maintenance of a DSRA, as stipulated by the lender, during the tenure of the loan. The presence of DSRA equivalent to one quarter's repayment obligations and an escrow mechanism provides comfort.

The rating, however, remains constrained by the high fixed annual premium payment to the authority resulting in weak coverage metrics. Consequently, ABDTL is expected to depend on the promoter support for meeting its debt servicing obligations. Timely fund infusion by the promoter and the company's ability to undertake routine and periodic maintenance expenditure within the budgeted costs remain important. Nevertheless, the deferment of the National Highways Authority of India's (NHAI) premium till FY2025 (granted in FY2015) reduced the committed obligation and has thereby eased the burden on its cash flows. While its DSCR is likely to remain suppressed over the debt tenure, ICRA takes comfort from the financial flexibility arising out of the long tail period of sixteen years. ICRA notes that the SPV has received an extension in concession period by 4.05 years due to lower-than-envisaged traffic during the traffic testing conducted for 2019-2021. The rating is constrained by risks inherent in toll-based projects, which include risks arising from variation in traffic volume over the project stretch, movement in WPI (for toll rate escalation), political acceptability of toll rate hikes over the concession period, development/improvement of alternative routes. The project's profitability and cash flows are exposed to the interest rate risk, owing to the floating nature of the interest rate for the project debt.

Key rating drivers and their description

Credit strengths

Corporate guarantee provided by ACL to rated bank facilities – The ratings are based on the strength of the corporate guarantee provided by the guarantor. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument.

Operational nature of project with established traffic – ABDTL has an operational record of over fourteen years. The project stretch is on the busy Mumbai-Chennai corridor (part of the Golden Quadrilateral), which has an established traffic density with low alternative route risk. The toll collections witnessed a CAGR of ~7.01% during FY2014-FY2025 to Rs. 124.75 crore in FY2025. Further, the toll collections are expected to increase to more than Rs. 128 crore in FY2025 on the back of a moderate rise in toll rates.

Presence of DSRA and escrow mechanism – Presence of DSRA equivalent to one quarter's debt servicing obligation and an escrow mechanism provides comfort. The availability of a long tail period of twelve years provides ABDTL with financial flexibility.

Credit challenges

Weak coverage metrics – ABDTL is expected to depend on the Group's support for meeting its debt servicing and premium payments. Its DSCR is likely to remain suppressed over the debt tenure on account of high fixed annual premium payment obligations.

Risks inherent in BOT toll road projects – ABDTL remains exposed to risks inherent in BOT (toll) road projects, including risks arising from variation in traffic volume over the project stretch and its dependence on the economic activity in the surrounding regions, movement in WPI (for toll rate hike), political acceptability of toll rate hikes over the concession period, development/improvement of alternative routes and likelihood of toll leakages. Further, the project's profitability and cash flows are exposed to interest rate risk, given the floating nature of interest rates.

Liquidity position: Stretched

ABDTL's liquidity position remains stretched. Its estimated cash flow from operations is expected to be insufficient for debt servicing obligations of Rs. 126.6 crore in FY2026, and the company expects to receive timely financial support from the sponsor to meet the debt servicing obligations.

Liquidity position of guarantor, ACL (for A(CE) rating): Adequate

ACL's liquidity position is adequate, given the nil repayment obligations. ACL, being the holding company of ABL for its road assets, has strategic importance for the Group. ICRA takes note of the track record of timely financial assistance from ABL to ACL, which is expected to continue going forward in case of financial exigencies.

Rating sensitivities

Rating sensitivities for A(CE) rating

Positive factors – As the rating is placed under Watch with Developing Implications on the back of proposed asset sale, it will be resolved once the transaction is consummated. Further, the rating assigned to the bank facilities of ABDTL would remain sensitive to any movement in the rating or outlook of the guarantor, ACL.

Negative factors – The rating would face downward pressure in case of significant decline in toll collections, on a sustained basis, leading to deterioration of debt coverage metrics. Further, any delay in infusion of support or weakening in support philosophy of the sponsor, ACL, adversely impacting its liquidity position or any weakening in the credit profile of the guarantor, could lead to pressure on the rating.

Rating sensitivities for BBB rating

Positive factors – As the rating is placed under Watch with Developing Implications on the back of proposed asset sale, it will be resolved once the transaction is consummated. Further, the rating could be upgraded upon significant growth in toll collections, resulting in a material improvement in debt coverage metrics.

Negative factors – The rating would face a downward pressure in case of significant decline in toll collections on a sustained basis, leading to a deterioration in debt coverage metrics. Further, any delay in infusion of support from the sponsor, adversely impacting its liquidity position could lead to pressure on the rating.

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</p>

Analytical approach	Comments
	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.
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.

Key financial indicators (audited)

ABDTL	FY2023	FY2024	FY2025
Operating income	135.0	139.2	126.4
PAT	-33.1	-36.9	-50.2
OPBDIT/OI	77.6%	77.7%	75.9%
PAT/OI	-24.5%	-26.5%	-39.7%
Total outside liabilities/Tangible net worth (times)	-3.9	-3.7	-3.8
Total debt/OPBDIT (times)	6.0	5.6	5.7
Interest coverage (times)	0.9	0.8	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 amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Jul 15, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long Term	281.05	[ICRA]A(CE) Rating Watch with Developing Implications	Nov 11, 2024	[ICRA]A(CE) Rating Watch with Developing Implications	May 30, 2023	[ICRA]A(CE) (Stable)	Feb 17, 2023	[ICRA]A(CE) Rating Watch with Developing Implication
				Jul 16, 2024	[ICRA]A(CE) (Stable)	Apr 17, 2023	[ICRA]A(CE) Rating Watch with Developing Implications	-	-
Term loans	Long Term	18.42	[ICRA]BBB Rating Watch with Developing Implications	Nov 11, 2024	[ICRA] BBB Rating Watch with Developing Implications	May 30, 2023	[ICRA] BBB (Stable)	-	-
				Jul 16, 2024	[ICRA] BBB (Stable)	Apr 17, 2023	[ICRA] BBB Rating Watch with Developing Implications	-	-

Complexity level of the rated instrument

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/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	Jun 2017	NA	Aug 2028	281.05	[ICRA]A(CE); Rating Watch with Developing Implications
NA	Term loan	Mar 2021	NA	Mar 2026	18.42	[ICRA]BBB; Rating Watch with Developing Implications

Source: Company

*#In July 2017, the company refinanced the existing loan with new sanction limit of Rs. 450.81 crore and was reviewed by ICRA initially. Subsequently current outstanding loan stood at Rs. 281.05 crore as on May 31, 2025. *In Dec 2021, the company availed GECL Facility (Additional Loan) with sanction limit of Rs. 88.40 crore and was reviewed by ICRA initially. Subsequently current outstanding loan stood at Rs. 18.42 crore as on May 31, 2025.*

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

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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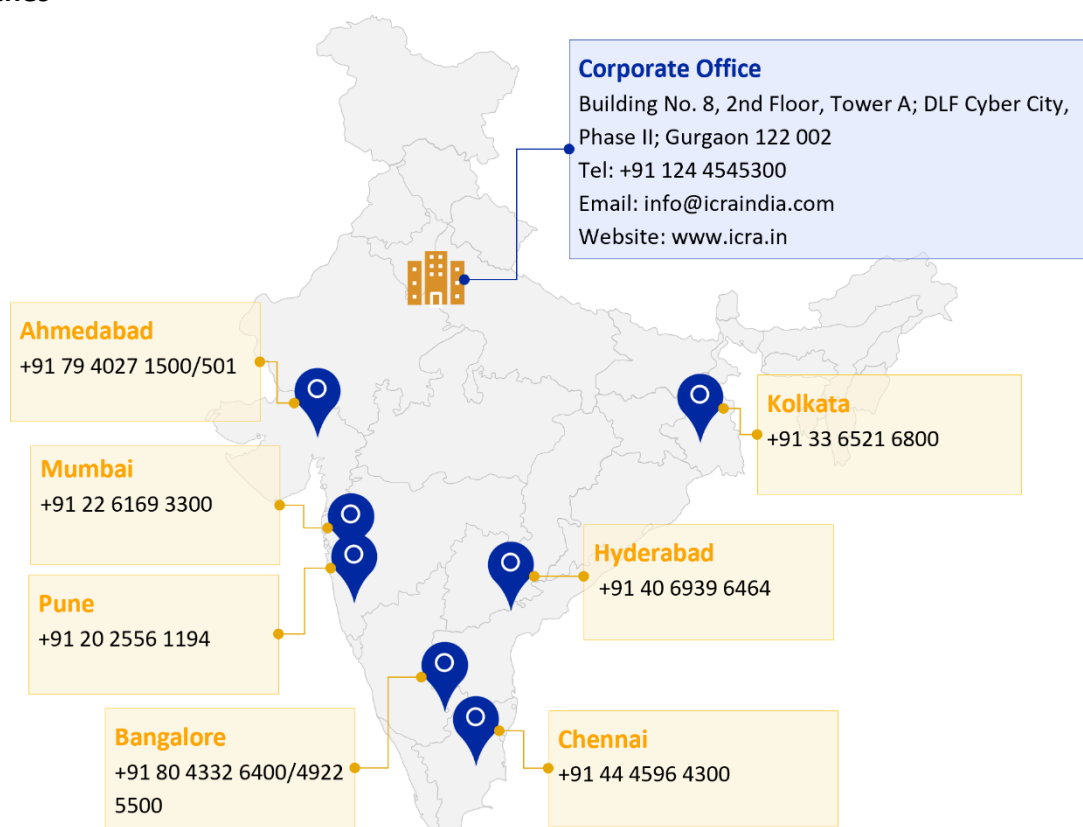
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